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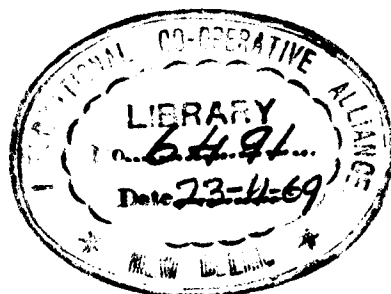


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International Cooperative Alliance
Regional Office & Education Centre for South-East Asia,
New Delhi, India, for the
**FAO Regional Seminar on
COOPERATIVE FARMING**
New Delhi, India. May 1-15, 1966

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Regional Seminar

ON COOPERATIVE FARMING

New Delhi. India. May 1 - 15, 1966

Documentation Submitted by the Regional Office
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TYPES OF COOPERATIVIZATION IN FARMING - A SURVEY[§]

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§ Paper submitted at the Regional Cooperative Farming Workshop organised by the Education Centre, International Cooperative Alliance, New Delhi, at Lahore, West Pakistan. December 5-19, 1962.

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TYPES OF COOPERATIVIZATION IN FARMING - A SURVEY

Dr. A.C. Felder

1. INTRODUCTION

This presentation is not intended just as a survey of some of the major-types of cooperation in agriculture with the objective of assisting us in arriving at working definitions to be debated, promoted, defended and revised at this Workshop. Rather, it is intended to **provoke** some thinking about what the role of the cooperativist - those of us who attempt to combine the disciplines of the economist, the sociologist, the agrarian reformer, the administrator and the cooperatør- should be in assisting, advocating and analysing different types of cooperative activities in farming.

Should the paramount role and objective of the cooperativist be that of defining, researching, promoting, programming and defending a particular pattern of cooperative activity in agriculture, sometimes with a view towards developing a single national pattern or several patterns for which financial appropriations are made by the law makers? or should the cooperativist spend more time and energy considering ways of increasing agricultural output in an efficient manner through efficient "optimum" use of production factors of land, labour, capital and management, within the framework of any general pattern of cooperative activity, taking into consideration certain important social and psychological aspects of a society and its national policy?

It occurs to me that the former case may be what is actually being done by us, cooperativists. I believe that we cooperativists at times become confused in defining different categories of the same subjects and quite often, within the category, use the same terminology for differing meanings. I dare pass professional judgement on the type of analysis that we have been doing in this field because I have often been guilty of these sins in at least the economic and sociological appendages of the cooperativist.

II TERMINOLOGY AND DEFINITION

To illustrate the array of terminologies and definitions found in the literature pertaining to the areas covered by the ICA Regional Office, a few may be listed:

- a) Miss Margaret Digby in the FAO study: "Cooperative and Land Use", distinguishes between the "divided" and "undivided" cooperative farms or "individualistic" and the "collective" type of cooperative farming.

- b) Sir Malcolm Darling, in his report to the Indian Government on "Certain Aspects of the Cooperative Movement in India" makes a similar distinction as Miss Digby.
- c) Professor Otto Schiller, in his booklet: "Cooperative Farming and Individual Farming on Cooperative Lines" suggests that cooperative farming defines those institutions where most of the farming procedures are carried out cooperatively, or are at least bound in the way of their execution by cooperative agreements.

Further, examination of literature in the area, reveals distinct categories of cooperatives in the field of agriculture which are generally accepted in the area as working definitions. Some of the major ones are:

- A) Service Cooperatives:- where individual cultivators would have and maintain title to their lands; management will be done on an individual farm family basis; but, marketing, supplies, credit, processing and other services would be provided by the cooperative organization to which the individuals belong.
- B) Cooperative Better Farming Society:- where each member owns land and cultivates it independently, but agrees to follow a plan of cultivation agreed to by the cooperative society and obtains services and supplies such as credit, seed, fertilizers, etc. from the cooperatives.
- C) Cooperative Tenant Farming Society:- where the society obtains land on a free hold or leasehold, but each individual member is allotted a separate plot from the sub-division, but cultivates that plot according to an agreed production plan formulated by the Cooperative. The Cooperative, upon request by the member, may provide services and supplies. Each tenant pays a fixed rent for his holding, but returns from the holding are his own.
- D) Cooperative Joint Farming Society:- where the ownership of land rests with the individual, but the land is pooled and cultivated jointly in accordance with a production plan approved by the management of the Cooperative. The sale of proceeds from the jointly cultivated land after meeting expenses are shared by members in proportion to the work done and/or land contributed.
- E) Cooperative Collective Farming Society:- where the cooperative holds the land and other means of production on a free hold or lease hold basis. Joint cultivation is undertaken and profits are distributed in proportion to work done by individual members.

An examination of these categories and descriptions appears to result in polarization of two extremes. One extreme represented by Pole No. A and B - "Service Cooperatives" and "Cooperative Better Farm Societies" - is dictated by the extent to which individual decision making, ownership, management and distribution of earnings takes place. The other extreme, Poles No. D and E - "Cooperative Collective Farming" and "Cooperative Joint Farming" are dictated by the extent to which the land is pooled, used and cultivated jointly. Management decisions are made and executed collectively and earnings are shared collectively.

Two observations regarding this appear to be immediate. One is that there are shadings of differences which converge as one moves from Pole A - "Service Cooperatives" to Pole E - "Cooperative Collective Farming" and in the opposite direction from Pole E - "Cooperative Collective Farming" - to Pole A - "Service Cooperatives". The other is that the broad terminology used by Miss Digby and Sir Malcolm Darling identify these opposite Poles and that Professor Otto Schiller's individual farming along Cooperative lines rests some place in the centre, but does not fit the centre Pole C - "Cooperative Tenant Farming".

III THE PROS AND CONS OF COOPERATIVE JOINT AND COLLECTIVE FARMING

For purposes of our analysis, it may be helpful if we examine the extreme positions taken by the advocates and opponents of Poles D and E - "Joint and Collective Farming". From a review of the literature on these types of cooperative farming, it appears that opposing view points may be delineated according to major economic advantages and disadvantages on the one hand and the major social-psychological advantages and disadvantages on the other hand. No attempt is made here to support or refute the different arguments made for and against these two types of cooperative farming. The examination is made for purposes of pointing out the rigidity of definitions with regard to other cooperative activities in farming which would result in efficient use of production factors and increased output. The following are some of the important economic and social-psychological considerations contained in the literature regarding the pros and cons of cooperative joint and collective farming considered together:-

- (a) Economic Considerations: The proponents of cooperative joint and collective farming - pooling of land and joint management - usually cite the technological efficiencies arising from the economies of scale. They usually argue that more intensive use of capital can be achieved; new and improved agricultural technology can be introduced which will not be possible for a single individual farm; cost can be minimised and a large sized cooperative farm would command better resources and better management.

The opponents argue that the theory of economies of scale are mis-applied when applied to cooperative farming, especially in areas where labour intensity in agriculture must be pursued.

They argue that cooperative farming may lead to increased production, but not necessarily to maximum production, and that a larger farm does not necessarily show higher yields per acre in comparison with a small one when a certain level of technology is given. A common clinch used in this argument is that pooling of resources of the poor may only mean pooling poverty.

- (b) Social-Psychological Considerations: Cooperative collective and joint farming advocates are convinced that implementation of land reform measures, especially where consolidation of holdings and imposition of ceilings and floors are promoted can best be achieved through cooperative collective and joint farming. They argue that savings in land through consolidation, reclamation, etc., would minimise social costs and would achieve the element of homogeneity so badly needed in countries where caste or community are pronounced. Incentives, they say, may be maintained by bonus for additional work which will prompt members of the cooperative collective and joint farms to higher and better effort.

The opponents of these types of cooperation in farming claim that the psychology of the peasant is such that productivity depends on his personal interest and that the sense of property ownership is so deeply rooted and the peasant is so individualistic that he could not operate in a pooled or joint land operation efficiently. They argue that economic incentive is not sufficient to incite cultivators to operate efficiently in a society where the general social philosophy of individualism is shared by a large segment of the population.

They cite that it will be difficult to synthesise the interests of landless agricultural labourers with those of the big and medium sized cultivators and that proper fusion of these interests will lead to inefficient production.

The above are some of the more common arguments, pro and con, for and against cooperative collective and joint farming which appears in most literature on the subject.

IV MODELS OF COOPERATIVIZATION WHICH DEFY CONVENTIONAL ^{OR} CATEGORIES

Less publicised and dramatic are types of cooperative activities in farming which technically cannot be considered as one of the four categories of cooperative farming nor as service cooperatives. These types appear to take advantage of the economies of large scale farming among small cultivators and at the same time appear to satisfy the social and psychological requirements of national programs and individual reactions. They tend to support the arguments of the pro cooperative collective and joint farming advocates as well as the anti cooperative farming advocates on both the economic and social - psychological

levels. A description of some of these types, both theoretical and actual models, are given here for purposes of introducing the topic for discussion.

a. Paddy cultivation on reclaimed lands

In many areas of the Region, paddy cultivation may be achieved following the monsoons if bunds are erected, the brackish sea water pumped out, seeding is done and fresh water is allowed in. Boats are required for harvesting, plant protection measures are required and common irrigation is necessary. In such cases, individual farmers owning plots in the area reclaimed must pool their land and other resources temporarily in order to carry out this type of cultivation. After planting, the field boundaries are restored and weeding and harvesting are done individually. Irrigation and plant protection are done collectively.

This situation indicates great scope for cooperative activity in farming, but does not necessarily fit into any of the categories of the conventional definitions of cooperative action in farming described above. At the same time, such farming operations could result in tremendous increases in food grain production throughout the region.

One such activity was observed in Alleppey district in Kerala State, where about 200,000 acres of land is being cultivated in this manner. In one plot of 2,500 acres, there are more than 100 individual owners. The paddy yields are upto 3,000 lbs per acre as compared with 1,200 lbs per acre in the surrounding areas.

Similar activities are reported to exist in parts of Burma, Malaya, Taiwan and the Philippines. In some cases, fish cultivation is done collectively between crops.

b. Hybrid Seed Multiplication

Agronomists have evidence that use of hybrid seed in certain countries in Asia will result in tremendous increases in per acre yields. For example, use of hybrid maize seed in India, is estimated to result in 50 to 60% more grain per acre than the best common local varieties. Assuming an average of only 30% increase in production, not 60% as a result of the use of hybrid maize, if hybrid maize were planted in one half of India's 9 million acres already under maize cultivation, there would be an additional yield of ten million maunds of grain or a value of Rs.14 crores more based on average market prices for the past five years.

In order to achieve this increased production 2,137 acres of land under foundation (nuclear) seed would be required. This would be grown on government state farms. This foundation seed is to be double-crossed before distributing to farmers. The amount of double-crossed seed required would be under 37,102 acres or approximately 75 units of

500 acres each which could be grown by private growers or cooperatives. Since cultivators cannot keep their seed crop for planting the next year, these requirements would be repeated each year.

The following operations and requirements are needed for each of the 500 acre units of double-crossed hybrid maize seed:-

- i. Isolation to prevent faulty germination - it is estimated that for a 25 acre area, only 9 acres could be assured as having proper isolation. That is to say, no maize could be grown in the areas except for seed.
- ii. ~~Roughing~~ - a selection method to remove off-type plants, would be required.
- iii. Detasseling - removal of male organs - would have to be done at the proper time.
- iv. The hybrid maize seed would have to be harvested and tested for genetic purity and viability.
- v. Processing which involves shelling, drying, screening, treatment and packaging would have to be accomplished. The capital required, mostly in foreign exchange, for items such as shellers, seed cleaners, etc., would amount to \$14,000 or Rs. 65,200.
- vi. Other cultural practices such as preparation of seed beds, timely irrigation and fertilization would have to be done.

It is obvious that individual farmers could not multiply hybrid maize seed effectively without some form of cooperation since they would have to agree on common actions in order to provide for isolation, roughing, processing, etc. The processing unit would not be economical if less than a certain acreage, say 300-500 acres, are produced. Therefore, capital requirements for the processing plants would have to be done collectively. Such an operation implies temporary pooling of resources but at a particular stage, individual ownership and operation of the land would be maintained. The economies of large scale operations could be effected, the social and psychological factor pertaining to land ownership, ceiling, consolidation etc., would be satisfied; efficient utilisation of capital would also be satisfied. The extent to which the cooperative organisation would formulate its rules and regulations would be determined by the circumstances in the areas. They may even consider having cooperatively owned equipment to service the fields for ploughing etc. Several examples of this type of cooperative activity are found throughout Asia and South America. Thus the basic objective of our discussion is to examine whether in the effort to increase production the cooperativist, the law maker and the executive who hands out the aid lay more emphasis on philosophy rather than practice, or in other words, on form rather than function. I have indicated already that it is function rather than form which is vital,

practice rather than philosophy which is pertinent.

During the group work you may wish to approach the discussion from the following points of view:-

1. Confusion of terminology and definition.

For example: when we speak of farming, do we mean the production, processing and, to some extent, distribution of food, feed and fibre, or do we restrict our consideration to cultivation of land only.

2. Rigidity of categories.

For example: Do the conventional categories of cooperation in farming exclude several possibilities for increasing agricultural production by cooperative action?

3. Revision of definitions and categories.

For example: Should we continue to use cooperative farming as a category or term to describe several types of cooperative activity in farming where joint cultivation and/or ownership of land takes place or should we devise new categories and definition which more accurately now described types of cooperative activity in farming operations?

F. A. O.

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COOPERATION IN SOUTH-EAST ASIA AND THE ROLE OF
THE INTERNATIONAL COOPERATIVE ALLIANCE

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COOPERATION IN SOUTH-EAST ASIA AND THE ROLE OF THE
INTERNATIONAL COOPERATIVE ALLIANCE

Dr S.K. Saxena

1. INTRODUCTION AND SOME BACKGROUND FACTORS

This paper describes briefly some aspects of the Cooperative Movements in Ceylon, India, Pakistan, Malaysia and the Philippines, outlines the major problem areas and spells out the role now being played by the ICA Regional Office and Education Centre for South-East Asia. The South-East Asian Office of the ICA works also for Burma, Japan and Thailand.

In view of the vast scope of the subject, it is inevitable that I should make a number of generalisations to which numerous exceptions could be cited. While there are, no doubt, substantial achievements to the credit of the Movements in the Region, this paper focuses attention mainly on the problems and difficulties experienced by Cooperative organisations.

In delineating the socio-economic context in which the Cooperative Movements function in the Region, the following observations may be made. The exit of foreign rule from the political scene has brought into existence national governments with varying degrees of political stability. They have inherited a structure that is generally stagnant, a narrow base of secondary industries and widespread poverty which inhibits formation of capital, risk-taking and, to a certain extent, the acceptance of new ideas. The social structures are characterised by status-patterns that are ascriptive rather than achieved; power is generally located in the hands of small strongly entrenched groups; and, finally, the countries abound in social institutions which have for a long time functioned on an authoritarian base and have led to a general conditioning of attitudes that would need considerable transformation for economic development to be achieved within a democratic political framework.

A second background factor which needs emphasis is the considerably changed role of the governments. Far from playing the "watch-dog" role which they had set themselves during the "laissez-faire" period of the 19th century, the governments in several countries of the Region are actively trying to accelerate the process of social and economic development. In this context, the existing socio-economic organisations, including the Cooperatives, come under a variety of pressures, which emanate from the desire for a rapid execution of developmental plans. For the Cooperative Movements, this

situation causes problems which are ideological and operational in nature.

Thirdly, agriculture forms the predominant sector in the national economics, both from the point of view of the number of people engaged in it and the contribution which agriculture makes to foreign exchange earnings and government revenues. However, since a long period of time, productivity in agriculture has suffered due to faulty system of land tenure, the general inadequacy of inputs and the insufficiency of social investments which have severely curbed the initiative of the farmers. Holdings are small and fragmented, indebtedness is widespread and the absence of marketing facilities does not allow the farmers to obtain a reasonable return for their products. All these factors have influenced the direction of agricultural Cooperative development in the Region.

Fourthly, the contemporary scene in the Region is characterised by rapid urbanisation due to the rising growth rates of population and the steady stream of migration from the villages to the cities. The overcrowding in the cities and the lack of commensurate expansion of civic facilities has presented urban-dwellers with a number of problems among which the rising cost of living, the inadequacy of housing facilities and the need for the supply of unadulterated consumer goods are three of the more urgent ones.

Fifthly, the great diversity of Cooperative activities has highlighted the need for a continuous supply of trained leaders and enlightened members who could take active and intelligent decisions on matters of policy and discharge functions that call for technical competence. In every country, efforts are made to provide education to employees and members, but such programmes are rather general in character. There is, in other words, a failure to sharply categorise the audiences and develop teaching techniques and material which would fit the needs of Cooperatives in different positions.

2. AGRICULTURAL COOPERATION

Credit Cooperatives

Credit societies, which have existed in the Region for almost five decades, provide the most extensive network of cooperative organisations in the countries discussed in this paper. Their main task is that of dispensing credit of a short-term nature to farmers for seasonal operations. In India, there are special organisations which advance loans for long-term purposes. Depending upon the size of the country, the credit cooperatives have developed a two or three-tiered structure. At the base are the primary cooperatives which operate for one village or a group of villages. These are affiliated to a district level bank and the latter are members of the State level or national organisation.

In many countries, the idea of Cooperation was developed to combat the widespread indebtedness prevalent among farmers and the Cooperatives

were single purpose organisations, separate societies having been established for credit, marketing and supply functions. However, recent thinking on the subject appears to favour the diversification of functions at the primary level. In Ceylon, for instance, since 1957 multipurpose societies have been formed over the entire island; in India, the credit societies have now been converted into what are called "Service Cooperatives", which also undertake supply functions; in the Philippines, the FaCoMas have been undertaking the tasks of supplying credit, agricultural requisites and marketing of the farm produce; and in Malaysia, the credit cooperatives are being encouraged to supply fertilizers to their members.

Table I in the Appendix shows the number and types of primary cooperatives in the various countries.

The membership of these societies is small as the area of their operation is limited. In the Federation of Malaya, for instance, it is only 50. This has denied the Cooperatives the advantages of large-sized operations and a great deal of discussion, for instance, in India has revolved around the question of "economic viability" and its relation to the size of a cooperative organisation.

In all countries, with the exception of unlimited liability societies in Ceylon, the proportion of share capital to working capital is very small. Deposits are extremely meagre and there appears to be a general lack of emphasis on thrift and savings from members, although lately efforts are being made to increase the owned capital through some built-in devices as a pre-condition for obtaining government assistance. A large part of the working capital is derived from government sources or central banks. In India, under its scheme of "concessional finance", the Reserve Bank of India, provides funds to the State Cooperative Banks at rates lower than the Bank rate. There is also provision for the government to participate in the share capital of the cooperatives to evoke increasing confidence among the members.

Table II in the Appendix shows the volume of credit provided by primary cooperatives to the cultivators in the different countries.

In discussing the nature of the loans advanced by credit cooperatives, three aspects deserve attention. The first is that the majority of these loans are granted for a short period, say, for one year. Secondly, the proportion of the loan utilised for farm operations varies from country to country. The subsistence nature of the farmer's economy does not allow for a sharp distinction to be drawn between the requirements for the farm and the household and despite the efforts being made in some countries to restrict loans for purposes of farming it has been difficult to devise measures for ensuring that a loan is productively utilised. However, it is now being recognised that loans for purposes of domestic consumption are also necessary if the farmer is not to be pushed into seeking loans from non-institutionalised sources which, in the long run, would work to his disadvantage. Thirdly, the demand for loans is highly seasonal in character touching the peak during the sowing season and gradually evening out over the

period before the harvest arrives. This makes it vitally important for cooperative organisations to have the required supplies of funds when they are most needed.

The security requirements for obtaining loans from Cooperatives differ from country to country. These range from a personal guarantee for a small loan, to immovable property, third party guarantee, promissory note signed by two sureties and pledge to deliver the crop. The rate of interest on short-term loans also varies from country to country. In India, as mentioned earlier, the Reserve Bank advances funds for seasonal operations at 2.5% per annum, that is, 2% below the Bank rate. The ultimate borrower gets it at 4.5% to 6%. In Malaya, the Government loans money to the apex Bank at 0.25% per annum for paddy cultivation and at 4% for processing and marketing.

The procedure for sanctioning loans rests, in the first instance, with the Board of Directors or the Managing Committee of the society. In India, the applicant furnishes the required information to the secretary to enable him to fill up the form and if the Society is satisfied, the application is forwarded to the next higher organisation, viz., the Central Cooperative Bank. The Bank satisfies itself and reports to the Credit Committee for sanction. Lately, attempts have been made to encourage the farmers to submit farm plans. In West Pakistan the application is examined and the Executive Committee sanctions the loan. In the Philippines, applications have to be submitted well in advance which are checked by the Barrie Loan Committee, the FaCoMa Board of Directors and the Branch Office of the ACA (Agricultural Credit Administration).

Despite dissimilarities in the structure and functioning of credit cooperatives, the foregoing rapid survey reveals some common features. The Credit Movement in the Region is not a substantial supplier of finance to the agricultural sector; the primaries are weak and their geographical coverage is small; the audit classification, at least in India and Pakistan, reveals that a large number of societies fall within the "C", "D" and "E" categories; overdues are high, and, finally, the societies do not often present the picture of live units in which a well-informed membership gives the desired direction to democratically controlled organisations.

Cooperative Marketing and Processing

The large share of the marketing of agricultural produce in the region continues to be in the hands of the village moneylender-cum-trader who advances loans to the farmers and, on the strength of such accommodation, buys out the farmers produce at terms which are not favourable to the cultivator. The concentration of Cooperative activity in the field of credit alone did not, therefore, provide the comprehensive approach needed to raise the economic levels of the farmers. The problem of high overdues in Cooperative societies was, among others, a reflection of the fact that the farmer was not able to secure a reasonable return for his produce. It has, therefore, been

increasingly realised that the Cooperative Movement must develop an approach that integrates the aspects of credit, supply, marketing and extension work. This is sought to be done either by achieving functional link-up between the specialised societies or by having multipurpose organisations at the village level.

In India, detailed attention was given to the problem of marketing only during the Second Five Year Plan when about 1,800 primary marketing societies were organised. Apex marketing societies have also been organised at the State level, and, at the national level, there is an apex organisation called the National Agricultural Cooperative Marketing Federation. In the Philippines, as already mentioned, the FaCoMas are limited liability societies which also undertake the marketing of produce. Generally, one FaCoMa is organised to handle one particular crop within a given area. In Ceylon, the Agricultural Production and sales societies and the multipurpose societies, in addition to supply functions, also purchase paddy on behalf of the Government under the guaranteed price scheme. In Malaysia, there are in operation specialised cooperative marketing societies for different products. Each society covers about 10 to 20 villages in the case of rice and rubber. The functions of these societies are mainly to supply production requisites, arrange for transportation and grading and, finally, selling on collective basis. There is in operation a Government-guaranteed price for paddy.

Organisation and Operations

The membership of these societies is open to primary producers and the general effort is to have a sizeable membership which could make the unit economically viable. The primary marketing societies obtain the produce from the farmers, make arrangements for stocking it, advance some money to the farmers and, after the crop is sold, return the amount to the farmers after deducting their service charges. In other words, the marketing societies mostly work as commission agents. The inability of the societies to undertake outright purchases, involving as it does higher financial risks and commitments, has acted as a **deterrent** to the loyalty of the members towards the marketing societies. By the adequacy and elasticity of his financial accommodation, the private merchant has been able to score over the cooperatives.

Given a weak base of primary marketing cooperatives, it is understandable that the apex organisations have not been able to develop economic strength. In India, the National Agricultural Cooperative Marketing Federation was organised in 1958 with the purpose of undertaking import and export trade for and on behalf of cooperative societies. The Federation has also been charged with the task of promoting inter-State trade between cooperatives, collection and dissemination of market information and arranging for facilities for forwarding, inspection and storage. Its main activities have consisted in the export of certain agricultural commodities, such as lentils and spices, and import of good quality seeds, other agri-

cultural requisites and dry-fruits. It also operates branch offices at ports. A price-fluctuation and risk-bearing fund has been created to provide its members with the possibility of counteracting losses caused by serious price fluctuations. In Ceylon, where vegetable growers' societies have done some good work, about 86 societies joined together to open selling outlet in Colombo. The success of this venture led to the creation of Ceylon Agricultural Producers' Cooperative Union in 1961. In the Philippines, the Central Cooperative Exchange was organised in 1955 with the object of promoting and facilitating the efficient merchandising of the produce of members of FaCoMas, undertaking processing, storage and distribution of farmers' produce, establishing and operating terminal markets which will serve as clearing houses for cooperative associations and procuring farm supplies and equipment needed by member FaCoMas. The Exchange is also waging an intensive member education and information programme, extending management services to FaCoMas and taking several other measures to improve the economic and financial conditions of the organisation.

The problem of providing adequate warehousing facilities is intimately linked with the success of cooperative marketing operations. In India, an extensive programme for the construction of warehouses has been undertaken and Corporations both at the Central and State levels have been established for this purpose.

On the whole, it can be said that the marketing societies have not been able to raise adequate resources of their own. In India, the State Bank of India is providing marketing finance to cooperatives to enable them to offer pledge loans to members and to pay the farmer on delivery of produce. In the Philippines, as mentioned earlier, the FaCoMas' main source of funds is the Agricultural Credit Administration. In Malaysia, the Government provides loans to societies for advancing the same to the members and for the purchase of equipment. In Ceylon too the Government extends loans for such purposes.

The major obstacles to the growth of cooperative marketing in the Region may be summarised as follows:- the small amount of marketable surplus with the cultivators and the organisational problems involved in covering large distances; absence of technical skill for doing highly specialised jobs; inadequacy of financial resources of marketing societies; the fluctuations in prices of agricultural commodities and the inability of the marketing societies to provide against this contingency; lack of supply of up-to-date market intelligence to the farmers; the very limited amount of international inter-cooperative trade caused by discriminatory regulations mostly emanating from the Government, and by the structural weakness of the National Cooperative Movements.

Some countries in the Region show outstanding achievements in the field of cooperative processing. In India, there are 57 cooperative

sugar factories which have been responsible for giving a variety of benefits to sugarcane growers. These sugar mills are essentially processing societies of cane-growers and some cooperative institutions are also admitted as members. The main sources of funds are; share capital contributed by members; share capital contributed by the State Government and medium, long-term loans from financing agencies. Through some built-in devices, efforts are now being made to retire the Government contribution from the share capital.

In the Philippines, the Central Cooperative Exchange, operates a Tobacco Redrying Plant under a contract with the Philippines Virginia Tobacco Administration. In Ceylon, a number of processing industries in the field of coconut and tea have been set up. These projects which, in some cases, have grown into complexes of rural industries, have been able to provide several advantages to cooperative members including a number of social facilities.

3. URBAN COOPERATION

Consumers' Cooperatives

Historically, Consumers' Cooperative Stores began to be organised in the Region after 1910 either on plantations or at factory sites where a sizeable community presented a substantial and homogeneous demand for consumer goods. In Ceylon, small stores intended to supply curry stuffs and other simple household necessities got under way shortly before the last war and in 1939-1940, there were in all 26 stores with a membership of about 12,500. In India (which then included the present Pakistan territory), cooperative stores had existed in the country ever since the Act of 1912 had allowed for the formation of non-credit societies. Some, particularly among the factory workers, had attained a certain amount of success. The Trade Unions had also insisted on the provision of cooperative shops thereby forcing, to some extent the pace of the Movement. In Malaya, the earliest attempts to form Cooperative Stores go back to the year 1922 when two such societies were started in the Federated Malay States. These were, however, short lived and the occupation of the country during the War period marked a complete suspension of cooperative activities. In the Philippines, the Non-Agricultural Cooperative Law (Republic Act 2023) was passed in 1957 which charges the Cooperative Administration Office to accelerate the growth of consumer cooperatives, and more specifically, for establishing a Cooperative Wholesale Society.

In both Ceylon and India, the growth of Consumers' Cooperative Movement was very closely linked with the Second world war. The war, bringing in its train a shortage of goods and increased employment, enabled the Governments of the two countries to use consumer cooperative shops for distribution of controlled and rationed goods. However, in both the countries the Movement suffered very seriously at the termination of the war mainly because the facility of distributing rationed commodities through cooperative stores was withdrawn, no serious attempts had been made to ensure sustained loyalty from the

members and the technical problems relating to salesmanship, purchase policies, and the formation of capital had not been given any serious thought. A similar situation also existed in Malaya where the Movement received a fillip during the Korean war but shrank back to its modest earlier dimensions after the de-rationing of goods and the emergence of well-established private traders in the field of commodity distribution.

Size and Organisation

Primary stores, with few exceptions, are generally very small organisations in terms of membership, turnover and financial resources. Largely because of the ignorance of Cooperative Principles and an absence of appreciation of the need for sound financial and saving policies, the cooperative stores have not given careful thought to building adequate owned and working capital. The primaries have not developed a unified higher organisational tier. In some States in India, for instance, primaries are joined together in the district and State marketing federations which are not exclusively representative of consumer stores. In Malaysia, a Cooperative Wholesale Society was established in 1948 to provide goods and services to the primaries. Its funds were obtained mainly from overdraft facilities on the basis of a Government guarantee. In Ceylon, the Cooperative Wholesale Establishment (which is not a cooperative organisation) is responsible for obtaining bulk supplies for the cooperative stores. In the Philippines, as mentioned earlier, the Philippines Federation of Consumer Cooperatives has been set up recently and in the absence of a Wholesale Society, the function of supply and distribution of essential consumer goods, commodities and equipment, for primary non-agricultural cooperatives is being undertaken by the Federation. In East Pakistan, an Apex Wholesale Society known as the East Pakistan Provincial Cooperative Marketing Society Limited was established in 1962 with the Government subsidy towards management costs and a long-term loan towards its capital for providing loans to 54 multipurpose societies for development of trade in consumer goods.

It would be true to say that there is in the Region an absence of close integration between the primaries and the higher-tiered organisations. On the one hand, therefore, the primaries continue to provide a weak base to the total structure of the Movement in the country, on the other, strong and financially sound State-level organisations are not able to project downwards their energising influence on the primary stores.

In addition to the above, the major problems faced by the Consumer Cooperative Stores in the various countries may be summarised as under: small margins in distributive trade due to a very large number of small units engaged in retailing, low level of consumer consciousness which does not allow the consumers to be discriminate buyers, widespread habit of buying on credit, inadequacy of financial resources, general absence of specific training facilities for employees of consumer stores, and, finally, the excessive involvement

of Governments which often does not allow the consumers' movement the latitude to develop its own independent policies.

The above description has mainly concerned with what might be called the open general store. There are, however, examples of "institutional stores" working successfully throughout the Region. These might be organised in Government offices, factories and other industrial establishments. The main reasons for their success have been: managerial and other subsidy provided by the employer, possibility of deducting dues from the salaries and wages against credit purchases and a steady patronage of the stores by its members.

Some statistics about consumer cooperative stores are given in Table III in the Appendix.

Thrift and Loan Cooperatives

There are in existence a number of cooperative thrift and credit societies all over the Region created mainly to encourage their members to practise thrift by allowing them the facility of depositing a certain part of their salary at regular intervals. The members can obtain loans at reasonable rates of interest for their normal needs, and, in some cases, also for long-term purposes such as construction of houses.

Cooperative Banks

In India, a distinction is made between Urban Cooperative Banks where deposits are generally withdrawable by cheques and which carry on normal banking functions and employees' societies which receive deposits from, and advance loans to, the workers in a particular organisation. The growth of urban cooperative banks in India has been very uneven. The membership is generally drawn from the salaried classes, traders and merchants. While in many cases, the need for strengthening the owned funds exists, by and large the owned funds and deposits constitute a substantial portion of the resources of the banks, the present percentage of deposits to working capital being 69. Although clientele is drawn mainly from the urban areas, there are facilities available to cultivators also for the purchase of seeds, manure, improvement of land etc. Some other purposes for which loans are available are: construction of houses, operation of petty trade and industry, purchase of food-grains and other necessities of life.

In the Philippines, a National Cooperative Bank has been recently established. The Bank is a federation of all types of non-agricultural cooperatives. Its total resources now amount to ₱3.6 million and it has established a number of branches. The Bank provides finance to primary cooperatives in the non-agricultural sector.

Employees' Credit Societies

Throughout the region, there are financially sound Employees Cooperative Credit Societies working in government and private institutions. In India in 1961-62, there were about 4,000 societies with a total membership of 1,222,000.

Organisational and Operational Aspects

The membership of such societies is generally open to all people working in the institution although some times exceptions are made. In some cases, a restriction is placed on membership and only members of trade unions are enrolled. The general body is the supreme parliamentary organ and a managing committee is responsible for the over-all supervision of the working of the society. In the Philippines, where there are credit unions, the Annual Assembly is the highest authority which appoints a Board of Directors, a credit committee and a supervisory committee. Generally, the owned funds and the deposits constitute the major share of the resources of the societies. In many cases, the deposit fund is of a compulsory nature and is sometimes deducted at source.

In Malaysia, thrift and loan societies have made some remarkable progress. Apart from helping to improve the condition of household economies of members by inculcating in them the habit of saving and helping them to keep out of indebtedness, the greatest advantage to the Cooperative Movement in Malaysia has been the assistance extended by the credit societies to other sectors of the Movement. Through their advisory councils, the societies have initiated some new cooperative ventures. After the war, the thrift and loan societies have helped the Malayan Cooperative Insurance Society with its working capital and many of them have invested their surplus funds in cooperative housing societies. They have also assisted the Cooperative College of Malaya as also the Cooperative Union.

Some Obstacles

The main obstacles restricting the future growth of the Movement have been: the difficulty in getting skilled personnel, too limited membership, hostility or lack of cooperation from the management, internal strife due to political or religious differences and an almost complete lack of training of members and employees which narrows down the vision of leaders of these cooperative societies. In the Philippines, the Cooperative Credit Union League has been recently organised to promote, organise and develop credit unions, encourage coordination among unions by holding educational meetings and undertake other work relating to technical advice, public relations, etc.

Cooperative Housing

The magnitude of the task involved in providing adequate urban housing in countries of the Region is very large. The rapid urbanization of the countries and the heavy depreciation on houses due to lack of proper maintenance care have created a very acute situation. In India, for instance, it has been estimated that a total of 18 million houses will be needed by 1976 to meet the deficit of urban housing, which will call for very substantial investments. A similar situation exists in some large cities of Pakistan. In Karachi, the large influx of refugees after the partition of the Indian sub-continent has created an extreme pressure on the existing housing resources. The emergence of Malaya from the war and a twelve year period of Communist insurrection had brought house construction activity in that country more or less to a stand-still.

Organisation

The patterns of organisation of housing societies prevalent in the Region may be broadly classified into the following three: The first relates to those societies in which the entire property is owned and managed by the society and members continue to be its tenants. It is the function of the society to secure land, develop it, construct houses and allot them to members on the most reasonable rent.

Secondly, there are those in which the members act actively at one or several stages of operations, and the ownership is eventually passed on to members. Thus, after the acquisition of land, construction and allotment of houses, the tenants buy out the houses over a period of time. Alternatively, the society may acquire and develop the land and give the plot to members who could then construct the houses themselves or with the assistance of the society.

Thirdly, there are in existence, in some large cities, e.g., Bombay, the Flat-ownership Cooperatives. In order to economise on land, a large building is constructed containing a number of flats and individuals buy out the flats on the understanding that purchasers of flats would form a cooperative society.

Out of the above mentioned three, the second category, viz., the co-venture cooperatives, appears to be the most common, probably because it permits individual ownership of houses.

All persons, who do not already own a house, are admitted as members on subscribing the initial capital. The society acquires land, develops it, and arranges for technical services. In Malaya, the full cost of the land and one-fifth of the cost of the house to be constructed by him are to be paid by the member, the remaining four-fifths to be recovered in instalments which carry a certain

amount of interest. Even after the amount is discharged in full, the property remains with the society for several more years. This is done in order to avoid speculation.

The General Body is the supreme parliamentary organ. It elects a committee of management which is responsible for the day-to-day affairs of the society and the members of the committee retire by rotation.

Difficulties Experienced

The entire activity of house construction is a highly technical one which involves problems of a legal, technical and financial character. Adequate administrative machinery, which is well-informed on technical matters is, therefore, a necessity. The secondary organisations are generally few and far between and the small primaries have, therefore, to fend for themselves. A second difficulty arises out of a serious lack of financial resources. The owned capital of the societies is very small and the sources of borrowings available are mainly the Government and semi-Government organisations. In some states of India, Cooperative Housing Financing Societies have been set up but their contribution has not been significant. The commercial banks are not able to assist, in some cases because of the restrictions placed on them by the Central Bank of the country.

In Malaya, the main sources of finance are from a building society, the Employees' Provident Fund Board, Thrift and Loan Societies, the Cooperative Insurance Society and the Cooperative Central Bank.

Some methods suggested for augmenting the resources of housing societies are: contribution to the share capital by the Government, loans from the Government and commercial banks, Government guaranteed debentures, introduction of mortgage guarantee insurance scheme under which, in return for a suitable fee, private individuals and institutions, who are able to loan money for housing cooperatives, could be provided with protection against non-repayment.

A third problem relates to the acquisition and development of land. Land is not easily available at reasonable cost and with the high amount of speculation in real estate, the Cooperative Housing Societies find it extremely difficult to obtain a compact plot of land which could be developed for their members.

Fourthly, a problem common both in India and Pakistan is the acute shortage of building materials, such as cement. As the supply of building material falls short of the demand and as several building materials are subject to controls, the housing societies find a severe limitation placed on expansion of their activities. The possibilities of research work on the use of alternative building material is, therefore, of great importance.

Finally, a major obstacle is the lack of an agency which could provide continuous technical guidance and offer assistance in streamlining the management structure of the primaries.

4. SOME PROBLEM AREAS

On the basis of the above very rapid survey and at the risk of simplification, the problem areas of Cooperation in the Region may now be grouped under the following four heads:

1. Lack of technically skilled leaders

In almost all countries included in this paper, cooperative organisations have to contend with a membership which is apathetic and does not actively take part in the working of the societies. This puts a severe limitation on the expansion of the Movement. There is also a serious lack of skilled employees who could handle competently the technical tasks involved in running a cooperative organisation. In all countries, facilities for cooperative education exist, but the nature of training is very often formal and does not have the required practical bias. Moreover, the techniques of teaching employed are rather traditional and do not have an impact in depth. The production of suitable cooperative literature, teaching materials and audio-visual aids is, therefore, a matter of great urgency.

2. Organisational

The review of the Movement in the Region has shown that the primary units are small. As a result, their technical efficiency is low and their bargaining position weak. They often act as isolated units ignorant of the strength they could lend each other by mutual collaboration. They are thus unable to effect economies of scale, a factor which has been of significance in the development of the advanced Movements. Where secondary organisations exist, they are often, unable to count upon the sustained loyalty of their primary affiliates.

3. Financial

The Movement, with the possible exception of the urban thrift and loan societies, suffers from the lack of finances. Efforts at building owned funds have been few and far between and, as a consequence, the Movements depend to a substantial extent on the support from the Governments.

4. External Relations

The problems under this head falls broadly into two. Firstly, there is the aspect of the Cooperative Movement developing relations with other socio-economic movements, e.g., trade unions, youth organisations, women's associations, etc., which can lend support

to the former. Within the country ; there is the other aspect of the Cooperative Movement's being able to obtain their due share in the facilities provided by a number of financial and economic corporations set up in several countries. The Life Insurance Corporation of India, the Industrial Development Corporation of Pakistan, the Agricultural Credit Administration in the Philippines, the Cooperative Wholesale Establishment in Ceylon, the State Bank of Pakistan, the various government departments dealing with imports, exports and licensing of quotas, etc. are some of the important agencies which may be mentioned in this connection.

The second part of the problem relates to the aspect of the Movements in the Region developing relations on an international basis, more particularly with the advanced ones. The urgent need for transfer of cooperative experiences, both on intra-regional and international bases, has come about, luckily, in a period when there is a willing interest on the part of the older, more experienced movements to help the developing countries through a number of existing international organisations. In short, the supply of literature, of specific information in response to precise needs, exchange of cooperators, help in the creation of industries on a cooperative basis, and measures to expand international inter-cooperative trade are some ways by which the advanced Movements could contribute to the growth of the Movements in the Region of South-East Asia.

5. ROLE OF THE INTERNATIONAL COOPERATIVE ALLIANCE

In an attempt to describe briefly the role of the International Cooperative Alliance (ICA) more particularly of its Regional Office and Education Centre for South-East Asia; it is necessary to make two preliminary observations. First of all, it is recognised that the role of the ICA in the Region could only be supplementary to the efforts made by the National Cooperative Movements who must naturally, undertake the major responsibility for the growth of the National Movements. The second observation relates to the existence of a number of United Nations agencies which have active assistance pro-

y Hereinafter referred to as the "Regional Centre" or just the "Centre". It should be added that the two offices functioned separately till August 1963 and were, thereafter, merged. The funds for the regional Office are largely a charge on the normal budget of the ICA, London, while the activities of the Education Centre are financed by contributions raised by Swedish Cooperators on a voluntary basis. These collections are supplemented by contributions from the Swedish Cooperative Organisations. Funds were collected under a campaign known as "Without Boundaries". At the recently held Congress of the Cooperative League of the USA, a similar idea was mooted. A Fund has also been raised by the west German Cooperative Congress called the "Aid India Fund" for providing technical assistance to cooperatives in India.

grammes in the field of Cooperation. The Alliance, therefore, makes every effort to ensure that the programmes in the realm of Cooperative Movement are, as far as possible, effectively coordinated.

The Regional Office & Education Centre of the ICA started functioning in New Delhi in November 1960. This came about as a result of long and incessant discussions carried out at the various Congresses of the Alliance dating back to the year 1948, and also after a study of the cooperative problems in the Region had been sponsored by the Alliance in 1955. During the course of the discussions, ways and means were explored to bring the Movements in the developing countries closer to the Alliance and also to seize the global challenge of helping to contribute, through the instrument of Cooperation, to the social and economic development of the under-developed countries.

At the Lausanne Congress of the Alliance in 1960, a Long-Term Technical Assistance Programme was drawn up which emphasized the aspects of the continuation and completion of the exploration of the developing regions by experts, a programme of intensive research in various aspects of Cooperation, the promotion of education at all levels, collaboration with United Nations and other agencies and, finally, promotion and expansion of trade between cooperative organisations in developing countries and more advanced ones.

The activities of the Centre can be divided into the following five heads:

- 5.1 Intensification of ICA relations with the Movements,
- 5.2 Supply of information and technical assistance,
- 5.3 Collaboration with international organisations,
- 5.4 Education and research, and
- 5.5 Advisory Council.

5.1 Intensification of ICA relations with the Movements

Contacts with member-organisations are extended in the following manner. First, the Centre's officers visit the various movements regularly. Often, these visits are held in conjunction with some educational activity that is being held in a particular country. An opportunity is then taken to discuss with the responsible officers of the organisation the problems of the Movement and the ways in which the Alliance could make itself useful. Information about these visits is, in turn, conveyed to the Headquarters of the Alliance in order to enable it to make its policies more realistic to the needs of the Movements. Secondly, the Centre brings to the notice of the Movements international facilities which are available to Cooperators. An example is the travel grants offered by the UN agencies. Finally, the exchange of Cooperators is further facilitated by the award of Fellowships by the ICA itself and by helping in drawing up effective programmes

for the Cooperators visiting the advanced countries. It may be added that help is also sought from the Centre by the Western Cooperative Training institutions in the selection of participants from the region. The Swedish KF/SL seminar is a case in point.

5.2 Supply of information and technical assistance

The Centre devotes considerable time to answering queries on various problems facing the Cooperators in the Region. These may relate to the organisation and activities of the Alliance itself, consultative service in various fields of cooperative activity, and, finally, the increasing desire of Cooperators in the Region to know about the possibilities for further training abroad and exchange visits to different countries of the world. Such continuous contacts help to keep the Centre informed about the problems which are exercising the minds of Cooperators in the Region, enables the Centre to make its programmes and publications relevant to the needs of the Movements and, finally, establishes the Centre as a service agency over the widest and most diverse audience.

The second major function under this head may be classified as one of securing "technical assistance" which, in its broadest sense, includes the supply of expertise, finance and, in fact, any kind of help from one Movement to the other. More concretely, this function could be broken down into the identification of the areas of technical assistance either at the Centre's own initiative or through the receipt of requests from a cooperative organisation, conducting preliminary enquiries and negotiations with the various authorities, processing of the project with the ICA headquarters and, finally, where necessary, arranging for the orientation of the experts to local problems and conditions. At the ICA Congress held in 1963 at Bournemouth a Resolution was adopted which exhorted the advanced movements to help, in collaboration with their counterparts in the developing countries in the setting up of processing industries in the Cooperative sector.

5.3 Collaboration with International Organisations

Within the Parliament of the Alliance, great emphasis has been laid on giving the utmost collaboration to those international organisations, particularly, the UN Agencies, which also have programmes in the field of Cooperation. The Regional Centre seeks to project the same support to the Regional UN organisations in South-East Asia. Such collaboration takes the form of exchange of programmes, mutual exchange of invitations for participating in various conferences dealing with Cooperation and allied subjects, and, finally, the aspect of organising joint educational activities with UN agencies. Thus, a seminar on "The Role of Cooperation in the Emancipation of Women" was held in New Delhi in November-December 1962 by the ICA in collaboration with the UNESCO.

5.4 Education and Research

The major concentration of the Centre's activities is, however, in the field of Cooperative Education. The Centre organises four to six Regional Seminars every year and two National ones. Table IV in the Appendix gives the subjects and the number of participants to the ICA seminars held so far. The educational activities are classified under Experts' Conferences, Seminars and Workshops. The Experts' Conferences are attended by people who have a specialised knowledge of the subject around which a Conference is organised. The participants are invited directly by the Centre. Both Regional and National Seminars are organised in different fields of Cooperation and the participants are selected by the National Cooperative member-organisations of the ICA and the Governments concerned. A forum is thus provided for exchange of views between the "official" and "non-official" Cooperators on pertinent Cooperative issues. A national seminar is organised specifically at the request of a particular Movement and the Alliance contributes by helping in the programming of the activity and by providing some expert lecturers. The third type of educational activity is the organisation of Workshops, a term which denotes a more practically-oriented approach to the discussions.

These activities which last anywhere from one to two weeks are rotated around the Region and collaboration is sought from competent speakers to handle selected subjects.

In this connection, mention may be made of the Cooperative Ministers' Conference which the Alliance organised on the "Role of Cooperation in Social and Economic Development" at Tokyo in April 1964. To this Conference the Ministers of Cooperation from various countries in the Region as also the Presidents and Secretaries of the national voluntary organisations were invited. Selected Western Cooperators, including the President and the Director of the Alliance, also participated. The Conference discussed some international aspects of the Cooperative Movement, such as "Cooperation in South-East Asia Today - Role and Problems", "International Cooperative Trade", and "International Cooperative Technical Assistance". The Conference recommended the convening of a special meeting to study the problems of Cooperative trade in South-East Asia and a Conference on this subject is likely to be held in February 1966 in New Delhi.

The Centre also runs a small Research Fellowship Programme under which three selected Cooperators from the Region of South-East Asia are enabled to spend six months to eight months at the ICA offices in New Delhi pursuing a programme of advanced training and research. Lately, an effort has been made to give a more practical slant to the studies of the Research Fellows.

The Centre also has a programme of research under which selected issues are studied on a Regional or National basis. As a consequence of the seminar organised in collaboration with Unesco and referred to earlier, the Centre had the Region of South-East Asia surveyed in order to make concrete suggestions for bringing about closer relationship between the Cooperative and women's organisations. A study reviewing the progress of Research in Cooperation in India was completed last year. A regional survey of Cooperative Marketing in South-East Asia is under way and is expected to be ready by the end of 1965. Finally, an attempt is now being made to bring together the Cooperative Legislation in the various countries of the Region and to highlight some specific aspects of Cooperative Laws which facilitate or obstruct the growth of the Movements.

Production of Literature

In view of the shortage of literature in the field of Cooperation, the Centre has an active programme of production of literature. The large part of such literature accrues out of the deliberations of the Conferences and seminars which the Centre holds from time to time. For instance, out of the first seminar held in 1960, a book on "Cooperative Leadership in South-East Asia" has been produced. A new series of brochures relating to various cooperative problems is now under way and the first brochure entitled "Economics of a Consumer Cooperative" is already out. The second brochure dealing with "Cooperation and Small Industries" is expected to be ready in a few months' time. An annotated Bibliography of Cooperative Literature produced by Cooperative Movements is now regularly issued on a six-monthly basis. A Cooperative Press Directory for South-East Asia and a Trade Directory listing the names of interested cooperative organisations with brief specifications of the commodities have already been in circulation. Work is also progressing on three more publications, namely, "Readings in Cooperative Education", "Cooperative Credit and some aspects of Marketing", and "Readings in Consumers Cooperation". It should be mentioned that the Centre has now accumulated a vast amount of material which is distributed mostly free of charge, to about 600 individuals and cooperative institutions all over the region.

Experimental Project in Study Circles

The need for evolving effective member-education techniques which could be used with advantage in the Region has led the Centre to conduct an experiment in the field of study circles. The results, based on the practical work done with some study circles in consumer cooperative societies in India have now been distributed to the various cooperative movements.

5.5 Advisory Council

The entire programming of the Centre's work is done with the help of an advisory Council which consists of eminent Cooperators from all

the member-countries in the Region. This Council has also the task of reviewing the work done during the preceding year. The Alliance attaches the greatest importance to the deliberations of the Advisory Council. It can be said without exaggeration that in the Advisory Council a forum has been created in South-East Asia on which problems of Cooperation are discussed regularly every year thus helping to make the work of the Regional Centre increasingly realistic to the needs of the Movements in the Region.

APPENDIX

Table Number : I

Table showing the number and types of primary credit societies

(adapted from: Report on the Centre on Institutions for Agricultural Financing and Credit in Asia and the Far East, FAO Rome, 1964)

Country	Year	Credit societies		Multipurpose societies	Total
		Unlimited liability	Limited liability		
Ceylon	1960	3,722	164	4,977 ¹⁾	8,883
Malaysia (Fedn)	1963	1,500	--	--	1,500
India	1963	85,421	126,708 ²⁾	--	212,129 ³⁾
Pakistan ⁴⁾					
West	1959-60	11,873	109	--	11,982
East	1959-60	289	--	3,705	3,994

1) including cooperative agricultural production and sales societies.

2) including multipurpose societies, but excluding 9,412 grain banks.

3) out of these 21,734 have been dormant for one year, and 19,271 have been dormant for two years and more.

4) including some non-agricultural societies.

APPENDIX

Table Number : II

Table showing credit provided by Primary Cooperatives

(adapted from: Report on the Centre for Institutions for Agricultural Financing and Credit in Asia and the Far East, FAO, Rome, 1964)

(in million dollars)

Country	1959	1960	1961	Remarks
Ceylon	4.9	5.0	--	By credit, multipurpose and CAPS societies
Federation of Malaya	1.0	1.0	--	By cooperative credit and other societies
India	355.0	426.0	511.0	
Pakistan	15.0	22.9	--	By cooperative credit and other societies
Philippines	3.6	0.8	0.6	By ACCFA

APPENDIX

Table Number : III

Table giving some approximate figures for the consumers cooperative movement.

(in million dollars)

Country	Year	Number of societies	Member-ship (in millions)	Share capital	Sales	Profits	Loss
Ceylon	1961	5,847 ¹⁾	0.73	21.00	10.80	10.800	--
India	1959-60	7,168	1.40	12.00	76.00	1.600	0.55
Pakistan (West)	1958-59	292	0.03	0.50	1.15	0.002	--
Philippines	1963	189	0.04	0.31	4.95	0.180	--

1) includes 4,255 stores operated by the multipurpose societies and unions.

Table Number IV

Table showing the subjects of the seminars organised by the Regional Centre and the number of delegates who participated

S. No.	Subject of the Event Regional or National	Time	Number of Participants
1.	Cooperative Leadership in South-East Asia (R)	Nov.1960	40
2.	Cooperation in Many Lands (N)	Feb-May 1961	20
3.	Symposium on Cooperative Insurance (N)	March 1961	20
4.	Cooperative Development Officers Conf. (N)	March 1961	20
5.	Press and Publicity (R)	Oct-Nov 1961	24
6.	Cooperative Credit Conference (R)	Nov-Dec 1961	17
7.	Study Circle Method Conference (R)	December 1961	6
8.	Cooperative Member Education (N)	Jan-Feb 1962	27
9.	Cooperation for Industrial Workers (N)	Feb 1962	--
10.	Cooperative Development Officers Conf (N)	February 1962	24
11.	Cooperative Marketing (R)	March 1962	23
12.	University Teachers Workshop (N)	May-June 1962	25
13.	Cooperative Press and Publicity (R)	Sept Oct 1962	35
14.	Orientation Course for Teachers of Rural Institutes in India (N)	Oct. 1962	14
15.	Women and Cooperation (R)	Nov.Dec 1962	32
16.	Cooperative Farming (R)	December 1962	23
17.	Cooperative Housing (N)	January 1963	--
18.	Study Circle Methods (R)	January 1963	9
19.	Techniques & Methods of Member Education (R)	April 1963	21
20.	University Teachers' Workshop (N)	May 1963	30
21.	Consumers Cooperation (R)	June 1963	29
22.	Cooperative Insurance (R)	September 1963	14
23.	Cooperative Member Education (N)	September 1963	--
24.	Agricultural Credit (R)	December 1963	11
25.	Agricultural Credit (N)	December 1963	--
26.	Youth and Cooperation (R)	January 1964	8
27.	Cooperative Ministers' Conference (R)	April 1964	52
28.	Cooperative Member Education (N)	June 1964	42
29.	Cooperative Agr. Development in Nepal (N)	Aug-Sept. 1964	60
30.	Cooperative Marketing (R)	September 1964	27
31.	Principals' Conference (R)	October 1964	9
32.	Cooperative Employees Training (N)	October 1964	16
33.	Cooperative Member Education (N)	November 1964	44
34.	Cooperative Housing (R)	Nov.Dec 1964	17
35.	Cooperation and Trade Unions (R)	January 1965	21
36.	Fishery Cooperatives (R)	February 1965	20

APPENDIX

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Table Number : V

Table showing membership of cooperative societies as percentage of population in the year 1962

<u>Country</u>	<u>Percentage</u>
Ceylon	6.98
India	8.39
Malaysia	2.76
Pakistan	2.48

F.A.O.

Regional Seminar on
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COOPERATIVE FARMING - PROBLEMS OF MANAGEMENT[§]

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§ Paper submitted at the Regional Cooperative Farming Workshop organised by the Education Centre, International Cooperative Alliance, New Delhi; at Lahore, West Pakistan. Dec. 5-19, 1962

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COOPERATIVE FARMING - PROBLEMS OF MANAGEMENT

Carl C. Malone

In considering the management of cooperative farms, it is important to include the economic and social setting of agriculture in the countries where they are located. While the management of a farming unit is concerned mainly with problems of the unit itself, nevertheless it is influenced by the general economic and social conditions that prevail in the country's agricultural sector and trends under way.

Interest in cooperative farming seems strongest under three sets of conditions. One is in the less developed country with many very small farms (and most likely substantial numbers of landless workers) where there is much concern about economic and social justice and opportunity for all rural people. India and Mexico can be taken as examples. Another is where similar concerns over justice and opportunity prevail and where land is to be settled with people having meagre personal resources. Israel is an example (the religious factor also exerts much influence) and many less developed countries have substantial land resettlement projects. A third is in countries where large privately held commercial farming units no longer are socially acceptable and the choice is to break them up into smaller units or shift them to a different farming system.

We shall not consider the religious groups who carry on cooperative farming based on their religious beliefs nor collective farms under Communist regimes. In the latter case, collective farming seems to arise as much from political as from economic considerations.

In contrast with the more limited interest in most countries in cooperative farming, the concern for having effective agricultural service organisations of various kinds is widespread in nearly all free countries whether more or less developed. This is especially true in developing better services for farmers. And service cooperatives are often found among urban consumer groups as well. Basically, the organisation and management problems of service cooperatives are simpler in nature than those of cooperative farms. Their financial success is more readily assured as is the satisfaction of the members in the results obtained. The fact that service cooperatives are relatively easier to organise and manage successfully than are cooperative farms has contributed to their widespread acceptance and use.

Cooperative Farming Societies

The basic type of organisation needed to qualify a farming society as a cooperative has been much discussed and carefully described in a

number of publications.¹⁾ The key features are that the productive farming resources including the labour of the members are pooled and all the resources operated as a single farming unit. The way the land is owned is not a crucial matter but joint control of the farm land and other resources by the cooperative and continuity of operation are important.

The name "cooperative farm" or equivalent is used in many situations that do not conform to the conditions set forth above. Such farming societies either are cooperative in name but not in fact or are special cases of one kind or another. We will not be concerned with them here.

Cooperative organisation of farming resources is of interest almost wholly as an alternative to small family-operated farms. It seems almost never to be considered where good farm land is relatively plentiful. This is true whether the farming cooperative is set up by a resettlement project or is the joint action of a number of small farmers who voluntarily pool their farming resources. Thus a comparatively large supply of labour relative to land is, for all practical purposes, inherent on cooperative farms.

Some farms identified as cooperatives seek to avoid the problem of trying to make effective use of a large labour supply per unit of land by having only part of the members participate directly in the farming while all retain membership based on the resources they have pooled. Since the interests of working and non-working members will differ in such cases, the already difficult managerial problems will be increased. The participation of non-working members usually only complicates matters.

As an alternative to setting up a cooperative farm, small farmers may cooperate among themselves to their own advantage relative to certain farming operations. Cooperating in the use of a tractor or other expensive equipment, in joint irrigation or soil conservation projects or in field reorganisation are common examples but many other possibilities also exist. The potential advantages of such cooperation as an aid to small farmers needs more attention. We shall discuss it briefly later in this paper.

How Farming Cooperatives & Service Cooperatives Differ

The cooperative farm and the well organised agricultural service cooperative face quite different management problems. Since many people assume that all agricultural cooperatives have similar management problems, it will add to clearness to identify some similarities and differences.

1). Report of the Working Group on Cooperative Farming, Vol. I, Government of India, 1959. Bhargava, M.P., Pilot Projects in Cooperative Farming; Programme for the Third Plan Period, All India Cooperative Review, Oct 1961

The Agricultural Service Cooperative

The successful agricultural service cooperative provides specific but limited services needed by its farmer-members -nearly always individual family farmers. The services it offers are those the farmer cannot readily provide for himself. Thus, the service cooperative is an alternative to the private business firm, having the services provided by the State or is established because such services are not available.

Typically, the labour required to carry out the functions of the service cooperative is hired and not provided by the members themselves. Most of them employ a manager although they may recruit him from among the members. The role of the members is to set operating policy, provide capital and make full use of the services offered. In a well-managed service cooperative, the jobs to be carried out are clearly defined. Considerable division of labour nearly always is possible and desirable. Workers are chosen who are suited to the job to which they are assigned. Pay rates are fixed on the basis of responsibilities and skills. The labour force is not fixed but is adjusted to the amount of work to be done.

The members set general policy for the cooperative and elect a managing committee who work with the manager. The manager, in turn, has charge of operations, has direct control of the workers and uses his staff to provide the services to be rendered to the individual member. The job of the manager is to provide the services wanted in an efficient manner.

If the service cooperative has an interest and active membership, sufficient capital and good management and staff, it will be able to provide effective services if the surrounding conditions are favourable.

The Cooperative Farm

In the case of the cooperative farm, the members provide the capital (land and operating capital). They set policy by one means or another. They either employ a manager or assign this responsibility to one or more of their group. Up to this point the farm cooperative and service cooperative are much alike. The key difference arises because the members (owners) of the resources of the cooperative also are full-time workers in the cooperative. They must adjust their working life to the needs of the cooperative - it is not a matter of family choice. Their labour becomes subject to the direction of the manager. Inevitably, the member's job as a worker on the cooperative farm looms larger in his mind and occupies much more of his time than does his role as a member of the society in setting general policy as to how the farm should be organised and operated. The usual farming experience of the average member, also, is limited to the problems of a small farm. He will have little or no background for helping set operating policy on the larger cooperative farm.

The skills, abilities and attitudes which individual members bring to the cooperative farm will vary a good deal. The more the group is traditional in its farming methods and way of living, the smaller these differences are likely to be; the more progressive and developed the members of the cooperative, the larger the individual differences are likely to be.

In setting operating policy, the cooperative must find a way to harmonize differences among its members so that they will be an asset as far as possible rather than a liability. This must be done at three different points; (1) in setting general production policies, (2) in utilising the labour of members, and (3) in dividing up the annual income whether in produce or in money.

Management Problem One - Farm Production Policy

In setting farm production policy, two problems arise. One is in deciding on the general farming system to be followed, and the balance between labour and capital to be used. The limitations of small-farm experience has already been pointed out. Some members will be more progressive and others more conservative. Some will want to attempt more rapid progress by taking greater risks while others will prefer greater security to larger risks. The larger and more advanced the cooperative, the more difficult these problems become since the cooperative then has more alternatives from which to choose and will be using more capital which involves taking greater risks.

A second production policy matter has to do with the choice of the manager of the farm and the powers to be entrusted to him. The members need to understand that group management of a farm operation seldom is effective. Understandably, they may be reluctant to give the manager the decision-making power over operations he needs to be most effective since it is their own labour and capital they are placing under his control. If they choose group management to provide more representation, decision making is likely to be slower and more cumbersome. If they choose individual management, the members may come to feel that the manager has too much power over them.

Management Problem Two - Use of Labour

One advantage claimed for cooperative farms is that the larger labour force permits a substantial division of labour. This can easily be over-rated. Some division of labour is possible in farming but not a great deal. Field labour needs are closely related to the process of plant growth - preparing the seed-bed, planting, interculture, harvesting are a time sequence that is dictated by the crops being grown. The member who makes a good farm worker has reasonable skill at various jobs all through the season rather than special skill at one particular job. There will be some flexibility in labour use as between those who use bullocks and those who work by hand or between a tractor

driver and a worker of bullocks. But since neither tractor nor bullocks are used every day nor at all farm jobs, - the same is true for each type of farm work - work specialisation cannot be carried very far. To go very far in trying to make use of individual labour skills or preferences will be at the expense of efficient labour use thus increasing costs without raising farm outputs. Nearly all larger farms whether cooperative or private find this a difficult problem.

Unlike the manager of the service cooperative who employs workers based on the jobs to be done, the manager of the cooperative farm must, as well as he can, adjust the work to be done to the skills and temperament of a fixed group of the member-workers who came together for other reasons and not to make up an efficient labour force. Since his member-workers also are his joint employers, the manager must be concerned with catering to their work preferences and avoid hurting their feelings as well as to getting the farm work done well and on time. A high level of labour efficiency is difficult to achieve with such a labour force.

Further, the manager will have no choice in the size of the member labour force he must use since this is determined by the number of working members and not by the work to be done. This fact limits his freedom to choose among enterprises and to combine labour and capital most effectively for each enterprise. In effect, the member labour force to be employed is a fixed production factor. Thus he has two relatively fixed production factors; the acreage of land being farmed and a large labour force to be utilised on a year-around basis. In any farming operation the larger the proportion of fixed factors, the more difficult the management problem becomes in using resources effectively.

There are some gains, of course, from the larger labour force. The larger labour supply will make many projects possible that the small farmer cannot successfully undertake. The variety of labour skills available will provide the capable manager with opportunities which a small farmer does not have. However, these advantages do not automatically outweigh the disadvantages.

Management Problem Three - Distribution of Net Income

The third problem arises in the distribution of net income. At this point, it is important to understand the sources of net income on any farm. cooperative or other, Farm income (net gain or loss) arises from the use of four types of resources; (1) the use of land and other fixed capital; (2) the application of human labour; (3) the use of operating capital (bullocks, machines, seed, fertilizer, irrigation water etc.) and (4) the skill and thoroughness of management and supervision.

In practice, the amount of farm income derived from each of these cannot be determined exactly. But considerations of equity

suggest that the various claims to income should be reasonably closely related to the contribution made by each member. In most farm cooperatives an effort is made to do so. Inherently, this is difficult and an exact determination impossible.

The problem of varying income payments based on the land contributed by each member is not too difficult. But there is no very accurate way of estimating the carefulness, speed and quality of work done by each member and the relative value of his skill. The simple method is to record the hours worked, some rate work done in other ways. In any case, the detailed records required to provide a basis for reasonable equity in paying for the labour contribution adds a considerable overhead cost. Members must possess a good deal of tolerance so the income allocation method used does not create friction among them.

A related policy problem is the question of how much of the year's income should be paid out to the members whether in produce or money and how much should be "ploughed back into the farm business" to build up capital. Since nearly all farms including cooperative farms are short of working capital in their beginning years, this is an operating policy problem of the first order of importance. The larger the amount paid out, the higher will be the individual income and level of living of the members in the present but the slower will be the growth of the cooperative farm as a progressive concern in the future. The larger the amount of income put back into the business to build for the future, the more the reverse will be true. Logically, this question must be decided by the members rather than the manager. But management will be handicapped unless this decision is made well in advance of annual planning. This is not likely to happen.

The individual farm family is faced with this problem, too. For the most part, the members of a family find it easier to resolve than do the members of a farming cooperative simply because goals and objectives about the present and future are more nearly alike within families than among different families.

Responsibilities of Management

In the foregoing, an effort has been made to distinguish between two aspects of management - general operating policy and that of detailed management. In principle, decisions as to general operating policy in a cooperative are the joint responsibility of all the members acting together. The farming cooperative would be no exception.

If general policies are to be well-made in a cooperative, some one must carry on an active educational programme for members dealing with policy choices. Such education helps the members identify the various policy problems and what is involved in them, helps them see the

practicable alternatives that might be chosen and the advantages and disadvantages of each one. This provides them with a better basis for making policy decisions. This education must be carried on if the cooperative is to be effective but it is not always clear who should do this nor how and when it can be done in the case of the farm cooperative. It needs to be recognised that joint decision making does not increase the wisdom of the decision makers. And the small-farm background of cooperative farm members will be a handicap rather than an asset unless offset by a vigorous and well-planned member education programme.

Detailed operating management carried on within the framework of policy decisions is the other aspect of management. This should be organised into three phases:-

1. The farm planning phase,
2. The plan execution phase, and
3. The analysis and appraisal of accomplishments.

Farm planning is concerned with looking ahead for a planning period, deciding in detail what will be done, how and when to do it and by whom. On a cooperative farm, this would be the joint responsibility of the manager and the managing committee. Ordinarily, it is better for the manager to be employed and not a member as he then can be more objective than can one whose personal resources and interests are involved. However, a skilled farm manager cannot be hired cheaply, if he can, most likely he will be a supervisor rather than a real manager. In addition to the usual problems of farm planning, the special ones peculiar to cooperative farms already have been discussed and need no further elaboration.

The manager should be responsible for decisions about current operations. The managing committee can provide guidance and counselling. But unless the manager is capable of making decisions and given the authority to carry them out without undue interference, the whole project will suffer.

On a larger farming unit, supervisors also will be needed. Their responsibility will be to help carry out the decisions of the manager, assist individual workers increase their working effectiveness and keep the manager in touch with operating problems that need his attention. Good supervisors are organisers and trainers of men rather than purveyors of orders and critics of individual workers.

The analysis and appraisal of accomplishments will require the keeping of useful accounts and records. These should be designed to be

§ In this part of the world, the term farm manager frequently refers to the person doing farm supervision rather than the one making decisions and seeing that they are executed which is the main function of a manager.

as simple as possible provided they serve the purposes needed. Double entry accounting is of little use in farming. The kind of records kept should fit farming needs and the policies of the cooperative. However, they should be suitable for an annual audit of assets and liabilities and of income and expenses and provide the information needed so an equitable distribution of income based on the policies of the particular cooperative can be carried out.

Principles of Management

The principles of management of cooperative farms basically are no different than that of other farms. The first requirement in good farm management is to know clearly what is to be accomplished given the conditions that prevail. Some of the special difficulties along this line inherent in cooperative farming have been pointed out. The second requirement is to bring together as effectively a set of farming resources as conditions permit and organise them into a logical farming operation. Usually, cooperative farms have better access to capital and production supplies than most small farms. But they must manage with a basic labour force that was brought together with little regard for labour need and utilise these workers as effectively as they can. A cooperative farm should have access to seasonal labour as well as other farmers in the area.

Cooperative farms should have better access to markets than most small farms both in buying and selling since special marketing skills can be developed and more transport likely will be available. This may permit developing enterprises that are not readily usable by small farmers. Being larger in size, may also widen the range of enterprises that can be considered.

Larger farms usually are involved in a considerable number of fixed costs and these are likely to be accentuated on cooperative farms. For example, these will be under some pressure to keep the main labour force employed on a year-round basis whether the work is remunerative or not. The need for paid manager, supervisors, accountants etc., are direct fixed costs which the small farmer does not incur.

If decision making on the cooperative farm becomes time consuming in practice, this will act as a kind of hidden overhead cost that lowers efficiency and interferes with output. In other words, making the management function really effective is always difficult on the larger farm and especially so with the cooperative.

Since very little study has gone into the details of management problems on cooperative farms, not much is known about them. That such problems are plentiful is indicated by the general studies of cooperative farms that have been made.

Management Guidance and Assistance

A wide range of information needed by those who manage farms is readily available in most western countries. This is much less true in most of Asia. As indicated above, cooperative farms have a number of difficult management problems that are peculiar to cooperatives in addition to the usual range of managerial problems shared by farms generally.

In the West also, educational assistance is generally available to those who manage farms if they want to avail themselves of it. To date, this is much less true in this part of the world. A good deal of technical educational information is available in most countries. However, details as to its exact application in particular locations is not available. Information on the economic aspects of farm organisation and technology, so much needed by farm managers, is not much available at present. Thus, the educational needs of those who manage cooperative farms is yet to be developed, generally speaking. The quality of management will be handicapped in the meantime.

Lack of Human Development

Difficult management problems are seen to be inherent in cooperative farming. However, this is not its most serious shortcoming.

In every country where agriculture is highly productive, an outstanding feature is that the whole agricultural system stimulates and assists the development of human ability among its farm people. T.W. Schultz⁵ and others have pointed out that added capital and improved technology account for only a fraction of the increased production in the more advanced countries while improvement in the capacities, understanding and skill of the people which contributes much to output has shown and continues to show great progress. He concludes that human development is a vital factor in economic development, a point that seems fully valid in the farm sector.

It is difficult to see how the member of the cooperative farm can benefit as much in this human development process as the individual farmer. The individual farmer is constantly stimulated and assisted to develop himself and improve his management as well as his working skills in a well-organised agricultural society. This stimulation and assistance would, by the nature of the organisation be much less on the cooperative farm. Herein may be its greatest long-run weakness.

Cooperation in Farming Operation

While there is a great deal of experience in cooperation with certain farming operations among individual farmers in many parts of

⁵ Schultz, T.w., Investment in Human Capital, the American Economic Review, Vol 51, March 1961

the world, the kind of cooperation of this kind that would be effective on the small farms of Asia is still to be developed. Dr Otto Schiller[§] has studied this type of cooperation on small farms in Germany and found it quite effective.

In view of the difficult management problems inherent in cooperative farms for which no easy solutions are possible, cooperation among small farmers in farming operations suggests itself as an alternative that inherently has much to recommend it. Such cooperative effort could be carried on by individual farmers in those ways where joint action would be beneficial but would not interfere with that part of the individual farming operation where joint efforts yield little or no gains. Moreover, for much of this type of effort, there would be no need to pool the use of land. That part of the capital and labour could be pooled that would gain substantially from the pooling and the part of the labour and capital that would not gain could be carried out by each farmer as he saw best.

This idea combines the benefits of cooperation where the gains are sufficient to justify cooperative efforts while leaving the individual farmer free otherwise. Moreover, not only would it not interfere with the personal development of each member but actually would broaden and enhance his development more than individual farming along would do.

There seems no reason to think that this type of farm cooperation is unworkable, it appears simply to be undeveloped. The public assistance it would require would be as much or more in the fields of research and education as that of financial assistance to the cooperative itself. However, some organisational and perhaps financial assistance would be needed, too.

The analysis of the management problems of cooperative farms does not lead one to be optimistic about their rapid adoption. The potential for other kinds of farm cooperation seems much brighter. However, much of the developmental work in farm cooperation that is particularly suited to Asian conditions remains to be done.

[§] Schiller, Otto, Cooperation in Farming Operations - Some examples in Germany, Yearbook of Agricultural Cooperation, 1959, Basil Blackwell, Oxford, 1959.

F.A.O.

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SUPERVISED FARM CREDIT - A CASE STUDY IN PAKISTAN

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SUPERVISED FARM CREDIT : A CASE STUDY IN PAKISTAN §

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STRUCTURE OF RURAL CREDIT IN PAKISTAN

1. The growing attention paid to economic development in Pakistan has brought to the forefront the problems of Pakistani agriculture. Although Pakistan is still predominantly an agricultural country and there is general agreement that there is considerable scope for agricultural development in the country, agriculture is making very little headway and is lagging far behind other sectors in development. In the two Five Year Plans which the country has undertaken so far a major emphasis was placed on agriculture. However, the results have so far been extremely disappointing. A discussion of all the factors responsible for the stagnation of Pakistan agriculture would take us outside the scope of this paper. However, there is no doubt that one of the significant reasons for the slow progress of agriculture in the country is the absence of a sound system of financing both for production and marketing.

2. Although the requirement of rural credit in the country is difficult to estimate, there is no doubt that it is being met very inadequately at present. In studies conducted by the Socio-Economic Research Board of the Dacca University in 1956 and by the Socio-Economic Research Project, Punjab University in 1955 it was shown that professional money-lenders play very little part in Pakistan in the provision of rural credit, their place having been taken by "relatives and friends" "well-to-do rural people", shop-keepers, beparis and farias (trading intermediaries). In East Pakistan cooperatives provided only 0.39 to 1.41 per cent of the credit in the four subdivisions surveyed. In the Punjab where the cooperative are better organised, they provided 14.3 per cent of the credit.

§ The views expressed in this paper are strictly those of the author and do not necessarily represent those of the East Pakistan Government which he is serving at present.

1. The estimate of the Credit Enquiry Commission puts it at Rs.3,000 million as 25% of the slow of output in agriculture. Government of Pakistan - Credit Enquiry Commission Report 1959. p.7.
2. Dacca University Socio-Economic Research Board - Report on the Survey of Rural Credit and Rural Unemployment in East Pakistan. 1956. p.57.
3. Socio-Economic Research Project, Punjab University - Agricultural Credit Enquiry in Six Villages of Lahore District, as quoted in the Credit Enquiry Commission Report, 1959. p.7

Credit provided by the Government was also insubstantial. It formed 0.32 to 5.99 per cent of the total in the East Pakistan subdivisions and 13.4 per cent in the Punjab. According to the recently published Report of the Pakistan census of Agriculture which covers East Pakistan, the total indebtedness of the agriculturists in East Pakistan is about Rs.930 million.⁴ Since 1956 when the Dacca University rural credit survey was made institutional credit has been stepped up by deliberate policy. However, institutional loans still probably form only about 10% of the total credit. The following table shows the position in East Pakistan!

Agricultural Loans Granted by Institutions in East
Pakistan, 1960 - 62.

Agencies	(Million Rs.)	
	1960-61	1961-62
Government	8.5	25.0
Cooperatives	38.1	40.0
Agricultural Development Bank ⁵	37.6	40.0 (approximate)

Government role is, in fact, more important than the above table would suggest. The whole of the capital of the Agricultural Development Bank has been contributed by the Government of Pakistan and the Provincial Governments. The Provincial Governments are also participating in the share capital of cooperative banks and are also giving loans to them.

3. So far as the terms of lending are concerned the Dacca University survey revealed that non-monetary forms of interest predominate over monetary forms of interest, at any rate in East Pakistan.⁶ Although the non-monetary forms of interest were developed partly to

4. The number of farms is 6.1 million. Quite a few of these farms are operated jointly by more than one family. Government of Pakistan - 1960 Pakistan Census of Agriculture, Vol.I, Final Report - East Pakistan, October 1962, Tables 34 - 38.

5. Previous to February, 1961 two separate credit agencies existed, viz. the Agricultural Bank and the Agricultural Development Finance Corporation. These two organisations were merged into one, the Agricultural Development Bank in February, 1961.

6. Dacca University Socio-Economic Research Board - op.cit., Ch.VII. The various non-monetary forms of interest are : payment of interest in terms of a pre-determined amount of paddy in addition to the principal, transferral of the use of land from borrower to the lender commitment by borrower to sell crop to lender etc.

circumvent the Muslim religious taboo against interest taking, the monetary equivalents of the non-monetary forms of interest are in fact as high as the money rates of interest. Government and the Cooperative societies lend at low rates of interest generally at below 9 per cent per annum. The Dacca University survey also revealed that most of the loans given by "friends and relatives" and "well-to-do rural people" were made either without interest or at "low" rates of interest i.e. at 1 to 50 per cent per annum. However, loans given by money lenders, shop-keepers and marketing intermediaries were often found to carry interest rates of 50 to 100 per cent⁷. It is another disquieting finding of the Dacca University survey that only a small part of the total loan taken was utilised for meeting productive expenditure. For example only 9 to 13 per cent of the loan was spent for meeting current expenses of farming i.e. purchase of seeds and fertilizers, hire of labour, equipment, payment of rent etc. Another 8 to 13 per cent of the loan was spent on capital expenditure on farming e.g. purchase of agricultural equipment and livestock, construction or fencing for farm, purchase of land etc. The substantial part of the loan i.e. 64 to 75 per cent was spent on family consumption, residential construction or repair, social ceremony, litigation, medical expenditure, education etc.⁸ In other words whatever small amount of credit was available was used not for farm operation or increasing farm productivity but for consumption purposes.

4. The structure of agriculture in Pakistan particularly in the eastern wing, with small holdings, subsistence farming, inadequate means of transport and communication and periodic hazards like floods and cyclones to which the farmers are subject, makes the problem of organizing efficient farm credit specially difficult. There is an acute requirement of credit of all types viz. for short, medium and long term. Loans are needed not only for current production, but also for improvement of farm, for helping in marketing and at times providing subsistence to the farmers and their families. It is generally recognized that for organising a sound system of farm credit particularly short and medium for credit cooperative is the best agency.

The Central Government of Pakistan sometime ago made a policy declaration that cooperation would henceforward be recognised by the State as an economic sector besides the public and the private sectors. The Second Five Year Plan laid great emphasis on the need for the rehabilitation and development of the cooperative movement at all levels of cooperative institutions. There is no doubt that the Third Five Year Plan which will come into operation in 1965 will provide for a considerable expansion in the size and scope of the cooperative programme.

7. Ibid.

8. Ibid., Ch.VI and Appendix-B, Tables 24(a)-(d).

THE COOPERATIVE MOVEMENT

5. The cooperative movement in the Indo-Pakistan sub-continent is nearly sixty year old and has had a chequered history. A start was made with the Cooperative Societies Act of 1904 and the movement expanded rapidly. The Cooperative Societies Act II of 1912 also introduced a three-tier system in the cooperative movement : (a) Primary Societies at the base; (b) Central Banks and Central Unions at the secondary level and (c) Provincial Banks at the top. There was a tremendous growth of the movement till 1929. However, the depression of the thirties caused a virtual collapse of the movement. Due to the precipitate fall of agricultural prices and the wholesale defaults of members of the societies, cooperative banks and societies were in great difficulty and special debt legislation introduced by the Provincial Governments failed to ease the situation. Although measures were taken in the late 1930's to rehabilitate the movement by scaling down debts and providing fresh finance, it was only after the outbreak of the Second World War that any significant improvement was visible. In East Pakistan where the movement had suffered the greatest setback there was little improvement even at the time of Independence 9.

6. At the time of Independence the cooperative movement was in a moribund condition. On paper there were as many as 36,000 agricultural credit societies in the country (of which 27,000 were in East Pakistan) but the vast majority was not active or operative. Cooperative banks in West Pakistan got a fillip after partition due to the vacuum created in the field of commercial banks. At the instance of the Government the cooperatives began to play an important role in the finance of trade and commerce.¹⁰ These activities have continued to be the main occupation of the cooperatives in that wing. It is only recently that the rural cooperatives have been performing a significant rôle in the overall credit operations in West Pakistan. The partitions produced little impact on the societies in East Pakistan. The East Pakistan Provincial Cooperative Bank was established in 1948 as the apex bank for the cooperatives in that wing, with 83 Central Banks as its members. A majority of these banks were running at a loss due to inadequate financial resources, poor management and accumulation of bad debts. Some of the Central Banks were converted into Central Multipurpose Societies and under a reorganisation scheme 54 Central Banks were selected for development at Sub-divisional headquarters under the Second Five Year Plan. The most sweeping reorganisation programme was, however, introduced with regard to the primary societies in East Pakistan. There was a wholesale liquidation of the existing primary agricultural credit societies most of which had unlimited liability. In their place the Government promoted the establishment of 4000 new societies known as Union Multipurpose Societies.

9. For an excellent short account of the history of the Cooperative Movement and its current problems, vide State Bank of Pakistan - Agricultural Credit in Pakistan. 1962, Chs.VI-IX. The present and following sections of this paper are based on this study.

10. Ibid.

A Union Multipurpose Society has its area of operation extending to the boundaries of the Union, and is much larger in size and scope than the village society. The multipurpose society is supposed not only to provide loans and advances for agricultural operations but also arrange for marketing of produce, supply of agricultural requisites and of consumer goods. The vast majority of these multipurpose societies have limited liability.

7. The trend in the loan operations of the agricultural credit societies is given in the following table:

	(Hundred thousands rupees)								
	1948 - 49			1955 - 56			1959 - 60		
	East Pak.	West Pak.	Total	East Pak.	West Pak.	Total	East Pak.	West Pak.	Total
Loans advanced during the year	19.89	70.12	90.01	12.08	262.99	275.07	277.23	530.54	807.77
Loans outstanding at the end of the year	189.21	251.67	440.88	95.57	354.93	460.50	332.01	678.07	1010.08
Of which overdue	146.24	66.37	222.61	72.59	98.07	170.66	55.23	153.37	208.60
Percentage of overdue to outstanding	77%	26%	50%	78%	27%	33%	17%	24%	21%
Average outstanding loan per society	688	2,781	1,206	1,433	3,444	2,665	8,300	5,712	6,364
Average outstanding loan per member	24	100	43	15	108	48	42	156	83

The table shows that lending operations of the societies have expanded considerably in both wings of the country since 1948-49. As compared with Rs.27.5 million advanced in 1955-56, Rs.80.7 million was advanced in 1959-60. This amount is, however, low considering the average advance per society and per member. Thanks to the liquidation of old societies the percentage of overdue to outstanding in East Pakistan was only 17% in 1959-60. The considerable expansion of the loans of

11. Ibid., p.49.

the societies has been due to the policy of the Government and the State Bank of Pakistan of providing considerable finance to the provincial Cooperative Banks and the Central Banks for channelling to the primary societies. This, however, is no evidence that the societies, particularly in East Pakistan, are really on a sound footing. The matter would require further examination.

WORKING OF THE COOPERATIVES

8. Most of the official reports provide an inadequate and sometimes misleading explanation of the reasons for the poor performance of the Cooperatives, particularly in East Pakistan, where their failure has been very pronounced. However, there are enough facts available from published and unpublished sources which make it possible to arrive at certain broadly acceptable conclusions.¹² One striking fact that emerges from an examination of the available data is that the Cooperatives in East Pakistan have failed to encourage thrift and mobilise rural savings to any appreciable extent. Before the reorganisation of the cooperatives in the 1950's few people cared to buy shares of cooperatives or deposit their savings in a cooperative. This is understandable because few of the cooperative societies showed any profit and declared any dividend. The money paid for a share in a cooperative society was usually a total and definite loss. The same was true of deposits. With recurring losses and piling of bad debts in the societies a depositor stood to lose not only the interest due but also the actual money deposited. The share capital in most credit societies was to a large extent nothing but a book entry made up of debits shown against new members who joined merely to secure a loan. Thus the cooperative movement in East Pakistan was deprived of what should have been its major source of finance, viz., rural savings.

9. The position does not seem to have radically changed as a result of the reorganisation. The following figures show the average working capital per society and per member for the year 1959-60.¹³

Provinces	No. of Societies	Mem-ber ship	Working capital in thousands Rs.	Average Working Capital	
				Per Society	Per Member
West Pakistan	11,871	4,34,327	86,300	7,260	198
East Pakistan	4,000	7,83,052	39,804	9,952	50
All Pakistan	15,871	12,17,379	126,104	7,945	103

12. The most searching evaluation of the cooperative movement in East Pakistan is provided by a team of two experts of the International Labour Office Asian Cooperative Field Mission, viz., Messrs A.H. Ballendux and R.A. Harper who submitted a report to the Government of East Pakistan several years ago. Unfortunately, this report is not published for general use.

13. State Bank of Pakistan - Agricultural Credit in Pakistan, 1962. p.48.

The table indicates that how poor are the resources of the Cooperatives particularly in East Pakistan. Unless the cooperatives own resources can be greatly increased they would never be able to stand on their own feet.

10. The following table which shows the composition of the working capital of the Societies in 1959-60 is also revealing.¹⁴

Items	Percentage to Working Capital	
	West Pakistan	East Pakistan
Paid-up capital	12.69	15.78
Reserves	21.49	3.69
Total owned funds	35.35	19.48
Deposits	17.10	1.91
Borrowings	48.70	78.59
Total outside funds	65.81	80.50

The table shows that in 1959-60 the percentage of owned funds to working capital worked out to be 35.3 per cent in West Pakistan and 19.48 per cent in East Pakistan. It should be noted that meagre though the paid up capital is it contains a contribution by the Government. It is apparent that the societies have not been able to promote thrift which is an important aspect of the primary credit societies as they have obtained the bulk of their funds by borrowings.

11. The consolidated profit position of societies in both wings of the country is as follows¹⁵ :

Profit for the year	(Hundred thousand Rupees)	
	East Pakistan	West Pakistan
1948-49	-7.14	+1.50
1955-56	+0.24	+5.41
1959-60	+3.15	+16.41

14. Ibid., p.46

15. Ibid., p.47

The table shows that the cooperatives have shown an increase of profits in recent years. In East Pakistan the situation seems to have greatly improved after the reorganisation scheme was implemented. However, it is a common knowledge that the accounting and audit of the cooperatives leave much to be desired so that one cannot be certain if the profits are not exaggerated. However, considering the extent of the increase of the loan operations of the societies profits are undoubtedly small.

REASONS FOR THE FAILURE OF COOPERATIVES

12. One of the main reasons for the wholesale failure of the cooperatives in East Pakistan has been their poor record regarding recoveries of loans. Even in the present reorganised set up with larger sized societies there is a tendency for overdues to accumulate on short-term loans. When farmers are at the subsistence level and often operate on a deficit basis, even when a loan is productively used, there is a tendency on their part to divert the entire output towards personal consumption instead of utilising it partly for repayment of the loan. It has been held by some that the most important reason of the failure of the credit movement is that it has attempted to organise credit societies among persons with no means at all instead of organising persons of moderate means. If persons at the subsistence level are to be assisted it is essential that loans must be carefully given their utilisation properly supervised and recoveries ensured. It is not enough for the societies to possess certain statutory powers of recovery which they have to avail of at times, but the officials of the societies must specialise in the art of recovering loans, a function which they have neglected in the past. It has been suggested that the financing agency should not wait until the debtor comes to pay his dues. By the time of the harvest he should be reminded of his debt and a certain amount of persuasion should be used to make him pay it. Previously loans were given against security of crops or on personal security. After the bitter experience of non-repayment gained by the cooperatives, loans are currently given in East Pakistan against the security of immovable property to the extent of 75% of the value. This has necessarily limited loans to persons possessing some assets and restricted their value although it has improved the recovery record. Loans are recoverable in East Pakistan as arrears of land revenue and decrees are executed under what is known as the "Certificate" procedure. However, societies are generally reluctant to invoke these provisions for the recovery of overdues.

13. It has been rightly pointed out by nearly all commissions and committees formed to study the problems of cooperation that the failure of the movement has been in a large measure due to a lack of training and education in cooperative principles and an absence of leadership within the movement. Primary societies have generally been managed by untrained honorary staff. Even in the reorganised multipurpose societies in East Pakistan most of which employ paid Secretaries, there is a reluctance to pay the officials adequately. Books and accounts have not been properly kept because of a lack of

trained accountants and auditors. There has been a lack of proper supervision at all levels. The State Bank of Pakistan in a recently published "Action Plan" for East Pakistan has drawn up a comprehensive programme of training of cooperative workers and adequate staffing of cooperatives at all levels by suggesting the establishment of two specialised services for the cooperatives.¹⁶

14. Although we have devoted our attention so far to the primary cooperative societies, because these are mainly concerned with the subject matter of our discussion, viz., supervised credit, the organisation at the higher level, viz., Central Banks and the apex Bank have also important roles to play. The position of the Central Banks also leave much to be desired.

The following table¹⁷ shows the position of the Cooperative Central Banks. Their own funds of which a part comes from the Government are small compared to their outside liabilities.

Central Cooperative Banks in East Pakistan

	(Hundred thousand rupees)		
	<u>1948 - 49</u>	<u>1955 - 56</u>	<u>1959 - 60</u>
Paid-up Capital	46.38	46.25	30.28
Reserves	124.14	108.72	19.01
Total owned funds	170.52	154.97	49.29
Deposits	116.03	116.90	46.80
Borrowings	121.28	106.68	249.57
Total outside liabilities	237.31	223.58	296.37
Ratio of owned funds to outside liabilities	1 : 1.4	1 : 1.4	1 : 6.1
Advances	179.38	100.23	284.41
Societies Individuals	0.07	6.14	3.62
Total	179.41	100.37	288.03

The position appears more favourable than it actually is because the drastic reduction in deposit in 1959-60 as compared to 1955-56 has been due mainly to the exclusion from the books of Central Cooperative Banks of deposits of persons residing outside Pakistan. Overdues in 1959-60 amounted to Rs.505 million which amount to 111 per cent of the owned funds and 19 per cent of the total advances. The bad and doubtful debts constituted 16 per cent

16. State Bank of Pakistan - Action Plan for the Development of the Cooperatives and Cooperative Training in East Pakistan, 1962.

17. Ibid., pp.59-61.

of owned funds and 3 per cent of the total advances. Until recently the banks were not able to show any profit. They made a profit of only Rs.1,35,000 in 1959-60. This, however, does not reflect the true position of the banks as almost all the Central Banks are managed by the Cooperative Department of the East Pakistan Government and their salaries continue to be paid by the Government. The position of the apex Bank in East Pakistan, viz., the East Pakistan Provincial Cooperative Bank is no better. Although the Bank has considerably expanded its loan operation in support of the policy of the Government the ratio of its owned funds to outside liabilities (deposits and borrowings) amount to 1 : 6. In spite of the considerable financial and administrative support given by the Government the Bank has not been making any profit in recent years. In the year 1959-60 the Bank actually made a loss of Rs.195,000.¹⁸ Every year the Bank finds it difficult to repay the advances it receives from State Bank to the Cooperatives as short term loans. The Provincial Government which guarantees this loan has to come to the rescue of the Cooperative Bank by making advances out of its own resources.

SUPERVISED CREDIT : A RECENT EXPERIMENT

15. The brief account given above indicates that although the cooperative movement in East Pakistan has been revamped in recent years and much effort is currently being made to improve its organisation and expand its operations, the movement is still far from being on a sound footing. Although superficially the re-organised set up is supposed to place a major emphasis on supervised credit, in practice very little is being done in this direction. A significant development has however been taking place in a region of East Pakistan, viz., Comilla over the last three years which is still considered a pilot project and therefore not integrated into the regular cooperative movement sponsored by the East Pakistan Government. This experiment, in spite of the brief period it has been in operation, appears to be a development with enormous possibilities. In the remaining part of the paper an attempt will be made to describe the main functions of the project, make a tentative evaluation of the result achieved so far and point out how far the lessons derived from the experiment provide guidelines for a healthy development of the cooperative movement in East Pakistan.

16. The Comilla cooperative experiment was undertaken by the Pakistan Academy for Village Development, Comilla under the dynamic leadership of its Director, Mr. Akhter Hameed Khan. It is detailed in three annual reports on the experiment issued so far and also features in the Academy's monthly and annual reports.¹⁹ These sources have been drawn on freely in the following description and analysis. It appears that the main difference between the Comilla approach and that of the Provincial Government was that while the Government took

18. Ibid., Ch.IX.

19. The most significant reports are : H.W. Fairchild and M.Z.Hussain - A New Rural Cooperative System for Comilla Thana, Second Annual Report, July, 1962; Akhter Hameed Khan and M.Z. Hussain - A New Rural Cooperative System for Comilla Thana; Third Annual Report, July, 1963; Pakistan Academy for Rural Development - Fourth Annual Report, June 1962 - May, 1963.

the Cooperatives for granted and sought to improve their operations by a drastic policy of reorganisation, the organizers of the Comilla experiment made a deep study of the problem of rural development in general and arrived at the cooperative solution as a result of careful analysis.

THE BASIC PROBLEM AND SOLUTION

17. A study of the rural economic situation at Comilla revealed that the peasants were struggling with small holdings and that all the land which could be farmed was being farmed. Nevertheless, half of the time the land remained uncultivated due to a lack of winter rainfall. However, in East Pakistan water was plentiful even in winter either in the rivers or in the subsoil. Either low lift pumps could raise the water from the rivers or large bore tube-wells could secure the water and provide irrigation to the fields in winter enabling farmers to raise an additional crop. However, if water were to be had to each plot it was obvious that only a cooperative effort by all the farmers of a village could do it. The technical solution of the problem viz. consolidation of holdings which could be effected on a compulsory basis was ruled out. Instead it was decided to "Leave the fields along and get people to cooperate" which eventually was expected to achieve the same objective.²⁰ A close study of other agricultural problems led to the conclusion that a cooperative system could increase production and income in the Thana.²¹ For successful cooperation it was felt that it was not necessary to pool lands in the sense of the collectives. "However, all other factors of production, such as planning, capital, machinery, irrigation and human skill could be pooled. The Co-operative would make it possible to provide the big tools of production to even the small producer. It would enhance both his ability to produce and his incentive to produce."²²

18. However, the problem was to decide what type of cooperative system would be really suitable. Village cooperatives had failed because they had very little of business ability and the principles of democratic operation were virtually unknown in the villages. The higher cooperatives had failed because they could not secure the cooperation of the village people. The solution, it was felt, "was to organise a central cooperative organisation with efficient management and sound business skill, and then to facilitate its operations with small.....village groups."²³ A village primary interest group might operate informally in the beginning but would be formed into a cooperative society before long. This Comilla type of cooperation is, however, completely different from the traditional type of primary cooperative society in this part of the country which has failed so dismally. First, the

20. H.W. Fairchild and M.Z. Hussain - op. cit. p.11.

21. The Comilla experiment is limited to the Comilla Thana, which is an administrative area composed of 13 Unions (excluding the town area) and covers an area of roughly 107 square miles. The population in the Thana including the urban area in the last census (1961) was 217,646.

22. H.W. Fairchild and M.Z. Hussain - op. cit., p.12.

23. Ibid., p.12.

business affairs of the village cooperatives are to be handled by the central organisation. Secondly, the village society will have an organiser from within the village selected by the group who will regularly undergo a course of training provided by the central organisation, so that after he has learned he returns to the group and teaches. Thus two institutions were set up in the Comilla experiment. One was the Central Cooperative Association and the other was the Thana training centre where the organisers of the village group attend adult school once a week.

19. The Thana training centre has become a highly effective means of imparting training in skills lacking in the villages without which cooperatives cannot succeed. The Centre provides training to selected members of the village cooperatives, viz., the organiser in the art of management and planning, the accountant, the progressive farmer and the machine operator. These persons attend classes only once a week but they are required to attend week after week, month after month, year after year.. The Thana training centre also provides demonstration of improved practices not only at the centre but also supervises demonstration over a large number of villages. Over the last year and a half the scope of work of the Thana training centre has been greatly enlarged.

THE ROLE OF THE SUPERVISOR

20. A central figure in the Comilla project is the organiser. "He is the democratically elected manager of the village society, who teaches his village neighbour new social and economic modes the tedious tasks of combined planning, pooling of capital, joint marketing and shared use of machines.....He has a two-fold duty - to be a faithful servant of the group, honest and industrious, and a loyal agent of the Central Association, guarding it from the blind cupidity of shifty members. Evidently, it is an arduous job which requires strength of character and a broad view; also if properly performed, it consumes most of his time."²⁴ Originally, it was hoped that the organisers would be paid by the societies. As this did not materialise, the Central Association has now decided to pay a small remuneration to the organisers plus a commission of 1% on loans collected by them. As the volume of work of the organisers grows the organisers would probably have to be specialised whole-time employees and fully remunerated for their work.

21. A striking point of difference between the Comilla type of cooperative and the ones which we had known previously is that before a cooperative could be accepted as an Academy pilot cooperative it had to fulfil a set of ten fairly stringent conditions. It has an obligation (i) to organise itself and later become a registered cooperative society, (ii) hold regular weekly meetings of members, (iii) select an organiser and send him to the Academy once a week for training, (iv) keep proper and complete accounts, (v) do joint production planning, (vi) use supervised village production credit, (vii) adopt improved agricultural practices and skills, (viii) make regular cash and in-kind savings deposits, (ix) join the Central Cooperative Association, (x) hold regular member education

24. Akhter Hameed Khan and M.Z. Hussain, op.cit., p.17.

discussion. In spite of these conditions and in spite of the fact that a society had to pass through a trial period before it was accepted, a few societies were organised and included in the pilot project. In the first year and a half, 46 primary village cooperatives were organised with a total membership of more than two thousand. Currently, the number of cooperatives has increased to 131 with a total membership of nearly 4,500. Of these 131 societies, 112 are agricultural and 19 are non-agricultural societies.

THE CENTRAL COOPERATIVE ASSOCIATION

22. The Central Cooperative Association at Comilla is headed by a Project Director who is assisted by a Deputy Director. There are four Sections under the over-all control of the Project Director. These are (i) The Administration Section (ii) The Field Supervision Section (iii) The Storage and Merchandising Section (iv) The Machinery Repair and Movement Section. The Field Supervision is the liaison unit between the Association and the Member Cooperatives. The line of command from the Central Association to the primary cooperatives consists of (1) the Project Director (2) the Deputy Project Director, (3) the Inspectors (4) the Supervisors and (5) the Organisers. The first four of these categories are employees of the Central Association, the fifth, the organisers, is the employee of the village cooperative. However, the supervisors and organisers are villagers. The overall policies of the Association are determined by its Managing Committee, headed by the Chairman who is the Director of the Academy. Only two cooperative societies are represented in the Managing Committee of nine members. This is probably realistic as management skills are still to develop in the villages and it is most important that the Central Association be able to operate a large business successfully rather than be managed on a democratic basis. As time goes on there will be a case for more representation in the Managing Committee of the primary societies.²⁵

23. Supervision and control of the member cooperatives is effected chiefly through the Field Supervision Section. The actual supervision is done by persons designated as "Inspectors", who are trained government servants who gained experience as workers in the Village AID programme which has now been discontinued. It is the task of the Inspector to assist in the training programme by taking classes for the organisers and supervisors, discuss practical problems with them and help them perform well in the villages. The Supervisor is a particularly successful organiser and is paid by the Central Association to help the organisers in his area. Usually he supervises 4 village societies in addition to his own. He continues to serve as the organiser of his own village cooperative. The supervisor tends to become more of a specialist than the organiser. He spends more of his time on cooperative business than the organiser.²⁶

24. One of the important achievements of the Central Association in Comilla has been the maintenance of proper records both for itself and for the member cooperatives. Attempts to maintain proper records

25. H.W. Fairchild - op.cit., pp.24-26.

26. Ibid., pp.27-28.

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and accounts at the village level have proved unsuccessful because of a lack of trained accountant in the villages who could be paid adequately out of the societies' resources. Records and accounts are now maintained at the Central Association by an accountant hired by the Association for each five village cooperatives. These accountants are also trained by the association in weekly classes. The organiser in the Primary Cooperative keeps simple records of receipts and expenditures. Each week the accountant visits the village and brings the society's books up-to-date. The services of the accountant are ultimately paid for by the village by having a 3 per cent service charge added to each loan. The Cooperative Department of East Pakistan maintains auditors with the Association to check the books of the primary member cooperatives and of the Central Association.

THE AGRICULTURAL EXTENSION WORKER

25. Apart from the organiser another key individual in the Comilla Cooperative programme is the model farmer. It is obvious that cooperation and agricultural extension must go hand in hand. The model farmer is drawn from the village cooperative and is a person of intelligence, ability to learn and practice new methods. He attends classes once a week at the Thana Training Centre and under the expanded programme of training gets training in Agronomy, Plant Protection, Fisheries and Animal Husbandry. An important part of the training of the model farmer consists of practical demonstration. Over 100 model farmers took their training last year and what they learnt was conveyed to nearly 5000 cooperative members through the weekly meetings in the villages. It is no wonder that after the harvest of the Aman crop in 1962, a survey revealed that more than 1500 cooperative members had adopted the improved methods and increased their yields by more than 50 per cent as compared with previous year.²⁷

27. In the current year the scope of the Comilla project has been expanded by including two categories of trainees viz. Imam (persons in charge of mosques) teachers and women. It has been accepted as a matter of policy in the cooperatives that every child of a member must go to school and every member must learn to read and write. A natural and economical solution to the problem was found by bringing the Imams within the purview of the programme by recruiting them as teachers in the village school and the adult education centre. The school and the adult centre is often housed in the mosque and their maintenance is now the responsibility of the cooperatives. The children attend school in the morning while the adults attend in the evening. Altogether 120 Imams were selected and received training at the Thana Centre, which undertook to train them as teachers of literacy and also to assist them to improve their theological and general knowledge. By June of the present year schools with an enrolment of 5000 children and 1000 adults have been started. It appears that this programme offers hope of achieving universal literacy within a foreseeable period, whereas the ambitious programme sponsored by the Department of Education to achieve the same objective could not be fully implemented so far due to financial difficulties.²⁸

27. Akhter Hameed Khan and M.Z. Hussain - op.cit., p.18.

28. Ibid., pp. 18-19.

28. Last to be brought into the picture were the women as due to the conservative outlook of the people one had to move rather cautiously in this direction. Even now the programme is confined to 14 villages only. However, the response has been most encouraging. To quote the report of the experiment "Unexpectedly, the women are not only willing to come out of the village to the training centre, they are very punctual and loyal. They are steadfast learners whether it be literacy or hygiene, or kitchen gardening or care of children, cattle or poultry. Most unexpected is their deep interest in economic activities, like cooperative loans or savings, on trading in rice or spinning or sewing for profit." Here is a development which has immense possibilities for releasing human energy for development which is at present lying dormant and is being wasted.

29. In the original scheme it was contemplated that the credit needs of the primary cooperatives would be met by the existing cooperative central banks. However, it was found that many of them had poor financial resources and were merely acting as the agents of the State Bank and were not equipped to administer a system of supervised credit was a key note of the Comilla experiment. In 1961-62 the Central Association decided to take up banking functions. It became the banker to the cooperative societies and the societies became the bankers of the members. During the last year the Central Association was able to persuade an important scheduled bank to establish a branch at the Association Headquarters, to act as its bankers and also give it a line of credit. The involvement of a commercial bank in rural credit is something unprecedented in East Pakistan. The decision of the bank to do so was largely influenced by the sound business practices which the Central Association had been able to inculcate in the cooperatives and as a result the exceptionally good recovery record for the cooperatives which was established. This point will be discussed further in a subsequent section.

30. The cooperatives in the past were never able to promote thrift. The members never made any deposits. It is obvious that without deposits there cannot be any viable cooperative society or a proper credit system. The Comilla project makes a sharp and welcome break with this dismal tradition. To quote the 1963 report "The Comilla cooperative project tried to build a sound system of rural credit based on principles of regular thrift deposits, group planning, adoption of improved methods and productive investment."²⁹ Continuous training helped in inculcating the principles and their practice was ensured by effective supervision. The organiser working through the weekly village meetings became an effective agency for promoting understanding as well as practice of thrift. The organiser collected the thrift deposits regularly and helped in preparing the production plan. The production plan and the growth of the society's deposits were examined by the Central Association who fixed a loan ceiling. The main criteria of credit-worthiness were considered to be regularity of deposits, adoption of improved methods, good plans of investment and punctual repayments. Deposits of the members were held as a collateral for the loan given to the society.

29. Ibid., p.23.

SAVINGS

31. So great is the emphasis on regular savings in the Comilla Project that before a society is registered and becomes eligible for loan from the Central Association it is kept on probation for a period of four to six months, during which period it must show the growth of a satisfactory volume of deposits. Due to this requirement every member saves a little in cash every week and also in kind after harvest. Each society has fixed a minimum limit of saving for its members. If a member does not save anything for four consecutive weeks without valid reason he is generally removed from membership. The member brings his saving to the weekly meeting and deposits it with the organiser. Each member has a pass book and each transaction is recorded in it. When the supervisor has collected the savings of the members he deposits the amount in the Bank of the Central Association when he comes to attend the weekly meeting. Each society has also a pass book in which all transactions are recorded. As an additional safeguard the society's account is operated jointly by the organiser and the Deputy Project Director. The accounts of the societies are written up and checked weekly by the accountant of the Central Association, each of whom has charge of five societies. The primary records viz., of receipts, payments and the vouchers are maintained by the organiser who passes them on to the accountant. The closing balance of each member is also announced in the weekly meeting. The Inspector who visits the societies from time to time also checks the account when he visits. These checks are quite effective and possibility of misappropriation is slight.

Three per cent interest rate on deposits is allowed. Although withdrawal is permissible, this must be justified in a weekly meeting.³⁰

32. In-kind Savings : The members are also encouraged to save in kind. Traditionally the peasants had to sell their crop immediately after harvest to pay land-lords and money lenders. This has led to a steep fall of prices after harvest. The purpose of in-kind savings is to prevent this fall of price and also to accumulate capital for investment. For in-kind saving a storage system is essential. The Comilla project encouraged the village cooperatives to set up the traditional grain storage sheds (known as gola) for their own use. The villagers were at first reluctant to deposit their paddy in the cooperative gola but when they realised the value of storage the idea caught on. Paddy deposits, against which 60% of the value is given as a loan, generally bring a good margin of profit. The difference in price at harvest time of the principal crop viz. December-January and at about the middle of the year often exceeds 40%.

But the importance of the gola is not primarily to even out fluctuations of price and provide a better return to the cultivator, but to promote savings which it permits under the control and guidance of the cooperative itself. "The money from the individual sales of grain used to be spent mostly for consumption items. The

30. Ibid., pp.54-55.

sale of grain from cooperative gola, in contrast goes in large part into productive investment. The gola is the guidance system which puts investment into orbit within the village."³¹ In the year 1961-62 a total of 3228 maunds of paddy and 542 maunds of rice were stored in golas by 28 societies which previously stored hardly anything on a cooperative basis. The total value of this gran was Rs.70,000.

CAPITAL STOCK & RESERVE FUND

33. The Comilla Central Association has built up a capital stock in a number of ways which are laid down in the bye-laws of the Association. First, each member cooperative pays its first membership fee by purchasing Rs.50 in capital stock. Second, each member society retains its membership by purchasing Rs.50 in capital stock annually thereafter. Third, a member society is paid dividend on its capital stock in the form of additional capital stock. Fourth, capital stock equal to 5 per cent of any loan applied for must be purchased before the loan can be given. And fifth, a capital stock purchase service charge of 5 per cent of the loan principal is made on all loans collected.³²

In a rural economy like that in Comilla Thana where there are various types of production risks including risks from natural disasters it was felt quite early that the village societies must build up sufficient reserve funds as hedge against these risks. An adequate reserve fund might make it possible to reduce interest charges which normally must cover all risks. The rules for the cooperatives therefore laid down that "each loan given shall be secured by the reserve fund of the member cooperative. If a cooperative has no reserve fund or one less than 25 per cent of the loan being applied for, one must be created at the time of giving a loan from the Association. This will be done by subtracting 5 per cent of the principal of the loan when the loan is given and deposit it in the Association in the name of the member cooperative - this, practice of deducting 5 per cent from the principal of each loan given shall be continued until the member cooperative shall have accumulated a sum in the reserve fund account equal to 25% of the value of the outstanding loans plus loans currently being applied for from the Association."³³

34. These measures have led to a steady accumulation of capital and deposit although not as much as was anticipated. The cumulative deposit of cooperative members in the accounts of the societies with the Central Association in 1962-63 came to Rs.147,341 for agricultural and Rs.83,262 for non-agricultural societies. After withdrawals the balance was Rs.69,525 and Rs.14,653 respectively. The share capital of the Central Association is now Rs.32,510. Besides, the village societies have accumulated share capital and reserve funds.³⁴

31. H.W. Fairchild and M.Z. Hussain - op.cit., p.37.

32. H.W. Fairchild and M.Z. Hussain - op.cit., p.39.

33. Ibid.

34. Akhter Hameed Khan and M.Z. Hussain - op.cit., p.23.

There are several reasons for the slow increase of deposits in cash as well as in kind. First, most of the farmers are still indebted to the money-lenders and they are trying to pay off their debts or redeem their lands which they mortgaged with their surplus instead of putting it in deposits. Secondly, some find the 3% rate given on saving account unattractive and the rules for withdrawal cumbersome and prefer to invest directly in more attractive channels. A development which has surprised many is the very large expansion in the personal accounts of the villagers which has taken place in the commercial bank which was established at the headquarters of the Association. This shows that banking habit is growing among the villagers although the money is not being placed all with the co-operatives. There is no doubt that the rate of capital formation will increase as the primary societies become solvent, pay off their old debts and increase productivity.³⁵

GIVING SUPERVISED LOANS : THE VARIOUS STEPS

35. The provision of loans to cooperative members under expert guidance is probably the most important feature of the Comilla programme. In order that the loan operations really contribute to the objective aimed at, viz., modernisation of the rural economy and are not dissipated on useless purposes, as was the rule with co-operatives in the past, an elaborate system of loan application, loan approval and loan supervision has been worked out.

The first step in the administration of supervised loan in Comilla is the fixation of a maximum loan limit for the society. As this is a most vital decision, it is taken by the Managing Committee of the Central Association. In fixing the limit a number of factors are taken into account, viz., deposits of society, productive capacity, previous loan repayment record and such intangibles as "Cooperative spirit" or ability of members to work together. The Managing Committee has on the whole been rather conservative in the matter of fixing the limit.

36. The second important step in supervised credit is the preparation of a joint production plan by the society. The production plan must show the purposes for which the loan is required and the return which is expected to obtain by executing the production plan and utilising the loan. No standard form is prescribed for submitting the production plan as the idea is to stress the planning process itself as a valuable training for the members. The idea of planning is well stated in the words "Finding out what you have, finding out what you want, and then figuring out how to get from where you are to where you are trying to go."³⁶

The stress is laid on group planning. In other words, farmers who are to participate in the plan congregate together, discuss things and work out the details together under the leadership of the organiser. A group planning session is often a lively and

35. Ibid., pp.55-56.

36. H.W. Fairchild and M.Z. Hussain - op.cit., p.40.

prolonged meeting. All necessary data are marshalled, objectives clarified, the means to be adopted in achieving the objects thoroughly discussed and a decision taken after removing the errors and inconsistencies. Before the session ends, the plan is written up in the finalised form, signed and stamped and is ready for transmission to the Central Association. The plans drawn up by the primary cooperative societies may not be particularly sophisticated. However, they contain simple, practical ideas and accomplish the purpose which they are supposed to achieve. They lead the farmers to consider their farms as a business enterprise and make decisions as businessmen. There is no doubt that as time goes on and more technical as well as planning ability is acquired, the cooperatives will be able to put forward more sophisticated plan.³⁷

37. A thorough scrutiny is made of the plan by the Supervisor and the Inspector, who examine all the details. When they are satisfied, they help the organiser in drawing up a loan application in proper form. After it is drawn up it is submitted together with the production plan to the Central Association.

After the loan application is received by the Association, it is formally examined by the Inspector and the Thana Agriculture Officer and passed on to a higher official in the Field Supervision Section for further review. After it is finally approved by the Project Director, he makes out a cheque to the Organiser of the cooperative in question.

38. However, the story does not end there. It is only the beginning in the process of supervised credit. When the society gets its loan it does not get it in cash. The cheque is deposited with account of the society which is operated by the Organiser and the Deputy Project Director jointly. Each time the society needs money to carry out its production plan, it has to prove to the Inspector that the previous withdrawal was used in accordance with the plan and the proposed withdrawal would also be used to complete another item in the plan. The constant communications between the Inspector and the Organiser of the society makes it possible to impose the plan discipline on the society, improve the plan, resolve bottlenecks, etc. The procedure ensures continuous planning.³⁸

The Central Association does not pay ready cash as far as possible. The Association makes bulk purchases of fertilizers, seed etc. and arranges direct payment from the account of the society. Apart from making available the requisites to the societies at low cost, this provides a check on the society's expenditure. The Supervisors and the Inspectors also check the implementation of the plan from time to time.

REPAYMENT

39. Efficient collection of loan is one of the most fundamental factors in the success of a Cooperative. What distinguishes the

37. Ibid., pp.40-41.

38. Ibid., p.42.

Comilla system of supervised credit with that of the older type of societies is the exceptionally high repayment record for the Comilla societies. Collection of loan is the major responsibility of the Supervisors and Inspectors. They generally collect loans at harvest time and ensure that grains sufficient to repay loan and interest are deposited in the Cooperative gola. When grain is deposited it is valued at the current market rate. In the past year more than 50% of the repayments were made by depositing crops. The deposited crops are sold only when the market price rises reasonably high and that is generally 6 months after harvest. The Central Association realises its loan with interest and the balance of profit, if any, goes to the society which credits the members in proportion to their crop deposits.

In the year ended June 1963, loans totalling Rs.177,875 had been issued to the societies. Of this, Rs.160,275 had been realised by June. Against the totals due, there was crop deposit the market value of which comes to Rs.28,000.³⁹

Although the interest rates charged were generally 12% per annum, this was a small price to pay considering that returns in the form of higher yields averaged 30-50% (less certain costs) and the money lender would in any case have charged 60-100 per cent as interest.

40. The bye-laws of the Association contain strict provisions for the security of the loans and if these are followed virtually guarantees loan collection. Each loan must be backed by four forms of collateral. "First, the loan is guaranteed by a mortgage on land, a lien on valuable property, or a marketing agreement on future production. Second, each borrower must get three co-signers to endorse his note. Third, the reserve fund of the member cooperative is held as collateral. Fourth, each loan is guaranteed, finally, by the reserve fund of the Central Association."⁴⁰ Although these are stringent conditions, in view of the dismal record of repayment of loans by the Cooperatives in the past, seem to be fully justified.

LOANS OTHER THAN FOR PRODUCTION

41. The Comilla programme of supervised credit not only covers production loans but also loans for a number of other purposes. These include in-kind grain loan, loan for purchase of milch cows, for release of mortgaged land, for construction of godowns and golas, for installation of tubewells for draining water, loan against pledged paddy and rice, loan for marketing operations and for purchase of machinery.

In the lean period starting a few months before harvest many farm families have to borrow or buy foodstuffs. Previously, they used to go to the trader or money-lender who loaned grain to them

39. Ibid., p.58.

40. H.W. Fairchild and M.Z. Hussain - op.cit., p.43.

with the stipulation that they return $1\frac{1}{2}$ mds. of paddy at harvest time for each maund of paddy borrowed. Now the Central Association advances the grain during the critical period, the amount to be returned is $1 - \frac{1}{8}$ maund of paddy for each maund borrowed. Not only this confers an enormous benefit on the farmers, it enables the Association to build up a stock for future loans. Grain loans totalling 1060 maunds of paddy, 404 maunds of rice and 86 maunds of wheat were made to 39 Cooperatives so far which become due for repayment after the Amon (winter) harvest. Repayments have been 100 per cent.⁴¹ Loans are also given to cooperatives for buying milch cows for dairying by members. Repayment is made in monthly instalments over a year to 18 months. In the year March, 1962 and February 1963, a total of Rs.12,100 was issued in loans to 5 societies. Out of these nearly Rs.7,200 has already been repaid by June, 1963, the balance being realised in regular instalments.

42. Initially, the Comilla Project confined itself to short-term loans only and mainly for productive purposes. Many societies' members who have had land mortgaged to money-lenders were anxious to borrow from the association to redeem their lands. As they have had to pay an extortionate rate of interest (often in kind) on their old loans, it often took up a large part of their surplus. At first the Association did not consider it to be safe to invest money for liquidation of old debts and no loan was issued for this purpose. However, as the societies persisted in their request for this type of loan, and as the Association gained an intimate knowledge of the old societies, it was decided this year to give loans to registered societies to the extent of 50% of their loan limit for the release of land. This is a medium term loan to be repaid in 3 years usually in annual instalments after each harvest. So far an amount of Rs.60,270 has been given as loan to 26 societies.⁴²

43. A cooperative society must have a gola or a grain store house. This helps in the collection of loan in kind. Members also want to build up a stock to serve as collateral for loan. People also want to deposit their savings in grain in the society's gola for sale when the price rises. In the absence of the cooperatives, men of small means were unable to afford their own storage. Now the society's godown meets this essential need. The society, however, needs funds for the construction of the godowns. This is provided by the Central Association which gives 5 year loans for this purpose. The society is able to repay this loan by charging storage fees to members. So far loans totalling Rs.6,325 have been advanced to 3 societies for this purpose. The societies remain responsible for the care and custody of the godowns and loss due to pilferage in handling has been negligible.⁴³

41. Akhter Hameed Khan and M.Z. Hussain - op.cit., p.58.

42. Ibid., p.59.

43. Ibid.

44. Loans for installation of tubewells made by the Central Association to the cooperatives have also fulfilled a felt need. These are mainly drinking water tubewells for which the Association gives medium-term loans to be repaid in 3 years. Much more ambitious is the Comilla Programme for installation of wide-bore tubewells for irrigation purposes. Although marked success have been achieved in installing these tubewells, these have not yet passed the experimental stage. Besides, they are much more expensive than the drinking water tubewells. So the ones which are being installed now are being installed with Government grant and is not yet considered a project suitable for being financed by the cooperatives. However, where irrigation is being provided the cooperatives are charging fees to members for the use of the water.⁴⁴

45. The farmer meets his farm expenses out of his income. Workers are paid in grain or in cash after selling the grain. The farmer waits till harvest time to buy clothes and other necessaries. The land revenue agent also collects the dues at harvest time. There is, therefore, a pressure to sell grain at harvest time. This brings down the prices precipitately. However, when he is a member of the cooperative in Comilla he can deposit his grain in the cooperative gola and get 60% of the value as loan to meet his liabilities. The society borrows from the Central Association by pledging the stock and gives him the loan. When the grain is sold in more favourable conditions he is able to pay back the loan and interest only by selling a part of his stock. He may take back the surplus for his own consumption or by selling the entire stock and derive a good profit on the operation.⁴⁵

46. Marketing : Marketing has been considered an integral part of the Comilla cooperative programme. It is obvious that while cooperative credit and improved methods will help the farmer in increasing production substantially as it has been the case in Comilla, the farmer will have little incentive to produce if he cannot get a good price for his produce. Further, when he buys consumer goods he has often to pay too high a price and the product of doubtful quality.

The Central Association aims at helping the members of the cooperatives to get the best price for their produce and acquire the goods they need at the lowest possible cost. A marketing section of the Central Association was set up whose functions are : "(a) to study market price and provide marketing information to the cooperatives (b) to find out the best possible market and organise sale of members produce at the best available price (c) to arrange bulk purchase of consumer goods and to supply the same to the member cooperatives at wholesale price; and (d) ultimately to link marketing with credit."⁴⁶

44. Ibid., p.59-60.

45. Ibid.

46. Ibid., Ch. XVI.

By collecting market information the Central Association has been able to get the best possible returns by transporting the goods to markets at some distances instead of disposing it locally. This has also helped in raising price locally. The consumers stores set up in the villages have also greatly expanded their business and have on the whole been quite successful. The consumer stores also functioned on the basis of loans granted by the Central Association which are guaranteed by the cooperative societies. These loans are also mostly disbursed in kind in the form of goods supplied to the stores by the Central Association.

47. Loans for Purchase of Machinery : The Central Association maintains a pool of agricultural machinery : tractors, power pumps, rice hullars, tresher, etc. The machines have been rented to the village cooperative societies at rates fixed for hourly, daily or seasonal use, and each society is furnished with a list of the hire charge rates. The charges are realised in advance.

Although tractors and power pumps have been in use for some time, their adoption has not grown to the extent it was anticipated. This has been due to reasons which are technical, economic and psychological. The right type of tractor which is suitable for monsoon cultivation as well as cultivation in winter has not yet been introduced. When peasants have been able to raise two crops there has been a reluctance on their part to grow a third crop on the fear that this would extent fertility of the soil. This has prevented an optimum utilisation of tractors and pumps. Surface irrigation proved inadequate because of inadequate supply of surface water and wide-bore tubewells which may solve the problem are at present being installed. Although the Central Association maintains a machine repair shop the facilities need to be considerably improved. It is the policy now to encourage the societies to buy pumps and loans will be made available for the purpose.⁴⁷ There is no doubt that with better roads, the programme of rural electrification which is being taken up, tubewells and irrigation canals which are being planned for the next two years, the use of machines is likely to increase rapidly.

48. The works programme : The above description of the Comilla project tells only part of the story. Our major concern here has been with the cooperative aspect of the experiment. However, the developments in Comilla will be imperfectly appreciated if no mention was made of the Rural Works Programme which has been taken in hand in the last two years. Rapid rural development like any other development requires the building of infra-structures. Large areas of the Comilla Thana have been subject to floods in the previous year. The Thana Council i.e. the Thana unit of local self-government set up under the present constitution through the union councils prepared a 3 year plan to control the flood by deepening khals, building dykes and regulators, and to link villages with main roads and markets. The Government made a grant of Rs. 387,000/- for the year 1962-63. The first phase of the programme

47. Ibid., p.61 & Ch. XIV.

was successfully completed. It was a triumph of the ability of the Civil administration to mobilise villagers through the union councils on a massive scale to carry out the work. The system of roads which was built, crude though it was, linked many isolated villages and opened them to the traffic of trucks, cart and rickshaws. The deeper drainage channels and embankment saved large areas from inundation. It may be mentioned here that this achievement was due, in no small measure, to the effective system of training which is provided at the Academy to officials of all levels connected with rural development.

It has been rightly pointed out that the impact of the works Programme was two-fold : it protected agriculture and it provided employment to labourers. The cooperatives reaped the benefits of the investment in the shape of large deposits of paddy, timely repayment of loan and accumulation of savings.⁴⁸

48. However, the scope of the Works Programme in future is enormous. The system of roads and drainage needs to be greatly strengthened. Every village needs a continuing source of irrigation water and cheap power. Already agencies like the Water and Power Development Authority and planning projects which will bring irrigation water and electricity to several hundred villages. Two million rupees have been allocated to the Comilla project area for the 1963-64 programme which will make it possible to execute a far larger programme last year.

49. Conclusion :

The experiment in Comilla is nearly three years old. The experience of this brief period makes it impossible to predict the future course of development of this project with complete confidence. However, enough results are visible to adopt an attitude of guarded optimism with regard to the experiment. We can venture certain broad conclusions.

The progress achieved by the cooperative has been uneven. There are many societies in Comilla which could be improved. But judged in the background of the thoroughly disreputable performance of cooperatives in the past, the least successful of the cooperatives at Comilla should be considered successful. The Comilla Central Cooperative Association and its member cooperatives are now self supporting institutions. They do not cost the taxpayers any money. The Thana Training Centre is however government and aid financed. But the benefits of the training provided by the Centre for over all rural development cannot possibly be estimated in monetary terms.

The cooperative project in Comilla has been successful not merely because a major emphasis has been placed on supervised credit, but because it is part of a comprehensive programme of rural

48. Ibid., pp.12.13. Also, Pakistan Academy for Rural Development - An Evaluation of the Rural Public Works Programme, East Pakistan, 1962-63.

development. This programme, as the Director of the Pakistan Academy for Rural Development points out includes not only modernisation of agriculture, but improvement of local administration, of the educational system and of the position of women. The Academy has undertaken experimental work with union councils, schools, youth clubs, and groups of women. A team of Japanese experts is working with extraordinary success to introduce improved paddy culture by means of supervised field demonstrations. The cooperative experiment is supported by, and in its town supplies a strong basis for, the other development projects. In isolation its success might well be not only more limited but more doubtful."⁴⁹

The concepts underlying the integrated approach in Comilla are as follows :

- "(a) Rural administration ensures roads and drainage;
- (b) This encourages village cooperative and agricultural improvement;
- (c) Village cooperatives ensure effective supervising and training;
- (d) The Central Association provides credit, both short-term and long-term (for purchase of capital equipment like tubewells), and helps in planning aid to the village cooperatives;
- (e) The Central Association assists in generating capital and increasing production through credit based on production plans, and through training and servicing, and so opens up new avenues for investment in improved methods of farming;
- (f) The Thana Council's Training and Development Centre ensures dissemination of new skills; and
- (g) Village cooperatives become a good media for diffusion of new ideas and methods."⁵⁰

The Comilla experiment will in the near future be tried in three other Thanas. The results of the experiment in other areas will demonstrate conclusively how far the progress achieved in Comilla is due to some peculiar factors available only in Comilla, e.g., the personality of the present Director of the Academy or to the soundness and practicability of the underlying concepts. If it is the latter we may expect a general expansion of the programme to cover the whole of East Pakistan and possibly the whole of the country. The effect of such a programme would be inestimable from the standpoint of rural as well as the general, social and economic development of the country.

49. Akhter Hameed Khan - Progress Report on the Comilla Cooperative Project, June 1962, p.4.

50. Pakistan Academy for Rural Development - Fourth Annual Report, June 1962 - May 1963, p.85.

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FARM PLANNING AND EXTENSION TECHNIQUES IN THE
COOPERATIVE CREDIT PROGRAMME

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FARM PLANNING AND EXTENSION TECHNIQUES IN THE
COOPERATIVE CREDIT PROGRAMME

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INTRODUCTION

A supervised credit programme aimed at solving problems of small and medium farmers will become more effective if it is implemented through sound cooperative organisations, in particular multipurpose cooperatives (credit, marketing and supply). The principal tools utilized in supervised credit are farm planning and continuous on-the-farm supervision. In fact, this system of credit depends basically on the technical supervision and guidance in order to ensure that credit is effectively used to increase production and income. The granting of loans is based on a farm plan which is prepared by the field staff in collaboration with the farmer-borrower. Consequently, the field supervisors assigned to the primary cooperatives carrying out the supervised credit programme constitute its central nerve. The agency in charge of the cooperative development implementing the programme should maintain and train such field personnel.

COOPERATIVE ORGANISATION

In order to ensure their effectiveness and soundness, the primary cooperative societies which are to adopt supervised credit methods in their operations should be organized or reorganized with the following characteristics and purposes in view :

1. The societies should embrace as many farmer-members as possible in a given agricultural marketing and geographic area, considering primarily membership contact and other common factors. This is to achieve their economical administration and management on the one hand, and provide their farmer-members with accessibility and efficient credit service on the other.

2. They should be properly set up among small and medium farmers in areas where opportunities and desire to increase agricultural production exist. Loans and technical advice should be given to farmers with actual or potential productivity in order to increase production and income. (It is appreciated that marginal and sub-marginal farmers deserve assistance, but credit alone will not solve their problems, and different devices should be found, such as land reform, resettlement schemes, etc.).

3. They should possess those elements of local leadership, grass-root support, and democratic control, which are essential for their effective functioning.

4. They should be instruments for mustering local finance in the form of share capital and savings with a view to making the cooperatives progressively less dependent upon outside financial assistance.

5. Such cooperatives would have to be of limited liability; and in order to guard against failure on account of unsatisfactory management, the best policy would be to start with credit functions first and then to add on supply and marketing activities at a later stage.

6. The membership of such cooperatives should be divided into informal groups of about 20 to 40 farmers each, on the basis of the proximity of residence and similarity of farm business. This approach is very important in encouraging group education and serving as a medium through which mutual control for credit supervision and punctual repayment of loans is exercised. In each group, there should be a group leader annually elected by the group members.

FARM PLANNING

Farm planning involves : analysis of the resources, determining productive capacity, testing of alternative enterprises and practices, determining the amount of credit required for introducing the improved practices and a realistic schedule of the farmer's potential to increase production and repay the loan advanced. In other words, the farm plan serves as the basis for advising the farmer on improved agricultural techniques, as well as the basis for deciding how much money is needed for what purposes, and finally, how the loan will be repaid.

Once the plan is drawn up and the loan is approved, the follow-up or on-the farm supervision then provides each farmer with guidance needed for putting the plan into effect.¹

The purpose of farm planning is:

1. to provide a basis for analyzing the adequacy of the farm family's resources and the suitability of the farm enterprise being proposed.
2. to enable the family to think through its farm operations and to determine the adjustments, improvements, and practices to be carried out as well as the capital required to assure a successful farm enterprise.
3. In developing the farm plan, the family and the field supervisor will make an estimate of income to be received and credit required, and reach a definite understanding as to how each will be

1. Indian Cooperative Union, Seminar on Planned Production Credit, 1959, p.19.

used. This will enable the family to use income and credit to the best advantage in carrying on its farm operations, to avoid expenditures for non-essential items, and to be reasonably sure of being able to pay its debts.

4. Furnish the field supervisor a basis for extending effective supervisory assistance. Farm plans reflect the most important items on which the family needs assistance in carrying out planned operations.

PARTICIPATION IN FARM PLANNING

A. Family Participation

1. The family must assume primary responsibility for thinking through the plan of operation for the farm in order to understand the plan and receive maximum benefits from putting it into effect.

2. Prior to the planning visit by the field supervisor, the family will be encouraged to study its situation, to discuss its problems, needs, desires, and to make tentative decisions regarding the plan of operation in order that it may be better prepared to participate in the final development of the plan.

3. All responsible members of the family should participate in the development of the plan. This will lead to a better understanding of the plan as finally developed and a desire to carry it out more effectively.

B. Field Supervisor Participation

1. The field supervisor is responsible for providing assistance to the family in analyzing its resources and problems, and for contributing technical agricultural information and guidance that will cause the family to think through and develop plans which will improve the farming practices and operations. He is responsible also for showing the family the need for making such improvements and making wise use of its income and credit.

2. In order to provide effective planning and supervisory assistance to families, the field supervisor must keep currently informed concerning the systems of farming, resources, investment and production requirements, and management practices necessary for successful farming in the area. He must also have a good working knowledge of what it costs to make the adjustments and improvements usually needed in carrying on farming operations in the area, and must be able to estimate with a reasonable degree of accuracy yields and prices in order to budget income, expenses, and debt repayments for the family.

3. In keeping up to date and currently informed on agricultural trends, methods, and data available concerning successful farming

operations in the area, field supervisors will utilize fully information from successful farmers, research workers, experiment stations, agricultural extension service, etc.

Note : As earlier indicated, preference should be given to implement a supervised credit programme through cooperative organisations. At the initial stage, the cooperatives will perform their activities with the technical help in advisory capacity of the field supervisors assigned to them by the agency responsible for cooperative development. Thus, it will be through the viable primary cooperatives and the field supervisors assigned to them that the programme will reach the farmers whom it is intended to serve. As the cooperative begin to operate satisfactorily and their employees gain experiences and are appropriately trained, the technical supervision of farmer-borrowers (who are their members) will gradually be taken over by the cooperatives.

LOAN APPLICATIONS

Upon receiving an initial loan application, a field supervisor or a cooperative employee will visit the applicant on his farm in order to help the family in the orderly and satisfactory completion of the farm plan in connection with the loan. This involves investigation and consideration concerning the applicant's resources and desires, the details and justification of the farm development being proposed, credit needs, loan disbursement plan, ability and experience of the applicant, the property offered as security, the sureties' financial condition, etc. A proper and complete loan application is consequently developed embodying the farm plan and submitted, together with the investigator's report, to the board of directors or the loan committee of the cooperative concerned. The board of directors or the loan committee will then make a careful study of the application and the investigator's report and give a final decision whether or not the loan will be granted.

MAKING FARM VISITS

1. Visits should be conducted in a friendly but business-like manner by the field supervisor or the cooperative employee. Adequate time should be taken to discuss the problems and the corrective action required.

2. Note should be taken of the condition of the farm, buildings, equipment, crops, livestock, poultry raising, fish culture and home food production as also the production obtained to date. Any major family living problems also should be recorded.

3. The superior should evaluate the progress being made with respect to planned farm development & other major adjustments in the farming practices. He should also discuss with the borrower the progress being made, problems which are evident, the changes or practices necessary to improve or correct any adverse condition, and the amount and source of funds required.

4. When the borrower is not familiar with the techniques necessary in connection with the adoption of a new farming practice, for the correction of an existing problem, the field supervisor or the cooperative employee should demonstrate how it should be done, if this is feasible. If this is not feasible, he should assist the borrower in obtaining the services of a competent specialist such as the local agricultural extension officer, or a vaterinary. It may also be helpful in some situations to arrange for the borrower to visit the farm of some other farmer who has mastered the practice. Demonstrations can be used effectively with a group of borrowers in some instances.

5. At least once each year when carrying out step 2 above, a sight check should be made of the property serving as security for the cooperative loan(s).

6. The superior should inspect the major purchases made with loan funds by the borrower, and review with him the use of any remaining loan funds and how to make any difficult purchases not yet completed.

7. He should review with the borrower amount, time, and source of repayments planned. When repayments have not or cannot be met as planned, an enquiry should be made regarding new dates and sources of repayment based upon the probable income and expenses during the next season.

8. Emphasis will be placed upon training the family in keeping and using the information in the inventory (financial statement) and other farm records.

9. The superior should commend the borrower on the progress made since the last visit and discuss the probable time and purpose of the next visit.

10. Immediately following the completion of a farm visit, concise notes will be made concerning the visit by the field supervisor or the cooperative employee in the running case record of the particular credit file maintained by the cooperative.

EXTENSION TECHNIQUES

The methods employed in extension teaching may be classified in several ways. According to the number and nature of the contacts inherent in their use, methods of extension teaching may be grouped into three categories, i.e. (1) individual contacts, (2) group contacts, and (3) mass contacts.

Under the first category, the farm or home visit is made for the purpose of giving information or obtaining information, particularly in matters which require first-hand knowledge of farm and home conditions and the point of view of the farm family, such as development of farm plan, evaluation of the progress made, inspection of the major purchases made with loan funds, etc. It

also develops good public relations and contributes to selection of better local leaders. However, some limitations of this method are : (1) it requires a relatively large amount of field supervisor's time; (2) number of contacts possible is definitely limited; and (3) time of visit is not always opportune from the stand point of farmers.

The second category of methods involves contacts with a substantial number of farmers assembled in a group. As there exist informal groups of members in the cooperatives employing the supervised credit methods, group contact in this case is also convenient and effective for general purposes, e.g., cooperative and farm credit education, dissemination of knowledge regarding the latest improvements in agriculture, discussion on improved farming practices, etc. However, this does not eliminate individual contacts.

In addition to the personal contact and group teaching methods, mass media enable field supervisors and extension workers to increase greatly their teaching efficiency. Publications, news stories, circular letters, radio, television, exhibits, and posters provide helpful repetition for those contacted personally or through groups. Even though the intensity of teaching through mass media is less, the large number of people reached and the low cost per unit of coverage more than offset the lack of intensity.