

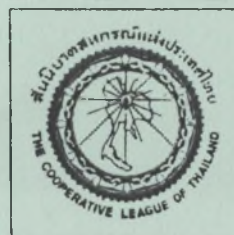
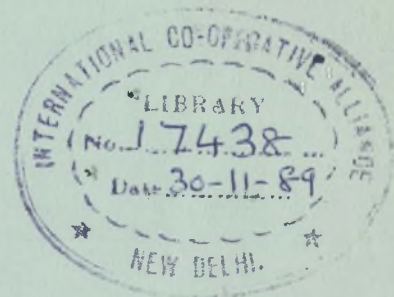
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**REPORT ON THE
ICA/CLT STUDY ON ESTABLISHING THE
CO-OPERATIVE FINANCING SYSTEM
IN THAILAND**

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Prepared by:

**M.M.Vyas
and
Sten H.Dahl**



**INTERNATIONAL CO-OPERATIVE ALLIANCE
and
CO-OPERATIVE LEAGUE OF THAILAND**

Bangkok, Thailand, August, 1989

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REPORT OF THE CONSULTANCY STUDY TO ASSESS THE
FEASIBILITY OF ESTABLISHING A COOPERATIVE
FINANCING SYSTEM IN THAILAND.

1. BACKGROUND

In view of an acute shortage of financial services for cooperative activities the Thailand Cooperative Congress held in June 1986 concluded that there is an urgent need for the establishment of a cooperatively-owned financing system which serves the cooperatives with needy, savings and other financial services.

Similarly, the ICA Study Mission on Perspective and Project Planning for the Agricultural Cooperative Sector in Thailand, which was carried out during the period April-June 1986 and supported by the Cooperative Promotion Department (CPD) and undertaken on behalf of the Cooperative League of Thailand (CLT) found that credit and other financial services offered by a number of existing institutions do not actually reach down to the smaller farmers and poorer layers of cooperative members. In fact, the Study Mission states in its report that the individual efforts of the Bank for Agriculture and Agricultural Cooperatives, the commercial banks, the agricultural extension services and the CPD rather fragments the farming community and reduces basically the platform of unity on which true cooperative democracy and self-reliance would nourish.

In view of those findings the Study Mission recommended, that the CLT, being the apex organization of the cooperatives in Thailand should spearhead the establishment of a separate cooperative financing system which will be registered under the existing cooperative laws, owned by the cooperative movement, and run by the cooperatives for the sole benefit of the cooperatives and their members.

It was in this context that a suggestion was made, that the present savings activities being undertaken by the agricultural cooperatives in Songkhla and Chiangmai Provinces be studied in depth and based on the findings of such a study, a decision be taken at the highest cooperative level whether or not a properly organized pilot activity for the purpose of a national cooperative resource mobilization programme should be launched.

The above Study Mission further expressed firm opinion as regards the need for the cooperatives to rely to the highest possible degree on its own resource mobilization in the form of members savings and deposits for providing its membership with required

credit and other financial service facilities.

It is important to recognize also the fact, that the competition for capital in a rapidly developing country like Thailand, is too sharp to enable the cooperatives to have a reasonable share of the funds available within the present, basically commercially-oriented banking system.

The farmers or less well-to-do groups of the population, as is the case with most cooperative members, do not possess the necessary collateral and cannot comply with the stringent regulations of ordinary banks. Therefore, the aforementioned Perspective Planning Study Mission suggested that the above in-depth study was to address questions like the credit requirements of individual members as well as the consolidated credit requirements of the primary cooperative societies for the purposes of both production credit and development-oriented project investments.

It was further suggested that the same study should explore the possibilities of each individual member of an agricultural cooperative society having his or her sales proceeds of farm produce or products sold to the society deposited to his/her own personal savings account with the cooperative society. The experience of such programmes for cooperative resource mobilization in other countries have been very positive. In fact cooperative savings has increased very rapidly under such schemes and, even in many cases, very soon surpassed the savings and deposits of commercial banks operating in such areas.

The sales proceeds deposited automatically, through the procedure of payment calculations to growers/producers to individual members personal savings accounts with their own cooperatives, should be allowed to be withdrawn by the members as and when they need them.

Consequently, the regulations for cooperative members' savings accounts within their own cooperative financing system should not follow the existing rules of savings accounts in the ordinary banking systems, but be simple and of easy access to the member/owners. This could be further promoted through e.g. weekly mobile services offered by the cooperative structure at centres close to the homes of members.

In order to actualize the above proposals and establish a suitable action-oriented forum, the Perspective Planning Mission recommended that the CLT with the support of the CPD, CAD and ICA, should form a working party which should have, as its task, to evaluate the results of the above proposed study results. The intention will be to assess the possibilities of developing credit and financing systems which are tailor-made and suitable for the cooperatives and their individual members.

The present laws regulating credit, savings and financing services in general and for cooperatives in particular should be screened too and if necessary, changes and amendments required be suggested accordingly.

II INNOVATIVE APPROACH TO THE MOBILIZATION OF RESOURCES AT THE VILLAGE LEVEL BY COOPERATIVES AND INFORMAL SAVINGS GROUPS IN THAILAND.

A. INTRODUCTION

The history of the Cooperative Movement in Thailand is now seven decades old. The cooperative system was introduced in Thailand with a view to encourage and promote thrift and mutual help for the development of persons of small income such as agriculturists, artisans and other segments of the society. It was also aimed at concentrating the efforts in releasing the exploited class out of the clutches of money-lenders. The importance of thrift and savings has been increasingly recognized in the planned era and need to be strengthened through the cooperatives. It is, therefore, necessary for the cooperatives to identify the savings potential in rural areas, assess the potential in a systematic manner, evolve suitable strategies to create awareness, educate, motivate and inculcate the savings habits among the rural communities and ultimately work out appropriate schemes to plough back these savings into the cooperative system.

Savings is, no doubt, an economic phenomenon, but the socio-psychological factors cannot be ignored as they also influence the people to save. Some of the influencing factors could be family size, occupation of the head of the household or family members, educational level of either head of the household or family members as a whole and age of the earning members of the family. The other important factors could be attitudes towards savings, willingness to save, ability to save, needs for savings and motivation that prompt or compel to save. All these factors again might have a distant bearing on the aspirations of the households. In other words, the aspect of aspirations could be the main or deciding factor to deal with the above influencing factors to do savings.

The cooperatives which are desirous of exploiting the rural savings should also be concerned with the following issues:

- the awareness level of the rural households with regard to the various deposit schemes introduced by them
- the attitudes of the rural households towards savings
- the mobilization that compel them to save
- the aspirations of the rural households
- existing patterns of investment by the rural household, and
- reasons for investment with other agencies, if any.

Mobilization of rural savings to a significant extent depends on many factors. These factors include:

- efforts to identify the savings potential of the target groups and effective canalization of them into the cooperative system.
- the overall image of the cooperative system.
- the quality of the services offered.
- the type of deposit schemes introduced and their need and attractiveness.
- cooperative net-work, and
- the extent of competition from other financial institutions.

B. INNOVATIVE APPROACH

Any innovative scheme depends on systematic field studies. Based on data revealed by the field studies, appropriate projects, aims and action plans will have to be prepared, implemented and monitored so that desired results and targets would be achieved within the plan period. A similar approach has been taken in India. It may therefore, be mentioned here that it was precisely from this stand-point that the Gujarat State Cooperative Bank through the help of RABO BANK (of the Netherlands) Research Cell and the National Federation of State Cooperative Banks in Bombay, undertook a field study in the following four districts of the Gujarat State:

- (1) Kaira - where there is a cluster of dairy development.
- (2) Surat - where there is a cluster of sugar cooperatives.

(3) Sabarkantha- where there is a cluster of cotton cooperatives.

(4) Rajkot - where there is a cluster of ground-nut cooperatives.

The broad findings of these four field studies have been compiled into two publications namely:

a) One in regard to Kaira District, and

b) The second in regard to Surat, Sabarkantha and Rajkot Districts.

These publications are attached herewith as ANNEXURE I and ANNEXURE II. However, the salient features of these field studies have in brief been indicated in the following paragraphs.

The overall objective of the study mentioned under b) above was to develop a strategy to identify and exploit resources for deposits mobilization in Surat, Sabarkantha and Rajkot District.

Specific Objectives of the study.

The specific objectives of the study were as follows:

i) To develop the profile of the sample areas and understand the characteristics of the sample households;

ii) To review the trends in deposits of the selected cooperative banks;

iii) To look into the pattern of income and expenditure and assess the savings potential of the sample households;

iv) To study the existing pattern of investment and assess the preferential pattern of investment, and

- v) To assess the attitudes, and aspirations of the households and their awareness towards the existing deposit schemes.

C. POLICY IMPLICATIONS

The above study revealed that although various efforts have been made by the three selected banks and these have met with some success, much remains to be done to tap the vast potential for deposits available in their areas of operation. This can be achieved if they adopt better strategies and more effective methods to tap those savings resources. Some of the directions in which this can be attempted are referred to below:

1. Coverage of Deposit Schemes

Apart from conventional schemes such as savings, fixed deposits and recurring accounts, more innovative schemes should be thought of. These should be so designed that the needs of different segments of the rural community are met by appropriate deposit schemes, including cash certificates, small savings (piggy) schemes etc. In order to extend personal touch to the villagers and develop a sense of belonging, some of the deposit schemes may be named after local deities and thus satisfy, the inner feelings of the villagers who are generally religious-minded.

2. Coverage of more households

Cooperative Finance Systems (CFS) need to evolve suitable strategies to bring all the households with earning capacity into their fold. Establishing rapport with rural households through regular visits will yield good results. The CFS should build up rapport with those households and use persuasive measures to mobilize more deposits from them.

3. Branch expansion

The fact that the sample districts in the above studies had rich potential due to intensive cultivation of commercial crops such as groundnut (Rajkot), cotton (Sabarkantha) and sugarcane (Surat) the conditions were favorable for planning and expansion of the bank branch network. More emphasis should be laid, as far as possible, on opening services in those areas where no bank branch exists. It is also important that such areas have good potential, as the aforementioned studies have shown. A phased programme for opening

service facilities covering a period of five years may be drawn up in this regard.

4. Provision of services

The above study has revealed that the sample cooperative banks and their branches were unable to provide adequate services and facilities and were at a distinct disadvantage vis-a-vis commercial banks. Provision for extending various services to hold customers and attract new ones is necessary. It is necessary to extend personalized services to rural customers.

5. Diversion of investments

More disturbing was the study finding that the percentage share of deposits in cooperative banks registered a decreasing trend while at the same time there was an increase in net incomes of the households. This trend should be reversed. The bank in this case should examine the factors responsible for the negative trend and try to attract the resources to bank deposits.

6. Competition with other Banks and Money-lenders

The findings of the study in this regard underlines the need for an upward revision of the interest rates so as to be competitive with the other banks and money lenders.

7. Approach to non-depositors

The studies have also revealed that there is a good potential to tap deposits in villages where there are yet no banking facilities. This potential should be thoroughly assessed and tapped. There were also a large number of persons who appeared so helpless that they were not even able to state their attitudes towards savings and indicate their aspirations. The Cooperative Financial Systems have a large responsibility in engaging themselves actively to encourage thrift and savings with such people in the rural communities.

8. Marketing strategy, Communication and Publicity

The above study also revealed that the sample District Central Cooperative Banks did not adopt an effective communication/marketing strategy. They should plan, coordinate and implement such media utilization through printed material, Radio, Television, Group discussions

and activation of local talents and informal leaders. They may also evolve educational programmes which will appeal to students and parents. Joint publicity by the apex and central cooperative banks have, in Gujarat, proved to be economical, effective and remunerative in terms of raising and increasing deposits.

9. Women and institutional agencies

The study has revealed that housewives have ample opportunities to save. Cooperatives should therefore, concentrate efforts, in this direction, particularly in "unbanked" villages, with the help of local women motivators. The Cooperatives may also in general consider having motivators for mobilization of deposits particularly in villages far from the nearest office or service centre. Such motivators may be given some incentive.

Reference is here also given to the savings programme named "Bajapuik" in KUD Dewi Sri, a primary multipurpose village cooperative society in West Sumatra in Indonesia where 12 ladies from the area, by use of bicycles, daily "mops up" savings to the tune of Rp. 100,000 - 150,000 (=equal to US\$ 85-90) each one of them and per day in the area of operation of the Cooperative Society. The self-reliance and development there has reached quite some amazing proportions.

10. Primary District Agricultural Cooperatives (PACS) for Deposits Mobilization.

One of the objectives of the PACS is to promote thrift among the rural folk and, the CFS should take steps to involve viable PACS in mobilization of rural savings. In places where the CFS are not able to open branches, despite some deposits potential, they may consider the feasibility of opening extension counters in the premises of PACS after ensuring adequate security and other arrangements and offering some incentives for the services rendered.

11. Role of CFS Staff

The CFS employees must be efficient and dynamic in a society which is constantly changing. They have to be responsive to individual needs and aspirations, in all heterogeneous groups and segments of the population. The CFS staff forms the core for any developmental effort and the results will depend mainly on their drive and enthusiasm. Targets, should be fixed neither too high nor too low but at levels which can be

achieved with some extra efforts. Some incentives should be offered to the staff to motivate them. A deposit mobilization cell may be set up in each CFS Unit equipped with trained and adequate staff. Each unit should periodically review the progress in deposits and take corrective measures in case of short-falls. The unit should also get adequate feedback from depositors regarding the adequacy of services.

2. Results of the First Study on the Strategy to identify and exploit resources of deposits mobilization- the case of Kaira District, Gujarat, India. District.

Objectives of the Kaira-study

This study was primarily aimed at reviewing the existing deposit schemes of Kaira District Central Cooperative Bank Ltd; (KDCCB), with a view to suggest modifications of the schemes. The specific objectives of the study were as follows:

1. Study the details of various deposit schemes of KDCCB in terms of their age, conditions, and target groups;
2. Evaluate the trends in the deposit mobilization of KDCCB;
3. Study the organizational set up of the bank branches and the overall strategy of the bank for mobilization of rural savings; and
4. Assess the effectiveness of various deposit schemes of KDCCB.

This study is referred to here as an example of necessary ingredients of and policy implications on a Cooperative Finance System as the one suggested in this report for Thailand.

D. POLICY IMPLICATIONS

The overall findings of the Kaira study indicated that there is an urgent need for the bank to introspect on its banking system for the purpose of evolving an effective deposit mobilization programme with particular reference to the following factors/areas:

- Organizational structure, staffing pattern and functions;
- branch expansion and net-work;
- advertisement and publicity for deposits mobilization;
- adoption of innovative deposit schemes and strategy for deposit mobilization, as well as
- targets and achievements of deposits mobilization.

1. Issues relating to organizational structure and Branch net-work,

A careful look into the organizational structure of the above bank, its staffing pattern and functions of various departments indicated the need for developing an effective organizational structure with adequate modifications of the existing organizational set up. The organizational structure so developed should spell out clearly the exact functions of each of the departments and its functionaries. Further, for an effective deposit mobilization, such an organizational structure should incorporate a separate set up, both at the head office and branches, to deal with various aspects relating to the deposits mobilization. In other words, the various aspects relating to deposits mobilization should be entrusted to one of the departments which has an unbroken line of technical personnel from branches to the head of the department, who, in turn, is responsible to the Manager of the bank. It was also observed that there were wide variations in the existing organizational set up and the one outlined in the document relating to the organizational set up of the bank. Therefore, it was recommended that adequate care should be taken to avert the variations in the set up and existing organizational structure of the bank, after having developed the same on the basis of a thoroughly researched methodology. The organizational set up so

developed should ensure the proper manpower planning, particularly for deposit mobilization.

The branch net-work pattern has revealed that there was a large gap between the growth of bank branches between high and low growth centres. A proper planning to ensure a balanced development of a branch net-work in both the categories of areas is essential. This is helpful in creating banking habits among rural persons, particularly in underdeveloped areas, which, in turn, help in the general development of the area. Therefore, it was suggested that the bank should undertake proper planning of branch net work on a long term basis. In this context it was noted that KDCCB, Nadiad had not contemplated any branch expansion through the opening of new branches since 1982. It was also noted that it did not have any plans to open new branches. Further, during the same period the commercial banks had opened 22 new branches in the district and were really contributing to the growth of deposits.

This indicated that the decision of the bank not to open new branches since 1982 was not for the reasons of maturation of the banking net-work in the district. Therefore, it was suggested that the bank should draw up a plan for branch expansion for a sufficiently long period keeping the geographical coverage and balanced growth of the bank net work in view. Further, the component analysis of growth in deposits of KDCCB, Nadiad, reinforced the recommendations for the planned expansion of the bank's branch net-work.

2. Adoption of innovative deposit schemes

The operation of eight district deposit schemes the composition of total deposits and contribution of various deposit schemes for the growth of total deposits of KDCCB, Nadiad suggest the following:

The growth of deposits in the recurring deposit scheme was very slow as compared to the other deposit schemes of the bank. The study results suggest that the growth in the recurring deposit scheme of the bank was slow, mainly because its terms and conditions excluded the short-term deposits since the minimum duration of the scheme is 24 months. With a view to attract short-term deposits and consequently to contribute to the accelerated growth of recurring deposits, the bank should accept recurring deposits of a short-term duration of say, for 12 months also.

The accelerated growth of deposits of commercial banks

between 1973 and 1984 indicate the existence of a good potential for deposits mobilization by KDCCB, Nadiad. Therefore it was suggested that KDCCB, Nadiad should identify, formulate and implement more innovative deposit schemes to attract deposits from various segments of people in both rural and urban areas. It was therefore, further suggested that deposit schemes should be formulated on the basis of the socio-economic characteristics of the people in a district and their existing savings behaviors, needs and aspirations.

The CFS should thus, evolve appropriate strategies and put on sincere efforts for mobilization of deposits from individual farmers and their family members as well as local bodies as regards also the off farm incomes instead of getting complacent only with the deposits from the cooperative societies. This became important mainly because it was not desirable for the bank to rely so much on the statutory deposits for the increase in total deposits of the bank. Further, it was observed that the short-term fixed deposits accounted for a lion's share of the total fixed deposits with the bank. The bank should try to attract more long-term deposits in order to improve the financial management of the bank.

3. Advertisements, Publicity, and targets for deposits mobilization

The advertisement and publicity strategies of the bank in the study and the attitudes of the functionaries towards this aspect suggests a more sound and better strategy for popularization of its deposit schemes. The popularization methods should include the utilization of media such as newspapers, radio and Television and advertisements indicating the advantage of various deposit schemes of the CFS.

The existing pattern of target fixation for deposits mobilization and absence of follow up in relation to the target achievements suggests that a more realistic target fixation for achievement over a period of time at the aggregate level and branch level should be taken into consideration while fixing the targets for deposits mobilization. Further, it is suggested that the target fixation should be done separately for both individuals and organizations.

E. NEW APPROACHES.

It is a matter of common experience that a net work of cooperative branch banking has proved extremely fruitful for the savings mobilization. It is indeed necessary that nearness or proximity of the bank's branch proves rather costly. It is precisely with a view of minimizing such overheads and employ a less costly intermediary, that a model has been prepared by the Gujarat State Cooperative Bank involving primary cooperatives as the agency to undertake savings mobilization activities on behalf of the District Central Cooperative Bank. This innovation has two dimensions which ought to be taken into account in setting up the CFS in Thailand, i.e :

- (1) involving primary cooperatives in the activities of savings mobilization at the village level, and
- (2) reduction of costs of funds mobilized by the cooperative financing system. The model scheme is enclosed herewith as Annexure III.

Aggressive Marketing study:

It is not enough for a banker in modern times to sit and wait in the bank office and collect "walk-in-deposits". In other words it is an out-of-date practice to collect whatever deposits that may come in a traditional way by opening branches and undertake usual methods to attract depositors and deposits. It is high time that systematic steps are taken to move out of the offices and undertake aggressive marketing practices in the field of savings mobilization. In this connection, the following broad features of an action program will have to be undertaken:

(i) Savings for individuals:

In this programme the field staff will have to identify an individual who would agree to save some amount at regular intervals, for instance, every week, every fortnight or every month.

(ii) Savings Family:

Similarly the field staff will identify a family which would agree to save some amount at regular intervals. In this programme each member of the family will have a savings account and collection of savings will be made at regular intervals in each month.

(iii) Savings villages:

On similar lines, the field staff will have to identify a savings village wherein each household in the village will have a bank account and they will save amounts at regular intervals.

F. INFORMAL GROUPS

It is a matter of general experience that women do have some secret savings which they do not disclose. They normally are of the view that such savings might become useful to them under unforeseen circumstances. In this connection, formation of informal groups of women with a view to undertake collection of such secret savings and divert them to the formal cooperative finance system will go a long way in mobilization of deposits.

G. ACTION PROGRAMME

As an example, the Cooperative Finance System should organize seminars on the subject of deposits mobilization. Based on the decisions at such seminars structured action plans should be prepared for each district in regard to deposits mobilization. An outline of such proposed seminars is enclosed herewith as Appendix 4.

**III PROPOSED PROJECT ON INNOVATIVE COOPERATIVE FINANCING SYSTEM
IN THAILAND FOR INTEGRATED AGRICULTURAL AND RURAL
DEVELOPMENT PROJECT.**

NEW APPROACH

1. Agriculture is the main stay of rural Thailand. The rural life is therefore closely linked with agriculture. The primary district agricultural cooperative societies have to assist their members in increasing agricultural production, increase their incomes raise their social status and integrity in the rural community. The integration of cooperative development and the ambitions of the rural people are the very most essential ingredients of any agricultural and cooperative development project. The agricultural cooperative as a grass-roots organization can play a significant role in implementing such a development programme.
2. The Programme Envisages:
 - 1) Production-oriented credit;
 - 2) To increase share capital. Deposits of Agricultural Cooperatives and make them financially strong institutions;
 - 3) Programme for efficient use of credit through:
 - (i) Agricultural extension services and farm guidance;
 - (ii) Timely supply of agricultural inputs;
 - (iii) Supply of inputs/raw materials for cottage/village industries;
 - (iv) Farm mechanization;
 - (v) Arrangements for efficient marketing and processing activities;

- (vi) Recovery of loans of all types through marketing and processing of agricultural produce;
- (vii) Training to members and office-bearers;
- (viii) Organization of Women's Groups and Youth Groups based on special activities and needs;
- (ix) Farm development plans;
- (x) Farm plans for small and marginal farmers;
- (xi) Village Development Planning;
- (xii) Development of village-cottage industry/handicrafts etc. to supplement farm income;
- (xiii) Development of waste lands and arrangements for growing green fodder;
- (xiv) Development of alternate source of energy/construction of bio-gas plants; and
- (xv) Development of village forests and solar energy in villages.

3. In order to implement the programme efficiently through the Agricultural Cooperatives, they must be re-organized as real multipurpose and multi-functional societies to start with the programme would be implemented in selected Agricultural Cooperatives. The selection should be done in consultation with all connected agencies interested in cooperative and rural development.

4. Bench-Mark Survey:

In order to assess the present position a pre-project position survey should be conducted of the villages in the area of operation of the selected Agricultural Cooperatives. The survey would include details such as number of members, their occupation, incomes, education, agricultural situation, and activities, cropped area, main crops, irrigation potential, use of inputs per hectare, production etc. Initially this would serve as a bench-mark survey. (An example of a simple bench mark survey form is given in Appendix 1.)

5. Enrolling members:

In order to cover the major proportion of the population of the area under the programme a campaign would be organized to enlist all small and marginal farmers, rural artisans, and agricultural laborers as members who have not yet been associated with the cooperative. Simultaneously, arrangements will also be made for granting of loans to contribute to the share-capital by those who do not have sufficient resources.

6. Organization of an executive committee:

In consultation with the existing management committee, an executive committee would be organized to ensure proper and timely representation of Small Farmers/ Marginal Farmers (SF/MF), agricultural laborers and rural artisans.

7. Credit

Arrangements would be made to provide adequate credit for development of all members including Small, Marginal Farmers, Agricultural Laborers Rural Artisans. The efforts would be made to rationalize the credit for crop production based on actual costs of production. The scales of finance is thus to be related to the production costs and disbursement be done in proper cash and kind ratios.

8. CFS agency:

There are pockets in all districts which have potential for deposits. However, initially it may not be possible for the Provincial Cooperatives to open a branch immediately at the location of such an area that remain void of savings facilities. To overcome these difficulties a CFS agency scheme has been evolved where in selected areas an Agricultural Cooperative can accept the deposits on behalf of the CFS. This will also encourage thrift habits and ultimately assist in increasing deposits.

In this scheme selected Agricultural Cooperatives would be recognized as an agent to collect the deposits on behalf of the CFS. The salary allowances of the concerned agent would be paid by the CFS and the selected Agricultural Cooperative would get additional income by way of commission while the local population will have "financial" services.

9. Supply of inputs:

The planning for supply of agricultural inputs based on the requirements of the members and other farmers of the area together with the needs for and production inputs for rural artisans and village industries would be meticulously carried out so as to store and supply requisites in time. The larger proportion of agricultural production credit would be provided in kind in order to encourage efficient credit utilization.

10. Supply of food and consumption goods:

The selected District Agricultural Cooperative would undertake distribution and supply of food grains and other consumable articles, so as to make them available at fair prices to local people including weaker sections of the area.

11. Marketing:

The selected District Agricultural Cooperatives would also arrange for proper marketing of agricultural and other produce of the members so as to realize better prices through suitable coordination with the Provincial Cooperative Federation. The proper means of modern communication viz. telephone would also be installed at the society to collect the latest market intelligence etc. There are three common marketing systems such as :

- (1) Unconditional consignment
- (2) Commission
- (3) Pooling

Of these three systems any one which is convenient and most acceptable to all the members would be adopted to begin with. The success of marketing would depend on eliminating exploitation of the members and better price realization. The selected Agricultural Cooperatives would also strive for direct sales of consumable produce in attractive packaging

and encourage members to organize processing units through the Provincial Co-operative Federation or work in conjunction with adjoining processing unit. The organized marketing will assist in recovery and subsequent credit growth. The success of marketing however, would depend on the degree of efficiency in management.

12. Village and cottage industries:

The selected Agricultural Cooperative would encourage suitable village and cottage industries to provide employment and supplementary income to members including women and arrange for purchase of raw materials and other production inputs to maintain continuous production. They would also arrange for the marketing of the cottage/village industry products. It would also inter-link production of ancillary parts for the products manufactured by industries located in adjoining areas after proper training of the members.

13. Rural godowns:

The selected Agricultural Cooperative would undertake the construction of godowns for storing inputs and agricultural produce of members. It will also ensure proper and efficient use of godowns by proper planning.

14. Transport arrangement and Farm Mechanization:

In order to arrange transport of inputs and agricultural produce of members for timely marketing the selected Agricultural Cooperative would arrange for purchase of trucks, delivery vans etc. and other implements for hiring arrangements, or organization of member service centres.

15. Farm Planning for Small and Marginal Farmers:

The selected Agricultural Cooperative would undertake farm planning for all farmers initially in one village and arrange credit to them as planned and for adoption of profitable crop production plans. Soil analysis of these farmers' land would also be carried out and use of inputs should be encouraged according to the soil analysis report by frequent consultation with the members. The other villages in the operational area would be covered subsequently in similar programmes.

16. Village Development Plan:

A comprehensive village development plan for one selected village would be formulated. Efforts would be made to implement the plan by proper coordination with other

organizations involved in the area development. The remaining villages would thereafter be covered in phases.

17. Irrigation potential:

Based on geological surveys the irrigation potential of the areas would be exploited through provisions of loans to members.

18. Agricultural extension:

As a part of the agricultural extension activities, the farmers' groups would be organized with the assistance of staff of CPD, BAAC and NACTI for training in production technology. These groups would be organized season-wise for batches of farmers. The importance of efficient use of inputs/credit and timely recovery will also be emphasized in such camps.

19. Women's Groups:

In rural areas, women's participation in agricultural production/animal husbandry is very important and as such, their training also would be arranged with the assistance of CPD, BAAC and NACTI. Two such training programmes for women would be arranged in a year.

20. New Activity:

New activities like silk worm rearing, beekeeping, fruit and vegetable canning, hosiery knitting etc. would also be introduced after proper training through properly selected agencies. The necessary arrangement for sanctioning of loans to trainees would also be made in order to provide them employment.

21. Better Home Life:

To encourage better home life, suitable training to women in house-keeping, child-care, nutrition, first aid etc. would be imparted through collaboration with the Health Organizations.

22. Training to Village Artisans:

- Training camps for rural artisans would also be arranged with the assistance of industries department to improve their skills and designs of products.

23. Cooperative Training

Cooperative training to members and office-bearers would be imparted with the assistance of NACTI to enlighten them on bye-laws of the societies, duties and obligations of members and office-bearers, use of credit and timely recovery and sense of belonging to the society. Similar training for employees of the selected Agricultural Cooperatives would also be arranged at frequent intervals for necessary orientation and motivation.

TRAINING PROGRAMMES- BROAD COVERAGE

To achieve the objectives of the project, the training programmes may cover the following courses:

1. Basic courses on Management of Rural savings and credit.
2. Job-oriented short term functional courses.
3. Reorientation courses on rural and agricultural development projects.

Course contents of such training programmes should cover at least the following five areas:

a) Agricultural Economics:

- Features of rural savings and credit and the rural economy.
- Village reconstruction and Rural Development programmes.
- Project approach towards agriculture and rural development, essential features of projects and project cycles.
- Land use pattern and innovative schemes.
- Importance of development of cottage and village industry.
- Role of Agricultural Cooperatives.

b) Rural Studies

- Rural socio-economic structure.
- Rural psychology, rural sociology, rural organization, role of Agricultural Cooperatives.

c) Behavioral science:

- Rural groups and their behavior.
- Group psychology and inter-relationship.
- Human Relations.

- Communication Techniques

d) Management:

- Principles and functions of Management.
- Strengthening of savings programmes.
- Strengthening of the credit delivery management.
- Operational efficiency.
- Criteria of sound agriculture credit systems.

e) Operations of Selected Agricultural Cooperatives:

- Resource mobilization - cultivating saving habits and incentives.
- Lending operations, crop loans, marketing credit, term loans, appraisal of term loans; documentation, supervision.
- Recovery operations, Importance of recycling of funds- Propagation of repayment ethics. Problems of loan delinquencies and bad debts.
- Accounting operations and management information system- various returns.

- f) Topics for seminars, symposium, workshops and functional courses may be decided upon as and when needed for such purposes.

Different course designs suitable to the needs may also be drawn up keeping in view the areas in which the training is imparted. Some programmes may be conducted under collaborative arrangements with NACTI.

24. Farmer's Training:

The farmer-members of the society would be encouraged to participate in training in Farmers' Training Centres conducted by Agriculture Universities and Department of Agriculture of the Government of Thailand respectively. Similarly, training groups with the assistance of Farmers' Training Centres would be organized in the villages of the area of operation of the selected Agricultural Cooperative(s).

25. Educational tours:

The selected Agricultural Cooperatives would arrange for educational tours for farmer members to appraise them about modern agricultural technology, research conducted on farmers' problems and crop improvements in different agricultural research institutes, including visits to the farms of progressive farmers. Those farmers who are enthusiastic and willing to adopt improved technology and are participating in crop or other competitions, farm demonstrations etc. would, as a measure of encouragement to participate in the educational tours.

26. Farm demonstrations

Under a 'Lab - to - Land' programme of an Agricultural Research Institute and conducted through University, there is a provision for arranging farm demonstrations on important crops of the area as a part of the extension activities. Such demonstrations would be arranged in the area of operation of the selected Agricultural Cooperatives in consultation with the CPD, BAAC, NACTI and Director of Extension Education of University.

In villages where such assistance is not available through University, the same type of demonstrations should be met from project funds.

27. Supply of printed literature:

The agricultural extension activities may be carried out by the Extension Service of the Ministry Agriculture for increasing agricultural production. However, it has been found essential to supplement this activity through different agricultural development organisations so as to reach the largest possible number of farmers and as such it is proposed to carry out this extension activity in a pilot project. This will form a part of the education to members as in the efforts to enhance development through the farm credit programmes.

It is further proposed to supply printed material and literature to farmer members on improved farming techniques that have been published by Universities / Ministry of Agriculture. In addition the literature published by CPD, BAAC and NACTI would be supplied to them, too.

28. Encourage Savings/Deposits:

It is recommended that savings campaigns amongst members, including the curtailing of non essential social expenditure on marriages, deaths etc. would be organized in villages to increase deposits and resources of the cooperative societies. This would increase the ability to enable implement the proposed multi-dimensional credit development programme. The members would also be encouraged to deposit of off-farm activities parts of the sales proceeds of crops and produce as voluntary savings. The selected Agricultural Cooperatives would also encourage deposits by offering permissible higher rate of interest on savings and would establish an agricultural development fund from its own resources.

Special programmes will also be formulated with reference to savings activities for e.g. women's groups youth and other specialized groups.

29. Nursery/Child care:

The selected Agricultural Cooperatives would encourage the establishment of nursery schools and child care centres in the villages in close collaboration with the relevant Government development agency for the benefit of the children of members.

30. Waste land Development and Village Forestry:

The selected Agricultural Cooperatives would seek to obtain waste land on long lease terms from the Government and develop the same, for growing fodder and green grass and village forests for fuel the purpose of providing to the members.

31 Alternative sources of energy:

The selected Agricultural Cooperatives would encourage construction of bio - gas plants and solar cookers/heaters etc. as alternative sources of energy to discourage use of wood as fuel and preserve the forests for the purpose of environmental protection and restoration. This could even facilitate development of other off-farm income generating activities in the farming communities.

32. Energy village

The selected Agricultural Cooperatives would develop one village as an energy village and generate requisite energy from local resources such as village forests and growing suitable species of trees for use by the rural population.

33. Activities and Staffing pattern for the project:

The project involves the following areas of activities:

- (1) Administration and credit development programme including increase in savings/deposit etc;
- (2) Cooperative Processing and Marketing;
- (3) Training and other human resource development activities;
- (4) Agricultural production, productivity and allied development programmes;
- (5) Development of village, artisanal and cottage industries.
- (6) Energy development programme.

The programme would be monitored through CPD, CAD, CLT/NACTI and other connected agencies.

Since the agricultural credit development programme and allied development activities have to be undertaken in selected Agricultural Cooperatives that will directly execute the programme, it is proposed to appoint, in each selected Agricultural Cooperative, the following additional staff:

- (a) Development Officer (Agriculture) and
- (b) Development Officer (Cooperative) exclusively for the project.

In the first year the Development Officer (Agriculture) would be appointed and the Development Officer (Cooperatives) would take over from the second year onwards.

The Development Officer (Agriculture) would be a graduate of Agricultural University with experience of development work, while the Development Officer (Cooperatives) would be a post-

graduate who would be useful for development of cooperative marketing, processing, training etc. It has been proposed to appoint him in the second year so as to recruit him by advance planning in consultation with CLT NACTI. These two officers would have to be solely utilized for the development programmes of the selected Agricultural Cooperatives and should not be allowed to divert their time and energy for other task than assigned to them by the executive committee for the programme.

Since the selection of the Agricultural Cooperative(s) for the programme is to be made from the existing societies, it is expected that there would be a qualified full-time paid project manager. In view of the proposed new activities there will be a gradual expansion of credit, and an increase in administrative and other developmental tasks which would necessitate the appointment of other additional staff to assist the project manager. The additional staff who would hold Degrees or Diploma in Cooperative sciences would be appointed in consultation with CPD, CAD, CLT and NACTI. Initial salaries is proposed to be in the region of 3,500 Baht per month. It is also proposed to grant an additional allowance of 30 per cent of the salary to the full time project manager as an incentive for higher responsibility and work load.

No separate provision has been made in the below budget at society level for a person to look after the sales of consumer goods and other consumable articles, since the expenditures should be met from the profit of the proposed activities.

In addition, it will be necessary to appoint an Agricultural Assistant at each society level to look after the agricultural development programme. The Agricultural Assistant would be a qualified person, preferably a graduate in agricultural sciences or having a Diploma in agriculture sciences with 5 to 7 years of experience.

34. The Project area would comprise of selected Agricultural Cooperatives as agreed upon by CLT / NACTI CPD and CAD.

35. Project Period:

The project would be for a period of three years from the date of commencement.

36. Installation of Micro-processors/computers:

As a part of the information system one computer is proposed to be installed at the premises of the Provincial Cooperative Federation for monitoring of the programme and data processing. One officer of the CLT Accounting Services would operate the computer and as such 85,000.-. no separate provision has been made for the operator. The computer programming would be done through CLT in collaboration with CAD, CPD and BAAC. The expenditure of one mini computer and airconditioned room would be approximately Baht

37. Monitoring and Evaluation:

A Bench mark survey would be carried out for the selected Agricultural Cooperative(s) and their members before the commencement of the project and thereafter an impact evaluation study would be carried out after two years to further assess and provide information for possible improvements of the programme. A final evaluation with recommendations for the future should be done at the end of year three.

Besides, regular on-going monitoring and evaluation would be carried out during the project period to provide the Project Management with necessary inputs for appropriate corrective action in case of deviations from original plans and objectives.

38. Co-ordination

In order to co-ordinate the programme at different levels a separate Co-ordination Committee at Provincial Level would be established to guide, co-ordinate and monitor the programme and solve various problems that may arise in the implementation of the scheme. There will also be a need for one overall National Coordination Committee with 6 Representatives from the local Coordination Committees at Provincial levels. The members of the committee would be as follows:

(A) NATIONAL LEVEL COORDINATION COMMITTEE

- Chairman CLT
- 6 Members from the Provinces
- One Secretary from CLT

(B) PROVINCIAL LEVEL COORDINATION COMMITTEE.

- Chairman Provincial Cooperative Federation (PCF)
- Member from each Cooperative Society and
- one Secretary from the PCF.

39. Expenditure of the project (item-wise)(Baht 26= USD 1.-)

Staff

39.1.1 At society level:

- (1) 90 full time Society Project Managers at a monthly salary of Baht 3,500.- plus 30 per cent as special allowance

Total cost =

Baht $4,200 \times 12 \times 90$ = Baht 4,536,000.- = USD 174,462.-

- (2) Assistant Project Manager

Payment to 90 Assistant Project Manager

@ Baht 3,200 per month:

Baht $3,200 \times 12 \times 90$ = Baht 4,128,000.- = USD 158,769.-

- (3) Agricultural Assistants in cooperative societies

90 Agricultural Assistants

@ Baht 3,000 per month:

$90 \times 12 \times$ Baht 3,000 = Baht 3,240,000.- = USD 124,616.-

39.1.2

- (1) Development Officer (Agriculture) at Provincial level

@ 4,200 per month
for 12 months = Baht 50,400.- = USD 1,939.-

- (2) From Second year:

Development Officer (Co-operatives)
at the Provincial level

@ Baht 4,200.- per month x 12
= Baht 50,400.- = USD 1,939.-

39.2 Training camps

There will be two training camps for farmers and two for women per society per year. Total 360 camps for 90 societies. In addition one training camp for small industry activities will be held. In all there would, thus be 450 camps. The camps may be for two days duration. It is anticipated that 50 trainees will gather in each camp and the expenditure will be Baht 100.- per trainee for food, breakfast, tea etc. Thus expenditures, for the 450.- camps will be:

$$\text{Baht } 100 \times 50 \times 450 = \text{Baht } 2,225,000.- = \text{USD } 86,539.-$$

39.3 Training to office bearers and members:

No expenditure has been shown for the programme as the same would be organized and budgeted for by CPD, BAAC, CLT and NACTI.

39.4 Training to staff of the societies:

No Project expenditure has been shown for this programme as the same would be borne and budgeted for by CPD, CLT and NACTI.

39.5 Farmer's tours:

In each year, one farmers study tour would be organized for each selected Agricultural Cooperative. In all 18 tours would be organized and the expenditure per tour will be Baht 75,000.- thus total cost will be:

$$\text{Baht } 75,000 \times 18 = \text{Baht } 1,350,000 = \text{USD } 51,923.-$$

39.6 Field Demonstrations :

The demonstrations would be organized in collaboration with the 'Lab to Land' programme conducted by University. If this is not made available, then the expenditures will be provided by the project. Two demonstrations each during two consecutive crop season on two main crops would be organized per society @ Baht 2,500 per demonstration. In all eight demonstrations per society per year would be necessary. Thus, the total expenditure per society would be Baht 20,000.-

$$90 \times \text{Baht } 20,000 = \text{Baht } = \text{Baht } 1,800,000.- = \text{USD } 69,231.-$$

39.7 Printed literature through CLT :

The printed literature on different intensive agricultural practices in crops/farm/forestry/ dairy etc. would be published by the CLT. The total provision would be Baht 100,000 per year or USD 3,846.-

39.8 Installation of computer:

A mini computer and an airconditioned room would cost Baht 85,00 thus for two selected Provincial Cooperatives:

2 x Baht 85,000 = Baht 170,000.- = USD 6,539.-

39.9 Capital expenditure (Audio visual Aids)

In order to establish an effective extension service, various audio-visual aids equipment would have to be purchased as follows:

1. Slide Projector (Semi-auto)
2. Overhead projector
3. TV, 26", colour
4. VCR Video recorder/player
5. Chalk Board
6. Drawing Board
7. White Board
8. Video camera
9. Camera, 35 mm for slides

The estimates have been provided for 2 provinces as the capital expenditure may be made immediately at the start of the programmes and the same would be us as the project progresses.

2 x Baht 260,000 = Baht 520,000.- = USD 20,000.

The year-wise expenditure of the project is enclosed as Appendix 3.

APPENDIX 1

NAME OF SOCIETY _____

PROVINCE _____

NAME OF DISTRICT _____

Bench Mark
Society Status as on

1. No. of villages in the area of operation: _____ No.

2. Household Particulars

Category	No. of Households						Total	Secondary Occupation Type	No. of Households owning Land Landsize	Type I No. Res.	Type II No. Res.	All columns No. Res.	
	1	2	3	4	5	6							
	1	2	3	4	5	6	Total	1	2	3	4	5	Total

Member

Non-Member

Overall/
Total

* Enumerate only the Head of the Family's Primary and Secondary Occupation.

3. Cropped Area, Production and Disposal pattern in the area of operation.

Name of the Crop	Acreage	Irrigated Total	Production Total (Tons)	Disposal (Tons)			Marketing					
				Home Consumption	Seed	Bar-ter	Agency I	Agency II	Agency III			
Crop I							Q	V	Q	V	Q	V
Member												
Non-Member												
Overall/Total												
Crop II												
Member												
Non-Member												
Overall/Total												
Tons (Rs.)												

Q = Quantity
V = Value

4. Size classwise Crop Area, Production and disposal pattern.

Name of the Crop*

Size class Category	Acreage Irrigated	Production (Tons)	Disposal (Tons)		Marketing Agency					
			Home consumption	Bar marketed	I	II	III			
1	Member				Q	V	Q	V	Q	V
	Non-Member									
2	Member									
	Non-Member									
3	Member									
	Non-Member									
4	Member									
	Non-Member									
All Class	Member									
	Non-Member									

* Repeat the format for all the major crops grown in the area.

5. Sizewise Cost of Cultivation of Crop's

Name of the Crop:

Unit: *Rs/Per Rai*

Items of Cost of Cultivation	S I Z E C L A S S E S									
	I		II		III		IV		All Classes	
	M	NM	M	NM	M	NM	M	NM	M	NM
1. Seed										
2. Manure										
3. Fertiliser										
4. Pesticide										
5. Hired Labour										
6. Bullock										
7. Tractor										
8. Irrigation										
9. Land Revenue										
10. Miscellaneous										
Cost A										
11. Interest on Working Capital										
12. Depreciation on Farm Assets										
13. Interest on Farm Assets										
14. Rental Value of Land										
Cost B										
15. Family Labour										
Cost C										

Average Cost of Cultivation = Village District State

* Repeat the format for all crops grown in the area.

M = Member

NM = Non-Member

6. Asset Structure of the Households in the area of operation

Unit = Baht/ Per Household

Size Class	Category	Total Value (B)	Type of Assets and its value					
			Land	Lives-stock	Irriga-tion Resources/ Accesso-ries	Houses (Farm + Residen-tial	Farm Machi-nery	Others
Size I	Member							
	Non-Member							
Size II	Member							
	Non-Member							
Size III	Member							
	Non-Member							
Size IV	Member							
	Non-Member							
All Classes	Member							
	Non-Member							

7. Debt Structure of the Households in the area of operation.

7.1 Purpose of Debt

Unit = ~~₦~~ / Per Household

Size Class	Category	Purpose of Debt			
		Total	Agricul- ture	Livestock	Household Others
Size I	Member				
	Non-Member				
Size II	Member				
	Non-Member				
Size III	Member				
	Non-Member				
Size IV	Member				
	Non-Member				
All Classes	Member				
	Non-Member				

7.2 Sourcewise debt position of the Households in the area of operation

Unit = ^{Balut} / Per Household

Size Class	Category	Sourcewise Debt			
		Total Cooperative Society	Banks	Relatives	Money lender Others
Size I	Member				
	Non-Member				
Size II	Member				
	Non-Member				
Size III	Member				
	Non-Member				
Size IV	Member				
	Non-Member				
All Classes	Member				
	Non-Member				

8. Sourcewise Income of the Households in the area of operation

Unit = Income in ₹ / Per Household.

Size Class	Category	Sources of Household Income						
		Total	Crop Production (Net)	Live-stock (Net)	Agricultural labour	Service	Business	Others
Size I	Member							
	Non-Member							
Size II	Member							
	Non-Member							
Size III	Member							
	Non-Member							
Size IV	Member							
	Non-Member							
All Classes	Member							
	Non-Member							

9. Society Structure

Benchmark Current
Survey Survey

9.1 Capital Resources

9.1.1 Share Capital

- 9.1.1.1 Members
- 9.1.1.2 Government
- 9.1.1.3 Other Sources
- 9.1.1.4 Per Member

9.1.2 Deposits

- 9.1.2.1 Long Term
- 9.1.2.2 Short Term
- 9.1.2.3 Per Member

9.1.3 Reserves

- 9.1.3.1 Statutory
- 9.1.3.2 Other
- 9.1.3.3 Per Member

9.1.4 Borrowings

- 9.1.4.1 Long Term
- 9.1.4.2 Short Term
- 9.1.4.3 Total per member

9.2 Assets owned by the society

9.2.1 Fixed Assets

- 9.2.1.1 Land
- 9.2.1.2 Buildings
- 9.2.1.3 Plant and Machinery
- 9.2.1.4 Other

9.2.2 Current Assets

9.2.3 Sundry Debtors

9.2.4 Loans and Advances

9.2.5 Cash and Bank Balances

9.3 Purchase and Sales Activities

- 9.3.1 No. and percentage of Households Purchasing Inputs _____ No. _____ %
- 9.3.2 Total Quantum and per member Purchases of Inputs _____ *Rs.* _____ *Rs.*
_____ MT. _____ KG.
- 9.3.3 No. of Households Surrendering Produce to the Society _____ No.
- 9.3.4 Total Quantum and per member of Produce Surrendered _____ MT. _____
Total value of produce surrendered per member _____ *Rs.* _____
- 9.3.5 Percentage composition of different inputs in the total input Sale
- | | | | | | | |
|---------|-------|-----|-------|-----|-------|---|
| 9.3.5.1 | Input | I | _____ | Rs. | _____ | % |
| 9.3.5.2 | Input | II | _____ | Rs. | _____ | % |
| 9.3.5.3 | Input | III | _____ | Rs. | _____ | % |

9.4 Development expenditure incurred by the Society

9.5 Quantum of raw-material procurement from

- | | | | | | | |
|-------|---------------|-------|-----|-------|--|------------|
| 9.5.1 | Members | _____ | MT. | _____ | | <i>Rs.</i> |
| 9.5.2 | Non-Members | _____ | MT. | _____ | | <i>Rs.</i> |
| 9.5.3 | Other Sources | _____ | MT. | _____ | | <i>Rs.</i> |

10. Processing Activity

- 10.1 Capacity of the plant
- 10.2 Utilisation of the capacity
- 10.3 Expansion of the plant capacity

APPENDIX 2.

COOPERATIVE LEAGUE OF THAILAND AND
INTERNATIONAL CO OPERATIVE ALLIANCE
REGIONAL OFFICE FOR ASIA, DEVELOPMENT
COORDINATION UNIT.

TERMS OF REFERENCE FOR THE CONSULTANCY STUDY TO ASSESS THE
FEASIBILITY OF ESTABLISHING A CO-OPERATIVE FINANCING SYSTEM IN
THAILAND.

1. SUBJECT : Consultancy on behalf of ICA ROA and the Cooperative League of Thailand on the Feasibility of Establishing a Co operative Financing System by the movement, fully owned by the Cooperatives and offering services exclusively to the Cooperative movement in Thailand.

2. PERIOD :
Phase 1: Preparatory work in India 1/10 to 15/12,1988.

Phase 2: Preparatory Mission to Thailand to discuss and finalize the Study design, travel plans and time schedules for the Feasibility Study together with CLT, CPD, and CAD during the period 1/3 to 6/4,1989 and

Phase 3: Finalizing the Feasibility Report and submitting the same to ICA ROA during the period 10/4-31/5,1989.

3. OBJECTIVES:
 1. To study the existing demand and supply of financial services to the cooperative movement in Thailand and project their future needs in this respect.

 2. To analyze the feasibility of establishing a Cooperative Financing System which is owned by the Cooperative Movement,run by the Cooperative Movement, for the Cooperative Movement.

3. To draw up a proposal for a Cooperative Financing System in Thailand which can be started on a pilot basis and thereafter, gradually over a period of ten years will embrace and cater for the needs of financial services of the entire cooperative movement in Thailand.

4. SCOPE : The Study will cover all existing types of cooperative societies in Thailand. However, emphasis over the next 5 years should be on developing an efficient financial service supply to the agricultural cooperatives and their members as well as the low-income groups through existing or new cooperatives in urban areas. Geographically, the study will cover Bangkok and the provinces of Chiangmai and Songkhla. The final selection of possible additional areas will be done together with CLT during Phase 2 as mentioned above.

Technically, the study will address the political, legal, economic, financial, socio-cultural, managerial and technical factors relevant for the establishment of a feasible Cooperative Financing System in Thailand.

5. TASKS OF CONSULTANTS
1. To study and evaluate the scheme for savings of "one Baht per member per day" in e.g. the Province of Songkhla in southern Thailand.
 2. To appraise the possibilities of launching a scheme for savings through direct deposits of farmers sales proceeds to individual Members Savings A/C:s with their primary cooperative societies and in that respect study and suggest for what types of cooperatives and cooperative activities such schemes would be possible and what would be the economics of the appropriate schemes.
 3. To appraise the suitability and feasibility of the Provincial Agricultural Cooperative Federations functioning as administrative units of such savings mobilization systems/schemes.

4. To study and suggest how Farmers Associations can become part of the Agricultural Cooperatives and suggest how their leaders can be involved in a useful and appropriate manner in cooperative activities for the purpose of them leading the Farmers Associations to become a part of the Cooperative societies.
5. Study and recommend how best the CORPDEC Division of CLT (Cooperative Research, Planning, Development and Consultancy) as suggested by the ICA/CLT/CPD Perspective Planning Mission for the Agricultural Cooperative Sector, can be usefully and effectively deployed in the promotion and development of an independent cooperative financing system which is having its own resources and is run by the cooperatives for the sole benefit of the movement.
6. Study and suggest how the envisaged cooperative financing system can be linked with the attempts of CLT to introduce automation to the cooperatives through CLT Accounting Services.
7. Based on the above appraisals and studies define and suggest:
 - a) Short-term objectives and
 - b) long-term objectives up to the year 2000 for the whole Cooperative Financing System.
8. Suggest ways and means to ensure full member involvement and support for the Cooperative Financing System with particular emphasis towards members trust and confidence in the cooperatives in general and in the new system in particular and how security arrangements within the system can be made supportive of such member involvement and trust.

9. Study the possibilities of linkages and integration of the System with e.g. the Agricultural and Cooperative Departments so as to enhance increased outputs and ultimately also the incomes of farmers. In this respect, it will be necessary to take into account the effects of increased production vis-a-vis future farm gate price structures and possible impacts on farmers total incomes.
10. Suggest ways of how the system will promote inculcation of thrift and regular savings habits with members of primary cooperative societies, so as to mobilize and accelerate cooperative resource mobilization for greater self-reliance and to recommend how to develop in-built systems and mechanisms for such self reliance enhancement through self-control and participation by the members.
11. Suggest the most appropriate ways to ensure expansion of the system through inclusion of new cooperative activities such as e.g. dairy, prawn culture, food production and marketing, agro-processing and agri-business etc. and outline where to borrow funds as well as how to establish a development fund and e.g. use "excess" fat content from milk intake in dairy activities for boosting such a development fund.
12. Suggest an appropriate monitoring and evaluation system for the Cooperative Financing System and especially in respect of:
 - a) Efficiency in performance;
 - b) Goals and objectives; and
 - c) Upgrading of ability in achieving such performance, efficiency, goals and objectives.

6. COUNTERPARTS: An officer of CLT will accompany as an interpreter as well as a local expert on the cooperative and the existing and planned credit, savings and banking services available to cooperatives. He/She will be working with the consultant during the assignment in Thailand. CLT will prepare together with the consultant an appropriate schedule of visits and make all local travel arrangements and secure necessary concurrence from relevant authorities concerned to enable work to be completed. All necessary appointments and meetings as required by the consultant will also be the responsibility of the CLT.

7. ICA ROA/
LIAISON : The consultant will be in liaison with the Cooperative Development Adviser of ICA ROA who will be in Thailand during parts of the period of the consultancy assignment.

Liaison with FAO Regional Office for Asia and the Pacific, APRACA and ACCU will further be required.

8. EXPECTED RESULTS : The consultant will prepare a Study Report and a proposal for Establishment of a Cooperative Financing System in Thailand. The proposal will include all elements of a plan for implementation of the system up to the year 2000 including time schedules, resource requirements, budgets. It will cover aspects of organization and management, functions and service schemes for resource mobilization, utilization and administration. The preliminary findings, conclusions and recommendations will be discussed and agreed upon with the CLT, CPD and CAD before leaving Thailand after the completion of Phase 3 of the assignment.

9. FINANCES : ICA Regional Office for Asia will bear the costs for the consultant in respect of honorarium, air fares, accommodation, lodging, daily subsistence allowance and local travel in Thailand. CLT will cover all other costs related to e.g. interpreters, meetings and other support services during phases 2-3 of the consultancy assignment in Thailand.

APPENDIX 3.

BANK AGENCY: "SCHEME FOR DISTRICT COOPERATIVE SOCIETIES TO MOBILIZE DEPOSITS FROM RURAL, SEMI- URBAN AND URBAN AREAS IN SONGKHLA AND CHIANGMAI".

1. OBJECT:

Cooperatives and their Financial Organisations are now not merely financing agencies for primary agricultural societies which require credit to finance their agricultural members. They are also expected to play an active role to accelerate the growth of various sectors of the rural economy. Resources are, to a large extent, required to meet with the growing demand of funds from agricultural and non-agricultural societies. Facilities for refinance for higher financing agencies have their limitations. It is therefore, for the district cooperative societies to come forward and intensify a drive to mobilize surplus savings from their area of operation. This can be possible by opening more services facilities and by offering imaginative and innovative schemes that would be suitable to depositors. There are, however, limitations for opening such facilities at all the places in a province. Unless it can be satisfied that the proposed facilities will be viable within three to five years, no such proposal would be considered practicable. However, there are certain growth centres or pockets where there are good potentials for mobilizing deposits. In such cases the CFS can consider to appoint an agent and entrust the work of collection of deposits until the opening of a branch can be found to be viable.

In U.K. the Cooperative Bank of Manchester has introduced such schemes and they have proved to be very successful.

Besides, there are large numbers of cooperative consumer stores in U.K. which are very popular. The cooperative bank of Manchester has appointed these consumer's stores as its Agents. The Bank issues 'Handy-bank credit Cards' to its member-depositors which enable the consumers to purchase their requirements without tendering cash. The other scheme is the "In Store Cash a Cheque" scheme. The depositor obtains cash from any cooperative store on presenting a cheque drawn on the cooperative bank. The main feature of the scheme is that the Bank appoints the consumers' cooperative as its agent. A separate table space and counter is provided in the office of the store. An employee of the store is conducting the banking business which enables the depositor to obtain cash from the counter immediately. This saves a lot of administrative and overhead

expenses to the Bank and the store gets a commission at a fixed rate for rendering such services.

Similar programmes have also been introduced successfully in Sweden.

It may not be possible to introduce such schemes by provincial cooperative federations but they may consider to appoint viable primary societies as their agents and entrust the work of accepting deposits on their behalf, where it may not be possible to open branches.

This will save the overhead expenses for running a branch and will at the same time provide some incentive to primary cooperative societies for working on an agency basis. The depositors also will have confidence in this financial system because the deposits are accepted on behalf of the Provincial Cooperative Federations (PCF) and it will also be covered by deposits insurance. Furthermore, depositors will also find it convenient to approach such nearby centers for doing their deposits and withdrawals.

SELECTION OF CENTRES

In selecting potential centres for deposits mobilization, the Provincial Cooperative Federations may conduct a survey and identify such centres on the basis of the following criteria:

a) For rural areas:

A viable primary agricultural, credit, a milk producers' society or a consumer store.

Cash crops or more than one seasonal crop is grown in the area and the farmers are savings-minded.

Easy transport facilities are available and the centre is well-connected with the Federation.

The village council, primary school and post office can also be considered as additional facilities available at the centre.

- b) For urban and semi urban areas:

The Federation may have been located in a commercial area. Such location may not be convenient to persons residing in the area. Salary earners, middle class people, workers etc. would not find the working hours of the PCF convenient for their service needs.

The Federation can consider appointing a credit cooperative, a consumer store or a cooperative housing society or such other society as its agents for collection of deposits.

3. PARTICIPATING COOPERATIVE SOCIETIES

Once the centre or area is selected, the selection of the primary cooperatives societies has to be considered.

The collection of deposits in rural areas through agencies other than the federation requires much care and caution. The societies to be selected should not only be viable but should also have the ability to create confidence with the depositors. They should be in a position to render efficient and prompt services to their members. This is possible where the management is keen and interested in development of various activities of the society and the local people are willing to avail the services provided by the society. Thus, in agricultural areas the following types of cooperatives may be included:

- a) A primary agricultural or credit society;
- b) A primary consumer's cooperative store, or
- c) A primary milk, meat or other type of producers and marketing society.

In urban areas such selection can be made from :

- a) Primary cooperative consumers' stores.
- b) Thrift and Credit Cooperatives.
- c) Marketing Society.
- d) Processing cooperative societies , i.e. rice mills, dairy cooperatives etc.

A well-managed cooperative housing society can also be selected if it is patronized by at least 200 to 300 residential families.

4. SELECTION CRITERIA MINIMUM REQUIREMENTS

- a) The societies selected should be working for the whole day either in its own or rented premises.
- b) In addition to providing agricultural finance to its members, the societies selected from rural areas should undertake other activities such as distribution of inputs, agricultural implements and daily necessities of consumer goods. In the case of a milk producers society it should also be providing cattle-feed and other services to members.
- c) In case of societies in urban areas it may be ensured that large number of members are visiting the society daily for obtaining necessities of life.
- d) The cooperative housing society may not have a full time secretary or its own office, but if the chairman or secretary are keen and interested in rendering such services, then it can be selected and savings transactions can be handled by a paid employee.

5. PERSONNEL REQUIREMENTS OF THE SOCIETY:

The federation will not have to appoint any person from its own staff to handle the business at the society level. The societies will conduct the agency business entirely on its own through its employees. The manager should be a qualified and experienced person with a University degree and knowledge of accounts and should be able to supervise the working of the society effectively. A person with zeal and aptitude to such activities and of service minded nature is more suitable to keep close contact with the village public. Other employees should at least be high school graduates and possess fair knowledge of maintaining of accounts.

6. OFFICE PREMISES

The selected societies should be in a position to provide adequate space to fix counters and other furniture in the premises where accounts and cash transactions are to be carried out.

The counter should be fixed adjacent to the Manager's or the Accountant's office and no person other than the clerk who is entrusted with the work should have the access inside the counter. A cupboard or steel cabinet should also be kept in the premises provided.

7. WORKING HOURS

The working hours for transacting the deposits and other business of the society should be kept uniform. The opening hours for deposits and withdrawals should be fixed as per the convenience of the members of the area.

8. TRAINING

The Society Manager or the Accountant should not be entrusted with the duties of conducting the agency business. The society should be advised to entrust the above tasks to other employees. The Manager or the Accountant should be asked to supervise those tasks including the passing of Vouchers, general checking, movement of cash for its safe custody. They should also be asked to countersign all deposit counter-foils and payment vouchers or cheques.

The persons appointed by the society to conduct the agency business should be at least matriculates. They should be treated as employees of the society and the salaries and other allowances should also be paid by the society. They can also be asked to do any other work pertaining to the society during spare hours. The federation will arrange to impart practical training to such employees in its premises and acquaint them with the procedures of the agency business.

9. AGENCY AGREEMENTS AND ACCOUNTING PROCEDURES:

The Federation should discuss and enter into an agreement with each one of the selected cooperatives on the following:

- The terms and conditions of operations;
- The procedures for conducting the business ;
- The remuneration and payments of commission etc.

The federation has to provide at its own costs the counters, furniture, cash boxes, safes, books of accounts, forms and stationery, etc. required for the conduct of the agency business.

The societies selected for agency business are not required to conduct any type of banking business. Their activities will be confined to accepting savings and deposits and paying out from such accounts. They will further open savings, deposits accounts and fixed deposits accounts. Cash receipts and payments will be made at the agency counters.

OPENING OF ACCOUNTS:

When opening a new account, the employee of the Agency business shall supply new depositors with the new account form, two cards for specimen signature and pay-in-slip. The Manager or the Accountant will help the depositor in filling up all the forms and countersign the specimen signature card as an agent of the federation. The deposits will be accepted and the new account will be opened only after completing the above formalities.

The Agency clerk will issue a loose pay-in-slip to the depositor. The slip will contain a serial number and the account number will be filled by the concerned clerk before the issue of the pay-in-slip. The Manager or the Accountant will countersign the pay-in-slips and issue counter-foils to the depositor after receipt of cash by the counter clerk. The concerned clerk will not be permitted to deliver counter-foils, under his signature only. The depositor will be issued a new pass-book under the signature of the Manager who will also countersign the entries in the pass-book.

In case of a fixed deposit account a separate pay-in-slip together with the form of application and specimen signature card will be issued. The amount will be accepted at the Agency counter and the counterfoil duly signed by the authorized person will be delivered. The Federation to which the agency is affiliated will issue a fixed deposit certificate on behalf of the Agency itself and send it for delivery to the depositor concerned. A separate ledger for fixed deposits will be maintained at the Agency (society) for ready reference.

In case of illiterate depositors they will be required to come in person for operation of the account. The thumb impression will be required to be attested in the presence of the society Manager and the person attesting the signature should be known to the Manager.

Cheque books will be issued to only such depositors who are not minors or illiterate persons. Minors or illiterate persons will be required to come in person along with their pass-books. Special withdrawal slips will be issued to such persons and payments will be made in the presence of the Manager of a person known to the counter clerk. Cheques issued in favour of third parties will be encashed provided they are in order.

10. MAINTENANCE OF DAILY ACCOUNTS:

The Agency will be affiliated to the Federation. Transactions carried out at the Agency will be incorporated in the books of accounts of the PCF. Separate general ledger accounts as "Agency _____ Centre" will be maintained.

The federation will provide a Daily Agency Statement from/to the society. The Agency will record all the credit and debit entries in the cash book, and the day book and prepare the Daily Agency Statement in triplicate. The Statement will contain all cheques or pay-in-slip numbers, ledger folios, names of the depositor and particulars of amounts deposited or withdrawn. It will also include the opening and closing cash on hand. One copy of the statement along with all the original vouchers will be sent to the federation either by registered post or through a messenger.

11. CASH HOLDING AND HANDLING

The Agency shall maintain cash on hand for at least 3% of its total deposits. In cases when withdrawals of larger amounts are expected it may maintain cash on hand up to 5% of total deposits. Cash on hand shall not be utilized by the cooperative society for its own business activities. The cash on hand will be kept in a separate cash box provided by the federation and will be opened or closed in presence of the Agency clerk and the Manager or the Accountant of the society. Master keys will be kept with the Manager and the other keys will be kept with the concerned clerk.

The Federation will provide a safe to the cooperative where in the cash box of the Agency as well as of the cooperative will be kept. The keys of the safe will also be under dual control of the Manager, and the chairman or any other employee who is not connected with the Agency business. Fidelity insurance for the Agency cash will be arranged and the federation will pay the insurance premium and keep the policy with it.

12. MOVEMENT OF CASH

In case the society itself requires cash for its own business and if there is excess cash in the cash box of the agency then the society can withdraw, by issuing a cheque on its account maintained at the federation. Such cheques shall be sent to the federation along with the vouchers and daily agency statements.

If the surplus cash in the Agency cash box is not required by the society then the same will be remitted to the branch in multiples of Baht 1,000. Similarly, in case the cash is required to meet the payment of deposits the society can hand over such cash from its cash balance if there is excess cash with the society. Such a transaction will be made by presenting the pay-in-slip provided by the federation for the purpose of crediting the amount to the society account. Such an amount will be credited as cash receipt from the society and the federation will be recorded in the Daily Agency Statement. If the society has no surplus cash the Manager will write a letter to the Federation concerned and arrange to bring the required cash from the PCF.

The society will first pay the remittance fees and prepare a bill in duplicate and send the same to the Federation for sanction. The Federation will sanction the bill and credit the amount to the account of the society.

13. SUBMISSION OF STATEMENTS:

a) Daily Agency Statement:

The Agency statement will submit the daily statement in the form prescribed in triplicate. It shall be signed both by the concerned clerk and the Manager of the society. All original vouchers, both credit and debits, will also be sent along with the statement.

b) Weekly trial balances will be submitted every Friday.

c) A Statement of all deposit accounts with the names of the depositors credit balance, as on last Friday of each month shall be prepared and submitted to the Federation.

d) The Agency will be required to calculate the interest in each deposit account payable at every half year and send a statement in triplicate to the Federation or its branch office. The Federation will check the interest and forward two copies to the Agency which will then credit the amount of interest to the respective depositors' accounts.

e) In case of fixed deposits the PCF will prepare the statement of interest payable on each fixed deposit every half year by debiting and inform the Agency to pay the interest to the depositors concerned.

14. BOOKS OF ACCOUNTS:

The Federation will provide the Agency the following books of accounts to be maintained :

- 1) Day book, Daily cash book ;
- 2) General ledger ;
- 3) Cash received and paid- cash book ;
- 4) A/c's opened and closed ;
- 5) Savings and recurring deposit ledgers ;
- 6) Fixed deposits and cash certificate ledgers ;
- 7) Cash summary ;
- 8) Key Register ;
- 9) Remittance register ;
- 10) Outward-Inward Registered Postage Book ;
- 11) Pay-in-slips with serial printed numbers ;
- 12) Cheque books, withdrawal slips issue register ;
- 13) Interest Calculator ;
- 14) Daily Agency Statement ;
- 15) Balance book and statement ;
- 16) Interest paid register, and
- 17) Forms for opening new accounts and specimen signature cards.

15. MAINTENANCE OF ACCOUNTS AT THE PCF.

The work of the Agency will be part of the work of the Federation to which it will be affiliated. It will therefore be necessary to incorporate all the transactions carried out by the Agency in the books of accounts of the federation concerned.

The Federation will maintain a separate day book (cash book) and record all transactions of the Agency as per the Daily Agency Statement and vouchers submitted by Agency.

Personal accounts of the different types of depositors will be maintained in two sets; one at the Agency and the other at the PCF. Deposits accepted will be credited to each depositor's account and payments made will be debited to each depositor's account and payments made will be debited to their accounts by passing necessary credit or debit entries to the Agency accounts. Other transactions will also be adjusted to the respective accounts by passing necessary entries. This will enable reconciliation of the net cash in the PCF Cash Box.

The net balance in the General Ledger Accounts of the Agency will show the Cash In Hand with the Agency which will be computed for the purpose of cash reserves and liquidity requirements of the Agency.

Whenever credit or debit entries on behalf of the concerned society are made they should also be posted in the account of the society maintained at the Federation.

The Agency will not issue any type of Fixed Deposits or cash certificates. It will accept the Fixed Deposits Receipt and amount from the depositor. The Federation will issue the fixed deposits certificate and arrange to deliver it to the depositor through the Agency. The interest and payment of the principal amount on maturity will be made at the Agency counter.

Interest on Fixed Deposits Receipts will be calculated every half year by the Federation which will intimate to the Agency to pay to the concerned depositor. A list will be supplied by the Federation giving the details of Interest to be paid.

Interest on all deposits will be calculated both by the Federation and the Agency. The entries of interest will be passed by the Federation by debiting the Interest Paid Account and crediting the Agency Account. The Agency will credit the interest to the respective accounts and debit the Federation account.

All entries at the Federation will be posted as on the date the transactions took place at the Agency.

16. AGENCY REMUNERATION & EXPENSES :

The society which has agreed to conduct the Agency will make payments for all legitimate expenses from its own cash. It will forward all such bills with vouchers etc. to the Federation will sanction the bills and credit them to the account of the society. The bills will also include remittance charges, postage etc.

The remuneration for this service will be calculated on the basis of the average deposits outstanding with the Agency every month. A cash bill of remuneration will be prepared monthly or quarterly by the society. The Federation will sanction the bill and make the payment as per the following suggested criteria of sanctioning:

<u>Total deposits:</u>	<u>Remuneration payable:</u>
Deposits up to Baht 50,000/-	Amount equal to 4% of deposits
From 50,000 up to 100,000	Amount equal to 3% of deposits
From 100,000 up to 150,000	Amount equal to 2.5% of deposits
From 150,000 up to 200,000	Amount equal to 2% of deposits
From 200,000 and above	Amount equal to 2% of deposits

17. INSPECTION SUPERVISION:

CAD inspectors will pay surprise visits every month and will check cash and accounts and reconcile the Agency Accounts with those of the Federation. A report will be submitted to the Federation and the concerned agencies.

18. AGREEMENT

An agreement will be executed by the society accepting the terms and conditions for the Agency.

COURSE ON
SURVEY AND RESEARCH METHODOLOGY WITH PARTICULAR
REFERENCE TO DEPOSITS MOBILIZATION.

OBJECTIVES

The objectives of the course are to:

- reorient or impress upon the Provincial Cooperative Federation and Primary Cooperative Officials, the need and importance of deposits mobilization for self reliance;
- emphasise the need and importance of surveys and research in the area of Deposits Mobilization and develop research skills;
- work out methods of assessing the savings potential and factors contributing to increased savings of rural / semi-urban households;
- provide insights into the aspects of the effectiveness of the deposits schemes and related consequences; and
- work out the possibility of creating Deposits Mobilization units, their staffing pattern and training needs.

EXPECTED OUTCOME:

The course is expected to develop talents and enhance the skills of the cooperative finance system officials for an effective functioning in the area of deposits mobilization and bring out the desired results for the development of the Cooperative Finance System in Thailand.

TRAINING COVERAGE:

The training programme broadly deals with the following themes/topics;

- The Quest for self-reliance;
- Need and Importance of Deposits Mobilization by

cooperatives ;

- Techniques/strategies of Deposits Mobilization;
- Role of surveys and Research in deposits mobilization ;
- Survey techniques/methods;
- Guidelines for preparation of technical/Research reports and Methods of presentation; and
- Motivation, Interpersonal skills and Attitudinal changes.

DURATION: : Three days

NO OF PARTICIPANTS : Around 30 cooperative staff and leaders.

TRAINING PROGRAMME/TIMING:

The course is a residential programme. The timings of the course are normally between 0900 hrs to 1730 hrs with breaks for Tea/Coffee and working lunch. Some sessions of the course may however, be scheduled outside these timings.

VENUE : Course Coordinators to decide.

TENTATIVE PROGRAMME SCHEDULE

ARRIVAL DAY

<u>FIRST DAY</u>	9.30-11.00 hrs	Registration participants Introduction	of and
	11.00-11.15 hrs	Tea	
	11.15-13.00 hrs	Inaugural function	
	13.00-14.00 hrs	Lunch	
	14.00-15.30 hrs	Need and Importance of Deposits Mobilization for Self-reliance	
	15.30-15.45 hrs	Tea	
	15.45-17.00 hrs	Role of surveys and Research Methodology in the area of Deposits Mobilization	
<u>SECOND DAY</u>	9.00-10.15 hrs	Discussion on the ICA/CLT study report	
	10.15-10.30 hrs	Tea	
	10.30-11.45 hrs	Discussions (contd.)	
	11.45-13.00 hrs	Discussions (contd.)	
	13.00-14.00 hrs	Lunch	
	14.00-15.30 hrs	Motivation, Inter- personal skills and Inter- personal Feedback for Effective Management	
	15.30-15.65 hrs	Tea	
	15.65-17.00 hrs	Sampling Techniques	

<u>THIRD DAY</u>	09.30-10.00 hrs	Use of case study and observation methods as techniques of Research
	11.00-11.15 hrs	Tea
	11.15-13.00 hrs	Guidelines on Report writing/methods of presentation of Reports
	13.00-14.00 hrs	Lunch
	14.00-15.30 hrs	Finalization of Recommendations and work out the future course of Action.
	15.30-15.45 hrs	Tea
	15.45-17.00 hrs	Closing Ceremony.

Departure Day

icaroa/sd/wb/891107.

APPENDIX 5
AGENCY STATEMENT DAILY

No.
Name of the Society :
Submitted by the Manager:
Statement prepared by :
Statement checked by :

Date :

A/c No.	Pay-in-slip No.	Name of the account	Amount credited Baht st.	A/c. No.	Ch. No. drawl slip No.	Name of the account	Amount paid B. St.
		S.B. A/c.					
		Recurring A/c.					
		F.D.R. A/c.					
		Cash certificate					
		Amount received in cash from Branch				Amt. paid in cash to Branch	
		Total receipts				to Society	
		Open cash				Total payment	
		Total :				Closing cash	
						Total	

Prepared by :

For Federation use

Checked by :

The Statement is checked

Seal of the Society

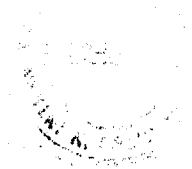
Vouchers are verified and recorded in bank Agency cash book

Agent

Accountant

Date :

Date :



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INTERNATIONAL COOPERATIVE ALLIANCE

"Bonow House", 43 Friends' Colony, New Delhi-110065

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VYAS, M.M. & DAHL, Sten H.

Author.....

Title..... Report on the ICA/CLT study on
establishing the co-op. financing
system in Thailand.

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