

Report of the Regional Seminar

on

# Management of Agricultural Cooperatives

with special reference to

# Multipurpose Cooperatives

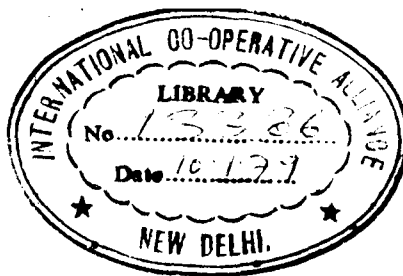


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**INTERNATIONAL COOPERATIVE ALLIANCE**  
Office & Education Centre for South-East Asia  
"Sri Aurobindo", 43, Friends' Colony, New Delhi-110-065. India

**Report of the Regional Seminar**  
on  
**Management of  
Agricultural Cooperatives**  
with special reference to  
**Multipurpose Cooperatives**

**LIONEL GUNAWARDANA**  
*Leader and Rapporteur*



**INTERNATIONAL COOPERATIVE ALLIANCE**  
Regional Office & Education Centre for South-East Asia  
"Bonow House", 43, Friends' Colony, New Delhi-110-065. India

**INTERNATIONAL COOPERATIVE ALLIANCE**

*Headquarters* : 11 Upper Grosvenor Street,

London W1X 9PA. U.K.

Regional Office & Education Centre for South-East Asia,

“Bonow House”, 43, Friends’ Colony, New Delhi-110065. India

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## **INTRODUCTION**

A Regional Seminar on "Management of Agricultural Cooperatives with special reference to Multipurpose Cooperatives" was held by the International Cooperative Alliance Regional Office and Education Centre for South-East Asia in collaboration with the Central Union of Agricultural Cooperatives (CUAC) and the Institute for the Development of Agricultural Cooperation in Asia (IDACA) from 1st to 21st September 1977. Twenty participants from 10 countries and two observers from Japan attended the seminar. The countries represented were Bangladesh, India, Indonesia, Iran, Republic of Korea, Malaysia, Nepal, Philippines, Sri Lanka and Thailand. The list of participants and the seminar programme are given on Page 27 and Page 31 respectively. The seminar had the benefit of the presence of Mr. R. B. Rajaguru, ICA Regional Director for South-East Asia, during the study visits in the Republic of Korea and the first few days of the seminar in Japan.

The seminar was directed by Mr. Lionel Gunawardana, Joint Director and Specialist in Agricultural Cooperation of the ICA Regional Office with Mr. H. Togawa, Managing Director, IDACA.

### **Objectives**

1. To review the working of agricultural cooperatives (with special reference to multipurpose cooperatives) in South-East Asia and to identify managerial problems;
2. To study management of agricultural cooperatives (with special reference to multipurpose cooperatives) in Japan; and
3. To discuss managerial problems of agricultural cooperatives (with special reference to multipurpose cooperatives) in the countries of the Region and ways of solving them in the context of experience of the Japanese Movement.

## **Study Visits**

In order to provide seminar participants with an opportunity of learning about the management of agricultural cooperatives in the Republic of Korea a seven day study visit programme was held by the International Cooperative Alliance in collaboration with the National Agricultural Cooperative Federation (NACF) prior to the seminar. The seminar participants were taken to two primary agricultural cooperative societies, two county agricultural cooperatives and to the National Agricultural Cooperative Federation in the Republic of Korea. The seminar programme also included study visits in Japan. The participants were taken to two primary agricultural multipurpose cooperatives in Kagawa Prefecture for intensive study with the help of case studies specially prepared for the seminar. The participants also visited prefectural level cooperative organisations in that prefecture.

## **Problems of Management in Agricultural Cooperatives**

The seminar discussed at length the problems of management of agricultural cooperatives in the Region. The seminar was of the opinion that the problems of management in agricultural cooperatives in developing countries in Asia are basically similar. However, when they are examined in detail, differences can be found depending on the variations in tradition, culture and socio-economic conditions of each country. The seminar listed the following major problems :

### **I. Lack of loyalty and understanding of cooperative principles**

Lack of loyalty to the society and understanding of cooperative principles among members of the cooperative societies poses formidable problems in the day-to-day management of the societies. The management faces difficulties in dealing with the members who are disinterested and rather apathetic towards the activities of the society.

### **II. Disregard for cooperative principles**

The cooperative principles, the very basis of the movement are

increasingly being violated. Little or no orientation is given to management personnel in cooperative principles. Management personnel due to this omission of indoctrination tend to think more in terms of the end results to be achieved than the very methodology through which the objectives should be attained.

### **III. Shortage of efficient management personnel**

Because of resource constraints, the societies cannot afford to have a good managerial cadre. Lack of sufficiently skilled management personnel at the primary, secondary and even at the apex level has made it necessary to obtain the services of government officials in the management of the societies. The management of cooperatives by deputed government officers has resulted on the one hand in increased officialisation and governmental control and on the other hand has prevented the development of their own managerial persons by the society.

### **IV. Absence of service rules for the management personnel**

Absence of clear service rules results in inefficient performance of tasks by the management personnel. Absence, in some countries, of service rules for the personnel at various levels, service cadres and career planning procedures has resulted in despair and demoralisation among the managerial personnel.

### **V. Lack of adequate training facilities**

The elected leaders depend on their common sense for running the cooperatives in an amateurish manner in the absence of facilities for training in elementary business management. The staff of the societies also have no adequate opportunities for training and consequently are unable to improve and develop their skills.

### **VI. Low level of salaries**

The salary, emoluments and other service facilities of the management personnel of the cooperatives are not at par with employees of other enterprises. This leads to cooperative employees seeking employment with other enterprises and leaving cooperatives

when job opportunities are found. The employees leaving their jobs not only results in loss of investment the cooperatives might have made on their training but also aggravate the already acute problem of shortage of necessary skills. Due to this attitude of regarding cooperatives as temporary places of employment, the employees are not very keen to do their best and do not willingly exert themselves for improving competence and skills.

#### **VII. Absence of promotional prospects**

Absence of promotional avenues, non-availability of diversification channels into different types of activities within cooperatives due to small size of business activities of the societies leads to a sense of disenchantment and disinterest among the employees towards their jobs. This monotony finds outlet in various shapes which materially harms the interests of the society and the movement.

#### **VIII. Interference in day-to-day management by office-bearers**

Interference by the non-official office-bearers of the societies in the day-to-day management of the societies, make it difficult for the employees to discharge their duties properly. Favouritism shown by the interfering official to some employees on various grades leads to unhealthy affiliation of employees with particular groups of committee members within cooperative societies. This creates "vested interest groups" working at cross purposes within the society.

#### **IX. Poor communication between the management and the farmer members**

In most cases there is no system of regular meetings, publication of reports, guidance service, etc. Ordinary members remain in the dark about the affairs of the society. Similarly, communication between the boards of directors and the employees is also not found to the desired extent.

#### **X. Strife for leadership**

In some cooperatives there is an unhealthy scramble for leader-



ship, specially at the secondary and apex level. This leads to disunity and disharmony among members.

#### **XI Insufficient involvement of members**

The elected leaders being honorary and part-time officers, do not involve themselves in the affairs of the society to the desired extent.

#### **XII. Restrictions in the period of service by leaders**

Due to the statutory provision restricting the period of office, the elected directors devoted to cooperation are not able to serve cooperatives continuously. The continued development of cooperatives suffer due to such abrupt retirement of devoted leaders. The intention of legislation limiting the period a person can hold office is to prevent undesirable persons getting re-elected continuously. The Seminar felt that the other prevalent legislative provisions can effectively tackle such situations.

#### **XIII. Inability to provide all services needed by members**

In most cases societies are multipurpose only in name. The activities of the societies are confined either to credit or consumer sales. The members are thus compelled to go to other sources for obtaining the services they need in their agricultural pursuits. This affects the loyalty of the members and consequently the management.

#### **XIV. Absence of planning**

Total absence, in some countries, of any kind of plan formulation, annual budgeting and financial control mechanism has resulted in failures of cooperative business, and in uneven growth wherever some success has been achieved.

#### **XV. Inadequate owned capital**

Inadequacy of owned capital in the cooperatives of some countries in the Region prevent them from raising further resources by way of borrowing etc. and thereby prevent them from providing the services needed by the members.

## **XVI. Government interference**

As a result of State partnership leading to government nomination in the board, etc. with huge powers given to the Registrar interference by government is experienced by cooperatives. The seminar while recognising the need for government assistance to cooperatives felt that interference in the day-to-day management of societies should be avoided.

### **Importance of Planning (including Budgeting) and Procedures in Planning and Budget Formulation**

A cooperative society, or for that matter any institution engaged in economic activities, without a plan is like a ship in the high seas without a pre-determined destination.

A cooperative society is primarily a business organisation. Planning is essential on two counts. First, for carrying out the business activities of the cooperative society methodically, and secondly, for securing active member participation in the affairs of the society by clearly explaining to the members the policies, plans and relevant procedures which would be followed by the management of the society for the furtherance of the interests of its members.

**Budgeting** is a systematic allocation of resources of the society for achieving the targets set out in its business plan which is prepared on the basis of the wishes and demands of its members expressed through meetings of the general body. Budgeting is essential for exercising necessary financial control. In a nut-shell budgeting is a simple expression of the society's business plan in monetary terms.

Careful and detailed planning, both short-term and long-term, is most important in the management of agricultural cooperatives of all types and of all levels. There should be detailed annual, quarterly and monthly plans in addition to long term general plans. The plan targets should be broken up departmentwise or sectionwise so that the management units involved in implementation of the plan are assigned with specific targets.

The most important pre-requisites of planning are member-wise data collection, their analysis and feasibility studies of intended projects and activities. These initial exercises should reflect the existing position, future requirement and cost benefit ratio of the proposed activities. When such information is prepared there should be detailed discussions with the member-farmers, who are the beneficiaries of the proposed projects, so that the needs of the grass-root level beneficiaries and their aspirations are properly reflected in the plan. Similarly, the implementing agency, viz. the department/section concerned, should also be consulted in a free and frank manner.

It is advisable to have a separate department or section, for planning and evaluation. Evaluation should not be done by the same set of persons who are entrusted with the formulation of plans.

Project document or a plan should not be treated as sacrosanct. As and when situation demands, the plan should be modified to meet the requirements of the changed situation. There should be constant dialogue with and feed back information from the members as well as employees to ensure complete involvement in the successful implementation of the plan. Such planning would generate lot of interest and enthusiasm amongst the rank and file.

Budget which is the expression of the plan in monetary terms is an essential tool of any dynamic management. It should be in simple, lucid and specific terms and must be prepared every year within a fixed period in consultation with the members and staff after reviewing the balance sheet and other statements as at the end of the previous cooperative year.

Constant review and necessary revision in plan and budget should be provided for as an integral part of any planning and budgeting process so as to achieve maximum realisation of goals. The present day society is very dynamic, quick changes are taking place as a result of technological and other innovations, new problems are coming up every day and such changing circumstances necessitate constant review and revision of the plans and budgets.

It may not be possible to introduce scientific process of planning at the same time in all societies. However, constant efforts are necessary to do maximum possible planning on scientific lines. Lot of motivational work needs to be done in this regard by the governmental agencies and national level organisations to inculcate the practice and educate the members about the importance of planning and budgeting in the management of agricultural cooperative societies.

The sources of capital of a society may be divided into two broad categories :

1. Owned capital:
2. Borrowed capital.

Owned capital may consist of the following :

- a) Share capital.
  - (i) Members' shares.
  - (ii) Preferential shares (i.e. payment of a guaranteed interest irrespective of the result of societies' business and without giving the investor the power of voting).
- b) Membership fees.
- c) Reserve and other funds.
- d) Net profit.
- e) Government subsidies and grants.
- f) Donation from various institutions in kind e.g. donation of land to the society.

The borrowed capital may consist of the following :

- a) Deposits
  - (i) Savings
  - (ii) Term deposits
  - (iii) Current deposits
- b) Borrowings from government and other financial institutions.
- c) Revolving fund certificates and other bonds.

## **General Members' Share Capital**

The traditional source of raising funds is through sale of shares to the members in accordance with the principles laid down in the laws and bye laws. This is, in fact, the fundamental requirement for membership and is one of the primary sources of capital formation.

In the economically backward countries, where most of the farmers lead a hand-to-mouth life, the societies find it extremely difficult to motivate the members for buying shares. Even when they are convinced about the benefits to be accrued by such investments as buying of shares, when it comes to actual payment of money the members feel reluctant. This stems mainly from their inability to pay and partly from their experience of misuse of funds by people at the helm of affairs.

## **Preferential Shares**

Problems encountered in raising preferential shares are :

- (i) Lack of confidence on the part of possible investors in the financial affairs of the cooperatives and the low reputation of the cooperatives as business enterprises;
- (ii) The low interest being given by the cooperatives compared with other business enterprises.

## **Profit**

One of the ways the cooperatives can build their capital is by ploughing back of profit or surplus. If a society, for example, undertakes to set up a rice mill in the first year of its business and if the activity yields good profit at the end of the year, the profit so earned may fruitfully be invested for the purchase of, say, a truck instead of paying to members as rebate. In this way the society can build up capital and acquire assets resulting in more business and more profits. This practice may be desirable at the early stages of cooperative development. However, one aspect that has to be considered is the need to keep the members' interest in the society alive. One attractive way of doing this is by distributing surplus to members. A practicable way to maintain the

members' interest and building up of the capital at the same time would be to distribute a portion of the surplus and retain the rest as members' contribution to share capital.

### **Borrowed Capital**

A predominant method of raising capital is through borrowing from government, semi-government and other lending agencies. Funds are borrowed from these sources with or without security. The governments in most countries of the Region are giving loans and grants to cooperatives. Private commercial banks are also, in some countries, encouraged to lend to cooperatives. In borrowing funds societies are confronted with a number of problems. Inadequacy of owned capital in proportion to those specified by the lending agencies, inability to offer adequate security, absence of acceptable accounting and recording systems in cooperatives are few major obstacles.

### **Members' Deposits**

Raising of deposits from members is one good way of raising funds for the activities of the cooperatives as is done very effectively in Japan and to a great extent in the Republic of Korea. But in most cooperatives in the countries of the Region the deposits are not sufficient to manage even the day-to-day affairs of the society. Most of the farmers of Asian countries generally have low incomes and make little or no deposits with the societies. Most of them hardly have any surplus of income over expenditure and cannot save anything for depositing with the cooperative. In the face of competitive and pressing wants, they prefer spending all their income on goods and services which they consider essential or on those they have a longing for. Other problems in mobilizing deposits by cooperatives are :

- i) Absence of various banking facilities like remittance, overdrafting etc. in the cooperatives discourages individuals from depositing with cooperatives;
- ii) Lack of necessary infrastructure i.e. branches in rural-potential areas, densely populated urban areas for attracting deposits;

- iii) Non-coverage by “deposit insurance” scheme;
- iv) Inadequate publicity of banking facilities in the cooperatives.

### **Compulsory Deduction/Retention from Loan or Produce**

Yet another method of capital formation is by deducting or retaining a certain portion of loans advanced to members or payment made for produce marketed through the society by the member. The amount deducted is not refunded to the member for a specific period and is accumulated for investment. Some members do not like this sort of deduction or retention.

In programmes for capital formation through raising shares and deposits the will and determination of the members is even more important than the actual ability to contribute. Even the people of very meagre means can cultivate the habit of thrift and savings. A good and effective management can explore many sources provided it has the initiative and drive coupled with sincerity of purpose. If the need to build up capital in their society, in order to serve their own needs, is effectively communicated to the members it would be possible to motivate them to save atleast small amounts with the society.

### **Financial Planning and Budgetary Control as Tool of Effective Management**

A cooperative society is a business organisation. The efficiency and cost of its services to its members will be largely conditioned by the volume of its business. For the society to have a reasonable large turn over it will have to have sufficient financial resources and an efficient management. Further it has got to be ensured that the financial management of the society is suited to serve the interests of its members as also to safeguard the interests of creditors.

In South-East Asia the governments extend substantial quantum of assistance and patronage to cooperatives. For receiving such assistance, support of the public opinion is needed. Therefore, it is imperative that the public image of the cooperative

should be maintained at the highest level to win the confidence of the general public and the State. An effective system of financial planning and budgeting control is very essential for this purpose.

It has been said that if there is no plan, there can be no management. Since a cooperative society is a business organisation it should be geared to function economically. For a business organisation the starting point is the capital. The procurement and subsequent operation of capital in such a manner that it is effectively and economically utilised is what is commonly known as the financial management. The procurement of the capital and preparation of an action plan so that it results into positive results is known as financial planning. The operation of the capital in such a manner that the set targets are actually achieved is what is known as budgetary control. Some of the reasons that make financial planning a tool of effective management are :

- (i) Planning exercise makes it possible for the management to know the demands and requirements of its members;
- (ii) It also provides information regarding the financial resources at its disposal and additional resources it must mobilise to meet the planned objectives;
- (iii) It focusses attention on the fact that each employee must shoulder a certain share of responsibility and should know what is expected of him;
- (iv) It outlines the general directions in which effective coordination shall be required during execution of the plan and also it underlines the priority areas;
- (v) It gives an opportunity to the management for self-assessment in the context of its strength, i.e. shortage or excess, availability or otherwise of a particular expertise, etc. and makes it possible to fill up the gaps;
- (vi) It also renders necessary help to the society to find out what control mechanism would be required and in which measure;
- (vii) It helps in finding out during evaluation the factors of success or failure of a particular activity and thus gives



indicators for the preparation of next year's targets and plans. Above all financial planning gives concrete shape to the decided objectives and targets of the society. Financial planning is the backbone of the body of business plan of a society.

### **Manpower Development and Training in Cooperatives**

Many societies do not have adequate incomes to employ even one qualified person. In most countries of the Region the societies are small. Some of the countries have implemented programmes of amalgamation to increase the size of the societies. It would be beneficial for those that have not yet implemented such a programme to do so, with a view to making the societies more viable and earn more profit through diversified operations. A bigger society with large turnover will have a better image in the locality and will attract better men.

In societies which have employees, salary and other allowances offered to them are low. The employees do not receive other fringe benefits and facilities which may enable them to meet at least the minimum needs of life such as a house, medical facilities, educational facilities for their children, etc. The workload together with the responsibilities entrusted to the managers of the primaries is also not commensurate with their wage structure.

Employment in cooperatives is not considered as prestigious employment. In most of the countries the experience is that the educated young men do not opt for a career in the cooperative sector. Yet in all these countries the problem of unemployment among educated youth is quite formidable. Due to frequent cases of bad management, misappropriation of funds etc. cooperatives have a poor public image. Qualified persons, therefore, are not attracted to them as they feel that there is no opportunity for career development. Though there are a number of good and successful cooperatives in all countries in the Region, they do not receive adequate publicity. It is very essential to find a method to give publicity to the success of cooperatives in order to build the image of the movement.

Most cooperatives, by and large, do not have rational recruitment policies. Recruitment is very often not done on the basis of merit. Methods have to be evolved whereby to do so.

Most cooperatives do not have service rules which ensure fair and just treatment to the employees and also strict discipline and hard and honest work. All cooperatives must adopt such service rules for their employees.

Rural areas in which cooperatives are functioning do not have even most elementary facilities such as clean drinking water, houses with minimum conveniences, facilities for education, recreation etc. Young and talented people, therefore, try their best to get jobs in urban areas. Government will have to pursue policies whereby rural areas are provided with facilities for reasonably comfortable life. Massive programmes of investment in rural areas and dispersal of industries to rural areas by providing infrastructure facilities for their profitable functioning should be undertaken.

System of education in the Region mostly results in the production of men suitable for white-collar jobs. Education should facilitate production of persons suitable for technical jobs.

Employees of cooperatives are not allowed freedom of action and initiatives in their work are not encouraged by the management committees. Programmes of man-power development among cooperative employees should go hand-in-hand with programmes of leadership development. Rules should be framed and adopted which demarcate the duties of elected and employed management.

The sense of insecurity of tenure of job is one of the major factors which discourage skilled persons seeking employment in cooperatives. The manager's continuity of employment is to a great extent subjected to the whims of the members of the board of directors. This sense of insecurity about the tenure of one's job is the single most important factor which makes cooperative employment less attractive compared to government jobs or more remunerative jobs in the private sector.

Another reason why suitably qualified persons are reluctant to

join cooperatives is the lack of future prospects, opportunities for personal advancement and self-improvement within the cooperative structure itself. Within the cooperative system the vertical promotional channel has not developed to the extent desirable and therefore, the managers and other employees have very little prospect of self-advancement. A considerable number of employees leave the cooperative sector on this score. This has its adverse impact on the remaining employees. To encourage and motivate young qualified persons to accept the service in primary cooperatives, a certain percentage of vacancies in higher level cooperatives and financing agencies should be reserved for persons to be promoted from the primaries.

Today it may not be an exaggeration to say, that those who cannot be absorbed elsewhere, join the cooperative sector. It is reflected in the attitude of the employee and as soon as an opportunity presents itself outside the cooperatives, the employee prefers to accept that.

The above factors are by and large present in all the countries. The situation is quite grim in those countries where each one of the above factors is present and slightly better where some factors are not all that pervading in their magnitude.

The seminar felt that the governments should provide adequate subsidies in a tapering basis, so that the societies can employ suitably qualified persons and pay them reasonable wages and other fringe benefits.

### **Opportunities for Career Development**

The seminar observed that suitable opportunities for career development are non-existent because of the simple reason that the cooperative structure is not integrated to the extent it should. In fact when one discusses the management of the primary cooperative society what comes to one's mind is hundreds of entities which are independent legal bodies managing their affairs in their own way. There is hardly any vertical or horizontal integration among themselves. Therefore, the problem is actually two-fold.

In view of the poor rate of literacy in the region, disinclination of the office-bearers of the societies to forgo power of appointment and control of employees, inadequacy of facilities for training, inaccessibility of certain areas within the countries and the state of under-development, the seminar felt that the following steps should be immediately taken if the cooperative movement is to be able to function as an effective instrument of economic development :

1. In accordance with the cooperative principle "Cooperation among cooperatives", cooperative management cadres for all levels of management should be organised. The apex societies should take a lead in this regard and along with the secondary societies should share the burden of the wages in such a manner that the primaries are taxed the least. In the beginning if the cooperatives find difficult to bear the full burden of paying the salaries, the government should come forward and provide necessary financial assistance. The concerned societies at all levels and the financing agencies should be required to contribute a certain portion of their earnings to the cadre fund from which the salary bill of the personnel is to be met for a certain period of time. A cadre authority created for the purpose of selecting personnel should recruit suitable candidates and submit a panel of selected candidates to these societies which have vacancies. The societies may choose anyone from the panel and recruit him. The society remains the appointing authority as well as the controlling authority.

The seminar was of the view that once this type of recruitment takes place, it is likely to get wider publicity and the chances are that such method of recruitment will attract the attention of capable candidates. Presently recruitment by the individual primaries is on such a small scale and so few and far between that, it goes unnoticed. The recruitment by a central authority could be more efficiently handled. In addition to recruitment on a bigger scale the system provides better probability ratio of appointment to candidates than the recruitment of a single primary society. Finally through such a competition the societies are more likely to

get better employees as the scope of choice is much enlarged. This concept is comparable to the advantage of a centralised purchasing system, as such a system gives the bulk-purchaser a bargaining position and he is able to dictate his terms and conditions.

2. The seminar felt that the attention given to the employees' training is inadequate. It was of the opinion that pre-service training should be made compulsory. Later the employees should be given, in-service and refresher training. Such training would update the employee's knowledge and study visits to other cooperatives would give him an opportunity for analysis and self-introspection.

Paucity of staff, it was felt, was also one factor which restricted sending of employees for training and study visits. Even where training facilities exist, inadequacy of the number of employees in societies prevent them from being sent for training. The higher tier organisations should maintain a group of persons who can be loaned to lower tier cooperatives for temporary replacement of employees who are sent for training.

Introduction of correspondence courses may also help in overcoming these problems of replacement to a certain extent. These courses would be considerably less expensive.

Creation and maintenance of special cadres of capable personnel for specialised jobs in agricultural cooperatives, would be very beneficial. With the rapid expansion of cooperatives the need for managerial cadres is increasingly felt. Specialisation in different managerial spheres such as banking, marketing and supply should be encouraged. In selecting persons for specialised training the inclination and past experience of employees should be considered. Employees who show exceptional abilities and performance should be specially trained by posting them in different departments of the institutions so that they can ultimately be able to work as general managers who have to guide and supervise the working of all the departments and also to take very vital decisions on important policy issues concerning more than one department of the institution.

## **Strengthening the System of Cooperative Training**

The present system of training suffers from several deficiencies. Following steps should be taken to make the training system effectively serve its purpose.

1. There should be adequate number of training centres to meet the training needs of the employees at all levels.

2. All such training centres should have adequate building which should also include hostel facilities. All the training institutes should have sufficient number of lecture halls, good libraries, audio-visual aids as well as facilities for sports, etc.

Training should not be in the form of lectures only. In order to make training effective as well as interesting all training courses should have adequate content of field visits, group discussions, etc. Audio-visual aids should be used whenever necessary.

Training should include pre-service training at the time of joining a cooperative institution as well as in-service training from time to time. Training should include refresher courses, seminars and group discussions of short duration.

In addition to the training courses organised at the training centres, training courses should also be organised in rural areas through mobile units.

Selection of trainees for the various courses should be carefully done so as to ensure that only those who need and can benefit by such training are selected.

Great care has to be taken in the selection of teaching staff. Only those who have adequate background and practical experience as well as teaching aptitude should be selected as instructors or lecturers. The teaching staff should also be given opportunities for doing practical field work from time to time to remain up to date in their knowledge of the actual field problems. In teaching institutions maintained by the government cooperative departments, this can be done by a system of rotation of the teaching staff and the field officers.

Resource personnel, who are experts in different subjects and have long practical experience should be invariably associated with all training courses and seminars.

The training colleges should have sufficient autonomy to decide about the contents of the training courses and other issues pertaining to their working. They should be assisted by advisory committees consisting of experts.

The teaching staff in the training institutes should be given attractive salaries and allowances comparable to those obtaining in the case of senior personnel in various cooperative institutions. Similarly the trainees also should be given sufficient allowances during the training period.

### **Role of Federations in Manpower Development**

The federations, the seminar observed, should play a very active, positive and leading role in the sphere of manpower development and training. The federations should assist their constituents in their manpower development and training programmes financially as well as in other ways. Such training strengthens not only the constituents but ultimately the federations themselves. There should be close coordination between federations and their constituents to avoid duplication not only of training programmes but also of various business activities. Their activities should be so designed to complement each other. Complaints are often heard from constituents of federations that the federations encroach on the business areas that should logically fall in the purview of the constituent societies.

The federations should function in such a manner that the constituents would feel a sense of association, participation and collaboration with them. The constituents should not be made to feel that the federation is living off them.

### **Observations on the Japanese Agricultural Cooperative Movement**

1. The strongest characteristic of the Japanese cooperative movement is that the options have been always kept open for

changes, be it legislative or executive when it came to the policies and measures to be applied for reaching the ultimate goal of improving the standards of living of the member-families. Ample evidence is found in the history of the Japanese agricultural cooperative movement of legislative amendments whenever obstacles came and hindered the smooth progress of the movement.

2. The basis of present day cooperative movement in Japan can be traced back to the agrarian and land reform projects by the government after the second World War. Land reform programme has been completed a long time ago. This certainly has helped in agricultural development. Japan, in a sense, has been lucky in this respect as the reforms were implemented during the American occupation of the country and troubles and tribulations which normally accompanies an operation like land reforms have been avoided.

3. In its effort to reorganise the cooperatives and give a boost to agriculture, the government has always been generous in recent times in laying down effective policy guidelines and providing necessary subsidies. The agricultural cooperatives in Japan enjoy very active government encouragement. The definite role that the agricultural cooperatives have to perform in the agricultural development of the country has been recognised by the government of Japan. The involvement of the cooperatives in government operations has strengthened them economically and today they are able to provide excellent services to their members in a variety of fields. They have contributed immensely to the progress of agricultural development and the welfare of the farmers.

4. In order to make the cooperatives viable, the societies have been amalgamated and reorganised into viable units.

5. The multipurpose agricultural cooperative societies in Japan are truly multipurpose serving their members in all their economic activities. Instead of confining their activities only to one or two basic functions like supply or credit and inputs etc. the societies have embarked upon all types of business covering all aspects of agriculture in particular and economic activities in



general. This extent of involvement and coverage may not be possible in all countries in the Region at the initial stages of development of cooperatives. But a beginning can be made with essential services like supply of credit and inputs, marketing of produce and provision of farm guidance services and assisting the members in diversification of agricultural activities by helping in livestock and poultry raising, etc. Provision of such services will enable bringing in all the farmers under the cooperative fold and would result in the farmers reposing their confidence in the society.

6. Almost all households of farmers, have been brought under the fold of the cooperative movement. The members are not members in name only; they are active participants in policy making as well in the business of the society. In return they receive the required services for the satisfaction of their needs. Thus the societies are of the members, for the members, and by the members.

7. The efficient organisational network makes cooperative facilities easily accessible to all farmers. The cooperatives have branches in every hamlet. It has been observed that "three things are to be found in every village in Japan; a village hall which houses the local administration, a school and an agricultural cooperative".

8. In societies there are farmers with small holdings as well as comparatively big holdings. The maximum size of a holding is not more than 3 hectares. But there is no conflict of interest as both groups are economically more or less equal. In Japan, the farmers with small holdings are engaged in other occupations also such as working in factories and supplement their income from these sources.

9. Planning is done methodically and this includes both short-term as well as long-term planning.

10. The agricultural cooperatives are well-equipped with necessary statistical data for planning their activities and formulat-

ing policies. These data are collected through regular household surveys. Through the survey detailed information on household and production expenditures, on farm incomes and indebtedness etc. is collected. This information is an invaluable guide for policy formulation. These practices can be adopted with advantages in other countries.

11. One of the factors that has contributed to the success of the Japanese Agricultural Cooperative Movement is that the elected Presidents and some members of the Board of Directors give full time attention to the work of the societies. They are paid an adequate remuneration for this work. This system could be adopted with advantage in the other countries in the Region also. However, as the volume of work of most of the societies may not permit employment of salaried Directors initially, a start may be made by the presidents devoting as much time as required for the day-to-day working of the societies. In large primary societies and higher-tier societies this system of full-time president and part-time Directors may be adopted.

12. The employees have career building opportunities and are given handsome emoluments in comparison with those given in the other sectors including the government. They enjoy the confidence of the management and have got job security. Performance of the employees is good as they are qualified, trained and operate under ideal working conditions. It was noticed that the employees do not change employment because changing of the employer is considered as a bad practice.

13. Training of staff is given importance and adequate training arrangements are made for training of the officers and staff.

14. For full involvement of the employees of all levels in the affairs of the societies frequent meetings are held. The employees are given full freedom to express their views. Progress achieved in reaching various targets are constantly reviewed in these meetings. The involvement of members in policy formulation and preparation of budgets is ensured through frequent meetings at village (hamlet) level and by circulating frequent information brochures to members.

The wire broadcasting system—telephone-cum-broadcasting—helps in keeping close contact with members.

15. Through the mechanism of farm guidance and better living guidance the members are educated on agriculture and other aspects of family life. In most countries of Asia, agricultural extension is left absolutely to the agricultural department of the government. In Japan the agricultural cooperatives undertake this function. Farm guidance in Japan is more than agricultural extension as normally understood in other countries. In addition to information and guidance in improved methods of agriculture guidance is also provided in farm planning and budgeting, etc. In Japan the farm guidance and better living advisory services have played a pivotal role in ameliorating the conditions of the farmer. The cooperatives in countries which do not provide farm guidance service to their members would benefit by following the Japanese example. This can be an effective method for the total development of the rural sector by involving not only the farmer but also his wife and children in welfare activities.

16. The habit of savings has been inculcated in the farm families. The total deposits from the members with societies are higher than the total advances made to them. In the field of credit the cooperatives' progress is quite impressive. They cover about 70% of the total institutional credit received by the Japanese farmer. The societies also lend on behalf of the government at low interest rates for specific purposes, including the development of forestry, fisheries and livestock, land development, disaster recovery etc. The rate of interest is subsidised by the government in these cases. These loans account for nearly 25% of the total loans by the cooperatives.

17. The Japanese agriculture is highly mechanised. The farmers tend to make over investment in farm machinery and other equipment. Farmers who own small plots of land invest heavily in machines. These machines are under-utilised as the land area available to each farmer is limited. The net result is that the cost of final produce is high. Cooperative movements own and operate highly mechanised processing plants for processing agricul-

tural produce. The societies also own modern facilities like cold storages, country elevators, etc. The present situation of cultivation of small land holdings may become an obstacle to further development of agriculture unless means are found of making possible a larger scale of operations. In the process of modernisation of agriculture in Japan the farmers have got into the practice of applying excessive doses of chemical fertilizers in the hope of getting higher yields. The application of organic fertilisers have been neglected. This has resulted in spoiling of the soil texture. The developing countries should avoid this harmful practice.

18. Losses are quite often incurred in agricultural business operations like marketing. But these are made up by credit and insurance which are very profitable operations. Thus taken as a whole societies business continue even when there are losses in some sectors smoothly and members continue getting the services without interruption.

19. Leadership is from the older generation people who are mostly above forty. There is a steady exodus of young people from the rural areas to the urban areas. Although the cooperatives are trying to involve them in agriculture, the urban allurements are too strong to arouse their feelings for agriculture and village life.

20. There is a decline in agricultural population. Farmers depending for livelihood exclusively on agriculture is only 13%.

21. In most societies accounting and record-keeping system have been computerised for efficiency and accuracy.

22. External audit of cooperative societies is done once in 2 to 3 years. In addition to external audit, however, the societies are audited by internal auditors yearly or half-yearly. But internal audit by elected auditors, who are not qualified auditors, cannot be regarded as a substitute for audit by qualified external auditors. If the audits are not carried out immediately and subsequent action is not developed it leads to a very bad practice. Therefore, there is a need to increase the frequency of external audits.

## **Observations on the Korean Agricultural Cooperative Movement**

1. Amalgamation of cooperative societies into viable units was initiated about 16 years ago i.e. 1961. By 1976 the number of primary cooperatives was brought down from 20,000 to 1,535. Now these multipurpose cooperative societies have undertaken a wide range of activities e.g. supply of farm inputs, marketing of farm products, agricultural credit supply, mutual insurance, farm guidance and education of members, etc.

2. The agricultural cooperatives have been assigned an important role in the nationwide Saemul (New Community) Movement. The Saemul, commenced in the year 1971, is a movement for improving the standard of living of people in all respects. The agricultural cooperatives are playing an active role in development of rural areas and especially in enhancement of farmer's income.

3. The agricultural cooperatives are vertically organised at these levels, i.e. primaries at the township level, gun or county cooperatives (secondary) at county level and National Agricultural Cooperative Federation (NACF) at the national level. At the primary level there are multipurpose cooperative societies and also special purpose cooperative societies.

4. The NACF exercises overall personnel administration function of county cooperatives. The selection, postings, transfers, promotions, training, salary, welfare matters and disciplinary actions are all in the control of the NACF. However, in the case of primary cooperatives the NACF provides only the guidelines in administrative matters and has no direct control as such.

5. A laudable system of business innovation is in practice. Suggestions are invited from employees and after appraisal by a committee those who make good suggestions are rewarded. It gives the organisation the benefit of the integral thoughts of its employees and to the employees a sense of involvement.

6. Excellent training facilities are provided to the employees. Internal, external and overseas training is taken seriously and

encouraged. For overseas training the NACF, on an average, sends about 50 employees every year. Facilities for internal and external training are adequate and the curriculum is well-planned and very exhaustive.

7. Employee merits rating system is followed. Twice a year the managers and deputy managers assess the capabilities of their subordinates.

8. The share of institutional finance of the agricultural cooperatives in Korea is about 90% of the total loans made to the agricultural sector by all the banking institutions in the country. This is quite commendable.

9. Distribution of chemicals and fertilisers is exclusively done by the agricultural cooperatives and about 50% of the farm chemicals used by the farmers is supplied through the cooperatives.

10. The NACF also engages in foreign trade business. The objective is an increase in farmers' income and supply of farm inputs to member-farmers of the agricultural cooperatives. Exports of canned mushrooms and livestock products reached an all time high performance in 1976.

11. The NACF and agricultural cooperatives are operating warehousing facilities which have led to an effective marketing system and also to price stabilisation.

## **P R O G R A M M E**

- Tuesday, 23 August**           Arrival of participants in Seoul
- Wednesday, 24 August to  
Tuesday, 30 August**       Study Visits in the Republic of Korea
- Wednesday, 31 August**    i) Departure for Japan  
                                  ii) Arrival at IDACA
- Thursday, 1 September**
- 10.00—11.00               Opening Session
- 11.30—12.30               i) Introduction of IDACA  
                                  ii) Explanation of working methods
- 12.30—14.00               Lunch break
- 14.00—17.00               Presentation of country reports
- Friday, 2 September**
- 09.30—12.30               Presentation of country reports (contd.)
- 12.30—14.00               Lunch break
- 14.00—16.00               Presentation of country reports (contd.)
- 16.00—17.00               i) Introduction of ICA  
                                  ii) Discussion on case studies

**Saturday, 3 September**

- |             |   |
|-------------|---|
| 09.00—13.00 | Introduction to Japanese Agricultural Cooperatives by Mr. S. Miyagawa |
| 13.00—14.00 | Lunch break   |
| 14.00—14.30 | Film show on Agricultural Cooperative Management in Japan             |

**Sunday, 4 September**

- |             |                       |
|-------------|-----------------------|
| 13.00—17.30 | Sight-seeing in Tokyo |
|-------------|-----------------------|

**Monday, 5 September to  
Saturday, 10 September**

Study Visits

**Sunday, 11 September**

Free

**Monday, 12 September**

- |             |  |
|-------------|--|
| 09.30—12.30 | Lecture : How the management of Japanese Cooperatives has been strengthened by Mr. Y. Takahashi. |
| 12.30—14.00 | Lunch break  |
| 14.00—17.00 | Lecture continued  |

**Tuesday, 13 September**

- |             |  |
|-------------|--|
| 09.30—12.30 | Lecture : Long-Term Planning of the Cooperative Movement—Techniques of long term planning and budgeting—by Mr. T. Kai. |
| 12.30—14.00 | Lunch break  |
| 14.00—17.00 | Lecture continued  |



**Wednesday, 14 September**

09.30—12.30	Lecture continued
12.30—14.00	Lunch break
14.00—17.00	Group discussion

**Thursday, 15 September**

09.30—12.30	Lecture : Financial Control as a Tool of Effective Management and Problems of Financial Management by Mr. Onofre P. Marcos.
12.30—14.00	Lunch break
14.00—17.00	Group discussion

**Friday, 16 September**

09.30—12.30	Lecture : Problems of financial management and ways and means of management control in Japanese Agricultural Cooperatives (how to solve problems) by Mr. T. Kai.
12.30—14.00	Lunch break
14.00—17.00	Lecture continued

**Saturday, 17 September**

09.30—12.30	Lecture : Management control and development of manpower in agricultural cooperatives by Mr. M. M. K. Wali.
12.30—14.00	Lunch break
14.00—17.00	Group discussion

**Sunday, 18 September** Free

**Saturday, 3 September**

- |             |   |
|-------------|---|
| 09.00—13.00 | Introduction to Japanese Agricultural Cooperatives by Mr. S. Miyagawa |
| 13.00—14.00 | Lunch break   |
| 14.00—14.30 | Film show on Agricultural Cooperative Management in Japan             |

**Sunday, 4 September**

- |             |                       |
|-------------|-----------------------|
| 13.00—17.30 | Sight-seeing in Tokyo |
|-------------|-----------------------|

**Monday, 5 September to  
Saturday, 10 September**

Study Visits

**Sunday, 11 September**

Free

**Monday, 12 September**

- |             |  |
|-------------|--|
| 09.30—12.30 | Lecture : How the management of Japanese Cooperatives has been strengthened by Mr. Y. Takahashi. |
| 12.30—14.00 | Lunch break  |
| 14.00—17.00 | Lecture continued  |

**Tuesday, 13 September**

- |             |  |
|-------------|--|
| 09.30—12.30 | Lecture : Long-Term Planning of the Cooperative Movement—Techniques of long term planning and budgeting—by Mr. T. Kai. |
| 12.30—14.00 | Lunch break  |
| 14.00—17.00 | Lecture continued  |

**Wednesday, 14 September**

- |             |                   |
|-------------|-------------------|
| 09.30—12.30 | Lecture continued |
| 12.30—14.00 | Lunch break       |
| 14.00—17.00 | Group discussion  |

**Thursday, 15 September**

- |             |   |
|-------------|---|
| 09.30—12.30 | Lecture : Financial Control as a Tool of Effective Management and Problems of Financial Management by Mr. Onofre P. Marcos. |
| 12.30—14.00 | Lunch break   |
| 14.00—17.00 | Group discussion  |

**Friday, 16 September**

- |             |  |
|-------------|--|
| 09.30—12.30 | Lecture : Problems of financial management and ways and means of management control in Japanese Agricultural Cooperatives (how to solve problems) by Mr. T. Kai. |
| 12.30—14.00 | Lunch break  |
| 14.00—17.00 | Lecture continued  |

**Saturday, 17 September**

- |             |   |
|-------------|---|
| 09.30—12.30 | Lecture : Management control and development of manpower in agricultural cooperatives by Mr. M. M. K. Wali. |
| 12.30—14.00 | Lunch break   |
| 14.00—17.00 | Group discussion  |

**Sunday, 18 September** Free

**Monday, 19 September**

- |             |                               |
|-------------|-------------------------------|
| 09.30—12.30 | Discussion on study visits    |
| 12.30—14.00 | Lunch break                   |
| 14.00—17.00 | Presentation of group reports |

**Tuesday, 20 September**     Drafting of final report

**Wednesday, 21 September**

- |             |  |
|-------------|--|
| 09.30—12.30 | Presentation of final report and evaluation. |
|-------------|--|

**Thursday, 22 September**     Departure of participants

## PARTICIPANTS

### BANGLADESH

1. Mr. Abul Hasnat Mafazzal Karim  
Additional Registrar of Cooperative Societies,  
9/D, Motijheel Commercial Area  
Dacca-2.
2. Mr. Syed Ahmed  
Manager (Banking & Accounts)  
Bangladesh Jatiya Samabaya Bank  
9/D, Motijheel Commercial Area  
Dacca-2.

### INDIA

3. Mr. G. A. Bhimnathwala  
Managing Director  
Rajasthan State Cooperative Bank Ltd.,  
Nehru Bazar, P.O. Box No. 86  
Jaipur (Rajasthan).
4. Mr. Radhanad Patro  
Manager  
Orissa State Cooperative Bank Limited  
Sachivalaya Marg  
Bhubaneswar-751001.
5. Mr. R. S. Tolia  
Additional Registrar  
Cooperative Societies, U.P.  
Sahakari Bhawan  
Vidhan Sabha Marg  
Lucknow.

- INDONESIA            6. Mr. Soewardjo Bba  
Assistant Manager  
Central Cooperatives of Rural Units  
Jalan Kemayoran Baru 15  
Surabaya.
- IRAN                    7. Mr. Rahim Dawoody  
Chief  
Central Organisation for Rural  
Cooperatives of Iran  
357, Pahlavi Avenue  
Tehran.
8. Mr. Assadollah Salehi  
Head of Credit Department  
Central Organisation for Rural  
Cooperatives of Iran  
357, Pahlavi Avenue  
Tehran.
9. Mr. Shahrookh Khaksar  
Chief, Poultry & Cattle  
Breeding Department  
Central Organisation for Rural  
Cooperatives of Iran  
357, Pahlavi Avenue  
Tehran.
- REP. OF KOREA    10. Mr. Byung Joon Suh  
Senior Researcher  
Research Department  
National Agricultural Cooperative  
Federation  
75, 1-ka Choongjung-Ro  
Jung-ku, Seoul.

11. Mr. Jong Seouk Lee  
Assistant  
Personnel Department  
National Agricultural Cooperative  
Federation  
75, 1-ka Choongjung-Ro  
Jung-ku, Seoul.
12. Mr. Seok Hong Lee  
Assistant Chief of Education Section  
National Agricultural Cooperative  
Federation  
75, 1-ka Choongjung-Ro  
Jung-ku, Seoul.

**MALAYSIA**

13. Mr. Raya Bin Ibrahim  
State Director  
Farmers Organisation Authority  
No. 17 & 18A, Jalan Tebrau  
Johor Bahru, West Malaysia.
14. Mr. Abdul Kadir Bin Mohd Noor  
Chairman  
Penang Cooperative Union  
333A, Sungai Glugor, Penang.

**NEPAL**

15. Mr. Narayan Bikram Shah  
Joint Secretary  
Ministry of Land Reform  
Department of Cooperatives  
Krishna Kunja, Kalika Sthan  
Dilli Bazar, Kathmandu.

**PHILIPPINES**

16. Mr. Bernardino Jalbuena  
Manager  
Tarlac Area Marketing Cooperative  
195-F, Tanedo Street, Tarlac,  
Philippines.

17. Mr. Walerico M. Guevarra  
Provincial Development Officer  
D.L.G.C.D.  
San Fernando  
Pampanga  
Philippines

**SRI LANKA**

18. Mr. C. R. Panditharatne  
Staff Officer  
National Cooperative Council of  
Sri Lanka, 455 Galle Road  
Colombo-3.

**THAILAND**

19. Mr. Samkuan Suwansilpa  
Chief of Financial Section  
Agricultural Cooperative Division  
Department of Cooperative Promotion  
Ministry of Agriculture & Cooperatives  
Bangkok.

20. Mrs. Pailin Supakitvilekagarn  
Cooperative Technician  
Training Division  
Department of Cooperative Promotion  
Ministry of Agriculture & Cooperatives  
Bangkok.

**OBSERVERS**

21. Mr. Tadasuke Usui  
Central Cooperative Bank for  
Agriculture & Forestry  
8-3, 1-Chome, Otemachi  
Chiyoda-ku. Tokyo.

22. Mr. I. Kato  
National Federation of  
Agricultural Cooperative Associations  
Nokyo Building, 8-3, 1-Chome  
Ohtemachi, Chiyoda-ku  
Tokyo.



## RESOURCE PERSONS

23. Mr. S. Miyagawa  
Manager  
International Department  
Central Union of Agricultural  
Cooperatives  
8-3, 1-Chome  
Otomachi  
Chiyoda-ku  
Tokyo.
24. Mr. Y. Takahashi  
Managing Director  
Kisarazu-Shi Agricultural Cooperative  
Kisarazu-Shi  
Chiba Prefecture  
Japan.
25. Mr. T. Kai  
Manager  
Farm and Living Guidance Department  
Central Union of Agricultural  
Cooperatives  
8-3, 1-Chome  
Otemachi  
Chiyoda-ku  
Tokyo.
26. Mr. Onofre P. Marcos  
Comptroller  
Agricultural Credit Administration  
P.O. Box 310  
2544, Taft Avenue  
Manila.
27. Mr. M.M.K. Wali  
Chairman  
Rajasthan State Electricity Board  
Vidyut Bhavan  
Jaipur (Rajasthan) India.

**CENTRAL UNION OF AGRICULTURAL COOPERATIVES,  
8-3, 1-CHOME, OTEMACHI, CHIYODA-KU, TOKYO**

28. Mr. S. Miyagawa  
Manager  
International Department.
29. Mr. Shiro Futagami  
Section Chief  
International Department.
30. Mr. H. Usui

**THE INSTITUTE FOR THE DEVELOPMENT  
OF AGRICULTURAL COOPERATION IN ASIA,  
24-9, 6-CHOME, FUNABASHI CHO, SETAGAYA-KU, TOKYO.**

31. Mr. H. Togawa  
Managing Director.
32. Mr. T. Murami  
Manager
33. Mr. T. Furukawa.

**INTERNATIONAL COOPERATIVE ALLIANCE  
REGIONAL OFFICE & EDUCATION CENTRE FOR SOUTH-  
EAST ASIA, 'BONOW HOUSE', 43, FRIENDS COLONY,  
NEW DELHI-110065 (INDIA)**

34. Mr. R. B. Rajaguru  
Regional Director
35. Mr. Lionel Gunawardana  
Joint Director (P & PR) and  
Specialist in Agricultural Cooperation.

**SEMINAR-SECRETARY**

36. Mr. K. Sethumadhavan  
P. S. to Joint Director (P & PR)