



Studies and Reports

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**A COMPARISON
OF AGRICULTURAL CREDIT
CO-OPERATIVE SYSTEMS
AND FUNCTIONS
IN
FRANCE,
FEDERAL REPUBLIC OF GERMANY
AND JAPAN**

by

T. USUI

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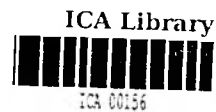
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IN
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AND JAPAN**

**based on research
over the period 1977-1980**

by
T.USUI*

* Mr Usui was at the time ICA Officer
for Agricultural Finance and Credit
seconded from the Norinchukin Bank, Japan



*Die Welt liegt in Wehen,
wer will sagen was geboren wird!*

Theodor Fontane

*“The world lies in labour –
Who can tell what it will bring forth?”*

FOREWORD

An article in the June 1979 issue of *The Banker*¹ reports that several of the apex agricultural co-operative banks occupy important positions in the ranks of world banking, so far as total deposits and debentures are concerned; for example:

| | |
|---|------------|
| Caisse Nationale de Crédit Agricole (CNCA), France | 2nd place |
| Norinchukin Bank (Nochu), Japan | 15th place |
| Cooperatieve Centrale Raiffeisen-Boerenleenbank (Centrale Rabobank), Netherlands | 31st place |
| Deutsche Genossenschaftsbank (DG Bank), Federal Republic of Germany | 51st place |

Of these CNCA, Nochu and DG Bank show similarities in that they are the apex banks of co-operative three-tier banking organisations, with primary, secondary and national levels; the Japanese agricultural co-operative system was in fact founded on the model of the Raiffeisen credit co-operatives in Germany.

However, looking at these French, Japanese and German systems and their operation, we find many differences; for example, the composition of funds at each level in the three systems varies considerably, with the Japanese primary co-operatives taking in the large bulk of deposits, while in France the primary organisations carry out no banking business at all.

I believe that more information on these differences could be very useful to the co-operative movements of the world. For this reason, this report provides details of research into the agricultural credit co-operative systems and functions in the three countries. Special emphasis is laid on a comparison of business operations.²

¹p.89: "Highlight of the Year: The Top 300".

²To facilitate this comparison, the original figures have been retained. More recent figures are of course available from the movements concerned.

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I should like to thank the following organisations and individuals for their help:

1. Federal Republic of Germany

The German Raiffeisen Association (DRV)

The National Federation of German Volksbanks and Raiffeisenbanks (BVR)

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Landesgenossenschaftsbank AG, Hanover

Raiffeisenbank Nümbrecht eG

Volksbank Bael eG

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The Embassy of the Federal Republic of Germany in London

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2. France

Confédération nationale de la Mutualité, de la Coopération et du Crédit agricoles (C.N.M.C.C.A.)

Fédération nationale du Crédit agricole (F.N.C.A.)

Caisse nationale du Crédit agricole (C.N.C.A.)

The Regional Banks of Crédit Agricole of Eure and Brie

The Ministry of Agriculture

The French Embassy in London

* * * * *

Above all, I would like to thank the Norinchukin Bank of JAPAN for allowing me to be seconded to the International Co-operative Alliance, thus giving me the opportunity to acquire invaluable experience.

T. USUI

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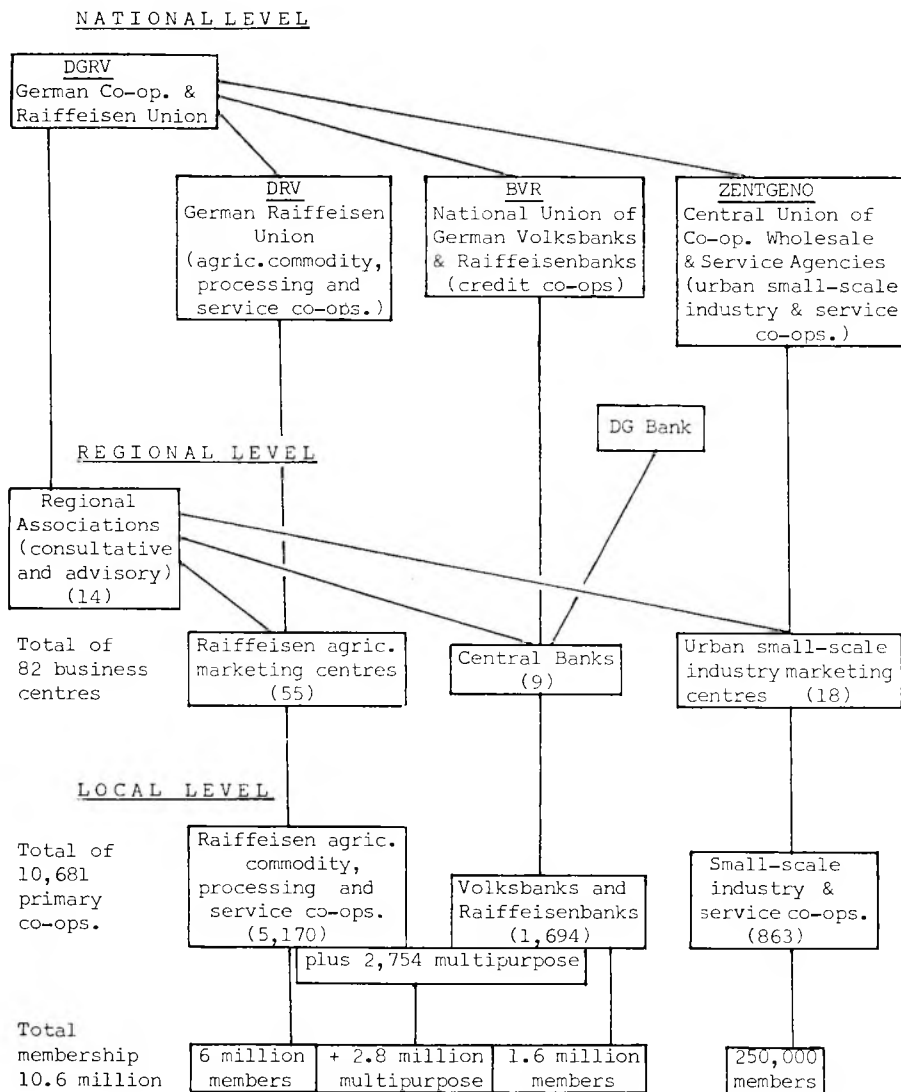
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Table 1. STRUCTURE OF THE RAIFFEISEN AND SCHULZE-DELITZSCH CO-OPERATIVE SYSTEM IN THE FEDERAL REPUBLIC OF GERMANY



Source: DGRV Facts and Figures, 1980.

I. THE POSITION OF AGRICULTURAL CREDIT CO-OPERATIVES IN THE TOTAL CO-OPERATIVE STRUCTURE

FEDERAL REPUBLIC OF GERMANY (Table 1)

Previous to 1972 the two co-operative credit organisations in the Federal Republic of Germany, Raiffeisen's rural co-operatives and Schulze-Delitzsch's urban small-scale industrial co-operatives, worked independently. In the 1960s both organisations became aware of the desirability of merging, and negotiations between the two central associations resulted, in 1972, in a uniform co-operative organisation with one apex union and three federations.

The common apex organisation of all co-operative banks, agricultural and small-scale industry and service co-operatives is the **Deutscher Genossenschafts- und Raiffeisenverband (DGRV)**. At the time of the merger, three Federations were established to cover specific fields:

- **Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (BVR)** to look after the credit co-operatives;
- **Deutscher Raiffeisenverband e.V. (DRV)** to look after the agricultural commodity, processing and service co-operatives, including the commodity sector of the multi-purpose co-operatives;
- **Zentralverband der genossenschaftlichen Grosshandels- und Dienstleistungsunternehmen e.V. (ZENTGENO)** to look after the small-scale industry and service co-operatives.

As can be seen from Table 1, approximately three-fifths of primary credit co-operatives are simultaneously transacting marketing and supply business, which makes them multi-purpose co-operatives.

At the regional level the nine regional central banks comprise three agricultural (Raiffeisenbanks), 2 industrial (Volksbanks) and four combined. On the secondary level there are also 14 regional associations, which represent the co-operatives to the public, and are responsible for promotion. At national level there are 6 specialised auditing associations and 35 co-operative Federal Centres and Special Institutes. The apex institution for credit business is the DG Bank.

JAPAN (Table 2)

At the primary level there are two types of agricultural co-operative – specialised and multi-purpose. The former deal only in their speciality, for example, fruit, horticultural or livestock products. The latter function in multiple lines of business, covering marketing, purchasing and processing of agricultural products, financial credit, mutual insurance, warehousing and farm guidance.

Of these two types, the multi-purpose co-operatives are in the majority and are therefore the institutions to which almost all farmers belong.

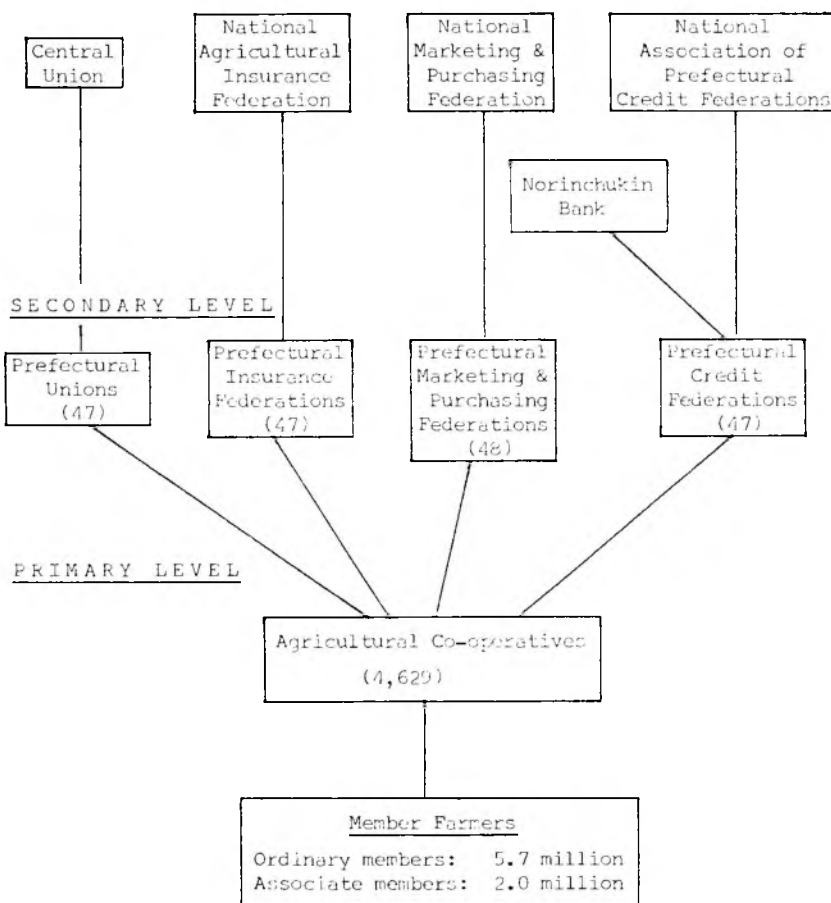
The primary agricultural co-operatives are based in the villages and towns, and they form prefectural federations, one for each specialised type of co-operative.

The prefectural federations, in turn, provide the capital for their respective national federations as follows:

- (a) Central Union of Agricultural Co-operatives (ZENCHU)
- (b) National Federation of Agricultural Co-operative Associations (ZEN-NOH) – marketing and purchasing business
- (c) Norinchukin Bank (the Central Co-operative Bank for Agriculture, Fisheries and Forestry)
- (d) National Mutual Insurance Federation of Agricultural Co-operatives (ZENKYOREN)

Table 2. STRUCTURE OF THE AGRICULTURAL CO-OPERATIVE SYSTEM IN JAPAN as at 31st March 1978.

NATIONAL LEVEL



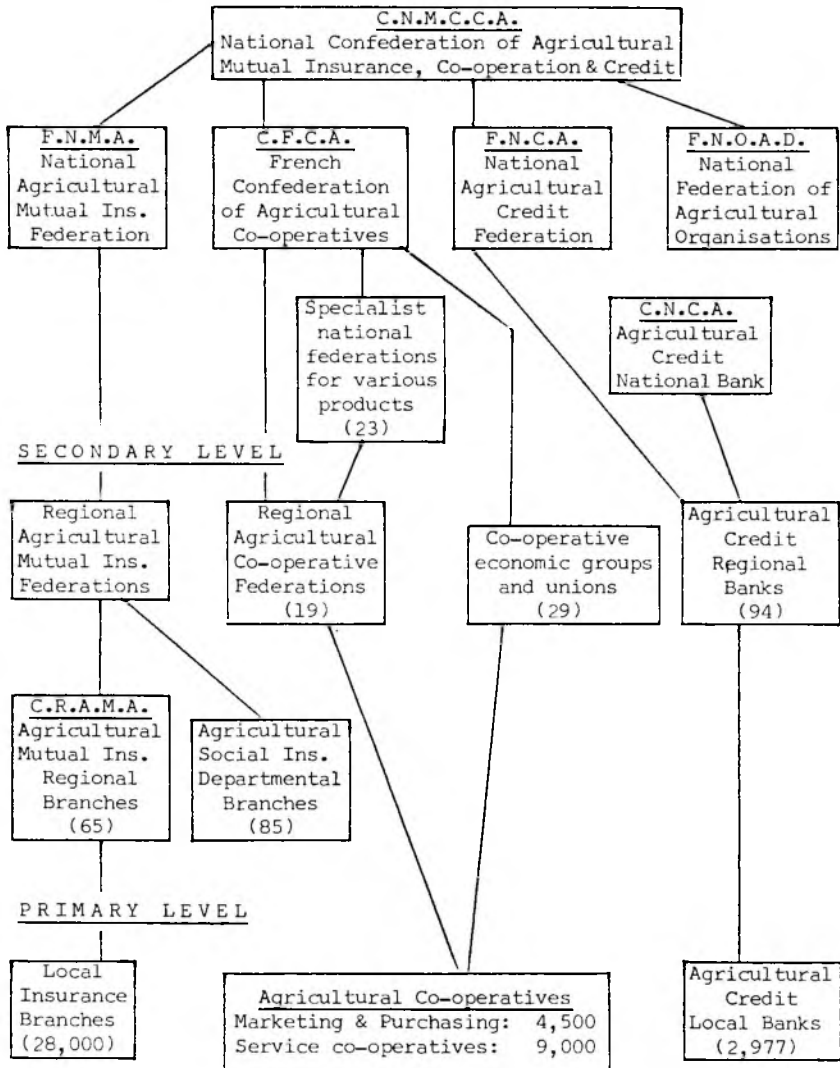
Source: Agricultural Ministry

FRANCE (Table 3)

In 1953 the mutual insurance, agricultural and agricultural credit central organisations set up the National Confederation of Agricultural Mutual Insurance, Co-operative and Credit Societies (CNMCCA). Within the Confedera-

Table 3. STRUCTURE OF THE AGRICULTURAL CO-OPERATIVE SYSTEM IN FRANCE

NATIONAL LEVEL



Source: CNMCCA.

tion there are three national federations, one for each type of business:

- (1) *French Confederation of Agricultural Co-operatives (CFCA)* consisting of
 - (a) 4,500 marketing and purchasing co-operatives
 - (b) 9,000 service co-operatives (including processing)with 3 million members and 125,000 employees.

- (2) *National Federation of Agricultural Credit (FNCA)* consisting of approximately 3,000 local banks (*caisses locales de Crédit Agricole Mutuel*) at primary level, and 94 regional banks (*caisses régionales de Crédit Agricole Mutuel*), generally one in each *Département* (prefecture), including 3 banks outside Metropolitan France. The apex bank of the FNCA is the *Caisse Nationale de Crédit Agricole* in Paris.

- (3) *National Federation of Agricultural Mutual Insurance Co-operatives* consisting of:
 - (a) 28,000 local *agricultural mutual insurance* societies which provide insurance against accident, fire, hail and death of animals. As there are 35,000 communes (civil parishes) in France, this means approximately one for each commune. At secondary level there are 65 regional mutual insurance banks (*caisses régionales de Mutualité*). The apex organisation is the *Caisse Centrale des Mutuelles agricoles*.
 - (b) *Agricultural mutual social insurance*, which was the first organisation to concern itself with social security for farmers and farm workers and now covers more than 7,500,000 agricultural workers. This type of insurance covers family needs, sickness and maternity benefit, disablement and retirement pensions.

There are *Caisses Départementales* at prefectural level, and three apex organisations at national level:

 - (i) Caisse Nationale d'Assurance Vieillesse Mutuelle Agricole (retirement)
 - (ii) Caisse Centrale d'Allocations Familiales Mutuelles Agricoles (family benefits)
 - (iii) Caisse Centrale de Secours Mutuels Agricoles

SUMMARY

1. Primary Level

In France, primary credit co-operatives deal only in credit, but there are other co-operatives which provide marketing, purchasing and other services, as well as separate insurance groups.

In the Federal Republic of Germany, two-fifths of primary credit co-operatives are single-purpose (banks) and the remaining three-fifths are multi-purpose engaged in marketing and purchasing as well as credit.

In Japan, all agricultural co-operatives transacting credit business are multi-

purpose and are engaged in the following four principal activities:

- (a) marketing and purchasing
- (b) credit
- (c) insurance
- (d) farm guidance (extension services)

On the surface, multi-purpose co-operatives in the Federal Republic of Germany and Japan resemble each other, and historically the Japanese system was founded on the Raiffeisen system at the time. However their activities nowadays appear to differ as follows:

In the Federal Republic of Germany, the turnover of multipurpose co-operatives was only 18.2% of total turnover of all agricultural co-operatives in 1977; their main business is banking.

In Japan, the multi-purpose co-operatives are the main co-operatives, to which almost all farmers belong. Single-purpose co-operatives, the so-called “specialised co-operatives”, take care of individual products mainly producing and marketing fruit, horticultural or livestock products. Multi-purpose co-operatives have a large market share in the major commodities, such as in the marketing of rice, wheat and barley, and the purchase of fertilisers, farm chemicals, feedstuffs and farm machinery. Multi-purpose co-operatives also help to increase agricultural productivity and income, and to improve the economic and social standards of their members by integrating various functions through farm guidance services.

2. Secondary Level

Regional central banks (credit federations) have similar activities within the overall agricultural co-operative structure in all three countries.

3. Apex Level

There is an apex bank for agricultural credit co-operatives in each of the three countries. The DG Bank in the Federal Republic of Germany and the Norinchukin Bank in Japan are purely co-operative apex banks under special laws. However, the Caisse Nationale du Crédit Agricole in France combines the characteristics of a governmental agricultural bank and an apex bank for the affiliated regional and local co-operative banks of Crédit Agricole.

4. Central Unions

There are national associations for agricultural credit co-operatives, and also national and regional unions for all agricultural co-operative activities in the three countries.

5. Audit and Inspection of Primary Co-operatives

(a) *Japan* – Under Japanese Co-operative Law, regional unions carry out the auditing of the accounts of member co-operatives through their auditing specialists (professional auditors). Under the same Law, the administrative

authorities (prefectural governments) check the business and accounts of the multi-purpose co-operatives once a year.

(b) *Federal Republic of Germany* – Primary co-operatives must be affiliated to an audit association which must be approved by the government and to which, under Co-operative Law, they must submit their annual accounts for audit. The Federal Banking Supervisory Office is empowered to request information about all business matters from credit co-operatives, as from all other banks.

(c) *France* – All banks of *Crédit Agricole* are under the control of the national government. The CNCA, as agent for the government, has authority to inspect the books and records of affiliated banks of *Crédit Agricole*.

*

*

*

II. THE POSITION OF AGRICULTURAL CREDIT CO-OPERATIVES WITHIN THE BANKING STRUCTURE

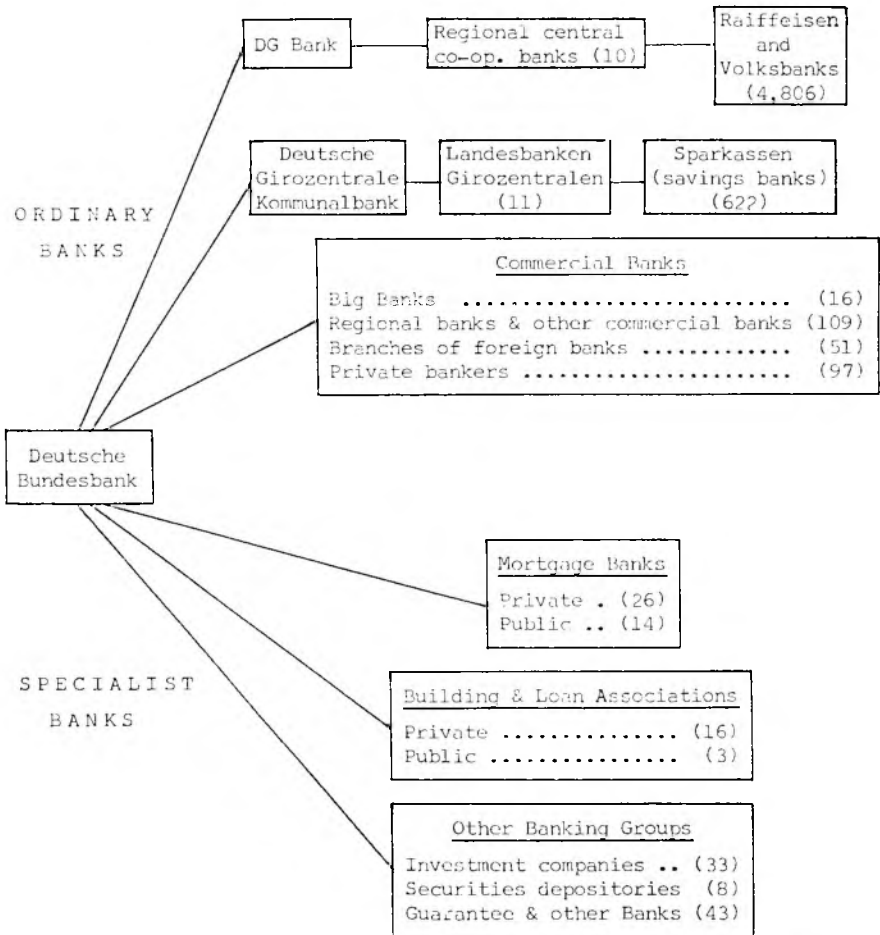
FEDERAL REPUBLIC OF GERMANY

1. Structure (Table 4)

The banking system in the Federal Republic of Germany consists of two types of bank, ordinary banks and specialist banks (see Table 4).

The ordinary banks, the so-called "universal banks", are multi-purpose

Table 4. THE BANKING SYSTEM IN THE FEDERAL REPUBLIC OF GERMANY as at 31st December 1977.



Source: Monthly report of Deutsche Bundesbank and other statistics.

Table 5. DEPOSITS HELD (INCLUDING BORROWING) AND BONDS ISSUED BY THE VARIOUS TYPES OF BANK IN THE FEDERAL REPUBLIC OF GERMANY as at 31st December 1977. (Figures in brackets as at 31.12.76.)

| | | <i>Deposit of and Borrowing from</i> | | <i>Bearer Bonds Outstanding</i> | <i>TOTAL</i> | <i>SHARE (%)</i> |
|---|--|--------------------------------------|------------------|---------------------------------|------------------|------------------|
| | | <i>Banks</i> | <i>Non-Banks</i> | | | |
| Commercial Banks | | 146 (119) | 228 (205) | 31 (25) | 405 (349) | 24.5 (24.8) |
| Savings Banks Group | | 112 (88) | 398 (349) | 135 (125) | 645 (562) | 38.9 (39.9) |
| of which | Central Giro Institutions (including Deutsche Girozentrale) | 86 (70) | 58 (39) | 135 (125) | 279 (234) | 16.8 (16.6) |
| | Savings Banks (Sparkasse) | 26 (18) | 340 (310) | – (–) | 366 (328) | 22.1 (23.3) |
| Credit Co-op Group | | 75 (63) | 156 (139) | 3 (2) | 234 (204) | 14.1 (14.5) |
| of which | Central Institutions of Credit Co-operatives (including DG Bank) | 59 (51) | 9 (9) | 3 (2) | 71 (62) | 4.3 (4.4) |
| | Credit Co-operatives | 16 (12) | 147 (130) | – (–) | 163 (142) | 9.8 (10.1) |
| Mortgage Banks | | 35 (24) | 66 (57) | 115 (103) | 216 (184) | (13.0) (13.0) |
| Instalment Sales Financing Institutions | | 11 (10) | 5 (4) | – (–) | 16 (14) | 1.0 (1.0) |
| Banks with Special Functions | | 32 (22) | 57 (27) | 19 (17) | 108 (66) | 6.5 (4.7) |
| Postal giro and Postal Savings Bank Offices | | 1 (1) | 32 (29) | – (–) | 33 (30) | 2.0 (2.1) |
| TOTAL (all banking groups) | | 412 (327) | 942 (810) | 303 (272) | 1,657 (1,409) | 100.0 (100.0) |

Source: Monthly report of the Deutsche Bundesbank

Unit: DM Billion

banks which carry out deposit and credit business as well as dealing in securities. They are classified under three headings:

- (a) commercial banks;
- (b) savings banks with giro systems;
- (c) urban and agricultural co-operative banks, with their central institutions.

These banks provide every kind of banking service, including guarantees, although in varying degrees depending on their historical origins. The Deutsche Bundesbank (German Federal Bank) is the national central bank in this system. The Bank Act provides for the supervision and inspection of banks, defines the information to be published, liquidity requirements, and management qualifications.

In both the savings bank and the co-operative bank sectors, the regional organisations virtually exclude competition within each sector, and structures are homogeneous.

2. Share of Funds

As shown in Table 5, the share of funds (deposits accepted and bonds issued) of co-operative banks (Raiffeisen/Volksbanks) is approximately 14% of the national total. On the other hand, the share of the savings bank group is approximately 40%.

JAPAN

1. Structure (Table 6)

Private and government financial institutions operate either on a nationwide scale, or on a limited activity scale. Commercial banks, mutual loan and savings banks, credit associations and credit co-operatives, have offices in most towns, large and small, throughout the country. Post offices and agricultural and fishery co-operatives, which act as deposit-taking institutions, exist even in the remote areas.

The Japanese banking system is closely regulated, and the restrictions on the type of business that different institutions may undertake have led to a degree of enforced specialisation.

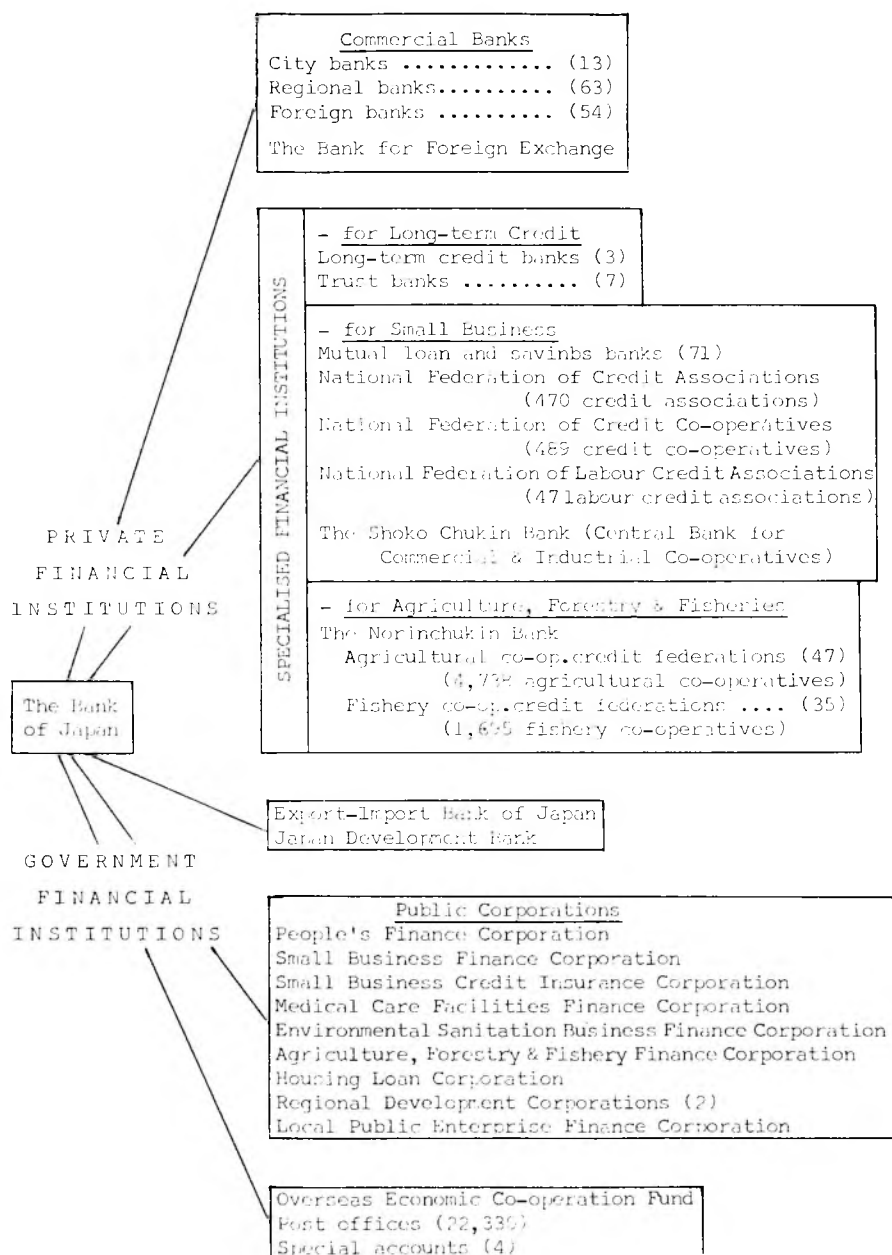
(1) Private Financial Institutions

Private financial institutions include the commercial banks, financial institutions specialising in financing of trade, small business, agriculture, forestry and fisheries, and long-term financing, insurance companies and call-loan dealers. In Japan the commercial banks, the special foreign exchange bank and long-term financial institutions are known as "general banks" and they do not deal in securities.

(a) *Commercial Banks* are the largest in the Japanese financial system. Their financial resources consist of time deposits of one year or more, and are employed mainly for short-term loans and investments in securities, with some long-term loan business.

(b) *Long-term Financial Institutions* comprise credit banks and trust banks.

Table 6. THE BANKING SYSTEM IN JAPAN as at 31st March 1977.



Source: Bank of Japan

Long-term credit banks acquire funds mainly by issuing bank debentures, employing them primarily for long-term loans for e.g. equipment. Trust banks, which were formerly trust companies, deal in both trust and banking business; they obtain funds primarily through selling loan trust certificates.

(c) *Agricultural and fisheries* co-operatives which transact banking business are classified in Japan as “diversified special financial institutions”. Both agricultural and fisheries co-operatives are organised on a three-tier system. The primary co-operatives belong to prefecture-based federations and to the Norinchukin Bank; they generally have a surplus of deposits, after making loans to their members, which are deposited with the prefectural (regional) federations; these in turn make loans in their own right, through securities and on the inter-bank market. At the apex of this structure, the Norinchukin Bank operates as a nationwide central organisation.

The Norinchukin Bank also operates as a bank for *forestry* co-operatives, which do not transact banking business. Forestry co-operatives comprise primary co-operatives, prefectural (regional) federations, and a national federation.

(d) *Financial Institutions for Small Businesses* include mutual loan and savings banks, credit associations, credit co-operatives, labour credit associations and the Central Bank for Commercial and Industrial Co-operatives. The numerous credit associations, credit co-operatives and labour credit associations are small co-operative-type organisations, each group with its own central federation. The customers of credit associations and credit co-operatives are small enterprises; larger enterprises go to mutual loan or savings banks. Labour credit associations extend loans principally to labourers and their organisations.

The Central Bank for Commercial and Industrial Co-operatives is a semi-governmental financial institution and makes loans to small business co-operatives with shares in the Bank and to the members of such co-operatives.

(e) *Life Assurance Companies* play an important role as the collectors of deposits for insurance premiums and as suppliers of equipment funds.

(f) *Securities Companies and Securities Finance Corporations* have three major functions: as underwriters, brokers and dealers. They hold a very strong position in the stock market.

(2) *Government Financial Institutions*

(a) The various government financial institutions have been set up to finance special sectors of the nation’s economy, including economic development, export industries, small businesses, agriculture and housing construction. Such financing supplements that of the private financial institutions. The government financial institution for agriculture is the Agriculture, Forestry and Fisheries Finance Corporation.

(b) *Post-offices* The major resources for government financial institutions come from the funds collected by some 22,400 post offices throughout the country in the form of savings and post office life insurance and annuity contributions; the tax advantages conferred on small savers apply also to postal

savings, and withdrawals prior to maturity are treated more leniently by the post offices. A major part of the funds collected by the post-offices are deposited with the Trust Fund Bureau, for distribution to government financial institutions in accordance with the Treasury Investment and Loan Programme which the government determines each year. In this sense the Trust Fund Bureau is the central organisation for all government financial institutions.

In Japan the post-office network covering all the local communities provides strong competition to the agricultural credit co-operatives. Post office savings have grown rapidly since the mid 1960s.

2. Share of Funds

The market share held by the agricultural co-operatives has increased considerably over the last ten years and now amounts to approximately 8% of total individual savings (deposits). The share held by the fisheries co-operatives is smaller. The post offices hold about 13% of the total.

Table 7. FUNDS HELD BY FINANCIAL INSTITUTIONS IN JAPAN.

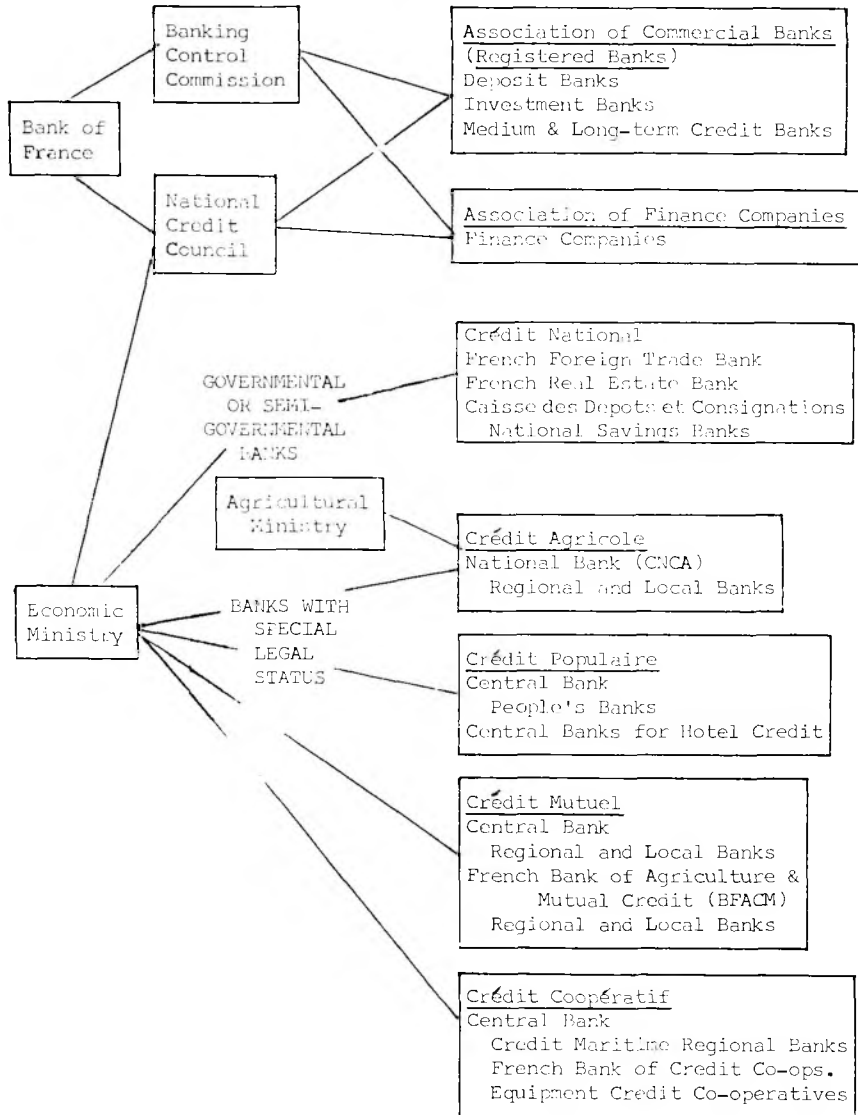
| | Deposits received | | Share (%) | | Yearly increase rate (%) | |
|--|-------------------|-----------|-----------|-----------|--------------------------|-----------|
| | 31.3.1976 | 31.3.1977 | 31.3.1976 | 31.3.1977 | 31.3.1976 | 31.3.1977 |
| Agricultural Co-operatives | 53.9 | 61.1 | 7.7 | 7.6 | 17.1 | 13.4 |
| Fisheries Co-operatives | 2.5 | 3.0 | 0.4 | 0.4 | 20.3 | 18.2 |
| Other Agriculture Forestry & Fisheries Institutions | 3.7 | 4.5 | 0.5 | 0.6 | | 21.7 |
| Banks | 279.0 | 313.9 | 40.0 | 39.0 | 16.1 | 12.5 |
| Trust Banks | 49.0 | 57.8 | 7.0 | 7.2 | | 18.0 |
| Mutual Loan and Savings Banks | 50.4 | 56.5 | 7.2 | 7.0 | 16.4 | 11.8 |
| Credit Co-operatives, Credit Banks, Labour Banks, CBCIC* | 92.6 | 105.4 | 13.3 | 13.1 | | 13.8 |
| Post Office Savings | 86.6 | 109.0 | 12.4 | 13.5 | 26.4 | 24.2 |
| Mutual Insurance of Agricultural Co-operatives | 10.9 | 12.5 | 1.6 | 1.6 | | 14.2 |
| Life Insurance | 46.1 | 53.2 | 6.6 | 6.6 | 16.2 | 15.5 |
| Post Office Annuity | 23.8 | 28.8 | 3.4 | 3.6 | | 20.9 |
| Total | 698.5 | 805.7 | 100.0 | 100.0 | 17.9 | 15.1 |

*The Central Bank for Commercial & Industrial Co-operatives

Source: *Norinchukin Bank*

Unit: \$ Billion (\$1=280 yen)

Table 8. THE BANKING SYSTEM IN FRANCE (1979)



FRANCE

1. Financial System (See Table 8)

In France, deposit-taking institutions enjoy a dominant position in the collection of funds from the public. They include the deposit banks, investment banks, national savings banks, postal giros and the four co-operative and mutual banking groups:

- (a) the agricultural credit banks (Crédit agricole)

- (b) the mutual credit banks (Crédit mutuel)
- (c) the people's banks (Crédit populaire)
- (d) the co-operative banks (Crédit coopératif)

The role of the deposit-taking institutions in direct lending is not very large, as the funds collected by the national savings bank through post offices are almost all channelled to the Caisse des Dépôts et Consignations (Deposit and Consignment Office).

Commercial banks must register with the National Credit Council, and are thus known as "registered" banks. In addition to the registered banks, there are also banks organised on a mutual and co-operative basis (see (a) and (d) above). These institutions are not governed by banking legislation but enjoy special legal status, although they are subject to monetary controls and are supervised by the Bank of France in conjunction with the Ministry of Finance.

The agricultural credit banks (Crédit agricole) serve the rural areas. They are mutual co-operative associations (except for the apex bank CNCA) and their individual and corporate members are resident in rural areas or engaged in agricultural activities. Crédit agricole provides the full range of banking services to its customers, and benefits from its privileged position in the distribution of subsidised agricultural credit and from the rising prosperity of farmers.

As in Japan there are strong national savings banks which operate through the post office network and provide services to small savers. These provide strong competition for the Crédit Agricole in rural areas.

2. Share of Deposits and Other Liabilities (Table 9)

As shown in Table 9, Crédit Agricole holds more than 15% of total savings in France, i.e. of funds deposited and in bonds.

The national savings banks hold almost 30% of total savings, that is, almost twice the amount held by Crédit Agricole.

Table 9. MARKET SHARE OF TOTAL COLLECTED FUNDS HELD BY FINANCIAL INSTITUTIONS IN FRANCE

| | | 1970 (%) | 1975 (%) | 1976 (%) |
|------------------------|------------------|-------------|-------------|-------------|
| Registered Banks | | 38.7 | 41.4 | 40.1 |
| Co-operative Banks | Crédit populaire | 3.2 | 3.7 | 3.6 |
| | Crédit Mutuel | 2.1 | 3.1 | 3.0 |
| | Crédit Agricole | 13.2 | 15.1 | 15.8 |
| Share of Co-op Banks | | (18.5) | (21.9) | (22.4) |
| National Savings Banks | | 26.9 | 27.2 | 28.3 |
| Others | | 15.9 | 9.5 | 9.2 |
| | | 100.0 | 100.0 | 100.0 |

Source: Material issued by CNCA

SUMMARY

1. Banking Operation

In the Federal Republic of Germany all banks, including co-operative banks but excluding the specialist banks, engage in all kinds of banking operations (the so-called "universal banks"). The private banks, credit co-operatives and public savings banks have divergent business policies but there is no division of functions.

In contrast to this the Japanese banking system is closely regulated: there are restrictions on the types of business that may be undertaken by different institutions, which have led to a degree of enforced specialisation. As a result, the Japanese agricultural credit co-operative system, which is entirely non-governmental, is classified as a specialised institution within the total banking structure.

The situation is similar in France: Cr dit Agricole is a special institution within the French banking system.

The phenomenon which all these agricultural credit co-operatives have in common is that, in all three countries, they hold a large share of all deposits made in the country.

2. Position within the Banking Structure

In the Federal Republic of Germany, co-operative banks are in competition with the other banks, especially with savings banks, operating in the same field and under the same conditions as ordinary banks. In France and Japan, although agricultural credit co-operatives are treated as special banks with some privileges and dealing in a limited field of business, they compete with other finance institutions, especially with post offices and savings banks which have many branch offices throughout the countryside; they therefore need to develop tactics and a strategy to overcome their competitors.

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III. CO-OPERATIVE MANAGEMENT AND MEMBER RELATIONS

One of the traditional co-operative principles is self-management – decisions concerning the co-operative's policies and trading activities should be taken by the members. However, as enterprises in competition with others, co-operatives need professional management.

The limits and extent of members' participation in decision-making differ in the three countries, due to their history, background and other socio-economic circumstances.

FEDERAL REPUBLIC OF GERMANY

1. The Legal Framework

German *Co-operative Law* caters for all types of co-operative registered as such. However, a society may retain co-operative principles in its Articles of Association, but *register as another type of legal body* such as a joint-stock company (AG).

The German *Joint-Stock Companies Act* lays down that a joint-stock company must have a General Meeting, a Supervisory Board and a Board of Directors. The General Meeting is responsible, *inter alia*, for election and dismissal of Supervisory Board members, and approval of the acts of the Board of Directors and Supervisory Board. The Supervisory Board appoints/dismisses members of the Management Board and supervises management of the undertaking. The Management Board conducts the daily business of the undertaking and takes the responsibility as employer of the personnel employed in the undertaking. Each member of the Board of Directors (managing director) is responsible for a particular field or division; he also shares responsibility for overall company policy.

The basic banking law is the *Banking Act*, under which all co-operatives transacting banking business must operate. By amendment of this Act in 1976, a bank must have at least *two responsible full-time Managing Directors*. The purpose of this "four-eyes principle" is to ensure a better check on each bank's compliance with the law and regulations. Managing Directors are defined as those persons appointed to conduct the business of, and to represent, the credit institution.

Employee representation on the Supervisory Board is regulated by law. Under the *Works Constitutions Act* of 1952, one-third of the Supervisory Board must be employees' representatives in a company which normally employs more than 500 and less than 2,000 persons. Under the *Workers' Co-Determination Act* of 1976, the Supervisory Board of a company employing more than 2,000 persons shall consist of an equal number of shareholders' and employees' representatives. This legislation also applies to co-operatives.

2. Primary Level (Raiffeisenbanks and Volksbanks)

Co-operatives are no longer managed by part-time voluntary officials, as in the early days of the Raiffeisen societies; but even with professional management,

there is still considerable emphasis on members' participation in decision-making.

(a) *The General Meeting*

The final responsibility for running a co-operative was transferred, by the 1974 amendment to the Co-operative Law, from the General Meeting to the Management Board. The General Meeting can now only decide on limited issues which are of general importance for the co-operative as a whole, including the disposal of profits, while the Supervisory Board decides on the business policy and its methods of execution.⁽¹⁾ The 1974 amendment also approved the granting of multiple voting rights up to three votes. However, the Raiffeisen and Volksbanks still keep the old rule of one vote per member at the co-operative general meeting.

The members' General Meeting may be replaced in a co-operative society with more than 1,500 members, by a meeting of members' representatives. The General Meeting is held on average once a year. Its functions are to approve the annual financial report, to elect members of the Supervisory Board, to decide how any declared surplus is to be distributed, or a loss covered, and to determine the upper limits of credit which may be granted.

(b) *The Supervisory Board*

The members of the Supervisory Board are elected by the General Meeting. Its functions are to supervise the operation of the Management Board and to check the society's progress on behalf of its members.⁽²⁾ It meets once a month.

(c) *The Board of Directors*

The Management Board is defined under Co-operative Law as consisting of "two or more members, normally elected by the General Meeting, although another form of election may be stipulated in the Byelaws". In practice, the Byelaws of all Co-operative Banks lay down that the Board of Directors should be appointed/dismissed by the Supervisory Board. On average the Board of Directors consists of between two and four full-time managing directors.

3. Secondary Level (Regional Central Co-operative Banks)

Of nine regional central co-operative banks in 1979, eight were registered as joint-stock companies (AG), and the ninth as a co-operative (eG). Although their members (shareholders) are primary co-operatives (Raiffeisen and Volksbanks), the relationship between the General Meeting, Supervisory Board and Board of Directors is the same as that in a primary society.

⁽¹⁾ Under the earlier Co-operative Law, prior to 1973, the members in general meeting were the only real decision-makers in a co-operative.

⁽²⁾ As an example of the composition of a Supervisory Board, that of a Raiffeisen savings bank near Bonn consists of six members: three farmers, a government officer, a factory manager and an artisan.

The following two examples will give some idea of the internal structure of secondary level organisations:

- (i) *Westdeutsche Genossenschafts-Zentralbank eG, Düsseldorf (1978)*
 4 main offices – 7 branch offices – 1,100 employees – 1,681 member banks

Supervisory Board – 9 members:

President (President of Central Union of German Craftsmen)
 Vice-President (President of the Rheinland Chamber of Agriculture)

3 members from the Bank itself

4 members from the Volksbank

Management Board – 5 members

- (ii) *Landesgenossenschaftsbank AG, Hanover (1977)*
 4 offices – 704 employees – 653 member banks

Supervisory Board – 22 members:

President (President of Raiffeisen Union, Schleswig-Holstein/Hamburg)

2 Vice-Presidents (from Credit Co-operatives)

7 members representing employees

8 members from Volksbank and Raiffeisenbank (inc. credit co-operatives)

4 members from various co-operatives (inc. farmers)

Management Board – 6 members

4. The DG Bank

The Law governing the operations of the DG Bank prescribes three controlling organs: the Supervisory Board, the Board of Directors and the General Meeting.

(a) *The Supervisory Board*

Under the Law and the DG Bank's Articles, the Supervisory Board shall have 32 members, representing governmental, public and co-operative institutions, made up as follows:

| <i>No. of Members</i> | <i>Representing</i> |
|-----------------------|---|
| 3 | Federal Government |
| 3 | Members of the Federal Parliament representing the states |
| 1 | German Bundesbank (Central Bank) |
| 1 | The Reconstruction Loan Corporation |
| 1 | Landwirtschaftliche Rentenbank |
| 1 | BVR (National Union of German Volksbanks and Raiffeisenbanks) |
| 2 | Agricultural purchasing, marketing and service co-operatives |
| 2 | Industrial purchasing, marketing and service co-operatives |
| 15 | Co-operative credit institutions and related co-operative enterprises |
| 1 | Housing co-operatives |
| 1 | Consumer co-operatives |
| 1 | German Farmers' Union |

(b) *The Board of Directors*

The DG Bank Law states that the “Board of Directors shall consist of at least three Managing Directors and shall be appointed/dismissed by the Supervisory Board”. There are at present seven Managing Directors, including a Chairman and a Vice Chairman.

(c) *The General Meeting*

The General Meeting is normally held once a year, where each share of DM 5,000 has one vote. Except in special circumstances defined by the Law or the Articles, decisions are taken by majority vote.

JAPAN

1. Primary Level

It is one of the characteristics of the Japanese agricultural co-operatives at primary level that a single co-operative operates various kinds of business and service such as credit, marketing, purchasing, mutual insurance, advisory, education and information. So every farm household in Japan has at least one person who is a member of this multi-purpose co-operative.

(a) *General Meeting*

The highest decision-making body of a co-operative is the General Meeting of its regular members, who are its shareholders. The General Meeting determines the policy of the co-operative and also elects the directors and auditors. Each co-operative must have at least five directors, and two auditors. In the case of a large co-operative, a representatives’ meeting is instituted and given the authority for decision-making.

(b) *Board of Directors*

Under Japanese Co-operative Law, at least three-quarters of the Directors must be elected from among the regular members.

The definition of “Director” in Japanese agricultural co-operative organisations differs from that in Europe. The Board of Directors consists of one or more full-time Directors, and also part-time Directors. It has two roles, carrying out both supervision and management. After their election by the General Meeting, the Directors elect a President from among their number. Under Co-operative Law the President must be a regular member of the co-operative; his function is to represent the co-operative and to carry out its management in accordance with the decisions of the Board of Directors. In most cases, one of the full-time Directors is the President of the co-operative.

In larger co-operatives there are also full-time Managing Directors as well as Directors. Almost every co-operative in Japan employs a General Manager who is responsible for the actual day-to-day management of the co-operative. Sometimes an experienced General Manager is elected as a Managing Director by the General Meeting.

2. Secondary Level

There are 47 credit federations in Japan, one in each prefecture, which act as the higher institutions for the agricultural co-operative credit business. As with

the primary co-operatives, the General Meeting of shareholders elects the Directors (at least 5) and auditors (at least 2). The Directors then elect the President from among their number. The General Manager receives a mandate from the Board of Directors for the day-to-day business.

Examples of the structures of three Prefectural Credit Federations of agricultural co-operatives are given below:

Credit Federation (A)

113 member agricultural co-operatives – 6 branch offices – 184 employees

Board of Directors – 10 members, including 2 full-time.

Full-time Directors: President (President of a primary agricultural co-operative – not full-time)
Deputy President (ditto)

No. of Auditors: 4 (including 1 full-time).

Credit Federation (B)

138 member agricultural co-operatives – 8 branch offices – 265 employees

Board of Directors – 13 members, including 3 full-time.

Full-time Directors: President (President of a primary agricultural co-operative)
Deputy President (ditto)
Managing Director (formerly the Federation's General Manager)

No. of Auditors: 6 (including 1 full-time).

Credit Federation (C)

71 member agricultural co-operatives – 3 branch offices – 82 employees

Board of Directors – 9 members, including 1 full-time.

Full-time Director: President (Director of a primary agricultural co-operative – not full-time)

No. of Auditors: 3 (none full-time).

3. Norinchukin Bank

(a) *Council of Delegates*

By reason of the large number of shareholders, the General Meeting of Shareholders has been replaced by a Council of Delegates, at which each member organisation has one vote regardless of the number of shares held.

(b) *Board of Directors*

The Board of Directors consists of the President, a Vice-President, two Senior Managing Directors and seven Managing Directors (all full-time), with five part-time Directors.

The President and Auditors are elected by the Council of Delegates. The Vice-President and Directors are appointed by the President, with the consent of the Council of Delegates. The President supervises the whole business of the Bank.

FRANCE

Banks in the Crédit Agricole system have a special legal status and are in principle not subject to the basic banking laws but to Agricultural Law. As shown in Table 10, the organisations and their functions at each level are very different from those in the Federal Republic of Germany and in Japan.

1. Primary level

The local banks (*caisses locales*) transact no daily banking business, and their first and most important task is to examine the demands for loans made by members; physically they include very few banking-business offices and almost no salaried employees. Business is carried out through the auxiliary offices of Regional Bank Branch Offices. Each local bank has a General Meeting, an Administrative Board and a Loans Committee.

(a) *The General Meeting*

The General Meeting consists of all members and works on the principle of "One member, one vote". The General Meeting elects the members of the Administrative Board and of the Loans Committee.

(b) *The Administrative Board*

The Board is the executive organ of the local bank. Under Agricultural Law, members of the Administrative Board must be elected from among members of the General Meeting. The Board, which includes a President and one or more Vice-Presidents, holds the power of management of the business of the local bank.

(c) *The Loans Committee*

The Loans Committee is given a mandate by the Administrative Board, to examine loan applications and decide whether they should be submitted to the Regional Bank. The Loans Committee consists of at least two members, including one member of the Administrative Board.

2. Secondary Level

There is very little difference between local banks and regional banks in the methods and functions of the general meeting, administrative board and loans committee. However, as opposed to the local banks, the regional banks transact banking business in their offices (which are generally in close proximity to the local banks and often in the same building) through salaried employees. The daily business of each regional bank is carried out by a full-time Director, who is appointed by the Administrative Board.

(a) *The General Meeting*

The General Meeting is essentially composed of representatives properly mandated from local banks affiliated to the regional bank. These representatives will generally be the President and one or more members of the Administrative Board of the local bank. The main functions of the General Meeting are:

- to approve the annual business report and to allocate surplus earnings;
- to elect members of the Administrative Board.

Table 10. THE MANAGEMENT SYSTEMS IN CREDIT AGRICOLE (FRANCE)

| | <i>Local Co-operative Society</i> | <i>Regional Co-operative Society</i> | <i>National Public Credit Institution (CNCA)</i> |
|-----------------------|--|---|--|
| Capital | Registered Shares held by Members | Registered Shares held by local banks of Crédit Agricole and certain members | NO CAPITAL |
| Members | Individuals, and corporate bodies | Local banks of Crédit Agricole, local authorities in each Department | NO MEMBERS |
| Administrative Organs | <ol style="list-style-type: none"> 1. Annual General Meeting (i) Certifying of Accounts (ii) Nomination of Administrative Board 2. Administrative Board (i) for information, advice & orientation (ii) for instruction on demand for loans (Loans Committee) 3. President | <ol style="list-style-type: none"> 1. General Meeting Meeting functions as in local society 2. Administrative Board mandated power of decision and control 3. President 4. Director | <ol style="list-style-type: none"> 1. Plenary Commission, 30 members: 6 members of Parliament, 12 delegates of local banks, 12 representatives from government and related organisations 2. Administrative Board, 11 members: 4 members from government, 7 other members elected by Plenary Commission (of which at least 2 members are delegates from local banks) 3. Chief Executive Director |
| Function | <ol style="list-style-type: none"> 1. Contact & Liaison with members 2. Examination of demands for loans | <ol style="list-style-type: none"> 1. Financial Management of resources & Governmental Loans for Development 2. Management of total banking & of local branch offices | <ol style="list-style-type: none"> 1. Promotion and Co-ordination 2. Control and Protection |

Source: Material issued by CNCA

(b) *The Administrative Board*

The Administrative Board is responsible for the administration and management of the regional bank. The Board usually has between 12 and 18 members. The Administrative Board elects from amongst its members the Executive which is composed of a president, several vice-presidents and a secretary.

Officials working under the Administrative Board include the President and Director.

The President is mandated from the Administrative Board to carry out the decisions made about the Bank's business, assisted by the Director.

The Director is appointed by the Administrative Board, and amongst his other duties is responsible for the recruitment, remuneration and promotion of personnel. He is responsible for the services which ensure the functioning of the regional bank. Under Agricultural Law the appointment of the Director has to be agreed by the Caisse Nationale de Crédit Agricole (CNCA – the Crédit Agricole National Bank).

(c) *The Loans Committee*

As in local banks, the function of this Committee is to examine applications for loans. It meets at least once a week and consists of delegates from the Administrative Board.

3. Caisse Nationale de Crédit Agricole (CNCA)

As a public corporation defined by Agricultural Law, CNCA is administered by an Administrative Board of 11 members under the control of the Plenary Commission (see Table 10).

The Plenary Commission, which consists of 30 members, is presided over by

Table 11. TWO EXAMPLES OF THE ADMINISTRATIVE STRUCTURE IN REGIONAL BANKS OF CREDIT AGRICOLE (FRANCE)

| | <i>Regional Bank of EURE</i> | <i>Regional Bank of BRIE</i> |
|---|----------------------------------|----------------------------------|
| Number on Administrative Board | 15 | 15 |
| including | | |
| President | 1 | 1 |
| Vice Presidents | 2 | 2 |
| Secretary | 1 | 1 |
| Director | 1 | 1 |
| Under | | |
| Director | 1 | 1 |
| Deputy Director | 4 | 4 |
| Assistant Directors (Chiefs of Divisions) | | |
| Number of local banks affiliated to the Regional Bank | 35 | 25 |
| Number of Branch Offices of the Regional Bank | 34 | 28 |
| Number of Personnel (excluding Director) | 671 | 980 |

the Minister of Agriculture or his representative. CNCA is managed by a Chief Executive Director, assisted by a Deputy Executive Director and other Directors. The Chief Executive Director is appointed by decree, as recommended by the Minister of Agriculture on the advice of the Minister of Finance.

The total number of the general management team is limited by decree to a maximum of 7, of which 2 can be Deputy Executive Directors. Members of general management are appointed by decree issued jointly by the Minister of Agriculture and the Minister of Finance, according to the recommendation of the Chief Executive Director.

SUMMARY

1. Primary Level

The role of the General Meeting, on the basis of “One member, one vote”, is similar in all three countries. However, relations between management and members are very different.

(a) *Differences between Japanese and German management*

In the Federal Republic of Germany, the functions of management (the Board of Directors) and management control (the Supervisory Board) are separate. Only members of the co-operative can be elected to serve as members of the Supervisory Board, which then appoints the Board of Directors. The full-time Managing Directors on the Board are in charge of the day-to-day business; they are not necessarily members of the co-operative and are usually experts in management and banking business.

In Japan a co-operative has no Supervisory Board, though it does have auditors. The General Meeting elects the members of the Board of Directors and the Auditors. At least three-quarters of the Directors must be elected from the regular member farmers of the co-operative. The Board of Directors elects a President and some full-time Directors (the other Directors are not on a full-time basis). Under Co-operative Law the President must be a regular member of the co-operative, so a full-time President would normally be a member of a co-operative and therefore a farmer.

Therefore professional full-time managing directors manage the business of the co-operative in the Federal Republic of Germany, which has the advantage of a professional approach.

In contrast, in Japan a full-time farmer-president is a member of the Co-operative and is elected by his fellow members of the Board of Directors. The merit of the Japanese management structure is that the co-operative can be managed democratically, reflecting the will of the members represented by the President. However, this raises the question as to whether a layman can perform a professional job as president, a job which needs experience and specialised knowledge of management and the banking business. There are various ways of assisting an inexperienced president, including the election of a retired co-operative general manager to the Board of Directors to work as a full-time Director to assist the President in the day-to-day business. There is also strict auditing by the regional union and inspection by the prefectural government.

A typical average background of a president of a multi-purpose co-operative in Japan would be:

1st stage: full-time or part-time farmer

2nd stage: election as part-time member of the Board of Directors

3rd stage: election as a full-time Director to assist the President (while his family carries on his farming activities)

4th stage: elected as full-time President

(5th and 6th stages: elected as Director of a regional federation, then of the national federation)

(b) *Special structure in France*

The President of a local bank (primary co-operative) is not a full-time director, because the local bank transacts no daily banking business. Therefore his main role is to attend the weekly meetings of the Loans Committee which examines loan applications from members; he also attends the annual General Meeting of the regional bank (secondary co-operative).

2. Secondary Level

In German regional central banks and Japanese prefectural federations, the management structures are similar to those of their respective primary co-operatives. In France, the management structure of the regional banks is almost identical to that in the Federal Republic of Germany with the following two exceptions:

- the Loans Committee system
- a single Director (as compared with at least two in the FRG) whose appointment has to be approved by the CNCA.

3. Apex Level

The management structure of the apex bank in each country is defined by a special law.

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IV. MEMBERS AND USERS OF PRIMARY CO-OPERATIVE BANKS

FEDERAL REPUBLIC OF GERMANY

1. Membership Qualification

Membership of the Raiffeisen co-operatives was originally open to *anyone* who fulfilled the conditions laid down in the byelaws of the co-operative, as opposed to the situation in France and Japan.

Under Co-operative Law, the byelaws are free to determine the qualifications for membership, and they depend on the area of activity of the co-operative.

A member is required to hold one or more shares in his co-operative bank.

Table 12 shows the composition of the membership, by profession.

Table 12. MEMBERS OF VOLKSBANKS AND RAIFFEISENBANKS BY PROFESSIONS

| | 31.12.1973 (%) | 31.12.1974 (%) | 31.12.1975 (%) | 31.12.1976 (%) |
|--|-------------------|-------------------|-------------------|-------------------|
| Workers, salaried men, civil servants | 58.0 | 58.2 | 59.5 | 59.2 |
| Annuitants, pensioners, farm annuitants | 12.7 | 12.8 | 12.6 | 12.6 |
| Other private individuals | 7.3 | 7.1 | 7.4 | 7.8 |
| Agriculture and Forestry | 6.2 | 6.2 | 6.0 | 5.8 |
| Industry & Processing Business, Building Business | 4.9 | 4.9 | 4.8 | 4.7 |
| Service Business | 5.1 | 4.8 | 4.3 | 4.7 |
| Commerce | 4.5 | 4.6 | 4.2 | 4.1 |
| Other Business | 1.1 | 1.1 | 0.9 | 0.8 |
| Public Establishments | 0.2 | 0.3 | 0.3 | 0.3 |
| | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Material issued by BVR

2. Borrowers and Depositors

Previously the co-operative banks were not allowed to give credit to non-members, although anyone could open a current or deposit account. A 1974 amendment to the Co-operative Law lifted this restriction on credit, so co-operative banks may now also grant loans to non-members. This has led to a considerable difference in the professional composition of depositors and of borrowers, as shown in Table 13.

Table 13. DEPOSITORS AND BORROWERS OF RAIFFEISENBANKS AND VOLKSBANKS BY PROFESSIONS as at 31st December 1976

| | <i>Depositors by Professions</i> | | <i>Borrowers</i> % |
|---|--|------------------------------|-----------------------|
| | <i>(on demand) sight deposits</i> % | <i>savings deposits</i> % | |
| Workers, salaried men, civil servants | 26.7 | 42.3 | 30.3 |
| Annuitants, pensioners, farm annuitants | 9.0 | 15.0 | 1.7 |
| Other private individuals | 6.8 | 21.5 | 4.1 |
| Agriculture and Forestry | 4.6 | 5.5 | 6.4 |
| Industry & Processing Business, Building Business | 11.1 | 3.7 | 22.1 |
| Service Business | 13.2 | 5.5 | 12.9 |
| Commerce | 8.2 | 3.0 | 13.7 |
| Other Business | 4.0 | 1.1 | 3.7 |
| Public Establishments | 5.9 | 2.4 | 5.1 |
| Banks (Credit Institutions) | 10.5 | — | — |
| | 100.0 | 100.0 | 100.0 |

Note: Total Outstanding Deposits as at 31st December 1976:

| | |
|------------------|----------------|
| Sight Deposits | 25 billion DM |
| Time Deposits | 12 billion DM |
| Savings Deposits | 111 billion DM |
| Total | 148 billion DM |

Source: Material issued by BVR

JAPAN

1. Membership Qualification

Membership of agricultural co-operatives consists of regular members and associate members. The composition of regular and associate members is shown in Table 14. Regular members are farmers and corporate bodies engaged in agricultural management; associate members are persons residing within the area covered by an agricultural co-operative, concerned with and using the co-operative's facilities, including banking facilities.

Only regular members may participate in the management of the co-operative.

Table 14. NUMBER OF MEMBERS AND HOUSEHOLDS IN PRIMARY AGRICULTURAL CO-OPERATIVES IN JAPAN

| Business Year | Regular Membership | | Regular Member Households | Associate Membership | | TOTAL | | TOTAL |
|--------------------------|--------------------|----------------|---------------------------|----------------------|----------------|-----------------|----------------|-----------------|
| | Individuals | Groups | | Individuals | Groups | Individuals | Groups | |
| | 1,000 (persons) | 1,000 (groups) | 1,000 (h'holds) | 1,000 (persons) | 1,000 (groups) | 1,000 (persons) | 1,000 (groups) | 1,000 (persons) |
| 1971 | 5,819 | 4 | 5,267 | 1,453 | 41 | 7,271 | 45 | 7,316 |
| 1976 | 5,744 | 5 | 5,222 | 1,926 | 52 | 7,670 | 57 | 7,727 |
| Average per Co-operative | persons | group | h'hold | persons | groups | persons | groups | persons |
| | 1,217 | 1 | 1,107 | 408 | 11 | 1,266 | 12 | 1,638 |

Source: Statistics of Agricultural Ministry

Unit=1,000

Almost all Japanese farmers are expected to be members of agricultural co-operatives. It may therefore be said that the rate of membership is the highest in the world, even though entry into the co-operative is purely voluntary.

NOTE: Under "Agricultural Co-operative Model Articles", the following may be regular members:

- A. A farmer who cultivates more than 0.1 hectares of farmland, whose farmland or residence is located within the area of the co-operative;
- B. A farmer engaged in agriculture for more than 90 days per year, whose residence is located within the area of the co-operative.
- C. A corporate body which engages in agriculture and which has an office or farmland located within the area of the co-operative.

2. Borrowers and Depositors

Under Agricultural Co-operative Law, any person who lives in the same household as a member of a co-operative, is treated as a member in the deposit and loan business of the co-operative.

According to the Articles of Agricultural Co-operatives, a co-operative may receive deposits from non-members residing in the district. However, so far as loans are concerned, co-operatives may only grant secured loans to non-

Table 15. DETAILS OF DEPOSITS HELD BY SAMPLE AGRICULTURAL CO-OPERATIVES IN JAPAN as at 31st March 1978

| Area | Number of sample co-operatives concerned | Composition of Deposits by Class of Depositors | | | | | | (Total) % |
|--------------|--|--|---------------------|---------------------|----------------------------------|----------|-----------|--------------|
| | | Regular Members % | Associate Members % | Non-Members | | | | |
| | | | | local governments % | local public corporations etc. % | Others % | (Total) % | |
| Rural | 151 | 74.9 | 11.4 | 2.1 | 0.1 | 11.5 | (13.7) | 100.0 |
| Intermediate | 140 | 76.1 | 15.6 | 1.7 | 0.1 | 6.5 | (8.3) | 100.0 |
| Urban | 195 | 63.9 | 21.7 | 1.7 | 0.2 | 12.5 | (14.4) | 100.0 |

Source: Research done by Norinchukin Bank

members, except in the case of public bodies, e.g. local governments, local public corporations. This applies particularly to urbanised areas, where many of the residents use the banking facilities provided by agricultural co-operatives, as associate members. The position with regard to loans and deposits is set out in Tables 15 and 16.

Under Agricultural Co-operative Law, total non-member deposits may not exceed one-fifth of total deposits.

FRANCE

1. Membership Qualification

At 31st December 1977, the number of members in Crédit Agricole amounted to 3,197,000. The qualifications for membership have been extended over the years, especially since 1971. Under Agricultural Law and various decrees, the following may be members of Crédit Agricole local banks:

A. *Traditional membership categories*

- (1) Farmers and similar, including farm workers:
 - (a) farmers whose income comes principally from agriculture;
 - (b) members of their families;
 - (c) rural artisans working mainly for farmers.
- (2) Groups whose object is to provide supplies or services for farmers and market their produce.
- (3) Organisations interested in agriculture.
- (4) Local communities.

B. *Membership categories extended since 1971*

- (1) Handicraft enterprises and their employees.
- (2) Enterprises engaging in agriculture, forestry or similar rural industries, and their employees.
- (3) Proprietors of buildings for agricultural or artisanal use, or of real estate principally for use as dwellings.

C. *New membership categories since 1971*

The area of operations of Crédit Agricole banks has been extended in the rural community, to include:

- (1) Persons engaged in certain professions in the rural community, e.g. rural artisans.
- (2) Proprietors of second houses in the rural community.
- (3) All employees (wage earners) and pensioners having their residences in the rural community can be members of Crédit Agricole banks.
- (4) All associations, societies or institutions engaged in, or working for the interest of, agriculture may be members, on condition that the CNCA approves their membership.

NOTE: According to the decree of 11th August 1971, membership was re-

defined, and the scope of membership extended from *farmers to people living in the rural community*.

The *rural community* is at present defined as a community where less than 7,500 inhabitants live in the chief town, *excluding* communities where the population of the chief town is between 2,001 and 7,500 inhabitants and which is part of an agglomeration of more than 65,000 inhabitants. For residents in zones of rural renovation and mountain areas, the upper limit of agglomeration is 75,000 inhabitants.

2. Borrowers and Depositors

Any person, even if living in a large city such as Paris, may deposit with the regional banks of Crédit Agricole, either term deposits or bonds. It is not necessary for a depositor to become a member of Crédit Agricole.

However, only members of Crédit Agricole may borrow through local banks from the regional banks, in the form of short-term loans (1 or 2 years), medium-term loans (2-15 years), long-term loans (15-30 years).

SUMMARY

1. Membership Qualification

In Japan only farmers can be regular members; other people in the area can only be associate members. In France originally only farmers and people connected with farming could be members; however since 1971 the scope of membership has been extended to all inhabitants within the rural community (ruralisation of Crédit Agricole).

In the Federal Republic of Germany, membership is fundamentally open to anyone as defined in the byelaws of the co-operative.

The general tendency for future development in France and Japan could be the extension of membership to all inhabitants in the rural areas for the following reasons:

- (a) the diminishing number of farmer members;
- (b) changes in loan business, due to the change in members' main professions as in the case of part-time farmers in Japan, e.g. from agricultural credit to housing credit.

Table 16. DETAILS OF OUTSTANDING LOANS IN SAMPLE AGRICULTURAL CO-OPERATIVES IN JAPAN as at 31st March 1978

| Area | Number of sample co-ops concerned | Composition of Outstanding Loans by Class of Depositors | | | | | | (Total) % | |
|--------------|-----------------------------------|---|---------------------|---------------------|----------------------------------|----------|--------|-----------|--|
| | | Regular Members % | Associate Members % | Non-Members | | | | | |
| | | | | local governments % | local public corporations etc. % | Others % | | | |
| Rural | 150 | 77.5 | 14.9 | 3.0 | 3.6 | 1.0 | (7.6) | 100.0 | |
| Intermediate | 132 | 71.7 | 21.4 | 3.1 | 2.4 | 1.4 | (6.9) | 100.0 | |
| Urban | 194 | 52.9 | 34.4 | 2.8 | 5.7 | 4.2 | (12.7) | 100.0 | |

2. Borrowers and Depositors

In Japan a co-operative may receive deposits from non-members resident in the district. However the total of such deposits must be less than one-fifth of all deposits. In the matter of loans, co-operatives may grant only secured loans to non-members resident in the area.

In France anyone may deposit money in the regional banks of *Crédit Agricole*, but only members may borrow from the banks.

In the Federal Republic of Germany, non-members can be both depositors and borrowers of a co-operative bank. There is little possibility of non-members becoming borrowers in Japan and France in the near future, because agricultural credit co-operatives in both countries are special banks defined by law.

Fundamentally the following problem exists: if there is no distinction between member-customers and other customers (borrowers, depositors etc.), what is the advantage of becoming a member? However, members do have voting powers, and are also the owners of the co-operative.

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V. MERGERS

FEDERAL REPUBLIC OF GERMANY

1. National level (National Unions)

At the end of 1971 the German Raiffeisen Association and the German Co-operative Association (Schulze-Delitzsch) decided to merge. As a result, the DGRV (German Co-operative and Raiffeisen Association) was set up as a joint central association incorporating all the rural (Raiffeisen) and industrial (Schulze-Delitzsch) co-operative savings banks.

As shown in Table 1, there are three national Unions under DGRV, the DRV (German Raiffeisen Association), the BVR (National Federation of Volksbanks and Raiffeisen Banks), and ZENT-GENO (The National Federation of Co-operative Wholesale and Service Enterprises). This merger sprang from the need to avoid internal friction and competition between the Raiffeisen banks and the Volksbanks (Schulze-Delitzsch), to effect savings in costs and to strengthen their competitive position with regard to the other banking groups.

The BVR, the joint co-operative bank organisation, comprises approximately 4,500 Volksbanks and Raiffeisen banks.

NOTE: DG Bank was founded originally for all the co-operative banks.

2. Regional Level

As stated in Section I, of the 9 regional central co-operative banks, 5 are already joint banks, namely Central Banks for Raiffeisenbanks and Volksbanks.

3. Primary Level

There are two possibilities for mergers of co-operative banks at primary level:

Table 17. NUMBER OF PRIMARY CO-OPERATIVE BANKS IN THE FEDERAL REPUBLIC OF GERMANY

| <i>End of Year</i> | <i>Number of Co-operative Banks</i> |
|--------------------|-------------------------------------|
| 1957 | 11,795 |
| 1970 | 7,059 |
| 1971 | 6,348 |
| 1972 | 5,743 |
| 1973 | 5,481 |
| 1974 | 5,321 |
| 1975 | 5,196 |
| 1976 | 5,038 |
| 1977 | 4,806 |
| 1978 | 4,607 |

Source: Monthly Reports of the Bundesbank

- (a) between Raiffeisenbanks or between Volksbanks;
 (b) between Raiffeisen banks and Volksbanks.

Unfortunately no statistics exist for these. In any case, the total number of Volksbanks and Raiffeisen banks has almost halved during the past 20 years, as shown in Table 17, creating larger and more efficient co-operative banks.

Table 18. PROGRESS OF MERGERS BETWEEN PRIMARY MULTI-PURPOSE AGRICULTURAL CO-OPERATIVES IN JAPAN

| <i>Business Year (between April and March of next year)</i> | <i>Mergers by Special Laws</i> | | | <i>Number of Co-ops at the beginning of fiscal year</i> | <i>Number of Villages, towns and cities</i> |
|---|---------------------------------------|------------------------------|---------------------------------|---|---|
| | <i>Case Number of Mergers (A)</i> | <i>Co-ops Merged (B)</i> | <i>$\frac{B}{A}$</i> | | |
| 1956 | 47 | 104 | 2.2 | 12,832 | 4,668 |
| 1957 | 68 | 154 | 2.3 | 12,704 | 3,866 |
| 1958 | 83 | 192 | 2.3 | 12,572 | 3,689 |
| 1959 | 83 | 234 | 2.8 | 12,406 | 3,584 |
| 1960 | 45 | 155 | 3.4 | 12,221 | 3,526 |
| 1961 | 137 | 541 | 4.0 | 12,050 | 3,490 |
| 1962 | 210 | 912 | 4.3 | 11,586 | 3,460 |
| 1963 | 216 | 967 | 4.5 | 10,813 | 3,423 |
| 1964 | 237 | 1,066 | 4.5 | 10,083 | 3,398 |
| 1965 | 578 | 2,599 | 4.5 | 9,135 | 3,392 |
| 1966 | 35 | 135 | 3.9 | 7,320 | 3,372 |
| 1967 | 58 | 169 | 2.9 | 7,209 | 3,312 |
| 1968 | 218 | 829 | 3.8 | 7,074 | 3,298 |
| 1969 | 99 | 378 | 3.8 | 6,470 | 3,285 |
| 1970 | 42 | 162 | 3.8 | 6,185 | 3,280 |
| 1971 | 102 | 439 | 4.3 | 6,049 | 3,257 |
| 1972 | 101 | 393 | 3.9 | 5,688 | 3,237 |
| 1973 | 67 | 286 | 4.3 | 5,488 | 3,277 |
| 1974 | 119 | 434 | 3.6 | 5,198 | 3,271 |
| 1975 | 60 | 225 | 3.8 | 4,942 | 3,257 |
| 1976 | 25 | 65 | 2.6 | 4,803 | 3,256 |
| 1977 | 56 | 160 | | 4,763 | |
| (1978) | | | | (4,657) | |

Source: Statistics by Agricultural Ministry, Japan

JAPAN

There is no possibility of mergers between secondary credit federations of agricultural co-operatives because each federation serves one prefecture.

However there has been considerable progress in mergers between agricultural co-operatives at primary level. Back in the early 1950s, many agricultural co-operatives found themselves in management difficulties because they operated on too small a scale to compete with other commercial corporations, and were suffering heavy deficits as a result.

In order to improve these conditions, central and local governments have endeavoured to promote mergers between agricultural co-operatives. Special laws and amendments to Co-operative Law were passed to allow agricultural co-operatives to become more efficient by merging to form larger units.

Finally the “Promotion of Mergers between Agricultural Co-operatives” Law was passed in March 1961, to such good effect that the number of co-operatives has decreased from 12,050 in 1961 to 4,803 in 1976, as shown in Table 18, thus establishing a stronger basis for business activities.

However there has been some criticism of these mergers by members, on the grounds that “small is beautiful”. They argue that, for example, close communication between employers and members in a co-operative could disappear if the co-operative became too large, and that the manager may lose personal contact with the members.

FRANCE

As explained previously, very few Crédit Agricole local banks transact daily banking business – unlike in the Federal Republic of Germany and Japan – so there is not the same economic need for mergers between local banks. At secondary level there is again no need for mergers between the regional banks since each regional bank on the whole serves one Département (prefecture).

SUMMARY

1. Federal Republic of Germany

In the Federal Republic of Germany the merger of the *national* federations of agricultural co-operatives (Raiffeisen) and industrial (urban) co-operatives (Schulze-Delitzsch) took place at the end of 1971. However, mergers between Raiffeisenbanks (agricultural credit co-operatives) and Volksbanks (Schulze-Delitzsch) and their *regional* banks will take some time to complete. However, due to the mergers, the total number of primary co-operative banks (both Raiffeisenbanks and Volksbanks) has decreased by more than half in the past 20 years.

2. Japan

The problem of mergers exists only at primary level because the territory of the regional federations is defined by the prefecture and there is no need for mergers at national level. Mergers between multi-purpose co-operatives at primary level were promoted by a special law in 1961, and as a result the number of co-operatives has decreased by almost half in the past 15 years. However the fundamental problem remains: what is the ideal size of an agricultural co-operative – in terms of area of territory, number of members, communication between the co-operative and its members, and economic viability?

3. France

As mentioned above, the problem of mergers does not arise in France.

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VI. MONETARY RELATIONS BETWEEN PRIMARY, SECONDARY AND APEX CO-OPERATIVE BANKS

FEDERAL REPUBLIC OF GERMANY

Every bank is legally obliged to maintain a certain state of liquidity (see note below), but the Raiffeisenbanks and Volksbanks are not restricted in the use of their surplus funds to the same extent as in Japan.

1. Volksbanks and Raiffeisenbanks

The primary co-operative banks finance their banking business by accepting deposits from their customers, both current (sight) and time.

A part of these funds is transferred to the regional co-operative bank as liquidity reserves, ordinarily in the form of time deposits with fixed interest rates (4 – 6.5%) depending on the period (one month to four years). The percentage of such funds retained by the primary bank is difficult to estimate, but is on average between 5 and 20%. For day-to-day transfer business, each primary co-operative bank has a current account with the regional bank, with interest rates of 1 – 2%.

2. Regional Co-operative Central Banks

The main function of the regional banks is to play an adjusting role between co-operative banks with high liquidity and those in need of refinancing. The regional banks must therefore hold adequate liquid funds.

Besides investment in short- and medium-term securities, the greater part of surplus funds is kept in the apex bank, DG Bank in Frankfurt. The total placement in DG Bank may be up to 40 or 50% of the amount deposited by the primary co-operative banks.

As in the case of the primary co-operatives, these placements by regional banks with the DG Bank are in the form of time deposits with a fixed interest rate (4 – 7%), the term varying between 30 days and 4 years.

Call money also forms a large part of their business.

3. DG Bank

The DG Bank is in a position to equalise liquidity for the regional central co-operative banks, and operates its liquidity position accordingly, on the national and international levels.

NOTE: *System of minimum reserve ratio (Deutsche Bundesbank)*

Minimum reserve requirements must be held in the form of interest-free current accounts with the Deutsche Bundesbank. They are calculated on the basis of monthly averages; there is a minimum requirement for each type of deposit, which is also related to such factors as the aggregate amount of a bank's eligible liabilities within each type of deposit.

Example: April 1977

- against sight deposits: 9.35, 12.7 or 14.9% (depending on the bank's total liquidities, etc.)
- against time deposits: 6.6, 8.8 or 10.45%
- against savings deposits: 6.15, 6.4 or 6.6%

Table 19. BALANCE SHEETS OF CO-OPERATIVE BANKS IN THE FEDERAL REPUBLIC OF GERMANY as at 31st December 1976

(1) Consolidated Balance Sheet of all Volksbanks and Raiffeisenbanks (5,044)

| <i>Assets</i> | | <i>Liabilities and Capital</i> | |
|---------------------------------|----------------|------------------------------------|---------------------------------------|
| Deposits with Regional banks | 23,794 | Deposits | Current deposits (at sight) 24,620 |
| | | | Time deposits 12,177 |
| | | | Savings deposits 110,763 |
| | | | TOTAL (147,560) |
| Loans | 104,108 | Other liabilities (capital) 26,540 | |
| Other assets | 46,198 | | |
| TOTAL | 174,100 | TOTAL | 174,100 |

(2) Consolidated Balance Sheet of 10 regional banks

| <i>Assets</i> | | <i>Liabilities and Capital</i> | |
|--|-------------------|--------------------------------------|---------------|
| Cash reserve | 2,884 | Due to member banks 23,794 | |
| Bills | 223 | | |
| Due from DG bank | 12,393 | Due to DG bank and other banks 8,854 | |
| Due from other banks (including amount due from member credit co-operatives) | 12,866 (9,054) | | |
| Due from non-bank customers | 4,806 | Due to non-bank customers 5,270 | |
| Other securities | 6,310 | Bonds outstanding 944 | |
| Fixed assets and Investment | 861 | Capital a/c 1,305 | |
| Other assets | 733 | Other liabilities 909 | |
| TOTAL | 41,076 | TOTAL | 41,076 |

(3) Balance Sheet of DG Bank

| <i>Assets</i> | | <i>Liabilities and Shareholders Equity</i> | |
|--|---------------|---|---------------|
| Cash and other cash terms | 76 | | |
| Due from Bundesbank | 225 | Due to regional co-op banks | 12,525 |
| Bills receivable | 414 | Due to other banks | 6,210 |
| Due from regional co-op banks | 3,642 | Due to non-bank customers | 2,006 |
| Due from other banks | 10,579 | | |
| Treasury bills | 1,161 | | |
| Bonds and notes | 2,825 | | |
| Other securities | 128 | Own acceptance outstanding | 43 |
| Due from non-bank customers | 4,907 | Bonds and notes issued in accordance with DG BANK LTD | 2,746 |
| Equalisation claims on Federal and State authorities | 83 | Provisions | 115 |
| Trust transactions at third party risk | 163 | Trust transactions at third party risk | 163 |
| Investment in subsidiaries and affiliated compounds | 420 | Other liabilities | 175 |
| Premises and equipment | 47 | Accrued and deferred items | 46 |
| Other assets | 105 | Research and education fund | 3 |
| Accrued and deferred items | 38 | Published Reserves | 367 |
| | | Reserves | 385 |
| | | Profit after transfer to published reserves | 29 |
| TOTAL | 24,813 | TOTAL | 24,813 |

Source: BVR and DG Bank

Unit: DM Million

JAPAN

1. Primary Co-operatives (Multi-purpose)

Since agricultural co-operatives in Japan perform multilateral functions, part of the funds raised by their banking business is used as working capital for marketing, purchasing and other business.

If the funds in the banking business exceed the amount needed for loan and other business, the balance (floating funds) is generally deposited with the prefectural credit federation.

2. Prefectural Credit Federations of Agricultural Co-operatives

The Prefectural Credit Federations receive current and time deposits from their member co-operatives' prefectural federations.

Some bounty is granted in addition to normal deposit interest to member

co-operatives, in order to encourage primary co-operatives to deposit their floating funds with the credit federation.

The funds obtained in deposits are used for short or medium term loans to member co-operatives, as well as for discounting notes acquired by members.

If credit federations have floating funds, the major part is deposited with the Norinchukin Bank, because their Articles of Incorporation usually stipulate that "at least half of the floating funds shall be deposited with the Norinchukin Bank". Some part of floating funds may be invested in securities or deposited with other banks.

One of the most important functions of the credit federation is to play an adjusting role in the liquidity position of agricultural co-operatives within each prefecture.

If the credit federation runs short of funds, it borrows from the Norinchukin Bank.

Table 20. BALANCE SHEETS OF AGRICULTURAL CO-OPERATIVE CREDIT ORGANISATIONS IN JAPAN as at 31st December 1977.

(1) Consolidated Balance Sheet of agricultural co-operatives (multi-purpose co-operatives at primary level)

| <i>Assets</i> | | <i>Liabilities</i> | |
|-------------------------------------|----------|-----------------------------------|--------|
| Cash | 88 | Savings | 20,026 |
| Deposits | 10,599 | Debts for Credit Business | 1,193 |
| of which – affiliated | (10,356) | Including loans entrusted of Agr. | |
| – non-affiliated | (243) | Finance Corporation | (491) |
| Money in trust & securities | 969 | Debts for Insurance business | 124 |
| Loans & discount as credit business | 9,061 | Others | 513 |
| including – to non-members | (636) | | |
| – those to banks | (6) | | |
| Loans for insurance | 129 | | |
| Assets for other business | 688 | | |
| Others | 322 | | |
| TOTAL | 21,856 | TOTAL | 21,856 |

(2) Consolidated Balance Sheet of prefectural Credit Federations of Agricultural Co-operatives (Secondary level)

| <i>Assets</i> | | <i>Liabilities</i> | |
|--|---------|--------------------|--------|
| Cash | 90 | Savings | 11,410 |
| Deposits | 5,294 | Debts | 63 |
| including – affiliated | (5,094) | Others | 841 |
| – non-affiliated | (200) | | |
| Money in trust and securities | 3,218 | | |
| Loans and discount | 3,372 | | |
| including – to non-co-operative organs | (709) | | |
| – to banks | (61) | | |
| Others | 340 | | |
| TOTAL | 12,314 | TOTAL | 12,314 |
| (Entrusted Loans | 1,906) | | |

(3) Balance Sheet of Norinchukin Bank

| <i>Assets</i> | | <i>Liabilities</i> | |
|-------------------------------------|---------|------------------------|-------|
| Cash and Due from banks | 890 | Deposits | 6,274 |
| Securities | 2,235 | Bank debentures issued | 1,520 |
| Bills discounted | 1,059 | Borrowed money | 14 |
| Loans to Co-operative organisations | 1,437 | Others | 785 |
| of which – agriculture | (742) | | |
| – fishery, forestry and others | (695) | | |
| Loans to non-co-operative sectors | 2,603 | | |
| including – agri-business | (2,248) | | |
| – banks | (171) | | |
| – others | (184) | | |
| Others | 369 | | |
| TOTAL | 8,593 | TOTAL | 8,593 |
| (Entrusted loans | 173) | | |

Unit: Billion Yen

3. The Norinchukin Bank

The Bank receives deposits from affiliated organisations, mainly credit federations, as well as from agribusiness enterprises, local governments, etc. These are in the form of current deposits, ordinary deposits, deposits at notice, time deposits, special deposits and public money deposits.

Concerning rates of interest, some bounty schemes are operated for the purpose of attracting co-operative funds (from credit federations) to the Bank, so that effective rates of interest for deposits are in fact a little higher than stated.

The Bank grants loans primarily to its affiliated organisations, but may also lend to non-affiliated organisations.

The Bank is also one of the country's banks qualified to issue debentures, and does so in two forms: 5-year coupon debentures and 1-year discount debentures. It may issue these up to an amount equivalent to 20 times the total of its capital and reserves.

The abundant funds collected by accepting deposits and selling debentures are used by the Bank to adjust the liquidity positions of credit federations and other affiliated co-operatives throughout Japan.

FRANCE

The special characteristics of the money relations in the 3-tier structure of Cr dit Agricole are as follows:

- (1) Local banks transact no daily business.
- (2) Branch offices of regional banks transact deposit, loan and other daily banking business for the members of local banks.
- (3) Although all forms of deposit are accepted by the regional bank branch offices, all deposits except current deposits are kept with CNCA, not with the regional banks.
- (4) Current deposits accepted by the regional banks may be utilised as resources for short-term (sometimes for medium-term) loans to the members of local banks.
- (5) CNCA receives a subsidy from the government, allocated annually by the Agricultural Ministry budget. This enables CNCA to provide advances to the regional banks, to enable them to grant low-interest loans to farmer-members of local banks.

SUMMARY

1. Rules regarding Deposit Funds

These rules are very strict in Japan, and operate as follows:

- (a) Primary co-operatives must deposit at least two-thirds of surplus funds with the Prefectural Credit Federation.
- (b) Prefectural Credit Federations must deposit at least half of surplus funds with the Norinchukin Bank.

The Japanese system is therefore a centralised system. On the other hand, in the Federal Republic of Germany there is no such rule, and on the whole each

Table 21. BALANCE SHEET OF THE CREDIT AGRICOLE ORGANISATION IN FRANCE as at 31st December 1977

(1) Consolidated Balance Sheet of 94 regional banks

| <i>Assets</i> | | <i>Liabilities</i> | |
|---|-------------|--------------------------------|-------------|
| Fixed assets | 8- | | |
| Loans of long or medium term by advance of CNCA | 135- | Own funds | 13- |
| | | Advance by CNCA | 133- |
| | | Sight deposits and current a/c | 71- |
| - Mobilisable loan of medium term | 10- | Current a/c of CNCA | 4- |
| | | Others | 19- |
| - Loans of short-term and current a/c | 34- | | |
| - Time deposits or sight deposits to CNCA | 31- | | |
| Others | 22- | | |
| TOTAL | 240- | TOTAL | 240- |

(2) Balance Sheet of Caisse Nationale de Crédit Agricole (CNCA)

| <i>Assets</i> | | <i>Liabilities</i> | |
|---|------------|-------------------------------|-------------|
| Premises, equipments & investments, etc | 1 | Capital & Reserves | 4 |
| Medium and long term loans | 142 | Short and long term bonds | 99 |
| including - Advances to regional banks | (135) | Deposits and savings accounts | 97 |
| - Direct loans by CNCA | (7) | including - Savings accounts | (71) |
| Short term loans | 5 | - Time Deposit and CD | -7 |
| including - Refinancing to regional banks | (4) | - Passbook a/c | -33 |
| - Direct loans by CNCA | (1) | - Home savings a/c and plans | -31 |
| Marketable and other securities | 45- | | |
| Banks and Correspondents | 29- | | |
| Cash, Central bank, Treasury and GIRO | 1 | | |
| Other assets | 8 | Banks and Correspondents | 11- |
| | | Other liabilities | 19- |
| | | Nett Profit | 11 |
| TOTAL | 231 | TOTAL | 231- |

Unit: FF Billion

organisation is responsible for its own liquidity, thus functioning in a rather more autonomous way than in Japan.

In France, Crédit Agricole has a comparatively centralised system. All deposits except current deposits accepted by regional banks, go straight to CNCA and are redistributed by CNCA (fixed money circulation system).

2. Mutual Co-operation between Primary, Regional and Apex Banks

In the Federal Republic of Germany and Japan, apex and regional banks (credit federations) perform fund-adjusting functions for their members. Sometimes a regional bank grants loans direct to members of primary co-operative banks.



VII. FUTURE WORK

In this report I have ventured to summarise each subject. However, it is not possible to make a final comparison of agricultural credit co-operative systems and their functions in the three countries, either by induction or deduction, because there are other fundamental problems which need further research and analysis. Therefore I hope that this research may be continued by someone within the three countries or by an international organisation.

I feel it might be helpful to list the subjects which I regard as important and on which further research should be carried out:

1. Mutual guarantee systems for deposits and loans:
e.g. the guarantee funds of Crédit Agricole (France) and the Volksbank and Raiffeisenbank (FRG); the agricultural credit guarantee system in Japan.
2. Rules and business of subsidiaries:
e.g. CNCA and the DG Bank have many subsidiaries.
3. International co-operation between co-operative banks:
e.g. export and import finance for international co-operative trade; international syndicated loans.
4. Application of co-operative principles in credit business:
e.g. dividend policies; advantages of membership in making deposits or obtaining loans.
5. Electronic data processing systems in co-operative credit business.
6. Function of debentures issued by apex banks:
e.g. Norinchukin debenture; CNCA and DG Bank bonds.
7. Education of staff and managers in Credit Co-operatives; education of members; communication with members.
8. Complementary roles of Agricultural Credit Co-operatives and Government:
e.g. government support of agricultural finance to farmer-members, in the form of (a) subsidies to supplement interest; (b) special loans by government agencies at low interest rates (long or medium term).
9. Relations between the three tiers:
e.g. in regional banks, deposit and lending interest rates for member co-operatives; percentage of overdue loans, criteria for granting loans and security asked for.

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