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INTERNATIONAL CO-OPERATIVE ALLIANCE

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Report on the Development of Multi-purpose Co-operatives In Ceylon

by

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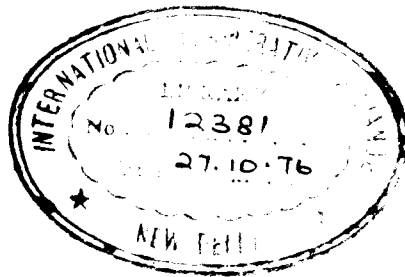
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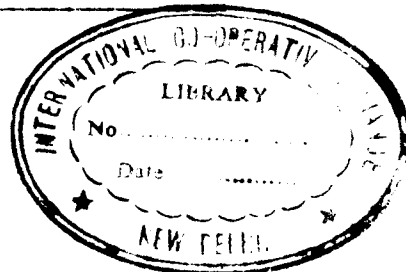


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REPORT ON THE DEVELOPMENT OF THE MULTI-PURPOSE
CO-OPERATIVES IN CEYLON

CHAPTER I

INTRODUCTION



The writer was given an assignment by the International Co-operative Alliance Regional Office and Educational Centre for Southeast Asia with the consent of the Government of Ceylon to conduct a survey of the development of the multi-purpose co-operative societies in that country with the following terms of reference:-

1. To investigate the processes of transformation of the organizational and functional **structure** of the co-operatives in Ceylon from single to multi-purpose methods of approach, difficulties encountered and the consequences;
2. To study the existing multi-purpose co-operative system in its various levels and stages of development - its effects upon the national economy and rural rehabilitation and reconstruction; to what extent this system and practices could be developed and improved; and
3. To learn from the Ceylonese lesson and assess its value with a view to adopting this practice to the co-operative movement in Southeast Asia.

With the afore-mentioned assignment, the writer arrived at Colombo, Ceylon on March 4, 1968 and stayed in that country until April 24, 1968 when he left for New Delhi where he had brief discussions with the officers of the I.C.A. Regional Office concerning his study.

During his first few days in Colombo, the writer had discussions with the Commissioner for Co-operative Development and a tentative itinerary was drawn for circulation to the Assistant Commissioners for Co-operative Development in charge of the various districts of the country as well as heads of departments of the government and statutory bodies who are concerned with the development of the co-operative movement.

In accordance with the schedule as set out in the itinerary, the writer spent his first week in the state Capital visiting the following organizations, holding brief talks with the officers-in-charge and collecting relevant information material:-

(A) Government Departments:-

1. Department of Agrarian Services,
2. Department for Development of Agricultural Marketing,
3. Department of Agriculture, and
4. Department of Rural Development and Small Industries.

(B) Statutory or Co-operative Organizations:-

1. All Ceylon Agricultural Producers' Co-operative Union - Central Market,
2. All Ceylon Coconut Producers' Co-operative Union,
3. Co-operative Wholesale Establishment,
4. People's Bank of Ceylon,
5. Ceylon Industrial Co-operative Union, and
6. Co-operative Federation of Ceylon.

Beginning from the second week, the writer spent altogether 5 weeks in field work visiting the following co-operative organizations in the various districts:-

March 14-17:- Anuradhapura District:-

1. Kekirawa MPCS Union,
2. Eppawa MPCS,
3. Labunoruwa MPCS,
4. Tirapanne MPCS,
5. Poonawa MPCS, and
6. Medawachchiya MPCS.

March 18-21:- Polonnaruwa District:-

1. Polonnaruwa District Co-operative Union,
2. Thamankaduwa MPCS Union,
3. Minneriya MPCS,
4. Kottepitiza MPCS,
5. Bakamuna MPCS,
6. Pitugrodamana MPCS, and
7. Study on the Elahara Project and the Role of the Multi-purpose Co-operative Societies.

March 22-26:- Jaffna District:-

1. Jaffna Education Centre - Co-operative School,
2. Alaveddy MPCS,
3. Inuvil MPCS,
4. Valigamam MPCS Union,
5. Moolai Co-operative Hospital Society,
6. Averangal MPCS,
7. Valikaman East MPCS Union,
8. Arialai MPCS,
9. Jaffna Town MPCS,
10. Thirunelvely MPCS,
11. Jaffna District Co-operative Harbour Services Union,
12. Elephant Pass MPCS,
13. Pallai MPCS,
14. Paractan MPCS, and
15. South Yalpanam MPCS Union (Kilinchichi).

March 27 - April 1st:- Kandy District:-

1. Kandy Multi-purpose Co-operative Society Union,
 2. Kandy District Co-operative Union,
 3. Denuwara MPCS Union,
 4. Toldeniya MPCS Union,
 5. Udadumbara MPCS Union,
 6. Minipe Colony - MPCS(2),
 7. School of Co-operation,
 8. Department of Agriculture - Research Centre and Agricultural Extension Training Institute, and
 9. Hewavissa MPCS.
-

April 2-5:- Badulla District:-

1. Udapalatha Co-operative Agricultural Production and Sales Society - (Palugama activities),
2. Udukinda MPCS Union - (Welimada)
3. Uva Kandana MPCS,
4. Bathmedilla MPCS, and
5. Mahapalatha MPCS - (Bandarawela).

April 6-7:- Batticaloa District:-

1. Batticaloa MPCS Union,
2. Co-operative Provincial Bank,
3. Eastern Province Agricultural Co-operative Union, (Commission Agent for Ferguson Tractors),
4. Koralaipattu MPCS Union, and
5. Eravurpattu MPCS Union.

April 8-11:- Amparai District:-

1. Gal Oya MPCS Union,
2. Gal Oya Colony Unit No.24 MPCS, and
3. Gal Oya Colony Unit No.8 MPCS.

April 12-14:- Travel by car from Amparai District via Hambantata District, Matara District and Galle on the way back to Colombo for Ceylonese New Year Holidays.

April 15:- Chilaw District:-

1. Medapalate MPCS - (brief visit only without any written document due to the absence of the officers on New Year Holidays), and
2. Uthuru Pitigal Karale MPCS Union.

April 16: Kuliypitiya:-

1. Sandalankawa MPCS,
2. Kandanegedera MPCS, (on the occasion of New Year celebration and MAHA LOAN Repayment Campaign), and
3. Iroyagalla Co-operative Credit Society (Un-limited liability).

April 17: Kurunegala:- (Brief Visits only)

1. Visit to one Union (without notes),
2. Visit to one MPCS and Rural Bank (without notes),
and
3. Visit to the Beligal Korale MPCS Union at
Ambepussa, Warakapela Kegalle District,
(without notes and not in the itinerary).

Altogether the writer has visited 57 organizations including 28 multi-purpose Co-operative Societies and 18 MPCS Unions as well as 11 other types of Co-operative and related organizations during his 5-week's tour of the country. His tour covers 9 districts out of a total of 24 districts of Ceylon, and the total number of Co-operatives and related organizations visited by the writer represents less than half per cent (about 0.4%) of the total, whilst the MPCS and their unions visited represent about 1% of a total of about 5,000 active co-operative organizations of this category in existence, during the period of the writer's tour in Ceylon.

From the above it appears that the study tour did not cover much of the populous areas of Ceylon, that is South and South-Western Coast districts of the wet zone. It is believed that the pattern of multi-purpose co-operative system is much the same as elsewhere in the country except perhaps in those areas where estate crops, such as tea and rubber are grown under capitalist management and control that different types of co-operative organizations might be required to cater for the needs of the tappers and workers on the estates.

Because of the limit of time and source material available at the disposal of the writer, it is to be admitted that this report could not be claimed as an exhaustive survey of the whole situation of the multi-purpose co-operative movement of Ceylon. The writer's intention has been to explore one of the most important aspects of co-operative development in Ceylon to-day with special reference to its role in the rural rehabilitation in that country. Further studies of greater detail and depth should be desirable and useful to all those concerned with the promotion of rural economic development of the Region of South-east Asia.

CHAPTER II

GENERAL FEATURES OF THE NATIONAL ECONOMY

Ceylon is an island state covering an area of 25,000 square miles. It lies in the Indian Ocean about 100 miles off South-Eastern tip of the Indian Subcontinent. Geographically and climatically speaking, the country could be divided into two main regions, the wet zone and dry zone by the effect of the monsoons. The South-Western Region, that is, the wet zone, covers about a third of the total land area of the country. Three quarters of the total population of about 12 millions are inhabiting in this particular zone making the pressure of people on the land a most severe problem. The remainder of the Island, that is the dry zone, is comparatively sparsely populated and undeveloped.

Ceylon's economy is predominantly agricultural, with about half of its gross national product derived directly from agriculture, while a substantial portion of the balance is also indirectly dependent on the contribution of the agricultural sector. More than half of the gainfully employed persons is engaged in agriculture, excluding the minors and wives of peasant families who generally also make subsidiary contributions to farm incomes.

Agricultural industry in Ceylon falls into two distinctive sectors consisting of one sector based on large scale plantation producing crops mainly for an export market, and the other sector rooted in traditional peasant farming of smallholdings largely producing paddy and a variety of food crops for domestic consumption. Some 50% of the cultivated area of land falls within this peasant sector which again holds over 70% of the total population of the country. These peasants also cultivate by far the largest part of the country acreage and about 40% of the land under rubber.

It was estimated that the average value of assets per family in the rural sector in 1957 was Rs 4,869 of which land forms a substantial part, even though the extent of land owned by peasants is small, being average under one acre. Only about 55% of the paddy acreage is owner-operated. The passing of the Paddy Lands Act may have favourable effect in easing the problems of land tenure in rural areas.

Main crops of the country are paddy, tea, rubber, and coconut. Rice is the staple food of the people who have to obtain about one third of their total consumption from abroad. Paddy cultivation, nevertheless, is the main stay of the rural economy. Of three agricultural commodities which collectively account for nearly 95% of the country's exports, tea, in particular, has been the economic backbone of Ceylon. 90% of the tea produced in Ceylon is exported and it fetches, annually, about 60-65% of the foreign exchange earnings of the country.

Since 1965 Ceylon has become the largest tea exporter of the world. Due to the decline of prices in international markets and the decrease of output coupled with increasing costs of production, the profit margin of the tea industry has declined during the past years. There is no replanting scheme for the crop, nor modernization of processing factories. These are the problems facing the most important industry of the country.

Agricultural production has increased considerably in recent years, especially, under the impetus of the Government initiated Agricultural Production Campaign. In the Development Program for 1966/67, issued by the Ministry of Planning and Economic Affairs on Budget Day, the overall target rate for agriculture for the period, 1965 to 1971, was set on an annual average compound rate of growth of 4.5%, to be achieved by a rate of growth of 3% in the export sector and 6% in the domestic sector. The high rate of growth in the domestic sector was to be dominated by the rates of growth of paddy production and other food crops provided for in the respective plans.

It is recognized that production of food crops will have to be greatly increased in order to meet the demand of the population which is increasing at a rate of 2.5% per annum. The increased demand of agricultural raw materials for the domestic developing industries and the requirement for greater exports of cash crops in order to exchange for necessary imports are also strong grounds for launching the Agricultural Production Campaign.

According to the Annual Report of Central Bank of Ceylon, issued in April, 1968, it was stated that despite the unfavourable price changes for its main crops of tea, rubber and coconut, the rate of economic growth of Ceylon still managed to maintain 4.9%. It is envisaged that by 1970, Ceylon would be able to maintain a steady rate of 5% of economic growth as stipulated in the target of the First U.N. Development Decade.

In 1967, the G.N.P. of Ceylon was calculated to be in the region of Rs 7,962 millions in comparison with Rs 7,587 millions of the previous year (1966), and Rs 6,287 millions for the year 1960. The average per capita income in 1967 reached an amount of Rs 682 (about £45) which compares favourably with any country as Ceylon's stage of development. With the launching of the Agricultural Development Program emphasis has been laid on the primary production which as mentioned earlier has been and still is the **mainstay** of the national economy. Food production, especially, has shown the best response of the campaign.

A study of the behaviour of the growth of the G.N.P. of Ceylon it is observed that the principal determinant of the gross domestic product is production for domestic use, which accounts for roughly 2/3 of the total. The next major determinant is the production of goods for export which accounts for about 1/5 to 1/3 of the gross domestic product. Since 1959, the deteriorating foreign exchange situation as manifested in the consecutive balance of payments deficits have resulted in a lightening up of control of imports. The increasing scarcity of imported goods has encouraged domestic production,

both of agricultural and manufactured commodities, as substitution of imports. The result naturally was an increase in proportion of the share in the gross national product of those commodities produced for domestic use.

So far as agricultural production is concerned, however, the output is still far from adequate to meet the domestic demand. As much as 40% of the value of imports of Ceylon in a single year still consists of food and drink, although in a number of items Ceylon had been able to reduce imports to a great extent. As an illustration, the share of rice which constitutes the single predominable import into Ceylon in the value of total imports has declined from 19.3% in 1952 to 14.5% in 1959 and 9.8% in 1965.

It is generally agreed that a significant expansion in gross domestic product can arise from increased output and productivity in rural agricultural sector especially of food crops under the Government drive. In the field of industries, most hopeful development would still be concentrated in the consumer goods sector producing mainly essential commodities and import substitutes. In 1965, over a third of the industrial output consisted of food products, while textiles accounted for approximately one fifth.

Due to shortage of foreign exchange, the operation of existing industries which partly depend upon the import of raw material, have been seriously affected. It was estimated that in 1965 alone, a significant proportion of industrial activities of Ceylon was reduced to only a fifth of the capacity.

In view of the factors prevailing in the international markets for traditional export commodities of Ceylon, it is clear that further growth of the gross national product will devolve increasingly on the import substitution sectors of agricultural and light industrial manufactures. Perhaps it is in these fields that the contribution of the co-operative development to the building of a viable economy for Ceylon would have significant effect.

In Ceylon, as elsewhere, the primary objective of social and economic development is the increase of per capita real income and, therefore, higher standard of living for the population. Immediately after World War II, the Ceylon Government has commenced a series of programs for accelerating capital investment and development. On the attainment of the political independence in 1948, the Government immediately launched a 6-year (1947-53) Program, much valuable work was done at the initial stage of development. Successive projects of development also brought significant results in the rehabilitation of the economy. Useful superstructural and infrastructural organizations of services have been established to pave the way for further development in both fronts of agriculture and industry.

One of the most important assets of a country is her people. The available statistics shows that out of 11,700,000 people in 1967 in Ceylon, the working population amounts to 3,534,000, which is about 30% of the total with the rest as dependents. In a country like Ceylon, one should expect that greater proportion of the population might be employed as the country still has substantial unused land and other natural resources as well as considerable social capital investment and industrial potential. There is a sound framework of public administration. There are rudimentary technical education facilities. All in all, the potential for development in Ceylon is impressive. Its social and economic environment has provided what Ceylon could work with in trying to increase her output with resultant effect on the better living of its people. It is viewed from these aspects that the co-operative movement should and could play its significant role.

CHAPTER III

THE CO-OPERATIVE MOVEMENT AND ITS DEVELOPMENT

Co-operative movement in Ceylon has its history of over half a century. The first Co-operative Society Ordinance was enacted in 1912. From the start, the movement has been given the task of promoting the social and economic development of the country. In order to give relief to the peasants and consumers, three types of co-operatives were then considered to be of paramount importance:

1. The credit societies which provide financing services for productive purposes thereby free the peasants from the grips of the private money lender and village shopkeepers;
2. The agricultural production and sales societies which were assigned to perform the functions of marketing in order to enable the peasant-producers to free themselves from exploitation by the middlemen-marketers and suppliers; and
3. The co-operative stores societies which sell consumer goods and essentials with better and cheaper services to members in competition with village shopkeepers.

It was therefore evident that the co-operative movement came into being in Ceylon in order to furnish to the peasant some relief from the monopolistic lender, buyer and supplier who have hitherto dominated the rural economic scene. How successful have these co-operatives been in serving their members in the rehabilitation of their economic and social well-being? Perhaps it would be best to conduct a brief survey of the relative position of the co-operative sector in the national economy of Ceylon. To this end, the following Tables taken in an article entitled "Role of Co-operatives in National Development in Ceylon", by Mr. K.F. Ranjit Perera, published in the Samapokarya in March, 1966 are quoted for reference:-

TABLE 1

GROSS CO-OPERATIVE PRODUCT AND GROSS NATIONAL PRODUCT
COMPARED : 1963-1964

	(A) G.C.P. Rs. 000	(B) G.N.P. Rs. 000	(C) A/B %
1. Agriculture			
(a) Export Crops:			
(i) TEA -----	3,050	809,600	0.04
(ii) RUBBER -----	---	222,000	---
(iii) COCONUT -----	9,400	468,000	2.00
(b) Cash Crops:			
(i) TOBACCO -----	1,600	23,000	7.00
(ii) PADDY -----	194,016	544,000	28.00@
(iii) RED ONIONS -----	5,508	(5,750)	95.80
(iv) OTHERS -----	6,668	616,000	2.93
(v) ERRORS & OMISSIONS -----	1,000		
(c) Dairy Products -----	555		
2. Fisheries -----	451	137,000	0.003
3. Industries			
(i) Cottage Industries	40,397	121,000	30.84
(ii) Factory Industries	---	647,000	---
4. Services: (i) Commercial			
(a) Wholesale	35,400	754,000	10.80
(b) Retail	46,000		
(ii) Labour Construc- tional	13,600	---	---
(iii) Medical \$ --	283	---	---
Gross Co-operative Product (G.C.P.)	358,192	---	---
Value of National Product not dealt with	---	2,769,340	---
G.N.P. and G.C.P. as a % of G.N.P.	---	7,121,000	5.10

Ø Please refer to the original article.

@ Roughly about 60% of the paddy producers of the Island are members of AP & SS or multi-purpose societies. Thus only 60% of the quantity handled through co-operatives are taken to be a part of co-operative product.

TABLE 2
EMPLOYMENT IN CO-OPERATIVES

	<u>Persons</u>
1. Employees in Societies and Unions	17,721
2. Member Employees	
(i) Industrial	
(a) Textile	34,370
(b) Mat Weavers	886
(c) Coir Workers	4,590
(d) Pottery	2,674
(e) Carpentry	4,812
(f) Others	3,488
(ii) Constructional Labour Societies	10,624
3. Self-employed supported by Service Co-ops.	
(i) Agricultural	
(a) In Multi-purpose & C.A.P.S.	541,500
(b) In other Societies	17,866
(ii) Fishermen's Co-operatives	5,699
Total	644,230
Total work force in the country (estimated)	4,200,000
Those working in the Co-operative sector as a percentage of total work force	15.3%

From the statistics, it appears that the co-operative movement plays a significant role in the non-export rural agricultural sector; whereas in the export sector, it is the production of coconut and coconut products in which co-operative occupy a place. In the industrial sector, on the other hand, the co-operatives play an important role in the cottage industries, while in the service sector the movement has a place in commercial service. In Table 1, however, it shows that the gross co-operative product is only 5.1% of the G.N.P. This percentage is low when one considers the scope and scale of development of the movement in Ceylon. Nevertheless, this co-operative achievement is much more impressive when compared with the same movement as developed in other Asian countries.

Again when we come to examine Table 2 with regard to employment, we obtain the figures of people who were directly or indirectly dependent upon the co-operative movement for their livelihood. These people could be classified into three categories, viz.:-

1. The employees of co-operative organizations, who are indeed the key people for the success or failure of co-operative establishments.
2. The member-workers of various kinds of productive co-operatives. These member-workers are at the same time employees as well as proprietors of the societies.
3. The independent self-operated agricultural producers who **associate** themselves with co-operatives with a view to carrying out their businesses more efficiently and profitably. When we consider these members of societies as representing the head of a family with other members of the family working on the trade, then the number of co-operative workers would have to increase accordingly in this category.

Numerically speaking, it also appears that the sectors in which the co-operative movement plays a significant role are:-

1. The employees of stores **societies** or retail departments of multi-purpose co-operatives, that is to say, the distributive trade sector;
2. Member-employees of co-operative cottage industries; and
3. Peasant-operators utilizing the services of agricultural co-operatives.

From employment point of view it is therefore evident that peasant agriculture, cottage industries and distributive trade are the three most important economic activities in which the co-operative movement has engaged extensively.

Again, from Table 2, we note that 15.3% of the labour force in Ceylon goes to the co-operative sector, which produces only 5.1% of the G.N.P. This general rough picture confirms the popular belief that the co-operative movement in Ceylon largely involves those persons who are economically weaker than those outside the co-operative sector. The fact that most of the co-operators are either peasants or cottage industrial workers indicates that the movement itself is strongly rural oriented in nature and scope. This clearly shows that the **future** development of the co-operative movement in the context of national social and economic development in Ceylon would have to be geared towards these directions so that the usefulness of the co-operative institutions in nation-building could be entertained.

This conviction is even more re-enforced when we realize that nearly three quarters of the population of Ceylon reside in rural areas. Agricultural development has, therefore, been given a prominent place in the planning for national development. It has also been recognized that effective co-operative institutions are essential instruments for social and economic development, especially in developing countries.

In Ceylon, the role which the co-operatives was to play had been clearly stated as early as 1958 in the Government⁺ Agricultural Plan. In that Plan, it was declared that, "Co-operative organizations bear the credentials of the most dynamic agency capable of mobilizing the enthusiasm and willing co-operation of the people for the necessary national development efforts". Also in that Plan, a system of multi-purpose co-operative organizations was officially introduced. It was intended, according to the Plan, that, multi-purpose societies will

1. institutionalize all rural credit,
2. plan and execute a scheme of agricultural development,
3. undertake minor irrigation projects and constructional works in the village,
4. organize agricultural marketing and distributive trade,
5. promote industries,
6. provide public utilities,
7. ensure full employment, and
8. in other ways, make the village a closely knit economic organization for the purpose of establishing complete economic democracy at the village level.

The idea of launching a centralized but diversified form of co-operative organizations, as originated in the above mentioned Plan, was intended to aim at the catering of services operated through one single organization to meet the needs of the people. It was hoped that with a new type of democratic, social and economic institution to be operated at the village level would enable the voluntary co-operation of the people to achieve better performances through the consolidation of their efforts.

As this particular survey has been designed to analyze the transformation and functioning of this type of multi-purpose societies in Ceylon, it is proposed to deal with this problem at a later stage of this report and devote the rest of this chapter to describe briefly the historical development of the co-operative movement in Ceylon in order to give us a general picture of the whole situation leading up to the present development.

⁺(Re: The Agricultural Plan, 1958, Government of Ceylon)

As stated earlier the first Co-operative Societies Ordinance was enacted in 1912, just before the advent of the representative government. Co-operation, as a voluntary organization, had been developed very slowly in Ceylon during the British Rule. In the mid-thirties of the present century, with the recommendation of the Donnanghmore Report, the development of agriculture and rural economy began to attract the attention of the government. Consequently, action was taken towards the organization of co-operatives in the form of credit societies, especially in rural areas.

During the World War II, the Government launched a co-operative scheme under which thousands of stores societies were set up throughout the country within a very short time in order to ensure proper distribution of scarce essential foodstuff and other commodities under the emergency. Many of these societies, however, went into liquidation once the immediate necessity for their existence disappeared after the War.

The emergence of an independent nation has brought with an increased attention paid by the public sector to the solution of the problems facing rural development. There were schemes for land reclamation, irrigation and colonization. The adoption of general policies governing the promotion of rural reconstruction and rehabilitation. Large numbers of co-operative agricultural production and sales societies were formed to assist farmers to obtain cultivation loans, fertilizer supplies and other production requirements as well as to sell their produce at guaranteed prices. Side by side with this development, rural handicraft and cottage industrial co-operatives were organized for the provision of credit and raw materials and the marketing of the finished products of the member-workers.

One interesting aspect of development of the co-operative movement in Ceylon was the discovery of the so-called link-up system under which the co-operative societies specializing in different functions join together in the operation of their business activities with a scheme which would co-ordinate the working of co-operative credit, consumer stores and production and sales societies. This scheme enables credit societies, stores societies and production and sales societies within an area to link-up their activities without necessarily merging with one another and losing their legal entities. This link-up scheme has worked successfully in certain areas, for example, at Palugama where the writer had the privilege to visit. In this particular area, there were in existence three types of societies and the linking-up was found feasible and profitable to all concerned. Few areas in Ceylon, however, have this same condition in existence favourable to the adoption of such a scheme. Nevertheless, this new type of co-operative development furnished sufficient proof to the fact that societies specializing in different functions could be made more effective by joining-together multi-purposely in function to serve the community as an instrument of rural development.

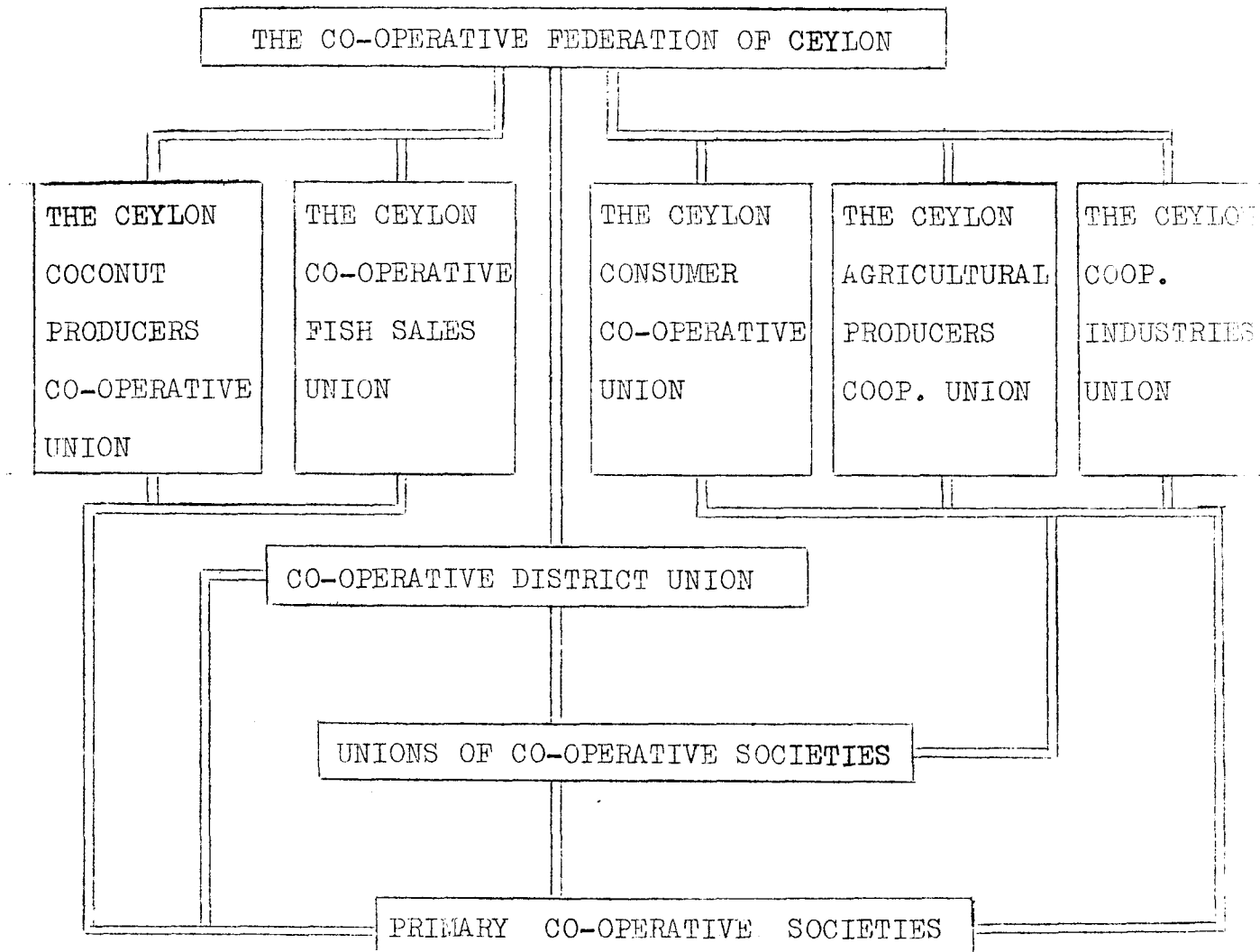
In 1957, as mentioned earlier, the Government came to realize the viability of the linking-up practice and deliberately **formulated** a scheme to encourage the establishment of multi-purpose co-operative societies as a new pattern for co-operative development in Ceylon. Under this pattern, co-operatives were assigned to perform various functions as required to meet the needs of the members in one and the same society instead of establishing specialized functional societies in the same area to serve the same people. This scheme was accepted with enthusiasm by the co-operative circles especially in the rural areas. According to available record, it was noted that the multi-purpose co-operative societies grew so rapidly that within one year of the launching of the scheme, there were 2,000 societies of this nature incorporated. Together with the conversions, the total number of multi-purpose co-operative societies stood at 5,037 at the end of 1966 - that is about ten years of the inception of the scheme, representing 34.4% of the total number of societies existing in Ceylon for that year.

The primary multi-purpose co-operative societies at the village level are generally supported by secondary organizations and government departments which together have contributed to a great extent to the effective operation of the village unit societies. The Federation of the **co-operative** societies of Ceylon has also greatly assisted in the implementation of this scheme by providing necessary services to the member societies. All Island Industrial Co-operative Union, all Island Agricultural Producers' Co-operative Union, and all Island Co-operative Consumers' Stores Society, all have helped in various ways the efficient functioning of the multi-purpose co-operative societies in the realization of their objectives.

It is to be noted that in Ceylon perhaps one of the most significant aspects of the development of the co-operative movement in recent years has been the assignment for it to function as the principal instrument of rural rehabilitation by means of the multi-purpose form of organizations. There is already an established network of multi-purpose societies in all rural areas so far visited by the writer. Though implementation of the scheme and the conversion of other types of **societies** into multi-purpose co-operatives have been carried through quite smoothly, yet there have been problems arising out of the course of transformation which will be discussed later.

At this juncture, it certainly would serve a useful purpose to incorporate two diagrams indicating the existing structure of the co-operative movement of Ceylon and the administrative set-up of the Department of Co-operative Development of that country.

STRUCTURE OF THE CO-OPERATIVE MOVEMENT



ORGANIZATION OF THE DEPARTMENT OF CO-OPERATIVE DEVELOPMENT

COMMISSIONER OF CO-OPERATIVE DEVELOPMENT &
REGISTRAR OF CO-OPERATIVE SOCIETIES

Development of the Co-operative Movement and
administration of the Law pertaining
to Co-operative Societies

3 DEPUTY COMMISSIONERS

In charge of

Administration, Publicity & Extension,
Consumer, Industrial, Legal and
Agricultural activities, Small Industries,
Banking, Audit, Liquidation, Statistics
and Fisheries.

3 SENIOR ASST. COMMISSIONERS IN-CHARGE OF

WESTERN, CENTRAL, AND NORTHERN
DIVISIONS

ASSISTANT COMMISSIONERS IN-CHARGE OF
28 DISTRICTS

Give necessary advice and assistance
to organise societies,
Register suitable societies,
Supervise and audit societies,
Take action regarding liquidation of
societies,
Appoint arbitrators under the powers
vested in the Ordinance,
Settle disputes.

HEAD-QUARTERS INSPECTOR-AUDIT

AUDITORS OF MAJOR SOCIETIES

AUDITORS OF OTHER SOCIETIES

HEAD-QUARTERS INSPECTOR-DEVELOPMENT

RANGE CO-OPERATIVE INSPECTOR

INSPECTORS FOR SUPERVISION

CHAPTER IV

GOVERNMENT DEPARTMENTS AND OTHER ORGANIZATIONS
CONCERNED WITH THE CO-OPERATIVE DEVELOPMENT IN CEYLON

In Ceylon there is a Department of Co-operative Development under the Ministry of Agriculture and Food, which is directly responsible for the development of the co-operative movement and administration of the laws pertaining to co-operative **societies**. In co-ordination and collaboration with the other departments of the Government and statutory bodies partly empowered with the same functions, the Co-operative Development Department has set up a streamlined network of administrative organs throughout the whole country.

For the purpose of this survey, the writer has been invited to visit the following organizations:-

1. The Department of Agrarian Services,
2. The Department for Development of Agricultural Marketing,
3. The Department of Agriculture,
4. The Department of Rural Development and Small Industries, and
5. Other statutory bodies and apex co-operative organizations, such as:
 - (A) The People's Bank,
 - (B) The Co-operative Wholesale Establishment,
 - (C) All Ceylon Agricultural Producers' Co-operative Union, Ltd., - The Central Market,
 - (D) Ceylon Coconut Products Co-operative Societies Union, Ltd., and
 - (E) Ceylon Co-operative Industrial Union, Ltd.

1. DEPARTMENT OF AGRARIAN SERVICES

The Department of Agrarian Services which was established in October, 1957 was charged with the following functions:-

1. The implementation of the Paddy Land Act of 1958 and its subsequent amendments;
2. The operation of the Guaranteed Price Scheme for specified agricultural products and rice milling;

3. The granting of loans to cultivators and agricultural co-operatives for the production, storage and marketing of agricultural crops and livestock;
4. The supply of agricultural production requisites, such as fertilizer, agro-chemicals and implements;
5. The management of the subsidized fertilizer scheme for paddy and other crops;
6. The planning and execution of minor irrigation works and the construction of irrigation wells for food production purposes;
7. The execution of the crop insurance scheme; and
8. Other relevant services, such as stated in the Food Production Act, etc.

In all these fields, the operational activities of the Department have been directly involved the performance of the multi-purpose co-operative societies and their unions. In order to give us a clear view of the implications, a brief account of the working of the functions of the Department is given below:-

1. Implementation of the Paddy Lands Act:

The Government of Ceylon had in 1958 passed a law for the protection of tenancy rights and the promotion of paddy cultivation aiming at rice self-sufficiency. This particular law has been amended in subsequent years to cope with the situation arising out of the implementation of various schemes under this Act.

After the adoption of the Agricultural Development Proposals, 1966-70, which were formulated by the Ministry of Agriculture and Food and published in January, 1966, the Department of Agrarian Services has been assigned a much more important role to play for the implementation of that program.

This 5-year agricultural development program has its primary objective on the increased domestic food production for import substitution. The achievement of the targets of increased production for paddy and other subsidiary food crops, such as chillies and onions, etc., would have to depend on the more extensive application of fertilizers and better seeds as well as the provision of credit and other inputs and facilities on a larger scale. In all these fields the Department of Agrarian Services has its role to play, and in doing so, it could make multi-purpose co-operatives the most effective instrument through which the extension services of the Department could be directed.

According to the plan, however, the implementation of the Government's Agricultural Development Proposals, 1966-70, at the village level devolved to a large extent on the Cultivation Committees set up in each village in so far as paddy production is concerned. The Committee was intended to maintain close relationship with the multi-purpose co-operative societies existing in the villages and therefore their harmonious collaboration of activities could be vital not only to the success of the co-operative enterprises, but also to the effective performance of the activities of the Committee. The need to strengthen Cultivation Committees was evident and the Department of Agrarian Services has taken a concerted drive to make these Committees effective village-level organizations.

It is a wise step, therefore, to invite the multi-purpose co-operatives in the area to make their representations to the Committee and send their officers to attend the Training Seminars organized by the Department of Agrarian Services for the Cultivation Committee members in order to underline the mutual understanding of functions.

The Cultivation Committee has been authorized to collect funds in the form of acreage levy payable by cultivators. The bulk of the levy has so far been made through the Guaranteed Price Scheme purchases undertaken by the multi-purpose co-operatives acting as agents of the Department's G.P.S. The funds collected under this levy have been used for the development of paddy cultivation in the area on items such as the improvement of irrigation facilities, the purchase and distribution of subsidized fertilizer among cultivators, the supply of seed paddy and agro-chemicals, the purchase of sprayers, dusters, weeders, seeders and other agricultural implements for use by cultivators of the area. In addition, the establishment of demonstration plots and the common threshing floors, the fencing of paddy tracts and the organization of agricultural competition fairs together with certain other sizable items of capital expenditure are also included. The Department has been taking every effort to ensure that the Cultivation Committees conform to their functions and give the desired leadership at village level for the successful implementation of the Government policy.

2. The Operation of the Guaranteed Price Schemes:

(A) PADDY

The Guaranteed Price Scheme was initiated in 1948 following the conclusion of the operation of the Internal Purchase Scheme for paddy during the World War II. The idea of launching a new Scheme was to stabilise paddy prices which were subject to wide fluctuations and to step up the local production of paddy in order to free the country from heavy dependence on imports for its staple food.

The Guaranteed Price Scheme was operated on a voluntary basis whereas the producer was free to sell his paddy either to Government through its agencies at the fixed guaranteed price or to the free market at any other price.

In 1961, the Government passed an Act, entitled the Agricultural Products (Guaranteed Prices and Control of Hulling and Milling) Act, putting this Guaranteed Price Scheme on a statutory basis instead of on a purely administrative measure.

The existing procedure adopted to carry the guaranteed price to the producer is as follows:-

1. Preparation of Crop Register:

Every person whose name appears in the Crop List is entitled to sell under the G.P.S. the total crop shown against his name less his seed requirements only.

2. Appointment of Purchasing agents:

About 4,500 co-operative societies, mostly multi-purpose, functioned in 1967 as purchasing agents under the G.P.S. and each of them was provided with a crop register relating to the area at the commencement of each purchasing season. These agents are under statutory obligation to purchase paddy from all persons whose names appear on the crop registers and to pay them the full guaranteed price. In so doing, the co-operatives have performed a very useful function for their members and the state.

3. Surrender of paddy at G.P.S. stores:

From time to time paddy purchased by agent societies is delivered to the G.P.S. stores and the societies are re-imbursed both the cost of the paddy purchased as well as the expenditure incurred on transport together with the commission of 50 cents per bushel to cover managerial labour and handling costs. Many societies have benefited from these incomes.

4. Milling:

Paddy purchased under the G.P.S. is milled into rice either at government or co-operative rice mills or registered private millers.

It was reported that the comparatively high guaranteed prices of the past years, along with other incentives, have at least partially **boosted** the increase of paddy production and achieved the objectives of the Scheme. The inevitable result of a high

guaranteed price for paddy, - higher than the free market price, was that most marketable surplus was eventually sold to the Government. However, in certain areas visited by the writer during his tour in April, 1968, there were private sales of paddy in the free market to the millers, as the guaranteed price fixed at that period for that particular area was not attractive to the producers or for other reasons of collection, transport and storage difficulties.

The reduction of the monthly rice ration from 2 measures per person to 1 measure in the beginning of 1967 opened a new phase in the operation of the G.P.S. The paddy market was liberalized from its almost total dependence on the G.P.S. supply and for the first time since the price of paddy had been fixed at Rs 12/- per bushel by Government, the open market price often went up above the guaranteed price. Therefore, the agents of the G.P.S. are now being called upon to purchase paddy from producers in competition with the private traders and millers. To many multi-purpose co-operative, this is an entirely new situation of development which they have to face if they still wish to enjoy the income derived from the considerable amount of service charges and commissions they have been receiving under the G.P.S. as agents. No matter whether it is right or wrong, it happens that many co-operatives have been dependent on the income from these sources for the effective operation of their ordinary business. A drastic cut of this revenue would inevitably jeopardize many societies and therefore a reorientation of the business policy of the co-operatives would be necessary.

On the other hand, the Department of Agrarian Services has been examining the organizations available in the districts for the purchase of paddy with a view to remedying the difficulties involved. Some of the positive steps have been taken as follows:-

1. Purchasing agents

In certain areas, co-operative societies functioning as purchasing agents are ineffective. Steps have been taken, therefore, either to revive these ineffective societies or arrange with other societies in adjoining areas to establish purchasing points replacing the former as agents.

2. Financing Societies to purchase from producers in cash

It has been discovered that if the societies are to compete effectively with private dealers, they should pay ready cash to producers. For this purpose, the societies have been given marketing loans well ahead in time from the People's Bank. In addition, the People's Bank

has been providing good societies with records of large scale purchases with money no sooner than paddy is purchased by such societies without waiting for the surrender of goods receipts.

3. Transport

The storage capacity available to societies are generally very limited and if they are to do continuous purchases, there must be regular movements of paddy from societies to G.P.S. Stores. As societies may find it difficult to get transport locally, the Department may, where necessary, approve special rates for transport by cart and tractor trailers, in addition to lorries. In this respect a better distribution of storing and milling network for paddy is essential in order to cope with the effective business operation of the society agents.

4. Purchases on crop lists

Purchases are to be made from anyone and will not be limited by crop lists. This opens the way for the societies, on behalf of the Department, to go into the free market and may exert certain influence on sustaining a reasonable price level beneficial to the paddy growers.

The objective of all these measures has been to ensure that the G.P.S. is made ready to purchase paddy from producers when the market price settles at Rs 12/- per bushel. If the market price is above the official fixed level, it is natural that producers will sell outside the G.P.S., but the G.P.S. will ensure that no producer will get less than Rs 12/- per bushel as guaranteed under the Scheme.

(B) SUBSIDIARY FOOD CROPS

With the inauguration of the Guaranteed Price Scheme, several agricultural products other than paddy have been brought under the said Scheme. The primary objective has been to stimulate domestic production by the adoption of price supporting measures for the vast number of farmers who supplemented their income from certain types of cultivation such as maize, kurakkan, sorgham, mustard and gingelly, etc. produced in the dry zone. Similarly, import substitution as a means of saving foreign exchange was also responsible for the selection of crops like chillies, red onions and pulses, etc. The G.P.S. has already covered 19 items of foodstuffs under its protective umbrella and to certain extent the multi-purpose co-operative have been instrumental to the effective functioning of the Schemes.

3. Agricultural Credit:

In Ceylon, from 1947 to 1956, the granting of loans to cultivators and agricultural co-operatives for the production, storage and marketing of agricultural crops and livestock was channeled through the co-operative agricultural production and sales societies. The number of these **societies** was then only 955 with a total membership of about 240,000 persons. In 1957, the multi-purpose co-operative system was vigorously recommended, combining both consumer and producer activities to be operated in more compact areas. This type of MPCS has ever since replaced, more or less, the above mentioned type of CAP & S Societies. The number of multi-purpose co-operatives rose to 5,053 in 1965 with a total membership of 863,743. Government funds have been channeled to these societies through the agency of government departments.

Since 1957 the Department of Agrarian Services has handled agricultural credit as one of its functions. In order to be qualified for loans the following conditions have to be observed:-

1. A farmer is obliged to become a member of the co-operative society by purchasing at least one share. The value of a multi-purpose co-operative society is usually fixed at Rs 5/- payable generally in 10 annual instalments.
2. A member becomes entitled to loans on payment of the first share capital instalment. Thereafter, regular payment of his share capital instalments is essential to maintain his eligibility for receiving further loans.
3. Failure to repay loans taken earlier by the due date would render a member disqualified for getting further credit from his society.
4. The maximum credit limit for a member was fixed at five times his share holding and, as most members had only one share in his society, the maximum credit limit of an individual farmer was generally limited to Rs 250/-. This condition of loan advances is, in fact, not realistic in the sense that consideration has not been given to the actual needs of the farmers and their personal character etc., and therefore, there are cases where this limit has been ignored. Even those who failed to repay their loans have been given further credit under special circumstances.

According to record, the amount of loans granted between 1947 and 1963 (September 30), totalled Rs 192,555,392/- and the total amount repaid reached a figure of 81.1%, while out of the residue of 12.9% outstanding, approximately 9.4% was regarded as defaulted.

In 1963, a committee to review the credit scheme was appointed by the Ministry of Agriculture, Food and Co-operatives. This committee recommended certain changes which were intended to expand the flow of institutional credit so as to intensify agricultural production as well as to strengthen the procedure for loan recovery and supervision of credit.

The liberalization of the credit scheme in 1963 without implementation of the tighter recovery measures had resulted a much greater percentage of default of loans repayment in following years. It was observed that since the implementation of the expanded credit scheme in 1963, loans in default have increased rapidly. Two main reasons were given:-

1. While loan procedures have been simplified from time to time, procedures and powers of recovery have not been adequate to cope with an increasing volume of credit.
2. Since the expanded credit scheme of 1963 was operated by a Government Department - that is, the Agrarian Services Department, there appears to be a tendency on the part of the beneficiaries to treat the grant of credit more as a welfare measure than as a commercial proposition.

In view of the fact that the People's Bank has been set up primarily for the purpose of financing the co-operative movement and the provision of rural credit, the committee, therefore, recommended that credit which hitherto granted directly by the Department of Agrarian Services should, in future, be channelled through the People's Bank or any other Bank which is prepared to come into this scheme. It was regarded that the granting of loans to the rural sector should be a function of the banking system proper and as a business proposition.

The Committee also made other recommendations:-

1. All credit given by the Banks under the proposed scheme be guaranteed by the Central Bank on behalf of the Government. Loans were to be made to cultivator under this scheme at a maximum rate of interest of 12% per year;
2. All outstanding and unrepaid loans issued prior to 1958/59 which were given to co-operative agricultural production and sales societies should be written off. The bulk of these loans were in fact given to C.A.P. and S. Societies which were no longer in existence, and the debtors no longer traceable;

3. In respect of subsequent years, loans given in areas where there was a total or partial crop failure were also to be written off. The Agrarian Services Department could determine, in consultation with the Agriculture Department, the seasons and areas to which these write-offs should apply;
4. When the Banking system takes over the granting of agricultural credit, the defaults in respect of loans under the old scheme should not preclude the grant of fresh loans either to Societies or to individual persons;
5. The Commissioner of Agrarian Services should prepare a list of the outstanding loans after the concessions referred to in (3) and (4) above have been made. Thereafter, societies should be informed that Government would consider the writing off of those loans in respect of those societies whose repayment under the new scheme for the first three years of its operation were satisfactory;
6. The Banks should be given a generous commission on all old loans in default which they were able to recover from societies; and
7. All loans to societies will be supplied on the basis of a village production plan prepared by the Food Production overseer in consultation with each Cultivation Committee in the area of the society. A greater degree of supervision over the use of loans will be exercised under the new Scheme and the extension officers of the Departments concerned will be given specific tasks for the fulfilment of the village production plan. All loan operations will be on the basis of a specific time-table, so that loans to any society will be approved before the commencement of the cultivation season.

The writer was given to understand that the Government has put this proposal into operation from Maha 1967/68 onwards and during his tour in the districts in March/April, 1968 campaigns for repayment of the loans advanced under the new system were launched by the departments concerned through the MPCs organizations. It is to be noted that agricultural credit is a component part of the Agricultural Development Proposals, 1965-70. Evidently, MPCs have an important role to play in the effective utilization of the credit made available by the Government. In this connection, village cultivation committees, extension officers, food production overseers as well as officers of the Banks are all intimately concerned with the realization of the objectives as set out in the above-mentioned Proposals. Unless a very effective co-ordination and collaboration could be worked out and rational village production plans properly formulated and supervised, the problems facing the societies and their members with regard to agricultural credit would not be solved easily and satisfactorily. Further comments would be enumerated in the concluding chapter of this report.

4. Subsidy Scheme for Paddy Fertilizer:

Paddy cultivators are supplied with inorganic fertilizer by the Government through the Department of Agrarian Services under a subsidy scheme in two levels: under 50% subsidy and under 33 $\frac{1}{3}$ % subsidy, respectively. Co-operative societies, cultivation committees, and individual cultivators singly or in groups are entitled to purchase fertilizer at 50% subsidy by pre-payment of the balance 50% in cash. Whereas co-operative societies are also entitled to purchase their requirements of fertilizer initially on loan at 33 $\frac{1}{3}$ % subsidy and get such subsidy and loan converted to the 50% subsidy and cash purchases provided 50% of the value is paid to the Department of Agrarian Services within 45 days from date of purchase.

Co-operative societies and cultivation committees which buy fertilizer on 50% subsidy with their own funds could either sell to their members in cash or on loan with an interest rate not exceeding 10% and pass on the same subsidy to the cultivator.

It is to be noted that as mentioned earlier paddy cultivator individually or in groups could purchase fertilizer from the Department at 50% subsidy on direct payment of balance 50% in cash, without going through the cultivation committee or the co-operative society. The writer has not been able to obtain the figure of purchases going through this channel, but it is evident that the Department has opened outlets of its distribution of fertilizer to the cultivators in a rather liberal way which may not be conducive to the efficiency of management. Especially, cultivation committees are not business organizations and it is not proper for them to handle business transactions which may involve risk of financial loss to their members. In fact, the multi-purpose co-operative societies and/or their unions should be made sole agents for the purchase and sale of fertilizer in order to release the Department from dealing with too many customers. This practice would certainly induce cultivators to join the societies as members.

A study of the figures showing the quantity of fertilizer issued under the subsidy scheme since 1950/51 up to 1965/66, we discover that the lowest figure was 791 tons sold in 1950/51 with an increased amount of issue each year up to 1963/64 when the biggest amount of fertilizer issues reached 60,096 tons. Then in 1965/66 fertilizer sales fell to 40,485 tons which were well below the target set for that year. One of the major contributory factors for the low consumption of paddy fertilizer was said to be the inadequacy of the number of supply points from where fertilizer is made available to the cultivators. In order to remedy this situation, co-operative societies and cultivation committees have been encouraged to put up village fertilizer stores. At the same time private authorized distributors, in areas where cultivation committees or co-operative societies are ineffective, have been urged

to take up the distribution of fertilizer. This shows that there is room for improvement of the working conditions of the village multi-purpose co-operative societies and their unions.

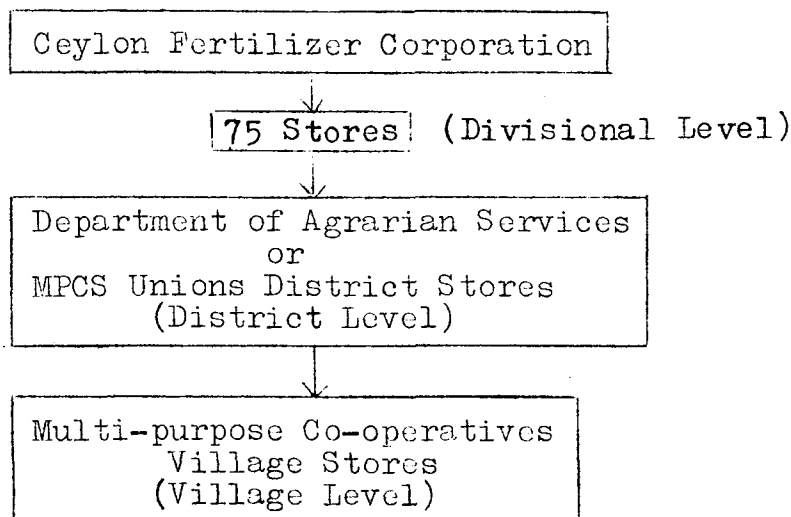
The Department of Agrarian Services has supplied subsidized fertilizer through its network of 75 stores at divisional level and through the co-operative societies and cultivation committees at village level, and also through private dealers as well. Here a simplification of the distribution channel is desirable and the MPCS could work toward this direction as a sole agent of this business wherever is possible.

The Ceylon Fertilizer Corporation which is the sole supplier of fertilizer to the Department of Agrarian Services also had its program for the construction of District Stores. With the completion of the district level stores as well as village level stores, it is hoped that there would be adequacy in the distribution line of fertilizer in the whole country, as shown in the following diagram:

(A) EXISTING CHANNEL OF FERTILIZER TRADE

1. Ceylon Fertilizer Corporation
75 Stores (Divisional level)
 2. Department of Agrarian Services
District Stores (District level)
 3. Co-operative Societies (Village level)
Cultivation Committee
- Private dealers in fertilizer
(supplementary to Item 3)

(B) PROPOSED RE-ORGANIZED CHANNEL FOR THE DISTRIBUTION OF FERTILIZER IN CEYLON



5. The Crop Insurance Scheme:

The Crop Insurance Scheme in Ceylon was first introduced as a pilot project during the 1958/59 which was initially limited to cover about 28,000 acres of paddy in specially selected areas for an experimental period of four years, in order to gain sufficient experience and knowledge, as well as to test farmer reaction, before considering its extension to other areas.

Commencing from the 1962/63, the Government decided to gradually extend the Scheme to cover the entire paddy acreage in Ceylon. The necessary legislative authority for the operation of the Scheme was provided by the Crop Insurance Act of 1961.

The Department of Agrarian Services is responsible for the administration of the Scheme under the direction of the Minister of Agriculture and Food. Cultivation Committee set up under the Paddy Lands Act, and in other cases multi-purposes co-operative societies have been appointed as insurance agents at the field level. Crop insurance is compulsory in the areas specified by the Minister and hence all persons having any interest on land within such areas are automatically under the Scheme. Both owners and cultivators are included and therefore premium as well as indemnity are based according to their respective shares of the crop.

The causes against which insurance protection is offered are:

1. lack of water,
2. drought,
3. excessive water,
4. floods,
5. plant diseases,
6. insect infestations,
7. wild boar,
8. wild elephant, and
9. approved methods of farming.

In the case of crop failure, farmers are indemnified to a maximum of 50% of the value of their crop. The coverages offered at present vary from Rs 100/- to Rs 180/- per acre, according to the risk and productivity of the area.

In order to provide an incentive to farmers to adopt special farming practices, a higher coverage is offered to those who adopt such practices, at the same premium rate. These special farming practices are:-

1. row sowing or transplanted, or row transplanting,
2. use of approved fertilizer, and
3. weed and/or use of weedicides or harrow.

The premium rate charged to the farmer at present is as low as Rs 6/- per acre. This is made possible by the Government providing a subsidy in keeping with the policy that the rate charged to the farmer should not be beyond his paying capacity. The farmers are allowed the concession to pay premium after harvest. Premium is paid either in cash to the cultivation committee or in the form of paddy to multi-purpose co-operative societies when deliveries are made under the Guaranteed Price Scheme. In case of damage of the crop, notice of loss should be given to the agent within specified period of the occurrence to the stage of production at which the loss occurs, as well as in proportion to the extent of loss.

Past experience shows that the overall position of premium collections has been far from satisfactory. Farmer's reaction tends to show that, variable rates of premiums according to the risks and higher coverages in relation to productivity including a **greater** incentive to those participants adopting improved methods of cultivation are desirable.

The present Scheme is based on a subsidy from the Government. It has been in operation in certain selected areas, covering about 200,000 acres, of 16 districts in the Island. A proposal for a comprehensive review of this Scheme has been under consideration. The practical possibilities of crop insurance have been amply demonstrated by countries like the U.S.A. and Japan which have had crop insurance programs for a number of years. In the case of Ceylon, there is no reason why that this Scheme could not work with success. The effective support of the multi-purpose co-operatives and the cultivation committees would prove to be essential in the implementation of such a Scheme.

Minor Irrigation Works

For the execution of the Minor Irrigation Works Program, every District is divided into a number of divisions, each under a Village Cultivation Officer. Cultivation superintendents or technical assistants seconded from the Irrigation Department are appointed to each District, both to supervise the work of Village Cultivation Officers and to give the Assistant Commissioners the necessary technical advice.

Before the commencement of a financial year a Priority List of Minor Irrigation Works to be undertaken for the year is prepared by the Assistant Commissioner of the District. After the Priority List is approved by the District Agricultural Committee, the technical staff working under the Assistant Commissioner are entrusted with the task of preparing Estimates and Plans.

Once Plans and Estimates in respect of a Minor Irrigation Work have been approved, the contract is, in the first instance, offered to the cultivation committee of the area, in terms of approved Government policy. If the cultivation committee is prepared to take it up, the work is entrusted to it on an agreement at 100% of the approved Estimate. The work proceeds therefore under the supervision of the Village Cultivation Officer.

In instances where a cultivation committee does not take up a Minor Irrigation Work, public tenders are called and the work entrusted accordingly.

Before the final payment is made, the work has to be inspected by the Technical Assistant/Cultivation Superintendent and the Assistant Commissioner.

An examination of the financial provision for Minor Irrigation Works and actual expenditures during the past few years has shown that funds have been amply provided for this purpose, and in most cases considerable surplus has been recorded. It was mentioned that one of the major difficulties in setting the Minor Irrigation Program has been the difficulty of getting contractors. The cultivation committee as well as private contractors have often failed in their assignments. Perhaps it is here that the multi-purpose co-operatives or their unions could play their role in taking up these construction works under labour contracts instead of appealing the tenders or cultivation committees.

Another major problem has been in connection with the maintenance of irrigation system by the cultivators. The lack of proper maintenance has resulted in maintenance cost soaring high in the estimates. Cultivation committees in their capacity as irrigation headmen are responsible for getting the cultivators to perform their maintenance services. Unfortunately, this obligation has not been discharged satisfactorily. There are cases of serious silting damages occurred, and the writer has witnessed this unhappy situation during his visit to the Colonization Scheme areas. Perhaps an effective solution could be found by inviting the multi-purpose co-operatives or their unions to undertake the contract work and to collect the water fees, thereby making it a party responsible to the maintenance of the system by mobilizing the efforts of their members to look after the works. As the societies are organizations of these cultivators who have direct benefit under the irrigation scheme, there is no reason that these people should not much concern with the proper maintenance of the system.

2. DEPARTMENT FOR DEVELOPMENT OF AGRICULTURAL MARKETING

This Department has been assigned the functions in formulating schemes for planned production and orderly marketing of subsidiary commercial crops such as vegetables, fruits and poultry industries etc.

The Department has maintained the policy of the free purchase of vegetables particularly to ensure satisfactory prices to the producers. Such purchases brought in more produce than could be handled through the retail outlets of the Department and the surplus was disposed of through the wholesale floors of the All Ceylon Agricultural Producers' Union. When the produce was too much to be handled even through the existing floors of the Union, the Department disposed of such purchase by engaging in direct bulk sales to retail trades in the out-stations. Such a measure is not **necessarily a good marketing** method. The established outlets for existing wholesale dealers would naturally be affected. Nevertheless, as there is still lack of direct link of producer-consumer-societies, and the marketing activities of the Union concerned is still limited, there is little that the Department could do otherwise. Therefore, the answer is two-fold: more wholesale floor and a more expeditious way of establishing contact between different centres. The Government has recognized this need and has accepted that the service can be most effectively performed under a co-operative set up. Funds have been released to the All Ceylon Agricultural Producers' Union to streamline its marketing organization and management.

In practice floor prices have been fixed by the Department for different varieties and grades of fruits, vegetables and eggs, etc. at the collecting centres or in the field and at places of storing or processing. The determining factor in fixing a floor price has been the capacity of the produce to be kept off the market when supplies are plentiful. Thus, items that are in the price list are those that can either be kept in storage or processed at the factory.

The All Ceylon Agricultural Producers' Union had attempted to undertake off season cultivation of vegetables at various places of certain districts. The experience that has been gained is that, except for the wind-swept areas of Nuwara Eliya and Keppitipola, it is possible to cultivate vegetables even during the off season provided irrigation facilities can be found.

There is a Central Advisory Committee on marketing which holds its monthly meetings where questions relating to floor prices, off season cultivation, assistance to the Union and Distribution Schemes for vegetables were discussed and determined. These are all aspects that tend to evolve an orderly marketing scheme, but nothing much has been done towards this end. The basic difficulty is the absence of primary data, and the usefulness of co-operative efforts has not been tapped by the parties concerned.

The Department maintains cold storage rooms at various important points for storing surplus produce with a view to maintaining stable prices as well as for processing. It appears, however, that member societies of the Union should be encouraged to conduct direct sales at local markets and centralized control should not be over-emphasized with perishable commodities.

Under the Agricultural Development Proposals, 1966-70, some of the Poultry Breeding Co-operative Societies were formed. The Department has extended its purchases Scheme to these societies. Also, the purchase of eggs in the area around Negombo, Chilaw, Hettipala through a network of 95 multi-purpose co-operative societies continued to operate. Besides, the private poultry farmers too sold their eggs to the Department.

The Department maintains a chain of 46 departmental shops in addition to temporary stores opened during festival seasons at certain areas. The bulk of commodities sold were obtained in Colombo through the Food Department and Co-operative Wholesale Establishment. The Department runs restaurants as well as kitchen and bakery for the supply of meals and bread, etc. The Department also operates hospital supply service of raw provisions, fruit canning and processing. It maintains transport vehicles in collaboration with the fleet of lorries provided by the All Ceylon Agricultural Producers' Co-operative Societies Union for services to ease the position relating to the shifting of agricultural produce. It was claimed that this Department has been working in close liaison with the Departments and organizations connected with the production and marketing of food items, such as Departments of Agriculture, Food and Co-operative Development, River Valleys Development Board, the Uda Walawe Scheme, etc. Still, it is difficult to see while taking note of the meager amount of business turnover of this particular establishment, how the existence of such a Department is necessary if co-operatives, especially, the multi-purpose co-operatives and their unions could have been adopted to operate the functions as enumerated earlier.

3. THE DEPARTMENT OF AGRICULTURE:

The activities of the Department of Agriculture fall under the following categories:-

1. Research,
2. Production,
3. Extension and education,
4. Engineering, and
5. Botanic gardens.

I. RESEARCH:

Its research activities cover the breeding and testing for improved varieties of rice, chilli, pasture grass, pasture legumes and vegetables, as well as tobacco, cocoa and potato crops. It also conducts research on the application of weedicides, pesticides for plant protection and fertilizers trials, for testing their relative efficiency on crops. Paddy planting trials are also conducted together with paddy and cotton irrigation studies. With regard to animal husbandry and veterinary science experiments are mainly concerned with poultry and cattle industries.

II. PRODUCTION:

The production activities of the Department chiefly concern with the management of the Government farms, and issues of planting material and breeding stock to participating farmers.

III. EXTENSION AND EDUCATION:

The extension effort of the Department has been mainly devoted towards increasing the production of rice through the use of improved seed, proper fertilizer mixtures and suitable agro-chemicals to control pests, diseases and weeds. These activities had been undertaken to cover a total cultivated area of over one million acres in 1965/66 Maha season and well over half a million acres in Yala, 1966. Other activities contained improved methods of paddy cultivation, distribution of seed paddy, issue of fertilizer and agro-chemicals for paddy production.

The production of subsidiary food crops such as chilli, maize, onions, ground nuts, etc. was also stepped up through the extension services of the Department. Most of these products are purchased by the Department of Agrarian Services under the Guaranteed Price Scheme.

Of the commercial crops handled by the Department, tobacco is the main concern. Financial assistance in the form of loans has been given to tobacco growers through co-operative societies. Replanting rubber with cocoa was also given subsidy.

Issues of poultry strains and chicks were also done through the Extension Services of the Department. There is a national Poultry Project in which 57 co-operative poultry societies are functioning within Colombo and Kalutara Districts. Loans have been released to the member-breeders. Besides, animal husbandry and veterinary services have been rendered by the Extension Service. Very little has been said about co-operative efforts which should occupy a prominent place in extension services.

With reference to education, there are School of Agriculture at Kundasale and several practical farm schools for boys and girls. The enrolment of both types of schools has not been very encouraging.

Young Farmers' Clubs are quite numerous in Ceylon with their affiliation to the National Council.

IV. ENGINEERING:

Engineering work of the Department covers repair work, tractor services, implements production and construction, etc.

V. BOTANIC GARDENS:

For the sale of plants, seeds, etc. the Department realized from the Botanic Gardens certain sums of money. Improvement and maintenance were made out of the Department budget.

4. RURAL DEVELOPMENT AND SMALL INDUSTRIES DEPARTMENT

This department was formed with the amalgamation of two departments, that is, departments of cottage industries and rural development in October, 1955.

The rural development program in Ceylon has been largely responsible for the mobilization of local self-help resources to supplement government assistance in the provision of a wide variety of felt needs of the people. This program has been introduced into the village through government sponsored, democratically constituted voluntary village organizations known as Rural Development Societies. Local communities are encouraged and guided through these organizations to participate with government in the planning and execution of local development projects. It is evident that the activities of these societies, in order to be effective, must be closely associated with the co-operative functioning in the rural areas.

At the end of 1966/67 financial year, there were 8,680 rural development societies providing public amenities to villages on self-help basis. The department supplements such self-help effort of the people with the money grant which seldom exceed 50% of the value of each completed project. Village roads, public wells and later in school buildings, industrial centres, community halls and dispensaries are examples of project-works undertaken by the societies with or without the subsidy of the Department.

In 1966 the Government launched the so-called "one thousand textile centre program". Large numbers of rural development societies and other voluntary organizations such as community centres, co-operative societies, youth leagues, Samaja Sanwardana Societies, etc. volunteered to undertake the construction of these buildings on a self-help basis in the form of free labour, free materials and even cash donations.

The one thousand handloom centres scheme was meant to provide employment to 25,000 persons and to produce 22 million yards of textile as its target with the passage in Parliament of a supplementary estimate for Rs 9,900,000 to meet the capital costs and training expenses.

Besides, many rural development societies participated in a number of Shramadana Schemes, most of which have a direct bearing on food cultivation. These schemes have been much concerned with the restoration of village tanks, clearing of irrigation channels and the participation in community weeding campaigns. A large number of societies have engaged themselves

in other useful activities, such as savings campaigns, organization and supervision of milk feeding centres, blood donations campaigns and the settlement of village disputes through conciliation boards. To be sure, these activities should in fact constitute the important social functions of multi-purpose co-operatives if they are to serve the real needs of the people in the area concerned.

The promotion of small industries has occupied a significant role in the Government development programs. It has been looked upon as an effective means of providing additional employment opportunities and of conserving foreign exchange through import substitution operations. Chief measures adopted by the department have comprised vocational training, raw material supply, design development, credit facilities, marketing assistance and co-operative organization.

For administrative purposes the Government has defined small industries as those of craftsman's hand industry, and those with investment in plant and machinery exceeding Rs 10,000 of public sector only. (Whereas, private sector small scale industries come under the purview of the Development Division of the Ministry of Industries and Fisheries). The establishment of 1,000 handloom textile centres, the provision of more facilities to cottage industrial workers to market their products through the establishment of more Laksalas, the training of toddy tappers, the setting up of a needlework training centre in every electorate, etc. are the important steps taken by the Department for the furtherance of its objectives.

It was noted that the handloom textile industry was responsible for over 50% of the current local production of textile supplies in Ceylon, providing full-time and part-time employment to approximately 78,000 weavers and helpers. Of 63,500 handlooms, 55% are privately managed. It is undoubtedly that this industry offers employment opportunities to the rural people, specially those young girls in rural areas, supplementing their family income. The putting-out type of home industry might be eventually developed with the support of MPCs and their unions. The multi-purpose co-operatives may undertake to supply raw material for production and to collect the finished products for sale as well as to finance the industry through the credit section or rural banks in collaboration with the textile goods section of these societies. In fact some of the MPCs and their unions have already operated handloom units successfully under the above-mentioned linking-up of business activities within the co-operatives. The Department is, therefore, in the position of promoting these projects on textile production to meet the need of the country and realize one of its main objectives.

With the C.W.E. becoming the sole importer of textiles, the protection given to handloom sarong industry under the Industrial Products Act was withdrawn at the end of 1966. The handloom weavers will, however, be given every assistance to market their products through C.W.E., Multi-purpose Co-operatives Laksalas and the private trade. It is here that the

scope of co-operative for the development of textile co-operative enterprises should be carefully planned with the idea of strengthening and enlarging the scope of the activities of the MPCs and their Union to be assisted by C.W.E. under the re-organization scheme mentioned elsewhere in this Report.

It is also to be noted that the Government has already banned the imports of many items of textile as a measure of assistance to the local industry and in keeping with the policy of import substitution. From the Government's **view point** the restriction might even go further if the operation of local industries on these line is satisfactory. The current total local production only amounts to 90 million yards of textile goods by handlooms, powerlooms and mills, and the country requires an estimated current annual volume of 200 million yards of textiles. There is, therefore, still a long way to go to make the country self-sufficient in the supply of textile goods.

The creation of suitable machinery to undertake functions of co-ordination of regulation for the textile industry as a whole is a matter of great concern to the Government departments and co-operative circles. With regard to the powerloom textile industry, the department runs powerloom workshops in various districts of the country, which produced different varieties of textiles. The bulk of these textile products were supplied to the Government Store Department.

The weavers' Co-operative Unions and Societies are also being assisted by the department to set up their own powerloom workshops particularly in those areas where Government powerloom workshops are not being established. Further extension along this line of development on co-operative basis should be desirable, in particular, textile sections of MPCs and their Unions may go into this venture profitably with the assistance of the department. From the figure obtained of local production of textiles it is noted that the cottage and small scale sector in the textile industry will continue to play a major role. Proposals regarding the creation of suitable machinery to undertake the planning, co-ordination and regulation of the various major producing sectors of the textile industry as a whole have been put forward by some quarters. It is to be expected that multi-purpose co-operatives could play their leading part in this development.

The Department has sponsored three co-operative coir societies unions along the Southern coast districts with 108 primary coir workers societies affiliated to them. The Department provides financial and marketing assistance to this industry chiefly through these co-operatives. Every year the Department purchases coir yarn, coir rope and coir net bags from these co-operatives for supply to Government departments. The coir workshops set up by the Department also purchased coir yarn from these societies for making coir mats and matting out of this yarn for sale through Laksalas.

The export market for Ceylon coir yarn has dropped progressively in recent years chiefly due to competition from a cheaper Indian product and the **synthetic fibre**. But the loss in the export market has been partly compensated for with the expansion of the domestic demand. The future of this industry which at present provides more than 40,000 persons in employment will depend to a large extent on the introduction of better techniques of production including the mechanization of shopping and weaving and the organization of stronger units of co-operatives perhaps with attachment to the MPCS Unions. The National Industrial Co-operative Union has already established a rubberized coir manufacturing factory which would open a new outlet not only for coir **yarn**, but also for export of the finished products. There is a possibility that all these activities could be made part of the business functions of MPCS and their Unions. At least the Union of industrial co-operatives should make use of the MPCS/Unions as their collecting centres of raw materials and distributing agencies of their finished products. Ventures of a joint nature should be worked out between the parties concerned under the supervision and advice of the relevant departments and the Federation of co-operatives as well as the People's Bank of Ceylon.

The Department also conducts carpentry schools and needle-work centres for the training of young men and women in these vocations so that employment opportunities could be found for them. Co-operatives have been formed by these people and the Department generally provides both financial and marketing assistance to these societies. It should not be too difficult for the MPCS to participate in this work by setting up special business sections in their establishments to undertake this kind of functions. The same could be applied to pottery and other industries which have been operated through the co-operatives.

The growth of small industries is dependent on the availability of ready markets for their products. The growing network of multi-purpose co-operatives and their unions should be able to meet a large part of this demand. As an additional measure of assistance to small industries, all government departments and state corporations are required to give preference to cottage industrial products in obtaining their store requirements. It is interesting to note that with regard to the co-operative development of small industries, the Department has a separate division for industrial co-operative development under an Assistant Commissioner released by the Department of Co-operative Development together with certain number of inspectors. This Division is in charge of the organization, supervision, and audit of the co-operatives in the country except those in eight districts which are under the care of local resident Assistant Commissioners of the Co-operative Development Department. This peculiar arrangement should be avoided with a view to streamlining these services in order to prevent confusion and irregularity of co-operative administration and control.

Statistics of industrial co-operatives and their unions are given below:-

Industrial Societies (1966/1967)

No. of Soc.	Textiles	Mat	Coir	Pottery	Carpentry	Other	Total
	542	14	96	85	234	196	1162
membership	57431	923	5387	2575	4739	4030	76085

In Rupees (Thousand)

owned capit.	3954	51	188	268	602	173	10570
borrowed capital	5971	4	72	33	175	616	7171
sales	25659	111	1543	451	2765	883	31412
stock in trade	5283	8	67	42	389	305	5994
cost of management	709	5	29	36	101	105	985
nett profit.	756	3	20	25	73	5	871

Industrial Co-operative Unions

(1965/1966)

No. of Unions	32
membership ⁺	5493 ⁺ (Evidently was open to other types of societies)

Paid up share capital	Rs. 393,222
Working capital	Rs. 14,975,174
Stock in trade	Rs. 6,906,688
Purchases	Rs. 45,385,294
Sales	Rs. 52,044,333
Nett Profit	Rs. 1,136,124

CHAPTER V

THE DEVELOPMENT OF THE MULTI-PURPOSE
CO-OPERATIVE ORGANIZATIONS.

- A Record of Field Surveys -

In Ceylon, multi-purpose co-operative societies have been assigned to provide common facilities to the villagers, which may consist of the provision of credit, the supply of agricultural or industrial requisites for production and the processing and marketing of products as well as the supply of consumer requirements. In some cases, multi-purpose co-operative societies have also been given the task to undertake producers' activities under a collective enterprise system where workers and employers are the members themselves. (see:- P. E. Weeraman:- The Role of the Co-operative Sector in the Agricultural and Industrial Development of Ceylon. - People's Bank Publication No.1).

As enumerated earlier, the multi-purpose co-operative scheme was started as the policy of the Government in 1957. The philosophy behind the scheme and the practice in implementing it have been widely accepted not only in Ceylon, but also in many other countries, especially in Asia. The agricultural co-operatives in Japan and the Farmers' Association in Taiwan have been the most prominent examples of this pattern of co-operative development for many years. It is interesting to note that in the history of co-operative movement, multi-purpose functions of co-operatives have been accepted as a rule rather than an exception. The Rochdale Pioneer Society has been in fact since its inception a multi-purpose organization rather than simply a stores society. With the development of industrialization in England and later in Europe, co-operatives tended to develop along the line of specialization and since then single purpose societies have prevailed. Even so, their secondary and tertiary organizations have been uniquely multi-purpose in nature and scope. English C.W.S. is an example. Co-operatives, as economic and social organizations for the people, of the people and by the people, they should be able to cater as far as possible for the entire needs of their people who have the interest to join them. People's needs are varied and diverse and therefore it is logical to assume that the co-operative organizations, to be effective and useful, they should be fully equipped to cope with these servicing problems. The case is more so in under-developed rural areas where resources are limited, and size of business is small, and the leadership is lacking.

The planners of the multi-purpose co-operative organizations in Ceylon have envisaged that it is essential that the entirety of a cultivator's economic problems should be solved by his co-operative society if the latter is going out to win the support and loyalty of the former when he joins the society. That is so in the case of village shopkeepers throughout Asia who are generally well equipped and prepared to serve their village customers as **producers** and consumers by playing the role of financiers, marketers and retailers, in order to cope with the entire needs of the village community.

So the multi-purpose co-operative scheme was brought in under the same pattern of activities as practised traditionally by village shopkeepers. Within the MPCS, the necessary consumer and production credit could be given in kind from the consumer stores and supply sections of the MPCS so that the society's turnover is increased. The marketing section, if properly managed, could purchase and re-sell members' cash produce through pooling system as commission agents on behalf of members-producers. The great pity was that quite a number of the multi-purpose co-operatives in Ceylon are not truly multi-purpose in character. Many of them inherited the inertia of the former organization and performed the same function as if they had not been converted into MPCS. This practice really damages the usefulness of the new system and confuses the operations as effective organizations. To repeat once again, it is only when the entirety or most of a member's economic needs are satisfactorily met by his multi-purpose co-operative that such a member would remain a loyal co-operator in his organization. To-day, as the former Commissioner put it, "almost every co-operator's loyalty is divided between his co-operative and his private creditor". This shows that there are problems involved in the functioning of the multi-purpose co-operatives, which need further study perhaps through Inacro as well as Macro analyses and **approaches** in order to find the solution. For it is only the fullest use of the MPCS and its supporting institutions, governmental or otherwise, that can save the cultivator-peasant from being neglected. The supporting institutions on the other hand will only be able in their part to go all out to help put the peasants on their feet. When the latter are properly and effectively organized in their own co-operatives.

In order to furnish us a better insight of the organizational structure and functioning of the multi-purpose co-operatives in Ceylon, the following are some of the brief accounts of the field surveys:-

(5) OTHER STATUTORY BODIES AND APEX
CO-OPERATIVE ORGANIZATIONS

(A) PEOPLE'S BANK OF CEYLON

The People's Bank of Ceylon was established by an Act of Parliament in 1961. This Act was enacted to repeal the Co-operative Federal Bank of Ceylon, Ltd. (Financial Aid) Ordinance of 1947 and to make consequential amendments to the Co-operative Societies Ordinance. Among the main objects of the newly created Bank are the development of the co-operative movement in general and the promotion of agricultural credit and rural banking system in particular. This Bank also provides all sectors of the economy with a complete commercial banking service with agents and correspondents throughout the country and other principal centres abroad.

Within the span of a few years of existence the People's Bank has developed into one of the leading banks in Ceylon and has the largest network of branches with a growing number of affiliated rural banks attached to the multi-purpose co-operative societies or their unions.

In carrying out its purposes the Bank may exercise various powers including the following:-

- (a) to grant short-term, medium-term and long-term loans and other accommodation to co-operative societies, approved societies and cultivation committees; the same kinds of loans could also be extended to co-operative societies, approved societies, cultivation committees and individuals for constructing, repairing or renovating buildings; any person who intends to carry on or is carrying on any agricultural, industrial or business undertaking which in the opinion of the Board of Directors of the Bank, is a small undertaking may also apply for loans; in addition, short-term loans may be granted to persons resident in rural areas for the purchase of articles necessary for their personal or domestic requirements;
 - (b) to carry on and transact, subject to such modifications and exceptions as may be prescribed, the kinds of business similar to those carried on and transacted by the Bank of Ceylon under the Bank of Ceylon Ordinance of 1938;
 - (c) to carry on the business of a pawnbroker subject to such conditions as may be prescribed;
 - (d) to provide technical assistance to any person to whom the Bank grants any loan or overdraft, and to undertake or sponsor the training of persons in assessing the value of land and the credit worthiness of loans, in assaying gold, in banking and in finance;
-

- (e) to acquire, hold, take or give on lease or hire, mortgage, pledge and sell or otherwise dispose of any immovable or movable property; and
- (f) to invest the idle funds of the Bank in such securities as the Board of Directors of the Bank may consider appropriate.

The Bank, however, shall not exercise the power to grant loans, overdrafts and other accommodation to persons other than co-operative societies until the Minister approves of the exercise of that power generally or in respect of such classes of approved societies or cultivation committees or classes of other persons as he may from time to time determine. In this case the Minister will have to seek the advice of the Board of Directors of the Bank before any concession of this nature should be granted.

The general supervision, control and administration of the affairs and business of the Bank are invested in the Board of Directors of the Bank consisting the following **directors:-**

- (1) The Commissioner of Co-operative Development who shall be the ex-officio director;
- (2) Two directors appointed by the Minister;
- (3) One director appointed by the Minister for the time being in charge of the subject of rural development;
- (4) One director appointed by the Minister of Finance; and
- (5) Three directors appointed or elected as provided by the Act.

The general body of the Bank consists of the Secretary to the Treasury, the members of the Board and the persons elected by co-operative societies which are shareholders of the Bank to represent such societies in that body. The **number** of persons who may be elected by these co-operative societies and the procedure to be followed in the election of such persons are to be prescribed by regulations.

With regard to the share capital of the Bank, the **Act** provides that the share capital shall be Rs 6,000,000, to be divided into 120,000 shares of Rs 50 each. 60,000 fully-paid up shares out of the Consolidated Fund of Ceylon shall be allotted to the Secretary to the Treasury in his official capacity and he shall hold such shares for and on behalf of the Crown and the balance of the shares to be made available for subscription by co-operative societies.

The share capital of the Bank may, however, be increased from time to time by such amount as may be determined by resolution of the House of Representatives.

No shareholder of the Bank shall sell his shares to any person other than a co-operative society or the Secretary to the Treasury in his official capacity. The Government shares may be sold to any co-operative society at not less than the par value of those shares and the proceeds be paid to the Consolidated Fund of Ceylon. On the other hand, the Government may purchase any such shares offered for sale by the co-operative societies paid out of the Consolidated Fund of Ceylon.

There is the provision in the Act regarding the sums to be granted or lent by Government to the Bank out of the Consolidated Fund of Ceylon in order to meet various expenses in connection with the establishment of the Bank and to enable the Bank for granting long-term or medium-term loans by the Bank.

The Bank could also raise money by requesting the Monetary Board of the Central Bank of Ceylon to raise on its behalf any sums by the issue of debentures for granting medium-term and long-term loans, subject to the provisions prescribed in the Act and regulations made under the Act.

As mentioned at the outset, the People's Bank in fact is the successor of the former Co-operative Federal Bank of Ceylon, Ltd., which was dissolved under the Act and its assets and liabilities were transferred to the People's Bank.

After the Commencement of business by the Bank, no co-operative society shall, unless exempted in writing by the Commissioner of Co-operative Development, deposit its funds in, or maintain any current or deposit account with any commercial bank other than the Bank; and no co-operative society shall, except with the written approval of the Commissioner of Co-operative Development, obtain a medium-term or long-term loan from any commercial bank other than the Bank.

Where the General Manager of the Bank is satisfied after an examination of the affairs of a co-operative society under the provision of the Act, that such co-operative society is insolvent or that its continuance in business is likely to result in loss to its creditors, he shall make a report on the affairs of such co-operative society to the Board, and if the Board, after considering such report, is of the opinion that action shall be taken to dissolve and liquidate such co-operative society, the Board shall recommend such action to the Commissioner of Co-operative Development.

Where the Bank grants any loan, overdraft or other accommodation to a co-operative society and thereafter the committee of that co-operative society is dissolved under section 35A of the Co-operative Societies Ordinance, the Bank shall be deemed for the purpose of sub-sections (1) and (3) of that section, to be a suitable and proper person to manage and administer the affairs of that co-operative society.

In 1965, after four years of operation of the Bank, the Board of Directors produced its 4th Annual Report which gives an account of the general state of affairs of the Bank. In that Report, it was stated that the strength of the Bank had grown

steadily with the setting up of 47 branches. While in the middle of 1967 a total of 69 branches were recorded. Through these branches, the Bank has been able to serve practically the rural areas of the whole Island. It was hinted that the successful implementation of the Government's agricultural development programs will to a large extent hinge, inter alia, on the banking facilities available to those engaged in agriculture.

As illustrated in its 1965 Annual Report, the total deposits of the Bank as at 30th September, 1965, stood at an amount of Rs 267,300,000 which was made up as follows:-

Current	Rs 178,900,000
Savings	Rs 33,300,000
Fixed	Rs 55,100,000

It was observed that the savings deposits have recorded an increase of 43.8% over the previous year's figure while the current deposits have increased by 2%. Fixed deposits, however, dropped by 22.8%. The total domestic advances granted up to the end of the financial year under review was Rs 342,600,000. Of this sum, in keeping with the main purpose for which this Bank was established, larger percentage had been lent to the co-operative sector, viz, 59% (Rs 188,000,000) as against 41% (Rs 136,600,000) to the public and private sectors.

According to its purpose, the Bank was called upon to serve a rural sector covering about 80% of the people of this country. Although it was recorded that both big business and big industry came of their own volition seeking the Bank's services, yet the purpose and intent of the Bank should be preserved without reducing its usefulness and contribution to the economic betterment of the small men.

In conformity to the Finance Act of 1963, the People's Bank was required to take up the responsibility of finding its own funds for medium and long-term loans. In addition, the Government decided to secure the Bank's services to help original owners to redeem their property which were lost to them on conditional transfer mortgages. This added a further responsibility to the Bank. Further, the Finance Act of 1963, by restricting pawning to Ceylonese, threw a challenge to the Bank to open up a number of Pawning Centres, many of which have been attached to the Rural Bank, MPCS or their unions.

The Bank has been eager to study the needs of the rural areas and to render such services as seem appropriate. For instance, the inability of borrowers to find Income Tax payers as guarantors and the weakness of title to village property have led the Bank to inaugurate the Extended Scheme of Rural Credit. Under this Scheme, co-operatives of proved worth have been selected to grant to its members loans for agriculture, industry, housing, debt redemption and even consumption on the guarantee of its fellow-members or on the security of property, especially with regard to loans for the purposes of promoting agricultural production and small industries. A novel feature of this experiment has been to gear repayment to the period of marketing and to make savings as a regular practice.

As pointed out earlier, one of the chief purposes of the Bank has been to finance co-operative activities. The Bank has unmistakably chosen the co-operatives as the principal instrument of social and economic development and it has endeavoured to assist the movement in the realization of its objectives.

On the other hand, public corporations have also been provided the facilities offered by the Bank and most Corporations have, in fact, relied on the services of the Bank to a large extent. As an illustration, let us take the first two years of business operation of the Bank. Out of a total of Rs 118,800,000 outstanding amount advanced to both the private and co-operative sectors, the distribution classified by branches of economy and expressed by percentages are as follows:-

Co-operative Sector (including farming and agriculture)	46.6%
Housing	14.5%
Business	11.8%
Redemption of Debt	11.5%
Agriculture	7.4%
Industries	3.9%
Farming	3.5%
Consumption	0.8%

The co-operatives have been financed to run their consumer services, including textiles, while advances and overdrafts have also been given to labour contracts, cultivations, transport and the building programs of co-operatives.

The Bank also continued its policy of assisting co-operative societies by granting marketing loans for the purchase of paddy and, thereafter of purchasing the Goods Receipts which in turn were paid for by the Agrarian Services Department.

Of the private sector, small industries especially those that were just beginning to stand on their feet were given credit facilities in consideration of the role that they had to play in the economy.

One of the significant contributions of the Bank has been the inauguration of the Rural Banking Scheme and the Extended Scheme of Rural Credit with a view to assisting the development of the rural economy through the co-operative movement.

A Rural Bank is, in fact, the banking and credit department of a multi-purpose co-operative society established in the rural areas. It mobilizes local savings by accepting deposits from members and non-members and it grants loans to members for specified purposes. In some cases it also performs pawn-broking functions for members and non-members alike. The Rural Banking Scheme is proving to be an effective agency in the mobilization and management of rural financial resources for development purposes. The organization and functioning of the Rural Banking Scheme is to be enumerated **later**.

Apart from the assistance given through the Rural Banking and the Extended Rural Credit Schemes, co-operative societies have also been financed by the People's Bank for special production and marketing activities, such as poultry breeding and vegetable production. The lending policies, as it was declared, have been formulated in order to give the maximum assistance possible to co-operative institutions.

On the other hand, the Bank has treated a large number of State Corporations as special customers owing to the very important part the latter play in implementing Government policies. The Government departments also maintain banking business transactions of sizeable volume with the Bank.

The private sector with its wide range of activities in agriculture and industry continues to receive the Bank's assistance and the Bank looks forward to the private sector's support in harnessing deposits for utilization in national development programs.

With regard to the profits and reserves of the Bank, it is to be noted that as an illustration, the business operations of the Bank during the year ended 3rd September, 1965 earned for the Bank a net profit of Rs 3,632,360.64 - an increase of Rs 223,585.20 over the previous year's figure. After the transfer of a part of the profits to Reserve Accounts the Reserves of the Bank in 1965 were shown as follows:-

General Reserve Fund	Rs 2,750,000/-
Special Reserve Fund	Rs 5,000,000/-
Building Fund	Rs 2,300,000/-

RURAL BANKS SCHEME

In pursuance of its policy of expansion of rural credit through the medium of co-operatives, the People's Bank has inaugurated the Rural Banks Scheme. This Scheme is much wider in scope and functions than the programme of rural credit under the existing Scheme of Extended Rural Credit, and it has much to do with the activities of multi-purpose co-operative societies. The objective of the Scheme is to assist primary co-operatives at the village level by way of advances for relending to members, by arranging banking courses of training and by actively participating in the inaugural work of organizing the banking departments of these societies, as well as by conducting periodical inspections of their operations thereafter. In collaboration with the Co-operative Development Department, the People's Bank, through the Scheme, helps societies in formulating and implementing plans of social and economic development in their respective areas.

In the selection of a society, primary consideration was given to its capacity to undertake the functions and bear the expenditure involved in operating the Scheme. The following criteria have been applied, though not rigidly, in the selection of a society:-

- (1) The minimum membership of a society should be around 400 with a local potential to expand further.
- (2) Subscription towards share capital should have been paid regularly by the members.
- (3) Repayments by the society on outstanding loans taken from Government Departments or other institutions should be satisfactory.
- (4) The society should have been running at a profit.
- (5) The society should have been in existence for at least 3 years at the time of selection.
- (6) The society should have obtained or should obtain Marketing Agreements from all its members in terms of By-law 44 of the By-laws of multi-purpose co-operative societies.

Special consideration has been given to societies which have agencies under the Guaranteed Price Scheme for the purchase of paddy, and maintain consumer sections in their business operations.

Prior to the operation of the Scheme a selected society was advised to make a number of preliminary arrangements, such as necessary amendments to By-laws of the society, resolutions by General Meeting of Society to the effect that:-

- (a) to set up a department styled "Rural Bank" of Multi-purpose Co-operative Society, Ltd.;

- (b) to authorize the General Committee to appoint a sub-committee of 3 persons called "The Credit Committee", and delegate to it among others, the specific function of approving loans up to a maximum of Rs 500/- per member, subject to the covering sanction of the General Committee;
- (c) to fix the maximum credit limit of the society and the maximum credit limits of the members;
- (d) to appoint a Credit Officer to be in charge of the banking department; and
- (e) to decide on the purposes for which advances will be granted under the Scheme, and the period of re-payment for different purposes.

The General Committee of the society will have to resolve:-

- (1) to open a special account in the name of the society styled "Rural Bank", in the nearest Branch of the People's Bank. The application to open the account has to be approved by the Assistant Commissioner of Co-operative Development Department;
- (2) to apply to the People's Bank for an overdraft limit renewable annually to be made available on the aforesaid "Rural Bank" Account; and
- (3) to utilize the funds drawn from this account exclusively for the purpose of lending to members under the Scheme and no transfers from this account will be made to any other account of the society.

All funds borrowed by a Society for re-lending, whatever the source, will be channelled to members through its banking department. These sources include:-

- (a) The People's Bank,
- (b) Deposits of members and others, and
- (c) Government Departments like the Agrarian Services, Fisheries and Rural Development and Cottage Industries which lend to Societies under different Credit Schemes.

The banking department co-ordinates the administration of all these funds under an integrated system of lending. Funds from sources (a) and (b) will not be lent for those purposes for which Credit can be obtained by the Society from source (c). The compartmental practice might not be feasible when one considers that a rural bank should be a bank in miniature and therefore it should be operated as an ordinary bank so far as its utilization of funds is concerned.

All societies are no doubt aware of the risks involved in rural credit. A society's lending operations should therefore be based on an efficiently organized system of credit investigation and supervision. Apart from merely safeguarding the funds advanced, raising standards of efficiency and productivity should be among the principal aims of credit policy. In this respect, therefore, some sort of "Supervised Credit" operations should be adopted.

By-law 30 (8) of Multi-purpose Co-operative Societies stipulates that a society should maintain economic notes on every member. The Department of Co-operative Development has also given detailed instructions on the information that should be recorded. Maintenance of records in the society containing comprehensive and up-to-date economic information regarding members is a very necessary adjunct of proper credit investigation.

The difficulty here is the capability of the officers who are responsible for carrying out this task of collecting the correct information and analysing the data for practical purposes. It was stated that in assessing a proposal for a loan, the member concerned should be called upon to furnish details of his assets and liabilities and the information obtained should be verified by suitable inquiries. He should be asked to provide the society with a plan of the work he intends undertaking together with his estimates of expenditure. These should be carefully examined by the Credit Manager and Credit Committee members. Wherever necessary on-the-spot inspections should be conducted by these officers, assessing credit worthiness of the borrowers and ensuring their proper utilization of the loans.

In releasing the proceeds of loans approved, further safeguards may be applied to ensure that funds are not wasted and are utilized for the declared purposes. It was even suggested that wherever possible it would be prudent not to release the proceeds all at once. This involves supervision and Supervised Credit would cost the society money. Supervision is not only for safeguarding lending security before the loan is issued but also for technical assistance to be rendered after the lending by the extension officers of Departments concerned for effective and profitable use of the loan. This is essential to ensure inter-departmental operational approach of rural economic problems.

With regard to the release of proceeds of the loan, it was cited that there were cases where the most effective use of funds can be achieved by releasing the loan in instalments, stage by stage. And before the release of each instalment the work already done can be inspected to ensure that funds have been properly utilized. This may prove to be a very costly and unrealistic procedure when considering the complexities of the production and marketing processes involved in each case.

Another aspect of the insurance of proper utilization of loans was that all loans need not be given in cash. Provision of credit for the purchase of necessities like foodstuffs, textiles, kerosene oil, for instance, can be in kind. Members may be permitted to make credit purchases of these items from the consumer section of the multi-purpose societies within fixed limits. Loans in kind can also be given for certain agricultural purposes, e.g.

items like fertilizers, implements and seeds, etc. Certain services also can be extended to members in like manner, e.g. a society may own a tractor which can be hired to members on credit terms.

To raise standards of efficiency and productivity has been stated as the principal aims of rural credit. This follows that supervision of the technical aspects of loan proposals apart from the purely financial nature would be necessary. The Officers and Committee of the Rural Bank should, therefore, develop the expertise required to advise members on more efficient and scientific methods of cultivation, etc. Technical supervision, however, would not be confined only to cultivation. In financing livestock farming, for example, emphasis can be placed on improvement of breeds quality, grass culture, etc. The difficulty here is how could the Officers and Committee of the Rural Bank develop these techniques in order to advise members on such highly technical subjects, unless officers of the extension services or agricultural research stations as well as other departments concerned would collaborate closely to offer materials and technical know-how needed for improvements.

It is, therefore, imperative that the Government must realise that unless there are technical supervision and improved materials available to the farmer-member-borrowers of the credit for improvement, this program of credit expansion in any field of agriculture would lose much of its usefulness. Financing should go hand in hand with supervision, not only in technical aspect but also in managerial field in order to realize the prime objective of lending funds to farmers in a most effective way with tangible results.

According to "Loan Policy of Rural Banks", loans are to be granted under the Scheme subject to certain restrictions as follows:-

- A. Production: Food and commercial crops, small-scale plantations, cottage industries, livestock farming and fishing. (Maximum Loan Limit, Rs 2,500)
- B. Housing: Construction of a new house, repairs to a house and additions or alterations to a house. (Maximum Loan Limit, Rs, 2,500)
- C. Debts: Redemption of loans obtained against promissory notes and pawned articles. Redemption of properties under mortgages. (Maximum Loan Limit, Rs 2,500)
- C. Consumption: Provision of credit for the purchase of necessities. Loans for the purchase of consumer durables like household articles and furnitures. (Maximum Loan Limit, Rs 500)
- E. Emergencies: Assistance to a member in the event of an illness or a funeral in his family. (Maximum Loan Limit, Rs 200).

For the present, a member will be entitled to credit facilities up to a maximum of Rs 3,000/- only. Members will have to purchase sufficient shares in the society in terms of By-law 35(c) to qualify for these maximum limits and share payments and should not be in arrears.

Repayment programs have been arranged by means of regular instalments paid monthly, quarterly, half-yearly or annually, based on the income patterns of individual borrowers, subject to maximum periods classified according to purposes from 1 year, 2 years, 3 years, 5 years, to 7 years and 10 years respectively. However, while fixing the instalment payments to harmonize with the income pattern of individual borrowers, any loan taken under this Scheme with repayment arrangement extending more than 5 years should be approved by the ACCD and the general body of the society with regard to security. Other provisions are:-

- (1) Loans up to a maximum of Rs 500 may be granted purely on personal guarantees. At least two members of the society who are eligible to apply for loans themselves should stand guarantee.
- (2) A member can stand guarantee for two loans only.
- (3) Loans over Rs 500 shall be guaranteed only against collateral securities.
- (4) Loans, whatever the amount, where the repayment period exceeds 3 years, will also be granted only against collateral securities.
- (5) Societies should, as far as possible, encourage members to provide life insurance cover as additional security for loans.

Mobilization of rural savings is one of the main functions of the Rural Bank. For this purpose it maintains Savings Deposit Accounts and Fixed Deposit Accounts for members as well as non-members. The aggregate of non-members Deposits, however, should be within the maximum credit limit of the society.

To encourage savings, every member who applies for credit facilities should be required to maintain a Savings Account in the books of the Rural Bank. Further, the proceeds of a loan granted to a member should, in the first instance, be credited to his Saving Account and not paid out to him direct in cash.

Members should also be encouraged to deposit in their accounts **at least part** of the cash received by them on the sale of their produce to the society, in order to help create the banking habit among members and keep the bank operating in full scale. Easy withdrawals from these accounts should be allowed so that members may not be inconvenienced. The rate of interest on savings accounts is to be determined by each society in consultation with the Co-operative Development Department and the People's Bank.

As far as possible, farmers should be allowed to pay their instalments in kind. This of course will mean the provision by the society of multi-purpose in nature of marketing and warehousing facilities. The ultimate aim of a society should be to provide full marketing facilities and services for the produce of members, whatever the variety.

All monies recovered as instalments should be deposited at least monthly in the current account of the society styled "Rural Bank" at the People's Bank so that societies should not have any dealing with other institutions of finance besides their own "Rural Bank" department.

In 1966, an "Extended Scheme of Rural Credit" Program was implemented by the People's Bank whereby loans may be granted to co-operative societies for re-lending to members for the purpose of production, consumption, redemption of debts and housing, supplementing the credit available from other sources.

Primary co-operative societies, multi-purpose or otherwise, recommended by the Co-operative Development Department will be selected for the implementation of this Scheme, after an inspection by the People's Bank. Among other things, steps to be taken by a society selected under this Scheme include the amendments of certain By-laws. The Committee of the society should resolve:-

- (i) to utilize the monies obtained from the Bank for implementing this Scheme only for the purpose of granting loans to members.
- (ii) to deposit without delay in the society's Special Current Account recoveries of monies from members and to refrain from disposing of such monies in any other manner.
- (iii) to refrain from transferring funds from this account to any other Account of the Society.

A resolution should be adopted to obtain overdraft facilities from the People's Bank for re-lending to members under this Scheme, specifying the limits required.

All loans to be granted by the Society under this Scheme require the approval of the General Committee of the Society. It may, however, be difficult for the entire Committee to meet often and consider each application in detail, and the Bank therefore recommended the appointment of a Credit Sub-Committee which would fully examine each application and provide the General Committee with the necessary advice.

Loans may be granted to members for the following purposes:

In the case of Production Loans, since it is possible for members of Co-operative Societies to obtain loans for paddy cultivation and other purposes from the Commissioner of Agrarian Services, the Director of Rural Development and Small Industries and the Fisheries Department, etc., advances under this Scheme may only

be granted for purposes other than those for which credit is available from these Government Departments. For instance, loans may be granted to bring new lands under paddy cultivation and the application of scientific methods to increase yields, provided that, credit is not available for such schemes from other sources. Loans granted for fishing, livestock farming and small-scale cottage industries are classified as production loans. The provision of loans for highland cultivation receives special emphasis in order to diversify the productive activities of the members.

In the cases of Consumption Loans, credit facilities are to be extended to members for the purchase of consumer necessities. In societies which maintain consumer sections, the members will be provided with consumer goods within the maximum Credit Limit fixed for each member by the society. Cloth and foodstuffs may be included in the items made available under this Scheme. Any other consumer articles, which the Committee thinks should be given on credit, may also be included under this heading. The repayment plan will depend on the income pattern of each member.

Building loans may also be granted for the construction or renovation of houses and extensions to houses and for the provision of storage space for paddy and manure, etc.

Loans may be granted for redemption of debts created by mortgage of property or jewellery and on promissory notes, subject to the approval of the Committee.

Loans may be granted for Rural Electrification to a member for wiring his home, making a payment for service connection, and the security deposit.

For illustration purpose, the current limits of loans to members are shown as follows:-

(a) Maximum credit limit for Production purposes	Rs 2,500/-
(b) Maximum credit limit for Consumption purposes	Rs 500/-
(c) Maximum credit limit for Construction of Houses	Rs 2,500/-
(d) Maximum credit limit for Renovation of Houses	Rs 500/-
(e) Maximum credit limit for Extension to Houses	Rs 1,000/-
(f) Maximum credit limit for Redemption of Debts	Rs 2,500/-
(g) Maximum credit limit for Electrification	Rs 600/-
(h) Maximum credit limit for Emergencies such as death and illness	Rs 200/-

A member may obtain loans for more than one purpose. But the total amount granted to him should not exceed Rs 3,000/-. Further, the total facilities granted to a member shall be governed by the individual maximum Credit Limit fixed by the General Body of the society. Conditions for grant of loans are also prescribed based mainly on the regular payment of their share instalments, prompt repayment of their debts, their financial status, the plan of the project to be undertaken, etc.

Procedure for the releasing of the approved loan has been fully laid down in the Circular No. 16/66. (1966) which prescribes various methods of releasing the loan to the borrowing member or his creditor or paid direct to third parties as the case may be in order to safeguard the proper use of the loan in accordance with the original plan. These detailed procedures might be difficult to follow in many cases either by borrowing member or his society. Thus it would prevent members in making use of the services of the society and the Bank under this Scheme. Especially when it is considered that the loans may be granted in kind by the issue of cement, zinc sheet, manure, etc. or in the form of services such as the use of tractors and other implements belonging to the society, the matter becomes rather complicated. Where a loan is approved on the mortgage of immovable property, the society should arrange to obtain a Report on title. A priority notice form must be signed by the applicant and sent to the Lawyer together with the title deeds and through all legal processes involved. This also involves much expenditure and delay.

Again, with regard to securities, two individual guarantors are necessary for loans up to Rs 500/-. They should be members of the society. Guarantors should possess the same qualifications as members who are eligible to borrow from the society. For loans over Rs 500/- or whose period of repayment exceeds 3 years, collateral security should be given in the form of a mortgage on property, in addition to the guarantee of two members.

Repayment of loans varied from a period of not exceeding one year to a period of not exceeding five years depending on the nature and purpose of the loan. Loan is to be repayable in monthly, quarterly, half-yearly or yearly instalments to be arranged by the Committee to suit the income patterns of the borrower. While the above arrangements are made for the repayment of the loan, the borrower will be required to deposit Rs 5/- per month, so that his repayments of the instalments may be further facilitated. Wherever possible, societies would accept the repayments of instalments in kind, if the borrowers so desire. This will depend on the capacity of the society to provide marketing and storage facilities for the members.

The societies which operate this Scheme will be inspected from time to time by Officers of the People's Bank who will have to prepare reports. This will be in addition to the audits and inspections carried out by the Co-operative Department. It will be the responsibility of the Committee and the Sub-Committee in particular to ensure that the Rules and Procedures for the successful implementation of this Scheme are strictly adhered to.

Societies, operating this Scheme, may be selected by the Bank, in consultation with the Co-operative and other Departments concerned, to implement special projects such as, vegetable and fruit cultivation, poultry farming, cotton growing, etc. which are sponsored by the Bank.

It is desirable that co-operative societies should endeavour to build their own resources by mobilizing local deposits from members and others. If such a policy is carefully and progressively followed, it will enable the society to provide its members credit requirements more and more out of its own funds which, it may be emphasized, is a desirable end. Here again, "Supervised Credit" could play a useful role in the implementation of the Scheme.

(B) THE CO-OPERATIVE WHOLESALE ESTABLISHMENT

During the World War II, a network of over 3,000 co-operative stores societies were established in Ceylon mainly for the supply of rationed rice and other essential commodities to consumers. The Co-operative Wholesale Establishment was created in 1943 as an emergency sub-department of the Co-operative Development Department for the purpose of procuring and supplying essential Consumer goods to these Co-operative Stores Societies. Later in 1950, this C.W.E. was transformed under an Act of Parliament into a Statutory Corporation, a state sponsored business organization under the Ministry of Agriculture and Food with the following as its general objects:-

- (a) to procure and supply the requirements of co-operative societies;
- (b) to carry on business as exporters and importers of, and as wholesale and retail dealers in, foods of every description, (as amended in 1957);
- (c) to carry on any such other trade or business including any agricultural or industrial undertaking or the business of banking, shipping or insurance, as may be incidental or conducive to the attainment of the aforesaid objects; and
- (d) to carry on the business of insurance of every description including the grant of annuities upon human life, (as amended in 1957).

Originally the C.W.E. was set up primarily to supply goods and services to the co-operative movement and was closely associated with the Co-operative Federation of Ceylon and the Co-operative Department. The Annual Accounts, Auditor's Report and a Statement of Affairs relating to the Administration of the Board of Directors of C.W.E. should be laid before a meeting of representatives of co-operative societies which transact business with the C.W.E.

The general supervision, control and administration of the affairs and business of the Establishment is vested in the Board of Directors consisting of not more than seven and not less than five members appointed by the Minister. Among them three shall be so appointed from among the persons chosen for the purpose by the Co-operative Federation of Ceylon, Ltd. The Chairman and the Deputy Chairman of the Board shall be appointed by the Minister from among the members of the Board.

Every appointment to the staff of the board shall be made by the board; provided, however, that no appointment of a general manager, deputy manager or chief accountant shall be made, and no person appointed to any such office shall be dismissed, except with the approval in writing of the Minister.

According to 1950 Act, advances to the Board have been made out of the Consolidated Fund as laid down in the 1950 Act. An initial sum of four million rupees for the purposes of defraying the preliminary expenses and of providing the working capital of the board together with an additional sum of one million rupees for the purpose of construction of buildings for the Establishment was granted to the C.W.E. The sums paid to the Board constitute a loan from the Government and shall be repayable by the Board within 30 years with interest at the rate of 1.5% per annum and in such instalments as the Minister of Finance may determine. In addition, a sum of Rs 3,000,000 shall be paid to the Board out of the Consolidated Fund as a General Reserve of the Board. The Board may also from time to time, with the approval of the Minister, borrow such sums of money as may be required for carrying out the objects of the Establishment, and may secure the repayment of any sum by the mortgage of any property of the Establishment.

The Co-operative Wholesale Establishment Act was again amended in 1966, giving the powers of the Establishment as to include the following:-

- (1) The Establishment shall have the power to do anything necessary for, or conducive or incidental to, the attainment of its objects, and in particular, but without prejudice to the generality of the power herein before conferred, to invest, or acquire or hold shares or stock, in any public company carrying on or engaged in or about to carry on or engage in any business, being a company having object similar or substantially similar to the objects of the Establishment; provided, however, that no such investment acquisition or holding shall be made or entered into unless the Establishment acquires thereby a controlling interest in the Company. (See section 2A).
- (2) The directors of every such company referred to in section 2A shall be citizens of Ceylon who shall not be Members of the Senate or the House of Representatives.
- (3) The Minister shall report to the House of Representatives every investment or acquisition or holding of shares and stock, in any company referred to in section 2A and each investment, acquisition or holding shall be deemed to have been approved unless specifically disapproved by the House of Representatives within two months of the date on which the information was so reported.

As a result of foreign exchange difficulties and restriction of imports and the consequent need for a more equitable distribution of the limited supply of certain goods imported by the Government on a monopoly basis, the C.W.E. was held responsible for the importation and distribution of several of these commodities.

When the C.W.E. became the sole importer of certain commodities it had to be responsible for supply of such commodities to the private sector as well. Thus, the role of the C.W.E. as a mere importer and supplier of goods to the Co-operative Sector has considerably changed with the handling of the monopoly imports of dried fish, chillies, textiles, etc. and the establishment of retail shops throughout the Island. Consequently, as a result of the expansion of business activities, the annual turnover of the C.W.E. increased from Rs 140 million in 1956 to cover Rs 800 million in 1966, but at the same time the nature of this organization has shifted away from purely an organization mainly for the co-operatives to a semi-Government trading corporation for the services of both co-operative and private sectors, with its main functions of purchase and sale of essential goods.

The C.W.E. has, in fact, developed into a big organization which contains various Departments in its extensive set up. It is to be noted that the organizational pattern of the C.W.E. has changed in respect of certain designations and functional responsibilities, as well as lines of authority and communication. This has been, to a large extent, due to frequent changes and unforeseen circumstances necessitating ad hoc or permanent arrangements in changing conditions. It seems that time has come for a reassessment of its contribution in the performance of the C.W.E. functions. (Further discussion will be given in the latter part of this Report).

One of the important developments which affects the structure and organization of the Co-operative Wholesale Establishment is the formation of joint stock companies and the investment in such companies in accordance with the C.W.E. (Amendment) Act of 1966. The relationship between the C.W.E. and these companies may very generally be described as similar to that between a holding company and its subsidiary companies. Just for illustration, the import and wholesale distribution of textiles is now being handled by a Joint Stock Company. The functions of the C.W.E. Export Department have been taken over by another such Company. These changes necessitate suitable adjustments with organizational structure of the Establishment. Since the handing over of the textile business to the Joint Stock Company, the Retail Trade Department has opened its own Reserve Stores for the supply of textiles to its Retail Shops, avoiding transactions with the co-operatives.

With the suspension of the handing over of Retail Shops to Co-operative Unions and the freezing on the opening of new shops, the principal function of the Retail Trade Department is the administration of the Retail Shops situated in the various parts of the country. The levels of management in the Retail Trade Department are:-

- (1) Head Office,
- (2) Divisional Office,
- (3) Regional Office, and
- (4) Shops.

The authorities in charge are the Deputy General Manager (Retail), the District Supervisor, the Regional Supervisors and the Shop Managers, respectively. The District and Regional supervisors in addition to the supervision of retail shops have the responsibility of acting in the capacity of the C.W.E.'s representatives in their respective Ranges. They have to be in contact with Government officials and the general public and be the source of information to the Head Office on the availability of goods, market prices, consumer preference, and other relevant information relating to their respective areas.

As already mentioned, the C.W.E. is a body corporate established by an Act of Parliament. During the early years of the C.W.E., it had incurred losses and apart from the initial working capital and Funds for the construction of buildings and stores, the Government has also written off over Rs 11 million in respect of accumulated losses over the period, 1952-1955.

The Board of Directors of C.W.E. have a greater degree of freedom of action than in a Government Department. However, provision exists in the C.W.E. Act for the Minister who is responsible to the Cabinet and Parliament with regard to affairs of C.W.E. to give general or specific directions to the Board in the performance and discharge of its powers, duties and functions, in order to ensure the financial stability of the Establishment and the efficient performance of its work. The Minister may, whenever he considers it fit to do so, hold an inquiry, or direct some person authorized by him in writing in that behalf to hold an inquiry, into the working and financial position of the board.

When the Minister is not satisfied with the working and the financial position of the board, he may, by order published in the Gazette -

- (a) dissolve the board with effect from such date as may be specified in the Order, and
- (b) appoint one or more persons to be the liquidator or liquidators of the board.

The C.W.E. has turned out to be an instrument of the Government policy and has to conform to such policy as determined by the Government from time to time.

On the Subject of the C.W.E.'s relationship to the Co-operative Movement, it has already been noted that the C.W.E. had originally been created for the purpose of procuring and supplying the requirements of co-operative societies. Despite the expansion of the trading activities of the Establishment and its limited responsibility to the private trade the relationship to the Co-operative Sector has not changed significantly. The procurement and supply of the requirements of the co-operative societies still remain a principal object of the Establishment. The representatives of the Co-operative Federation of Ceylon on the Board of Directors and the requirement relating to the tabling of an Annual Report before a meeting of co-operative representatives imply a special responsibility to the co-operative unions

and societies. The business transacted with co-operative unions and societies comprises about 75% of the total annual business turnover of this Establishment. Moreover, in the context of the restricted supply of controlled commodities to Co-operative Sector has been accepted as a principal channel of distribution of such commodities.

In accordance with the provisions of the 1950 Act, the Board of Directors of C.W.E. shall, on receipt of the auditor's report in each year, transmit a copy of such report and a statement of the accounts to which that report relates and a report, signed by the members of the board, as to the administration and affairs of the board, to the Commissioner of Co-operative Development who shall thereupon cause a meeting of the representatives of the co-operative societies which transact business with the Establishment to be convened in the prescribed manner and the copy of the auditor's report, the statement of accounts and the report of the Board to be laid before such meeting. Where any dispute arises between the board and any co-operative society, such dispute shall be referred to arbitration. The award shall not be called in question on any civil court.

Apart from the legal position, the C.W.E., being a Government Corporation, has, therefore, to recognize the vital role the Co-operative Sector plays in the distribution of essential goods throughout the country.

On the other hand, the C.W.E. relationship to the private sector may be dealt with broadly under the following aspects:-

- (1) The obligation of the C.W.E. to supply to the Private Sector those commodities which are solely imported by the C.W.E., (excluding those which are exclusively distributed through co-operative unions under the rationing scheme;
- (2) The role played by the C.W.E. in influencing the Private Sector at the (a) importers' level, (b) wholesalers' level, and (c) retailers' level, when it imports and/or sells in competition with the Private Sector.

However, regarding monopoly imports, the C.W.E. is now the supplier of the Private Sector as well. The wholesale distribution scheme for private traders commenced in January, 1966 provides for the channelling of certain commodities through registered wholesale-dealers to private retail traders attached to them.

Where the C.W.E. imported commodities in competition with the Private Sector the price and quality of the C.W.E. products have an influence on the market both wholesale and retail provided quantities imported are not negligible. While healthy competition should be the objective, C.W.E., Retail Shops as well as co-operative societies are expected to function at the retail level as check-stores preventing anti-social trade practices such as hoarding, black-marketing etc.

On the question of the C.W.E.'s relationship with the public, the contact the public has with the C.W.E. at the retail level has to be stressed. The public image of the C.W.E. is to a great extent the result of the impressions the public form at the retail shops. Being a public concern with strong co-operative support, the C.W.E. should therefore, never ignore the public interest. Profits are certainly necessary for the continuity of the Establishment and to reconcile the profit element with the achievement of the general objects and the protection of the public interest is the problem. It implies a high degree of business efficiency, management discipline, and an appreciation of the principle of public accountability. This is the managerial problem and a matter of advisability of the C.W.E. to go into a series of levels of distribution of commodities. Profit motive and service may conflict in many ways, especially where there are networks of MPCs and their unions in existence, duplicating or overlapping competition should be avoided and better co-ordination should be necessary.

Board of Directors with civil servants or political appointees as members also may be unsatisfactory for efficient and responsible management.

Wherever possible, Retail Stores of C.W.E. - (There were 88 in number in various districts and municipalities) - should turn into depots for the storing of commodities destined for distribution to unions to their member societies. In fact, many local unions could be utilized as agents or depots of C.W.E. instead of setting up stores to do business side by side with the existing MPCs and their unions.

(C) ALL CEYLON AGRICULTURAL PRODUCER'S UNION

The Ceylon Agricultural Producer's Co-operative Societies Union, Ltd. was registered in October, 1961. With a current membership of 253 societies, the Union represents about 18 thousand cultivators mainly drawn from the societies in Badulla, Kandy, Nuwara-Eliya, Matale and Gampaha areas.

This Union operates Wholesale Marketing and collecting centres in certain principal and distributing areas. There is a Co-operative Central Market in Colombo which the Writer was given the privilege of a brief visit. Also, this Union has opened retail shops at certain municipal markets. As requested by the Government this Union was also responsible for the purchase of surplus China produce from certain districts in order to assist producers to dispose of their stocks at reasonably high price as the product could not be sold locally.

With regard to the handling of exports the Union has been dealing with arecanuts, while the export of fruits and flowers is under consideration. Besides, this Union has participated national fairs, supplied empties, fertilizers, seed materials, insecticides, pesticides, weedicides, etc. to the member-societies. More than a dozen of 5 tonner, 2 tonner and 1½ tonner transport vehicles have been deployed for the collection and distribution of the produce and other materials.

The annual turnover of business operations fluctuates from Rs 1,372,296 in 1961/62 to the peak year of Rs 3,297,605 in 1964/65. The latest figure for 1966/67 was Rs 2,711,011. Although the volume of produce handled grows steadily, being from poundage 8,699,797 in 1962/63 to 14,307,200 in 1964/65, the Union has been suffering a loss of Rs 5,792 in 1963/64, and Rs 259,555 in 1964/65. Judged from the figures of monthly turnover for 1965, there were considerable losses in eleven months totalling over Rs 170,000 with only a month with profits of Rs 1,833.04 in October.

In 1966, it appears that, in the first half-year of 6 months there was a gain of total profit of over Rs 71,000 and for the 2nd half of the year. The Union suffered a loss of over Rs 25,000. There were also ups and downs in 1967, with profits gained for 9 months of the year, and losses for the other three months.

According to the report it was stated that the losses were sustained due to the drop in supply and heavy depreciation of tyres in the transport section. Perhaps it is also reasonable to say that the nature of the commodity handled, the management of the Union and the collection, distribution system may also be among the defects which have contributed to the losses incurred so far as the business operations of the Union was concerned.

This Union was governed by a 12-member Board of Management and administered by a staff of 106 members at the time of the writer's visit to that organization. There was an expansion scheme of the Union which included the following items:-

- (A) Transport:- to increase the number of vehicles for both collection and delivery of vegetables which would cost Rs 321,000.00.
- (B) Colombo Wholesale Centre:- to be expanded to take in more vegetables and to render other services, such as supplying of empties fertilizers, seeds, carrying rubber stocks, exporting of arecanuts and fresh fruits, handling of subsidiary agricultural produce, arranging for distribution of packeted vegetables, packing space for lorries and starting a transport section with a repair shop, as well as rehabilitation and reconditioning of the existing Union building which belongs to the Government.

Besides, centres in other parts of the country also need extension or structural improvement to the present premises as well as provision of necessary equipments. The building cost would reach an amount of about Rs 352,500.00, whilst the equipment Rs 326,500.00. It was therefore envisaged that under the Expansion Scheme of the Union, the total cost would be just one million which was given as a loan made available on 1.10.1967.

THE NORTHERN DIVISION AGRICULTURAL PRODUCERS'
CO-OPERATIVE UNION, LTD.

During the War, the agricultural producers of the North of Ceylon, acting on their own spontaneously and voluntarily, combined themselves together to sell their produce jointly on a co-operative basis and to obtain the highest possible price to the producer by eliminating the middleman. These farmers formed what came to be known as the Co-operative Agricultural Production and Sales Societies, Ltd. These Societies that came into being in the rural areas of Jaffna became the life-line of food production and distribution and also subserved the purpose of keeping the cost of living low.

The Government began to conceive the idea of increasing food production through co-operative effort in combining production along with sales. It was this idea that made Government finance the C.A.P. and Sales Societies liberally, acknowledging thereby the effective part these societies could play in bettering the economic condition of the farmers.

The Northern Division Agricultural Producers Co-operative Union, Ltd. was formed in October, 1941, consisting initially of only three C.A.P. and Sales Societies. Its membership grows year by year and the area of operation now covers the Northern Province and Trincomalee District. Its objects were inter alia:-

- (1) providing a means by which affiliated societies can express their collective views;
- (2) supplying seed, fertilizer, agricultural implements and any other agricultural requirements to members;
- (3) providing facilities to member societies in order to introduce scientific methods of cultivation and animal husbandry;
- (4) purchasing, collecting, grading, processing, bulking, transporting and selling of produce of affiliated societies and of the members of the affiliated societies; and
- (5) doing all such other things as are incidental or conducive to the attainment of the above objects.

The Union is the agent of the Commissioner of Food Supplies for all agricultural Products under the Guaranteed Price Scheme in the area. It has been the principal promoter in stepping up the onion production from 2% of the total national requirement in 1942 to near 50% in 1952 and near self-sufficiency in 1960s.

Now nearly all C.A.P. and S. Societies in Jaffna are its members; in addition, it has enlisted a Plantain Production and Sales Societies which supplies large quantities of fruits weekly to the Marketing Department for its contract distribution. Its activities as a Union are in the best tradition of secondary

co-operative activity by any standard. Its **other** contribution to agricultural development was the establishment of a tractor station with large teams of tractors and all necessary facilities. As an illustration the financial resources it had built up in its first ten years of operation reaching an amount of over Rs 5 lakhs of working capital, nearly Rs 10 lakhs turnover and accumulated reserve of Rs 3 lakhs. These are impressive enough to make its example worthy of emulation by agricultural Unions elsewhere in the Island. It has also in fact paved the way for the development of the MPCS movement later developed since 1957.

Onion production sponsored by this Union has contributed much to the self-sufficiency of this item of food for the Island with more experience in regard to the preservation of onions and greater storage facilities by cultivators and with judicious marketing arrangements and enhanced guaranteed prices.

Plantain cultivation and the marketing of fruits have also been promoted successfully by this Union with the formation of the co-operative plantain society which became the main supplier of the fruit to hospitals, schools and other institutions through the Marketing Department.

Besides, this Union and its affiliated societies have proved themselves to be reliable and efficient agencies to the Co-operative Wholesale Establishment and Government Departments in business transactions under the Guaranteed Price Scheme, Internal Purchase Scheme, etc.

This Union sends its surplus vegetables to the Co-operative Central Market in Colombo and maintains good trade relationship between them. With better and more flexible arrangement and management perhaps the Co-operative Central Market would be able to cope with its diverse interests and bring about better co-ordination of effort necessary to make it serve its purpose. It was interesting to note that the Colombo Co-operative Stores Societies Union, Ltd. has taken a linking-up position whereas a Consumer organization has become in effect the agent of production societies sponsoring the cause of the producers.

At the instance of the Union, cultivators are able to get various assistance in the form of:-

- (a) financial assistance on easy terms for various purposes,
- (b) supply of seeds, insecticides and agricultural implements, barbed wires, fertilizers, irrigation pumps and even draught animals,
- (c) the sponsoring of the making of onion-koodus, thereby affording the peasantry a means of subsidiary income, and
- (d) tractor - service station with ancillary equipment ploughing at nominal rates, thereby laying the foundation for intensive mechanized cultivation in the area.

(D) ALL CEYLON COCONUT PRODUCERS' CO-OPERATIVE SOCIETIES UNION, LTD.

The Ceylon Coconut Producers' Co-operative Societies Union Ltd was registered in April, 1942, with its Office at Colombo. Its membership consists of 19 societies with a share capital amounting to Rs 73,937.23 at the time of the writer's visit to that Union in early March, 1968. The value of fixed assets of this Union, however, has reached the amount of Rs 737,175.59, consisting of land, buildings and machinery, etc. Out of these 19 member societies, five own desiccated coconut and oil manufacturing mills. These five societies have a total membership of 4,201 coconut producers who altogether cultivate 34,481 acres of land. Their total share capital amount to Rs 736,933.18, and the value of fixed assets, Rs 1,756,345.45, respectively.

The Union itself owns three manufacturing mills, the total cost of which amounts to Rs 601,025.06. In the past, the business activities of the Union mainly concerned with the exportation of coconut products, which had to be discontinued due to the decline of prices in international market and the increase of demand in domestic markets.

Therefore, the present business policy of the Union is to cater for the local need of all major coconut products, such as fresh coconuts, coconut oil, and poonac, etc. and the present production of the Union's own mills has been found just sufficient to meet the local demand.

The Union has also started a factory to produce washing soap for which the second grade of coconut oil is completely utilized. This activity started with an output of 1,700 lbs of soap per month, and developed into an average production of 26,970 lbs per month at the present. This business has become one of the Union's major projects of its development.

Coconut oil sold through the Union is distributed to all the multi-purpose co-operatives in bulk form as well as in small containers of one pint bottles and 1, 4 and 5 gallon tins. The dealing might be easier for the Union if its distribution of oil is to go to the unions of multi-purpose co-operative societies and let these unions in turn serve their member-societies and consumers. This would certainly reduce the cost of marketing to all parties concerned, and therefore cheaper price of oil to benefit members.

It is to be noted that this Union has obtained the services of an Assistant Co-operative Commissioner seconded from the Department Co-operative Development. The same case applies to the all Ceylon Agricultural Producers' Societies Union, Central Market at Colombo which has as its Manager seconded from the Co-operative Development Department. The merits or demerits of such a practice is to be discussed latter in this Report.

(E) CEYLON CO-OPERATIVE INDUSTRIES UNION, LTD.

The Ceylon Co-operative Industries Union, Ltd., was a federation organization registered in 1964 with an initial membership of 20 multi-purpose co-operative unions and multi-purpose co-operative societies. Its membership increased to 36 multi-purpose co-operative unions and 2 multi-purpose co-operative societies the following year (1965), with three more unions seeking admission to membership.

According to the By-laws of this Union, the following are its objects:-

- (a) to provide advisory services and other facilities to member societies to organize and carry on industries either by themselves or in partnership with other persons;
- (b) to organize and carry on industries either by itself or in partnership with other persons in order to facilitate the operations of member societies, provided that the Co-operative Commissioner's prior approval is obtained before engaging in any industry; and
- (c) to promote the development of industries according to co-operative principles in the interest of member societies or members of member societies.

In pursuance of its objects the Union shall have the power, in accordance with these By-laws and subject to the law governing Co-operative Societies:-

- (a) to organize and operate schemes of thrift and savings; to receive deposits; to issue debentures and to take all such steps as may be necessary to raise funds;
- (b) to import, store and distribute all such raw material, machinery and other things as may be required by the Union or its member-societies;
- (c) to store, process and market the industrial products of itself and its member-societies;
- (d) to establish and operate factories, workshops, stores and sales rooms;
- (e) to engage in research, publicity, extension and the training of personnel;
- (f) to act as agents of the member-societies as necessary;
- (g) to grant loans to member-societies;

- (h) to acquire, purchase, sell, hire, rent, let, lease and mortgage land, buildings, plant and machinery and to construct buildings, install machinery, and pledge security;
- (i) to transact business with non-members in so far as is necessary to facilitate the operations of the Union; and
- (j) to do all that is necessary, incidental or conducive to the attainment of its objects.

Evidently, these powers of the Union are rather extensive, ambitious and diversified. Whether better concentration of functions and closer co-ordination with the C.W.E. would do good to all parties concerned is a problem for discussion. While in the field of establishing factories, workshops of its own, **these activities** might lead the Union into the field of manufacturing and processing semi-finished products for supply to its member societies for industrial purposes, or simply for the manufacturing of commodities for sale as consumer goods to the Community. There is another point that overlapping of business activities would have to be avoided with the C.W.E. so far as imports of production requirements and the manufactories are concerned.

With regard to the areas of operation it is noted that, being a national federal organization, the Union would naturally serve the whole Island. It could even go further to overseas markets through the collective wholesale exporting of its own products as well as the products of the member-societies.

According to the By-laws of this Union, eligibility for membership is made available to the following societies which agree to subscribe at least 5 shares of Rs 5,000 each share and paid up at least one full share upon admission.

- (1) Any registered multi-purpose co-operative society or a Union of multi-purpose co-operative societies;
- (2) Any other registered co-operative society which is permitted by its By-laws to supply the requirements of its members as primary producers or consumers, or to engage in any form of industrial production or processing of primary produce, or to engage in building construction, provided, however, such society has received the prior approval of the Commissioner for the purpose of admission as a member.

The capital of the Union shall be composed of the following:-

- (1) membership share subscription of Rs 5,000 per share with at least 5 shares each member - co-operative society;
- (2) deposits;

- (3) moneys borrowed;
- (4) profits realized;
- (5) moneys received or realized by any other means approved by the Commissioner.

By the end of 1965 this Union had a paid-up capital of Rs 424,000, an increase of Rs 189,000 over the figures for the previous year, 1964. The Union may out of its net profit allocate at least 5% to a Share Transfer Fund until it reaches an amount equivalent to 75% of the share capital and may out of such Fund purchase shares of past members at rates not exceeding their face value.

The Union is managed by a Board of Directors. The members of the Board are elected (not more than 6 persons) by the General Meeting and in addition the Co-operative Commissioner nominates not more than three persons.

According to the By-laws of this Union, the rebate of dividends due to members shall be calculated as follows:-

After allocating sums out of the net profits to the Reserve Fund and any other fund as provided herein before and for the payment of any dividend and bonus, the remainder of the net profit shall be allocated to each branch of activity of the Union in proportion of the gross profit made in each such branch and such portion of the net profit as is allocated to such branch of activity shall be distributed to members in proportion to the extend of each member-society's participation in such activity as assessed by its purchases or sales or payments for services rendered by the Union provided that net profits arising from any loans granted to members shall not be distributed but shall instead be transferred to the Reserve Fund of the member-union.

The Reserve Fund shall be indivisible, and no member shall be entitled to claim a specified share in it. It shall be invested in a Bank approved by the Commissioner provided that with the prior approval of the Commissioner the entirety or a part of it may be utilized in the business of the Union.

With regard to the activities of this Union, it was noted that at the time of organization, the chief industrial project contemplated by the member-unions and societies was to set up 2,400 power-looms in decentralized weaving factories. Subsequently, the Government decided to establish 960 looms in 20 decentralized factories of 48 power-looms each. In the meantime the Government made inquiries from the Union whether it could undertake the establishment of a integrated textile mill which the Government was getting on an aid from German Democratic Republic. After consulting its general body, this Union had expressed its willingness to undertake the establishment of the centralized textile mill as offered by the German Government. A final decision from Government on these projects was still pending at the time of the Writer's visit.

On the other hand, this Union has undertaken the establishment of a Rubberized Coir Industry in Ceylon at an estimated cost of about Rs 1 million. A factory building for this purpose has been constructed at a cost of Rs 100,000 and the contractor was the Nugegoda Multi-purpose Co-operative Societies Union. The machinery valued at Rs 529,000 was bought from Austria. The plant has been in operation for not so long before the writer visited the factory in March, 1968. It was found that the different varieties of finished products have already been on the market and the agents appointed. There is a hope for healthy development of this industry and trade. The rubberized coir product is a cushioning material suitable for use as mattresses, upholstery of furniture, car and bus seats, railway seats, etc. It has been proposed to market this product abroad in addition to meeting the local demand.

This project is expected to have linking-up forward and backward to a number of subsidiary industries and employment. One such subsidiary industry is the centrifuging of rubber latex which will be a base for a number of industries, both small-scale and large-scale with export potential. Bearing the trade mark by the name of "Ceyesta", mattresses have been sold to the agents among whom multi-purpose co-operative societies and their unions have been the prominent ones.

Lastly, this Union has employed a mechanical engineer who undertakes several engineering services required by a number of member-societies and their unions at moderate rates. By way of such services the Union was able to earn a net income of Rs 4,385.00 in 1965 and brought home closer ties with the member-societies.

(1) THE DEVELOPMENT OF MULTI-PURPOSE CO-OPERATIVES
- ANURADHAPURA DISTRICT -

THE GENERAL ECONOMY OF THE DISTRICT

The administrative District of Anuradhapura covers an area of approximately 2,809 square miles (excluding area covered by major tanks). This is roughly 1/9 the area of the whole Island. According to the last census conducted in 1963 the total population in the District was 279,920.

The total extent of paddy land in the district has been estimated at 147,389 acres which represent about 12% of the total paddy acreage in the Island. During a good maha season about 40,000 acres are cultivable under major irrigation, 50,000 acres under minor irrigation and 5,000 acres under rainfed conditions. Similarly during a good yala season approximately 30,000 acres are cultivable under major irrigation and 20,000 under minor irrigation. In Anuradhapura District there are 8 major irrigation schemes.

Most people engaged in paddy cultivation also cultivated quite extensively some highland crops particularly referred to as 'chena' cultivation. However, the main crops of this District are paddy, maize, Thala and Kurakkan.

These general facts point to some of the fundamental problems facing the peasants in the Anuradhapura District. In such a background, the co-operative movement had to play a vital role in respect of social and economic development of the rural communities in Anuradhapura District.

BRIEF HISTORY OF THE CO-OPERATIVE MOVEMENT IN THE DISTRICT

The earliest societies that were organized in the District fell into the category of Thrift and Credit Societies. Although the growth and progress of thrift and credit societies were rapid, it touched only fringe of the problems affecting the members. For a long time, the movement was concerned only with credit serving the 'Credit worthy'. Very little was done to make people credit worthy by adopting a general programme of economic development and rehabilitation. With the advent of the Second World War, the need for a well knit organization to help the Government in its distribution of essential commodities was felt very badly. In order to meet the demand, a network of consumer co-operatives was established to fulfil this task. Though these societies were voluntary in organization, actually they were organized to perform the functions as assigned by the Government as its distributive network of essential commodities. With the end of the war, all marginal societies were forced to close down. The third phase of co-operative development occurred with the organization of

Agricultural Production and Sales Societies. They were primarily meant to promote agricultural production by granting credit facilities and assisting in the marketing of the produce. To help the peasants the Government put into operation an Internal Purchase Scheme and the Agricultural Production and Sales Societies were made agents under this scheme. A floor price was fixed for various agricultural produce. The principal objective of the organization of the Agricultural Production and Sales Societies was to promote national economic development through the increase of agricultural production. The organization of various types of independent societies at village level posed tremendous problems both to the members and to the Government. There was lack of co-ordinated effort by the societies for common specific purpose of improving the rural economy of the country. It is against this background that the idea of multi-purpose co-operatives was nurtured.

MULTI-PURPOSE CO-OPERATIVE MOVEMENT

In 1956, the Ministry of Agriculture and Food hinted a new trend in the co-operative movement. It wanted a dynamic movement which would help the State to make Ceylon a self-sufficient economy. The Ministry wanted the 'movement' to be the chief agency of the country's rehabilitation and a dynamic instrument of national development. With this end in view the idea of introducing the multi-purpose co-operative scheme was mooted in Ceylon. It was stated that when the idea was first introduced it was met with mixed response from the co-operators. The multi-purpose co-operatives were to embrace all aspects of the economic activities of the village and if possible all aspects of the economic and social life as well. It was felt that the single purpose society in the villages was weak; separate single purpose societies may even work at cross-purposes to the detriment of the members. It was argued that multi-purpose societies were better fitted to make correct appraisals of the economic and social needs of the members, and counteract the possible obstacles. It was further felt that if the co-operative society was to play its part in rural rehabilitation, there is need for a State participation and for this purpose one society in a certain area is better suited than several individual independent societies. Since the various aspects of an economy cannot be compartmentalised, it was felt that one single society could embrace all of them or at least as many as possible. If the co-operative movement has to have a rehabilitation bias owing to preponderance of low income groups, it deserves to some extent to be given active state assistance. This assistance could best be rendered through a single multi-purpose organization. It was further argued that the cost, in terms of human and material resources of organizing and managing a single multi-purpose society would be much less than that of running several single purpose societies, and the mobilization of capable personnel to manage one society in a village or villages would be easier and double membership could be avoided.

With these arguments the Ministry of Agriculture and Food launched a national campaign in 1956 to organize multi-purpose co-operative societies in the Island. The target was that one multi-purpose society should be organized in each village.

When the multi-purpose idea was first mooted, there were 90 Thrift and Credit Societies and 47 co-operative Agricultural Production and Sales Societies and 53 stores societies in Anuradhapura District. It was decided that the best society in each village area should be converted into a multi-purpose society. New multi-purpose societies were to be organized in other places where no eligible societies were in existence.

As a start, large and well managed co-operative Agricultural Production and sales societies were selected for conversion to multi-purpose societies. Thirty such societies were selected, and were converted to multi-purpose societies with the area of operation reduced to one or two villages. However, some co-operative agricultural production and sales societies embraced a large area of operation running to about 10-15 villages. These societies were mostly financially sound and had an experienced group of committee members, as well as skilled personnel for employment in day to day business administration. The conversion naturally involved processes of adoption and adjustment which in some cases had ensued difficulties and problems. In addition to the 30 co-operative agricultural production and sales societies, 13 well managed stores societies were also converted into multi-purpose co-operative societies. All the liabilities and assets of those original societies were passed on to the newly converted multi-purpose societies. In addition to these conversions, a large number of new multi-purpose societies were also organized. Altogether 288 multi-purpose societies were organized in this District.

Out of a total of 288 societies, 30 societies were defunct and the registration of another 21 societies were cancelled due to bad management and uneconomic size. Out of the total of 237 MPCs remaining as at present (March, 1968), 188 societies are engaged in consumer retail business as well as agricultural production work. Under agricultural development they undertake the granting of credit to members, the purchase of the produce and the supply of agricultural inputs, fertilizer and agricultural equipment to members. Most of these societies undertake the distribution of textiles as well, while four societies have extended their field of activities to embrace rural banking in the form of miniature banks, geared to granting of loans, collecting of deposits and also undertaking of pawn broking.

The capital of MPCs is generally obtained by (1) sale of shares, (2) deposits, (3) loans, (4) accumulated reserves and etc. The value of a share is Rs 50/-, payable in 5 annual instalments. The important source of capital is by way of obtaining loans. The movement is mainly financed by the Government Departments and the People's Bank. The Government of Ceylon gives financial assistance to these societies through the following departments, such as (1) Land Commissioner, (2) Department of Fisheries, (3) Department of Rural Development and Small Industries, (4) Department of Agrarian Services, (5) Department of Co-operative Development, (6) Department of Labour and etc.

The multi-purpose co-operative societies have greatly helped the agricultural development in the country by providing facilities as enumerated below:-

- (1) Supply of production requisites, such as fertilizers, improved seeds, pesticides, implements, etc.;
- (2) Supply of credit;
- (3) Arrangements for marketing and other services to enable the farmers to obtain a reasonable price for their marketable surplus; and
- (4) Providing storage facilities for stocking production supplies and farm products.

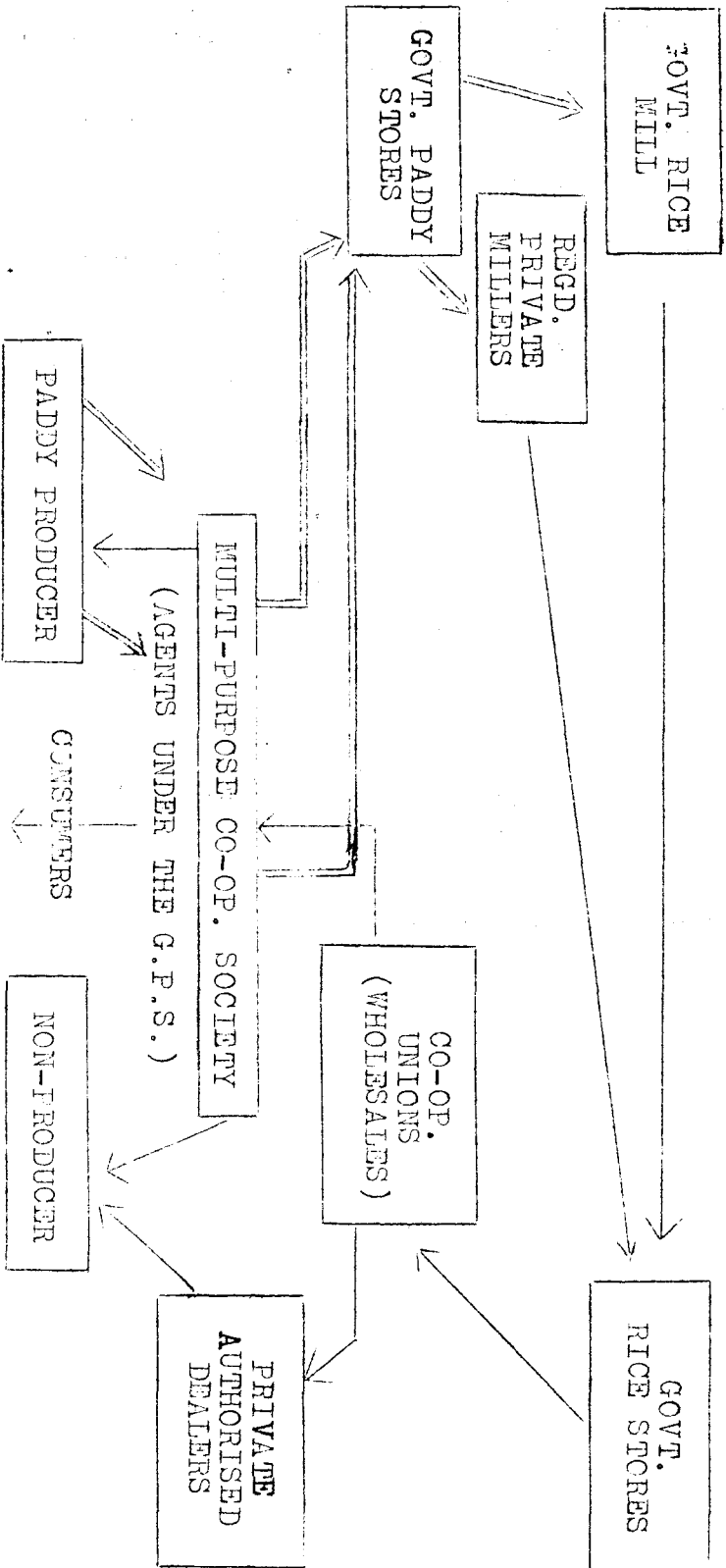
The multi-purpose societies have also been assigned to bear considerable responsibility in respect of the implementation of the Five Year Agricultural Development Programme of the Government.

Price support for agriculture is a well known device all over the world. This is widely practised in Ceylon to provide an incentive for increased production. The Guaranteed Price Scheme in Ceylon dates back to the year 1948 and was born out of the Internal Purchase Scheme for paddy which was in operation during the Second World War. Under the guaranteed price scheme, the multi-purpose co-operative societies have been appointed as purchasing agents by the Government. These societies purchase the paddy produced in the locality and is handed over to the Government Stores. The Government in turn pays the MPCS the cost of the paddy plus a commission of 50 cents per bushel in addition to the transport charges. The operational cost to the Government is shown below:

Price to the producer per bushel (G.P.)	Rs. 14.00
Commission to the MPCS	.50
Cost of transport and handling from co-operative stores to GPS	.50
Transport from GPS to Mill	.20
Cost of milling	.60
Transport and handling from mill to food stores	.10
Administrative cost of the GPS	.10
Cost of a bushel of paddy to Government	<u>Rs. 16.00</u>

The various steps in the operation of the paddy marketing by the multi-purpose societies is shown in the following chart:-

FLOW CHART SHOWING
PURCHASES OF PADDY UNDER G.P.S. BY THE M.P.C.S. AND THE DISTRIBUTION OF
RICE UNDER THE SUBSIDISED RATIONING SCHEMES



====> Paddy purchased at Rs. 14/- per bushel.

-----> Issue of subsidised rice under rationing schemes.

The entry of the co-operatives into the marketing of vegetables and fruits and other subsidiary foodstuffs is rather recent and seldom through the MPCS.

CONCLUDING REMARKS

Multi-purpose societies now cover the greater part of every administrative district. Some of these societies have too large while others too small an area of operation. There has been no hard and fast rule regarding the size of a society or the limit of the area of operation to a village. It has been found from an analysis of results obtained in this District that at least 400 members are necessary for a MPCS while a total of 800 consumers is a minimum requirement for a stores section to run economically. It was argued that calculation based on these assumptions will be able to show how many of the MPCS are economically viable at present in Ceylon.

In this district, it was stated, that the multi-purpose co-operatives had played an important role in the implementation of the agricultural development programmes of the Government. The societies have built 36 village level, fifty-ton fertilizer stores. During the last cultivation season the multi-purpose co-operative societies have given Rs. 12,161,808.62 as (paddy and subsidiary food crops) production loans to its members, and they have distributed 5,260 tons of fertilizers to the members during the last cultivation season.

(Revised note based on a report of the district Assistant Commissioner of Co-operative Development)

INSPECTION NOTE: NO. 1

- A. Kekirawa Multi-purpose Co-operative Societies Union, Ltd.
- B. Present Area of Operation:- Kalagam Palatha North, Kalagam Palatha South, Hurulu Palatha South and 40A Tulana (Village) of Central Hurulu Palatha. The Union's original area of operation was only Kalagam Palatha and the area was subsequently expanded as indicated above since 1956.
- C. Present Membership:- 71 Multi-purpose Co-operative Societies, among them 10 are defunct, (=14%).
- D. Present Share Capital Rs 9,311.50. The value of a share is Rs 500/- and only 38 (=53.5%) member societies have fully subscribed their shares, while 33 (=46.5%) member societies (inclusive of the ten defunct societies) are in arrears. Of the 38 member societies that have paid up the full value of a share, 29 member societies have acquired more than one share. The Union has purchased through its share transfer fund Rs 650/- worth of shares.
- E. Number of Rice Ration Books attached through:-

		9 Union					
	52 M.P.C.S.	-	Retail Branches	-	29 Private A.D.D.	-	TOTAL
	49,514	-	16,718	-	8,436	-	74,668

- F. History:- Representatives of eleven Co-operative Stores Societies of Kalagam Palatha held the inaugural meeting on 25.11.44 and decided to form a Union under the name, Kekirawa Co-operative Sotes Societies Union, Ltd. which was intended to be the centre for the supplies to the Primary Store's societies that were facing hardships in getting the bare requirements during the Second World War. The Union obtained a loan of Rs 4,000/- from the Anuradhapura Co-operative Bank and opened its first Wholesale Depot on a rented out store at Kekirawa town on 2.1.45. By 1945 the membership had risen to Sixteen. The Union's business had been restricted to the Wholesale trade on rice, flour, and sugar, yet the Union had made such progress financially that by 1955 the Union had purchased a Lorry and by 1958 the Union had put up its own two-storeyed building in the half-acre block of land given by the Government at a cost of Rs 65,000/- with its own funds. In 1958 when the Union occupied their own building the membership had raised to 24.

Conversion:- The years 1957 and 1958 brought a revival in the co-operative movement in Ceylong in converting the single purpose societies to multi-purpose. This change over was welcomed by this Union, and on 28.5.1959 the Union was successfully converted as the Kekirawa Multi-purpose Co-operative Societies Union, Limited.

- G. Activities:- The Union runs two wholesale depots, one at Kekirawa and the other at Andiyagala which was opened in November 1966. These two wholesale depots handle rationed foodstuffs and other commodities including textiles, groceries, hardware, kerosene oil and agro-chemicals. The Union also runs a retail store in its main building.

The Union has been called upon to take up responsibilities to operate defunct primary multi-purpose societies as need arises and consequently the Union now runs 9 retail consumer branch depots and 10 paddy purchasing stores which undertake the recovery of agricultural loans due from members to their respective societies.

- H. Management:- The original Management Committee consisted of 8 elected representatives of member societies. With the expansion of the area of operation in 1956 the strength of the Committee has been increased to 13 by amendment of the relevant By-law. The present Committee that was elected at the Annual General Meeting held on 8.11.67 consists of 13 members. However, since 1965 the President and the Secretary were nominated by C.C.D. and R.C.S. and this situation continued till the last Annual General Meeting. At present the Committee of Management consists of 13 elected members and a nominated Secretary.

The Union's staff consists of 51 permanent employees and 12 temporary daily paid employees. Of the 51 permanent employees 15 are attached to the Union Office and Accounts section, 30 are attached to the Wholesale and Retail trade and the balance 6 are attached to the Transport section.

Centralized system of Accounting was introduced last year and a day to day internal check is being maintained in the accounts section.

The Union is faced with the shortage problem of store accommodation in the present main building and with a view to overcoming this, the Union has decided to put up a two-storeyed building at a cost of Rs 250,000/-. The plan have been approved by the Town Council and has to be submitted for the Approval of A.C.C.D. The Committee is anxious to have this building put up within this year. The Union has been able to manage with its own funds to date. However, with the starting of the construction of the new proposed building the Union will require to obtain a Bank overdraft. For purposes of illustration, the following tables are introduced hereunder:-

INSPECTION NOTE: NO. 2

EPPAWALA MULTI-PURPOSE CO-OPERATIVE SOCIETY, LTD.

HISTORY OF THE SOCIETY

With the introduction of the multi-purpose co-operative scheme in 1957, Eppawala Agricultural Production and Sales Co-operative Society, Ltd. was converted as Eppawala Multi-purpose Co-operative Society, Ltd. in 1958. At the time there was another co-operative society at Eppawala, which was the Eppawala Co-operative Store Society Ltd. On 18.11.58, a General Meeting of the Stores Society was held and it was resolved that the assets of this Society was to be handed over to the Multi-purpose Society in order to effect a merger of the two organizations. The value of the assets so handed over was Rs. 48,203.30 and the registration was subsequently cancelled. Originally the area of operation of the Agricultural Production and Sales Society consisted of 7 Villages. Membership of this Society at the time was 715. However, the area of operation of the Multi-purpose Society at present consists of Eppawala, Konwewa, Siyanbalewa (Upper and Lower) and Amunukole Village only and the membership was reduced to 148. The split resulted in the registration of Multi-purpose Societies for other villages originally within the area of operation of the Agricultural Production and Sales Society. When Eliyadivulwewa Multi-purpose Co-operative Society became defunct the area of operation of the Eppawala Multi-purpose Society was extended to cover Eliyadivulwewa. The same fate fell upon Meduyawa and Ketatiala Multi-purpose Societies and the areas of these Societies were handed back to Eppawala Society.

Membership:- The membership of the Society, since the conversion into a Multi-purpose Society is given below:

Membership at the time of conversion	148
Number of new members enrolled	471
	<u> </u>
TOTAL	619
	<u> </u>
Number of member left the society	- 9
	<u> </u>
Membership to date March, 1968	610
	<u> </u>
	===

GENERAL AFFAIRS

Share Capital at 30.11.67 was Rs 20,921/-. Out of the 610 members 49 were share - defaulters. Action was taken to recover the arrears.

During the visit it was discovered that the annual audit of the Society has been done up to 30.4.67 and the report has been released to the Society. This means that auditing had been carried out nearly one year's lag behind.

Attendance at the Annual General Meetings and Special General Meetings as well as Committee Meetings have been held in accordance with the By-laws and found to be satisfactory. It is to be noted that the Honorary President has been the President of the Society since its inception. In 1960 this President was elected to the House of Representatives of Ceylon Parliament, for the Kalawewa Constituency. He has been the chairman of the Eppawala Korale Village Council for over 25 years and devoted for his social work in the area.

The Vice-President is an experienced cultivator with special aptitude for the cultivation of paddy. He is a member of the Eppawala Cultivation Committee and also takes a prominent place in the social activities of the area. Other Committee members are also experienced cultivators. Among them are members of the Peace Council, Cultivation Committee and Rural Development Societies of the Area.

Permanent staff of the Society is 17. The monthly salary paid to them is Rs 2,360/-. They are all contributors to the Employees Provident Fund. 4% of their salary is paid to the fund by the staff and 6% by the Society. The amounts so collected is remitted monthly to the Labour Department to be credited to the fund.

The present General Manager was formerly the Manager of Eppawala Co-operative Stores Society Ltd. where he served for 8 years. With the cancellation of the registration of the Stores Society he was appointed the Assistant Manager of the consumer section of the Multi-purpose Society, who took over the post as General Manager, on the death of his predecessor. The writer was told that the General Manager has a wide knowledge about Co-operative activities. Leadership is the key note of co-operative success. This Society bears out as a fine example not only in its strong Committee but also in its capable staff-set-up.

I. ASSETS OF THE SOCIETY

(a) Coconut Estate in Eppawala V.C.		Rs 23,141.50
(b) Buildings:	Vale	Depreciated Value
Paddy Stores	Rs 22,404.00	Rs 6,926.89
Consumer Stores	24,449.05	14,482.60
Tractor Garage	1,129.27	903.39
Stores	4,886.70	4,764.53
Vegetable Stores	450.00	202.05
Lavatory	272.30	94.58
	<hr/>	<hr/>
	TOTAL	Rs 27,374.04
	=====	=====

(c) Vehicles:

Lorry	Rs 20,333.12	Rs 1.00
Tractor	18,884.75	1.00
TOTAL	<u>Rs 39,217.87</u>	<u>Rs 2.00</u>
	=====	=====

(d) Furniture & Fittings:

	Rs 10,640.44	Rs 4,202.56
GRAND TOTAL		<u>Rs 54,720.10</u>
		=====

(e) Bank Deposits:

Fixed Deposits in People's Bank A'pura	Rs 99,963.89
Current Account " " " "	Rs 50,000.00

II. BUSINESS SECTIONS MANAGED BY THE SOCIETY

- A. Consumer Section,
- B. Agricultural Produce - Purchase & Sale Section,
- C. Supply Section - Agricultural Loans & Implements,
- D. Rural Bank, and
- E. Labour Contracts and Service Section.

A. CONSUMER SECTION

This section deals in rice, foodstuffs, ointment goods and textiles. In addition to these articles the Society does the wholesale of cement. The average sales per month is Rs 65,000 approximately. Although there is considerable difficulty in obtaining these consumer goods, sufficient stocks are available for sale. There are 7,198 Rice Ration Books Receipt by the Society for the distribution of rationing rice. Most of these Books belong to the members.

Given below are the turn-over, gross profit, goods leakages for the period 1.1.59 to 30.4.67, as an illustration of the extent of its business operations. Other statistical data are also given in this note for the same purpose.

<u>YEAR</u>	<u>SALES</u>	<u>GROSS PROFIT</u>	<u>SHORTAGES IN GOODS</u>
1.1.1959			
30.4.59	Rs 191,912.31	Rs 5,127.37	Rs 13.30
1959/60	608,150.09	21,530.38	538.89
1960/61	771,159.75	32,321.92	521.29
1961/62	993,907.69	39,821.52	150.62
1962/63	912,043.78	41,159.55	-
1963/64	774,217.38	30,148.64	-
1964/65	824,720.39	31,828.60	1,147.10
1965/66	836,178.81	28,941.48	1,758.34
1966/67	765,214.33	26,415.63	946.10
TOTAL	Rs 6,617,504.53	Rs 257,331.09	Rs 5,065.64

It was stated that the reason for the drop in sales during the years after 1963/64 was due to the fact that the purchases made direct from the Co-operative Wholesale Establishment were not issued from this section. Also, there were difficulties in obtaining most of the consumer goods required for the area. In 1966/67 there was a further drop in sales. This was mainly due to the issue of rationed rice free of charge in accordance with the decision by the Government.

B. AGRICULTURAL PRODUCE - SALE AND PURCHASE SECTION

Given below are the particulars of this section since the conversion into a Multi-purpose Society.

<u>YEAR</u>	<u>SALES OF PADDY</u>		<u>SALES OF CHILLIES</u>	
	<u>BUSHELS</u>	<u>VALUE</u>	<u>CWT.</u>	<u>VALUE</u>
1958/59	56,167	Rs 673,641.30		
1959/60	9,779	117,048.75		
1960/61	41,532	447,074.42		
1961/62	44,732	534,757.00		
1962/63	38,053	443,539.72		
1963/64	32,518	388,091.38		
1964/65	30,044	356,254.83	5	Rs 1,203.70
1965/66	29,322	347,332.36	2	506.25
1966/67	40,628	482,393.64	2	525.50
TOTAL	322,773	Rs 3,800,133.40	9	Rs 2,262.45

With the reduction of the rice-ration from 4 lbs to 2 lbs per week per person, private traders have been purchasing the paddy from the member-cultivators above the guaranteed price paid by the Government through the co-operative societies. As a result, the quantity of paddy purchased by the Society on behalf of the Government under Guarantee Price Scheme consequently drops. Whereas when the free market price for paddy is lower than the fixed guarantee price this situation tended to reverse accordingly.

C. SUPPLY SECTION - AGRICULTURAL LOANS AND IMPLEMENTS

Members are supplied with seed paddy, fertilizers, insecticides and implements either in cash or credit.

The particulars of sales of such articles from 1958 are given below:

YEAR	SALE OF PADDY		SALE OF FERTILIZERS		SALE OF INSECTICIDES	AGRICULTURAL IMPLEMENTS
	Bushel	Value	Lbs.	Value	Value	Value
1958/59	508	Rs 6,350.00	31.1.04	Rs 295.02	Rs 333.55	
1959/60	-	-	127.3.15	1,693.18	579.78	Rs 97.52
1960/61	-	-	97.0.00	1,285.37	720.00	8.50
1961/62	-	-	124.2.18	1,554.90	2,149.50	-
1962/63	146	1,897.63	200.3.14	2,331.67	3,899.65	112.83
1963/64	150	1,950.00	327.2.11	4,083.70	6,660.70	-
1964/65	150	1,846.50	204.1.01	2,463.26	3,114.55	545.60
1965/66	177	2,227.05	290.1.05	3,892.74	2,840.55	88.00
1966/67	300	3,900.00	624.3.15	8,277.56	5,345.50	-
TOTAL	1,431	18,171.18	2,070.2.27	25,877.40	25,649.78	825.45

The following table shows the issue of Cultivation Loans to the members as from 1958. These Loans have been issued mainly from Credit facilities offered by the Agrarian Service Department, up to Yala/1967. Since Maha/1967/1968 these facilities have been provided by the People's Bank to the Society. The Society also has given Loans to members from its own funds.

1. Loans issued from funds of the Society to the members:

Purpose	1958/59	1959/60	1960/61	1961/62	1962/63
Cultivation:	Rs 8,882.00	Rs 21,535.00	Rs 14,500.00	Rs 15,980.00	Rs 13,048.50

2. Loans issued from credit facilities provided by the Agrarian Services Department to members:

<u>Purpose</u>	<u>1963/64</u>	<u>1964/65</u>	<u>1965/66</u>	<u>1966/67</u>
Ploughing	Rs 18,786.50	Rs 6,220.00	Rs 12,676.00	Rs 16,300.00
Seed Paddy	7,032.00	3,504.00	4,776.00	9,784.00
Weeding	225.00	-	1,350.00	6,375.00
Transplanting	150.00	150.00	-	-
Fertilizers	805.01	-	1,398.55	433.67
Harvesting	4,100.00	-	2,600.00	1,850.00
TOTAL	30,998.51	9,874.00	22,800.55	34,742.67

3. Following are the loans issued to members under the new credit scheme from the People's Bank for Maha, 1967/68.

Ploughing	(In cash)	Rs 23,361.25
Transplanting	(")	8,262.50
Weeding	(")	9,162.50
Fertilizers	(")	21,576.00
Seed Paddy	(")	8,926.00
TOTAL		Rs 71,288.25

The Maximum Credit Limit of the Society for the gear was fixed at Rs 200,000/-.

D. RURAL BANK

This section was inaugurated on 15.11.66. Up to this time no credit facilities were provided for cultivation purpose. However, on the advice of the People's Bank the Rural Bank has offered credit facilities to members for the following purposes:

(1) Construction of renovation of houses	for	16	members
(2) Redemption of loans and mortgages	"	9	"
(3) Cultivation of subsidiary food-crops	"	13	"
(4) Industrial purposes	"	2	"
(5) Animal husbandry	"	1	"
(6) Purchase of small tractors (Hand)	"	2	"

The total amount issued for these purposes was Rs 81,000. No member has defaulted in the repayment of loan instalments. The interest charged on these loans was 9%. Only members were entitled to these loans.

Further, pawn-broking Loans are granted on the mortgage of jewellery of members as well as non-members.

Savings Deposits of the Bank up to 30.11.1966 was recorded as follows:-

134 Member Deposits	-	Rs 15,970.15 = 40.7%
113 Non-members Deposits	-	Rs 23,200.05 = 59.3%

A Bank overdraft of Rs 50,000 has been approved to the Rural Bank of the Society out of which Rs 34,335.56 has been drawn up to 30.11.66. A further sum of Rs 19,549.00 has been invested in the Rural Bank by the Society.

(E) LABOUR CONTRACTS AND SERVICE SECTION:

The Society has been registered in the public works Department to do contracts up to Rs 200,000. So far the Society has completed the construction of school buildings, roads and drains for local Government bodies. Most of the labour is provided by the members of the Society and there is a works-inspector of the supervision of the construction. The Society's aim is to do a satisfactory service for the Community and it is not the intention of the Society to make profits out of the contracts.

There is a lorry and a tractor belonging to the Society and rendering services to members. These vehicles were purchased for Rs 18,884.75 and Rs 20,333.12, respectively. The present depreciated value of these two vehicles is Rs 12/-.

Although the Balance Sheet value of the loory is 1/- the market value today is approximately Rs 40,000/-. The tractor could fetch over Rs 5,000/- from a sale, in spite of the fact that the Balance Sheet figure is Rs 1/-. The sale of the former tractor made a profit of Rs 5,096.68.

It is to be noted that the Management of the Society has been ambitious and eager to extend its functions to carry on additional services for the Community. They hope to set up the following sections in the near future:

1. Textile Weaving Section
2. Paddy Milling Section
3. An expanded Tractor Service Section with five sets of small hand-handled tractors.

INSEPCION NOTE: NO. 3

LABUNORUWA MULTI-PURPOSE CO-OPERATIVE
SOCIETY, LIMITED

1. History of the Society:- The Area of operation of this particular Society was part of the area originally covered by the Ullagalle Co-operative Agricultural Production and Sales Society which was dissolved in 1958. Out of 12 Societies which were formed after the dissolution of the former Society one was Labunoruwa M.P.C.S. This Society was registered in 1958 with 25 members and in 1966 the membership of the Society increased to 193 with Share Capital of Rs 5,871.70. Being situated in the remotest part of the Ullagalle Korale in the North Central Province, its area of operation has been restricted to Labunoruwa and Sandalam Kulam Villages with its address at Maradankadawela.
2. Occupation of the Members:- All people resident in the area of operation in the Labunoruwa Village are members of the Co-operative Society. Their main occupation is Agricultural. They grow paddy and highland crops. There are 583 acres of paddy fields and all of them have come under cultivation during the last Maha Season. The farmers get a very good crop in this area when compared to other areas in the North Central Province.

The Co-operative Society plays a very important part in helping the members to improve their economy. There are 193 families living in the area of operation, possessing 850 ration books attached to the Co-operative Society.

3. The main functions of the Society are as follows:-
 - (1) Supplying of consumer goods to members,
 - (2) Granting loans to members for Agricultural purposes,
 - (3) Purchasing paddy as an agent of the C.A.S. Department, and
 - (4) Executing labour contracts.
4. General Affairs:- During the year 1967 the Society held 6 general meetings and the average attendance at these meetings was reported to be over 50 members - just over 25% of the total membership, which was regarded as a poor show.

During the same year, 15 Management Committee meetings were held and the average attendance was about 9.

The Committee elected were all farmers. Although not highly educated, they understood the responsibility entrusted to them. They supervised the work of the Manager, and went through the books maintained by the Manager regularly. The

INSPECTION NOTE: NO. 4

TIRAPPANE MULTI-PURPOSE CO-OPERATIVE SOCIETY, LIMITED

1. History of the Society:- This Society originally registered as the Ulagalle Co-operative Agricultural Production and Sales Society was set up in 1948. In 1957 when conversion movement began the area of operation of the Ulagalle Co-operative Agricultural Production and Sales Society was divided into 12 M.P.C.S. Societies and one of them was the Tirappane M.P.C.S. Its area of operation is restricted to the following villages: Tirappane, Thodamaduwa, Wanan Maduwa and Ulagalle in the Ulagalle Korale. There are 242 families in this area of operation and all the heads of these families are members of this Society. Their main occupation is agricultural with paddy cultivation as their principal crop. There are 1,508 ration books attached to this Society.
2. Functions of the Society are as follows:-
 - (1) Supplying consumer goods to the members.
 - (2) Granting loans to the members for Agricultural production.
 - (3) Executing labour contracts.
 - (4) Purchasing paddy as an agent of the Agrarian Service Department under the G.P.S.
3. General Affairs:- During the year 1967 the Society held 2 General Meetings. The Attendance at these meeting was reported to be 30 and 35, respectively, only.

During the same year, 14 Committee Meetings were held. The Attendance were also very poor. At times the meetings were abandoned for lack of a quorum.

The Committee consists of 11 members who elected the President and the Secretary. It was reported that the Committee members were mostly uneducated and irresponsible farmers of the area. Checking of goods purchased and monthly stock-taking was not done by the Committee, but left in the hands of the Manager who took the chance of committing irregularities damaging the Society. Consequently the Society was unable to maintain the Consumer Section which was at last handed over to Kekirawa Co-operative Stores Union to be ran as a retail branch on 23.1.68.

The Society has appointed a Manager with Security of Rs 1,000/- in cash and Rs 2,000/- in bonds. The Manager was paid a salary of Rs 200/- per month. He kept and paid his own salesman who received Rs 75/- per month as salary. This is a very unsatisfactory arrangement.

The Audit of the Society books had been done up to 23.1.1968, and it was found that a leakage of Rs 2,390.01 had to be recovered from the Manager. This is serious in consideration of his scale of salary in the Society. As an illustration of business transacted by the Society, the following data for the year 1966-7 are shown for reference.

	<u>Purchases</u>	<u>Sales</u>		
<u>Consumer Goods:-</u>				
1966	76,762.50	82,225.00		
1967	73,382.92	72,143.00		
<u>Paddy:-</u>				
1966	94,556.00	93,565.00		
1967	53,784.00	53,784.00		
<u>Manure:-</u>				
1966	482.00	101.00		
1967	13,017.00	11,881.00		
<u>Loans Issued To Members:-</u>				
1966	18,845.00	recoveries 3,786.38		
1967	35,527.00	---		
<u>Profits:-</u>				
	G:P:	G:L:	N:P:	N:L:
1966	3,692.12	---	2,734.51	---
1967	---	2,814.29	---	7,504.44

As mentioned earlier the General Meeting of the Society was very unsatisfactory. The Committee did not know the responsibility and the powers vested on them. The Society was run at a great loss with ex-Manager's leakage of Rs 2,390.01 unrecovered. The Committee has granted loans to the members for Agricultural purposes, and now the action is taken to recover the loans. It is evident that the reason for the downfall of the Society was the weakness of the Committee and poor Management. The following is the Balance Sheet as on 1968.1.23.

Liabilities

Shares 14,789.85
Reserve Fund 9,308.54

Deposits

Security 3,005.50
G.A. Loans 3,767.75
Army 1,582.81
Marketing Co. 2,995.00
Security Interest 422.36
Member Deposits 379.34
Textile Advance 50.00
C.A.S. Loans 74,694.65
Interest 7,254.29
People's Bank Loan 38,557.50
Chilli Loans 5,125.00
Manure Loans 12,110.00
Textile Centre 4,815.60
Sundry Creditors 2,185.04

181,043.23
=====

Assets

Buildings 6,092.41
Fittings 1,206.03

Investments

Shares 1,235.00
Deposits in Bank 1 2,205.24
" " " 11 508.37
Sundry debetors 20,002.26
Member Loans 120,829.59
Textile Centre 5,944.33
Stocks 2,095.33
Cash in Bank 13,711.69
Cash in Hand 300.40
Loss 6,912.32

181,043.23
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INSPECTION NOTE: NO. 5

POONAWA MULTI-PURPOSE CO-OPERATIVE SOCIETY, LIMITED

1. History of the Society:- This Society was registered on 26.8.43 and latter converted into M.P.C.S. At the time of registration the membership of the Society numbered 408, with a Share Capital of Rs 452/-. Today, after conversion the membership has risen to 555 and the Share Capital, Rs 12,927.50.
2. Business Management:- This Society handled paddy only at the start. Up to the year ending 1.1.45 the Society had handled 15,566 bushels of paddy. However, the Society has now handled 29,551 bushels of paddy for one season alone. From 1945 onwards the Society had started expanding its activities by introducing trade on textiles, sundry goods, manure and insecticides, etc.

The annual turnover of the Society at the starting year was Rs 155,664/- and the gross profit Rs 2,295/-, with a net profit of Rs 822/-. However, with the expansion of the business the turnover of the Society at the time had risen up to nearly a million Rupees, but suffered a net loss of a few hundred Rupees. The net loss could be attributed to heavy overhead charges and mismanagement. This situation, has improved greatly in later years. Today, this Society is handling paddy, sundries, textiles, chillies, fertilizers and insecticides, etc. Furthermore, this Society has granted loans financed by the People's Bank to the amount of Rs 66,525/- to its members for cultivation purposes. This Society has put up its own building at a cost of Rs 24,000/- out of its fund chiefly derived from the commission received on sale of paddy under the G.P.S. This Society also owns a manure store, the capacity of which is 50 tons. This manure store has costed the Society Rs 5,600/- which was met from a loan granted by Commissioner of Agrarian Services.

This Society has invested in other institutions by way of Shares and deposits of Rs 4,000/- for which the Society gets an interest. A considerable amount is realized by the Society on the investment of shares at the Medawachhiya M.P.C.S. Union with rebates from the Union annually.

As on 28.1.67 the Society had a balance profit of Rs 11,482/-. However, the Society has not yet decided on any distribution of these profits amongst its members as its main idea is to expand the activities to a higher level possible.

3. General View of the Society:- Most of the members of this Society, i.e. about 80% have completed paying up their share subscriptions. Furthermore, the members have shown their great interest in the affairs of the Society and have given whole hearted support for any new plan brought forward by their Committee on the improvement and expansion of the activities of the Society.

The books of this Society are being kept in accordance with the necessary requirements of the Department, and have been accurately written up-to-date. The present Manager has a good knowledge of co-operative practice. The financial position of the Society as on 15.3.68 was as follows: The Bank balance to the credit of the Society stands at Rs 2,000/-; the cash balance stands at Rs 450/-. The value of stock in hand is approximately Rs 5,000/-.

INSPECTION NOTE: NO. 6

MEDAWACHCHIYA MULTI-PURPOSE CO-OPERATIVE
SOCIETY, LIMITED

1. History of the Society:- This Society was originally registered on 12.6.46 under the Co-operative Society Ordinance as Kadawak-Kavale Co-operative Agricultural Production and Sales Society, Limited. At the time of registration the membership reached 2,600 mark; but within 6 months it rose to 5,160 members and the share capital stood at Rs 15,600/-. This Society had been handling only paddy and kurakkan and the quantity of paddy sold to G.P.S. once had amounted 180,000 bushels. It employed only 3 employees and the salaries paid per month only amounted to Rs 155/-. It is not only understaffed, but the staff is perhaps also underpaid. The main purpose of organising this Society was to promote the sales and production of agricultural products of its members and to grant agricultural loans for which the Society depended on the Commissioner of Agrarian Services. This Society had served the whole Kavale consisting of nearly 90 villages. Hence it is not **surprising** that the Society had so large a membership, and had to handle so large an amount of paddy a year. Following the general course of development after 1957 this Society was transformed into a multi-purpose Society and the name of the Society was also changed to Medawachchiya M.P.C.S., Ltd. However, the vast area of operation of this Society was splited into 16 different areas and in each of these areas a multi-purpose co-operative society was formed. The membership of this newly reorganized Society came down on account of the restriction on the area of operation. Most of the original members had joined their respective M.P.C.S. which sprang up in their own villages. Latter, because one of the newly established M.P.C.S. was defuncted, this Society has to serve 5-villages.
2. Business Operations:- At the first annual Audit of the Society under the old name, it was recorded a turnover of Rs 1,490,000/- and the gross profit on such turnover was Rs 9,678/- with a nett profit of Rs 6,957/-. However, it was reported that the last Audit of the Society showed the turnover shot up to Rs 3,697,472/-, while the gross profit on turnover was only Rs 2,368/-. The Society had to face a tremendous nett loss of Rs 21,968. This heavy nett loss was attributed to the very heavy overhead charges that the Society had to incur, such as increased salaries to staff, bonus to staff, heavy transport charges and commission, etc. - a serious sign of mismanagement which fortunately was **checked** in time. The Society has now extended its activities to dealings in paddy, chillies, sundries, insecticide and manure. Further, this Society has granted **cultivation loans to the amount of Rs 138,500/-** to 450 members obtained from the People's Bank under the Government new agricultural loan scheme.

This Society, which was at the beginning housed in a small room and paid a monthly rent of Rs 30/-, is now proud of owning a building costing the Society Rs 2,500/-. A loan of Rs 17,000/- was utilized in the construction of this building. This loan has now been repaid in full by the Society. Resultly, the Society is constructing a manure store out of its own funds and has spent about Rs 2,500/- already. It was estimated that another Rs 4,000/- would be required. When completed this building would have a store capacity of 50 tons.

The Society has so far invested Rs 4,844/- by way of shares and deposits with other institutions. A major portion of gains realized on these investments is from Union shares and rebates on purchases, which the Union declares annually.

It was stated that (without balance sheet attached) the Society has a balance-profit of Rs 42,887/- to its credit. However, there had been no distribution of profits as the main idea of the Society is to expand its business as far as possible. It was claimed that there was no complaint by the members for not distributing its profit as the members fully realize the value of expansion of the business of their Society.

The present Management Committee of the Society consists of 9 members duly elected by the General Meeting held in 1964. The Society had endeavoured to summon general meetings twice since 1964 and had to be abandoned for want of quorum. Now the Society has made arrangements to call for a General Meeting so that an opportunity may be extended to the members to elect a fresh Committee. During the past year, from 1.1.67 to 31.12.67, 22 Committee Meetings had been held, and the average attendance had been 6 members. These were the poor shows of the members and the management and effective measures should be taken to deal with them before it is too late. Altogether only about 40% of the members of the Society have completed the paying up of their shares. However, the books of the Society have been kept in order. Most of these books are written by the manager of the Society. It was realized the Society should try its utmost effort to cut down the heavy overhead charges as revealed at the last audit and to recover the overdue member loans, cash shortages and leakages. Great improvement of Management efficiency is required in order to win back the confidence and support of the members.

(2) MULTI-PURPOSE CO-OPERATIVE DEVELOPMENT
- POLONNARUWA DISTRICT -

INSPECTION NOTE: NO. 1

POLONNARUWA CO-OPERATIVE DISTRICT UNION

Co-operative District Union, Polonnaruwa, was started in 1954 under the inspiring zeal of the Co-operators of the District. The pioneers wanted this to be the apex organization of the district, to undertake propaganda and to popularise the movement. It also was meant as a legal body to express opinion of the Co-operators of the District. Since its inception this Union has lived up to the expectation of the pioneers, but many changes have been taking place from time to time. The major change took place in 1965 with the adoption of the new By-laws. Under the By-laws of the Union, its functions are:

- (1) to educate people in the principles of co-operation,
- (2) to articulate opinion for the Co-operators of the District, and
- (3) to render administration advices and auditing services to co-operative societies and unions of the District.

At present this Union organizes co-operative education classes to train employees of various co-operative organizations of the District. These classes are designed to train people for two examinations according to their general educational standard, and the nature of their employment. Those who have attained the junior level of general education are trained for 2½ months for an examination known as Co-operative Employees Certificate (Junior Level). The other is Co-operative Employees Certificate (Ordinary Level) with a duration of training for 4½ months for those who have passed G.C.E. (ordinary level) Examination with 3 credit passes including Arithmetic or Commercial Arithmetic.

/has The Union also/undertaken member education work in the District. These study groups or classes are designed to give trainees an understanding of the functions and management of a co-operative society. Usually they hold this **type** of class for two days duration during week-ends, so that members could participate without disturbing their day-to-day undertakings.

Apart from these they also have from time to time convened meetings such as study circles, etc. of the members of co-operative organizations of the District in order to exchange experience and opinions on various matters pertaining to the movement. Annually the Union in collaboration with all the co-operative organization in the District celebrates the International Co-operative Day in a very festive manner.

INSPECTION NOTE: NO. 2

THAMANKADUWA M.P.C.S. UNION, LIMITED

1. Name of the Union:- Thamankaduwa Multi-purpose Co-operative Society Union, Limited.
2. Membership:- Out of 82 primary societies which are doing the consumer purchases from the Union, 67 have become members. The rest is expected to become members in due course.
3. Consumers attached to the Union:- The total number of consumers attached to the Union is 114,752 (according to figures available). The approximate population estimated in the Union area is close upon 2 lakhs. Therefore, it can be taken that 65 percent of them have become consumers of the Union. The rest is believed to be the floating population such as Government Servants, Casual employees and temporary hands who do not have much interest in the area.
4. Origin:- This Union was originated as a consumer co-operative to serve the needs of its primary member-societies; and on 8th April, 1964 it was registered to that effect. But with the implementation of the multi-purpose drive this Union too was drawn into the scheme and was converted to a Multi-purpose Union in 1962.
5. Progress:-

<u>YEAR</u>	<u>MEMBERSHIP</u>	<u>SHARES</u>	<u>TURNOVER</u>	<u>NETT PROFIT</u>
1962	39	Rs 7,700.00	8,173,715.17	64,417.10
1963	48	" 12,215.00	8,581,650.76	59,556.78
1964	53	" 13,925.00	10,329,783.85	21,338.11
1965	57	" 18,950.00	10,757,931.72	50,152.65
1966	67	" 21,500.00	12,726,857.20	not yet audited at the time of the visit.

6. Business Activities:- The sections under operation consist of,
 - (a) Consumer Activities, Wholesale and Retail
 - (b) Contracts of Buildings and minor constructions
 - (c) Agricultural Activities
 - (d) Labour Contracts and Transport Services
 - (e) Timber and Hardware sales

- A. Consumer Activities:- The Union has 3 Wholesale depots and defunct societies which have been handed over to the Union when they ceased to operate due to lack of funds and mismanagement. The consumer needs of the area is mainly channelled through the 3 wholesale depots, non-member societies and 8 private authorised dealers are all being served by the wholesale depots.

Apart from all these the Union is the only distributor for rice, flour and sugar in the district.

- B. Building Contracts:- The Union undertakes contracts of buildings, construction of roads, maintenance of buildings and other contracts of similar nature.

- C. Agricultural Activities:- The main activity is the purchase of paddy, maize, chillies, red onions, etc., under the Guaranteed Price Scheme. It also supplies fertilizers, insecticides, and agricultural implements.

- D. Labour Contracts and Transport Services:- The Union undertakes contracts such as loading and unloading of Paddy Stores within the District.

It also renders transport services to the primary societies which are incapable of handling their own transport.

- E. Timber and Hardware sales:- The Union has recently opened a timber depot. It also distributes hardware and building materials.

7. Management:- Up to 1960 the Union has been managed by a Board appointed by the Commissioner of Co-operative Development. Since 1960 the management had been taken over by a duly elected committee consisting of 9 representatives of the member-societies. The Union has engaged 64 permanent employees, and 17 temporary ones with total monthly salary paid amounting Rs 17,000/-.

As an incentive to the effective services of the employees an annual bonus is granted to them. All the permanent employees are contributors to the Provident Fund Scheme which has promoted the security of the employees.

A Credit Scheme is under operation through which the employees are able to obtain loans for urgent needs.

8. Finances:- As the activities of the Union have increased, the Assistant Commissioner of Co-operative Development have approved a bank overdraft of Rs 450,000/- of which the Union utilizes only about Rs 300,000/- (on date of Inspection).

9. Relationship with:-

- (a) The Department of Co-operative Development:
The Department has appointed a Liaison officer. The main function of this officer is to supervise the proper distribution of consumer goods and also the general supervision of the Union activities. Annual Audits are done by the Department.
- (b) The People's Bank:
The Bank extends the financial assistance. It maintains current and various Deposits Accounts. Important documents are in the safe custody of the Bank which maintains a Branch in this District.
- (c) Other Departments:
Under the Guaranteed Price Scheme the Union has dealings with the Agrarian Services Department; Agricultural Activities, with the Department of Agriculture; Consumer Goods, with the Food Control Department; etc.

10. Promotional and Educational Activities:- Annually employees are allowed in turns to follow a course of training at the School of Co-operation, Polgolla. At present the Secretary is attending a 9 months course there.

INSPECTION NOTE: NO. 3

MINNRIYA MULTI-PURPOSE CO-OPERATIVE SOCIETY

1. Early History of the Society:- This Society was organized on 3.3.1940 under the name Cultivators' Sales Society Ltd. which was later changed to a Co-operative Agricultural Production and Sales Society Ltd. This Society was again converted into a Multi-purpose Co-operative Society, Ltd. in early 1962.

The area of operation embrace 4,000 acres of cultivated paddy land which constituted the initial stage of the Colonisation Scheme Launched by the Government more than 20 years ago. It included 700 cultivators, to each of whom was allotted 5 acres paddy land and 2 acres high land. The total population of the area during the inception of the Society was about 2,000, and this number has now increased to about 20,000.

2. Objects:- The main object of the Society was to organize the cultivators who imigrated as colonists, on a co-operative foundation and to promote the social and economic interests in accordance with co-operative principles, with a view to building a healthy and wealthy Colony. As the producer, dealer, and consumer constitute the same person and as the Society is the only main economic unit, it was the endeavour of the Society to supply members their entire needs through the Society and also to improve the Member-society relationship.
3. Capital:- The value of a Share at the inception was Rs 10/- and the membership was confined to 186. At present the membership has increased to 688 and the total paid-up-Share capital is Rs 195,298/69. The present value of a Share is Rs 50/- and on an average a member holds 8 shares. It is one of the biggest and possibly best managed M.P.C.S. of the Country.
4. Operation:- When the Society was started the main occupation of the Colonists was farming and the only crop was paddy. At that time the private trader fixed the purchase price of a bushel of paddy at -/30 cts. As a result of the Society's undertaking the purchase of paddy, the price increased in stages to -/75 cts., Rs 1/25, Rs 2/50, Rs 4/00, Rs 6/-, Rs 8/- and Rs 12/-. The present price of a bushel under the Government Guaranteed Price Scheme is Rs 14/-. On an average the Society at present purchases 400,000 bushels of surplus paddy annually under the G.P.S.

For the promotion and development of paddy cultivation the Society provides loans facilities to its members. The original individual-credit-limit of Rs 500/- per member was increased to Rs 2,000/- and under the extended Credit Scheme of the Government this has been further increased to Rs 4,000/- which is in operation at present.

On this basis each member enjoys the following loan facilities, while the necessary funds are obtained from the Commissioner of Agrarian Services and the People's Bank:

<u>Purpose</u>		<u>Rate per acre</u>		<u>Total loan (5 acres)</u>
1. Cultivation (cash)	Rs	55.00	Rs	275.00
2. Seed Paddy (cash/kind)	"	32.00	"	160.00
3. Manure (in kind)	"	58.00	"	290.00
4. Pesticides (cash)	"	25.00	"	125.00
5. Transplanting and weeding (cash)	"	25.00	"	125.00
6. Harvesting (cash)	"	25.00	"	125.00
7. Consumer needs (cash)	"	-	"	300.00
			TOTAL	<u>1,400.00</u> =====

The loan scheme operates on a cycle of six months governed by the two main paddy seasons per year. On this basis the Society has provided its members with loans amounting to a total of between Rs 900,000/- and Rs 1,200,000/- per year.

In addition to this as an incentive and aid to increase paddy production the members are supplied with pesticide sprayers on 18 month credit terms on an initial deposit of Rs 50/-.

Hand Tractors of the Land-Master and Mitsubishi type (each costing Rs 4500/- appr.) are supplied on a 36 month long term credit scheme. Up-to-date 49 members have availed themselves of this facility, to whom 49 hand tractors have been supplied.

Tractors of the Ferguson 35 and Forson Dexta type are also supplied on a group scheme basis on credit. To organised groups formed by 5 to 10 members on a basis subject to limitations imposed by their "Individual Maximum Credit Limit", tractors are supplied on long term credit. Four such groups have obtained tractors from the Society, one tractor to each group.

To provide additional facilities to the members and also to extend the operational services of the Society a paddy hulling plant with a capacity of 1,000 bushels per day was installed at a capital outlay of Rs 500,000/- (appr.). A quota of 1,440 bushels of rice is supplied to Government weekly.

Six consumer retail stores have been established at a cost exceeding Rs 300,000/- for the benefit of the members and the general consumer public of the area-of-operation.

A fleet of 7 Lorries, a Van, and a Tractor/trailer owned by the Society provides the essential transport services and assists in the operation of the various activities.

Besides the above-mentioned functions, the following activities have also been organized and maintained to provide additional services and facilities and recreation to the members and the general consumer public of the area: labour contracts, cinema hall, operation of a grinding mill, Government building contracts, Agency of the Ceylon Petroleum Corp, Agency of the Ceylon Fisheries Corp, Agency of the Ceylon Tyre Corporation, and Construction and supply on rent of quarters to Co-operative Department Officers.

Apart from the provision of these services the Society has distributed among its members a total of Rs 186,000/- as dividend and rebate during the course of its existence.

4. Employees:- The Society has a staff of 70 monthly paid and 250 daily paid employees in all its operational services. They are paid salaries and all the allowances as laid down by Government. All the employees are members of the Government Provident Fund Scheme of the Labour Department, each employee subscribing 4% of the salary and the Society contributes 6% of the salary to the fund.

The monthly paid staff is provided with credit facilities. On the basis of their condition and length of service the credit limit is fixed for each and subject to such limitations they obtain loans between Rs 1,000/- and Rs 10,000/- to finance the purchasing of vehicles, land and other property.

The Society is proud of the fact that it has provided the means of livelihood to over 1,500 families directly and indirectly, though many of whom are non-members. The employees are also paid Bonuses annually according to the Profits realised.

5. Seminars:- Quarterly seminars are held for the members with the co-operation and assistance of officers of various Government Departments to improve the knowledge of the members mainly with a view to increasing paddy production. The following topics are usually discussed:
 - (1) Increasing Crop yield,
 - (2) Pest and disease control,
 - (3) Issue and repayment of loans, and
 - (4) Co-operative principles and practice.

6. Administration:- The administration of the Society is by a Committee of 13 members elected at the General Meeting.

This Committee elects among themselves the Office-bearers, viz: President, Vice President, Treasurer and Secretary.

Generally, Meetings of employees are held every two months where the general affairs concerning administration are discussed. The proposals made by the Sub-Committee of liaison and planning, elected among the employees, are also discussed for possible implementation.

The General Manager has been given an extensive training in Sweden, Denmark etc. The accountant and many of the Office Staff have been given an advanced course of training at the School of Co-operation which is conducted by the Department of Co-operative Development.

7. Profits:- The Nett Profits for the first year of operation of the Society was only Rs 233.23 $\frac{1}{2}$ and at the end of 1965 the total assets have increased to Rs 2,418,561.24 of which accumulated Reserves and Profits constitute a total of Rs 1,094,565.69. These figures are based on Audits of the Society done by Officers of the Department of Co-operative Development. As an illustration the following statement of accounts for the year, 1965, is attached:

INSPECTION NOTE: NO. 4

THE KOTTEPITIYA MULTI-PURPOSE CO-OPERATIVE
SOCIETY, LIMITED

This Society was registered on 13.11.1957. Its area of operation is track 13 and 14 of the Elahera colonisation scheme. This area was formerly under thick jungle.

The chief crop of the area is paddy. The acreage under paddy is 503 acres, and is mainly cultivated in maha. The yala crop is cultivated when water is made available once in two years from the main channel. Red onions, chillies and tobacco are now cultivated in increasing quantities during the yala season. The members own 263 acres of highland but only a few of the holdings are cultivated.

1. Membership:- The membership of the Society has increased from 87 to 110, all of them are cultivators.
2. Shares:- The value of a share is Rs 50/- and is payable in half yearly instalments of Rs 5/-. The Society has sold 310 shares. The paid up share capital was Rs 11,771/- at the time of this inspection.
3. Activities of the Society:- The Society operates (1) Consumer Section, (2) Agricultural Production and Marketing Section, (3) Contracts Section, and (4) Paddy (husking) Mill.

Consumer Section:- The Society runs a store to supply the consumption goods to 769 Ration book holders. The store carries a wide range of articles including textiles and hardware, many of them obtained from its Union.

A branch store at Mahasen was established to cater for the needs of members of a weak Society there.

Agricultural Production and Marketing Section:- The main activities are:-

- (1) The purchase of paddy and other agricultural produce under the G.P.S. scheme,
- (2) Granting of loans to members for paddy, tobacco, red onion and chilli cultivations, and
- (3) Curing and the sale of tobacco.

Contracts Section:- The Society has a contract with the C.A.S. to supply the labour for the handling of the G.P.S. Produce at the Government Depots at Bakamune. This contract helps to find employment for about 10 persons during the off season and for about 40 persons during the season.

Paddy (husking) Section:- A paddy huller has been installed at the Society to husk the paddy of the members. The Society recovers a measure of rice as payment for husking a bushel of paddy. This is a great benefit to the members as private Hullers charge $1\frac{1}{2}$ measures for same service.

4. Employees:- The Society has 10 employees at the moment composing a manager, a secretary, two store-keepers, one watchman, and five salesmen. The total monthly salary and wages paid by the Society amounted to Rs 1,290/-.
5. Member Loans:-

<u>Year</u>	<u>Amount Granted</u>	<u>Amount Recovered</u>
1965	Rs 49,213/-	Rs 44,308/-
1966	" 52,089/-	" 48,965/-
1967	" 82,840/-	" 31,718/-

It was stated that the recoveries for the period 1967 was adversely affected by the rumour that the unpaid loans will be written off under the new agricultural loan scheme of the Government.

6. Loans from Government Departments and the People's Bank:-

C.A.S.	Rs 63,776/-
Bank	" 74,156/-
Director of Agriculture	" 4,449/-

It is to be noted that the loans owed to C.A.S. and the Department of Agriculture are un-repaid and overdue.

7. Profit and Loss:-

For the period	1.8.62 to 30.1.65	Profit (accumulated)	Rs 2,557
- do -	31.1.65 to 26.1.66	Loss	" 1,805
- do -	29.1.66 to 31.1.67	Profit	" 2,057

INSPECTION NOTE: NO. 5

BAKANUNA MULTI-PURPOSE CO-OPERATIVE SOCIETY, LIMITED

1. Registration and Area of Operation:- This Society was registered in 1958, with the area of operation covering tracts 4 to 10 of the Elahera Colonisation Scheme. The first colonists had been settled in 1948. Earlier, this area was a thick jungle.

The main crop is paddy. The land under paddy accounts about 1,010 acres made up as follows:

(1) Under colonisation scheme	698 acres
(2) Under L.D.O. Permits	220 "
(3) Encroachment	92 "
	<hr/>
Total:-	1,010
	=====

Paddy is mainly cultivated in Maha season and also in Yala when water is available. Water for Yala cultivations is made available from the main channel only once in two years. Rotation of crops are not practiced by the cultivators and as a result most of the paddy fields are left uncultivated in Yala when water is not available. The high land is not cultivated with cash crops.

2. Membership and Shares:- The Society was initially organized as a Multi-purpose Co-operative with 176 members. The current membership is 259, of whom 220 are cultivators. Membership is open to anyone employed or residing in the area of operation. The value of a share is Rs 50/- and is payable in half-yearly instalments of Rs 5/-. 41 members are in arrears of share subscription instalments amounting to Rs 2,394/-.
3. Activities of the Society:- The main functions of the Society consist of two parts: (1) Consumer Store Section, and (2) Agricultural Production and Marketing Section.

Consumer Store Section:- The Society runs a store which serves 1,804 ration book holders and carries a wide range of consumer articles and textiles and hardware. Practically all the essentials needed by members can be served by the Society. The business turnover of the past year was Rs 149,294/-.

Agricultural Production and Marketing Section:- The main activities of this Section are:

- (1) Purchase of the paddy under the G.P.S. and
- (2) Granting of loans to members under approved Government Loan Schemes.

The paddy purchased under the G.P.S. is handed over to the Government Paddy Store at Bakamuna. Purchases during the past 3 years were: 1965 - 45,632 bushels
1966 - 54,437 "
1967 - 44,943 "

4. Agricultural Loans:-

<u>Year</u>	<u>Granted</u>	<u>Recovered</u>
1965	Rs 112,444/-	Rs 98,321/-
1966	" 68,384/-	" 65,641/-
1967	" 88,375/-	" 30,298/-

The recoveries for the year 1967 were adversely effected due to unfound rumour that unpaid loans would be written off under the new Agricultural Loan Scheme of the Government.

5. Loans from Government Department and People's Bank:-

C.A.S.	Rs 81,955/-
Bank	Rs 101,083/-

The repayment of the C.A.S. loan is overdue.

6. Employees:- The Society has 8 employees consisting of one manager, one stores manager, four salemen, one watcher and one secretary, with an expenditure of salaries and wages totalling Rs 1,127.50 per month.

7. Profit and Loss:-

For the period 1.2.65 - 31.1.66:	Loss	Rs 9,133.00
For the period 1.2.66 - 31.1.67:	Profit	Rs 2,696.00
For the period 1.2.68 - 27.1.68:	Profit	Rs 2,817.00

Balance Sheet as at 27.1.68 is illustrated as follows:-

Shares	17,654.74	Buildings	425.75
Reserve Funds	18,011.38	Equipments & Mech.	7,438.72
Balance Profit	35,078.93	People's Bank Shares	700.00
Bank Loans	91,423.26	Shares in Co-op.	1,545.20
C.A.S. Loans	81,915.38	Fixed Deposits	6,368.34
Interest Due	5,179.30	Deposits	150.00
Shares Suspence	417.39	Member Loans	147,681.34
Security Deposits	8,220.00	Sundry Drs.	2,080.33
- Do - Interest	596.44	Cash Shortages [‡]	12,898.95
Sundry Crs.	5,253.97	Suspence A/c	165.50
E.P. Fund Due	85.95	Interest Due	8,885.55
Bank Charges Due	58.80	Balance Stock	21,421.73
Co-op. Funds	166.90	Prepaid Insurance	583.89
District Union Funds	166.90	Salary Advances	220.00
		Petty Cash	100.00
		Cash in Bank	45,539.00
		Cash in Hand	8,025.04
	<u>264,229.34</u>		<u>264,229.34</u>
	=====		=====

Note:-

‡ The Manager ran away with the money collected and Court action has been taken to deal with the defaulter. It appears that this Society has been badly managed.

INSPECTION NOTE: NO. 6

1. Name of Society:- Cungnodamana Multi-purpose Co-operative Society, Ltd.
2. No. of Members:- Of a total 235 about 190 of them are really active.
3. No. of Consumers' ration books attached:- 2,288. This represents nearly 90% of the population of the area of operation of the Society.
4. Origin of the Society:- This Society was organized in 1953 as a Consumer Store Co-operative Society, Ltd. In 1958, during the M.P.C.S. drive, it was converted into a Multi-purpose Co-operative Society, Ltd.
5. Services rendered by this Society:-
 - (a) Agricultural work - Granting of Agricultural Loans, and marketing the produce of members, etc.,
 - (b) Consumer Services - Supplying to the members their daily needs of consumer goods.
 - (c) Small scale village labour contracts - undertaken by members.
 - (d) Tobacco curing and marketing.
6. Paddy lands in the area:- A total of 900 acres is being cultivated during the two main seasons, Yala and Maha. Average yield per-acre is about 60 bushels which is nearly 17 bushels more than the national average. For this year's Maha season, the following loans have been granted by the Society for paddy cultivation:
 - (A) Fertilizer loans in kind - Rs 9,700/-
 - (B) Cultivation loans in cash - Rs 92,250/-
 - (C) Marketing loans - Rs 30,000/-The members expect to sell about 35,000 bushels of paddy through this Society during the current harvesting period. The rates of interest of these loans are 5% to Society from Bank with period of 9 months, 8% after 9 months, and 9% from Society to members.
7. Management:- There are 2 Managers - one each for Paddy and Consumer Sections. Besides these two there is a Secretary, 2 Salesmen and a Watcher.

4 out of 6 employees have been trained at the School of Co-operation, Polgolla. Management Committee has been fairly active. The President has been a member of the Committee since the inception of the Society. He is educated and the fellow members look upon him as a spirit guider. His leadership to a great extent accounts for the success of the Society. On the whole, this Society is a moderately good rural multi-purpose co-operative, so far visited by the writer.

ANNEX: SPECIAL NOTE ON ELAHERA PROJECT
AND THE ROLE OF THE MULTI-PURPOSE
CO-OPERATIVE SOCIETIES

The Government has been examining the problem of maximising output from major colonization schemes for some time, despite the fact that the yield per acre of cultivated area under these schemes was about 10 bushels above the national average of about 40 bushels. Government attention was drawn to the colonization schemes by the Government in developing the schemes but also because of the favorable factors existing in the areas covered by the schemes. The most important of these are:

1. Tenurial conditions assure a farmer the full return of his investment, and
2. A regular supply of water was guaranteed.

While these matters were being examined by the Government an I.B.R.D. Mission visited Ceylon in 1966 to review the "5-year Irrigation Plan". The Mission focussed attention to the urgent need of increasing productivity per acre in major colonization schemes so that the optimum return of the heavy capital investment incurred in the provision of irrigation facilities and the settlement of colonists could be obtained and the improvement of the standard of living of the colonists could be possible.

The 5-year Plan was to be carried out in selected areas. The Elahera Colony was one of the areas selected.

The Committee appointed to study on the I.B.R.D. Report suggested that the recommendations of the I.B.R.D. Report should be tested out in a pilot scheme and for this purpose the Elahera Project was chosen.

The Elahera Yoda Ela Scheme is one of the most ancient schemes which had been restored. The Elahera canal (Alisara Yoda Ela) was constructed during the time of King Wasaba (165-209 A.D.). It was improved during the time of King Mahasena (277-303 A.D.) and utilized for the purpose of feeding the Minneriya Tank which was constructed by him. The length of the improved canal from the dam to the Minneriya Tank is $25\frac{1}{2}$ miles. By the 7th century A.D. the canal was further extended to feed Giritale, Kaudulla and Kantala Tanks. Later, the Elahera canal as well as the tanks were restored again during the time of King Wijayabahu I (1070-1110 A.D.). The work was abandoned at the end of the Polonnaruwa period when the population moved from the North Central Plains to the central mountains of Ceylon.

The above-mentioned channel was restored in 1941. It was then designed to irrigate 500 acres. With improvements to the channel the acreage has been increased to the present size of 5,536 acres.

The Minister of Lands appointed a Committee to work out a scheme for the development of this area. The Departments of Irrigation, Co-operative Development, Agrarian Services, and Agriculture were associated with the Committee.

The Project-area covered 4,686 acres assweddumised paddy land receiving water from the Elahera channel and 850 acres receiving water from rain-fed and other sources. In Maha the entire area was cultivated, while in Yala only 50% of the area was irrigated from the channel and was cultivated in rotation every alternative year.

The adjacent high land in the project area covers 2,870 acres. Except where water is available to support the planting of coconut, mango or plantains, the rest of the high land area is virtually uncultivated for lack of water in Yala.

The Committee decided that the initial objectives of the project should be limited to the following:

- (a) To raise production of paddy from the present level of 50 bushels per acre to the highest possible within the shortest possible period;
- (b) To establish a cropping system to give the maximum economic return, by the cultivation of subsidiary food crops and other crops and the maximum use of water available;
- (c) To diversify the economic activities of the colonists so that they could maximise their income by establishing Agro-industries, etc.;
- (d) To introduce better control in the use of water; and
- (e) To develop the colonist's own organizations, like Cultivation Committee and Co-operative Societies, so that the colonists could play a more important part in their own development programs.

In Maha 67/68 the Committee decided that attention should be concentrated exclusively on paddy and has secured farmer's co-operation to work towards a twenty per cent (20%) increase in production from 50 bushels per acre in 66/67 to 60 bushels in 67/68.

The Project area was serviced by 8 M.P.C.S. All the colonists and L.D.O. permit-holders are members of these societies.

Agricultural credit was channelled through these Societies. Under the project every endeavour is made that whenever loan applications were made for agricultural operations they should be entertained with the assurance that the applicants would get good seed paddy, insecticide, weedicides and fertilizers as recommended by the authority. As the bulk of these loans was given in kind and not in cash, two advantages are present:-

- (a) The cultivator would adopt practices which would assure him a better yield, and
- (b) Because of a better yield there was a better chance for the recovery of the loan.

The purchase of paddy and other agricultural produce, the supplying of the production and consumer goods to the members, and the hiring of Government Tractors, etc. are all done by the M.P.C.S. through their respective business sections.

There is a significant increase in the use of certified seed and fertilizers as well as loans for 67/68 Maha. The comparative figures are as follows:

<u>66/67 Maha</u>	<u>67/68 Maha</u>
<u>Bushels</u>	<u>Bushels</u>
1,866	5,228

Sale of Fertilizers:-

	<u>Urea</u>	<u>S. of Ammonia</u>	<u>Saphos</u>	<u>M. of Potash</u>	<u>Total</u>
	<u>cwt</u>	<u>cwt</u>	<u>cwt</u>	<u>cwt</u>	<u>cwt</u>
66/67 Maha	-	780	257	156	1,193
67/68 Maha	20	4,669	2,382	1,223	8,094

Agricultural Credit Granted to Members:-

	<u>66/67</u>		<u>67/68</u>	
	<u>Members</u>	<u>Amount</u>	<u>Members</u>	<u>Amount</u>
Ploughing	500	Rs 95,920.00	876	Rs 203,798.00
Seed Paddy	314	" 20,861.00	733	" 90,134.40
Fertilizers	258	" 15,791.95	794	" 144,942.20
Transplanting	487	" 53,580.00	848	" 83,998.50
Weed Control	487	" 51,740.00	839	" 85,036.90
Harvesting	282	" 33,755.00	879	" 81,745.45
Total:-		Rs 271,647.95		Rs 689,655.45
		=====		=====

Under the project the co-operatives have a very significant part to play. All credits granted to the farmers are through the co-operative societies. It is hoped that the co-operative would undertake the marketing of members produce too. At present the marketing activities are mainly confined to the purchase of paddy under the G.P.S.

The societies have in this process of development been benefited by an increase in the volume of business. In the 67/68 Maha season alone there had been a sixfold increase in the sale of fertilizers and seed paddy. It is noted that the members are now realizing the value of the co-operatives and are taking a greater interest in their activities.

(3) MULTI-PURPOSE CO-OPERATIVE DEVELOPMENT
- JAFFNA DISTRICT -

(A) GENERAL ECONOMY AND CO-OPERATIVE DEVELOPMENT

Here in the District of Jaffna, the fields everywhere look green. It is the land of onions and chillies and now of potatoes as well. The cultivation of paddy for the Maha season, 1967-68, has been 79,188 acres, being 16,000 acres more than the previous year. Production of red onions during this same period was 3,475 acres which was 306 acres more than the target production for the year and 635 acres more than the previous year. The District now produces over 80% of the Country's total production of red onions. The cultivation area of dried chillies so far has reached 1,625 acres, (dried chillies are a Yala crop), almost 50% of the target for the whole year. Potato production, about 500 acres, a little short of the target acreage set for that crop. Being comparatively much more profitable, potato production is likely to increase greatly in the coming years.

The Jaffna farmer, however, has his worries too. First is the absence of a crop insurance which will guarantee certain amount of security to a farmer who has invested in easily perishable crops like red onions and potatoes. The second difficulty is the timely supply of fertilizer to farmers in the district. Long delay in the transportation and delivery of fertilizers is understood to arise from a disparity between an increasing usage of fertilizers and an unstrengthened transport fleet which fail to deliver the fertilizers from the Colombo stores.

There are difficulties in the way of greater food production for the Jaffna farmers, although the district has managed to keep pace and sometimes even exceed the Governments targets under the food production campaign.

Jaffna is known as the birth place of the Co-operative Movement in Ceylon. There were numerous credit societies and a Provincial Co-operative Bank as well as agricultural production and sales societies and stores societies in existence before the introduction of the M.P.C.S. Movement in 1957. Most of the original rural credit societies have been left alone performing their old functions as single purpose societies. There are 5 Credit Unions in this District with a total membership of 324 societies. The case is also true with regard to some of the well-established agricultural production and sales societies in this area. Multi-purpose co-operative idea was brought in as one type of newly promoted co-operative organizations. Many of the now existing multi-purpose co-operative societies were converted from consumers' stores societies during late fifties, but the conversion in most cases did not affect very much the nature and function of the societies concerned. The names of the societies have been changed with many of them also changed their areas of operation as well, but not the outlook of the

societies and the attitude and practice of their members toward their societies. This inertia or resistance to change perhaps has been existing most persistently in Jaffna.

The general business practices of many M.P.C.S. have been that purchases of consumers' goods supplies were made from the M.P.C.S. Unions, while, at the same time, selling their members' agricultural produce through the Union of Agricultural Production and Sales Co-operatives. It is, in fact, a system of double membership for many of the primary M.P.C.S.

Government loans have been given to the societies as agent for the implementation of Government policy and not as a principal normal function of the societies concerned. Purchases of paddy and other agricultural products were done under the G.P.S., while distribution of rice and some other essentials of life has been made according to ration books. These show the dependence of the co-operative movement upon the support of the Government and in many cases these supports have meant the business success or failure of such societies.

(B) SOME STATISTICAL DATA REFERRED TO CO-OPERATIVE
MOVEMENT IN JAFFNA DISTRICT

MULTI-PURPOSE CO-OPERATIVE UNIONS

Turnover:-

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
1.	Rs 49,784,515	Rs 57,614,318	Rs 62,051,407	Rs 67,934,446

Gross Profit:-

2.	Rs 760,600	Rs 1,031,593	Rs 1,338,215	Rs 1,299,662
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Net Profit:-

3.	Rs 208,319	Rs 250,899	Rs 330,904	Rs 315,549
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Reserves:-

4.	Rs 1,146,527	Rs 1,548,165	Rs 1,750,208	Rs 1,858,357
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Guaranteed Price Produce Handled by Societies:-

Produce	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Paddy	Rs 1,134,974	Rs 465,165	Rs 975,673	Rs 361,500
Chillies	" 400	" 1,272	" 1,505	" 2,620
Bombay Onion		" 200	" 234	" 348
Red Onion	" 179,934	" 186,333	" 305,783	" 339,029

Agricultural Loan Granted to Members:-

<u>1964</u>	<u>1965</u>	<u>1966</u>
Rs 1,467,907	Rs 2,299,238	Rs 2,952,855

Issue of Fertilizers by M.P.C.S. to Members:-

<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
64,976 cwts.	66,972 cwts.	45,764 cwts.	71,194 cwts.

(C) THE NORTHERN DIVISION CO-OPERATIVE FEDERATION

This organization is the first of its kind in Ceylon with its headquarters situated at Jaffna Town. It was registered in 1937 with the idea of setting up a nucleus of the co-operative movement which would pave the way for the control of the movement by itself. The objects of the Federation, therefore, were envisaged as follows:-

To facilitate the operation of co-operative societies, -- more particularly to determine, collect, administer, and account for sums of money contributed in accordance with the provisions of the rules in force under the Act;

To arrange for the supervision and audit of co-operative societies;

To provide educational assistance to be given to members and employees of such societies;

To acquire, purchase, sell, hire, rent, let, lease, or mortgage land and buildings; install machinery and pledge securities with the prior approval of the Commissioner; and

To take other measures designed to improve or assist the work and extend the usefulness of co-operative societies and generally to **propagate** the proper understanding of co-operation.

The Northern Division Co-operative Federation started with a membership of 127 societies. Today the membership has grown to 1,237, an increase of nearly ten times, during its 3 decades of existence.

The following is a brief survey of the scope and activities of the Federation:

1. Co-operative Education:-

The Federation set up a Co-operative Training School in 1952 and this School now conducts three levels of courses lasting 2 months, 4 months and 9 months, respectively. The subjects taught include Principles of Co-operation, Co-operative and General Law, Accounting and Auditing Management, Secretarial Practice and Economics.

2. Journals:-

The Federation publishes a monthly Tamil magazine which reaches every co-operative society in the North and the East, thus spreading co-operative ideals and knowledge to the members and the general public. The Federation also issues a fortnightly English paper "The Co-operator" which includes a Tamil supplement. The paper is widely circulated in Ceylon and elsewhere.

A BRIEF NOTE ON THE MULTI-PURPOSE CO-OPERATIVE
DEVELOPMENT IN THE JAFFNA - WEST DIVISION

The Division covers a part of the Jaffna District and embraces 5 revenue districts. The distribution of M.P.C.S. among these revenue districts is as follows:-

Primary:-

Delf	-----	3
Islands	-----	16
Valigamam West	-----	34
Valigamam North	-----	30
Valigamam East	-----	23

Secondary:-

M.P.C.S. Unions	-----	5
		<hr/>
Total		111
		===

(relative position of M.P.C.S. and other types of co-operative societies see below)

(I) The functions of M.P.C. societies:-

1. To supply the requirements of members for domestic purposes;
2. To operate savings schemes and grant loans and advances to members for agricultural production, and to operate Rural Banking and pawn brokering;
3. To store, process and dispose of the agriculture produce;
4. To undertake industrial activities; and
5. To execute labour contracts with the purpose of providing employment to members.

The M.P.C. societies came into being in 1958 and it was expected that each M.P.C.S. would have one village as its area of operation. Each of these 106 M.P.C. societies covers almost one village although in some areas there are more than one societies for one village.

(II) Achievements of the societies:-

1. Retail Stores:- Of the 106 M.P.C. societies as many as 82 have retail consumer stores supplying its members (and non-members of the area) with household requirements. The total number of consumers in this division is 354,847. Among them 219,590 are served by the M.P.C. societies, while another 95,755 are served by the stores societies.
2. Granting of loans:- All M.P.C. societies undertake the granting of loans for agricultural pursuits. Onion cultivation is the chief occupation of the farmers of the area. Loans granted during the period between 1.9.67 - 30.3.68 were as follows:-

Paddy	.....	Rs	130,970.00
Onions	.....		1,322,979.00
Chillies	.....		333,749.00
Potatoes	.....		150,905.00
			<hr/>
			Rs 1,938.603.00
			=====

3. Marketing of Agricultural Produce:- This is one of the important functions of these M.P.C. societies. The various products of the members marketed are:

(A) Onions:- All produce is handled by the M.P.C. societies and production in the year ending December, 1967 was 282,000 cwts. (over 50%) as against the requirements of Ceylon for one year - 480,000 cwts.

Marketing of these onions is made easy with the operation of the guaranteed price for onions. Under this scheme, Government fixed a minimum price for each month, guaranteeing purchase at that price. Hence all onions are sold to the Government through the C.W.E.

(B) Chillies:- This too is an item under the guaranteed price scheme operated by the Government. The price per cwt. was Rs 252/- for grade I. But with the restriction of imports by the Government, the price of chillies in the open market was Rs 450/- a cwt. This situation naturally prevented the members from handing over their produce to the C.W.E.

(C) Potatoes:- This crop is not grown extensively in this area. It was first started three years ago and in 1967 the acreage under cultivation increased 10-fold. The societies had a scheme of giving an advance of Rs 50/- per cwt. to farmers who surrendered their potatoes. This produce was resold through the Union and the farmers were to be paid a rebate after sale.

(D) Paddy:- Very little paddy was grown in this division and the little that was produced was insufficient for domestic consumption, hence no paddy was sold by members.

The other products were Bombay onions and tomatoes which were not grown as commercial crops.

4. Rural Banking:- Only 3 M.P.C. Societies had started Rural Banks - they were:

- (a) Alaveddy M.P.C.S.
- (b) Inuvil M.P.C.S.
- (c) Mathagal Centre M.P.C.S.

Through the Rural Banks, these societies grant medium-term loans to members for:

1. Housing construction,
2. Settlements of old debts,
3. Conversion of land for agriculture,
4. Consumer loan, and
5. Emergency loan.

The first 3 items of loans were granted on the security of hypothecation of property and covered a period not exceeding 10 years.

The M.C.L. allowed for each of these societies is as follows:

Alaveddy M.P.C.S.	Rs 556,000/-
Inuvil M.P.C.S.	" 510,000/-
Mathagal Centre	" 350,000/-

5. Pawn Brokering:- Only two societies, Alaveddy and Mathagal Centre M.P.C.S. are permitted to engage in this business. They accept jewellery made of gold as securities for advancing loans with a limit of capital amounting Rs 50,000/- each Society for this purpose.

6. Industrial Activities:-

Textile Weaving:- A common industrial activity of many M.P.C. Societies is the running of textile weaving centres. These centres are manned by the children of members. Textiles for domestic use are usually produced at these centres whose products are taken over by the retail consumer stores and sold to members.

Onion Koodus:- The onion are packed in small airy bags known as "Koodus" made from palmyrah leaves. These Koodus, a few years ago, were imported from India. Today every society produces its own requirements of koodus. This is a kind of cottage industry producing additional income to the otherwise idle women and girls.

Bakery:- The supply of buns, biscuits to school children has been handed over to the M.P.C. Societies by the Education Department. This gradually led to the starting of bakeries by some societies.

Salt:- Salt is produced by a M.P.C.S. Union at Kalundai. The Salt produced is sold to the Government at Rs 1/25, which was regarded as lower than the cost of production presently about Rs 3/00. During the year 1966, 21,000 cwts. of salt were produced.

7. Work Contracts:- Construction of houses and buildings for the Government is now done by the M.P.C. societies which have the technical know-how and the necessary finance. Such contracts were undertaken on a suggestion of the Government. In the early days very keen interest was shown by the societies. But because of the lack of experience and know-how, most contracts worked at a loss. Today, only the experienced societies agree to take over a contract.
8. Savings Scheme:- A Savings Scheme is in operation in all societies. Under this Scheme, the members agree to give about 4 lbs. more for every cwt. of agricultural produce surrendered to the Society. The value of 4 lbs. is credited to the savings account of the member. By this operation the societies hope to collect about Rs 300,000/- annually. Members are paid 5% interest on savings. In 1967, collections amounted to a little less than Rs 300,000/-

General Remarks:

About 22 societies engaged only one activity, which, in fact, could not be said as multi-purpose co-operatives. The others were operating more than one activities. Only 2 societies were engaged in all activities as mentioned earlier. They are - Alaveddy M.P.C.S. and Inuvil M.P.C.S., both of which the writer had the opportunity to visit during the tour.

It was noted that the working of these M.P.C. Societies will much depend on the availability of educated personnel in the village who would take up the positions as office-bearers, and the efficiency of management. In most villages these essentials are lacking and hence education and extension work is very necessary. The few educated, (namely the village school masters).

who are available do not show a ready willingness to have anything to do with the movement.

It was also noted that the managers of M.P.C. Societies were not satisfied with their lot. Most of them were poorly paid and often-times exist at the fancy of a few committee members. These managers asked for security of service and a unified salary Scheme. Low salaries also gives room for dishonesty and fraud.

APPENDIX:- ALL TYPES OF SOCIETIES
(JAFFNA WEST DIVISION)

PRIMARY:

1. Credit Societies, Limited	12
2. Credit Societies, Unlimited	312
3. Thrift Societies	2
4. Stores Societies	85
5. School Co-operatives	25
6. Agricultural Marketing & Production Societies	18
7. Fishing Societies	27
8. Dairy Societies	3
9. Textile Weavers Societies	26
10. Mat Production Societies	1
11. Pottery Production Societies	2
12. Coir Production Societies	6
13. Carpentry Societies	6
14. Other Industrial Societies	11
15. Labour Contract Societies	5
16. Multipurpose Cooperatives	106
17. Hospitals Societies	3
18. Other Primary Societies	<u>9</u>
	659

SECONDARY:

1. C.A.P. & S. Union	1
2. M.P.C.S. Unions	5
3. Dairy Societies Union	1
4. Credit Unions	<u>5</u>
Total -----	<u><u>671</u></u>

INSPECTION NOTE: NO. 1

VALIGAMAN WEST MULTI-PURPOSE CO-OPERATIVE SOCIETIES UNION, LIMITED

The above Union was registered as a Stores Societies Union on 7.7.44. The area of operation at that time was the entire Valigaman West D.R.O.'s Division. On 9.4.59 it was converted into a Multi-purpose Co-operative Societies Union. Prior to this conversion in 1959, the societies in Pandateruppu parish agitated for a separate M.P.C.S. Union. In pursuance of this demand, the Pandateruppu M.P.C.S. Union was registered in 1958. The Valigaman West M.P.C.S. Union is now serving the needs of the affiliated societies in the parishes of Chankanai, Manipay and Vaddukodai.

Membership:- The number of societies affiliated to this Union is 37, and only 23 of which are M.P.C.S. and the other 14 Stores Societies which have not been converted into multi-purpose, but have been admitted to membership of the Union.

Rice-Ration Books:- The number of R.R.B. served by this Union is made up as follows:-

M.P.C.S.	- 23	R.R.B.	- 34,159
Store Societies	- 14	"	- 13,140
Depots	- 8	"	- 6,423
Authorised Distributors	- 34	"	- 17,726
	<u>79</u>		<u>71,448</u>
	==		=====

Maximum Credit Limit:- A sum of Rs 1,233,500/- was approved on 5.11.1967. The break-up of this M.C.L. is given below:-

Consumer Items. textiles, etc.

Sugar	Rs 50,000/-	
Flour	" 50,000/-	
Subsidiary goods	" 30,000/-	
Textiles	" 70,000/-	
Cement	" 25,000/-	
Hardware	" 25,000/-	Rs 250,000/-
Loan Account - Pumps & Spares	" 175,000/-	
Loan Account C.C.D. & R.C.S. Loan	" 300,000/-	
Saltern No. 2 A/c. (Freezed)	" 373,500/-	
Saltern Working exp:	" 35,000/-	
Letters of Credit Manure	" 50,000/-	
C.W.E. Credit	" 50,000/-	
		<u>1,233,500/-</u>

The Union has been directed to maintain a separate ledger to control the various expenditures scheduled under the different heads given above. This kind of rigid credit control might put the Union in an awkward position in the management of its business affairs. Greater flexibility should be given to the Committee of Management at its discretion.

Shares:- The value of a share is Rs 500/-. The paid-up share capital as on 31.8.67 is Rs 43,266.27.

General Business Activities:- The following are the Business Activities of the Union:-

- (a) Wholesale business in rice (free issue), flour, sugar, subsidiary foodstuffs and all other articles necessary for the life of the community;
- (b) Textile wholesale and retail trade;
- (c) Management of a hardware store;
- (d) Sales agents for water-pumps, kerosene and fertilizers;
- (e) Operation of a Saltern project; and
- (f) The management of two retail selling points, and 8 depots for weak co-operative societies that were on the verge of liquidation.

Progress of Business:- Comparative figures of the business turnover for the past 5 years are given below:-

<u>Year</u>	<u>Purchases</u>	<u>Sales</u>
1963	Rs 4,302,862/-	Rs 4,433,866/-
1964	" 5,274,233/-	" 5,300,279/-
1965	" 6,105,679/-	" 6,345,006/-
1966	" 6,598,727/-	" 6,924,672/-
1967	" 6,015,310/-	" 6,324,622/-

The gross profit earned in the different branches of business, and the net profits realised for the past 5 years are also given below:-

Year	Whole-sale Trade	Retail Trade	Depots	Textile Whole-sale & Retail	Hard-ware & Water-pump	Paddy	*Total Gross Profit	Net Profit	Rate of Net Profit (Ratio B/A)
1963	103,408	1,396	7,309	13,000			125,113	69,231	55.3%
1964	87,706	5,155	7,745	13,006	4,729	1,000	119,341	33,719	28.3%
1965	120,970	5,405	7,739	26,714	15,749	1,088	177,665	66,670	37.5%
1966	132,297	5,752	4,687	51,006	33,668	64	227,474	83,421	36.7%
1967	106,200	16,653	9,354	28,501	55,554	-	216,262	99,341	45.9%

*These figures show not only the volume of business fluctuates greatly year by year, but also the rate of net profits. On the whole, it could be observed from the above figures that the business had progressed steadily over the years. However, in 1967 there was a setback in the trade due to the non-availability of goods and also due to the introduction of the rationing scheme for essential commodities. One redeeming feature is that there had been no leakages in stock in all the departments of business. The records also reveal that there had never been a case of misappropriation of cash both by the past and the present employees.

General Comments on the Business Trend:-

(a) Purchase difficulties:

With the exception of the rationed-goods, most of the requirements are not freely available at the C.W.E. Items such as arecanut, soapnut, washing-soda, quality coffee-seeds, coconut-oil, poonac, Bengal-gram, potatoes, etc., are all purchased in the open market.

(b) Margin of profit fixed by the Union on the purchases made from the C.W.E.:

<u>Name of Commodity</u>	<u>Cost C.W.E. Price:</u>	<u>Union S.P.:</u>
Garlic	Rs 155/- cwt	Rs 165/- cwt
B-onions	" 21/- cwt	" 25/- cwt
Gram-dhal	" 51/50 cwt	" 57/25 cwt
Green-gram	" 45/25 cwt	" 50/90 cwt
Battery Lux	" 51/- gross	" 52/- gross
Condensed Milk	" 36/- Case	" 38/80 Case
Tinned Fish	" 38/- (80 in/C)	" 45/- (80 in Cash)
Tamarind	" 33/- cwt	" 50/- cwt.

(c) Margin of profit fixed by the Union on the purchases made from the private trade:

<u>Name of Commodity</u>		
Semolina	Rs 97/-	Rs 103/50 (7 lbs of 18 pktd.)
Pepper	" 1/12 lb.	" 1/30 lb.
Arecanut	" 85/- cwt.	" 90/- cwt.
Washing-soda	" 35/-	" 40/- (1 bag)
Coffee seed	" 2/50 lb.	" 2/70 lb.
Coconut oil	" 19/-	" 23/- (4 gl. tin)
Soap nut	" 2/75 lb.	" 3/- lb.
Poonac	" 19/50 cwt.	" 22/50 cwt.

(d) Percentage of sales to the affiliated Co-operative Societies, and to the Private Trade:

The figures in respect of the sales made to the member societies and to the private trade are given below. These figures have been worked out as an illustration from the sales effected on particular days:

- (i) To members - Rs 30,515.21 - 65% of the total Sale
 To Private Trade - Rs 16,424.17 - 35% " " " "
- (ii) To members - Rs 28,260.41 - 55% " " " "
 To Private Trade - Rs 23,296.10 - 45% " " " "

(e) Rationed Commodities:

Maldive-fish, mysore-dhal and cummin-seed are not in demand in this area. As a result of this, the monthly allocations made to the societies are not drawn by them in full. Even the meagre quantities that are drawn by the societies monthly are due to official pressure as they cannot by-pass the regulations. From business point of view, therefore, this practice should be considered as irregular unreasonable.

The following figures indicate the maximum allocation made and the amounts drawn with regard to rationed commodities during the months of June, August and October, 1967:-

Commodities:	<u>Maximum Entitlement:</u>			<u>Commodities:</u>					
	<u>cwts</u>	<u>lbs</u>	<u>oz.</u>	<u>Maximum Entitlement</u>			<u>Drawn:</u>		
				<u>cwts</u>	<u>lbs</u>	<u>cwts</u>	<u>lbs</u>	<u>cwts</u>	<u>lbs</u>
Chillies	119	22	-	) FULL QUANTITY ISSUED:					
Corriander	79	52	-2						
Maldive Fish	19	97	- $\frac{1}{2}$	11	91	11	21	8	76
Mysore Dhal	238	44	-6	149	70	110	23	127	105
Cummin Seed	19	97	- $\frac{1}{2}$	16	80	10	49	14	86

It is the candid opinion of the member societies and the consumers that the following adjustments should be made in the allocations so that they could derive the full benefits of this distribution scheme.

- (a) The quota of Mysore dhal may be reduced to half the present allocation, and the balance supplemented by green-gram.
- (b) The present quota of maldive-fish be reduced by half, and an increase be given in respect of corriander; i.e. the present entitlement of 2 ozs. per ration book be increased to 4 ozs.
- (c) In the case of cummin-seed, too, they feel that the normal allocation could be reduced and supplemented with chillies.

Fertilizer Sales Agency:- The agency has been given to this Union by the Commissioner of Agrarian Services for the distribution of fertilizers to the Co-operative Societies and to the bona-fide cultivators in the area. During the past 12 months (1967-8),

10,960 cwts of fertilizers were received from the C.A.S. and 10,379 cwts were issued.

Import of Water-Pumps and Distribution:- Licence has been given to this Union for the importation of Alcon water-pumps. During the last 10 months (1967-8), 250 Junior and 145 Senior pumps were imported and sold. The Union took an active interest in the import of these pumps as the prices prevailing in the open market were exorbitant. At the time of the writer's visit the price of a Senior pump at the Union was Rs 1,300/- and the Junior pump Rs 800/-. These prices compared very favourably with those of the private trade. Inquiries revealed that the minimum market rate of a Senior pump was Rs 1,750/- and that of the Junior pump Rs 1,250/-. It would thus be seen that the cultivator paid to the Union approximately Rs 450/- less than the prices quoted by the private importers.

In order to maintain an equitable distribution of the pumps imported, the Committee of management has decided that 60 percent of the imports should be distributed among the other Unions in the Jaffna area. It has also been decided that 40 percent of the net profits earned should be given to the respective Unions for handling these pumps.

DEVELOPMENT PROJECTS:

(1) Kalundai Saltern:

This project was inaugurated in May, 1964. Under this scheme, 340 acres of Grown land at Kalundai were leased out for the construction of Reservoirs, Condensers and Crystalliser-beds. Of 340 acres, 30 acres have been reserved for Crystalliser-beds of which 15 acres have already been developed. Up to the period ending 31.8.67, a sum of Rs 731,757.78 has been spent as classified in the following manner:-

CAPITALISED AMOUNTS

Fixed Assets:	Buildings, Roads and Furniture	Rs 25,831.50	
Development Project Expenses:	Crystalliser, Condensers, Lagoon Channel, Storage platforms, pump- house, Wind-mill, Water-pumps, Tools Etc.	Rs 536,366.95	562,198.45
Working Expenses:	(5.4.66 - 31.8.67)		169,559.33
			<u>731,757.78</u>

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<u>Maximum Entitlement:</u>			<u>Maximum Entitlement Drawn:</u>						
	<u>cwts</u>	<u>lbs</u>	<u>oz.</u>	<u>cwts</u>	<u>lbs</u>	<u>cwts</u>	<u>lbs</u>	<u>cwts</u>	<u>lbs.</u>
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Maldive Fish	19	- 97	- $\frac{1}{2}$	11	- 91	11	- 21	8	- 76
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In order to maintain an equitable distribution of the pumps imported, the Committee of management has decided that 60 percent of the imports should be distributed among the other Unions in the Jaffna area. It has also been decided that 40 percent of the net profits earned should be given to the respective Unions for handling these pumps.

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Working Expenses: (5.4.66 - 31.8.67)		<u>169,559.33</u>
		<u>731,757.78</u>

The audited statement of accounts for the period ended 4.4.1967 reveals that the saltern had worked at a loss of Rs 88,136.97. It is, therefore, necessary to consider this case as a matter of concern in that, whether or not this project should be undertaken as an integral part of the business functions of the Union. What is its value to the Union even if it is a successful project?

Production of Salt:- During the first year of its production in 1965 8,471 cwts of salt was collected. The Board of Management did not anticipate a good harvest during that year. In the second year, the quantity collected was 9,075 cwts. The weather had been very unkind and due to persistent rainfall right throughout the season, a very poor harvest was recorded. During the third season, i.e. in 1967, the total quantity collected was 17,826 cwts due to certain technical defects in the saltern.

Financing of this project:- The Jaffna Co-operative Provincial Bank is the financing agent. A sum of Rs 650,000/- was approved for this purpose. The interest payable on this loan was a heavy charge on the Union. The Committee of Management, therefore, appealed to the C.C.D. and R.C.S. for financial assistance. In response to this appeal the Commissioner has granted an interest-free loan of Rs 300,000/- repayable in 10 annual instalments of Rs 30,000/- each, commencing from 1967.

Price of Salt:- The basic price paid for a hundred-weight of salt is Rs 1.25. The National Salt Corporation has also approved the following additional payment to the Kalundai Saltern with effect from 1966 for services rendered by the latter:-

- (a) Transport of salt from drying ground, etc.
@ -/20 cts per cwt.
- (b) Weighing and issue of salt @ -/06 cts per cwt.
- (c) Supply of water - Rs 507.56.
- (d) Issue of stores maintenance, etc. Rs 445.98.
- (e) Conservancy - Rs 164/-.

The Board has also decided that an 'aid' allocation of Rs 3,500/- should be granted for 1967 for recurrent maintenance work at the saltern.

Cost of Production:- The cost of production for the crop season 1967 works out Rs 3-63 per cwt, while the Salt Corporation pays only Rs 1-25 per cwt.

In ascertaining the cost of production of salt, all direct and indirect expenses together with the interest on the Bank loan have been taken into account. Depreciation on plant and machinery and other depreciation on capital items have, however, not been included in the assessment of the cost of production. Apparently, this is not a profitable project,

and it served little purpose to the member societies. It should be a State business under the Salt Corporation, especially the Corporation has operated salterns nearby this area.

(2) Power Loom Project:

The Department of Small Industries has approved the establishment of a Synthetic power loom factory consisting of 15 looms. Tenders were called for from the Ceylon and foreign firms. These were duly scheduled and forwarded to the Department of Rural Development and Small Industries through the C.C.D. and R.C.S. The former recommended the acceptance of the tender from Kashima Trading Co. Ltd., Japan. The amount quoted by this firm is £18,427-5-10; (Rs 246,600/- in Ceylon currency). A confirmation of the acceptance of the tender has not been conveyed to Kashima Trading Co., as the Union has not yet been given the foreign exchange.

The Union was in correspondence with the Development Finance Corporation for the release of the foreign exchange and the required finance. The application was not entertained on the grounds that it is not a limited liability Company. The Development Division of the Ministry of Industries has now advised the Union to make a fresh application for consideration under the Third Yen Credit Agreement. However, a recent Gazette notification published by the Import and Export Control Department stipulates that the amount involved in any industrial undertaking should not be less than Rs 1,200,000/-. If this be the case, the Union will not get the release of exchange under this agreement, too.

With the assistance of a technical adviser, the economic aspect of this project has already been prepared. Financing this project is the biggest problem. The Committee has elected a sub-committee to work a scheme for the collection of funds before they could negotiate with the Jaffna Co-operative Provincial Bank for assistance. Approximately six lakhs is required for the implementation of this project.

INSPECTION NOTE: NO. 2

VALIKAMAM EAST MULTI-PURPOSE CO-OPERATIVE
SOCIETIES UNION, LIMITED

Constitution:- This Union was formally registered in 1944 as Valikamam East Co-operative Stores Union, Limited. It was later converted into Multi-purpose Co-operative Societies Union in 1961.

Area of Operation:- Its total membership consists of 20 registered Co-operative Stores Societies, 23 Multi-purpose Co-operative Societies, 2 school co-operatives and 1 bakery. The area of operation of the Union covers the entire Divisional Revenue Officer's Division. It caters for the needs of 53,600 consumers.

Business:- The Union holds a total of 51,768 Rice Ration Books. It runs two wholesale branches and three retail units. It supplies foodstuffs, including milk foods, groceries, textiles, hardware and building materials, ceramic goods, poultry food, minor irrigation pumps, agricultural implements and motor car and truck tyres. It also undertakes contract works involving construction of buildings, laying roads and transport services. The Union owns two lorries. Arrangements have been made for the establishment of a Power-loom workshop.

Finance:- The capital of the Union consists of (a) Shares - Rs 48,459.93 and (b) Reserves - Rs 86,152.05. It also has a sum of net profit - Rs 17,659.00 for disposal. Any deficiency in the capital needed for the business operation of the Union is covered by a Bank loan. At the moment the Union has a cash credit loan of Rs 200,000.00. Its M.C.L. (including cash credit loan and building loan) was fixed at Rs 358,50/-.

Buildings:- There are two buildings owned by the Union. These house two wholesale and one retail branches. Two other branches are housed in rented buildings. The value of buildings owned by Union is about Rs 250,000/-.

INSPECTION NOTE: NO. 3

INUVIL MULTI-PURPOSE CO-OPERATIVE SOCIETY, LIMITED

This Society which was registered as a Co-operative Agricultural Production and Sales Society on 3.8.53 was converted into a Multi-purpose Co-operative Society in 1959. Starting from a membership of 150, the members on role has now (1967-8) increased to 618. Inuvil is predominantly an agricultural area and onion cultivation is the mainstay of every peasant. Tobacco cultivators entirely depend on this society for all their agricultural requirements both in cash and kind. The society renders all possible assistance for the economic upliftment of its members.

BUSINESS ACTIVITIES:

The following are the business activities of this Society:

- (a) Management of two consumer stores which cater for the needs of the villagers;
- (b) Management of a bakery which serves the needs of the local population;
- (c) Management of a hand - loom textile centre, where quality textiles are produced, and management of a model textile depots where all varieties of textile are stocked; and
- (d) Marketing of agricultural produce by a separate department.

BUSINESS TURNOVER:

The business turnover for the past 3 years is given below:-

<u>Year</u>	<u>Turnover:</u> Consumer Textile & Other Items	<u>Turnover:</u> Agricultu- ral Produce	<u>Turnover:</u> Bakery	<u>Turnover:</u> Handloom	<u>Net Profit:</u>
Enging Jan.66	Rs 174,682.00	Rs 198,786.00	-	-	Rs 9,259.00
" 67	" 492,611.00	" 359,972.00	32,428.00	7,037.00	" 25,987.00
" 68	" 552,462.00	" 506,095.00	37,000.00	7,102.00	" 28,279.00

It could be observed from the above that the business of the Society had progressed steadily within the last three years. Though there is a big scarcity of consumer items, yet the society has expended its business in other spheres. Agro-chemicals, fertilizers, cement, seed-materials, water-pumps and a variety of other items have been brought within the easy reach of the farmers. More and more cultivators are now patronising the society and the business has increased by four-fold.

BAKERY:

The bakery which was started three years ago has proved to be a great boon to the people. There are no bakeries in the area. This section has worked at gross profit of Rs 3,455.00 in 1967, and Rs 2,774.00 in 1968, respectively.

SAVINGS SCHEME:

Since the inception of this society, the members have been taught the importance of thrift and savings, and the response received from them has been encouraging. The total savings collected up to 1.2.68 amounted to Rs 30,983.00.

RURAL BANK:

In order to assist the members in their agricultural operations and other urgent financial requirements, the society has started a rural bank where the members are afforded the opportunity to borrow short-term and long-term loans. Long-term loans are granted on collateral securities for purposes like improvement of land, building houses, settlement of old debts, etc. The society commenced the rural **banking** operation only last month, (March, 1968), and believed that the members will benefit to the fullest extent.

The management has also decided to start pawn-broking business in order to free the cultivators from the unscrupulous money-lenders who charge exorbitant rates of interest in the locality.

TEXTILE HANDLOOM:

Sarees, vertys, shawls, towels and other utility textiles are produced in this section, and the finished products are channelled through the society's textile retail store for disposal.

ONION KOODUS:

Onion koodus which are used for the **packing** of onions are locally made by the children and wives of the members, most of whom are specialised in this job, and they make the koodus during their leisure hours. The cost of a koodu ranges from cents -/60 to cents -/07. The society purchased koodus to the value of Rs 31,540.00 from them in 1967.

INSPECTION NOTE: NO. 4

ALAVEDDY MULTI-PURPOSE CO-OPERATIVE SOCIETY, LIMITED

Prior to World War II, a private Joint Stock Company known as "Alaveddy Trading Company" was catering to the economic needs of the people of this village. The shareholders then comprised Malayan Pensioners and the well-to-do people of this village. After the out-break of World-War II, it necessitated the Government to introduce a rationing scheme in order to maintain a fair and equitable distribution of all essential commodities. This rationing scheme jeopardized the business of this private company. As an alternative measure, they organised a Co-operative Store Society taking into its fold all the consumers of the area. This was the beginning of a first - rate co-operative institution which is serving the needs of the Alaveddy population to-day. This society flourished as a store society since 1943, and in 1958 it was converted into a Multi-purpose Co-operative Society, Ltd.

AREA OF OPERATION AND MEMBERSHIP:

The society covers the entire village of Alaveddy which is situated about 10 miles from Jaffna Town, and has a membership of 1,162, serving nearly 7,200 people.

ACTIVITIES OF THE SOCIETY:

- (a) Supply of consumer-goods, including textiles, and production requirements, such as fertilizers and agricultural implements;
- (b) Granting of short-term and long-term loans through its Rural Bank for agricultural development, settling of old-debts, construction of houses, etc.;
- (c) Management of a pawn-shop where members could pawn their valuables;
- (d) Management of a hand-loom textile weaving centre.

BUSINESS TURNOVER, GROSS PROFITS & NET PROFITS:

The Society has two main sections for food-stuffs and textiles, three retail branches and an agricultural section. As an illustration, the figures in respect of the business turnover for the three years, 1964-66, are given below:-

<u>Year</u>	<u>Turnover consumer section</u>	<u>Turnover Agricultural section</u>	<u>Total Turnover</u>	<u>Gross Profits</u>	<u>Net Profit</u>	<u>Net Losses</u>
1964	Rs 841,197/-	Rs 173,429/-	Rs 1,014,626/-	49,124/-	Rs 9,574/-	-
1965	" 1,059,989/-	" 380,862/-	1,440,851/-	62,578/-	" -	Rs 3501/-
1966	" 1,123,726/-	" 408,202/-	1,531,928/-	80,145/-	" 3,231/-	-

It is to be noted that, the management cost in relation to total turnover is rather high and the higher the rate of turnover the lower the rate of gross profits and net profits with 1965, a bad year incurring a loss to the society. This shows that management is one of the serious problems facing the co-operative movement of Ceylon to-day.

DISTRIBUTION OF PROFITS:

It was stated that the net profits earned every year were to be apportioned in the following manner:-

- (a) 25 percent of the net profit was to be set apart as statutory Reserve;
- (b) 10 percent of the net profit was to be contributed to the Northern Division Co-operative Federation as Building Fund; and
- (c) 5 percent went to the Co-operative Fund.

In addition to the above allocations, the Society paid a dividend on shares to its members not exceeding 6 percent, and a month's salary as bonus to its employees. Proportionate allocations were also made towards Common Good Fund, Building Fund or any other Funds the general body may desire to set up. It is, therefore, that there is no dividend for distribution to members pro rata to the amount of business transaction made by them. The members of the society have lost to some extent any interest with the society. It is to be noted **here** that the problem of dividend distribution still remains unsolved in M.P.C.S. organizations.

AGRICULTURAL PRODUCE HANDLED:

- (a) The society purchases onions from its members and disposes of it through another co-operative organization known as the Agricultural Producers' Co-operative Union, Northern Division which undertakes the disposal of produce of its affiliated societies. The price paid to the cultivator for a hundred weight of onions varies from Rs 22.40 to Rs 34.72 for different months. The prices are staggered in order to encourage the cultivator to preserve the onions and to get an enhanced price at a later stage. The Agricultural Producers' Co-operative Union pays a commission of cents -/40 per cwt. to this Society for handing over the produce to the Union. The quantity of onions purchased in 1967 was 17,000 cwts.
- (b) CHILLIES are bought from the members and also disposed of through the above Union.

RURAL BANK:

This Bank is being managed for the benefit of the cultivators in the area. The People's Bank granted an overdraft of Rs 200,000/- for the following purposes to be re-lent to the members: (1968)

Pawn broking	Rs 50,000.00
Special loan	25,000.00
Mortgage loan	100,000.00
Consumption loan	25,000.00
	<hr/>
	Rs 200,000.00
	<hr/>

The loans are granted by the bank at 7 percent interest, and the Society recovers at the rate of 10 percent. The period of repayment of loans varies according to the type of loans granted.

The members are allowed to borrow the following maximum amount of loans from the Rural Bank:-

Pawn broking	Rs 500.00
Special loan	250.00
Mortgage loan	2,500.00
Consumption loan	200.00

The savings of the members in this Bank amounts to Rs 78,151.00 on the day of inspection, (25, March, 1968).

MAXIMUM CREDIT LIMIT:

Every year the District Assistant Commissioner of Co-operative development fixes the maximum limit the Society could borrow both from the Government Departments and lending institutions to enable the Society to implement its programme of work for the current year. The maximum credit requirements of the Society for 1967/68 has been assessed at Rs 556,000/-, and this amount has been approved by the Assistant Commissioner.

LOANS TO MEMBERS:

The following loans were granted to the members in 1967:-

<u>Types of loans</u>	<u>No. of loans</u>	<u>Amount granted</u>
Paddy Cultivation	28	Rs 4,270.00
Potato "	3	350.00
Chillies "	47	12,320.00
Onions "	141	59,705.00

The total amount of loans outstanding is Rs 319,141.73 as on 31.12.67.

SAVINGS SCHEME:

When the members surrender their onions, 10 pounds per cwt. are deducted as an allowance for loss of weight. Out of this deduction, the society credits to the members' savings account a sum of Rs 1/-. The accumulated savings of the members stand at Rs 32,888.68 as on 31.12.67. The members are not allowed to withdraw their savings, unless it is for an unforeseen cause.

TEXTILE HANDLOOM SECTION:

There were 18 looms, and 28 working girls were employed in this section under a textile demonstrator. The required yarn was purchased from the Co-operative Textile Union, and the finished products were sold through the textile section of this Society.

INSPECTION NOTE: NO. 5

AVERANGAL MULTI-PURPOSE CO-OPERATIVE SOCIETY, LIMITED

This Society was registered on 20.2.48 under the name of "Valikamam East Co-operative Agricultural Production and Sales Society, Limited", covering the whole of Valikamam East Divisional Revenue Officer's Division. It was later converted into a Multi-purpose Co-operative Society on 29.6.59. This change enabled the Society to undertake consumer activities and to intensify its assistance to the farmers of Averangal. Total number of members as of 24.3.1968 was 787. The business activities of this Society consist of the following:-

Agricultural Production:- The members of the Society have undertaken the production of the following crops:-

Onions:- About 300 acres are brought under cultivation yearly for onions, resulting in an yield of 36,000 cwts.

Potatoes:- Potato cultivation commenced only in 1964. As a trial, about 5 acres were cultivated. The experiment had been successful and the area under potato cultivation had progressively increased to about 60 acres this year, (1968). The total harvest reached nearly 8,400 cwts. It was estimated that as many as 300 acres would be brought under cultivation in 1969.

Chillies:- The area cultivated is about 15 acres, resulting in an yield of about 180 cwts. The progress in this field is not impressive as the plants have been affected by disease.

In assisting its members, the Society supplies all the necessary insecticides and sprayers besides granting cash loans for cultivation and for sinking wells and installing pumps, etc.

Consumer Activities:- The Society started a consumer section in 1964 and has been supplying consumption goods to the members. Arrangements have been made to sell goods on credit on the security of agricultural produce sold through the Society.

Finance:- The financial position of the Society is sound. It has applied for permission to start a "RURAL BANK" in order to enable the granting of medium-term loans for house-buildings, repairs and extension to dwelling-house and redemption of old debts, etc.

The members have deposited their savings in the Society to the amount of about Rs 25,500/-. The ultimate aim of the Savings-Scheme should be to encourage thrift of members and practice internal financing within the Society. As it is at present the savings are invested in the bank and has not been

utilised for the business activities undertaken by the Society.

The capital of the Society at the time of the visit was composed of Rs 65,420/- in shares and Rs 99,600/- in reserves. In addition, it had a substantial amount of disposable net profit of Rs 90,384/-.

Labour Contract:- The Society has undertaken a contract to relay the village road bordering the Society for a sum of Rs 12,000/-.

Buildings:- The Society owns two large buildings. One has been for accommodating the agricultural produce marketing section and the other for consumer store section.

A BRIEF NOTE ON THE MULTI-PURPOSE CO-OPERATIVE
DEVELOPMENT IN THE JAFFNA - EAST DIVISION

The Jaffna East Division is an area which comprises 3 Divisional Revenue Officers' Divisions, viz. Jaffna Town, Thenmaradchy (Southern Area) and Vadamaradchy (Northern Area). The entire area is about 175 square miles in extent. The total number of societies in existence in this area was 447 at the time of the visit. Among them 118 were multi-purpose co-operatives, including those which had been converted as well as societies that had been newly established and registered. There are 7 Unions of multi-purpose co-operatives for the entire division.

The multi-purpose co-operatives have rendered assistance to members engaged in agriculture. The total loans for long-term and medium-term requirements granted by the Commissioner of Agrarian Services through these co-operatives amounted to about Rs 3½ lakhs.

Hitherto short-term credit had been granted by these societies from loans given by the Agrarian Service Department, but since the inauguration of the New Agricultural Credit Scheme, the Jaffna Co-operative Provincial Bank has undertaken this task in the Jaffna District. The amount of loan granted up to date, (March, 1968), for the Jaffna East Division totalled Rs 514,718.89 cts. which was subdivided as follows:

(a) Paddy production	.....	Rs 212,382.14
(b) Chillies	"	" 71,046.25
(c) Onions	"	" 79,685.00
(d) Potatoes	"	" 151,605.50

It may be mentioned that 50% of the societies are engaged in businesses meeting the needs of members both in respect of the consumer goods and agricultural requirements. Another 5% have also undertaken contract work to provide private employment to members. The rest of the societies, however, are engaged only in running consumer stores serving the people of the area. These societies are not multi-purpose in nature and scope. A few of the societies have encouraged their members to make 'Kudoos' (long narrow baskets made from the ribs of the Palmyrah palm) for storing onions, thus augmenting their income. While some societies have set up textile looms to help the children of members to find employment and to earn an additional few rupees per day by working in this industry.

Three of the 7 Unions are engaged not only in the consumer trade, but also in performing contracts. One of the Unions has already planned to expand its consumer activity by taking over the supply of petroleum for its area. All 7 Unions are actively engaged in the wholesale trade supplying commodities to the affiliated member-societies. None of the Unions has entered into the field of production as yet.

The Jaffna East Division is not a rice surplus area. There is not much of large-scale paddy cultivation. The shortage of food supplies due to factors beyond the control of the M.P.C.S. has affected the business activities of these societies. On the other hand, societies have been performing agency functions of the Government under the National Development Program. These functions are:-

- (a) The purchase of agricultural products under the Guaranteed Price Scheme,
- (b) The distribution of foodstuff under the Rationing Scheme, and
- (c) The supply of fertilizers, seeds, etc. to member cultivators.

It was stated that uneconomic units societies have been maintained in order to help the people of particular areas for the implementation of Government policy.

Most of societies are now having services of trained personnel, but in about a quarter of the societies, the work of the management Committees was not up to the average standard of supervision.

The societies, except in a few cases, have yet to attract savings of individual members from the area. They depend on financial aid either from Government or from local Banks, without much progress in building up their own funds.

Attendance at meetings is another problem. Many societies only managed to transact their business with the bare quorum of 25 members. This was partly due to the fact that many who were not directly benefited by the societies had lagged behind in the subscription of their share instalments, and therefore they were reluctant to take active part in the management of society's affairs.

In conclusion, it is therefore fair to say that every effort should be made: (A) To make societies viable Units economically; (B) To impart regular training to all employees to step-up managerial efficiency; (C) To conduct a series of members education programmes. This form of education would make for meaningful member-participation in the affairs of the societies; (D) To assist societies to operate schemes of thrift and attract savings within the movement; (E) To step-up the technical assistance now being given by various agencies to make the movement healthy and strong; and (F) To make all societies pay the dividend and rebates into the share account of the members.

INSPECTION NOTE: NO. 1

JAFFNA M.P.C.S. UNION, LIMITED

There was scarcity of consumer goods during World War II in Ceylon. Especially the problem of the shortage of food supply and difficulty of its distribution was serious. The Government was compelled to make use of the co-operative movement to help solve part of the emergency problems. Over 4,000 retail co-operative societies were started within a very short period of time and all essential articles were channelled to consumers through this network of co-operative stores. To facilitate the working of co-operative stores and to obtain in bulk the requirements for co-operative stores in particular areas Co-operative Stores Union was formed to operate in every D.R.O.'s area. With the introduction of the multi-purpose co-operative scheme the work done by the co-operative stores was taken over by the multi-purpose co-operatives and, consequently, all co-operative stores unions were converted into multi-purpose co-operative societies unions. This transformation process has been carried out in most cases without much difficulty and hardship.

The Jaffna Multi-purpose Co-operative Societies Union, which was converted from Jaffna Co-operative Stores Societies Union into M.P.C.S. Union in April 1959, operates not only for the entire Jaffna D.R.O.'s division but also in addition caters to a few societies in the D.R.O.'s Divisions of Kayts, Kepay and Tellipallai.

Member-societies of this Union:-

M.P.C.S.	. . . . .	14
Co-operative Stores Societies	. . . . .	25
Hospital Welfare Societies	. . . . .	1
Total	. . . . .	<u>40</u>
		<u>=</u>

Non-member Organizations having business transactions with this M.P.C.S. Union, Ltd.:-

	<u>Urban</u>	<u>Rural</u>	<u>Total</u>
M.P.C.S.	- 7	- 7	- 14
Co-op. Stores	- 21	- 4	- 25
A.D.S.	- 66	- 18	- 84
Depots	- 9	- 5	- 14
Total	- <u>103</u>	- <u>34</u>	- <u>137</u>
	<u>===</u>	<u>===</u>	<u>===</u>

Total Number of Rice-Ration Book handled by the Union - 134,155 at the time of the visit.

This is one of the largest Unions in Northern Ceylon serving a population of over 140,000 persons and having a turnover of over Rs 14/- million a year.

This Union, in fact, is not a real Union of M.P.C.S., as it does not embark on production or any other activities besides catering solely to the consumer needs of all co-operatives in its area of operation as under the old pattern. Being a wholesaler the Union runs 14 retail shops in areas where there are no registered co-operative societies. In addition, there is a check depot in the very heart of the Jaffna Town.

In recent years the Union has made a determined effort to cut down expenses and to consolidate the gains.

The Union is presently housed in rented buildings. Steps are being taken to purchase a land and put up a building for its own use.

Figures relating to the business turnovers of the Union for the past 6 years are given below:-

<u>Year</u>	<u>Turnover</u>	<u>Gross Profits</u>	<u>Nett Profit</u> [⊕]
1962	8,709,272.18	104,321.94	23,164.19
1963	11,331,185.73	94,450.78	10,282.78
1964	13,259,537.67	144,133.37	41,918.37
1965	13,454,863.84	187,067.83	57,006.43
1966	13,651,224.12	208,421.07	88,124.14
1967	12,641,289.73	235,920.71	89,253.80

⊕ It was stated that rebates to member-societies have been given based on purchases, but no detail figure is available.

INSPECTION NOTE: NO. 2

ARIALAI MULTI-PURPOSE CO-OPERATIVE SOCIETY, LIMITED

This M.P.C.S. was registered in February, 1959. The society took over the management of the Arialia Co-operative Stores Society which was functioning in the same area of operation since 1942. The Arialai Co-operative Stores Society was only performing the consumer function, viz., the distribution of rationed commodities, etc. It was felt then that the Society was not catering to all the needs of the members. Hence steps were taken by the members to convert it into a M.P.C.S. in order to follow the trend of the development of the movement. The Reserve Funds of the Arialai Co-operative Stores Society of Rs 5,231.04 and the Reserve Fund of the Chiviatheru Co-operative Credit Society of Rs 2,093/- were being transferred to and utilized by the Arialai M.P.C.S. The area of operation of the M.P.C.S. covers Nallur Village Council Wards Nos. 11, 12 and 13 and Jaffna Town Municipality Ward No. 6, altogether about 2 square miles with a population of about 10,000.

Production and Marketing:

The main crop is paddy. At present gingelly is being cultivated as a side crop on a small scale. The fully cultivable area is about 750 acres, out of which about 700 acres are under paddy. The members of the Society cultivate about 500 acres of the total. The cultivation of paddy is fully dependent on rainfall and it is only cultivated for the Maha season. Crop failures owing to the vagaries of Nature are frequent. The average yield of paddy per acre is about 60 bushels, which is well above the national average.

Consequent to the Government's decision to increase the Guaranteed price of paddy from Rs 12/- to Rs 14/- all the available paddy lands have been cultivated. The Society has been purchasing a small quantity of paddy from the members at Rs 14.50 and selling the same in retail. However, as the price in the open market was much higher than the guaranteed price, most of the members have sold their paddy outside the scheme. The Society has granted Rs 6,028.80 under the present Agricultural Credit Scheme to 21 members. So far only Rs 625/- have been recovered from 3 members at the time of the visit. The Society also supplies the farmers with seed paddy, manure, insecticide, sprayers as well as poultry and Cattle feeding stuff, etc.

Handloom Textile Weaving:

The Society is running a handloom textile weaving centre which was started in 1965. The centre is housed in a building put up by the M.P.C.S. out of its own funds at a cost of Rs 15,000/-. It gives permanent employment to about 29 girls. The average earning of each girl is about Rs 80/- per mensem thus helping

the poor families. At present the centre operates with 8 looms, a warping machine and a winding machine. It produces sarees, vertics, shawls, pyjama cloth, towels, etc. There is an experienced demonstrator in charge of the textile centre who has been loaned by the Department of Industries. The finished products are sold at the Society's Textile Section and a portion of it is also being sold at the Retail Textile Shop run by the M.P.C.S. Union. The total cost of production for 1966 was Rs 6,089.61 and Rs 6,289.89 for 1967.

Consumer Activity:

The Society helps the members by providing all consumer goods at a fair price. It runs a consumer section and a textile section. Two managers are in charge of these sections. 1,672 Rice Ration Books are handled by the Society.

Labour Contract Work:

The Society also undertaken contract work and wherever possible the members had been employed in the following projects:

<u>Year</u>	<u>Value of contract works undertaken</u>	<u>Profit</u>
1961	Rs 2,964.34	Rs 1,007.17
1962	" 20,980.00	" 814.00
1963	" 17,249.52	" 2,688.92
1964	-	-
1965	" 21,711.00	" 891.41
1966	" 29,100.00	" 6,066.00

Savings Campaign:

The Society has recently started a Savings Campaign. Deposits are being received from the members. The idea of running a Rural Bank has been entertained recently.

Building:

The Society is housed in its own building constructed at a cost of Rs 25,000.00, out of which Rs 10,000.00 was obtained as a Building Loan from the Commissioner of Agrarian Services. The building is put on a temple land leased for 20 years.

Statistics showing the progress of the
Society since registration

<u>Year</u>	<u>No. of Members</u>	<u>Shares</u>	<u>Turnover</u>	<u>Net Profits</u>
1961	166	Rs 2,250.00	Rs 134,654.50	Rs 4,115.07
1962	175	" 3,579.30	" 97,307.39	" 3,954.08
1963	209	" 4,491.64	" 112,433.45	" 3,870.78
1964	226	" 7,132.14	" 142,141.01	" 2,528.52
1965	243	" 8,750.28	" 153,253.12	" 1,143.68
1966	251	" 10,825.60	" 170,234.43	" 7,095.71
1967	273	" 11,506.60		

The Society has a fixed Maximum Credit Limit of Rs 13,500.00 and is operating on a cash credit accommodation of Rs 10,000/- from the Jaffna Co-operative Provincial Bank.

INSPECTION NOTE: NO. 3

THIRUNELVELY MULTI-PURPOSE CO-OPERATIVE SOCIETY, LIMITED

This Society is situated in the Village of Thirunelvely which is predominantly an agricultural village. The crops raised are mainly plantains, yams, potatoes, onions, chillies and vegetables. Tobacco is also grown extensively. The village is about $1\frac{1}{2}$ square miles in area adjacent to the Jaffna Town with a population of about 10,360 persons.

The present Society was registered as a Co-operative Stores Society in 1943 with a membership of 187. It was converted into a Multi-purpose Co-operative in 31.3.1958. Its present membership is 634.

Activities of the Society

(I) Thrift

The Society has put into operation 2 schemes of thrift for its members:

(a) Fixed Savings Deposit

Interest payable

1 year - $1\frac{1}{2}$ years	-	4%
$1\frac{1}{2}$ years - 2 years	-	5%
2 years and above	-	6%

Another aspect of this savings scheme is that any member who puts in Rs 50/- and over into a F.D. account with the Society could treat this as a purchase advance and is entitled to credit dealings up to that amount to be paid back monthly. So far 36 families have joined the scheme, and the amount in deposit reached Rs 3,875.00.

(b) Monthly Savings Deposit

Rs 5/- is the minimum contribution to be paid monthly. At the end 20 such instalments he is entitled to draw Rs 105/-.

The amount payable are:-

30 X 5	-	Rs 160/-
40 X 5	-	Rs 220/-
50 X 5	-	Rs 280/-
60 X 5	-	Rs 345/-

65 families have joined this scheme, and the total amount so deposited was Rs 3,545.00.

(II) Supply of Credit needs of members

The Society has granted Rs 25,524.88 at 12% interest under the new Agricultural Credit Scheme for subsidiary crops, such as potatoes, chillies and onions.

The Commissioner of Agrarian Services has granted Rs 13,500/- for water pumps to the Society and the Society has lent this amount to the members. Besides, the Society has also given loans for sprayers, seeds, etc.

(III) Marketing Operations

The members sell their produce under the Guaranteed Price Scheme through the Society. 73 members are engaged in the cultivation of potatoes, 20 engaged in the cultivation of onions, and 5 engaged in the cultivation of chillies. Value of produce sold during the years, 1966 and 1967, and the acreages of land cultivated are listed below:-

(a) potatoes	Rs 28,354.20	-	18 acres
(b) chillies	Rs 785.62	-	2 acres
(c) onions	Rs 12,182.09	-	1½ acres

The Society has also undertaken the purchase of onion kudoos made by the members. This helps the poor members to augment their income. It purchased 75,819 kudoos from 35 families who engaged in this industry in their homes.

The Society also helps the workers at the needle-work centre in the village, by supplying the centre with requirements of thread, cloth, needles etc., and subsequently it also assists in the sale of the finished products.

(IV) Consumer needs of members and non-members

The Society supplies the requirements of members and non-members in the area. It has to compete with 3 well established private traders who give credit to the customers. The number of ration books attached to the Society was 3,894 at the time of the visit.

As a stores Society before conversion it paid a rebate on purchases, for example, in 1953, to the value of Rs 1,536/-. Although without record, it was stated that, a rebate on purchases was also paid in 1967. This was done perhaps on sectional basis only.

(V) Provision of work for its members under labour contracts

The Society has engaged in doing contract works as illustrated below:-

<u>Year</u>	<u>Amount of Contract</u>	<u>Profit</u>
1962	Rs 7,697.55	Rs 1,970.70
1963	Rs 29,461.51	Rs 4,558.84
1967	Rs 115,016.85	Work in progress at the time of the visit.

(VI) General

The Committee has been very active and Committee meetings have been held monthly. The President takes a very keen interest in the working of the Society. The leadership spirit of the Committee and effective management of the Society succeed in serving the whole community beneficially.

Statistics showing the progress of the Society

<u>Year</u>	<u>No. of Members</u>	<u>Shares</u>	<u>Turnover</u>	<u>Nett Profit</u>
1958	396	1,799.00	168,928.65	2,007.99
1959	-	2,325.00	211,590.90	2,304.05
1960	513	2,409.00	189,200.95	2,268.00
1961	519	2,836.48	175,359.51	2,206.39
1962	528	3,457.11	237,415.41	1,953.30
1963	-	4,031.22	307,352.91	5,488.85
1964	546	4,572.84	360,409.86	5,985.85
1965	553	6,849.64	390,324.37	4,837.67
1966	596	8,165.59	701,712.14	9,686.03

A BRIEF NOTE ON THE MULTI-PURPOSE CO-OPERATIVE
DEVELOPMENT OF THE JAFFNA - SOUTH DIVISION

A general survey on co-operative activities in this Division is condensed as follows:-

<u>Societies:</u>		<u>No:</u>
Multi-purpose Co-ops.	..	67
Credit Societies, Unlimited	..	70
Credit Society, Limited	..	1
Stores Societies	..	3
M.P.C.S. Unions	..	5
Credit Unions	..	3
School Co-ops.	..	7
C.A.P. & S. Society	..	1
Cigarette Tobacco Growers	..	6
Textile Co-ops.	..	1
Carpentry Co-ops.	..	1
Fishing Co-ops.	..	9
Labour Co-ops.	..	3
Welfare Co-ops.	..	2
Electoral Co-op. Farm, (MPCS)	..	1
Coconut Sale Co-op.	..	1
	Total	<u>181</u> ===

Multi-purpose Co-operatives and their activities:-

There are 67 M.P.C.S. in this area, all these societies are paying special attention to fair distribution of consumer goods. A large number of these societies distribute textiles also.

Five M.P.C.S. Union in this Division have been registered, one for each D.R.O.'s Division, viz: Kilinochchi, Pooneryn, Thunukkai, Pallai and Vavunikulam.

The societies in the respective D.R.O.'s Divisions are members of the Union in that area. The Union in each of the area is a wholesaler for the supply of consumer goods and also attends to the marketing of the locally grown agricultural produce coming within the G.P.S.

(A) Paddy Cultivation

The acreage cultivated was currently 62,441. Loans granted, for the year, (1967-8) to societies by Banks for paddy cultivation amounted to Rs 2,926,502/-, and for subsidiary crops, Rs 164,636/-. Loans granted by societies to members reached an amount of Rs 2,335,439/- for paddy cultivation and Rs 137,325/- for subsidiary crops.

(B) Assistance given by the Government

- (1) Cash loans for ploughing, transplanting, weeding, and harvesting are granted in addition to seed paddy, fertilizers and agro-chemicals which are issued in kinds. Marketing loans are also granted to societies to buy produce from its members.
- (2) Guaranteed Prices are fixed for almost all major food crops cultivated in the Island and these products are bought of by the Government under the Guaranteed Prices Schemes.

(C) Problems of Agricultural Development in this area

- (1) Lack of proper irrigation facilities deprives the farmer to put into cultivation the entire acreage for both seasons (Maha and Yala),
- (2) Occasional heavy floods cause inundation of the fields in which paddy is grown,
- (3) Crops Insurance does not cover all but only certain sections of the agricultural plots,
- (4) Necessity for semi-mechanised farming,
- (5) Problems of subsistence maintenance during cultivation periods,
- (6) Insufficiency of space for constructions of go-downs with a view to accommodating as much of paddy as possible,
- (7) Indebtedness to local money-lenders which is now happily being gradually reduced in view of the local Banks coming to the rescue of the farmer, and
- (8) Chemicals have been increasingly used in the recent past but there is still shortage of fertilizers in the hands of the distributors.

INSPECTION NOTE: NO. 1

ELEPHANT PASS M.P.C.S.

HISTORICAL BACKGROUND:

This Society was formerly registered in 1943, mainly for serving the workers of the Elephant Pass Salterns and their families with a view to catering for the entire needs of these people. It was later converted to M.P.C.S. in accordance with the law.

Agricultural Activities:

A few of the members of this Society are engaged in agricultural activities. According to the new agricultural credit scheme, a sum Rs 7,053/50 was approved by the Jaffna Co-operative Provincial Bank at Paranthan as a loan fund for agricultural purposes.

9 members have applied for loans and a sum of Rs 5,198/50 was given as follows:-

(1) Ploughing	-	Rs 2,132.50
(2) Seed Paddy	-	Rs 1,106.00
(3) Manure	-	Rs 1,960.00

Paddy Purchase:

The Society has handled members' paddy surplus for sale under the G.P.S. to the amount as follows:

1957/58	-	489 bushels	1961/62	-	8,819 bushels
58/59	-	4,100 "	62/63	-	1,066 "
59/60	-	3,982 "	63/64	-	1,611 "
60/61	-	2,821 "	64/65	-	- "
			65/66	-	1,599 "

Consumer Activities:

The following is the data showing the total sales of consumer goods of this Society:-

<u>Periods</u>		<u>Sales</u>
1.12.57 - 30.11.58	-	Rs 31,999.49
1.12.58 - 30.11.59	-	29,124.47
3.12.59 - 30.11.60	-	26,168.25
1.12.60 - 30.11.61	-	26,331.71

<u>Periods</u>	<u>Sales</u>
1.12.61 - 25.1.63	Rs 30,782.74
26.1.63 - 31.12.63	23,547.10
1.1.64 - 28.12.64	23,753.35
29.12.64- 2.2.66	30,175.15
3.2.66 - 4.1.67	14,676.69

At the time of the writer's visit, he was informed that due to mismanagement and losses the management of the affairs of this Society has been taken over by the National Salt Corporation as from 14.2.66 and the regional Manager of the Corporation was appointed as President of this Society. Under the re-organization scheme the Society has been functioning well again since then, but without much co-operative spirit in it.

INSPECTION NOTE: NO. 2

PALLAI M.P.C.S. LIMITED

This Society was registered on 30.4.49 as a Co-operative Agricultural and Sales Society which was converted on 2.12.57 into multi-purpose. The total number of members was 126 at the time of the visit. Most of them were in arrears of share instalments payments. The present Committee has taken action to recover the outstanding amount due from the defaulting members.

The value of a Share is Rs 50/- payable in annual instalments of Rs 10/-. The total paid up share Capital was Rs 4,239.50. in 1967-8.

As a C.A.P. & S. Society, its membership covered the whole of Pachillai Pallai D.R.O.'s Division. After the conversion the Society's area of operation remains unchanged. The M.C.L. approved by A.C.C.D. was Rs 184,907 on 19.10.67. Of the C.A.S. Loan of Rs 50,906.21, Rs 29,677.95 was for building loan, and the balance was granted under the Expanded Agricultural Credit Scheme from March 1955 to October 1965. Of the outstanding amount of advances, Rs 47,474/78 as Principal and Rs 7,528.73 as interest were written off, being loan obtained prior to 1.10.58.

An amount of Rs 18,563.07 was given to members under the Expanded Credit Scheme. Due to continued crop failures, the members were not able to repay the major part of their loans. Now under the New Agricultural Credit Scheme, the Society has obtained Rs 5,612/- from the J.C.P. Bank as cultivation loan for paddy and issued to 22 members during the season, 67-68. The Society has also applied to the Bank for a loan of Rs 2,000/.. for chilli cultivation.

To increase food production the Society supplies fertilizer to its members for paddy cultivation and for subsidiary food crops like chillies. During this Kalapokam 67-68, the Society had supplied to its members about 200 cwts of urea, and 100 cwts of Sulphate of Ammonia.

The Society is a Sub-Agent for the purchase of paddy and subsidiary food crops, such as chillies under the Guaranteed Price Scheme and it is the Sole Agent for the popular Daily papers - Daily News and Thinalcaran in the Pachillaipallai D.R.O.'s Division.

The Society undertakes labour contract with the Government and during last year it earned a profit of Rs 1,635/- on this account.

With lessons learnt of past failures, the present Committee has taken great care in the management of the affairs of the Society and the business has expanded in many directions, such as dealings in hardware, patent drugs, textiles, consumer goods, etc. During the past year the Society has made a Net Profit of Rs 5,353/64. To improve the lot of the employees, the Society is a contributor to the Employees Provident Fund towards which the employees contribute 4% of their Salary, while the Society gives 6%. The Society also offers annually a month's basic salary as Bonus to its employees.

INSPECTION NOTE: NO. 3

PARANTHAN M.P.C.S.

This Society was formerly registered as Co-operative Agricultural Production and Sales Society in 1948, which was latter converted into a M.P.C.S. Its membership totalled 836, with total number of ration books, 1,288. Acreage under cultivation by members was 1,925 acres. The financial position of the Society could be summarized as follows:

Share Capital	Rs 42,879.00
Reserve Funds	" 149,221.00
Common Good Fund	" 745.00
Employees Security	" 7,400.00
Accumulated Profits	" 225,192.00
Value of Buildings	" 92,626.00
Value of Furniture & Handloom	" 16,973.00

This Society is engaged in following activities:

1. Consumer section
2. Textiles
3. Paddy Purchase
4. Weaving Centre
5. Supplies: Manure, Seed Paddy, Barbed wire, and Cement, etc.
6. Granting of loans to members.

The turnover of business of the past few years is quoted below:-

	<u>Consumer</u>	<u>Textiles</u>	<u>Paddy</u>	<u>Weaving</u>	<u>Other Supplies</u>
1962	Rs 65,091.27	Rs 34,423.62	Rs 1,078,478.50	-	Rs 1,01,646.10
1963	61,624.61	97,432.41	992,915.25	-	123,530.47
1964	76,646.27	134,748.67	911,113.44	-	119,065.74
1965	65,584.64	1,08,792.44	276,360.00	13,189.18	47,165.00
1966	85,997.14	93,605.40	1,055,753.35	42,522.99	116,484.70
1967	79,725.00	1,02,560.00	-	72,220.00	89,365.00

Short-term loans to members are granted on the basis of equivalent to value of shares held by a member, subject to an individual maximum limit of Rs 5,000/- with a minimum cultivation

area of 20 acres. These loans are repayable at the end of each season. The borrower signs the bond with two members as guarantors. The rate of interest is 5% per annum.

With the M.C.L. fixed at Rs 265,000/- for 1967, the Society had loans granted during the year as follows:-

1. Manure	Rs 45,210.00
2. Cultivation	29,930.00
3. Weeding and Transplanting	9,910.00
4. Land development	2,000.00
5. Consumer goods	7,540.00

The Society is contemplating the establishment of a Power-Loom and a carpentry workshop in order to develop the economy of this village.

INSPECTION NOTE: NO. 4

SOUTH YALPANAM M.P.C.S. UNION, LIMITED, KILINPOCHCHI

This Union was formerly registered as Jaffna South Co-operative Agricultural Production and Sales Societies Union and subsequently the name was amended as above with multi-purpose functions under the new pattern in 1957.

Area of operation:- The area of operation originally covered the D.R.O.'s Divisions of Karachchi, Thunnukkai and Poonakary in the district of Jaffna. This Union now confines its area to Karachchi only. Separate unions were formed at Thunnukkai and other areas.

Membership:- There are 29 multi-purpose societies and one agricultural production and sales society affiliated to this Union. All the member societies have paid up their shares in terms of the By-laws. The paid up share capital up to 28.2.68 was Rs 28,769.34, the value of a share was fixed at Rs 500/-. This is payable in annual instalments of Rs 100/-. The 1st instalment and the entrance fee of Rs 10/- has to be paid on admission as a member. The financial year of the Union ends on 30th November each year.

Insurance:- The Union has taken the Insurance policies with the Ceylon Insurance Corporation for the following amounts.

1. Burglary - Consumer	-	Rs 75,000.00
Textile	-	50,000.00
2. Fire - Consumer	-	75,000.00
Textile	-	50,000.00
Petro Station	-	15,000.00
3. Comprehensive Insurance -		
Tractor & Tractor	-	10,000.00
Lorry No. 24/1213	-	30,000.00
Lorry No. 22/4307	-	18,000.00
4. Cash in Transit-Bank-Parantha	-	10,000.00
Cash in Colombo & Jaffna	-	5,000.00
Cash in Safe	-	10,000.00
5. Risk Insurance against Ad. Block)	-	143,737.25
Kilinochchi Hospital)		

M.C.L.:- An amount of Rs 425,000/- was approved by A.C.C.D. Jaffna South and was to be valid for a year till 18.5.68 for the following purposes:

(a) Cash Credit	Rs 100,000.0
(b) Building Loan	300,000.0
(c) Lorry	25,000.00
	<u>425,000.00</u>
	=====

Building:- The Union is presently housed in a rented out building. It has recently resolved to put a large building for the office and the wholesale depots (consumer and textiles) on the land leased out from Government. The building will cost Rs 150,000/-, but the Union has a building fund of Rs 133,849/-. It was expected that the profit of the current year will be sufficient to make up this total cost. The Union owns one acre of Crown land along Wilson Road, Kilinichchi and proposes to construct a Rice Mill there with funds borrowed from Government.

The Union is run by a Committee of 9 members, including a President and a Vice-President, supported by a staff of 21 members, including a Manager, an administration Secretary and other employees.

Audit:- The last audit done was up to 30.11.66 and the auditing for the period from 1.12.66 to 30.11.67 was in progress when the writer visited this Union in March, 1968. A schedule of the turnovers and gross profits for the last six years is annexed below.

The members of the societies of this Union largely represent middle class peasants under the colonisation schemes. Out of the member-societies, 23 societies run consumer depots catering for the needs of the entire population of the division. These societies are so strategically situated and their network is such that no private competitive dealers have been able to survive in this division. The Rice Ration Book strength of the Union was 28,462 at the time of the visit.

The Union has the following sections:-

1. Consumer Section
2. Textile Section
3. Petroleum Section
4. Agricultural Section
5. Hardware Section
6. Contracts Section
7. Paddy purchase and others.

1. Consumer Section:-

The main source of income of the Union was from this section. Besides being the distributor of rationed goods the Union was the agent for M/s. B.C.C. Ltd., M/s. Lever Bros., Ltd., and Ceylon Nutritional Foods. The turnover in this section is over two million rupees a year. Its expansion in this sphere was inhibited partly by the sparse population of this area and a fair proportion of the population consists of peasant cultivators with limited financial resources.

Textile:-

The Union is both a wholesaler and retailer in textiles. Of the 29 member-societies, 16 societies dealt in textiles also. The purchases have not been confined to M/s. Lanka Salu Sala, Ltd. alone, but have been extended to Ceylon National Textiles Corporation, Jaffna Co-operative Textile Societies Union Ltd. and private industries. The Annual turnover was around Rs 350,000/-.

Petroleum:-

The Union is one of the pioneer dealers of the Ceylon Petroleum Corporation. It carries almost the entire range of their products - viz.: petrol super, petrol ordinary, kerosene, diesolene and lubricants consisting of grease and lubricant oil of all viscosities, and supplies the entire Government Depots in this locality in addition to out station orders from Government Departments and Corporations. A round the clock day and night-service has been rendered to motorists. The Annual turnover is over Rs 600,000/- mark.

Agricultural Section:-

This section carries a full range of insecticide, weedicides, fungicides, etc. mainly required for paddy and arable cropping. Dusting and spraying equipments, and spareparts for popular tractors too are also handled.

Hardware:-

This section deals in building materials, barbed wire, mammotties and other agricultural implements. It was noted that, in barbed wire trade the Union was able to out bid the other tenderers in obtaining Government Orders.

Contracts:-

This section had in its register for work contracts to the amount of Rs 200,000/-. These contracts covered the Kilinochchi G.P.S. building for the C.A.S. and several irrigation and constructional works the Irrigation Department. One of the biggest works done so far was the construction of the Kilinochchi Hospital Administration Block, costing nearly Rs 150,000/- under the P.W.D.

Paddy purchase and others:-

The Union is the agent under the G.P.S. to the C.A.S. This was initially the main money spinner to this Union which was then enjoying a commission of about Rs 50,000/- per annum. This income has now dwindled down to about Rs 5,000/- a year owing to the member-societies being decentralised and having been appointed direct agents. Furthermore, the cut in the ration rice from two measures per coupon per week to one measure resulted in the price of paddy shooting higher in

the open market than the guaranteed price, thus depriving the Union and the societies from their normal quantity of purchases. The situation of reduction in paddy purchases from the farmers affects the income of the societies as well as this Union.

This shows the vulnerability of the co-operative societies which heavily depend on paddy commission for their survival in business operations. This situation is a matter of concern to all co-operative leaders and the Government.

Since the appointment of private traders to deal in C.W.E. textiles the textile sales of Union have been hit badly. The private sector is able to attract more people to them by selling coupon textiles in strong but unfair competition with the co-operatives. This resulted in losing profit as well as customers to the Union.

In handling sugar the Union gets -/40 cents less on every cwt. than the sister unions in Jaffna owing to its being 40 miles closer to Colombo. But the expenses incurred in transport and handling remain the same as for the other unions. The appeals for redress to the Food Commissioner proved futile.

Finance:-

The financial position of the Union is fairly sound. As stated earlier, due to the drops in paddy Commission received the Union suffered slight losses in 1964 and 1965. But subsequently the Union have discovered other sources of revenue and is said to have been working at a profit during the time of the visit.

Vehicles:-

The Union has two lorries and one tractor with trailer doing haulage work alone. Even though the tractor was working at a loss earlier due to heavy depreciation and insufficient work, but now the vehicles work at a profit.

Building:-

The Union not having its own building is a big drawback in its finances. Since a suitable site was not available the construction was delayed hitherto. As present it has in possession of 1 acre block in the Jaffna-Kandy Road and construction work was expected to commence shortly.

Proposed Expansions:-

The Union has been contemplating to instal a Power Loom and to put up a factory to manufacture umbrellas. A new section was expected to be opened to deal in electrical goods, as the writer was told during his visit there.

A COMPARATIVE TABLE OF BUSINESS ACTIVITIES OF THE UNION DURING THE PAST SIX YEARS

1961/62		1962/63		1963/64		1964/65		1965/66		1966/67	
Turn-over	Gr. Pro.	Turn-over	Gr. Pro.	Turn-over	Gr. Pro.	Turn-over	Gr. Pro.	Turn-over	Gr. Pro.	Turn-over	Gr. Pro.
1,156,860	34,543	2,625,359	19,402	2,825,628	18,999	1,985,266	10,829	2,117,261	41,616	1,977,250	40,510
295,249	9,973	2,873,383	8,962	3,584,477	15,648	4,404,499	21,833	5,003,352	21,030	6,162,295	28,430
1,087,611	35,111	2,302,247	7,217	2,083,324	939	2,315,562	2,360	1,901,198	1,597	1,590,335	11,159
36,788	2,298	4,998	1,588	83,478	1,302	-	-	-	-	-	-
-	-	2,284,333	25,469	6,303,320	32,370	31,905,234	51,877	33,457,030	31,961	22,718,530	23,590
-	-	16,790	-	13,779	-	37,654	12,961	55,390	16,887	54,680	10,220

1. Cons. goods M/S
2. Petroleum
3. Mot. spares, Cement, Hardware
4. Seed Paddy
5. Textiles W/S and Retail
6. Transport (Lorry, Tractor)
7. Cons. Retail at pallai.

* Judged by the volume of business turnovers, the amount of gross profits are not impressive, while the net profit is not shown here. There is also no mention about the distribution of dividends or rebates, if any.

(4) MULTI-PURPOSE CO-OPERATIVE DEVELOPMENT
- KANDY DISTRICT -

GENERAL NOTE

In the District of Kandy the existing co-operative organizations may be classified as follows:-

PRIMARY SOCIETIES:-

1) Multi-purpose Co-operative Societies	423
2) Credit Societies, Unlimited	230
Credit Societies, Limited	14
3) School Co-operatives Recognized	147
4) Kaniha Societies (Women's)	45
5) Large Estate Societies	33
6) Labour Societies	14
7) Other Agricultural Societies	10
8) Urban Stores Societies	9
Rural Stores Societies	5
9) Co-operative Agricultural Production and Sales Societies	6
10) Tea & Rubber Co-operative Societies	6
11) Tobacco Co-operative Societies	6
12) Dairy Societies	4
13) Builders Societies	5
14) V. HH. Societies	3
15) Estate Workers Society	1
16) Hospital Society	1
17) Other Societies	20
Total.....	<u>982</u>

SECONDARY SOCIETIES:-

18) Urban Co-operative Banks	12
19) M.P.C.S. Unions	10
20) Credit Unions	6
21) District Co-operative Union	1
Total.....	<u>29</u>
Grand Total.....	<u><u>1,001</u></u>

The above list and figures were supplied to the writer by the ACCD during the visit. The classification is apparently not clear-cut and designations of some societies might not be correct. But it is easy to see that the MPCS and their Unions are numerically predominant co-operative organizations of the area, which represent more than 42% of the total. The credit societies also hold leading position followed by school co-operatives which must be of consumer stores. Evidently, agricultural production and sales societies together with other agricultural societies only occupy a small fraction of the total; the same is true of urban and rural stores societies. It is to be presumed that the conversion processes have been carried out vigorously in this area during the past ten years. On the other hand, urban co-operative banks together with credit unions represent significant role in the secondary level of co-operatives. MPCS unions also play an important part in the development of multi-purpose co-operatives.

From the above list, one could also draw the conclusion that co-operative development in this District is varied and complicated with the combination of the old pattern of co-operative institutions and a new development of multi-purpose co-operatives along the line of the declared policy of the Government in 1957. How far the transformation has succeeded and lived up to its expectations it is still difficult to say. One thing is sure, the extent of conversion of other types of co-operatives into MPCS would depend on the satisfactory solution of many problems facing the movement at the present.

INSPECTION NOTE: NO. 1

KANDY M.P.C.S. UNION, LIMITED

This Union was formerly registered in 1944 under the old pattern and converted into a M.P.C.S. Union later. The area of operation covers Kandy Gravet (Kandy Municipal Limit).

The present Committee was elected in April, 1964 with a total number of 84 employees attached to the following sections:-

1. Administrative office	13
2. Wholesales Depots	
(a) Sugar	10
(b) Rice	16
(c) Textile	3
(d) Ceramics	3
3. 13 Retail Branches	33
4. 3 Lorries	6
	<hr/>
Total	84
	==

There are three buildings owned by the Union, the original values of these are as follows:-

1. No. 15, Kumara Veediya Building	Rs 442,358/14
2. No. 73, Senkadagala Building	Rs 30,580/96
3. Nuwerawela Building	Rs 19,465/39

One of the significant features of this Union is that the number of dealers attached to the Union has been numerous and it has certainly lost its significance as a M.P.C.S. Union, as could be seen from the following list:-

- (a) 116 private dealers
- (b) 15 co-operative societies
- (c) 13 branches (Union)
- (d) 44 rationed dealers
- (e) 14 estates

Number of ration books attached to the Union accounted for 106,808, while the annual turnover of business reached Rs 11,824,120/..

This Union is evidently very unusual and above all not a purely co-operative institution. Rather it is a business organization of complicated nature, being a product of circumstances and convenience. In order to live up to its name, streamlining and tidy-up of its organization and operation is necessary in view of the fact that it is an important economic organization functioning in the city centre of Kandy.

INSPECTION NOTE: NO. 2

DENUWARA CO-OPERATIVE STORES AND MULTI-PURPOSE SOCIETIES UNION, LIMITED AT PILIMATALAWA

This Union bears a name which is quite exceptional in Ceylon. The writer was told that it was formerly registered as a Co-operative Stores Societies Union and later transformed into a Multi-purpose Co-operative Societies Union in order to follow the trend of co-operative development in Ceylon. In consequence the uncommon name has been used and adopted for registration which should be regarded as irregular practice. The number of member-societies was said to have been 60 at the time of the visit. The paid up share capital, amounted to Rs 25,218.54. Audit of books was done up to 2.9.1966, while the present Committee was elected on 1.5.1967.

The activities of the Union may be classified into the following functions:

1. Operating wholesale and retail trade of rice, flour, sugar, textiles, groceries and hardware,
2. Maintaining a Petrol Supply Station,
3. Buying and Milling of Paddy,
4. Acting as an agency in the distribution of tea and paddy fertilizers,
5. Rendering transport service with 6 lorries and a van, and
6. Operating pawn broking.

The Union has a total of 200 employees. Monthly average salary bill comes to Rs 24,000/-. It has wholesale depots at the following places:-

1. Pilimatalawa Wholesale Depot with Rice Ration Books	79,851 attached.
2. Daulagala Wholesale Depot with Rice Ration Books	41,416 attached.
3. Danturac Wholesale Depot with Rice Ration Books	18,972 attached.
Total	<u>140,239</u> =====

In addition, the Union has 26 retail points. Besides there were 43 M.P.C.S., 126 private traders and 40 estates all have business dealings with the Union in wholesale or retail.

The following table shows the scope and performance of the Union's activities:-

(A) SALES

<u>Year</u>		<u>Turnover</u>
1958	Rs	5,159,020/-
1959	"	6,786,082/-
1960	"	6,355,539/-
1961	"	7,171,294/-
1962	"	8,657,420/-
1963	"	9,785,049/-
1964	"	10,641,683/-
1965	"	11,590,745/-
1966	"	13,432,871/-
1967	"	12,449,949/-

(B) NET PROFIT FOR

<u>Year</u>		<u>Amount</u>
1957	"	40,683.15
1958	"	67,337.25
1959	"	77,236.64
1960	"	83,666.77
1961	"	28,401.61
1962	"	33,839.68
1963	"	59,548.88
1964	"	6,159.57
1965	"	133,762.49
1966	"	36,495.53

(C) MAXIMUM CREDIT LIMIT

<u>Year</u>		<u>Amount</u>
1958	"	173,000/-
1959	"	195,000/-
1960	"	175,000/-
1961	"	300,000/-
1962	"	400,000/-
1963	"	650,000/-

	<u>Year</u>		<u>Amount</u>
	1964	Rs	800,000/-
	1965	"	950,000/-
	1966	"	950,000/-
	1967	"	1,100,000/-

(D) BANK OVERDRAFT

	<u>Year</u>		<u>Amount</u>
	1958	"	111,000/-
	1959	"	170,000/-
	1960	"	1,450,000/-
	1961	"	300,000/-
	1962		---
	1963		---
	1964	"	650,000/-
	1965		---
	1966	"	800,000/-
	1967	"	970,000/-

INSPECTION NOTE: NO. 3

UDADUMBARA M.P.C.S. UNION, LIMITED

The Historical Background of this Union:-

During the last 20 years, there has been many changes in this Union. At first, there was the "Minipe Co-operative Agricultural Production and Sales Society, Ltd." to cater to the agricultural needs of the peasants. This Society was later converted into a secondary society under the name of Minipe Co-operative Agricultural Production and Sales Societies Union, Ltd. With the launching of the multi-purpose co-operative scheme in the year, 1957 the Union was accordingly converted into the Minipe Multi-purpose Co-operative Societies Union, Ltd. which in turn has now become the Udadumbara Multi-purpose Co-operative Societies Union, Ltd. with its registered address at Madugoda.

Membership and Business Activities of the Union:-

In the year, 1968 the membership of the Union was 24. The value of a share was Rs 500/-. The paid-up share capital is Rs 8,820/-. The Union acts as a wholesaler to the 24 member-societies and 16 authorized distributors. While undertaking the wholesale distribution of consumer goods to the 40 member-organizations, the Union runs 4 retail points at Madugoda, Hunnasgiriya, Mahawela and Himbutuwa. To cater to the requirements of the societies in and round Minipe the Union has a Wholesale Depot at Morayaya. Through its member societies and affiliated authorized distributors, the Union serves a population of 41,029.

The Union's activities have not been confined to consumer sector alone but also have undertaken agricultural and transport services. The Union also acts as an agent of the Agrarian Services Department for the purchase of agricultural produce in the area under the G.P.S., while at the same time has entered into two transport contracts with the Assistant Commissioners of Agrarian Services, Kandy and Badulla Districts for the transport of fertilizers and rice.

The Union has a staff of 39 members. The monthly wage bill amounts to Rs 5,948.21. The employees enjoy Provident Fund benefits, leave and other facilities prescribed by the Department of Labour.

As an illustration, the volume of sales and purchases of a 3 month period is quoted below:

<u>Month</u>	<u>Purchase</u>	<u>Sales</u>
December 1967	Rs 254,820.27	Rs 268,483.76
January 1968	" 208,950.79	" 199,059.78
February 1968	" 487,533.45	" 440,700.97

The maximum Credit Limit for the present year, (1967-68), approved by the Assistant Commissioner of Co-operative Development was fixed at Rs 250,000/- to be granted by the People's Bank, Kandy. It was recorded that this Union suffered great loss of Rs 48,141.00 and cash shortage of Rs 372.75 as shown in the annual financial statement as at February, 1967. On the other hand, there was an item of cash in hand of Rs 82,923.45. All these are signs of mismanagement and control of the activities of the Union by the Committee and top level officers.

INSPECTION NOTE: NO. 4

AMBAGAHAPELESSA MULTI-PURPOSE CO-OPERATIVE
SOCIETY, LIMITED

This Society was registered on 1st August, 1957 and the area of operation was confined to Ambagahapelessa, Minipe at the D.R.O.'s Division, Uda Dumbara in Kandy District. This Society has been classified as "B" which means that its standard or management is well above the normal.

Membership:-

The total number of members in the Society on the day of the visit was 366.

Share Capital:-

The paid-up Share Capital as at 30.3.1968 was Rs 12,875/-. Out of 366 members, only 225 have fully paid up their shares. Generally, the payment of shares instalments by the members has been fairly satisfactory.

The Functions of the Society:-

The functions of the Society have been given as follows:-

- (1) Consumer Stores Section,
- (2) Distribution of fertilizers and insecticides,
- (3) Purchase of paddy under the Guaranteed Price Scheme,
- (4) Contracts for labour,
- (5) Tractor unit, and
- (6) Granting of loans to members.

(1) Consumer Stores Section:-

The Society has a provision store at Ambagahapelessa, its headquarters, and a branch store situated 2 miles away. The total number of rice ration books attached was 2,790, (1967-8).

The total sales during the last two years	=	Rs 357,982.53 (1967-8)
The total purchases during the last two years	=	Rs 347,517.90 (1967-8)
Gross Profit for last two years	=	Rs 5,598.05 (1967-8)

(2) Distribution of fertilizers and insecticides:-

The total sales during the last two years	=	Rs	50,186.53 (1967-8)
The total purchases during the last two years	=	Rs	52,894.25 (")
Gross Profit for last two years	=	Rs	1,671.00 (")

(3) Purchase of Paddy under the G.P.S.:-

The total sales during the last two years	=	Rs	1,084,125.39 (1966-8)
The total purchases during the last two years	=	Rs	1,078,593.39 (")
Gross Profits for last two years	=	Rs	890.00 (")
Commission earned for last two years	=	Rs	48,305.90 (")

(4) Contracts (Expenditure)	=	Rs	1,801.16 (1967-8)
" (Income)	=	Rs	1,488.04 (")

(5) Tractor Uni Income received	=	Rs	46,292.65 (")
Expenditure	=	Rs	29,429.12 (")
Income over expenditure - profit	=	Rs	16,863.53

The Society has two tractors with the trailers. They were engaged for agricultural work and transporting of goods, paddy, etc.

Loans granted to members:-

The M.C.L. of this Society for the year, ending 31.8.1968 was fixed at Rs 250,000/-. The Society has obtained loans from two institutions:- (1) The Commissioner of Agrarian Services and (2) The People's Bank. The total amount of loans obtained from C.A.S. during the last two years was Rs 127,445/50, and the amount repaid was Rs 115,026/34. The repayment of loans to C.A.S. was satisfactory. The amount of interest earned on loans granted to members during the last two years totalled Rs 5,644/78. These facts showed a satisfactory progress in loan activities.

With regard to the cultivation loans under the new scheme, this Society had given credit to 88 members and the total amount thus issued to date, (March, 1968), was Rs 34,305/50.

Employees:-

The total number of employees in the Society is 10, with one General Manager, two Assistant Managers, three Salesmen, one clerk, one watcher and two tractor drivers.

All employees have together furnished security deposits of Rs 4,500/- in cash and their appointments have been approved by the A.C.C.D.

General Affairs:-

It was stated that the general body meets only when it was really necessary, such as on **special occasions** to discuss the loans transactions and its audit reports, or to fix the M.C.L., etc. It was recorded that the attendance at these meeting has been good and Committee meetings have been regularly held.

Although the general working of the Society is satisfactory, there were bad signs of mismanagement. The Committee was urged to take necessary actions to recover the stock-shortages from those employees responsible. It was stated that small profits in the consumer section were due to heavy leakages which have been, since recently, avoided. During the time of the visit the Society had obtained a marketing loan of Rs 25,000/- for the purchase of members' produce (i.e. paddy) from early April.

INSPECTION NOTE: NO. 5

HANDAGANAWA MULTI-PURPOSE CO-OPERATIVE SOCIETY, LIMITED

This Society was registered on 19th April, 1958, with the area of operation confined to Handaganawa, Minipe at the D.R.O.'s Division of the Uda Dumbara in Kandy District. Its membership numbered 378 with a share capital of Rs 12,449.68 at the time of the visit.

The activities of the Society covered the following sections:

- (1) Consumer Section,
- (2) Agricultural and Marketing Section - supply of loans, fertilizers, insecticides, etc. and the purchase of produce under the G.P.S.
- (3) Extended Rural Credit Section, and
- (4) Tractor Unit.

Consumer Section:-

For the last financial year (1967 total sales of this section amounted to Rs 377,422/50 with a Gross Profit of Rs 10,275/10.

Agricultural and Marketing Section:-

- (a) Paddy purchase totalled 90,465 $\frac{1}{2}$ bushels under the G.P.S.,
- (b) Maize purchase - 17 cwts.,
- (c) Chillies purchase - 7 cwts.,
- (d) Seed Paddy purchase - distributed to members 460 bushels,
- (e) Agricultural Loans - for ploughing, transplanting, etc. Rs 131,439/40, Loans recovered during the period Rs 162,623/89, Loan outstanding at the end of the period Rs 81,172/21 including overdues Rs 29,010/95. The Maximum Credit Limit of this Society was given as Rs 450,000 for the current year, 1967-8.

Extended Rural Credit Section:-

100 members have been granted loans to the extent of 50,000/-, 49,500/- obtained from the People's Bank and the balance Rs 500/- with Society's funds. To date (March, 1968) recoveries from members amounted to Rs 18,313/76. The balance outstanding was Rs 31,686/24. Member deposits amount to Rs 6,587/50.

Tractor Unit:--

Two tractors operated by the Society returned with a nett profit of Rs 3,610/46 last year (1966-7).

This Society has been functioning quite well with a classification "B" being awarded to its credit. The total nett profit earned during the past year Rs 17,403/54.

INSPECTION NOTE: NO. 6

HEWAWINA MULTI-PURPOSE CO-OPERATIVE SOCIETY, LIMITED

This Society started in 1943 as a consumer stores society with a membership of 125. Value of a share at the time was Rs 1/25. Later in 1957 this Society was converted into a Multi-purpose Society. In 1964 the Society extended its activities by opening up a Rural Bank. To start the Rural Bank the People's Bank of Kandy gave a loan of Rs 4,020/50 to purchase the necessary equipment, and offered an overdraft of Rs 75,000/- for its operations.

The area of operation of the Society covers 2 villages only. Its activities include the following:-

- (1) Supplying consumer goods,
- (2) Supplying agricultural implements and fertilizers,
- (3) Marketing produce of members, and
- (4) Granting Credit on regulated terms.

RURAL BANK:

At the inception the Bank granted 70 loans to members up to Rs 42,900/-. Loans have been granted for the following purposes:

- (1) Repayment of Debts,
- (2) Agricultural Development,
- (3) Animal Husbandry,
- (4) Putting up homes, and
- (5) Occupational purposes.

The society gives individual loans up to Rs 2,500/- with a security guarantee of two members. For loans over and above this amount, a security in properties is required. All loans are repayable within periods ranging from 6 months to five years depending on the purposes.

M.C.L. of the Society as approved by the A.C.C.D. for 1968 was Rs 90,000/-.

INSPECTION NOTE: NO. 7

KANDY CO-OPERATIVE DISTRICT UNION

The Kandy Co-operative District Union was started in 1948 with a membership of about 100 societies. During the past 19 years membership has increased by nearly double.

FUNCTIONS

Its functions could be divided into four sections:-

- (1) Education,
- (2) Consumer,
- (3) Agricultural, and
- (4) Industrial.

There is a Board of Directors which is elected by the General Meeting of the Union. This Board is supported by four standing committees in charge of the above-mentioned four sections.

For the furtherance of the objects of the Union, the following functions have been contemplated for implementation in collaboration with the Federation and/or other co-operatives:

- (1) To organize co-operative education and training programmes,
- (2) To develop inter-co-operative relationship and help the co-ordinated functioning of the co-operative movement in various sectors,
- (3) To make arrangements for the audit and supervision of co-operative societies,
- (4) To provide services of technicians, management and other consultants to advise and assist member societies,
- (5) To organize, conduct, collaborate and assist in carrying out research, investigations and projects connected with the co-operative movement,
- (6) To arrange for the production and publication of literature and audio-visual aids including films and film strips on co-operation and allied subjects,
- (7) To publish books, pamphlets, leaflets, periodicals, newspapers, etc. relating to the co-operative movement,

- (8) To give publicity to the achievements of co-operatives through periodicals, newspapers, journals, pamphlets, brochures, books, films, broadcasts, and the like for creating a favourable atmosphere for the development of the co-operative movement,
- (9) To maintain an information bureau and a library,
- (10) To discuss common problems of and express the collective views of the co-operative movement in respect of the Union's area of operation,
- (11) To organize and convene seminars, meetings, conferences, exhibitions, etc., by itself or in collaboration with the Federation or other societies,
- (12) To collaborate with the Federation in holding the Co-operative Congress and in carrying out other programmes of activities planned and decided upon by the Federation,
- (13) To select delegates, representatives or observers on behalf of the Union for participation in seminars and conferences,
- (14) To facilitate the working of co-operative institutions and assist the member societies in solving their problems and difficulties,
- (15) To ~~re-organise~~ or assist in organizing new co-operative societies, and
- (16) To create general and special funds for the promotion of co-operation and administer the funds created.

These functions are rather extensive and ambitious. If properly implemented, they should contribute much to the success of the movement. On the other hand, it might be better to limit to ~~certain immediate useful services~~ based on the availability of necessary human and financial resources of the Union.

REVENUE

The Revenue of the District Union consists of:-

- (a) Affiliation Fees,
- (b) Annual subscriptions from member-societies, (a sum equal to 5% of the annual net profit of the member-society of Rs 5/-, whichever is more.),
- (c) Grants from the Government or the Federation,
- (d) Donations,

- (e) Sales proceeds of publications, journals, periodicals, etc.,
- (f) Loans and advances, and
- (g) Income from exhibitions, projects or other activities undertaken by the District Union in the normal course of its activities, and the sale of the District Union's assets.

APPENDIX I

SCHOOL OF CO-OPERATION - AT POLGOLLA

The School of Co-operation was set up in 1943 as a part of the Co-operative Department in Kandy, with an Assistant Commissioner of Co-operative Development in charge as Principal and a staff of lecturers, inspector-lecturers as well as visiting lecturers and over 30 other officers. The School has a residential accommodation for 120 trainees, a co-operative shopping centre, a library with over 3,000 volumes, several lecture halls, and common room and recreation room facilities.

In addition to short term orientation courses, Seminars and group discussions, regular courses of 3 categories have been provided at the School from January to May and July to November each year:

(A) Training of Officers:

- (1) A 5-month residential course for inspector-recruits to the Department leading up to the Grade III first examination. The success in this examination is necessary for confirmation of service in the Department.
- (2) A 5-month residential course for officers who have passed the Grade III first examination and who have served about 4 years in the field leading up to the Grade III second examination. The success in this examination is necessary for promotion to Grade II of the inspector service.
- (3) A higher level non-residential course for co-operative employees and others leading up to the co-operative Employees' Certificate (Higher Level) in Management or in Accounting.

Short-term residential orientation seminars & study groups ranging from a few days to weeks have been conducted more or less regularly at the school for the officers of various organizations, such as Fisheries Department officers, People's Bank officers, School teachers, officers of the Rural Development and Small Industries Department, Divisional Revenue officers, officers of the Co-operative Department and other Departments.

- (B) Co-operative Employee Training:- The School trains all employees of co-operatives through its 21 Education Centres at various provincial headquarters for two examinations: The Co-operative Employees' Certificate Course (Ordinary Level) runs for a period of four months, and a course (Junior Level) for two months. Also available is week end class employees course.

Co-operative Training in Ceylon has been conducted through the Co-operative School in Kandy and another school in Jaffna. Some larger co-operative organizations also have their own training programs for employees and members. Co-operative employees can follow the Co-operative Employees Certificate (Higher Level) Course conducted at the School leading up to Higher Level Certificate in Management or Accounting.

3) Co-operative Member Education:- A separate extension branch was set up at the School to take charge of the Co-operative member education work in the following forms:-

- (1) One day training classes for delegates of co-operative societies,
- (2) Village level training classes,
- (3) Special programs for fisheries education,
- (4) Training of Study Circle leaders and conducting of study circles, and
- (5) Various kinds of Seminars of 2-3 days durations as well as Inter-District Joint Seminars.

Membership education also has been undertaken by field officers of the Department of Co-operative Development, a class weekly or fortnightly for a period of about 6 months.

It was stated that the response of the societies and individual members has been good, but it was also noted that further intensifying efforts should be made, especially by utilizing the services of the already trained personnel to make co-operative education and training available to each and every co-operator. After a brief review by the writer of the courses and examinations offered for inspectors and officers, etc., it was revealed that multi-purpose co-operative organization as a special type of co-operative development in Ceylon has not received special attention for study in the related courses. Perhaps there is room for improvement in this particular aspect.

APPENDIX II

SCHOOL OF AGRICULTURE AT PERADENIYA

In-Service Training Institute of Agriculture, Peradeniya

The School of Agriculture at Peradeniya was merged with a similar School at Kundasale with the object of utilizing the buildings and other facilities at Peradeniya for establishing a permanent In-Service Training Institute for all grades of employees above the labour grade of the Department of Agriculture. Training is directed towards developing understanding of job operations and standards, policies and procedures of the Department and current technical research findings and also towards developing the necessary skills to enable the officers to discharge efficiently the duties entrusted to them.

This In-Service Training Institute is situated at a site which is in close proximity to the Central Agricultural Research Institute and Central Veterinary Research Institute, all of which are established in the Central Experiment Station, Peradeniya. The Faculty of Agriculture of the University of Ceylon at Peradeniya is also at a short distance from these institutions. The Co-operative School at Palgolla too has the benefit of making use of the facilities and expertise knowledge provided by these institutions concerned with agricultural and rural development in Ceylon.

Facilities are available at the Institute for conducting annually about 30 short courses, each of 2 week's duration, for each medium of instruction, (Sinhala, Tamil and English). Each batch of trainees varies from 30 to 60 in number.

Courses for village level and divisional staff generally consist of lectures, demonstrations, seminars, visits to laboratories, field experiments and model Extension Units. Practical work is done with research officers, university staff and experienced field officers acting as resource persons.

Workshops of 2 weeks' duration are conducted in the case of supervisory staff and district level officers. Some of these workshops are operated with the assistance of F.A.O. personnel.

It is rather surprising to note that judged by the Courses and areas for in-service training of agricultural extension officers no reference was made to the importance and meaning of Co-operative Development. Consequently, the trainees were mostly ignorant of the usefulness and existence of the co-operative in the villages. There is no wonder that extension work has failed very often to bring home fruitful results to the villagers, because the problems of the people have not been properly dealt with through the village co-operative organizations of their own,

but rather have been treated mainly through ineffective and slow process of individual personal contacts between the officers and the farmers. On the other hand, the School of Co-operation neglects to teach their trainees the importance of extension services and the technical know-how of farming business. The result of this ignorance on the part of co-operative officers has been to deprive the co-operatives from obtaining the benefit of agricultural extension services. This unco-ordinated situation occurs everywhere, especially in developing countries. The remedy lies in the close co-operation and collaboration between agricultural and co-operative officers, especially working at the village level for the ultimate benefit of farmers. Above all, co-operatives should be regarded as instrumental to the successful performance of extension services.

Good management is a prime factor in human progress and national development. The success or survival of any enterprise, large or small, depends, in the last analysis, on the efficient management of its affairs.

Farm management training programs of the Institute include courses on accounting, industrial relations, industrial sociology, marketing management, social psychology, production management, principles of management, personnel management and conference techniques, etc. Judged by the contents of these courses, there is no doubt that the best modern concepts and methods of management have been imparted to the trainees the problem remains as to how far the knowledge could be effectively applied to meet the local situation and solve the immediate problems facing the farmers.

There is also a program for the in-service training of agriculture teachers in schools. The curriculum consists of the learning process, teaching objectives, joint organization guidance, extension services, etc.

Lastly, there is the training in animal production and health. Extension workers in the fields of animal production and health have been offered training in the science of livestock farming as well as in the various educational techniques. This task is further facilitated with the siting of the In-Service Training Institute in close proximity to the Veterinary Research Institute and Veterinary Hospital.

On the whole the Institute has well planned training programs for the agricultural officers. The exact value would mainly lie in the supply of qualified staff in order to raise and maintain high standards of training and the general knowledge and ability to learn on the part of the trainees.

Note: Central Agricultural Research Institute,
Gannoruwa, Peradenaya

The opening of the Institute was held on 6th August, 1967. The buildings are a gift of the people of Australia under the auspices of the Colombo Plan. The Institute is comprised of

various Divisions:- Such as (1) Agricultural Botany, (2) Agricultural Chemistry, (3) Plant Pathology, (4) Entomology, (5) Horticulture (6) Minor Plantation Crops, (7) Tobacco, (8) Soil Conservation, (9) Food Technology, and (10) Statistics. It is surprising enough to note that Agricultural Economics has not been given a place in research organizations of the Research Institute. Evidently emphasis has been laid solely on natural science of agriculture, while animal husbandry which is one of the vital industries with great potential for development in rural Ceylon, also has been left out. Since the Institute is a newly established organization, there is hope for further expansion of scope and activities which would eventually lead to the establishment of afore-mentioned branches of research, especially those directly concerned with the behavioural approach of socio-economic aspects of agricultural development in modern times.

It is to be hoped that this Institute with its excellent environment could start its programs with no great difficulty, especially with the technical and financial assistance of the specialised international bodies.

Field investigations have been carried out on the experiment farm attached to the many centres of the Institute and other parts of the country. Rice breeding, dry-zone farming, pasture research, various other crops research have been conducted at the Institute or at outer stations.

The Major functions of the Institute, therefore, are:-

- (1) Fundamental and applied research in agricultural science with a view to maximising crops returns at the most economic terms,
- (2) On the spot investigations of problems posed by farmers and the instruction of the Agricultural Extension Service, and
- (3) Administration of the Plant Quarantine laws of the country.

In the context of the rapid agricultural development of the country, even the best research would be of no value unless its results could be transmitted to solve the problems of peasants. This requires a close working relationship between researchers and extension personnel on the one hand and research extension workers and the farmers on the other. Hence, farmer training classes held in the field could be valuable in that, farmers, extension workers and research staff could have face-to-face meetings to discuss practical problems and exchange views and informations, as well as to undertake on-the-spot demonstrations.

It is reported that research has made considerable contribution to agricultural development in Ceylon. Notable achievements and important lines of research in progress have been in soil surveys, improvement of crops, such as rice, vegetables, chillies, gingelly, maize, cotton, groundnut, tobacco, coffee and cowpea, etc. Crop protection against pests and diseases has also achieved significant results.

(5) MULTI-PURPOSE CO-OPERATIVE DEVELOPMENT
- BATTICALOA DISTRICT -

GENERAL NOTE

Batticaloa District is essentially an agricultural area where the chief occupation of the people is farming with paddy as the main crop. The total area under paddy cultivation is 109,825 acres. This District has two seasons for agricultural production, namely, Maha, (Munmari), the major crop season for which sowing is done in September and Yala (Kalapokam) for which sowing is done by about March. With the irrigation facilities available the farmers could also get a fairly good harvest in Yala. Because of this, this District has earned the name of "Eastern Granary of Ceylon".

The next chief occupation of the people is fishing and this is found along the coastal belt of the District. The entire district has a population of 215,584.

Originally the co-operative activities in the entire Eastern Province were under the administration and control of an Assistant Commissioner of Co-operative Development, then designated at Jaffna in the Northern Province. As it was found difficult to administer the co-operative movement in the Eastern Province from a distant place like Jaffna, it was decided to establish a separate division for the Eastern Province. Accordingly, in November 1943 a division was set up at Batticaloa for the entire Eastern Province to cover the Batticaloa District and the present Co-operative Divisions of Trincomalee and Amparai. Later in February 1953 the Trincomalee District was taken away from the administration of the A.C.C.D., Eastern Province and in about 1954 a separate Co-operative District was opened at Kalmunai in the revenue district of Amparai, leaving the administration of the co-operative development in the revenue district of Batticaloa to A.C.C.D. Batticaloa.

Co-operative movement in this Division, as in the other parts of the Island, started with credit activities which actually formed the backbone of the movement. At the time when the entire administrative control was at Jaffna, these co-operative credit societies were also financed by the Jaffna Co-operative Provincial Bank. But with the opening of a separate Division at Batticaloa in 1943, the Batticaloa Co-operative Provincial Bank was organized in the same year, and the financing of these societies was done by the Batticaloa Co-operative Provincial Bank.

To help the agriculturist in the disposal of their produce, agricultural producers' sales societies were found to be necessary and these societies were organized with their main functions set on the finding of suitable markets and getting the most advantageous price for the agricultural produce of the members. These societies were functioning purely as "Sales Organizations". But in 1947, a

directive from the Government was issued to the societies advising them also to undertake the production activities with the necessary amendments to their By-laws. Hence, a change of their names to "Co-operative Agricultural Production and Sales Societies" was effected.

During the Second World War the difficulties in the matter of distribution of rations and the restrictions of other essential foodstuffs brought the co-operative consumer service to the forefront. With the increase in the number of consumer stores societies, the organization of Unions of Stores was found necessary and thus Co-operative Stores Societies Unions were formed for each of the D.R.O.'s Divisions. These Unions functioned as Wholesalers for the retail consumer societies.

Since then the co-operative movement in Batticaloa enlarged its scope of activities. The co-operatives that were engaged only in Agricultural and consumer functions, spread out into various fields. There was a demand for other types of societies like textile societies, fishing societies, weavers societies, pottery societies, etc. Every village, in fact, had several types of societies to promote the economic development of the various communities on the village. The inconvenience of a number of societies in a village for various purposes brought in the idea of amalgamation into multi-purpose co-operatives. Consequently, in 1957, acting on a directive from the Minister in charge of co-operatives, a drive for the organization of multi-purpose societies was taken up. Propaganda meetings were held in every nook and corner and the multi-purpose co-operative societies were organized and registered. The good C.A.P. & S. societies and co-operative stores societies were converted into multi-purpose. Whenever this conversion was found not possible, new multi-purpose societies were organized and registered. Thus at the end of 1958 there were in this District 78 multi-purpose societies registered. As there was still a need for more societies other societies too were either converted into multi-purpose societies or new societies formed. At the time of the visit there were 118 multi-purpose societies and 4 C.A.P. & S. Societies in existence. These societies have taken over the functions of offering loans and other services for the agricultural needs of their members. Out of these 118 multi-purpose societies 107 were engaged in both agricultural and consumer activities. While the others were still operating only on single purpose basis.

On 1.9.67 a new Agricultural Credit Scheme came into force and 105 societies have granted loans to their members to the tune of Rs 5.5 millions. The societies were engaged in the recovery of loans at the time of the visit.

Currently, there were four M.P.C.S. Unions in the Division and they functioned chiefly as wholesalers.

The Batticaloa District Co-operative Union, originally registered as the Eastern Province Co-operative Union, is the apex institution for the District. This Union has recently constructed a building of its own at a cost of nearly Rs 7½ lakhs.

The Co-operative Development Department runs an Education Centre under the supervision of this Union. Co-operative Employees have been trained at this centre.

A schedule indicating the number of societies in the Division as at the end of March, 1968, classified according to types is attached for information:

Total No. of societies in the Division as on 31.3.68: 459

Classified as follows:

Primary:

Credit (unlimited and limited)	213
Thrift	2
Consumer Stores	31
School Supply Societies (Regd. & Recogd) - Stores	14
C.A.P. & S.S.	4
Coconut Sales	1
Young Farmers Societies	12
Goat Farming	2
Fishing (supply and marketing)	14
Dairy (" " ")	1
Industrial Societies (Textile, Mat, Weavers, Pottery, Coir, Carpentry, Lime Workers, and Brass Workers)	18
Tobacco Growers	2
Cadju Producers	1
Labour Societies	4
Housing	1
M.P.C.S.	118
Welfare Societies	4
Better Living Societies	1
Women's Guild	1
	<hr/>
Total of <u>Primary</u>	444
	<hr/> <hr/>

Secondary:

District Bank (Provincial Co-op. Bank)	1
E.P.A.C. Union (Eastern Province)	1
M.P.C.S. Unions (1 defunct)	5
Textile and Industrial Union	1
Credit Unions	5
District Union	1
Coconut Producers Association - (adamant)	1
	<u>15</u>
Total of <u>Secondary</u>	<u>15</u>
	==
Grand Total	<u><u>459</u></u>

INSEPCION NOTE: NO. 1

BATTICALOA MULTI-PURPOSE CO-OPERATIVE UNION, LIMITED

This Union was registered as a Co-operative Stores Union on 5.6.44 and converted into a Multi-purpose Co-operative Union on 3.6.60. Its area of operation covers Manmunai North and West D.R.O. Divisions in Batticaloa District.

The membership of this Union consists of the following societies:

1. Multi-purpose Co-operative Societies	24
2. Co-operative Stores Societies	16
3. School supply Societies	2
4. Co-operative Agricultural Production and Sales Societies	3
Total	<u>45</u>

It has on its payroll 29 employees at the time of the visit. The total amount of salary and wages paid during a month (March) was Rs 5,073/-. The Union handled the following Rice Ration Books.

R.R.B. attached to member societies	59,659
- do - non-member societies	10,050
R.R.B. served by the Union Branches	3,615
R.R.B. attached to Authorised Distributors	6,504
	<u>79,828</u>

The value of a share is Rs 500/-, payable in yearly instalments of Rs 100/-. As at 27.10.67 the paid up share capital was Rs 20,633/93.

BUSINESS HANDLED:

1. Wholesale Establishment of rations, subsidiary rationed food-stuffs, milk foods and other sundries,
2. Wholesale section for coupon textiles, crockeries, paper, exercise books and stationery, as well as for sugar, flour and cement,
3. Retail section attached to the main wholesale section,
4. Branch retail depots at Singalavady, Kokkuvil and Karuveppan Colony.

ARRANGEMENT FOR PURPOSE:

1. Sugar has been purchased from Amparai, Kantalai and Colombo as directed by the Deputy Food Controller based on the availability of stocks,
2. Flour - purchased from the supply station of the D.F.C. Batticaloa,
3. Textiles from the C.W.E. Colombo and later from Salu Sala, and
4. Milk foods and subsidiary rations from Colombo and from the C.W.E. Branch at Batticaloa.

Average monthly purchases have been made as follows:-

Sugar 2,800 cwts. valued at	Rs 206,300/-
Flour	75,000/-
Textiles	25,000/-
Other Goods	75,000/-
Paper	10,000/-
	<hr/>
	391,300/-
	=====

It has not obtained any loans from any source except the Bank O/D.

STOCK CONTROL:

Stock in the wholesale section maintained on quantity basis while the retail section and retail branches on value basis. Quarterly stock-taking has been done and shortage accounts prepared. In addition, occasional checking of stocks has also been conducted whenever found necessary. The sales in the wholesale sections were daily analysed and the stock books posted at the office of the Union.

CASH CONTROL:

There was a Day Book maintained at the Union which recorded the daily receipts and payments. This daily account was balanced at the end of every day and the Manager certifies for the cash balance. The entire cash collections were deposited in the Batticaloa Co-operative Bank at the beginning of the following day. All purchases were being paid for by cheques.

ACCOUNTS:

Administrative Secretary-cum-Accountant was in charge of the Accounting section. The Cash Book was posted daily from the Day Book and balanced at the end of the month. Cash summary was prepared and posted at the end of the month.

Stock Books were posted from the analysis sheets that were being checked every day at the general office under the guidance and supervision of the full time checking officer of the Department.

COMMITTEE:

The Committee has met regularly once a month and whenever necessary it has taken speedy decisions over the affairs of management and disciplinary inquiries.

FINANCE:

M.C.L. approved for the year up to 30.8.68 amounted to Rs 225,000/-. An overdraft of Rs 75,000/- has been approved by and operated with the Co-operative Bank.

INSPECTION NOTE: NO. 2

KORALAI Pattu M.P.C.S. Union, Limited

This Union was formerly registered as a Stores Societies Union, in October, 1944, and was converted later into a Multi-purpose Co-operative Societies Union. The membership consisted of:

M.P.C.S. Societies	17
Co-operative Stores	2
Co-operative Welfare Society	1
	<u>20</u>
	==

There were no private authorised distributors functioning in the area of operation of the Union. The entire area was served by co-operative societies with a total of Rice Ration Books of 42,715.

The Union was running two retail depots, with one for textiles and the other for essential commodities. In addition, the Union has opened one retail depot at Brinthukandam and has also taken over the management of four other co-operative stores which were badly managed.

The value of a share was Rs 500/- payable in annual instalments of Rs 100/-. The total paid up share capital at the time of the visit was Rs 15,884.43. There was a Reserve Fund of Rs 63,869.08.

The M.C.L. fixed for the Union was Rs 120,000/- valid up to 12.5.68.

The Union dealt in consumer goods, rations and the subsidiary foodstuffs, textiles, grocery, cement, kerosene oil and other sundry goods. All the member-societies made their purchases from the Union.

The Union also owned two lorries for transporting the goods purchased for its own business and also undertook the transport services for its affiliated societies.

The Committee of management consisted of nine members elected at the General Meeting. It has altogether employed 15 persons. The following statement is included herewith for reference:

Koralaipattu MPCS Union Ltd., Valaichenai

CAPITAL A/C AS AT 31.3.68

Shares	15,884.43	Land	1,160.63
Reserve Fund	63,869.08	Building	82,939.13
Share Trans-fer Fund	1,000.00	Lorry No.1	1.00
Building Fund	73,244.76	Lorry No.2	1.00
Lorry Fund	17,230.07		2.00
Education Development Fund	1,000.00	Furniture	11,963.12
Entertainment Fund	216.60	Investments	1,742.00
Com. good Fund	6,330.39	F.D. in B.C.P. Bank	12,842.56
		Sundry Debtors	21,114.53
		Stock	189,045.87
		Cash in hand	14,592.12
	162,890.90		
Dividend on Share	941.04		
Staff Security	10,600.00		
Sundry Creditors	24,249.91		
B.C.P. Bank O/D	86,563.15		
Balance profits	34,271.53		
	<u>335,400.96</u>		<u>335,440.96</u>
	=====		=====

INSPECTION NOTE: NO. 3

ERAVURPATTU M.P.C.S. UNION, LIMITED

This Union was formerly registered as a Co-operative Stores Societies Union, in July 1944. At the time of registration this Union was doing only one function, i.e. distribution of consumer goods to member-societies. During the period when all the consumer and C.A.P. & S. Societies were converted to multi-purpose co-operative societies, this Union too had its registered name altered to Multi-purpose Co-operative Societies Union, with the privilege of accommodating the stores societies and C.A.P. & S. Societies in its membership.

Area of Operation and Membership:

This Multi-purpose Co-operative Societies Union covers the entire Eravurpattu area with a population of 45,000. There were 28 Co-operative Societies which were affiliated to this Union at the time of the visit.

Among the 28 member-societies, 24 were Multi-purpose Co-operative Societies and 4 store societies. Out of the 24 M.P.C.S., 2 societies have operated the consumer section only, other 2 societies agricultural function only while the rest were truly multi-purpose.

Share Capital:

The value of a share was Rs 500/- payable in five annual instalments of Rs 100/-. Every society affiliated to the Union has purchased one share each. The total paid up share capital amounted to Rs 12,817.30. The Union has paid out one year dividend from its profits, which was added up to the share capital of the members societies.

Finance:

The Union was approved a Maximum Credit Limit of Rs 825,000/- by the A.C.C.D., Batticaloa on 24.10.67. With this approved limit the Union has obtained overdraft facilities with the People's Bank up to three lakhs, two and a half lakhs from the Batticaloa Co-operative Provincial Bank, as well as one lakh ninety thousand rupees from the Commissioner of Agrarian Services, which was a long-term loan. In addition, the reserves accumulated at the Union have been utilized as capital funds.

Activities:

1. Distribution of Consumer Goods:- This Union catered the entire requirements of 45,000 Rice Ration Book-holders residing within the area of operation of this Union. All rationed and unrationed consumer goods such as rice, flour, sugar and other subsidiary foodstuffs were distributed or sold to the members of the public

through the 26 co-operative societies. Rice was given FREE on coupons and the societies were given fortnightly stock to supply the consumers weekly. As the subsidiary foodstuffs too were rationed, the societies were given once a month their monthly requirements. The Government's policy of equitable distribution of essential foodstuffs to the public has been carried out promptly without any complaint. In addition to the supply of consumer goods to societies, un-rationed articles such as sugar and flour are sold to private traders as well. This Union was appointed the sole distributor of sugar and flour for the Eravurpattu Area.

This section of the business has worked on an annual turnover of Rs 2,750,000/- with an anticipated gross profit of 5% for the service rendered.

In addition to this, textile wholesaling to member-societies and retailing to the public have been done by this Union. The required textiles were bought from Salu Sala and at times from private wholesalers in Colombo. The Union made all its purchases of subsidiary foodstuffs from the Co-operative Wholesale Establishment, Colombo, except rice and flour from the Government Stores, Batticaloa.

The turnover of textile wholesaling amounted to Rs 165,000/- per year with a margin of profit of 5%, while the retailing Rs 85,000/- per year with a margin of profit of 8%. Some variety of textiles were under controlled with regard to their quantity and price, thus yielding much lower trade margin of profit to the Union. However, the Union has been satisfied that it has fulfilled the Government policy and served the need of the public.

2. Pawn Shop: This Union is an agent of the People's Bank in doing this business. For this purpose the Union has been allowed an overdraft facility of Three Lakhs of Rupees on an interest of 7% for the amount used. The Union lends it at the rate of 10% interest on gold, jewellery for which the Union pays 50% of the value of the article pawned. Monthly pawning and redeeming have worked well over Rs 45,000/-.
3. Rice Milling: The Union has put up its own Rice Mill with a milling capacity of 150,000 bushels annually. The building Plant and machinery has costed the Union well over Rs 190,000/- and this money has been obtained from the Commissioner of Agrarian Services on long-term loan with $2\frac{1}{2}\%$ interest payable in 10 years. The Union has undertaken its milling for the Government at the rate of $37\frac{1}{2}$ cents per bushel of paddy milled. According to the contract the Union had to supply 50.5% rough rice for the number of bushels of paddy milled. The Union has been allocated a quota of 2,000 bushels of paddy per week. After surrendering the rice to the Government Stores, the Union could obtain the full payment from the C.A.S. The by-products, such as broken rice and bran, were an additional income to the Union.

4. Guaranteed Price Scheme Agency:- The Union was an agent of the C.A.S. Batticaloa for the purchase of paddy under the Guaranteed Price Scheme. This Union has been given the privilege of stocking the required quantity of paddy for milling purpose with the surplus to be handed over at the Government Stores. There were 5 M.P.C.S. which sold their paddy through the Union. The Union was paid a commission of 4 cents per bushel of paddy handled. The Union paid the societies as soon as paddy was taken over, and in turn the Union obtained the money after surrendering the same at the G.P.S. Stores either in the form of paddy or raw rice. The Union handled about 2 lakhs of bushels of paddy annually.
5. Labour Contract:- Transport and handling of fertilizer from the Railway Station to the Government Stores have been undertaken by the Union at 25 cents a mile for transport and handling on piece rates. The same has been done in the measuring of paddy at the G.P.S. Godowns. The Union has got a nett income of over Rs 3,000/- annually by doing the contracts.

In addition to these activities the Union has been operating two branch depots. One at Unnichchai and the other at Karadiyanaru. The Union also undertakes the distribution of consumer goods for weak and financially poor societies till such time when they are properly re-organized.

Building:

The Union owns its building which has been put up at a cost of Rs 110,000/-. This money was from the funds of the Union.

Lorries:

The Union has bought five lorries out of its own funds. The transport service has therefore been maintained satisfactorily for the business operation of the Union.

Staff:

At the time of the visit there were in all 32 employees managing the affairs of the Union. The Administrative Secretary and the Manager were two important employees of the Union. A sum of Rs 82,000/- was paid by way of wages annually to all the employees. The employees enjoyed Provident Fund benefits from the Union.

Committee of Management:

The Committee consisted of 12 members. Of which 9 were elected by the General Meeting with the other three nominated by the Commissioner of Co-operative Development. A President, a Vice-President, an Administrative Secretary have been appointed to take charge of the principal responsibilities of the affairs of the Union.

Balance Sheet as on 30th September 1967

Share Capital	12,817.30	Land and Building	234,226.75
Statutory Reserve	89,098.82	Plant and Machinery	54,998.39
Other Reserves	141,145.01	Motor Vehicles	56,155.28
Security Deposits	25,600.88	Furniture and Fittings	14,076.72
Other deposits	6,602.03	Fixed deposits (Security Deposit)	17,827.02
Accrued interest	2,581.02	Investments	13,612.00
Loans and overdrafts	491,440.26	Deposits	2,035.00
Interest payable	15,062.92	Pawn Broking	227,747.00
Advance received	7,400.00	Accrued interest	9,521.20
Excess Cash	6,208.89	Advances	25,655.00
Sundry Creditors	45,224.32	Sundry Debtors	101,382.92
Suspence account	42.72	Value of Stock	103,733.99
Other credits	5,545.14	Cash shortages	13,068.74
B.D. Union Building Fund	6,783.86	Cash in hand	7,164.56
Co-op. Fund	3,035.26		
Balance profit	22,606.14		
	<u>881,194.57</u>		<u>881,194.57</u>

ANNEX NOTE: EASTERN PROVINCE CO-OPERATIVE
AGRICULTURAL UNION

1. The writer was **invited** to pay a visit to the Eastern Province Co-operative Agricultural Union which was in fact outside the scope of his survey, but related to the development of the co-operative movement of the area in general.
2. This Union was registered on 30.4.48, with a membership of 58 societies and 408 individuals. It was certainly an unusual organization which would have to be strictly treated as one of the irregular offshoots of the movement.
3. According to its By-laws the value of a share for a society was Rs 100/-, while for an individual Rs 10/-. At the time of the visit, its paid up Share Capital was Rs 19,843.00/-, and the M.C.L. was fixed at Rs 300,000/- as of 9.1.66.

4. Business Activities:

This Union was the sole agent for the sale of Ferguson Tractors for the entire province on a commission basis. Brown and Company, Colombo, was the sole importer of Ferguson Tractors, who has commissioned this Union as its agent for this area. Branch of the Brown and Company, Ltd., Amparai was only a sub-agent, as such this Union was given 50% of the Commission for all sales canvassed by them.

This Union was also the agent for the sale of consignment tractor spares getting a commission of 15% on the sales on Lucas and C.A.V. spares and 25% on M.H. spares.

Tractor Sales:

It has been the policy of the Government to sell tractors on a system of permits channelled through the Union. Hence, the sale of tractors has been done entirely through this Union for the Eastern Province.

Sales of tractors for the past three years were as follows:-

<u>1965</u>	<u>1966</u>	<u>1967</u>
12	100	109

The sale of tractors and implements for 1967 could be broken down as follows:-

<u>Batticaloa Society</u>	<u>Amparai Sub-agents</u>
79 tractors	30 tractors
80 tillers	28 tillers
22 trailors	2 trailors
6 pair of cage wheels	

Price of tractors and spares and commissions in 1967-8 are illustrated below:-

	<u>Tractors</u>	<u>Comm.</u>	<u>Trillers</u>	<u>Comm.</u>	<u>Tralers</u>	<u>Comm.</u>
January '67	Rs 15,250/-	Rs 1,150/-	Rs 1,300/-	15%	Rs 5,600/-	Rs 650/-
July	15,750/-	1,250/-	1,500/-	15%	-	-
January '68	16,350/-	1,350/-	1,700/-	15%	6,400/-	-

Total commission earned by the Union amounted to Rs 123,137/57. In addition, spares sold in 1967 totalled Rs 525,355.30 and commission earned Rs 126,239.03.

Garage:

This Union has established repairing services to the customers. One of the service centre was Batticaloa and the other at Karaitivu.

This Union has been recognised as a suitable training centre for recruits and trainees selected by the Labour Department, who were to be trained as tractor operators and mechanics. The Government paid a commission of -/50 cents per trainee per day for the full period of training of the recruits. 40 persons have been so trained since 1967.

This Union handled all types of repairs to tractors against high competition with the mushroom private tractor repairing establishments.

This Union was administered by a Committee elected by the General Body annually as stated in the By-laws. The Committee of Management was said to be alive to its responsibilities.

Finance:

Tentative trading profit and loss accounts and balance sheet as at 31.12.67 attached.

The net profit earned in 1966 Rs 125,342.83

- do - 1967 Rs 121,162.43

The balance profit as at 31.12.67 was Rs 332,330.09

This Union obtained Rs 45,856.00 from the Commissioner of Agrarian Services prior to 1958 for the construction of buildings and this amount has now been written off together with the accrued interest. Consequently, the Union has owed no debts to outside agents. It had funds of its own adequate to finance its own business activities.

Vehicles:

The Union maintained 3 vans and 2 tractors. The vans were used for travelling to meet urgent calls of customers to attend to repairs in the fields and the tractors are maintained for demonstration purposes and training of the recruited trainees.

General:

In addition to the tractor business the Union has sold out 40 bicycles since 1967 for Rs 9,601/50. As this Union has offered the concession of sales on instalment basis, there has been an increasing demand for bicycles.

(6) MULTI-PURPOSE CO-OPERATIVE DEVELOPMENT
- AMPARAI DISTRICT -

M.P.C.S. MOVEMENT IN GALOYA AREA

Although the multi-purpose co-operative societies movement in Ceylon was started in an Island wide scale in July 1957, as a result of the recommendation of the Planning Committee of the Ministry of Agriculture and Food, these type of societies has in fact actually been functioning in the District of Amparai (Galoya Valley) since 1952. This was the result of the initiative taken by the Development Board of the Galoya Valley. These societies were then known as "General Services Co-operative Societies", (Supplying the consumer and production requirements to members and selling their product). The name "General Services Societies" was changed to "Multi-purpose Co-operative Societies" in and after 1957.

Growth of the Movement: Registration of General Services Societies:

Year	: 1952	1953	1954	1955	1956	1957	Total
No. of Societies:	1	13	12	5	5	2	38

Conversion of G.S.S. to M.P.C.S.:

Year	: 1957	1958	1959	1960	1961	1962	Total
No. of Societies:	2	12	17	4	2	1	38

Registration of M.P.C.S. from 1957 to 1968:

Year	: 1960	1961	1962	1963	1964	1965	1966	1967	Total
No. of Societies:	-	-	-	6	4	-	7	-	17

Membership:

Year	:	1952	1957	1967
No. of Societies:		1	38	55
Members	:	142	5,030	7,467

Consumer Activities:

Year	:	1952	1957	1967
No. of Societies:		1	38	55
Sales	:	Rs 40,000	Rs 5 million	Rs 10 million
Net Profit	:	Rs 1,750	Rs 73,500	Rs 93,172
Working Capital	:	Rs 1.5 mil.	(n.a.)	Rs 2.7 million

Purchase of Produce of Agriculture - mainly paddy:

Year	1952	1957	1967
No. of Societies:	1	38	55
No. of Bushels :	5,725	183,697	637,656
Value :	Rs 68,700	Rs 2,204,364	Rs 7,651,872

Producers requirements:

Agricultural credit was granted from Co-operative Bank through the societies to their members for cultivation and harvesting purposes. The People's Bank and the Government Departments also issued loans to these societies. In 1956/57 the individual loans increased from Rs 50/- to Rs 300/- and in 1963 an individual could receive a loan of Rs 175/- per acre of paddy. In 1967 it was raised up to Rs 220/-. The rate of interest was 6% to 12%.

<u>Season</u>	<u>No. of Societies</u>	<u>Year</u>	<u>Total Amount of Loans granted</u>
Maha	38	1966/67	Rs 172,964.00
Yala	38	1967	" 315,453.00
Maha	55	1967/68	" 3,496,554.00

Other Activities:

Apart from the Agricultural Activities and consumer services a few societies such as those in the villages No. 24, 3, 2, 32, and 8 also took on labour contracts for works dealing with the maintenance of Government Buildings and construction of roads, etc. Some societies went a step further and undertook rice milling (Societies in villages No. 23, 19, 10 and 8) as well.

INSPECTION NOTE: NO. 1

THE GALOYA VALLEY MULTI-PURPOSE CO-OPERATIVE SOCIETIES
UNION, LIMITED AND THE COLONIZATION SCHEME

The Galoya Development Board was constituted by an Act of Parliament in 1949 and came into force at the end of the year. One of the major functions was the development of the undeveloped area. Under the Act the Board was authorized to establish and finance co-operative societies. According to the Programme, the Board started to develop land, create new village and settle landless cultivators drawn from all parts of the Island. It was the intention of the Board that as far as possible all business dealings and other transactions of the colonists should be done in a co-operative way to prevent them being exploited by profit seeking traders and middlemen. In pursuance of this policy multi-purpose co-operative societies were established for the provision of credit, consumer and production requirements and marketing facilities for the benefit of the colonists who without an exception were members of their village societies. The Board financed these societies in the first instance by granting of loans and appointing a Co-operative Marketing Officer to organize and to advise them in business methods on co-operative lines. The immense difficulties and problems that each of the societies had to face in this new venture were virtually identical and it became necessary that these societies should band themselves together to overcome such difficulties. Thus THE GALOYA CO-OPERATIVE SOCIETIES UNION, LIMITED was formed and registered on 14.2.1952.

On 22.5.52 the name of the Society was amended to 'The Union of Galoya Co-operative Societies Limited' and later it was again amended to 'Galoya Valley Multi-purpose Co-operative Societies Union, Limited'.

Membership and Shares:

The membership consisted of 54 societies to villages units settled by the Galoya Development Board. So far registration of 4 societies has been cancelled, and at the time of the visit, the Union had a membership of 50 societies. Among them five societies were in Batticaloa District.

The value of a share from the inception was Rs 100/-. When this Union was converted into a multi-purpose organization, the value of a share was fixed at Rs 500/-. The current share capital amounted to Rs 18,080.93.

Management:

Since inception the management of the Union was in the hands of Village Officers who were nominated to the societies as presidents-cum-treasurers. From 1959 onwards a few other delegates have been appointed to the Committee of management. In September 1961 the General Body decided to take over the management in their own hands and do away with the aforesaid officials.

Hence, a Committee of management were appointed from among the representatives of the member societies who were not Officers of the Galoya Development Board.

Since then the Union continued to expand its business so much that the Committee found it very difficult to manage its own affairs. From 1961 to 1964 the Union had incurred a net loss of Rs 101,465.94. This was mainly due to mismanagement by the Committee. When the Union Committee was dissolved in 1964, the management was handed over to a Board consisting of three Departmental Officers. At the time of the visit the Union was still being managed by the Board.

Services of the Union:

From 1952 to 1960 the Union supplied all consumer articles and manure to member societies. This Union also acted as a wholesaler to the village societies and was authorized by the Galoya Development Board to allow each society at the outset to obtain on credit goods to the value of Rs 3,500/- and furniture and equipment for about Rs 2,500/-. This allowance was treated as a cash credit loan to the society from the Galoya Board. One of the main functions of the Union was to buy over the paddy produced by the colonists.

In May 1958 the Union took over the Cigarette Agency and became the sole agent for the Galoya Valley.

Currently, the Union has been catering to all the needs of the member societies in the valley. It has directly undertaken the distribution of essential commodities and other goods of six registered societies which had collapsed under their own management.

Four retail depots were opened in the valley on the request of the public who found it inconvenient to travel to the nearest depot for regular supplies.

In April 1966 the Union had to take over the C.W.E. branch depot which ran parallel to the co-operative society - at Amparai Town.

The Union has also undertaken the transport contract of manure for Agrarian Services Department since 1960. Since the Fertilizer Corporation opened up its own depots in the area, the transport of fertilizer from Batticaloa has been given over to private contractors.

Consumer Activities:

In the year 1952 the Union supplied subsidiary foodstuffs only to 2,000 rice ration books. As the Colonists were settled in the village units there was a regular increase of the ration books and now at the time of the visit, there were 77,232 ration books attached to the Union. Most of the goods were purchased from the C.W.E., in Colombo. A few purchases were made in the open market. The following list shows the purchases for the last seven years.

1961	Rs 3,954,361.00
1962	Rs 4,929,583.00
1963 to 64	Rs 11,290,270.00
1965	Rs 7,213,367.00
1966	Rs 7,944,125.00
1967	Rs 9,574,507.00

Sales, Gross Profits and Nett Profits and Losses:

From 1952 to 1960 the sales of the Union had been for cash and for credit approved by the Galoya Development Board. At the time of the visit all sales were for cash only.

Appended below are sales, gross profits, nett profits and losses for the past seven years.

<u>Year</u>	<u>Turnover</u>	<u>Gross Profits</u>	<u>Nett Profits</u>	<u>Nett Losses</u>
	Rs	Rs	Rs	Rs
1961	4,305,788	204,160	49,445	
1962	5,136,061	155,542	--	27,301
1963 to 64	11,696,689	233,198	--	74,165
1965	7,537,474	229,371	97,447	
1966	8,201,852	188,590	64,832	
1967	9,828,700	259,438	73,359	

Wholesale and Retail Depots:

The Union has 4 wholesale depots. Two at Amparai, one for shop goods and one for subsidiary foods. These two depots act as the main depot for distribution to the two wholesale depots at Gonagolla and Central Camp.

Amparai Wholesale Depot has 11 retail points and one retail point is attached to Gonagolla W/D.

Appended below is a table showing societies attached to each W/D.

<u>Name of Wholesale Depot</u>	<u>Retails</u>	<u>No. of Societies</u>	<u>Authorized Distributors</u>	<u>No. of R.R.B.</u>
Amparai W/D	11	21	6	50,147
Central Camp W/D		18		18,467
Gonagolla W/D	1	8	1	8,618
	<u>12</u>	<u>47</u>	<u>7</u>	<u>77,232</u>
	==	==	=	=====

Transport Services:

The Union maintains 3 lorries, one tractor for the distribution of foodstuffs. One van for the distribution of cigarettes. One Rover in Office to collect cash and to do other essential services.

Financing of the Union:

From 1952 the Galoya Development Board was financing the Union. In 1953 Rs 50,000/- was voted and credited to the District Provincial Bank, Batticaloa for this purpose. In 1954 the approved M.C.L. was Rs 102,000/-. For the year 1967-8 the M.C.L. was Rs 600,000/-, and it was financed by People's Bank, Amparai. The Galoya Development Board has also been financing the Union up to an extent of Rs 291,087.75. These monies had been advanced during the early stages of the Union of which particulars cannot be traced.

Union Staff:

The Union maintained at the early stages a clerk and a peon on a salary of Rs 170/- and Rs 1/40 per day plus allowances. As the activities of the Union increased more staff were employed and at the time of the visit the Union had a team of 75 employees with salaries and wages paid for the year, 1967, amounting to Rs 146,057/-.

BALANCE SHEET AS AT 2.6.1967

<u>Liabilities</u>		<u>Assets</u>	
Shares	13,225.00	Fixed Assets	40,529.32
Reserves	226,259.86	Motor Vehicles	27,959.41
Balance Profits	242,036.70	Investments	33,346.38
Long-term Loans	123,382.90	Current Assets	512,417.21
Current Liabilities	353,953.88	Other Deposits	4,772.19
Prepaid expenses	37,852.73	Stock in Trade	443,327.92
Other Deposits	87,912.80	Cash in Bank	
Bank Overdraft	99,826.64	A/C No. 1	121,268.98
		Cash in Hand	829.10
			829.10
	<u>1,184,450.51</u>		<u>1,184,450.51</u>
	=====		=====

INSPECTION NOTE: NO. 2

GAL OYA COLONY UNIT NO. 24 MULTI-PURPOSE
CO-OPERATIVE SOCIETY, LIMITED

After the organization of the Gal Oya Colonisation Scheme in 1955 the Gal Oya Development Board has settled families of farmers in the colonies so formed. In the Colony Unit No. 24 too the Gal Oya Development Board had settled families of 126 farmers. In order to give a financial and other supports to these farmers the Gal Oya Development Board had formed Co-operative Societies in each of these Colonies. Unit No. 24 M.P.C.S. is one of such societies. This Society was first organized under the name, "Unit No. 24 General Service Co-operative Society" with funds of the Gal Oya Development Board and not with the share capital subscribed by the members. As this society had been organized with the funds of the Gal Oya Development Board the office bearers too had been from the Board and not the members of the Society. As this was not in keeping with the principles of co-operation, in 1956 with the assistance of the Department of Co-operative Development the members of the Society took steps to take over the administration of the Society in their own hands. Later, this Society was converted into a Multi-purpose Co-operative Society and obtained its registration on 4.10.58.

At the very beginning of the Society the Gal Oya Development Board had granted loans to the members to the value of Rs 29,826.73 for the following purposes.

1. Cattle Loans	Rs 24,500.01
2. Marketing Loans	2,328.00
3. Seed Paddy Loans	1,260.00
4. Consumer Loans	1,738.72
	<u>Rs 29,826.73</u>
	=====

This Society which was started with 126 members was now at the time of the visit having a membership of 152, representing the same number of families in the Colony. The value of a share was Rs 100/-. The total amount of shares paid up amounted to Rs 13,291/-, with arrears of Rs 3,009/-.

From the conversion of the Society into a Multi-purpose in 1958 to the end of 1960, the members had managed the affairs of the Society satisfactorily. According to the Balance Sheet dated 31.12.60 there was a net profit of Rs 8,993/-. However, the period during which the members had looked after the affairs of the Society satisfactorily lasted only for 2 years. At the end of 1961 there was a net loss of Rs 4,317.24. Thereafter up to date this Society has been running at a net loss. Its down fall has been attributed to the following reasons.

1. Not having a proper knowledge on co-operation,
2. Undertaking Government Contracts without any knowledge about them,
3. Bad management by the Committee,
4. Neglecting the supervision of the manager's work, allowing the Manager to have his own way,
5. Not taking prompt action to recover dues,
6. Not convening General Meetings to change the Committee of Management,
7. Not holding Committee Meetings to discuss the problems of the society and to remedy defects, and
8. Mishandling of cash and goods by the manager and not taking prompt action against such managers.

The last audit done at this society was for the period 30.5.66 to 31.10.67, and the total loss shown at the end of 31.10.67 amounted to Rs 26,616.64. Particulars of losses are as follows:

Loss up to 29.5.66	Rs 8,314.39
Loss for period 30.5.66 - 31.10.67	Rs 18,302.25
Total:	<u>Rs 26,616.64</u>

During the period 1966-1967 this society had done business in the following sections:-

Consumer Section
Marketing of Paddy and Chillies
Contracts
Sales of manure

During the same period this society had sustained a loss from each of these ventures and the losses sustained are as follows:

Consumer Section - Gross Loss	: Rs 4,048.90
Marketing of Paddy (Shortage)	: 10,002.45
Contract Section - Gross Loss	: 3,511.40
Marketing of Chillies - Gross Loss:	183.72
Sale of Manure - Gross Loss	: 398.40

Cash shortages and misappropriations of goods as shown in the last Audit Report are as follows:

Cash Shortages	:	Rs 11,610.36
Misappropriation of Goods:		Rs 39,159.81

The General working of this society was so horrible and there evidently was much neglect of supervision by the administrator The A.C.C.D. Amparai at last decided to take over the management on 10.2.68 and handed it over to the Galoya Valley Multi-purpose Co-operative Societies Union, Ltd. The members pleaded against it and accepted the responsibility of looking after the society satisfactorily and asked the A.C.C.D. to give them a last chance. The A.C.C.D. accordingly gave over the society once again to the members who in turn entrusted to the newly elected Committee. This Committee has made the following decisions and acted accordingly:

1. To discontinue the services of the manager and appoint a new one,
2. To recover all dues by means of legal action,
3. To take stocks monthly and to prepare accounts and see if there are any shortages in order to take action there and then,
4. To put in more funds and to improve the business, and
5. To see to the needs of the members and to do every thing within their power for the welfare of the society.

The present activities of the society consist of:

1. Distribution of consumer goods,
2. Sales of agricultural produce,
3. Distribution of manure, agricultural equipments and insecticides to members, and
4. Granting of loans to members.

Loans granted to members up to 29.2.68 were as follows:-

Ploughing loans	Rs 15,712.50
Seed Paddy loans	" 6,131.20
Insecticides loans	" 1,125.00
Manure loans	" 5,790.30
Transplanting loans	" 1,480.50
Harvesting loans	" 4,312.50
Total:	<u>Rs 34,522.00</u>
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INSPECTION NOTE: NO. 3

GAL OYA UNIT 8 MULTI-PURPOSE CO-OPERATIVE SOCIETY, LIMITED

This society was formerly registered as a General Services Co-operative Society, Limited, on 19.5.53. The area of operation of the society was limited to Colony Unit No. 8, where 140 families lived in the settlement. The members of this society had very little knowledge of co-operative principles and practices required to run a co-operative society. In consequence a few members of the Gal Oya Development Board such as Colonisation Officers and Village Officers were nominated to the Committee of Management of the Society. Later the member gradually gained the required knowledge and the entire management of the society was taken over in their hands in 1960.

In 1961 this society was converted into a Multi-purpose Co-operative Society, Limited. Progress of society is given below:

<u>Year</u>	<u>Membership</u>	<u>Share Capital</u>
1952 - 56	140	Rs 4,600.00
56 - 58	142	" 8,900.00
58 - 61	147	" 12,510.00
61 - 63	147	" 13,720.00
65 - 67	147	" 13,955.00

	<u>Business Turnover</u>	<u>Profit</u>
52 - 56	Rs 529,519.00	Rs 10,744.00
56 - 58	" 372,034.00	" 7,390.00
58 - 61	" 1,157,609.00	" 25,767.00
61 - 63	" 507,509.00	" 39,061.00
63 - 65	" 1,086,742.00	" 16,468.00
65 - 66	" 888,597.00	" 21,218.00
66 - 67	" 700,141.00	" 9,599.00

At the time of the visit the activities of the Society fall into the following categories:

1. Consumer requirements,
2. Agricultural Marketing and Supply,
3. Granting of Agricultural Credit, and
4. Transport services,

Consumer Section:

The society served 1,135 consumers. Its annual turnover reached an amount of approximately Rs 168,139.00. The society attempts to serve consumers with all their requirements.

Agricultural Marketing:

The society had bought agricultural products to the value of Rs 502,940/- for the current year, 1967, and had supplied fertilizer requirements to the value of Rs 29,062/-.

Agricultural Credit:

During the period, 1.7.66 - 30.9.67, the society had granted loans to its members amounting Rs 124,750/-, out of which the society has recovered Rs 98,597/-. It is worthy to note that this loan fund was derived from the society's owned capital.

Transport Services:

The society owned one lorry bought from its own capital. This lorry does the transport of goods in coming and out going of the society.

The Balance Sheet of the society as at 30.9.67 is given below:

<u>Liabilities</u>		<u>Assets</u>	
Share Capital	Rs 13,955.05	Fixed assets	Rs 19,119.93
Reserve Fund	" 32,870.00	Investments	" 19,946.05
Divisible Profit	" 87,977.09	Current Assets	" 50,661.84
Share Transfer Funds	" 702.11	Other Assets	" 3,846.94
Staff Security	" 5,224.65	Liquids Assets	" 76,255.96
Members' Deposit	" 181.45	Prepaid Expenses	" 532.60
Current Liabilities	" 13,128.07		
Other Liabilities	" 754.75		
Total:	Rs 170,363.32	Total:	Rs 170,363.32
	=====		=====

(7) MULTI-PURPOSE CO-OPERATIVE DEVELOPMENT
- CHILAW DISTRICT -

INSPECTION NOTE: NO. 1

UTHURU PITIGAL KORALE M.P.C.S. UNION, LIMITED

This Union was formerly registered under the Co-operative Ordinance on 23.2.46, as a Stores Union. Fifteen years later it was converted into a Multi-purpose Co-operative Societies Union. The Union has been currently engaged mainly in the consumer activities, catering to the needs of member-societies. It also served the private traders in the area in purchasing for them their requirements in the way of rationed goods and their other essentials. At the time of the visit this Union served 35 member-societies and 69 private traders. The Union had 3 wholesale units and 14 retail depots. It also operated Textile and Hardware departments. The number of the ration books attached to this Union totalled 105,025.

The administration of the Union was in the hands of an elected Committee. The President was the Chief Executive. The overall supervision was entrusted to a Manager who was supported by a team of assistants. An accountant with his own staff attended to the accounting section of the Union. The branches of the Union had their own Store keepers. The purchasing of goods was done by a purchasing officer under the direction of the Manager. The transport of goods was handled by the Union's own lorries.

The Union has followed the accounting system as laid down by the Department of Co-operative Development. A Department Officer who was attached to the Union acted as the Liaison Officer between the Department and the Union. The audit of the Union has been done yearly by the Department. Surprised book checking has been made by the Liaison Officer.

The total purchases of the Union in 1966/67 amounted to Rs 10,926,501.57 and the turnover for that same period totalled Rs 11,539,386.77.

INSPECTION NOTE: NO. 2

KANDANEGEDERA MULTI-PURPOSE CO-OPERATIVE SOCIETY, LIMITED

The above society was originally registered as a Consumer Stores Society, Ltd. in February, 1943. But on 23.7.63 this Society was converted into a multi-purpose co-operative.

The area of operation of this Society according to By-laws was confined to the village of Kandanegedera in the District of Karunegola. With the approval of the Assistant Commissioner this Society has been also operating in the Villages of Pathigodagedeva and Udawala.

Number of members attached to the Society at the time of the visit was 201 with 3,080 Rice Ration Books. With the inclusion of the above-mentioned extension of the area of operation it has been anticipated that a good number of new members will join the Society.

The total paid up capital of the Society was Rs 8,510.14. With the conversion into a Multi-purpose Co-operative Society, the value of each share has been increased to Rs 50/-. A share may be paid in full on allotment or in instalments of Rs 2/50 each quarter of a year beginning in the quarter in which the member was admitted.

The Committee of Management has been properly constituted and functioned in accordance with the By-laws. Minutes of Meetings have been properly kept. The total number of employees was 12 persons with a monthly expenditure on salary and wages amounting to Rs 1,150/-.

Activities carried out by the Society could be classified as follows:-

- (a) Distribution of foodstuffs, textiles, hardware goods, fish, dried fish and vegetables, etc.,
- (b) Purchasing of eggs as an agent of the Marketing Department,
- (c) Milling of Paddy,
- (d) Grinding of Curry Stuffs such as Chillies, etc.,
- (e) Bakery and Tea Rooms,
- (f) Purchasing of Paddy under the G.P.S.,
- (g) Undertaking Labour Contracts, loading and unloading of Paddy brought to G.P.S. Stores of the Area,
- (h) Granting credit facilities under the Extended Rural Credit Scheme, and
- (i) Undertaking Building Contracts.

Under the Agricultural Section, the Society has also undertaken the following functions:

1. Granting of agricultural loans,
2. Distribution of Fertilizers and agro-chemicals, and
3. Hiring of Tractors and other agricultural implements, such as spraying on easy terms,

Some of the functions mentioned above has been started only recently. It was noted that people around the area have been pleased to see that this Society has progressed immensely during the recent years. The M.C.L. approved for this Society by the A.C.C.D. for the current year 1967-68 was Rs 150,000/-. In respect of Extended Rural Credit the People's Bank Kuliyaipitiya Branch has approved an overdraft of Rs 18,200/-. For the purpose of attending to building contracts undertaken by the Society an overdraft of Rs 25,000/- also has been approved.

The Society has been running at a net profit for the past two years. Total Balance divisible profits as at 1.3.67 amounted to Rs 16,306.08. But no plan for the distribution of dividends was mentioned.

SPECIAL INSPECTION NOTE

IRIYUGOLLA CO-OPERATIVE CREDIT SOCIETY, UNLIMITED

The writer was introduced to visit this Society for purposes of illustration. This Society was registered in September, 1927, with an area of operation in D.R.O.'s Division of Pannalu. Number of members attached to the Society totalled 189 with a total of paid up share capital of Rs 8,581.48, reserve fund of Rs 11,946.86 at the time of the visit.

During the last financial year, 162 loans amounting to Rs 57,150/- had been given to members at 6% rate of interest. The Society's own funds have been utilized for purpose of granting loans and the Society was not indebted to outside financiers in this regard. The current amount of deposit at 4% rate of interest received from members totalled Rs 44,202.46 and from non-members, Rs 1,362.07. A nett profit amounting to Rs 711.37 for the last Financial Year was recorded.

Particulars of Loans Granted to members during the last Financial Year:

<u>Purpose</u>	<u>No. of Loans (6% interest)</u>	<u>Amount</u>
Agriculture	46	13,675.00
Purchase of Cattle	4	900.00
Trade	5	1,040.00
Purchase of Land	7	3,900.00
Cultivation	7	3,800.00
Erecting Buildings	39	17,135.00
Purchase of Carts	5	2,050.00
Medical Treatment	4	500.00
Other Unproductive Purposes	31	8,215.00
Repayment of debts	7	4,100.00
Other purposes	7	1,835.00
Total:	162	57,150.00 [⊕]

⊕ It was noted that the repayment of loans by borrowing members has been satisfactory so far.

(8) MULTI-PURPOSE CO-OPERATIVE DEVELOPMENT
- KULIYAPITIYA REGION -

INSPECTION NOTE: NO. 1

SENDALANKA PALATHA MULTI-PURPOSE CO-OPERATIVE SOCIETY, LIMITED

This Society was first registered in December, 1940, with its address at Gonawila. The area of operation was confined to the villages situated in Pitigal Korale West and Madapalatha West Karale in the District of Kurunegala.

At the time of the visit the number of members attached to the Society was roughly about 6,000. In this area there were several single purpose societies in existences. With the introduction of the Multi-purpose Societies Scheme, the original Coconut Production and Sales Society was converted into a Multi-purpose Society. Gradually the other single purpose societies, such as Sandalanka Co-operative Hospital Society, etc. were also amalgamated with the newly converted M.P.C.S. with a total paid up Share Capital amounting to Rs 175,904/-.

The number of Rice Ration Books attached to the Society was 29,480.

The Managing Committee consisted of 30 members with a President and Vice-President. Generally, meetings of the Committee have been held once a month, and the average attendance good. A travelling allowance of Rs 5/- has been paid to each Committee member for attending Committee Meetings. The present General Manager of this Society was a former graduate of Ceylon University, who has served the Society for over 14 years. He has been found efficient and trustworthy and enjoyed the respect and confidence of the members.

The activities carried out by the Society were as follows:

- (1) Coconut (Production and Sales) purchasing from members:
 - (a) Production of Desiccated Coconut,
 - (b) Production of coconut oil,
 - (c) Purchase and sale of coconuts, and
 - (d) Production and sale of copra and other by-products.
- (2) Co-operative Hospital - Welfare and Social Services,
- (3) Consumer Section,
- (4) Purchase and Sale of textiles,
- (5) Weaving, printing and sale of textiles,

- (6) Purchasing, sawing and sale of timber,
- (7) Distribution of Petroleum products,
- (8) Production of fibre, and
- (9) Printing Department.

Coconut Production and Sales:

<u>Holding in acres</u>		<u>Membership</u>
10 acres and below	-	1,638
11 to 50 acres	-	234
Over 50 acres	-	29
		<u>1,901</u>
		=====

Coconut Sales can be classified as follows:

<u>Particulars:</u>	<u>Amount</u>
1. Desiccated Coconut	- Rs 1,487,448.30
2. Oil	- " 1,043,169.64
3. Fresh Nuts	- " 42,249.79
4. Others including by-products	- " 384,562.41
5. Poonac	- " 177,780.75

This Society has given advances to members for the coconuts which have been handed over by them. This was one of the main services rendered by this Society to its members. By way of interest on advances alone this Society has earned Rs 52,349.79 for the current year.

Co-operative Hospital:

No. of indoor patients treated during a year	-	4,210
No. of outdoor patients	-	20,136
Average daily attendance	-	60
No. of patients treated free of charge		103
Cost of free treatment	-	Rs 513
No. of beds	-	66
No. of rooms	-	37

The Society received a Government Grant of Rs 15,000/- for the year 1966. But for the year 1967 this was reduced to Rs 2,837.05. The Hospital Section has incurred a loss of Rs 30,656.61 for the year 1967.

Consumer Section:

The Society managed two wholesale depots and 27 retail depots for the distribution of foodstuffs, textiles and other goods. This Society held an agency for the distribution of Petroleum Products. Purchasing, sawing and sale of timber has also been done. There was a separate Printing Department and also a grinding machine. A total of 29,480 ration books were attached to the Society at the time of the visit.

Weaving of Textiles:

There were 5 power-looms and 12 hand-looms operated by the Society with 60 employees. Apart from the above, there were about 560 textile weavers who purchased yarns from the Society and attended to weaving with the help of hand-looms at their homes.

Cinema Hall:

The Society has owned a Cinema Hall equipped with all modern facilities. It can accommodate about 700 customers. Eight employees have been attached to this section. Earlier this section was a good source of income to the Society, but for the year 1967 a nett loss of Rs 732/67 has been incurred mainly due to management failures.

Vehicles:

The Society owned 7 lorries, 3 tractors with trailers, one car and a jeep for various transport purposes.

Agricultural Section:

The Society distributed fertilizers to members at subsidised rates. Agricultural loans have been granted under the new scheme to members of the Society.

Following Trade Profits have been recorded for the past year (1967):

Desiccated Coconut	.. .. .	Rs 115,156.62
Oil	.. .. .	" 18,651.41
Saw Mill	.. .. .	" 6,482.38
Charcoal	.. .. .	" 6,817.80
Fibre baling machine	.. .. .	" 1,668.03
Edible Nuts	.. .. .	" 4,450.10
		<hr/>
		" 153,226.34
Other Incomes have been	.. .. .	" 79,999.17

However, total losses incurred on 6 branches have been amounted to Rs 52,752.09 for the current year. At the same time income from other branches totalled Rs 73,188.95.

Accounts:

Accounts have been kept up to date. Financial Year ends on 31st of December. Accounts have been audited for the period ending 31st December, 1966, but no Report has been submitted at the time of the visit. This auditing is being done by private Auditors which practice was considered exceptional in Ceylon.

M.C.L.:

The approved M.C.L. for the current year amounted to Rs 2,500,000/-. In addition there was an overdraft of Rs 600,000/.. approved by the People's Bank (Foreign Branch) for necessary financing purposes.

Employees:

Employment has been given to about 650 employees. This is perhaps one of the largest primary M.P.C.S. in Ceylon which has also been operating successfully in its various functions. The employees have joined the employee's Provident Fund as additional benefits.

CHAPTER VI

SOME OBSERVATIONS AND RECOMMENDATIONS

The co-operatives movement was introduced to Ceylon in 1912. It has a history of over half a century. There is no doubt that the movement has taken root in the country, judged by the number of societies, size of membership and the volume of business turnover and financial assets, etc. The movement has been promoted vigorously by the government. Improvements have been made from time to time while innovations have been encouraged. One significance has been the launching of the multi-purpose pattern of co-operatives which has been especially tailored to meet the complex demands of the peasants in rural areas. It is proper to say that the usefulness of the movement in national development would largely depend upon the success of this type of co-operatives in their contribution to the social and economic rehabilitation and reconstruction of the country.

This present report is the result of a brief survey carried out within a very short period of time and in a limited area of the country on the state of development of the multi-purpose co-operatives there. It is hoped that this preliminary survey would lead to a more thorough study of the movement not only in Ceylon but also in other countries in Southeast Asia, with a view to presenting a comparative and comprehensive study on this important aspect of co-operative development in this region.

The credit society, the agricultural production and sales society and the stores society have been the three principal types of co-operatives in the co-operative history of Ceylon. They have been all meant mainly to furnish to the peasant some relief from the monopolistic lender, buyer and supplier, who traditionally have been serving the people in the rural areas. The fact that how successful have the co-operatives been in extricating the peasant from his difficulties is not easy to ascertain, but the existence of the co-operatives does give an impetus to the peasants to learn to manage collectively their own economic affairs, and also does provide a check to the unscrupulous trade practices which have been persistently carried on by the above-mentioned providers or traders in rural areas. There is no doubt that the conversion since 1957 of most of these societies into multi-purpose co-operatives and the formation of new ones of the same pattern have been giving a more practical and realistic approach to the solution of the above-mentioned difficulties facing the peasants.

However, it should be remembered that for the purpose of undertaking multi-purpose economic activities, feasibility studies should be carefully made. Business management of co-operatives should be greatly improved in its efficiency, while new approaches to operational policies and better accounting and auditing systems should be introduced. Government support of co-operative movement at this stage of development is still vital, but more thorough co-ordination of efforts and more effective assistance should be desirable. Also, the growth of an independent co-operative movement should always be aimed at whenever state aid is given or contemplated.

Although the administration of co-operative development remains the responsibility of the Department of co-operative Development which is one of the biggest departments of the National Government as far as the number of civil servants employed is concerned, yet there are over half a dozen other departments as well as statutory bodies which have direct dealings with the functioning of the co-operatives. How to avoid overlapping and duplicating of administrative powers and processes with regard to co-operative development should be a matter of great concern. Some of these departments visited by the writer have been described in brief accounts with regard to their functions, while others, such as Department of Fisheries and Fisheries Corporation, Department of Food Commission as well as Textile Corporation, Petroleum Corporation, Cement Corporation, etc. have been left out here in this survey report, presumably their relationship with the M.P.C.S. has been more of the nature purely of business customers in limited scales. Nevertheless, it should be the duty of the Department of Co-operative Development to see that all these organizations ~~have worked~~ together in a harmonious way beneficial to the development of the national economy through the effective operation of the co-operatives.

The government agent in various districts has been acting as co-ordinator for co-operative development, carrying the title of Deputy Commissioner of Co-operative Development. Perhaps there is the need to have a Central Council comprising the heads of departments and statutory bodies mentioned above to co-ordinate at the highest level for the better performance of national programs dealing with a movement so widely spread down to the grass roots at the village level of the country.

The secondment of senior co-operative officers of the administration to head the management of unions and co-operative officers of lower rank to serve the M.P.C.S., which have shown weakness or lost of support from their members and suffered from financial losses, is a problem which should be studied thoroughly. In principle this practice should not be encouraged. Civil servants, being of their special status, should not be assigned this extra burden to take charge of the routine business operation of societies. A co-operative society is a business concern which involves economic risk and uncertainty. A civil servant should not be entrusted with this responsibility of exposing himself in a situation of profit or loss in business activities of this nature or vested with the power to carry on this task beyond his normal duty as a civil servant.

In Ceylon it has been an established practice by the Co-operative Development Department to classify co-operative societies into - A.B.C.D. - four groups based on the evaluation of standards of performances of societies' business affairs. According to an article written by Mr. K. F. Ranjit, entitled "Role of Co-operatives in National Development in Ceylon", appeared in "Samuparaya" March 1966, it was stated that after 10 years of the promotion of the new system of multi-purpose co-operatives, there was evidence, judged by the grading of the societies, to show that the new attempt has failed to live up to its expectations. This verdict was also confirmed as mentioned elsewhere in this report by the Commissioner of Co-operative Development in his Annual Administrative Report, 1962-3. However, it should be pointed out that co-operatives of the old pattern did not succeed more than the ones of the new type.

Also, it was acknowledged that the co-operatives, in order to function adequately and successfully, must ~~have to~~ cover the total needs of the peasants as producers as well as consumers. To cater for this demand, multi-purpose co-operative services should be the more viable answer, as these services could possibly be rendered more efficiently and effectively through this type of societies.

Historically as related earlier, the co-operative movement in Ceylon has been developed along the following lines:-

1) Before the conversion scheme was introduced in 1957, there were two types of co-operatives existing side by side, viz. consumers stores societies and the co-operative agricultural production and sales societies, both of which were vigorously promoted during the war period and immediately after it. However, at the earlier stage, the co-operatives set up during the Colonial Period were predominantly credit societies which prevailed in rural areas with certain number of them also existing in urban towns.

2) With conversion movement set in, many of the old types of co-operatives underwent a process of transformation. The conversion was mainly dealt with as a legal process of re-registration and the amendment of the related by-laws. To many societies the conversion was merely to meet the requirement of the law or to follow the trend of development of the day. In most cases, it did not mean that this transformation was to bring efficiency and success to the societies concerned. Some societies changed in name only, while, of course, many others did expand their functions in order to cater for the needs of the members and therefore turn themselves into multi-purpose. Furthermore, many newly established societies have gone to multi-purpose and registered as such. As matter of fact, the co-operative agricultural production and sales society is by itself a multi-purpose co-operative in nature, as more than one function was performed by the society for its members. However, after examining the records of certain multi-purpose co-operative societies, it is not difficult to find that in many cases the meaning of conversion was meant simply by adding to the societies some other unnecessary or irrelevant functions without much consideration of the usefulness of these functions to the societies or their members.

Nevertheless, at the present stage of co-operative development in Ceylon as elsewhere in developing countries the case in favour of the M.P.C.S. scheme is evident. It was noted that the co-operatives at village level inevitably suffer from a lack of adequate leadership and suitable staff to run the business efficiently. To have a number of single purpose co-operative societies operating in a given area or village naturally led to a state of compartmentalism of business activities directed to serve the same persons living in the same area. This could result not only in overlapping the area of business operation but also in a rather heavy strain on the members who may belong to various societies and the small number of persons available in the villages possibly to serve on the management committees caused by double membership. The formation of multi-purpose societies on the basis of village or a group of villages performing all kinds of services required by the member - villagers would solve the above - mentioned difficulties once and for all. In the context of the rural sector in developing countries, the multi-purpose co-operative system should have greater advantage by consolidating. The efforts of individual members in one society and economizing the services of the scarce management talent available in the area.

The lack of suitable staff to man the management of the simple-purpose societies has been partly also due to the fact that the small scale societies could not afford to employ personnel of suitable qualification and ability. The multi-purpose co-operatives, being

operating on larger scales of business with sectional functions, naturally command a larger volume of business turnover with resultant bigger returns which would enable the society to support suitable and qualified staff to run its affairs. The problem is how to establish functional departments working side by side within a multi-purpose society of economic size as an integrated whole, without jeopardizing each other functions. Proper accounting systems should be established in such a way as to gear each department to its top efficiency and effective management with recognizable individual identity and merit.

As the responsibilities of the M.P.C.S. became greater and more complicated, it may be necessary, for separate functional unions of these M.P.C.S. to be formed, each for a separate purpose at the secondary or tertiary levels. In Ceylon because of the easy accessibility provided by the comparatively good transport system and infrastructure facilities, perhaps it is advisable to reduce the three-tier system - village primary societies, district secondary unions and national apex federations - into one of 2 levels by making village M.P.C.S. societies as branches depots, M.P.C.S. unions as unit societies with the specialized functional federations as apex organizations.

There is a significant feature in almost all the multi-purpose co-operatives and their unions and that is the non-observance of the principle and practice of the distribution of dividends. Most societies adopted the policy of accumulation of any surplus as reserves for given purposes, such as building construction, or just as ordinary reserves, thus building up the working capital of the society. In the long-run, it is advisable to look into this dividend distribution practice as one method of proper management of a co-operative organization and as an inducement measure for rewarding the participants of the movement. Above all, a proper and workable plan must be formulated for a multi-purpose co-operative as to how to reasonably distribute its surplus to the different users of the services of the co-operative functions. The problem now facing the movement is the lack of a workable formula for such a distribution. In order to achieve this the different departments or sections of the organization must keep independent accounts and the upon profit and loss account of each department could be recorded. This would not only facilitate the formulation of a reasonable dividend distribution program but also offer a basis for assessment of the management efficiency of the departments, and the society as a whole. So it is clear that problems concerning the distribution of net profit of the M.P.C.S. among its various sections and ultimately individual members should be tackled in order to formulate a satisfactory solution.

Generally speaking, it is a complicated task to formulate an elaborate system of dividend distribution for M.P.C.S. In any case, the following accounts have to be taken into consideration:-

- (1) dividend on share capital,
- (2) Bonus to employees,
- (3) Rebates to members in accordance with their patronage by sections, (Sectional accounts should therefore be kept up to date. - this is the most difficult and expensive part of the whole issue.)

- (4) Reserve funds to be contributed to various purposes in accordance with the By-laws and resolutions of the general meeting. (Rebates to non-member **patronage** should go to the Reserve Fund.)

For many societies it was difficult to establish sectional accounts and calculate the share by each section of the overhead expenses of the M.P.C.S., in order to arrive at an accurate amount of the net profit available for distribution. The only way out therefore has been to transfer the net profit, if any, to the ordinary Reserve Fund or special Reserve Fund of the society. It is to be suggested that the time is opportune now based on the experience of the past ten years since the inauguration of the M.P.C.S. scheme that a comprehensive accounting system should be drawn up as a model for the M.P.C.S. and **their** unions.

The early Ceylonese cooperative movement as initiated under the British rule was primarily intended for and directed to the relief of financial difficulties of the smallmen especially peasants in the rural areas. The outcome of this conviction leads to the preference of creation of credit societies. This objective, no matter how noble it may seem to be had achieved very little in any aspect of rural rehabilitation of the country. According to record, despite 50 years of existence, credit cooperatives had made little headway in providing credit to the rural sector, nor in mobilizing savings from it. According to 1957 data, over 90% of rural debts were from non-institutional sources or private money lenders, and only 7.8% of total rural debts had been taken from the Government, cooperatives and commercial banks, with cooperatives accounted for only 4.1% of the total. It was also recorded that there were large overdues under the Government schemes of lending to cooperatives for purposes connected with paddy cultivation.

The sources of financial assistance in the form of granting credit to the cooperatives have been varied, but to some extent confused. The proper channel therefore should be directed to the People's Bank as the sole agency for offering credit facilities to cooperatives in order to achieve a more effective and better control of the management of one of the important functions of the whole movement.

Generally speaking, many M.P.C.S. and their unions have done good work in response to the Government's call for the implementation of public policies relating to Agricultural Production Program, Guaranteed - Price Scheme, The Food Rationing Project, and the Expanded Credit Scheme, etc. These measures, of course, also have contributed much to the success of business operations of many M.P.C.S. As matter of fact, some of the societies have been developed along the line of over-dependence on the existence of the above-mentioned measures for their principal source of income without which their ultimate survival would be seriously affected. This situation presents a vivid picture reminding the promoters as well as administrators of cooperative movement for a thorough study of the problem. There has been a school of thought that if the M.P.C.S. were not pre-occupied with the G.P.S. agency, much more could be done by them to step up food production or processing and marketing as well as to follow up the activities of their members in regard to the utilization of credit facilities given to them. How far this could go would depend largely upon the better consolidation and management of the societies concerned and the response of the members.

Multi-purpose societies at the village level, are meant to cater as far as possible and feasible for the divergent needs of villagers who are regarded both in the capacity of producers as well as consumers.

Unions of multi-purpose co-operative societies are the secondary or district level organizations. They are in a better position to operate their business functions with the advantages of the economy of scale. In fact, they serve their primary member-societies in the capacity of a type of organization as the C.W.S. and may well go into manufacturing processing of primary products for supply to the local markets. These Unions, would be better off, if they could also deal direct with producers' co-operative unions, such as the Union of C.A.P. & S. societies, the Ceylon Coconut Producers Societies Union, the Textile Co-operatives Union, etc. The reason was many secondary federations have been organized along the line of specialization, based on single-purpose functions dealing with a single products only. They are therefore functional organizations which process and handle the products for delivery to M.P.C.S. or their Unions.

Testiary co-operative organizations may also be better in the field of specialization either in marketing, processing or distribution in full accordance with the nature of the products. Therefore they should be single-purpose only if the scale of operation warrants this set-up for better services and cheaper costs.

It is evident that the M.P.C.S. could have a very significant role to play in agricultural and industrial fields, with special reference to the peasant sector and small industries. The M.P.C.S. should also be the best medium for agricultural and industrial extension services. They could be the best agency for land reform, rural resettlement and agricultural mechanization. Also, these societies should be able to assist the small-holders of principal export crops, such as tea, rubber and coconut, by way of collective supply of credit, and pooling of their marketing requirements, etc.

In order to enable the M.P.C.S. to serve useful purposes they must properly organized and strengthened, with a view to making them strong units large enough to be economically viable. They should be re-inforced and consolidated at the higher levels by unification into unions and national apex organizations, all streamlining effectively through better co-ordination and collaboration. As an illustration, small village M.P.C.S. could better be made a branch or depot of unions or larger societies under a merger scheme, while unions or large societies should set up their business functioning points to serve their members. Internal organizational set-up should be reflective to the needs of the members while the operation cost should be kept to the lowest limit with high efficiency and productivity.

To the small scale industrialists, such as weavers, carpenters, etc., M.P.C.S. could also serve useful purpose just as much as to the peasants and smallholders. These Industrial M.P.C.S. could also perform the following multi-purpose functions:

- (1) Collective supply of raw materials to cut down production cost,

- (2) Joint action to guarantee standards of quality and to arrange regular marketing outlets,
- (3) Joint adoption and utilization of modern techniques and machinery,
- (4) Establishment of contacts for mutual benefit between producer and consumer,
- (5) Collective supply of credit facilities,
- (6) Processing of the raw material for the small industrialists and provision of common workshop facilities.

It is interesting to note that since the introduction of the multi-purpose co-operative scheme in 1957, the conversion processes of existing societies into multi-purpose ones have been carried out in a variety of ways: 1) there was the amalgamation of stores societies with Agricultural Production and sales societies; 2) there was the Conversion of a single purpose society into a multi-purpose co-operative with expansion of business functions; 3) there were societies splitting each one of them into more than one multi-purpose co-operatives operating in the same and original area; 4) there were mergers of two or more societies of similar or different nature into multi-purpose co-operatives by conversion; 5) there were others liquidated themselves and joined other stronger multi-purpose societies. These different types and processes of conversion naturally involve complications with regard to the change of the areas of operation, the transfer of assets and liabilities and personnel employment arrangement, etc. Evidently, there were societies which were converted into multi-purpose co-operatives in name in order to conform to the law of the time by carrying on the same kind of trade without changing their nature and content. Still there were others which operated in the same area with one converted into multi-purpose co-operative and the other remained unchanged, therefore, competing against each other. By and large, the most difficult problem of conversion has been the transfer of assets and the distribution of reserves and surpluses. The area of operation also posed a problem pending satisfactory solution. It is evident that in many cases the processes of conversion have not been satisfactorily completed after ten years of operation of this particular multi-purpose co-operative scheme.

"One M.P.C.S. for each village" idea has not been in fact totally workable. This practice has caused weakness in many areas where we could see the broken down of many small and inefficient M.P.C.S. throughout the country. The reorganization as mentioned earlier would be in the direction of setting up larger units of M.P.C.S. with their branches or depots serving the villages.

In practice certain M.P.C.S. were formed from a combination of different kinds of single-purpose co-operatives existing in a village or an area. These single-purpose societies may be a village co-operative credit society, a store society, an agricultural production and sales society or a labour society, etc. When the multi-purpose co-operative drive was on the way these societies were urged to merge themselves together and be converted into a multi-purpose society conducting exactly the various original functions for the service of village members. A case in hand was the formation of the Uva Kandana Multi-purpose Co-operative Society Ltd. in the District of Badulla. Though this particular small society was rather weak and suffered losses in recent years, it was nevertheless a general pattern of process of transformation of older types of societies into M.P.C.S. in many parts of the country.

Another pattern of functions as performed by the Amunadowa M.P.C.S., which was converted from A.P. and S.S., has been as follows:

- (1) Granting Agricultural loans to members for cultivating paddy, vegetable and potatoes, etc.,
- (2) Marketing paddy through the Guaranteed Price Scheme, potatoes through the G.P.S. and in free market, vegetables through the agricultural producers' co-operatives union,

- (3) Supplying agricultural implements, fertilizers and seed materials, for production purposes,
- (4) Supplying rice, curry stuffs, textiles and sundry goods for consumption,
- (5) Undertaking Labour Contract work with Government for **construction and repairing of buildings,**
- (6) Operating rural banking business as a branch of the People's Bank,
- (7) Operating a model farm on a 10 acre land leased from the Government for producing potatoes, cabbage, etc. for demonstration purposes.

Howerer, in certain districts, such as Batticaloa, there were societies which have been converted into M.P.C.S. without performing multi-purpose functions. Out of the 118 multi-purpose societies, as reported in early 1968, 107 societies were engaged in both agricultural and consumer activities, six societies engaged in consumer activities only and four societies in agricultural functions. Whereas out of a total of 459 societies at the end of March, 1968 in Batticaloa, only 118 were primary multi-purpose societies and four M.P.C.S. unions. The majority of them, therefore, were societies performing single functions or functions undertaken under the old pattern, such as C.A.P. and S. societies, etc.

It is evident that in some districts the transformation has been far from being completed and many societies remained intact as before.

Another illustration could be quoted with regard to the conversion process and problems, and that is the Jaffna example: Jaffna District is known as the birth-place of the co-operative movement in Ceylon. There were numerous credit societies, stores societies as well as agricultural production and sales societies, and a provincial co-operative bank in existence before the introduction of the M.P.C.S. scheme into this area. The District Agricultural Production and Sales Societies Union is an organization of functional character while the M.P.C.S. union performs more or less co-operative wholesale society services on regional basis. In fact both types of these societies and unions have been of multi-purpose in nature.

During the period of transformation, many of the credit societies have survived without being converted into M.P.C.S. The result was that these credit societies either became inactive or offered credit services duplicating the work of the M.P.C.S. in their respective areas of operation. The reason hindering the conversion was mainly due to the difficulty of disposal of the property assets of old societies which would have to undergo changes in area of operation as well as functions. Another reason perhaps was the prejudice and **critertia** of the old societies resisting the transformation. The same was true in the case of conversion of the agricultural production and sales societies into M.P.C.S. The transformation with regard to multi-purpose functions and the different areas of operation has posed complicated problems which have not been satisfactorily resolved during the past ten years. Careful study of each case should be undertaken in order to formulate workable plans for re-organization to the satisfaction of members concerned.

Because of the conversion, many agricultural production and sales societies have been splitted into multi-purpose co-operative societies located in one village or a group of villages each with restricted area of operation smaller than that before the split. One example may be cited here and that is the Kadawa Korale Agricultural Production and Sales Society, Ltd., which had served about 90 villages under the old scheme. This society eventually was dissolved and splitted into 16 independent multi-purpose co-operatives after the introduction of the new scheme in 1957. Consequently, besides there was a problem of the division and distribution of the assets of the old society, these small scale multi-purpose co-operative societies also found themselves put in a difficult position to function efficiently or to survive economically. The only way out could have to return to a merger scheme worked out on the basis of branch depot approach as mentioned elsewhere in order to solve the problem. Above all, one village one M.P.C.S. idea should not be made a general rule.

In a point of fact all co-operative agricultural production and sales societies in Ceylon have been and still are multi-purpose co-operatives with emphasis on handing the supply of production materials together with financing and marketing activities. Of those co-operative agricultural production and sales societies which have been converted since after 1957, the old functions largely have been maintained or strengthened with perhaps certain additions of business sections, such as consumer section, rural banking, etc.

On the other hand, if co-operative stores societies of credit co-operatives were converted into M.P.C.S., then the process would go for development of production functions such as mentioned earlier.

As mentioned earlier, with regard to the conversion of co-operatives of the old types into multi-purpose ones, difficult problems occurred in many instances in the transfer of assets and liabilities the introduction of various functions as well as the definition of area of operation. In many cases these seemed to have been solved at present on "as-a-matter-of-fact" principle along the lines of convenience and expediency. Whether that the solutions were agreeable and reasonable has been a matter of trial and error. In this connection, the co-operative officers in the field might have exercised some sort of arbitrary powers in order to effect a more or less mutually acceptable solution.

With divergent and different interests of the people in certain areas, M.P.C.S. type of co-operative organization may not be workable. But with rural districts of homogenous interests and more or less of similar stages of social and economic development, M.P.C.S. scheme, given efficient management and optimum should be possible to work out successfully and happily to all concerned, especially in the developing countries size of operation.

A case of a large scale M.P.C.S. may be mentioned here. It refers to the Udapalatha Co-operative Agricultural Production and Sales Society Ltd., - Badulla District - under the so-called Link-up System. This society was converted into a M.P.C.S. but retained its original name for good-will purpose as it was reported. This is another form of incomplete transformation which would affect the society's legal status and cause business complications. In any case, this particular society operates numerous business functions which are useful to the

members and rural people. These functions are :

- (1) Vegetable marketing,
- (2) Transport service,
- (3) Retail Shops,
- (4) Curry Stuff grinding,
- (5) Purchase of produce under the G.P.S.,
- (6) Cigarette Tobacco Curing,
- (7) Rice milling,
- (8) Manure wholesaling and retailing,
- (9) Railway out-station agency,
- (10) Petroleum Agency, and
- (11) Rural Bank and Agricultural Credit, etc.

Unfortunately, this society was reported to have suffered an accumulated loss of over Rs. 70,000 during the past years of transformation. It is evident that the varied and diversified functions have made the affairs of the society unmanageable under the present system of operational practice. This is a sign of warning, that the development of M.P.C.S. should take into consideration the functions to be involved as well as the efficiency of the management. Especially, the latter is of prime importance to the co-operative movement in Ceylon today.

Successful M.P.C.S. unions located in strategic points of good communication should be made as parent organizations by subjugating the weaker local village M.P.C.S. as branches in order to improve the operation efficiency as well as to obtain the benefit of scale. This merger scheme would involve certain steps to be taken in the administrative reorganization of these co-operatives. However, it would be an inevitable and useful development for the movement as a whole.

For the effective development of the co-operative movement in Ceylon, one important aspect should be given special attention. This refers to the development of co-operative organizations and activities in the areas along the tanks or under the colonization schemes, where favourably conditions are generally present for co-operative development. Specialty production areas, such as horticultural products producing areas. (The production of fruits, onions, plantains, chillies, potatoes, etc. for markets), should also be treated as places favourable to the healthy development of useful co-operatives to serve the producers.

There is another point which concerns itself with the management aspect of the multi-purpose co-operatives and that is the non-uniformity of the financial year of the societies. Throughout the country this practice presents many difficulties and inconveniences in the supervision and administration of the movement. It is strongly urged that a unified system and standard period of financial year should be established by the Co-operative Development Department for the whole movement and it would be the best to coincide the financial year of all co-operatives with the fiscal year of the Government for the benefit of administrative purposes.

With regard to the problem of auditing it appears that most societies could not have their books audited and obtain their auditor's report in time to be presented to the Annual General Meeting of the societies. Generally long delays occurred because of the time needed for the preparation of documents and statements of accounts by the societies and the time spent by the auditors in checking and verifying these documents. Perhaps it would be advisable here with reference to the auditing business that large scale multi-purpose co-operatives and their unions should have their auditing done by the public or chartered accountants through usual channels as applied to corporations of the private sector. Smaller societies may submit their papers for auditing by their unions. This change of auditing procedure may relieve the officers of the Co-operative Department of performing this time consuming job, so that they could spend more of their time supervising and assisting the business operations and development of the co-operative movement within the areas of their jurisdiction. Copies of auditing reports should be presented timely to the general meetings of societies and to the Co-operative Development Department for necessary action.

It is to be noted that the Northern Division of the Co-operative Federation of Ceylon has plans to set up a special Audit Section to audit the accounts of unions and large societies, and also has offered Itinerant Book - Keepers Service to help societies keep proper and up-to-date accounts in order to prevent malpractices and frauds in co-operative societies. This is a very useful service which could replace the auditing of accounts by the officers of the Co-operative Development Department and avoid unnecessary delays. It should be noted that time element is essential to maintain the validity of the certified statement of accounts of co-operative organizations as business concerns. As matter of fact, most of the auditing of societies had been done about 1½ years behind the schedule. This situation should be corrected immediately. Generally, the auditing of societies's accounts should be completed and certified within 3 months after the conclusion of the financial year. In order to achieve this goal, the unions perhaps should have trained and qualified auditors to do auditing for the members societies. For example, the Union of Denuwara Co-operative Stores and Multi-purpose Co-operative Societies at Pilimatawala, Kandy has got one accountant with 20 clerks working under him. Or the unions should approach the Co-operative Federation of Ceylon to provide this service in an efficient way. In any case, as mentioned earlier, big societies and large scale unions should be allowed to have their books to be audited by public accountants or auditors instead of making use of the services of the officers of the Co-operative Development Department. The ideal practice would be for the unions to audit the books of member-societies, and the Co-operative Federation of Ceylon to audit the books of all unions in the country. Alternatively, large scale unions could employ public accountants to do auditing with the approval of the Federation. This two-tier auditing system would relieve the officers of the Department to do more field work and check into the business operations of societies. Above all, there would not be long delays hindering the smooth administration of the work of government departments which have been rendering services to co-operatives in the country.

Financial resources for M.P.C.S. are varied - from the People's Bank under the Government Credit Expansion Scheme and the Agricultural Development Program, the Department of Co-operative Development, the

Department of Agrarian Services, etc. The problem is how to co-ordinate these facilities or rather to centralize the management through the People's Bank to the Rural Bank/M.P.C.S. union Credit Section. It is strongly suggested that a unified co-operative financial service should be established for the country as a whole.

Another problem is the rate of interest charged to the members of societies on loans. For example, from the record obtained with regard to Thirunelvely M.P.C.S. (Jaffna East), it is noted that the society has granted loans to members totalling Rs, 26,524.88 at 12% interest under the new Agricultural Credit Scheme for subsidiary crops such as potatoes, chillies and unions. Whereas the society has paid interest on fixed term deposits by members at the rates of one year to 1½ years at 4%, 1½ years to 2 years at 5%, 2 years and above at 6% only. If this example is a universal case for the whole movement, a re-adjustment of the margin should be contemplated and a general scale-down of rates of interest on loans to members should be recommended.

Multi-purpose Co-operatives have been appointed as agents for the operation of the Crop Insurance Scheme. The societies with collaboration of the Cultivation Committees should be able to operate this function without much difficulty. The Unions of Multi-purpose Co-operative Societies should play a much stronger role in the implementation of the scheme.

Some M.P.C.S. and their unions have set up textile weaving section or centre with handlooms and or electrically operated mechanical looms. This is a productive function collectively performed mostly by females and providing employment for augmenting family income and technical training for rural industrial development. The sale of products through the textile section or Consumer section has been done by the internal transfer of accounts. This is a useful development of the multi-purpose co-operative activities, especially in a country which has to import most of its textile goods to meet the local demand. Other lines of similar nature could be developed, for instance, handicrafts, metal work, kudoos making, etc. Generous assistance should be given from the National Corporations or Government Departments concerned with the development of these industries.

Minor irrigation works would better be undertaken under labour to be operated by members of contracts of M.P.C.S. or unions. As the members of societies are mostly beneficiaries of the irrigation scheme, the societies should be in a better position to mobilize the collective efforts of their members for the maintenance of the irrigation work itself. Water fee levy system to collect funds to meet the outlay of maintenance also should be considered.

Most of the M.P.C.S. Societies in the Badulla District which had under-taken labour contract works suffered heavy losses from the operation of the contracts mainly due to the lack of knowledge of cost accounting and budgeting as well as technical know-how. Some of these societies were eventually closed down because of this commitment. A lesson must be learnt from this experience, as it might be applied with equal truth to M.P.C.S. in other districts. To be realistic, the society should only act as the agent and let the member - participants to work out their distribution of income or loss by themselves as a group and party to the contract. The society, on the other hand, could collect the commission in due course but should certainly not be allowed to bear the risk of losses.

It is noted that many M.P.C.S. and their unions have handled rice-rationing for the members as well as non-members. This kind of service has been performed by M.P.C.S. as agents of the Government for the convenience of the consumers. Like the G.P.S. operation it is a kind of public service function rendered by the co-operative sector to assist in the implementation of the Government policy. As things were, many societies have owed their existence on the commission and other charges derived from this service. This function should be considered as subsidiary, as the rationing system might be withdrawn and time when the Government changes its policy. Societies substantially depend upon the income support of this service might well be considered as unhealthy, and should be redressed accordingly.

Most of the well established M.P.C.S. in existence to-day were formerly stores societies which were converted during the early years of transformation. These stores societies had thrived due to the practice of the ration-system in the war period. This fact explains the reason why so many M.P.C.S. persist even now concentrating their business activities in consumer stores section in the supply of daily necessities. The abolition of the rationing system except rice of the past war period should remind the societies to reconsider the formulation of their business policy in order to match the social and economic development trends of the country and make their services and contribution even more indispensable to their members.

Guaranteed Price Scheme may have worked favourably to the interest of peasants in their efforts to increase food production and therefore it may have helped the implementation of the Government Policy under the Agricultural Production Plan. Many multi-purpose co-operatives which have been appointed as purchasing agents under the Scheme also have benefited through rendering their services for the operation of the Scheme. Since the free market prices for the guaranteed-price commodities have been subject to fluctuation, the income derived from the services of course followed the trend without option. It has been quite common that when the market price level for these commodities rises over and above that of the guaranteed price, there would have little or no transaction at all at the societies as all the members would sell their produce at the free market and collect higher returns. The inevitable consequence of this practice would not only damage the society in the form of reduction of its income but also incapacitate the societies to collect the repayment of loans outstanding to the members who have borrowed under the Extended Agricultural Credit Scheme. In fact there were some societies suffering seriously in their financial difficulties because of cutting-off of the income which was used to be derived under the Scheme. It is therefore also advisable for the planners of the co-operative development programs to see that multi-purpose co-operatives should formulate their business policies in a better and diverse way so that a drop of income from any branch of business activities would not hurt the society unduly in any case.

As an illustration, South Yalpanam M.P.C.S. Union, Ltd. at Kilinochchi of South Jaffna had used to enjoy the benefit of Rs. 50,000 per annum as commission for purchases of paddy under the G.P.S. later, this enormous money spinner has dwindled to about Rs 5,000 a year owing to the decentralization of societies which have been appointed as direct agents. Further, the cut in the ration rice from two measures per coupon per week to one measure resulted in the price of paddy shooting up higher in the free market than the guaranteed price, thus depriving the societies and the unions, from their normal volume of purchases to drastically reduced amount.

According to Jaffna District co-operative statistics it clearly shows the wide margin of fluctuations on paddy purchases through the societies during the past years. This situation indicates that the financial position of the societies concerned has been greatly affected.

Presently as enumerated earlier the popular functions of many M.P.C.S. have been as follows:-

- 1) Consumer stores,
- 2) Distribution of fertilizers and insecticides,
- 3) Purchase of paddy under the guaranteed price scheme,
- 4) Contracts for labour,
- 5) Granting of loans to members under the government agricultural production programs and credit schemes,
- 6) Tractor service,
- 7) Rationing and distributive agency of the government for rice and other commodities.

Generally speaking, in considering the incorporation of business functions of a M.P.C.S. three principles should be taken into account:

- 1) The economic activities of multi-purpose co-operatives should be undertaken only after feasibility studies are made;
- 2) The business management of multi-purpose co-operatives should be greatly improved in efficiency and in new approach to operational policies;
- 3) While government support of co-operative movement is unavoidably necessary for some time, the voluntary growth of independent co-operative movement should not be overlooked.

Perhaps it would be a good idea now to draw up a model set of By-laws defining the normal functions of M.P.C.S. and their unions, - the principal functions and subsidiary functions as well as an appropriate accounting system and other working rules. In any case, the M.P.C.S. scheme should not make a co-operative a chaotic organization or an organization of convenience for those violating the principles and practice of co-operation.

As a general practice in Ceylon the District Assistant Commissioners of Co-operative Development, responsible to the Commissioner of Co-operative Development, have considerable powers over the policy decision - making and administrative operations of societies, including the approval of appointment of certain officers who manned the societies. The exercise of these powers is a rather delicate problem as it would affect the morale of the members, the effective management of the societies as well as the movement as a whole.

Many M.P.C.S. unions have included in their membership non-multi-purpose co-operatives. This practice has been a matter of convenience but illogical and should not be encouraged. It is to be noted that the Mahapalata Multi-purpose Co-operative Societies Union Ltd. at Bandarawela, District of Badulla, has a membership of 42 societies, out of which seven estate co-operative societies were not of multi-purpose in nature. This union is in fact the central commercial organization of the area. Its membership composition is rather complete as other following establishments were also attached to union as shown below:

- (1) Authorized distributors holding trade licenses from the Food Controller..... 41.
- (2) Estate establishments.....138.
- (3) Private Traders who do not hold Trade Licenses (Those who purchase only sugar and flour.....180.)

Besides, there are wholesale depots, retail points, etc. operated by the union. At the time of the writer's visit this union was under the management of Government Officials appointed by the Minister of Food and Co-operatives, as it was found out that the union had been badly mismanaged. In the same area there is another union by the name of Udukinda Multipurpose Co-operative Societies Union Ltd. at Welismada which has been operating its business under the similar pattern of organization and management. This particular Union claimed that it has maintained the Rochdale Principles in respect of the distribution of surplus as dividends. No information was given as to how the surplus was distributed:-

According to the data supplied by the Inspector-Officer in charge, dividends distributed from 1.1.1962-31.12.1965 were as follows:-

1962 -	Rs 38,689.90
1963 -	Rs 22,991.98
1964 -	Rs 44,041.19
1965-	Rs 72,075.04

Total: RS177,799.01.

The nature and the methods of the distribution was not disclosed and therefore no comment is possible. But this is the only M.P.C.S. union which has mentioned this matter of surplus distribution.

This same union has been paying considerable sum under the scholarship scheme. (up to 1967 Rs 30,000) to the members of member-societies whose children have been admitted to universities. This is a good idea which should be adopted by other unions.

Other examples of M.P.C.S. union membership diversity could also be mentioned here. The Kandy M.P.C.S. union Ltd. Has embraced so many non-co-operative organization its fold. There is no wonder that its business turnover reached a point of over Rs 11 millions annually.

The South Yalpanam M.P.C.S. Union, Ltd. at Killinochchi has also on its membership record 30 multipurpose societies with one agricultural production and sales society affiliated to it, while one M.P.C.S. in its area of operation, that is Korakankatu M.P.C.S. has not become a member of this union.

The Batticaloa Multipurpose Co-Operative Union Ltd. has its membership consisting of the following:-

1. Multipurpose Co-operative Societies	24
2. Co-operative Stores Societies	16
3. School supply societies	2
4. Co-operative Agricultural Production and Sales Societies	3
<hr/>	
Total	45

So we see that Membership of M.P.C.S. union are not at all necessary M.P.C.S. This practice makes the situation confused. General speaking, agricultural production and sales societies cover greater area of operation than those covered by M.P.C.S. and a split usually occurred when conversion was in progress. Stores co-operative societies union also do not always correspond in area of operation as M.P.C.S. unions and a split would occur after conversion. In the case of Valigamam West Multipurpose Co-operative Societies Union, Ltd., the area of operation was smaller than that of the former Stores Societies Union, when the latter was splitted into two unions after conversion. Out of 37 member-societies of the Valigamam West Multipurpose Co-operative Societies Union Ltd. Twenty three societies were M.P.C.S. and fourteen stores societies. Reorganization of the fourteen societies should be encouraged.

Another example is also to be taken from the district of Jaffna, where membership of M.P.C.S. unions generally includes societies other than primary M.P.C.S. For instance, the Valigama East M.P.C.S. Union, Ltd. at Neervely had 46 member-societies distributed as follows:-

M.P.C.S.	23
Stores Societies	20
School Co-operatives	2
Bakery	1

This is rather unusual and the same applies to Valigama West M.P.C.S. Union as mentioned above. Their historical background had the origin of Stores Societies Unions and the conversion did not succeed in transforming all the former member-societies into M.P.C.S., and therefore the new union had to retain them as stores societies under the old pattern. In fact the concept of M.P.C.S. scheme has not been strictly observed.

Still another example, that is Jaffna M.P.C.S. Union Ltd., which is one of the largest unions in the Northern area of Ceylon. This union was formerly a Stores Societies Union which was converted into a M.P.C.S. Union, although it only catered for the needs of consumers and served the same purpose as it had done before the conversion.

Out of a total number of membership - societies of this Union only fourteen were M.P.C.S. with twenty five co-operative stores Societies and one Hospital Welfare Society. While non-member organizations having business transactions with the Union numbered 84. Conversion has not been carried out systematically or logically. Many M.P.C.S. Union are in fact unions or federations of various types of societies or business concerns in the area, and have lost their true nature as co-operative organizations. Of course it is not reasonable to expect that the union of co-operative organizations should serve non-co-operative private traders who are competitors of co-operative societies. Although these transactions might have benefited the union in the form of increase in volume of business turnover of the union, this practice will certainly damage the morale of the co-operative supporters and encourage outside traders of the movement to enjoy all the benefits derivable from the union without sharing any risk of its business. Ways and means should be found to stop this practice, in order to preserve the zeal of co-operators and the real meaning of co-operative principle and practices.

If the situation goes on like that without certain degree of proper control then it would serve to show that the good intention of M.P.C.S. movement is lost.

Again, the policy of a society to participate as a member of many unions has been practiced by some M.P.C.S. For example, the Pallai M.P.C.S. Ltd. has participated as a member of the following union:-

- 1) South Yalpanam M.P.C.S. Union, - share - holding - Rs 100.04
- 2) Pallai M.P.C.S. Union - share - holding - Rs 1251.45
- 3) Northern District Agricultural Production and sales
Co-operative Union - share - holding - Rs 100.02
- 4) Pallai Stores Union - share - holding - Rs 100.02

This multi-participation may involve complicated problems which would hinder the healthy development of the M.P.C.S. movement. It is therefore suggested that a thorough study should be undertaken by the A.C.C.D. in charge to make out the right steps to deal with this matter.

Some Unions or M.P.C.S. are too ambitious and unrealistic in their approaches of launching business development projects. One example could be cited with regard to the establishment of the Kalundai Saltern by the Waligaman West Multi-purpose Co-operation Union, Ltd. This project involved large capital outlay with the result that the union suffered considerable loss for the year, 1967. Salt production, in fact, has been in the hands of the National Salt Corporation. The Union might be in a better position to engage itself in the wholesale distribution of this daily essential consumer good and act as agent of the Corporation. It is suggested that the Saltern should be handed over to the National Salt Corporation and the Union repays the debt incurred.

Labour Contract undertaken by M.P.C.S. and their unions should not be taken as a normal branch of business, but it may be treated as a temporary agreement made out on behalf of a group of members of the society. It should be regarded as an independent activity of those concerned to be concluded or dissolved once the particular contract work is completed, and profit or loss accounted for distribution in proportion to the amount of wages received by member-participants of the contracted work.

In Ceylon to-day secondary and tertiary co-operative organizations should be greatly strengthened and be given the responsibility of leadership to match the demand of the development. Stronger link should also be established within the co-operative movement itself and between super-structural and infrastructural institutions and facilities which are related to the development of co-operatives and rural economy. The policies and administrative procedures adopted by the People's Bank and the C.W.E. should be periodically reviewed so that adjustments could be made to meet the changing situation and circumstances.

It was alleged that C.W.E. has weakened the rural multi-purpose societies in a number of ways. The most damaging effect was in the case where the C.W.E. opened retail depots to compete with stores departments of M.P.C.S., even though the C.W.E. was unable to meet the demand for goods of these societies. The stores of co-operative societies were left in an unhappy state of having to procure their requirements from a competitor. This practice of establishing a chain of retail stores under the C.W.E. label has undoubtedly undermined the effective functioning of the M.P.C.S. activities, and has reduced considerably the contribution of C.W.E. to the development of co-operative movement in this country. C.W.E. has been set up as a public corporation which was meant to perform service functions for co-operatives as wholesale supplier of commodities. It has been originally assigned a status as an apex co-operative institution. For various reasons this C.W.E. has expanded its activities beyond the co-operative circle and has performed wholesale functions rendering services to private traders. The rehauling of the C.W.E. and rearrangement of its relationship with the co-operative organizations should be one of the main tasks of government departments concerned.

Co-operative Federation of Ceylon has been formed more in the nature of a co-operative union of the English concept than as a type of business concern of the C.W.S. However, this Federation has already gone into certain wholesale and manufacturing activities, but the scope is still limited. Perhaps with the reorganization of C.W.E., the Federation may participate more actively in the fields of co-operative wholesale distribution, marketing and processing as well as manufacturing business functions while still retaining its original functions as a central organ for co-operative education, publication and publicity.

In certain districts, politicians or members of the Parliament have strong influence in the co-operative movement. Some societies have M.P.s. as their leading figures in management. This is particularly true in the districts of Batticaloa, Polonnaruwa, and Annarahapura. There are instances where the community leaders, who have played an important part in the promotion of the co-operative movement and social welfare work, have been elected to the Parliament because of their commanding prestige and image on the general public and electorate. How far this practice should go is a matter of concern.

When we turn to investigate the internal management of the multi-purpose co-operatives we find that, the attendances of general meetings and committee meetings of many societies have been rather discouraging. Some multi-purpose co-operatives have had the same management committee in service for many years without reorganization, due to the failure of a quorum in successive general meetings. Lack of leadership, member-education and loyalty of members may be the main causes. On top of these, there may be over-dependence on the bureaucratic control of the administration, and the lack of appreciation of the usefulness of the existence of societies. There is a possibility of changing this attitude and atmosphere by merging weak and small societies into bigger and more active multi-purpose co-operatives, providing better services and more facilities to the members as well as launching vigorous member-education campaign down to the grass roots of the village level. On the other hand, strong multi-purpose co-operative societies or their unions should be encouraged to set up branches or depots in villages where economy of scale does not warrant the establishment of independent societies. Above all, improvement of management of the internal as well as external business activities of the multi-purpose co-operatives in Ceylon is the most urgent task facing the movement to-day.

Though the employees of co-operative societies and their secondary and tertiary organizations cannot be properly classified as co-operators, it is to the extent that they are co-operators in spirit that the co-operative movement could develop. With every advancement in technology and know-how, co-operatives become increasingly dependent on specialized staff. Management has largely become the responsibility of paid employees and the success of co-operatives is dependent on the efficiency and loyalty of the management. It is therefore important for co-operative development that the movement should obtain the services of devoted and capable employees. In this attempt co-operative organizations would have to compete with the public and private sectors. The only way the movement could be assured of obtaining suitable persons is by offering wages and working conditions which would compare favourably with the other sectors to be complemented by the co-operative in-service training with a view to upgrading their skills and inculcating on them with the co-operative ideals. In this respect, it should be noted that the low and un-unified wage scales paid to co-operative employees and the low percentage of trained employees in Ceylon today clearly manifest the primary draw-backs for co-operative development. There is a strong case advocating the formulation and implementation of a unified scheme of wage scales for the employees of co-operative organizations. The differences of existing wage scales in different societies and different areas have been so wide that inevitably would affect the integrity and morale of the employees as well as the labour turnover of the societies. The unified scheme could be made with reference to the cost of living and the general level of wage standards of different regions of the country. Consideration should be given to the size of business operations of the societies concerned, and the duties and responsibilities of different categories of employees as well as their qualifications and experiences. Also, security of employment and reasonable working conditions should be given realistic consideration. The establishment and implementation of such a scheme should be the work of the Department of Co-operative Development by setting up an advisory board consisting representatives of national co-operative organizations and relevant departments of the government to be chaired by the Commissioner of Co-operative Development. Periodical review of the existing scales would be necessary in order to adapt to changing conditions of the country.

In this connection perhaps it is appropriate to mention one particular case which has to do with the benefit scheme operated by the Bathmedilla Colony M.P.C.S. for its employees.

The Bathmedilla Colony M.P.C.S. employees are contributors to the Provident Fund under the Employees Provident Fund Act of 1958. The contribution made up of 4% of the wages by the employees and 6% from the employer. Undoubtedly, this is a good practice which should be adopted universally by the co-operative movement.

Also, employees of this particular society have been given opportunity for training in co-operative schools. This is a good encouragement. It is therefore suggested that co-operative employees should by rotation be given opportunity to acquire the basic knowledge of co-operation and management skills through a formal training in the co-operative schools in order to create a team of devoted co-operative workers in charge of the management and organization of the movement.

The practice of the employee cash property security deposit system may jeopardize the capable employees who join the co-operative service. For instance, as in the case of Karalaibattu M.P.C.S. Union in Batticaloa, a general manager with a monthly salary of Rs. 350/- has been obliged to deposit as cash security of Rs.2,000/- with this Union and Rs. 8,000/ - in property for the assistant manager carrying Rs.205/ - monthly salary. This practice may cause hardship to many capable prospective employees. Perhaps personal bondage may be the substitute of this present system or at least be the supplementary bond so that the amount of cash or property security could be greatly reduced or abolished. In any case, since the amount of the security deposit could not be big enough in proportion to the responsibilities of the employees concerned and the risk involved, the consequence of fraud still would damage the societies. There have been cases where responsible employees got away with considerable amounts of money or assets of the societies and disappeared without trace. It is evident that this practice should be re-adjusted or substituted by other means which would work more effectively toward this goal.

The practice of the managers of societies to employ their own salesmen is bad and should be abolished when proper personnel management scheme is established.

It is clear that the improvement of the business management of the societies is the care of the problem which should be given serious consideration in order to raise the standard of efficiency and integrity of the business operations of co-operatives. This relates to the reduction of losses through leakages of stocks and other properties of societies as well. Also the improvement of management efficiency and control is of paramount importance when we look into the ratios of gross profit to net profit of many societies and find that the management expenditure has been out of all its proportions. This is definitely a sign of bad management and budgeting.

To repeat once again, management problem of co-operative organizations of all levels are the most serious matters confronting the movement to-day in Ceylon. Co-operatives are business concerns, their success or failure would largely depend upon effective application of sound organization and management principles and practices. It is

therefore strongly recommended that larger scale of training programs should be adopted for the purpose of producing more capable and qualified personnel to join the movement as professionals.

The co-operative development in Ceylon has reached a stage where co-operative administrative officers of the Department should be given opportunity for further training in order to enable them to cope with the complexity and techniques of co-operative business development of modern times. Refreshing training on technical know-how and up-grading of academic standards of co-operative personnel are vital elements concerning the efficient supervision and administration of the co-operative movement. More university graduates of agriculture, economics and commerce should be recruited into the co-operative services. Co-operative societies should also be encouraged to employ graduates with working conditions and remunerations comparable to those practiced in public and private sectors. For the potential development of the movement as a whole this measure should be regarded as one of the most important steps toward the re-vitalization of the co-operative performance of Ceylon to-day.

Insurance policy taken by certain societies on property, even cash currently kept in hand, is a good practice and should be encouraged. For example, the Ambagahapelesson Multi-purpose Co-operative Society has insured its cash for Rs 5,000/ -. Though it was said that this amount was hardly adequate in view of the fact that large volume of business transactions were involved in the society. Another example is South Yalpanam M.P.C.S. Union, Ltd., Kilinochchi, which has made out a very comprehensive insurance scheme with Ceylon Insurance Corporation on the property of the Union. In this connection perhaps it is not too immature to suggest that a national co-operative insurance society be established to serve the movement for the whole country with re-insurance done through the Ceylon Insurance Corporation or the Insurance Department of C.W.S., England.

As discussed earlier net surplus of M.P.C.S. different sections as well as the society as a whole could not be properly distributed as dividends for lack of adequate methods. No workable plan has been formulated for the distribution of dividends to members. Therefore, the problem of patronage refund in accordance with the principles of Rochdale system has encountered its difficulties in multi-purpose co-operative societies. Many societies have annual surplus to be turned over to the reserve fund of the society, because of the fact that there has been no set rule for the distribution of this surplus to the members or member-societies proportional to their business transactions with the societies or unions. The departmental or sectional accounts have to be properly kept and overhead expenses have to be reasonably borne by the various sections/departments before any accurate estimate of surplus to each department/section of business operations of societies could be ascertained. No solution of dividend refund is possible without a detailed system of book-keeping and accounting being set up for the co-operatives. The other way out perhaps would be to transfer any surplus to the reserve account and create more accumulated social capital and make the societies and their unions financially stronger to cope with their business expansion activities. At the same time a reasonable scale-down of prices charged to the members or member-societies might be contemplated so that the favourable social

and economic effect due to the existence of the co-operatives in areas of operation could be evident to the people within and without the movement. This influence of course would make the co-operative development more popular and better received by all. In any case the problem of patronage refund should be clearly studied and solved in time.

The Government of Ceylon has been giving financial assistance to the M.P.C.S. through the following departments:-

- (1) Land Commissioner,
- (2) Department of Fisheries,
- (3) Department of Rural Development and small Industries,
- (4) Department of Agrarian Services,
- (5) Department of Co-operative Development,
- (6) Department of Labour.

Besides, People's Bank and Provincial Co-operative Banks - statutory or co-operative bodies have contributed increasingly greater share of loans to co-operatives. It is, therefore, imperative that better co-ordinated and unified schemes of financial assistance should be contemplated now in order to consolidate the efforts in the realization of common objects for the development of a sound rural credit system for co-operatives.

The policy of the people's Bank was to set up Rural Banks to be attached to M.P.C.S. or their unions under the People's Bank's supervision and control. Whether this dual management system could work out satisfactorily is still a matter of concern. The natural outcome of this practice would mean that those M.P.C.S. or unions possessing Rural Banks would have no need to have separate credit sections operated side by side with the rural banks. Whichever system would be more suitable to fit into the multipurpose co-operative scheme is still unknown. But one thing is certain and that is the dual control system of the rural bank would complicate the functioning of the co-operatives concerned and damage their unity and coherence.

The Extended Scheme of Rural Credit as launched in 1966 has been implemented with vigour. This supplementary credit facility to peasants is good, but streamlining of operation in conjunction with other credit facilities available to the farmers and co-operatives should be strongly stressed. Since 1957 the Department of Agrarian Service has handled agricultural credit as one of its functions. This duplication of functions of the People's Bank should be avoided. Too much complication and overlapping would jeopardize the situation. A system of "supervised credit" or "linking-up operation" should be introduced under this Scheme as an effective measure of combining agricultural extension with financing through the channel of co-operative.

It appears that the financial support from the People's Bank in the form of fixing the maximum Credit Limit for the societies and their unions has been found for many societies to be adequate for specific purposes as assigned to them. The problem is the detailed periods of releasing the loans to the individual members in accordance with the schedule of farming practices. Loans issued under the extended Agricultural Credit Scheme worked on a complicated basis of listing different stages of disbursement, such as ploughing, weeding, seed supply, transplanting, threshing, fertilizer supply, transporting, etc. The practice of this systematic distribution of loans at different intervals, no matter

how scientific it may seem to be, may not be effectively applicable in the business of farming. Cultivation periods and practices in different areas may be different and farmers who plan their work schedule according to their individual circumstances may find it difficult to obtain their loan in time to carry out their projects. It is suggested that the issue of the authorized loans to farmers should be more flexible and realistic in order to meet the immediate need of the borrowers concerned. Again, under Extended Agricultural Credit Scheme, the loans issued were not only based on the progress of work performed by the borrower at each interval period, but also were limited to Rs. 220 per acre and three acres per farm, that is Rs. 660 per member-borrower for the cultivation of paddy in this case. This amount in some cases was found to be inadequate to meet the expenditure, so the society had to draw on its own fund for supplementary lending to members. This arrangement may not be feasible for some societies to do so, especially those smaller and weaker M.P.C.S. Since the M.C.L. is set just for agricultural production loans made under the Expanded Agricultural Credit Scheme alone, it has not been able to reflect the total financial needs of the peasant-members as well as the co-operatives themselves. Generally speaking, most unions and M.P.C.S. are only with very limited working capital and reserves, but many of them have quite big business turnover. This fact indicates that many co-operatives obtained their financial support from outside sources. On the other hand, there were societies, for one reason or another, had not drawn on their M.C.L. to the full. Apparently, financial problems still are obstacles to co-operative development in Ceylon. People's Banks' offer to many co-operatives of overdrafts certainly helps to tide over any financial difficulties of these societies.

In order to regularize the functions of the credit section of the M.P.C.S., the Government should make use of the People's Bank through its branches to issue loans to M.P.C.S. - with a view to consolidating all kinds of loan activities. The credit section of M.P.C.S. should function properly as a financing unit, while Credit Sections or Rural Banks of unions should act as secondary level organizations with the People's Bank as tertiary co-operative financial organization. The credit section should be maintained as an integral unit of M.P.C.S. or unions, with technical supervision from the People's Bank. At present, credit section often is not a part of business units of M.P.C.S. It has not been functioning as a financial unit of the society but rather acting more or less as an agency of the People's Bank or other Departments of Government which have been offering loans to the societies. This situation should be remedied promptly. The launching of savings scheme by some of the M.P.C.S. is a good practice which would nurture thrift habits of the members and promote better internal financing of societies.

The People's Bank has been well safeguarded by law by restricting the co-operatives to deposit or borrow funds from the Bank, and by prohibiting the co-operatives to deal with commercial banks unless exempted by the Commissioner of Co-operative Development in writing. This is a very effective measure to regulate the financial functions of the co-operatives. The problem now is how best the People's Bank could serve the movement as a result of this regulation.

State assistance to the co-operative movement in Ceylon in the form of credit has been generous. But it must be accepted that government supervision and control has also been in many instances over done or unduly administered. Such practice has resulted in an undue dependence of some societies on government officials for initiating development programs. It also would curtail the co-operative spirit and educational benefit that the members will generally derive by managing their own organizations.

It was stated in the I.B.R.D. Mission's report, "The Economic Development of Ceylon" (1952) that, "The growth of co-operatives is not held back by lack of funds. Loans from Provincial Banks could provide additional amounts as required. If these institutions exhaust their immediate investible funds, they can borrow from the Central Co-operative Federal Bank in Colombo." This statement does not imply that whatever loans issued to the members of societies could have met their real needs in opportune time and amount. Moreover, there is no evidence to show that most effective use has been applied to the funds made available to the peasants. It is therefore imperative that agricultural extension services should work closely with the lending institutions which channelled loans through the co-operatives.

One explanation for considerable amount of default of loans outstanding by members of co-operatives was stated to be the unrealistic lending policy of the co-operatives. It is difficult to expect the peasants to pay up certain loans on a short term basis when they are outlays which can only be recovered over a much longer period. Default might also occur when co-operatives do not finance certain very important non-production needs of the peasant, thereby forcing him to borrow from non-co-operative credit source, with the result that the commitments entailed in such borrowing might virtually incapacitate him from meeting his debts to the co-operatives.

It is also true that peasant-farmers require cash for purchasing consumption essentials as well as production requisites in order to tide themselves over during the production period. They often do not possess ready cash to enable them to pay for the services or commodities so obtained. Unless the members of the co-operatives could borrow sufficient amount of loans from their own organization, otherwise they would have to depend upon the mercy of the middlemen, the shopkeepers or the money lenders. It is to be hoped that the rural bank or the credit section of the M.P.C.S. could be in a position to provide a continuous flow of credit to the needy peasants M.P.C.S. should be fully equipped, strengthened and prepared to counter challenge the combined ill effects hithertofore inflicted upon the peasants by the money lenders, shopkeepers and the middlemen in rural areas. It is therefore the duty of the government departments as well as statutory institutions concerned with rural rehabilitation and reconstruction to look for the effective ways and means of supporting all levels of the M.P.C.S. organizations and their activities.

It was reported that the present lending rates of interest to co-operatives in Ceylon have been so low that the Government has carried a large element of subsidy in this account. Generally, the rates to the farmer have been 4 to 5 percent. The Department of Agrarian Services has provided funds to co-operatives at a 2% rate whereas the Government itself

has borrowed at rates of 3 to 4 $\frac{1}{2}$ %. These rates of interest charged to the farmer have been low compared with rates of over 12% to 18% on the bulk of existing rural debts. The problem here lies in the productivity of the factors of production including the effective utilization of the credit facilities made available to the farmers by the public authorities.

Agricultural extension service, co-operatives development administration and financing institutions should work closely together for the sound development of the rural economy of the country. In other words, co-operative organizations should be fully employed as agents for extension and financing services. Through these voluntary co-operative organizations, the facilities offered by the government and statutory bodies could be better and more effectively utilized for the benefit of the people and the realization of public policies.

In early april, 1968 the then Agricultural Minister M.D. Banda stressed the need to educated farmers in modern methods of cultivation when he opened the F.A.O. sponsored Agricultural Education Workship in Gannovuwa. He said that, "our farmers have shown much enthusiasm since the food drive got under way. It was necessary to maintain this enthusiasm. Agricultural officers could help a great deal by offering the farmers advice and by trying to solve their practical problems." Again, he noted that, "there is no choice in the matter. We must modernize our methods of production and push ahead. If this is so, then much of the responsibility lies with the agricultural field staff - the direct link with the farmer in the field. It is worthless if all the grand results acheived in the laboratory never reach the man in the field. The only way in which scientific advances can filter down to the farmer is through the agricultural field officers." What the Minister and other officers under him had missed was that they never visualized the importance of institutional approach of the farmer's problems through their own co-operative organizations. The multi-purpose co-operatives in the villages should be the proper channel for this kind of extension work. It is a matter of regret that so many field officers are so ignorant of this crucial fact.

Multi-purpose co-operatives should play a strong role in the implementation of the Government's Agricultural Development Proposals, 1965-70. This service could be strengthened greatly with the collaboration and support of the village cultivation committees, agricultural extension officers, food production overseers as well as the officers of the People's Bank. Village production plan should be formulated with the advised and support of the above mentioned officers and committees and a system of supervised credit should be established through the functioning of the rural banks or credit section of the M.P.C.S. and their unions. Government departments and other superstructural organizations such as the Agrarian Service Department, Agriculture Department, Co-operative Development Department, People's Bank, C.W.E. etc. should all formulate their respective work schedules with thorough mutual understanding and collaboration, as they are all involved in the implementation and realization of the above-mentioned Government Proposals. Unless effective linking-up processes could be worked out satisfactorily and sucessfully, there is no likelihood that the relevant organizations could succeed much individually and independently in their respective efforts. Above all, co-operative development, agricultural extension and financial assistance the so called three-fold fundamentals of rural development should go hand in hand without a hitch so that the goal of better farming, better business and better living for the peasants could be achieved.

The Colonization scheme, as operated in Badulla, (Bathmedilla Colony), has benefited from the M.P.C.S. for rendering various kinds of services required for better farming and better business. But they still have their problems. According to the plan, each Colonist family was given about two acres of highland and four acres of paddy land and a house, all free from the Government. After five years of occupation in the settlement, he is liable to pay for a nominal annual rental of Rs. 60 per lot to the Government Agent and Rs. 20 for irrigation water supply. The land so cultivated is allowed to be given to two sons instead of one, with the result that fragmentation would be inevitable. Under the Colonization Scheme, not all the colonists came from the same area. One colonist said during our interview, that when he moved in this Colony he had a family of seven members. Now, less than a generation, he had got seventeen members in his family to support. This shows the nature of the long term problem of population pressure. With only six acres of land, there is no other outlet for extra labour employment in the area. What it is to be done he apparently did not know.

The solution of course would lie in the setting up of more colonies if land is available and the promotion of industries and other labour outlets or train the younger generation for other jobs outside the colonies.

It seems to the writer that neither the Government nor the colonists have prepared to meet this situation of under-employment, disguised unemployment or fragmentation of allotments under hereditary customs.

The subject on colonization scheme in Ceylon and its relation to multi-purpose co-operative development has been studied by authorities. An U.N.D.P./F.A.O. survey team recently carried out a brief study of previous colonies one of which was started thirty years ago. The report said that generally yields of crops in those colonies surveyed were below national average, improved seeds and insecticides were used by only half of the farmers and improved paddy production practices by only a quarter. No particular system of crop rotation had been adopted and there was a very low standard of animal husbandry. Most of the settlers earned less than US\$400 a year and two third of them were in debt. They lacked the assistance of veterinary, education and health services. (Re: CERES - The F.A.O. Review, vol. 1. No. 4. July - August, 1968, P. 50.)

This study has shown the need of colonies for a great deal of planning, improved extension services and capital investment. It is hoped that co-operative development along the lines of M.P.C.S. scheme could have much to contribute to the success of the colonization scheme in the country. The co-operatives should be able to provide the settlers with all the production requisites. These settlers need improved seeds, fertilizers, pesticides in such a way that they can buy them when they need them. In collaboration with the extension officers, the co-operative officers should make use of the M.P.C.S. as agency for colonization development. Pilot farms and experimental centres should be established with the collaboration of the village cultivation committees.

In Ceylon special attention should be paid to the development of M.P.C.S. in the colonization settlements and in areas around the tanks. These could be the most favourable and promising districts where agricultural development should be undertaken and supervised by the government with great effort. Areas producing agricultural specialties for commercial purposes, such as horticultural products, should also be strongholds for multi-purpose co-operative development. With better irrigation facilities, better seeds and more fertilizers provided, processing and marketing functions of the M.P.C.S. would flourish in these areas. It is therefore suggested that intensive efforts and assistance should be directed towards the development of the rural economy of these areas.

District co-operative unions have been organized in many districts, some of them also have performed good services, especially in the fields of education and propoganda. Their relationship with the primary and secondary societies in their respective areas as well as with the apex Co-operative Federation of Ceylon should be strengthened so that more co-ordinated and constructive national campaigns on the various aspects of the development of co-operative movement could be carried out with concerted action and policy.

Some of the district co-operative unions have contributed much in organizing courses or seminars or study groups for members and co-operative employees. But much more could be done if given more financial and manpower support. The Co-operative Federation of Ceylon should pay more attention to this development in close collaboration with these district unions and the schools of co-operation in Kandy and Jaffna. Streamlining the system of co-operative education and propaganda and publicity would lead a long way towards the rehabilitation and reconstruction of the movement in all levels and fields. A Co-operative College of higher level of co-operative education should be established in close co-operation with the college of agriculture and the universities.

It is to be noted that the School of Agriculture in its in-service training program has ignored to organize full courses dealing with the principles and practice of co-operation, rural sociology and community development. It is suggested that closer collaboration and better co-ordination should be brought to the notice of the organizers and planners of the programs in both schools of agriculture and co-operation so that students of co-operative development and agricultural extension could understand the nature and contents of each other's work after leaving their schools. It would be good to have an integrated training centre for staff members of the Co-operative Development Department, People's Bank and Department of Agrarian Services as well as Department of Agriculture, etc.

It should be noted that the intimate collaboration of these officers in the field is vital to the success of rural development through co-operative organizations with effective agricultural extension and credit services. The faculties of agriculture, arts and commerce should also be advised to incorporate courses of co-operation and related subjects in their curricula. Judged by the present stage of development of the co-operative movement in Ceylon, there is great need of recruiting more graduates to man the bigger societies and unions so that capable officers with broader outlook could eventually be promoted to lead the movement. The Department of Co-operative Development as well as other departments

related to rural development activities should also be encouraged to attract more graduates who have been well trained in these fields of rural social and economic work. The inflow of brains to the rural areas will be a good investment in national development.

It should be remembered that among the factors which have been responsible for weakening the rural sector of the economy has been the urban oriented educational system. It is essential to implement educational reform in order to create an environment conducive to the rehabilitation of the countryside.

It is quite right for the planners of agricultural development to state that, "Co-operative organizations bear the credentials of the most dynamic agency capable of mobilizing the enthusiasm and willing co-operation of the people for the necessary national development efforts." (Rs. Agricultural Plan of 1958. Ceylon). Another writer in an article published recently in the F.A.O. Land Reform Journal also mentioned that "Co-operatives are increasingly regarded by Governments in developing countries as agents of technical progress and as instruments of economic and social development especially at the village level."

Again, when we refer to the above-mentioned Agricultural Plan, there appears the statement: "It is intended that multi-purpose societies will institutionalize all rural credit, plan and execute a scheme of agricultural development, undertake minor irrigation projects and constructional works in the village, organize agricultural marketing and distributive trade, promote industries, provide public utilities, ensure full employment and in other ways in order to make the village a closely knit economic organization for the purpose of establishing complete economic democracy at the village level." The idea implied in this assignment seems to be extremely impressive. It would be a real and long lasting success to rural development if the multi-purpose co-operative scheme could achieve its objects and live up to the expectations of the planners and administrators of the said Agricultural Plan.

After several years of performance, evidence show that there is still a long way to go towards the realization of the objects of the Scheme. In his 1962-3 Annual Administrative Report, the former Co-operative Commissioner stated that, "It is to be observed that one of the most significant aspects in which the multi-purpose movement has failed to come up to expectations is its failure to be completely multi-purpose." It also failed in the progress of the multi-purpose society in embracing all aspects of the Village social and economic life in its business operations. Inertia to transformation of many old types of societies has been strong and the management in many cases has been far from satisfactory and efficient. All these together work to the detriment of the usefulness and real meaning of the M.P.C.S. Scheme.

In the same Administrative Report there appeared further comments on the causes of failure of certain M.P.C.S. : "One of the main reasons why the multi-purpose societies have not proceeded to embrace all aspects of village life is a lack of support they receive from the secondary level organizations, viz, the multi-purpose co-operative unions for their task. The undue attachment that these secondary level organizations still have towards consumer activities has prevented them from performing their correct role in economic and co-operative development activities. It is necessary

that multi-purpose co-operative unions speedily branch out into varied activities to perform different functions required by the primary multi-purpose societies in their areas of operation if the co-operative movement in Ceylon is to make an impact on the task of national development."

So we see that the reason why multi-purpose co-operatives have failed to become truly multi-purpose was insufficiency of support from secondary organizations. As matter of fact, these secondary organizations were mostly themselves not strong enough to perform their functions. Unless relevant specialized tertiary organizations and government departments as well as statutory bodies were ready to provide necessary facilities and assistance, there is no likelihood that the present situation could be improved. It is, therefore, a vicious circle reflecting that the super-structural establishments also had failed to appreciate the significant role of the co-operative movement in rural development. In many cases contrary to general practice these organizations have been giving direct assistance to villagers as individuals disregarding the more important requests of co-operatives. This violation of the expressed policy of the government shows the disinterest of the administrators, who are responsible to the task of implementing rural reconstruction programs, to support the co-operative efforts. In fact the lack of development of tertiary co-operative organizations has also been one of the weaknesses in the healthy development of the multi-purpose co-operative movement in Ceylon.

Within the movement itself there are shortcomings existing in Ceylon as so elsewhere, such as, the inadequacy of member participation, lack of capable and dedicated leadership and inefficiency of management and organization set-up as well as little stress on the building-up of the movement's own funds, etc. Nevertheless, it is evident that the multi-purpose co-operative pattern of development has made its headway in the field of rural development in Ceylon. As nearly three out of every four citizens of this country live in rural areas, the effective functioning of the M.P.C.S. scheme certainly could have impact on the rehabilitation of the rural life and economy of the country.

It is high time for all concerned to acknowledge the fact that though the multi-purpose movement has failed in many respects, it must be made to succeed in the interest of the rural development. It is also necessary to note that co-operative efforts at the village level should be effectively supported from above by powerful secondary and tertiary organizations as well as government departments and statutory bodies.

