

**RECENT CHANGES, TRENDS AND
DEVELOPMENTS OF THE COOPERATIVE
MOVEMENT IN SOUTH-EAST ASIA**

Recent Changes,
Trends and Developments of
The Cooperative Movement
in South-East Asia

334(5)
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October 1979 (1000)

Price : Indian Rs. 80
US \$ 12

Printed in India
at the Model Press Private Ltd., Jhandewalan,
New Delhi 110 055

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FOREWORD

In our Regional Council Meetings, it has for long been the practice for Regional Councillors to report to the Council at its annual meetings the recent developments and trends in the field of cooperatives in their respective countries. As would sometimes happen, some of the Regional Councillors would be new, and they would encounter some difficulties in understanding the trends in other countries in the absence of detailed reporting—and detailed reporting always took up so much time. Thus emerged the idea of compiling a compendium of background papers in respect of each of the member countries of the region which would serve as a means of ready reference for the Regional Councillors, the Secretariat and the member organisations. Besides it would provide a means of ready access to information in respect of cooperative development in the region, to the large number of persons and institutions who are now searching for a suitable source for such information.

The present publication is an outcome of a cooperative effort—an effort made by the member organisations to provide detailed background information in respect of their movements, with the ROEC acting as the catalyst to bring out this volume. The details given are those provided by the member organisations themselves and those seeking clarification or further information would necessarily have to contact the member organisation concerned for such detail.

As is customary, the Regional Councillors will continue to report on the recent developments and trends in their movements at the annual meetings of the Council. It is our intention to collect and collate all such data and every five years or so, bring out an up-dated volume, which we believe will be of use to all concerned.

A lot of effort has gone into the preparation of the background papers and I would like to take this opportunity to thank the Regional Councillors and the member organisations and their staff for the valuable contribution they made towards making this publication possible. For all the difficult spadework done in connection with the bringing out of the volume, I would like to thank Mr. Lionel Gunawardana, Joint Director (PPR) and Mr. A.H. Ganesan, Publications Officer, who spared no pains to see that the publication was brought out before the next meeting of the Regional Council in November in Kuala Lum-

pur. My thanks are also due to the staff of the ROEC who took time out from their own work to read the proofs and to compare a mass of statistical detail. I do hope there are no significant errors of omission on our part in the text—if there be any, I do hope the Regional Councillors will bear with us and point out the omissions to enable us to make the necessary corrections.

In conclusion, I would like to say, that it is our hope that this volume, besides providing a means of easy reference to our Regional Councillors, will satisfy the long felt need for a dependable source of information about the cooperative movements in the member countries of the ICA in the South-East Asian Region.

New Delhi
22 August, 1979.

R. B. Rajaguru
Regional Director

AUSTRALIA

Australia and Australian Co-operatives

General Economy

Australia comprises a land area of some 7.7 million square kilometers. It covers more than 30 parallels of latitude and has a widely varied climate. More than one third of the country is in the tropics and normally snow falls only on the south eastern ranges during winter.

Lying within the south-east trade and prevailing westerly wind zones, Australia has its heaviest rains along the east coast north of the 30 south latitude, the southern limit of the south-east trades. Westerlies bring reliable rain to the south-western and southern regions of the continent.

Central Australia experiences up to three years without appreciable rain. At June 20th, 1975, the population was 13.7 million, an increase of 18% over the population at 30th June 1971. The population was distributed at June 1975, 86% urban, 14% rural, compared with 83% urban, 17% rural at 30th June 1971.

The value of production, manufacturing and retail sales was as follows :

	30 June 1975	30 June 1971	In- crease
Value of agricultural production	\$6068 million	\$3643 million	69%
Value of mineral production	\$2650 million	\$1582 million	67%
Retail sales (excluding motor vehicles, parts & petrol)	\$16215 million	\$9549 million	69%
Manufacturing	\$15241 million	\$9697 million (1972)	57%

Rural Industry

Australia is a major producer and exporter of rural products. It leads the world in wool production and is a leading supplier of cereals, dairy products, meat, sugar and fruit. Rural production contributes between 7 and 8% of the gross domestic product and accounts for about half of Australia's export income.

Production in 1975-76 of wool was about 754 million kilograms; beef and veal 1.8 million tonnes; mutton and lamb 584,000 tonnes; wheat 11.82 million tonnes.

In March 1975 there were about 151 million sheep in Australia, producing about one third of the world's wool output. At the same date there were about 33 million cattle in the country.

Australia's commercial production of fish was 537,400 tonnes live weight in 1975-76. Australia also has active crustacean and mollusc industries.

Constitutional Development

European settlement commenced in Australia in 1788 and between that date and 1859 the continent of Australia and the island of Tasmania developed into six separate colonies of Great Britain. In 1901 the Commonwealth of Australia came into being by the federation of these six colonies, which became six States, each with its own legislature and administration. Today, the Commonwealth of Australia comprises these six States, and two mainland Territories administered by the Federal Government, with the Federal Parliament as the national legislative power.

Co-operative Development

With an early economy based perforce on agriculture, Co-operative activity commenced in rural areas to meet the needs of the farming community in providing farm inputs and assisting in better marketing opportunities for farm produce.

With discovery and development of minerals, initially gold and coal, in the latter half of the nineteenth century and con-

centrations of population in the mining areas, industrial type co-operative societies began to be formed. The legislation under which these early Co-operatives were incorporated was based largely on the 1852 British and Industrial Provident Societies Act. This legislation is still applicable in three States of Australia. In some States, special provision was made for agricultural co-operatives to be established as Co-operative companies, with a nominal capital and to be incorporated under special provisions of company legislation incorporating the basic principles of co-operation.

Corporate legislation, including Co-operative legislation, is a State responsibility. In three Australian States, Co-operative legislation has been updated to meet modern requirements and is usually of a form catering for all types of Co-operatives, with specific sections for rural Co-operatives, consumer retail Co-operatives, community Co-operatives, housing Co-operatives, consumer credit Co-operatives. In these three States, the Co-operative legislation is administered with the assistance of advisory committees established by statutory authority. In one State only in Australia there is a Government Ministerial portfolio allotted for the administration of Co-operative legislation and activity.

(i) *Taxation of Co-operatives in Australia*

Co-operatives, like other corporate entities in Australia, are assessed for their taxation liabilities under Federal legislation. Division 9 of the Australian Income Tax Assessment Act relates specifically to Co-operatives.

To qualify as a Co-operative for taxation purposes under Australian taxation law, the company must limit the number of shares which may be held by or on behalf of any one shareholder and the rules of the Co-operative must prohibit the quotation of its shares on any stock exchange or in any public manner.

Further, the Co-operative should be established for the purpose of carrying on any business having as its primary object or objects, one or more of the following.

- (a) the acquisition of commodities or animals for disposal

- or distribution among its shareholders.
- (b) the acquisition of commodities or animals from its shareholders for disposal or distribution.
- (c) the storage, marketing, packing or processing of commodities belonging to its shareholders.
- (d) the rendering of services to its shareholders.
- (e) the obtaining of funds from its shareholders for lending to its shareholders, to enable them to acquire land or buildings to be used for the purpose of residence or of residence and business.

In addition, a company may not be treated as a Co-operative in any year in which the value of business done with its members under one or more of the objects listed above is less than 90% of its total business under that head of business.

A Co-operative qualifying as such under the Income Tax Assessment Act, is authorised to deduct from its assessable income the amount of surplus distributed by way of dividend on share capital. A dividend is, however, taxable in the hands of the member recipient.

Distribution of surplus by way of rebate or bonuses, based on the business done by a member with his Co-operative, is also deductible from the assessable income of a Co-operative.

A third deduction to which a Co-operative may be entitled relates to the repayment to a Federal or State Government, monies loaned by such Federal or State Government to enable the Co-operative to acquire assets required for the purpose of carrying on the business of the Co-operative.

Taxation legislation as applied to Credit Unions provides for income being interest paid to the Credit Union by its members (not being companies) in respect of loans made to those members, being exempt from income tax.

(ii) *Federal and State Co-operative Structures and Institutions*

Resulting from the spontaneous initiative of Co-operative leaders, each mainland State of Australia now has a voluntarily funded and governed State Co-operative Federation, comprising membership of most Co-operatives of the diverse range of activities utilising the Co-operative structure. The first

of these State Federations was formed in 1919, the most recent in 1974.

In turn, these State Federations have formed a national body to perform services of an apex Co-operative body in Australia. This is the Co-operative Federation of Australia, with its Secretariat established in the Federal capital and with broad objectives (not in any order of priority) :

1. Promotion, development, rationalisation of Co-operative activity in Australia, into an integrated Co-operative Movement,
2. Liaison between the Australian Government and diverse Australian Co-operatives.
3. International Co-operative liaison to assist development of Australian Co-operatives and to provide exchange of experience with overseas Co-operatives.

The thrift and credit type of Co-operative, credit unions, have established their own State and national organisations. Some members are affiliated with State Co-operative Federations and the national body of credit unions, the Australian Federation of Credit Union Leagues, is affiliated with the Co-operative Federation of Australia.

Terminating building societies have also developed their own Federal structure at State and national level, with a national organisation, the Australian Council of Co-operative Building and Housing Societies.

Permanent building societies have similarly developed State and national structures, with the national organisation being the Australian Association of Permanent Building Societies.

The major insurance Co-operative, with branches in five of the six Australian States, is affiliated at both State and national level with the Co-operative Federation of Australia.

(iii) *Role of Government in the Development of Co-operatives in Australia*

Co-operatives in Australia developed as a result of spontaneous initiatives on the part of some community leaders and not as a result of a Government policy.

Although Co-operatives in Australia did not develop as a result of structural and institutional reform introduced as a precondition by Governments, nevertheless Australian Governments, both State and Federal, have sought, usually as a result of submissions from Co-operative leaders, to introduce regulatory provisions for the protection and promotion of Co-operative philosophy in business.

The taxation provisions in respect of Co-operatives, the establishment of statutory Co-operative advisory Councils in some States, the provision for Co-operative representation on some statutory agricultural commodity marketing boards : one State in Australia provides Government guarantees under certain conditions for moneys advanced to Co-operatives : these are some areas in which Governments have assisted in the development of Co-operatives in Australia.

Sectoral Development of Co-operatives in Australia

(i) Thrift and Credit Societies

These Societies are known as Credit Unions in Australia and had their beginnings in this country in the mid-1940's, at the conclusion of the second world war. The concept of credit union activity was imported into Australia from North America and consequently credit unions have developed along the lines of those structured in that part of the world.

Credit Unions are now the most rapidly developing section of Co-operative activity in Australia. Assets of credit unions in Australia increased from \$31 million in 1965 to \$823 million in 1976. The average rate of growth over the eleven year period has been 34.7%. The total assets of credit unions have increased from .1% of total assets of all financial institutions in Australia in 1965, to .9% in 1976. Membership in credit unions totals about 1 million. They are mostly located in urban and industrial environments. Some consumer retail trading Co-operatives have incorporated credit union services as part of a further consumer service for their members and as an adjunct to debtors control problems.

Promotional discussions have been held and agreement in principle reached between leaders of the credit union movement

and the Co-operative Federation of Australia for a closer collaboration between the respective organisations, in an endeavour to revert to the basic principles of Raiffeisen. A start has been made on implementing the initial groundwork plan in this objective, but progress is not likely to be rapid.

(ii) Agricultural Co-operation

In keeping with a country whose rural exports account for about 50% of the total export earnings, Co-operation in Australia is strong in the agricultural sector. Of the business done by Co-operatives, excluding credit unions and building societies, in the financial year ending June 1975, 80% was done by agricultural Co-operatives.

At that date it was estimated that there were about 390,000 producer members of agricultural and fishery Co-operatives in Australia, which had a combined turnover exceeding \$1.3 billion (Australian). This represented a growth of 64% over the results for the previous five year period, or an increased growth at the rate of 16% per annum for that period.

Dependent on the legislation under which they are registered, agricultural Co-operatives may be either Co-operative Societies with a capital structure related to its membership and the statutory maximum holdings per member, or a Co-operative company with a nominal capital structure. Whilst the policy making body of the Co-operative might be called a board of management in the case of a Co-operative Society and a board of directors in the case of a Co-operative company, the method of election of directors to these boards is virtually the same. This is by democratic process of election of qualified members by their fellow members of the Co-operative.

A common problem affecting most agricultural Co-operatives is that of raising adequate finance to meet the needs of development. Agricultural Co-operatives, like other Co-operatives and economic enterprises, share and in many cases compete for the same financing sources. However, Co-operatives experience inhibitions not applicable to other companies in the raising of capital from members. These include the necessity to limit the reward to capital, and usually restricting capital raising to persons wishing to trade with the Co-operative. There

are also restrictions on Co-operative members' voting power in relation to share capital and transferability of share capital. Some agricultural Co-operatives have recruited preferential capital with redemption rights as a supplement to members' ordinary capital. The well established practice of revolving capital by retention for fixed periods of part of members' surplus is also followed. In some situations agricultural Co-operatives have retained small proportions of surplus specifically as a non-returnable reserve fund to accumulate capital. Joint ventures with Co-operatives and non-Co-operative organisations have been entered into by some agricultural Co-operatives when capital or expertise is required beyond existing or foreseeable resources of those Co-operatives.

Agricultural Co-operatives exist at the primary and secondary level in Australia, but in the main those of the latter category are multi-purpose Co-operatives. The largest of these Co-operatives in Australia – in terms of overall turnover – is the Westralian Farmers' Co-operative Company which has its headquarters in Perth, Western Australia. This Co-operative, established as a small rural enterprise in 1914, today has a membership exceeding 16,500 farmers. Its members' funds exceed \$26 million and its annual turnover at 30th June 1977 was in excess of \$300 million.

The scope of Westralian Farmers activities has been steadily extended over the years. It now markets 30% of all wool sold by auction in Western Australia. It is a major marketer of livestock, hides and skins. It operates a real estate department for the sale of farms and other properties. It processes and distributes milk and milk products. It purchases, processes and markets both locally and for export, meat produced by its members. It also processes and markets dairy produce, apples and pears, as well as cleaning and exporting a wide range of farm seeds and grain. It is a major supplier of farm machinery equipment, tractors, fertilisers and chemicals. It manufactures and distributes industrial gases and liquified petroleum products. In partnership with a non-Co-operative it operates a large provender mill for the manufacture of a wide range of poultry and other livestock foods. Westralian Farmers also underwrites insurance and provides a rural banking service for its members. It charters ships for its international export trade and operates

road transport services to the far flung developing areas of Western Australia. Through its retail storekeeping division it also provides centralised management and accounting services by agreement with other primary level Co-operatives which are members of the Co-operative Federation of Western Australia. For many years it has also operated a full scale travel agency service for its members and the public.

There are no agricultural Co-operative credit societies in existence in Australia, although some multi-purpose Co-operatives, in conjunction with commercial trading banks, do provide a source of credit for their members in some instances.

(iii) Marketing of Agricultural Produce

Although it would be correct to say that the strength of the Australian Co-operative agricultural movement has been in the area of marketing, many commodities produced in Australia are disposed of through statutory marketing boards, some of which developed after trial periods of Co-operative pooling schemes for the marketing of primary products. Marketing boards are constituted at the Federal and State Government levels.

(a) Grain

The sole marketing authority of wheat in Australia is the Australian Wheat Board.

Coarse grains are, however, marketed by various authorities including some State marketing boards, but in Western Australia the Grain Pool, a Co-operative organisation, markets coarse grains on behalf of growers.

Grain is handled throughout Australia in bulk on behalf of the various commodity marketing authorities. In the States of Western Australia and South Australia, this bulk handling service comprises grower owned and controlled Co-operative organisations. There is little or no on-farm storage of grain in Australia.

(b) Dairying

Co-operatives account for the major part of the Australian production of butter. About half the liquid milk trade in Australia is handled co-operatively.

(c) *Sugar*

One third of the sugar mills engaged in extracting sugar in its raw state from cane are grower owned and operate as full Co-operatives. Shareholding is maintained among active growers by tying the membership shares to the farm. When a cane grower sells his farm, his shares in the Co-operative are automatically transferred to the new owner.

(d) *Rice*

Rice production, processing and marketing in Australia is entirely Co-operatively controlled and organised.

(e) *Cotton*

70% of Australian cotton is produced and processed up to the milling stage by Co-operative organisations.

(f) *Tobacco*

About 65% of tobacco production is marketed Co-operatively. This industry is a fine example of close integration of interests between industrial Co-operatives and a producer controlled marketing board.

(g) *Vegetables*

The bulk of vegetable trading takes place at the metropolitan markets of the cities concerned. While accurate figures are not available, it is estimated by the Co-operative Federation of Australia that about 40% of the country's vegetable production and marketing operations are controlled Co-operatively.

(h) *Fruit, Vines and Wine Industry*

Australia is able to produce all its requirements of fresh fruit. The majority of the fruit canning industry is organised by producers in Co-operatives.

Nearly all Australian dried fruits are produced along the Murray River in Victoria and South Australia. In the main this is controlled Co-operatively from production through to marketing.

25% of Australian wine producing operations are in the hands of Co-operative associations.

(i) Wool

One sixth of the world's population of woolled sheep are bred in Australia and these are estimated to produce about one-third of the world's wool. Of this, 20% is marketed Co-operatively in Australia.

(iv) Co-operation in Farm Production

Statistics show that over the past ten years the total area of rural holdings has been reasonably consistent, whilst the number of rural holdings has been gradually declining. These statistics indicated that the average rural holding is about 2,000 hectares (5,000 acres). Despite the size of these holdings in Australia, the social and economic benefits of practical co-operation in production are as real and beneficial as in those countries where rural holdings are of much smaller dimensions. Good neighbourly practice of mutual help has always been a feature of rural activity, even of the "rugged individualist" Australian farmer, but usually these have been of an informal nature.

In recent years there has perforce been an increasing acceptance and application of Co-operative principles and practice in common utilisation of one or more of the factors of farm production. The simplest form is the joint use of machinery and formal machinery syndicates are now operating in most States of Australia. A less common Co-operative practice in farm production in this country – nevertheless one that is proving highly successful where correctly researched, planned, developed and managed – is for integration and joint use of the factors of capital, labour, machinery and crops, with land remaining under individual ownership on lease to the Co-operative.

Some State Governments and academic institutions have allocated funds and/or personnel for the purpose of promotion of the concept of co-operation in farm production.

Artificial Cattle Breeding

In Australia, as in many other countries, improved stock breeding is increasingly using artificial insemination methods.

In three States specialised Artificial Breeding Co-operatives carry out field work in this area of animal breeding

(v) Fertiliser Co-operatives

As a result of widespread phosphate deficiency in Australian soils, phosphatic fertilisers account for a large proportion of usage both on crops and pastures. During 1973-74, usage of nitrogen, phosphorus and potassium in elemental terms was in the ratio of approximately 2 : 6 : 1.

The bulk of Australia's requirements of nitrogenous and phosphatic fertilisers is supplied by the domestic industry. Requirements of potassic fertilisers are primarily imported.

Of the 500 million hectares of land used for agricultural production including raising of livestock, products and crops, it is estimated 20% (25 million hectares) was subject to artificial fertilisation.

In one Australian State with about 3% of total Australian rural holdings, the processing and distribution of fertilisers is Co-operatively organised and controlled. This was achieved after the Co-operative acquired the fertiliser manufacturing interests of its private sector multi-national competitors.

In another State, with about 23% of total Australian rural holdings, the fertiliser manufacturing and distribution activities are in the hands of a triumverate, one third of which is Co-operatively structured. At the time of preparation of this report, negotiations are advanced for the Co-operative interest to acquire the interests of the other two members of the triumverate to provide a completely Co-operatively structured operation for fertiliser supplied to producers in that State.

(vi) Irrigation Co-operatives

Whilst several major agricultural producing areas of Australia depend on irrigation schemes for their continuance, so far as is known all these irrigation projects are operated by Government agencies and there is no Co-operative involved in this type of agricultural service in Australia.

Co-operative Banks

There is no Co-operative bank established in Australia.

Financing of Co-operatives by Governments

There is no Government bank for Co-operatives in Australia.

In some situations Governments make available loans to Co-operatives for specific projects and the repayment of these loans is a taxable deduction, as reported earlier in this report. In other situations, Governments guarantee funds from private banking sources for Co-operatives.

Under legislation bringing into being the Reserve Bank of Australia (the central bank), provision was made for the establishment of a rural credit department, with the purpose of making short term credit available for the orderly marketing of primary produce. Under this provision the Reserve Bank may make advances to Co-operatives on specified commodities, to enable them to meet processing and marketing costs on behalf of their producer members. These advances require compliance with certain rules and principles established by the bank which are compatible with Co-operative principles. Given basic security and sound management experience, the level of advances available generally expands in relation to the level of production delivered and market prospects and value. The rate of interest charged is favourable and advances are normally renegotiated each year or each season. The use of this form of finance places processing and marketing Co-operatives in a favourable competitive situation for a large part of their working funds.

Consumer Co-operatives

Retail Consumer Co-operatives in Australia operate up to date services in the supermarket tradition. They handle the main lines of consumer needs including foodstuffs, drapery and textiles, hardware and electrical appliances.

Detailed statistics are not available, but the information published by the Co-operative Federation of Australia shows 378 retail consumer Co-operatives with 633,000 members, with

annual sales of A\$191 million at 20th June 1974. Compared with total Australian retailing operations at that date, the Co-operative sector of the retailing business represents 1.17% of the total Australian retail sales figure, excluding motor vehicles, parts, petrol, etc.

In one Australian State a co-operatively financed and controlled fruit and vegetable wholesaling service has operated (and continues to operate) a viable, successful service for the past 30 years for its primary level Co-operative members. In recent years three States which previously operated a wholesaling service in food and merchandise for their primary level retail consumer co-operatives, have disbanded these services for economic reasons.

The intense competition in the retailing industry created by private national and multi-national operators, plus consumer protection activities by private groups and Governments in Australia, have reduced margins to a minimum and lifted the quality factor in the interests of consumers. By these activities, major objectives of retail consumer co-operatives have been achieved by non-co-operative business in the industry.

The retail consumer sector of co-operatives is not an expanding sector in Australia.

Housing Co-operatives

In Australia there are two types of co-operative organisations associated with the housing industry.

One is the housing Co-operative which is a non-profit making group of people who band together to purchase land and build their own houses as a development project. These types of Co-operatives have been developed in two States of Australia and the Australian Capital Territory, where Co-operative legislation makes provision for the formation of community advancement societies. Participation has been fairly limited.

The other type of Co-operative associated with housing is the building society, which are Co-operative financial institutions. There are two types of building societies in Australia, each operating with the same basic objective of promoting home ownership. They are the Permanent Society and the Terminating Society.

The Permanent Building Society in fulfilling its objective has two distinct functions :

- (a) It accepts money from the public, pays interest on it and allows it to be withdrawn.
- (b) It makes loans to its members on the security of freehold or leasehold property.

The assets of permanent building societies increased from A\$276 million in June 1965 to A\$5022 million in June 1976. This represents an average growth rate of 30.2% over the period.

The proportion of total assets of permanent building societies relating to total assets of all financial institutions in Australia increased from 1.2% in 1965, to 5.6% in 1976.

Terminating Building Societies obtain funds under the Commonwealth/State Housing Agreement at subsidised interest rates and also from major private financial institutions. Eligibility for lower interest terminating building society loans is confined to persons of low incomes. These societies are wound up after their loans are repaid. Loans are generally over a 30 year period.

Assets of terminating building societies increased from A\$671 million in June 1965 to \$1175 million in June 1976, representing an annual growth rate of 5.2%.

Total assets of terminating building societies as a proportion of total assets of all financial institutions in Australia decreased from 2.9% in 1965 to 1.3% in 1976.

Control of building societies is ultimately vested in the members who appoint a board of directors to supervise the management of the society's affairs. Directors usually retire by rotation each year and may be re-elected or replaced by other nominated persons who are eligible for election.

Insurance Co-operatives

Whilst Australia pioneered the mutuality principles of Co-operative life assurance, when the Australian Mutual Provident Society was founded in 1849, and whilst today many life insurance companies in Australia operate on the mutuality

principle, for the purposes of this report they are not included as Co-operatives.

The Co-operative Insurance Company of Australia operates in the field of fire, accident and marine insurance. Through its subsidiary, C.I.C. Life Insurance Services, it is also involved in administration of life insurance. It has branches in five States of Australia and in Papua New Guinea, with the majority of its membership being primary level agricultural Co-operatives.

Gross premiums written in the last financial year total \$23.6 million – an increase of 21% over the previous year.

In the remaining Australian State, Co-operative insurance is undertaken by a department of Westralian Farmers Co-operative, which increased its premium income by 15% in the last financial year.

Fishermen's Co-operatives

Of the total fisheries operations around the coasts of Australia, it is estimated that about 55% are controlled by fishermen operating through 36 Co-operatives. These Co-operatives market the fish, provide cold storage facilities, assist members in the purchase of their boats, provide radio services including, in some instances, spotter aircraft services, and also assist in the procurement of other supplies which the fisherman requires for his trade.

The largest fishing Co-operative operates a sophisticated cannery and has established overseas markets for its products.

In addition it is operating in a joint venture with an overseas fisheries development agency.

Transport Co-operatives

In addition to the long distance road haulage service provided for members as one of the diverse activities of Westralian Farmers' Co-operative, the taxicab services in most capital cities in Australia are generally organised on a Co-operative basis. These taxicab Co-operatives mutually assist members in the business of taxicab owning and operating, particularly by procuring a radio base station and aerial and numerous telephone services. They also assist their members by maintaining

suitable dress, working hours and conditions of cleanliness of cabs. They also assist in the purchase in bulk of petrol, oil, tyres and accessories for use by their members to repair, maintain and service their cabs.

Health Co-operatives

Co-operatives exist to provide medical services to members or other persons where a Co-operative retains the services of a medical practitioner. Co-operatives also exist to operate health and hospital facilities.

Another section of community activity providing services in the area of health and following basic mutuality principles are Friendly Societies. Since the mid-19th century Friendly Societies have made available all types of health benefits, including sickness, mortality, medical, medicinal and hospital, on a contributory basis. At June 1965 the assets of Friendly Societies in Australia totalled \$90 million. At 30th June 1976 these assets had increased to \$200 million, which represented .2% of the total assets of Australian financial institutions at that date. Friendly Societies have co-operated together in local groups and established dispensaries and pharmacies for the supply of medicine.

Other Types of Co-operatives

Apart from the main groupings of Co-operatives given previously, Co-operatives in Australia have been formed to:

Provide sheltered workshops for aged and invalid pensioners to give them a feeling of dignity and independence while receiving financial return for services to the community.

Establish hostels and training colleges for Aborigines to develop co-operative education of Aborigines and missionary personnel.

To restore and maintain historic buildings.

To operate community hotels.

(i) Education and Information Activities undertaken by Co-operatives and the Co-operative Federation of Australia

The Co-operative Federation of Australia issues a News Sheet which has wide distribution to all legislatures, public libraries, academic institutions, news media, member Co-operatives and other members of the public. In addition, the Co-operative Federation of Australia organises from time to time national conventions of all types of Co-operative representation. International Co-operative training programmes are also organised periodically in conjunction with the Australian Government as joint efforts to implement aid programmes. Officers of the Co-operative Federation of Australia prepare and distribute informative and research articles on Co-operative activity in Australia for local and overseas journals. They also prepare and present addresses to meetings of Co-operators, non-Co-operators, for radio and television.

Liaison between State Governments and primary level Co-operatives is through the State Co-operative Federations. Since January 1975 the Co-operative Federation of Australia has maintained its Secretariat in the Federal capital and the spokesman for Australian Co-operatives with the Federal Government are officers of the Co-operative Federation of Australia.

Apart from the training institution established for development of Aborigines in Co-operatives, there is no permanent formal educational training institution for co-operators or students of co-operation in Australia. Some State Federations organise periodic programmes of training for directors, management and members. Conferences are arranged at State and Federal level to provide opportunities for interchange of ideas. Some Co-operatives and Co-operative organisations employ officials specifically for the purpose of organising and promoting education and training schemes for members.

(ii) Educational and Information Activities undertaken by Government

Whilst there is no scheme of education or promotion of Co-operatives by Governments, State or Federal, in Australia, the Federal Government has published and circulated widely a

paper prepared by the Co-operative Federation of Australia on the subject of Co-operatives in Australia. The Federal Government has also funded some research studies, but these have been mainly in the area of agricultural co-operation. Again in the area of agricultural Co-operatives, some State Governments actively promote the Co-operative structure as a farm management aid.

Government Policies towards Co-operatives

Whilst it would be correct to say that over the years all Governments of Australia of whatever political leaning have supported the concept and operations of Co-operatives, it would also be correct to say that initiatives for development of Co-operatives have come from the Co-operative sector and little or no Co-operative development can be attributed to the initiative of Governments in Australia.

At the Federal level there is no Minister, Department, Division or officer with responsibility for Co-operatives as such. In one State the Government established a Ministerial portfolio for administration of Co-operatives in 1949 and this still continues. In three States Co-operative Advisory Committees are established by statutory authority and these are comprised in the main of Co-operative leaders in those States, with responsibility to advise their respective Governments on matters affecting Co-operative development and operations.

Recent changes in legislation affecting Co-operatives in Australia are in the main concerned with financial Co-operatives, i.e. credit unions and building societies. The major change concerns the establishment of stabilisation funds to further protect the interest of members of these financial Co-operatives.

Problems facing Australian Co-operatives

The history of development of Co-operatives in Australia, separated in many instances by vast distances and the consequent separate development of strong centres of Co-operative activity, the declining rural population, changes in international and domestic marketing activities, the rationalisation and insidious spread of the tentacles of major national and multi-na-

tional organisations, are all factors which, in addition to the more usual ones of adequate sources of finance, confront Co-operatives in Australia today and emphasise the need for greater collaboration to ensure continued successful development.

Creation of an awareness and understanding of this need is ever present in the policies and programmes of the Co-operative Federation of Australia.

BANGLADESH

Co-operative Movement of Bangladesh

General Economy

Bangladesh has a total area of 141,000 Sq. Kilometres with a population of about 71.4 million (1974), of which about 95% are living in the rural areas. The total effective area of cultivable land is about 30 million acres. The intensity of land use in Bangladesh (1973-74) shows that 12.52 million acres of the cultivated area is single cropped, 7.3 million acres are double cropped and 1.2 million acres are tripple cropped. The major crops grown in Bangladesh are paddy, jute, sugarcane, tea, pulses etc. Rice producing area is about 23.80 million acres. 2.63 million acres are under HYV (high yielding variety) paddy and 21.17 million acres are under local varieties. The acreage under HYV is on the increase.

There are around 6.2 million farms of different sizes. 51% of these farms have an area below 2.5 acres each. 37% of these farms is operated by owner-cum-tenant cultivators, while 61% is operated by owner-cultivators. The system of cultivation is primitive. Modern agricultural equipments like tractors, power tillers etc. are seldom in use. But the use of HYV seeds and chemical fertilizers are on the increase. The farmers have shown a remarkable quality of responsiveness to modern seed-fertilizer-water technology by adopting the new cerial production technology centering around HYV of rice. But still the acreage yield per acre in respect of rice, sugarcane, etc. is quite low in comparison with the production in advanced countries and the country is faced with food shortage. It has to import food grains in large quantities from abroad every year to meet the domestic requirements.

Agriculture in Bangladesh ranks highest in the field of economic activities. It is a source of livelihood for more than 80% of the population and provides about the same percentage of national income. The agricultural sector accounts for about 55% of the G.D.P.

The region is a calamity-ridden area, prone to annual floods and cyclones, which are responsible for recurrent damage to crops. There is no provision for crop insurance.

In discussing development of co-operatives of the Indian sub-continent one has to begin from the later half of the last century from which time the self-sufficient rural economy of the country broke down, mainly under the impact of British trading interest and influx of foreign goods.

Break-down of self-sufficient Rural Economy (1875-1891)

Ours was a self-contained and self-sufficient rural economy. Needs of the rural people, who were predominantly agriculturists, were few. All their primary needs, viz., for housing, clothing and food, were met from within the village. The influx of foreign goods tended to change the habits of the people and create new needs and while on the other hand, indigenous producers failing to compete with the foreign goods lost their market, employment and income. Thus impoverishment of villages started.

Pushing of foreign goods by the British trading interests into the rural areas resulted in emergence of middlemen traders and trader *mahajans* at different levels. Permanent settlement deprived the agriculturists of their rights on lands. Agricultural operation became less and less remunerative. Agriculturists became poorer and poorer and were hence unable to defray their expenses of their seasonal operations. *Mahajans* and money lenders took advantage of the situation and loaned out money to the poor cultivators at very exorbitant rates of interest. Very soon a large percentage of agriculturists became indebted to the rapacious *Mahajans* (money-lenders) and their miseries knew no bounds. Around seventies of the last century, distress of the peasants became very acute and there were peasants' discontents almost all over the country. This was followed by riots at various places particularly in the Deccans. This brought the problem of rural indebtedness to focus for the first time.

From 1875 to 1891 Government of India tried various ameliorative measures through special legislations for dealing with tenants' rights, alienation of land, settlement of debt, restraint on usury. Effects of these measures were partial and incom-

plete. Government made further efforts through education and sanitation to improve the economic and social conditions of the poorer class without much success. At last the Government turned its attention to the idea of using co-operation as a means of solving most of socio-economic problems of the agriculturists. Governments of Madras, United Provinces and the Punjab took lead in the matter.

Introduction of Idea of Co-operation (1892-1903)

Meanwhile the Co-operative Movement had made great headway in Great Britain and Germany. Specially in Germany farmers co-operatives under the leadership of Raiffeisen had made very substantial progress in improving the condition of the farmers who were almost in the same position as that of ours.

Inspired by this, the then Government of India began to think of introducing Raiffeisen types of co-operative societies in India. In 1901 the then Viceroy of India, Lord Curzon appointed a Committee to suggest lines on which legislation for Cooperatives should be made.

Co-operative Legislation and Initial Efforts (1904-1918)

The recommendation of the Committee appointed by the Viceroy led to the enactment of the first Co-operative Societies Act in India in 1904.

Following the legislation, Registrars of Co-operative Societies were appointed by the Provincial Governments and there was spasmodic efforts for organisation of co-operative societies. The progress made during the period was said "to have out-grown the dreams of its sponsors". In working the Act some deficiencies and defects soon came to light. A new Co-operative Societies Act was passed in 1912 to remedy the defects and to widen its scope. The new enactment infused fresh energy into the Movement and there was increase in the number of societies, membership and working capital.

New types of societies for sale of produce, milk supply, manure purchase and purchase of every day necessities of life etc. came into being. Number of central societies grew and the

confidence of the public also began to grow.

It was soon felt that the Co-operative Movement was not "on the right track". The Government of India, therefore, appointed in 1914 a Committee which was known by the name "Maclagan Committee" to get the financial and other aspects of the Movement examined. The Committee submitted its report in 1915 and the report of the Committee was regarded as Bible of Co-operation for India and Indian conditions. The Committee reported that though the number of societies were numerously large in India, in most cases these were qualitatively weak and lacked intrinsic cooperative character. The Committee made some important recommendations which were adopted by all the Provincial Governments and following its recommendations, Provincial Co-operative Banks were organised in many of the Provinces.

Expansion following Constitution Reforms (1919-1929)

With the introduction of Constitutional Reforms in India in 1919 (Montague Chelmsford Reforms) Co-operation became a provincial subject and impetus was given for development of the Movement by the creation of a Minister-in-charge of Co-operation. The period is characterised as a period of un-planned expansion. Numerous co-operative societies of various types sprang up in all the provinces and States. Inefficiency and defects were widespread in the co-operatives thus organised en-masse and in haste. The position of co-operative societies in Bengal was the same, if not worse than other provinces in India and the Movement in Bengal :

- (i) was mainly a credit movement;
- (ii) could not meet even 5% of the total agricultural loan requirement of the province;
- (iii) could not meet even 6% of the demand of the total population of the province;
- (iv) the money-lender, therefore, with his cut-throat rate of interest ruled supreme in the rural area.

One outstanding feature of the Co-operative Societies of the time, however, was that these were almost all self-financed.

The entire capital which was invested in the societies as loans and utilised for development of the Movement came almost entirely from within the Movement as shares and deposits and very little came from the Government.

Economic Depression : Debt Relief Measures and their effects on Co-operatives (1929-1939)

From 1929 onwards acute economic depression set in India, which was unparalleled in range and intensity. There was a catastrophic fall in prices of agricultural products and agricultural lands. Co-operative Movement in all provinces received rude shocks because of huge resulting defaults. Many cooperative societies became defunct as funds became frozen or wiped out by defaults. Expansion of co-operatives stopped. Efforts at rehabilitation and reconstruction were initiated in most of the provinces but the position was almost beyond redemption in Bengal, Bihar, Orissa and Berar.

In Bengal, the Bengal Agricultural Debtors Act of 1935, a law designed to relieve the agriculturists from the burden of debts affected the finances of the co-operatives very much adversely as the co-operative debts were not exempted from the operation of the Act. The Bengal Money Lender Act of 1939 also similarly affected the cooperatives. The Cooperatives of Bengal could hardly recover from the set-back thus caused.

Set-back and Collapse : War and Participation—Their effect on Co-operatives (1930-1946)

The World War-II brought in its wake various economic difficulties for the people which had their inevitable repercussion on the Co-operatives.

Political turmoil in the wake of Independence also added to the difficulties of the Co-operatives in more than one way.

Partition of the country in 1947 resulted in migration of population and this had its effect too on the finance of the Co-operatives.

The Co-operatives were in a state of virtual collapse. There were 26,664 Rural Credit Co-operative Societies on the date of Independence in the part of Bengal which now forms Bangla-

desh and most of these were in a state of collapse. 24,675 Societies out of these had to be placed under liquidation by the year 1957.

To sum up, the following were the causes of lack of success of the Cooperative Movement in the Pre-Independence period :

(a) *Internal causes*

1. Hasty organisation of Cooperatives without preparing grounds for them.
2. Lack of systematic Co-operative Education and Training among members—illiteracy and ignorance of the masses.
3. Introduction of unlimited liability without giving members sufficient education about its implications.
4. Violations of established principles and practices of Co-operation.
5. Ineffective supervision and guidance—loans not used for the purpose for which those were granted.
6. Lack of efficient and enlightened leadership.
7. Eagerness of the Government to multiply the number of Societies.

(b) *External causes*

1. Effect of Depression of the Thirties.
2. Operation of Bengal Agricultural Debtors Act and Bengal Money Lenders Act.
3. Effect of war conditions.
4. Great Famine of Bengal of 1943.
5. Political turmoil of the Forties.

Re-organisation of Co-operatives—Introduction of Multipurpose Societies—Jute Co-operatives : (1947-1958)

On Independence and Partition the then East Pakistan had no apex Bank at the Provincial level as the former Bengal Provincial Bank was situated in Calcutta. The large scale financial collapse of Primary Credit Co-operatives had its effect on the Central Co-operative Banks which nearly faced bankruptcy. Position of many of the Central Banks were beyond redemption.

There was seldom any fluid assets any where. The entire Co-operative Credit structure was in a state of virtual collapse. There were no quarters to which Co-operatives could look for assistance. Government was too pre-occupied with other grave problems of partition, following independence.

The need for building up the co-operative structure was felt by the Government and in the co-operative circles. The task offered immense obstacles in view of the past failures and at the same time it also offered new possibilities of making a break with the past failures and mistakes and starting afresh.

The East Pakistan Provincial Co-operative Bank was organised in the year 1948. Following recommendations made in a Conference held at Dacca in 1947, a decision was taken by the Government to abandon the old system and start co-operative multipurpose societies at union level in the rural areas. From 1948 onwards organisation of union multipurpose societies started throughout the province at a rather fast pace. Gradual liquidation of former rural credit societies also followed simultaneously.

The organisation of union multipurpose societies constituted a break from the past on three major aspects viz.,

- (i) Liability was limited.
- (ii) Objects were multipurpose.
- (iii) Area of operation was a Union (instead of a village).

The former rural credit co-operative societies had unlimited liability. They were single purpose (Credit) Societies with village or part of a village as the area of operation.

From 1948 onwards the union multipurpose societies continued growing and by 1953-54 there were 3,949 societies in the Province, roughly one society in each Union, 135 central multipurpose societies were also organised at thana, sub-division and district levels. The societies multiplied partly due to enthusiasm created by the newly won independence and partly by encouragement provided by the Government. Although the societies increased in number, weakness at the core continued. The numerical increase of societies did not, therefore, necessarily indicate any qualitative development in their intrinsic co-operative character. That the growth of multipurpose societies was haphazard will also be indicated by the fact that

out of 3,949 multipurpose societies organised in 6 years (1948-53), 1107 societies had to be placed under liquidation in the next four years (1954-59) on the ground that no business had been transacted by them for more than a year after their registration. This was unfortunately a repetition of the past mistake, from which no lesson was taken.

The multipurpose societies although multipurpose in objectives (except for business in controlled commodities and in some areas for purchase of jute) mainly functioned as credit co-operatives. Multipurpose societies, however, in many parts of the country functioned as dealers of controlled commodities and in some areas they also undertook purchase of jute under Cooperative Jute Purchase Scheme. This participation and dealing in controlled commodities and in jute did not bring any permanent benefit to the societies either by way of improving financial position or by way of strengthening their cooperative character. Results obtained in most cases were short lived. Societies suffered losses because of inefficiency and mismanagement in many cases. Financial gains which accrued by handling controlled commodities or by participation in Co-operative Jute Purchase Scheme were mostly frittered away due to inefficiency in management and partly because of later years of complete idleness after abolition of controls and of the cooperative jute purchase scheme. One redeeming feature, however, about the multipurpose societies was that, they financed all their business from funds from within the society and no government assistance was made available to them.

Jute Co-operative Societies

In 1950-51 a co-operative jute purchase scheme was initiated by the Government. The operations were conducted by a Committee called "the East Pakistan Co-operative Jute Marketing Committee", appointed by the Government. During the year 1951-52 the co-operatives found themselves ranked third among the largest buyers of jute in the province. Encouraged by the success, the East Pakistan Co-operative Jute Marketing Society Ltd. was organised in 1952.

Presence of the Co-operatives in the jute market had the salutary result of keeping the market free to a great extent from mani-

pulation by traders who often combined to lower the prices. The Provincial Jute Marketing Society and its affiliated Co-operatives gradually took up the whole range of work from collection of jute in the villages to assorting packing and shipping to foreign countries. In the year 1954-55 the Provincial Society successfully completed the border jute purchase operation entrusted to it by the Government. By 1955-56 the Provincial Society was holding the position of the fifth largest shipper in East Pakistan. It was also successful in establishing the "COOP MARK" in the world jute market and had business relations, with buyers in different countries in Asia, Europe and Africa.

In later years, however, the East Pakistan Provincial Co-operative Jute Marketing Society suffered losses, arising from price fluctuation and partly due to internal organisational defects in the society. Losses by themselves would not perhaps have been so serious. But the Government of the time was influenced by business circles hostile to the Co-operatives and there was shift in Government Policy towards the jute co-operatives. Interference from powerful external sources caused disruption in the management of the society causing dislocation in business. Finally Government guaranteed loan for jute business from National Bank of Pakistan was discontinued. A Cotton Spinning Mill with 12,500 spindles established by the Society at a huge cost with the object of off-setting possible losses in jute business had to be sold to pay the Government guaranteed bank loans. These were severe set-backs from which the Provincial Society found it difficult to recover. The Provincial Society, therefore, had no other alternative than to fall into a gradual inactivity while the problem it strived to encounter still remained unsolved.

State Assistance to Co-operatives in large scale ; Policy Declaration by the Government : Expansion of activities : Comilla Experiments (1958-70)

The State Bank and the Co-operatives

The supply of agricultural credit is the statutory function of the State Bank of Pakistan, but somehow it did not come to the assistance of the Co-operatives before the year 1958-59 and

since coming to the field it has been providing substantial assistance to the Union Multipurpose Societies through the East Pakistan Provincial Co-operative Bank for supply of credit to the agriculturist members. The loan by the State Bank of Pakistan to the Co-operatives in the year 1960-61 alone amounted to more than what was provided by the Government or the State Bank in previous 12 years taken together. In recent years there has been silent contraction in the utilisation of State Bank loans due mainly to defaults of co-operative societies in various parts of the Province, arising out of failure of the members to repay their loans in time. A large portion of the default has arisen out of fall in repaying capacity of members on account of cyclones, floods and other natural calamities. There were also cases of wilful defaults. The situation, however, points to the immediate creation of a buffer fund at the Provincial level and also to more stringent measures to tackle the wilful defaults.

Co-operative Development Schemes

Since take-over of the Government of the country by the former Military Regime in October, 1959, there had been a great expansion of co-operative activities in various sectors of national life specially in the agricultural sector. The expansion was mainly due to the role played by the State in promoting co-operative development. The Government for the first time in the history of the co-operatives in this country came out with a policy declaration in February 1962, avowing "full support and assistance to the organisation and development of co-operative societies in all fields of economic activity".

True to their declaration, Government under second and third five-year plans, associated more and more with co-operative efforts by providing funds for execution of a large number of development schemes covering almost all the spheres of co-operative activities

A. Co-operative Education Sector

1. Co-operative Education and Training.
2. Development of Co-operative Union for Membership

and Employees Education.

3. Co-operative Research and Statistics Organisation.

B. Agricultural Sector

4. Development of Co-operative Credit and Marketing Structure.

5. Introduction of Mechanised Farming on Co-operative Basis in Comilla.

6. Development of Co-operative Land Mortgage Banks.

7. Supervised Credit for Co-operatives.

8. Development of Sugarcane Growers Co-operatives.

C. Fishermen's Sector

9. Development of Fishermen's Co-operatives.

10. Export of Fish through Co-operatives.

D. Industrial Sector

11. Development of Weavers' Co-operatives.

12. Development of Sericulture Industries in Rajshahi District.

13. Development of Brass and Bell Industry in Mymensingh.

14. Development of Salt Co-operatives in Chittagong.

15. Development of Cane Industry in Sylhet.

E. Consumers' Sector

16. Development of Consumers' Co-operatives.

F. Housing Sector

17. Development of Housing Co-operatives.

The main objective of the schemes was to rehabilitate and reorganise the Movement so as to put it on a sound footing to enable the Co-operatives to serve as an efficient instrument for the economic and social well-being of the members in particular and the people in general. Many of the schemes have already been implemented within the plan period and many

of the physical targets have been reached. But it is yet difficult to say how far the main objectives have been achieved. In spite of hectic developmental activities, some of the old problems of the co-operatives still do not show signs of disappearing. These tend to come back. It is perhaps yet too early to say how far the implementation of the development schemes have generated self-reliance in the Co-operative Movement of the country. There is always the danger of Government and other external assistance creating more and more dependence on the Government and outside agencies. For an assessment of the results obtained, we may ask ourselves the following questions :

1. Have the Co-operative developed under the schemes been able to build up a sound and efficient business structure on the basis of self-help and mutual aid?
2. Has the specific purpose for which the assistance was given been achieved?
3. Has the assistance helped capital formation in the Co-operatives?
4. Is enlightened membership in sight? Are they increasing?
5. Are leaders emerging in the Movement?
6. Is dependence on Government and other outside agencies decreasing?

We may try to answer the above questions as dispassionately as possible. If all the above questions could be answered in the affirmative, it would indicate a cent per cent achievement of the objectives and an ideal situation. If at least the answers to last three questions can be answered in the affirmative, we should think a very substantial achievement has been made. In assessing the results one should not, however, lose sight of the various socio-economic factors which tend to impede co-operative development and because of which problems came back in vicious circles.

Increasing Agricultural production through Co-operatives.

In recent years Government had been starting great efforts for augmenting agricultural production and in so doing it desired that the co-operatives would take a major part in it. A

large number of new rural co-operative societies were, therefore, organised under TIP (Thana Irrigation Programme) and A.R. P.P. (Accelerated Rice Production Programme). These societies were mostly pump or block based. These newly organised societies served most important and urgent needs of the agriculturists but from orthodox co-operative point of view, one could say that these societies were mass produced rather in a hasty and haphazard manner without preparing grounds for them. Time however, will prove their ultimate intrinsic worth.

The problem and the Trends of the Movement

Co-operatives of Bangladesh face many problems and difficulties. Some of these are discussed below:

a. Organisation

The societies are still being organised in haste without preparing proper grounds for them. This is a sorry repetition of the past mistake.

b. Viability of Units

So far as Union Co-operatives are concerned, these are yet to prove a viable Co-operative unit. Though area of operation of union multipurpose society is a union, in most cases membership has yet remained limited to a few villages. Societies have exposed themselves to Union politics. At places these have given rise to unhealthy and unwanted opposition from the Union Councils. At places the Co-operatives have lost that identity in the Union Councils. Experiences have given rise to grave doubts if Union could really be the correct base for a rural primary Cooperative Society.

c. Leadership

Leadership in primary societies is yet weak and in many cases unreliable. Right type of leadership—capable, hardworking and reasonably honest, is yet to emerge in the primary societies. Co-operatives are yet to be freed completely from the village

“touts”. In the secondary level leadership is half-hearted, functionaries being in majority of cases part-time unpaid honorary workers and pre-occupied district or sub-divisional administration heads. Leadership at provincial level is yet to grow. Primary members are exploited by office-bearers. Members are too ignorant to exercise their right and authority.

d. *Democratic Management*

Democratic Management of the co-operative societies is yet to be achieved in actual practice. Official and non-official functionaries too often predominate in the activities of the co-operatives, thereby retarding the growth of a sense of responsibility among members and hampering the process of involvement of members in the business of the societies.

e. *Capital Formation*

Capital formation, in spite of the assistance given by the Government, is yet slow. Thrift and savings deposits are poor. Ownership of the members in the society and confidence in it is yet to grow.

f. *Co-ordination*

Co-ordination of efforts are yet to be properly synchronised between primary and the central and between the central and the provincial apex societies. There is also lack of mutual confidence between the primary and the central and between the central and the apex societies.

g. *Credit and Defaults*

Credit is still the greatest attraction to the co-operatives. The co-operatives in general are yet to develop other attractions by way of various services. Incidence of defaults are yet considerable. Richer members are worse defaulters than the poorer members.

h. Violation of Rules and Regulations

Rules and regulations are not properly followed by the Cooperatives or are mechanically followed particularly in respect of, annual general meetings, elections, audit, distribution of loans, distribution of profits etc.

i. Dependence on Government

There is too much dependence on the part of the co-operatives on the Government for almost everything. Too much of Government assistance sometimes stifles growth of self-reliance. Too little of it sometimes stifles growth. Government assistance should be just enough to generate inner strength and self-reliance. Government assistance should be more for the infrastructure than for the actual running of the co-operatives. The ultimate aim of the Government assistance should be to do away with their assistance altogether in due course.

j. Supervision

Supervision and control of the co-operatives by the Government sometimes retards self-reliant growth. Importance of supervision and control from within the Movement are required to be gradually brought home.

k. Member Education

Members, in general, are rather apathetic and passive to the improvement of the co-operatives. Their interest must be generated, nurtured and maintained. Qualitative development of co-operatives is not possible without enlightened membership.

l. Illiteracy

General illiteracy of the masses is a great hindrance to the growth of co-operatives. Co-operatives themselves should be active to remove illiteracy.

m. Efficient Service

Efficiency in service is yet to be properly developed by the cooperatives. Cooperatives are required to work hard to make

themselves more efficient in the service of their members.

Notwithstanding these problems, the co-operatives have made big forward strides. Many new fields where co-operatives had hitherto not ventured, have been covered by them. Experiments are also on to remove the problems which beset the Movement. Co-operatives are gradually emerging as a force.

Comilla Co-operative Experiments

An event of great significance to the Co-operative Movement of the country in recent time was the experiments conducted in Comilla Co-operative Pilot Project under the leadership of Dr. Akhter Hameed Khan. Intensive efforts were being made in Comilla to develop a viable co-operative pattern at primary level in the village and at the secondary level at the thana level suited to our rural conditions and capable of covering within its framework all the economic activities of its members. The activities of all nation-building departments of the Government are also sought to be geared to the assistance of the Cooperatives at all levels particularly at the thana level. Agricultural extension, rural and adult education, family planning, women's emancipation and other social welfare programmes go hand in hand with the cooperatives in an integrated all-out effort to help himself. All possible organisational and financial assistance and support are being provided to the cooperatives to enable them to build themselves and to develop on sound financial lines on cooperative basis, overcoming and avoiding, as far as possible, difficulties, problems and mistakes of the past.

Simultaneously, the activities of the societies and the behaviour of members were being subjected to close study and research by the appropriate Faculties of the then Pakistan Academy for Rural Development, Comilla. On evaluation of results policy directions of the cooperatives were constantly reviewed and revised whenever necessary.

What has been achieved in Comilla has been able to attract the attention of the world. Virtually, Comilla experiments have put Bangladesh in the Cooperative map of the world.

In order to test the work ability of the new cooperative system evolved in Comilla, the experiments were duplicated at

Natore, Gaibandha and Gouripur. It is now being duplicated in all the other thanas of Comilla district. Government having been convinced of the soundness of the Comilla Co-operative system has, of late, taken a decision to duplicate it throughout the province under the name "Integrated Rural Development Programme".

Present Position of the Movement

The Cooperatives of Bangladesh are service and productive organisations engaged in different economic development of the people and their activities are extended to all important sectors of national economy such as, agriculture, fisheries, weavers, women, small industries, milk, marketing, transport, consumers' supply, education and extension. Cooperatives are organised on a three tier structure, primaries at the grass-root level, centrals at the secondary level and apex societies at the national level. There are at present about 82,788 Cooperatives in the country with an individual membership of about 5.5 million as shown below :

<i>Types of Cooperatives</i>	<i>Number</i>
1. Apex Societies.	11
2. Central Societies.	589
(a) Central Coop. Bank.	63
(b) Central Coop. Multipurpose Societies.	73
(c) Thana Central Coop. Associations.	250
(d) Industrial Union.	47
(e) Fishermen.	86
(f) Women.	33
(g) Others.	37
3. (i) <i>Agricultural Primary Societies</i>	64,444
(a) U.C.M.P.S.	4,198
(b) Central Coop. Bank— Krishi Samabaya Samity (KSS)	31,393
(c) I.R.D.P.-K.S.S.	27,548

(d) *Others* :

Sugarcane, Milk Farmers, etc.	1,305
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<i>Types of Cooperatives</i>	<i>Number</i>
(ii) <i>Non-Agricultural Primary Society</i>	17,744
(a) Weavers	3,155
(b) Fishermen's	3,886
(c) Women's	2,341
(d) Consumers	1,513
(e) Landless	150
(f) Employees & Industrial Weavers	2,242
(g) Others	4,457
	82,788

From the sharp increase in number of cooperative societies it is evident that the common man has spontaneously adopted cooperatives as a means of economic upliftment. The authorities while giving all-out support for the expansion of the movement are now giving emphasis on the improvement of quality of the management.

Agricultural Credit

Cooperatives play an important role in agricultural credit sector. The agricultural credit channelised by the cooperatives is of short, medium and long terms and these are mainly issued in the shape of seeds, fertilizer, fuel, etc. for various types of paddy crops, jute, wheat, sugarcane, oil seeds, potatoes, sweet potato, etc. Medium term loan is issued for purchase of plough cattle and small agricultural implements. Long term loan is given for redemption of old debts and improvement through Cooperative Land Mortgage Banks. 33% of the loan is earmarked for small farmers with holding below 1½ acre.

With the gradual adoption of modern technology in agriculture, there is increasing demand for credit by the farmers. In the past, agricultural credit was provided by the institutional sources to the farmers for rendering them financial support at the time of cultivation, without any linkage to the production

needs of any particular crop. Now agricultural credit is being provided on the basis of individual farmers' crop-wise production plans to ensure effective use of the credit.

It is estimated that about 70% of the agricultural credit by the farmers comes from private sources, such as friends, relatives, money-lenders, traders, etc. The remaining 30% is provided by institutional sources, such as (i) Cooperatives including I.R.D.P. (Integrated Rural Development Programme) (ii) Bangladesh Krishi Bank and (iii) Nationalised Banks. The Central Bank of the country allows a concession of 2% in interest rates on agricultural credit channelised through the institutions.

Existing Institutions

(a) Cooperatives

The Bangladesh Samabaya Bank (BSB) is the National Cooperative Bank of Bangladesh which advances short term credit to the farmers through a three-tier organisational set up. It disburses loans through the central cooperative banks/thana central cooperative associations and finally to the farmers through primary cooperatives at the village level. The Bangladesh Samabaya Bank is provided with refinancing facilities by the Bangladesh Bank.

The bank's loans are now granted under a system of supervised credit in project and irrigated areas, on the basis of farmers' production plans for each crop. Credit is mostly given in kind, such as seeds, fertilizer, fuel, pesticides, etc. Lending by Bangladesh Samabaya Bank has substantially increased after the introduction of HYV paddy (Boro), Aus and Aman. Besides short-term credit, the Bank also advances medium and long-term loans to the farmers for purchase of cattle, implements, rounding of holdings, etc. against mortgage of lands. 33% of the loan is earmarked for farmers whose land holding is below 1½ acre.

(b) I.R.D.P.

Two hundred and fifty thanas have already been covered

under the programme. The volume of agricultural loans disbursed was as below :

1973-74	Tk. 24.5 million
1974-75	Tk. 39.3 million
1975-76	Tk. 45.3 million
1976-77	Tk. 62.0 million
1977-78	Tk. 30.7 million

(Upto Sept. 1977)

A significant feature of IRDP is supervised credit system linked up with input supply, training and marketing.

Bangladesh Krishi Bank

Bangladesh Krishi Bank extends short, medium and long term credit. During the financial year 1976-77 the Bangladesh Krishi Bank disbursed a loan of Tk. 384.84 million covering various purposes, viz., seeds, seedlings, chicks fingerlings, fertilizer, feeds, pest control supplies, farm labour, irrigation charges, plough cattles, shallow tubewell, farm machinery, equipments, land development, tea garden, cold storage, etc.

Taka 100 crore programme

The participating Banks disbursed amounts as noted against their names below under the programme :

Name	Disbursement in 1977	Disbursement in 1978 (January-May)
1. Sonali Bank	Tk. 115.6 million	Tk. 22.6 million
2. Janata Bank	Tk. 78.2 million	Tk. 59.7 million
3. Agrani Bank	Tk. 81.1 million	Tk. 52.5 million
4. Rupali Bank	Tk. 60.6 million	Tk. 28.6 million
5. Pubali Bank	Tk. 55.4 million	Tk. 14.0 million
6. Uttara Bank	Tk. 17.9 million	Tk. 5.2 million
7. Bangladesh Krishi Bank	Tk. 165.3 million	Tk. 69.3 million
	<u>Tk. 574.2 million</u>	<u>Tk. 251.9 million</u>

(Crore = 10 Million)

The programme has since been enhanced to Tk. 150.00 crore this year.

Credit for landless and marginal farmers

A trend is apparent that the number of landless and marginal farmers is gradually increasing. Special credit programme for such farmers is necessary. 33% of the cooperative production loan is earmarked for such farmers. The landless labourers are being assisted through special type cooperative such as rickshaw, auto-rickshaw pullers societies, derelict tanks societies, etc. Such financing projects can be increased.

Credit for farmers in slack season activities

The majority of the farmers keep quite idle during slack agricultural season. Special credit and extension programme can be launched to keep them engaged in small cottage industries, agricultural implements making, tree plantation, gardening, cattle fattening etc. This is likely to benefit the farmers to a very great extent.

Credit for small agricultural implements

Use of small agricultural implements like weeder, hand-hoc, seed drill, winnower, hand-spray etc. can enhance the agricultural productivity to a great extent while use of thrasher can save harvesting loss significantly. These implements are produced locally. Special medium term credit programme may be launched for the benefit of agricultural production.

Problems, Deficiencies and Difficulties

1. Though credit activities in agricultural sector is gradually being increased, there is no basic statistics about actual requirement of credit in the country. Due to expansion of credit in the sector, there has been substantial impact on production but there has been no precise study and evaluation of the same.
2. There is overlapping and duplication in terms of func-

tioning of cooperatives, IRDP, RD-I Project, BIRDP Project, Tk. 100.00 crore programme, jute scheme of the Ministry of Agriculture and Credit Programme of the Sugar Mills.

3. There is general lack of adequate co-ordination and matching between the credit, input and marketing, procurement programme. If the credit programme is liberal and not supported by production input production cannot increase and causes inflation.
4. By and large, the Cooperatives are dominated by the richer section of people. It is difficult to reach the landless and marginal farmers. Well-to-do farmers tend to dominate the societies and enjoy major share of credit. Same is the position of the nationalised banks in many cases.
5. Cost of operation of agricultural credit is higher than that of urban credit. The margin available to the lending institutions is inadequate to cover the costs, viz., handling expenses, interest on borrowed funds and provision for bad and doubtful debts. One major reason why the cooperative credit institutions could not function properly and on viable basis is that the margin of interest available to them were inadequate to cover the costs.
6. There is general shortage of trained officers and staff for working in agricultural credit sector.
7. There is recurrent damage to crops in the country due to natural calamities. But there is no arrangement to support the lending institutions to write off/reschedule loans affected in such calamities.
8. The existing legal provisions are inadequate and lengthy to realise loans wilfully defaulted by even the rich farmers.

Concluding Remarks

Considering the above situations, the following are the major issues which are needed to be examined and analysed on priority basis for tackling various problems in the agricultural credit sector :

1. Interest margin available to the lending institutions is unrealistic and is not adequate to meet the cost of administration of credit. With inflation this cost is ever rising.

- Agricultural Credit has ultimately to be self-paying. It is, therefore, natural that interest rate should increase.
2. One of the major objectives of the rural credit should be to increase rural employment.
 3. In spite of various legislations to curb it, money-lending thrives. Restrictive measures merely help to increase the rate of interest; these cannot stop money lending. It may be considered if some such action as has been taken in the Philippines to institutionalise private money lending could be tried in our conditions, as it may not ultimately be possible for the institutional sources to meet fully the ever increasing demand for agricultural credit in the country.
 4. Number of landless and marginal farmers are on the increase. This trend has to be arrested and steps have to be intensified through institutional sources and through legal measures to stop alienation of lands. In the Bangladesh Bank Agricultural Credit Report (Phase II) opinion has been expressed against providing institutional credit for release of mortgaged properties by the farmers who have lost control of their land. Such a proposal will appear totally unacceptable in our situation.
 5. Farmers are at present being financed both in groups through Cooperatives and also individually through nationalised banks. Comparative advantage and disadvantages are required to be examined and assessed for future policy decisions. Economic and social advantages of the two ways are to be taken into consideration in making the evaluations.
 6. Impact of multi-agency operation of agricultural credit and the resultant difficulties are required to be studied in depth for adopting corrective measures.
 7. Impact of area development projects, viz, Azgana Tarafpur (Bangladesh Bank) Dacca-Narayanganj-Demra (DND), R.D I.,S IRDP, DANIDA Projects may be evaluated for their possible duplication in other areas.
 8. Rural Credit is at present extended mainly for major crops. This is needed to be diversified to cover all the fields of rural activities, such as poultry, feeds, gardening, tree plantation, hand tube-well for irrigation, irrigation well and so on.

Marketing & Supply

The marketing of agricultural produce and supply of consumer goods through cooperatives are taken care of by the Samabaya Marketing Society at the national level and 75 Central M.P. Societies at the intermediary level. Distribution of consumers' goods at the base is shouldered by 1513 primary consumer societies.

During 1976-77, the Marketing Society lifted items of consumers' goods worth Taka 2.9 million and with its old stock it stands worth Taka 23.1 million and made a sale of Tk. 20.9 million through its affiliated societies.

The Marketing Society runs four cold storages at the following purchase points for preservation of potato and Potato seeds. During 1976-77 the Society purchased the following quantity of potatoes :

1. Hathazari	7,422 mds.
2. Naogaon	—
3. Thakurgaon	11,250 mds.
4. Narshingdi	—
	18,672 mds.

During the year, the four Rice Mills of the Marketing Society operating in the district of Dinajpur purchased, (Taka 4.2 million) crushed and sold rice (Taka 3.3 million).

Sugarcane Growers' Cooperatives

The peculiarities of Sugarcane Growers' Cooperatives in Bangladesh are that production loans for the growers are processed under joint supervision of the cooperatives and the sugar mills. There is ample scope for linking of credit with marketing of cane through the concerned sugar mills.

For production of sugarcane and its marketing through sugar mills, there existed as on 30-6-77, 12 Central and 571 Primary Sugarcane Growers' Cooperatives with membership of 105,880 around 12 mill-zones of the country with share capital and

thrift deposits of Taka 4.3 million and 2.4 million respectively.

During the year 1976-77 the Sugarcane Cooperatives issued ST loan of Taka 10.2 million to 15249 individual members through 262 primary societies for cultivation of improved varieties of cane in about 18,000 acres of land. The following were the components of the loan :

(a) Seeds	45.37
(b) Fertilizer	23.28
(c) Labour	31.56
(d) Medicine	0.29
(e) Cash	2.48

Total : 102.98

During the year, the sugarcane-growers' Cooperatives marketed 6.4 million maunds of cane to the sugar mills at a value of Tk. 64.3 million. Collection of sugarcane loan during the year amounted to 44% against 37% during preceding year.

As the operation of loan and marketing in the Sugarcane Cooperatives are being conducted with the assistance of the Sugar Mill authorities, the recovery of Cooperative loan also depends on the extent of cooperation available from the sugar mills. During the last few years, the relationship between the sugar mills and the Cooperatives on the loan administration issue has been strained for some reasons, with the result that the cooperative loan recovery situation has been awfully deteriorating.

Fishermen's Cooperatives

Supply of inputs like yarns, nylon twine, marine diesel engine, other fishing materials, gears, as well as capital and facilities for storage, icing, marketing of fish processing, export of fish, development of fisheries, construction and supply of fishing boats, carrier vessel and manufacturing and supply of fishing nets is the important activity of cooperative movement in fishing sector. There are one apex society, 83 Central and about 3885 Primary Societies in this sector.

During 1976-77, the Bangladesh Jatiya Matshajibi Samabaya Samity Ltd, arranged to import six 10 tons, three 33 tons

capacity Ice Plants, one Net Factory and one Freezing Plant with four hundred tons capacity storages facility under development scheme.

During the year the Apex Fishermen's Cooperative Society exported 434,044 lbs of processed shrimp, froglegs and other fish and earned foreign exchange equivalent to Taka 13 million.

The apex fishermen's cooperative society is responsible for implementation of a development project (1975-76 to 1977-78) at a cost of Tk. 91.1 million including foreign exchange component of Tk. 43.3 million. The physical target of the project included among others (a) development of one apex, fifteen central and 150 primary fishermen societies (b) installation of nine ice plants (three of 33-ton capacity and six of 10-ton capacity) and one freezing plant (c) supply of 425 mechanised fishing boats, 30 fish carrying vessels and 6 fish carrying trucks (d) construction of 250 country fishing boats and (e) setting up of one net factory. During the year negotiations were carried on for obtaining foreign credit and equipment necessary for execution of the scheme.

Weavers and Artisans Cooperatives

Cooperative Societies for the artisans, particularly the weavers societies, are engaged in supplying of production materials (like yarn, dyes and chemicals) and facilitating marketing of members' products. Organisations responsible for this sectoral operation comprises one apex society, 49 Industrial Unions and about 3200 Primary Weavers Societies of which 104 societies are affiliated with the apex society. Till 1976-77 these Cooperatives handled on an average 85 bales of yarn valued at Tk. 600,000. During the year 1976-77, these cooperatives purchased dyes worth Tk. 11.9 million and sold dyes and chemicals worth of Tk 6.1 million among weavers, and marketed members' products worth Tk. 848,000 only. The apex society runs a factory at Narayanganj wherein machineries and spare parts for repairs and remodelling of handlooms are manufactured.

The sector comprises also the Sonar Bangla Cotton Spinning Mills at Narayanganj. It has three calendaring plants at Narayanganj, Madhabdi and Kanchan, which have during 1976-77 earned Taka 851,000 by calendaring 6.6 million yards of hand-

loom cloth.

Cooperative Dairy Complex

Although there were dairy cooperatives in the past, it was after liberation when the cooperatives embarked upon the sector with a well-planned programme of installation of the following plants :

Sl. No.	Name of Factory	Type	Capacity
1.	Dacca Dairy (Mirpur)	Liquid Milk Dairy Plant.	60,000 litres.
2.	Bhaghabari Ghat Dairy (Pabna)	Feeder Balancing Dairy Plant.	50,000 litres.
3.	Takerhat Dairy (Faridpur)	Pasteurisation Plant.	25,000 litres.
4.	Tangail Dairy	Chilling Plant.	10,000 litres.
5.	Taraghat Dairy (Manikganj)	„	10,000 litres.
6.	Lahiri Mohanpur Dairy	„	6,500 litres (has not yet come into operation.)

The plants at Dacca, Tangail and Manikganj, which were commissioned earlier, commenced work during 1975-76, and the remaining two during 1976-77.

The physical performance and products of these projects are as follows :

Sl. No.	Name of items	Quantity	Value
1.	Pasteurised milk	5,922,358 litres	Tk. 23,060,388
2.	F.C.M.P.	151,688 lbs.	Tk. 1,740,572
3.	S.M.P.	1,945,660 lbs.	Tk. 9,193,120
4.	Butter	74,921 lbs.	Tk. 1,396,817
5.	Ghee	20,434 seers	Tk. 652,428
Total :			Tk. 36,043,325

The implementation of the dairy complex is taken care of by the Eastern Cooperative Milk Producers' Union through a development project taken up at a cost of Tk. 79.7 million now revised for Tk. 115 million with foreign exchange component of Taka 3.4 million only.

Transport Cooperatives

After liberation when the transport problems in the country, particularly at Dacca, deteriorated due to destruction of vehicles during the war of liberation two development projects for supply of Auto Rickshaws to deserving drivers—one on collective ownership basis and the other on individual ownership basis, were taken up for execution since 1972-73. The scheme envisaged for supply of 2000 Auto-rickshaws.

To implement the scheme a consortium consisting of 6 commercial banks was formed. As per contract with the consortium and guarantee of the Ministry of Finance a loan of Tk. 12.5 million was taken.

As per Government decision the society purchased in three instalments 1089 Auto chassis @ Tk. 4,779 each at a total cost of Tk. 5.2 million. After making the bodies these were distributed to Dacca, Chittagong and Khulna.

On the basis of a contract with the Consortium Banks on 31.3.77 a loan of Tk. 11.3 million was sanctioned for 1977-80. Out of that fund the society purchased on cash payment 212 Vespa, 200 Bajaj from the TCB. The Central Society so far affiliated 67 Primary Auto-Rickshaw Societies and 42 Societies have been allotted Auto-Rickshaws upto 30-6-77 and the remaining societies will be provided with 412 Auto-Rickshaws. Total number of Driver-Members of the affiliated societies are 4,388.

The society obtained in 1975 two licences of Tk. 500,000 each for importing spare parts.

Women's Cooperatives

Since the last few years, the women community in Bangladesh, appears to have come forward more enthusiastically to organise separate Cooperatives for themselves. These Coope-

ratives were originally devoted to procurement and distribution of consumers' goods during post-liberation period, when the scarcity and sky-high prices of daily necessities were an acute national problem. The women's cooperatives had also in their objectives the promotion of savings, development of skill in home-making, marketing of handicrafts and other social programme like family planning and adult education. Upto February, 1978, the number of primary women's cooperative in the country rose to about eleven hundred, with membership of nearly 35,000 having shares and deposits of about Tk. 150,000. These primaries are affiliated to 35 central women's societies, federated into a national apex organisation known as Bangladesh Jatiya Mahila Samabaya Samity.

The National Government and the National UNESCO Commission of Bangladesh will have to come up to provide necessary help and assistance to maintain the mass-education centres for rural women population and training centres for members of the Co-operatives. In Bangladesh there are over 64,000 villages. Each village shall have to be provided with one male and one-female teacher to run night schools for male adults and mass-education centres for Women in morning hours. These teachers are to be paid on part-time basis. They will recruit voluntary teachers from both sex, from different parts of the village to work as their aid. The Sectoral apex societies shall have to draw plans and schemes for their regional societies. The entire education programme may be co-ordinated and conducted by the National Co-operative Union.

The educational needs for the women cooperatives may be identified as follows :

- (a) To make the women community aware of their legal rights and obligations in the family and the society.
- (b) To inform the women community the National Plans and Programmes to improve the status of women.
- (c) To keep the women community-informed of employment opportunities in the country.
- (d) To prepare schemes for self-employment project and encourage them to take all innovative programmes.
- (e) Vocational training programmes.

Institutional Co-operative i.e. School and Youth Cooperatives

There are 161 institutional cooperative societies in the country mostly in schools. These worked rather in isolation with local initiative, without any centrally supported co-ordinated plan or any well-defined programme. Age limit prescribed in the cooperative law for membership was also a hindrance. The cooperative law however proposes to do away with this restriction. There is excellent prospect and scope for developing countrywide schools, college and youth cooperatives in a planned manner in order to harness our juvenile and youth forces in the task of national development particularly in the rural areas. Efforts are already under way in the direction.

Integrated Rural Development Programme

250 Thanas have so far been covered under the programme. R.D.I. Project in 3 Thanas in Mymensingh and 4 Thanas in Bogra district and SIRDP Project covering 4 Thanas in Serajganj Sub-Division are implemented with assistance from World Bank and Asian Development Bank. The programme aims at total development of the villages and sustained efforts are being made in that direction. So far 27,548 Societies have been registered with 844,407 members. All the Thanas in the country are proposed to be covered under the programme in a phased manner.

The functions of the Cooperative Department and the IRDP have to be properly defined and their jurisdictions sharply demarcated.

The landless and marginal farmers and landless labourers are increasingly being assisted through cooperatives. 33% of the cooperative agricultural production loan is earmarked for small and marginal farmers both by Bangladesh Samabaya Bank and IRDP. The landless labourers are being assisted through special type cooperatives such as Rickshaw, Auto-Rickshaw Pullers Societies, Derelict Tanks Societies etc. Besides 150 Cooperative Societies formed exclusively by small and marginal farmers are functioning at present.

Financial Condition of the Cooperatives

The 11 Apex Cooperative Societies have at present a working capital of Tk. 690 million of which 590 million is borrowed capital and 100 million is owned capital. The estimated working capital of 589 Central Banks/Societies of different sectors of the Movement is estimated at Taka 820 million of which Tk 690 million is borrowed capital and Tk. 130 million is owned capital. The working capital of 64,444 Agricultural Primary Societies has been estimated at Tk. 650 million out of which Tk. 550 million is borrowed capital and Tk. 100 million owned capital. The working capital of 17,744 Non-Agri-Primary Cooperatives is estimated at Tk. 110 million out of which Tk. 20 million is borrowed capital and Tk. 90 million is owned capital. Thus, the estimated working capital of 82,788 Apex, Central and Primary Societies in various sectors of the Movement stands at Tk. 2270 million as working capital out of which Tk. 850 million is borrowed capital and Tk. 1,420 million is owned capital.

The Bangladesh Jatiya Samabaya Union and its role in the fields of Education, Training, etc.

At the initiative of the Cooperative Directorate the erstwhile East Pakistan Cooperative Union was organised and registered in the year 1961 to fulfil the requirements of Member Education, Training and Co-ordination. The bye-laws of the East Pakistan Co-operative Union was amended in the year 1972 under the name and style of "Bangladesh Jatiya Samabaya Union" to promote, extend, assist and guide the Co-operative Movement by propagation, motivation, training and extension and to serve as exponent of the co-operative opinion and to represent and safeguard the interest of the Co-operative Institutions and to advise the Government on policy matters relating to the Co-operative Movement of Bangladesh.

The Bangladesh Jatiya Samabaya Union devoted itself to holding seminars, conferences, symposiums, special training courses, arranging study visits, providing facilities for organising co-operatives, launching programmes, to remove illiteracy from the country, publication of books and study materials, evaluation of performances of Co-operatives, setting up Com-

mittees for amendment of cooperative law, submission of proposals and schemes for development of Cooperative Movement to the National Government.

82,188 Primary Cooperative Societies of Bangladesh conduct meetings and group discussions to educate their members on cooperative way of life with special emphasis for joint action for efficient production and organised marketing. The 20 District Cooperative Unions organise and conduct educational training programmes for the office-bearers of Primary Cooperative Societies and also Central Banks/Societies/Associations at the district level and in rural areas. The Bangladesh Jatiya Samabaya Union organises education and training programmes at national level for office-bearers and employees of apex societies and central societies. The existing Cooperative College and 8 Zonal Institutes are not in a position to meet with the requirements of training for the officers of Cooperative Department and employees under various development projects of the Government.

The necessity and importance of education and training for over 6 million co-operators of Bangladesh can hardly be exaggerated. The 52 peripatetic units of Extension Branch are also conducting group meetings and discussions in primary cooperatives with the assistance of District Cooperative Unions and the Central Societies. The District Cooperative Unions in collaboration with the departmental officers and the Bangladesh Jatiya Samabaya Union in close cooperation with the Registrar of Cooperative Societies, are regulating and conducting the self-reliant training and education programmes of the movement in the rural areas. The Bangladesh Jatiya Samabaya Union and the District Cooperative Unions are providing audio-visual aids, education materials, printing materials and publications on cooperatives to the trainers, trainees and members of the Cooperatives in a limited way. The Union is making a proposal to the Government and also to the International Agencies to come up and extend necessary help and cooperation to produce education materials in Bengali and films on Cooperation.

The Bangladesh Jatiya Samabaya Union organise and hold seminars, symposiums, conferences, meetings, etc. at national and regional level on co-operation, mass education, increase production, family planning, social welfare, socio-economic

aspects, etc. in co-operation and collaboration with Development Agencies at the national and International level. The Union played significant role as promoters of Thana Central Cooperative Associations (in non-IRDP areas), housing cooperatives, youth cooperatives, workers' cooperatives, landless farmers' cooperatives, women cooperatives and pioneer of mass literacy movement, family planning campaign among co-operators and made concerted efforts for increased production and for a self-reliant Movement.

The Bangladesh Jatiya Samabaya Union conducted surveys and made evaluation of performances of Cooperatives in increased production by irrigation, organised voluntary mass education centres and special type cooperatives. The union organised and held conferences, conventions, meetings and identified the problems of the Movement and submitted recommendations to the Government for implementation. The Bangladesh Jatiya Samabaya Union submitted a proposal to the Government to abrogate colonial cooperative acts and rules in force in the country and adopted the new cooperative acts and rules framed by the Bangladesh Jatiya Samabaya Union for democratic growth and development of Cooperative Movement of Bangladesh.

The Union translated into Bengali a number of English publications on cooperative and agriculture to circulate them to members of cooperatives. The Union also published a number of journals, periodicals on Cooperatives in Bengali and English in the past but could not continue with publication in English due to shortage of fund. The Bangladesh Jatiya Samabaya Union is now giving serious attention for organising rural cooperative housing societies and rural electric consumers' cooperative societies.

The Bangladesh Jatiya Samabaya Union is the spokesman of over six million cooperators of Bangladesh. The Bangladesh Jatiya Samabaya Union is mainly responsible for cooperative education and training, co-ordination between National Government and Cooperative Movement and liaison with International Co-operative Alliance. Immediately after Liberation it played significant role for mass education, promotion of cooperatives, upholding the causes of Cooperative Movement of Bangladesh and organising aid and assistance for the Co-

operative Movement.

Being imbued with the policy of our National Government for joint efforts in an organised way the Bangladesh Jatiya Samabaya Union played a meaningful and effective role for the promotion of Co-operation. The Cooperatives under the guidance of the Union have been trying to build up a self-reliant Co-operative Movement.

The Ministry of Planning and Finance, on the concurrence of the Cooperative Ministry and the department, sanctioned an amount of Taka 400,000 to the Bangladesh Jatiya Samabaya Union for Member-Training Programme.

The Bangladesh Jatiya Samabaya Union has prepared number of reconstruction and rehabilitation schemes for submission to ICA and to concerned Agencies of the Government. Most of them were used as basis for preparation of Government Development Schemes.

The Union developed a National Cooperative Planning Cell in cooperation and collaboration with Apex Organisations who were willing to contribute substantial amount for the purpose.

The Co-operative Development Fund created by contributions from Cooperatives out of realised net profits has been administered by the Union since 1970. Recently, the Government has appointed a Committee headed by the Registrar of Cooperative Societies to administer the Fund and take over charge from the Union. Representations have been submitted to the Ministry to retain administration of the Cooperative Development Fund with the Bangladesh Jatiya Samabaya Union.

The Bangladesh Jatiya Samabaya Union has taken up a programme to train 50,000 co-operators annually by organising weekly training courses through the 589 Central Banks and Societies at thana level for office bearers and managers of Primary Cooperative Societies and through 20 District Cooperative Unions at district level for office bearers and employees of Central Banks/Societies. The trainees will be paid training allowance out of education fee paid by the members of the Primary Societies to their respective Central Societies. The Bangladesh Jatiya Samabaya Union will also organise training programmes for office bearers and employees of apex Cooperative Organisations and Central Societies at national level and regional level. The Bangladesh Jatiya Samabaya Union will produce training materials

and distribute the same to the District Cooperative Unions and the Central Banks/Societies. The training programme now being conducted in a modest way needs to be re-organised and re-enforced. The Bangladesh Jatiya Samabaya Union is preparing a project at an estimated annual cost of Tk. 7.5 million to produce publicity, propaganda and training materials and procure teaching aids to meet the requirements of district cooperative unions for training and education of all sectors of the cooperative movement of Bangladesh.

INDIA

Cooperative Movement In India

General Approach to Cooperative Development

The Cooperative as a socio-economic frame-work has been well-known in India since ancient times when people practised it as a way of life. But it was only in 1904 when cooperation was recognised as a corporate business proposition, "largely with a view to providing agriculturists with institutional facilities for obtaining the capital required for agricultural operations otherwise than on usurious rates of interest". With the attainment of independence in 1947, the Nation adopted a policy of planned economic development for establishing 'An integrated and just society, providing individual liberty in its sense, equality of opportunity and a basic economic minimum for all.' The First Five Year Plan recognised cooperation as an "instrument of planned economic action in democracy", suiting to the requirements of the Government for implementing the development plans particularly for agriculturists and the weaker sections of the society. With this end in view, the Government, both at national and state level actively sponsored and supported cooperative movement through active financial, administrative and legislative assistance. The First Five Year Plan stated, "as it is the purpose of the plan to change the economy of the country from an individualistic to social and cooperative basis, its success should be judged among other things, by the expansion to which it is implemented through cooperative organisations".

As a sequel to this the Government of India appointed an Expert Committee known as the All India Rural Credit Survey Committee to define the approach to cooperative development specifically in agricultural sector. The Committee observed "Cooperation has failed in India, but it must succeed" and recommended a well defined institutional frame-work for cooperative organisation particularly for meeting the needs of rural India.

Reiterating the approach enunciated in the First Five Year Plan, the Second Five Year Plan maintained that building up a cooperative sector as a part of the scheme of planned development is thus, one of the central aims of the national policy. During Third Five Year Plan the main emphasis was given on diversification of cooperative activity. The plan further observed, "A rapid growing cooperative sector with special emphasis on the needs of the peasants, the workers and the consumers becomes a vital factor for expansion of employment opportunity and for rapid economic development". Based on the concept of growth with stability and social justice, the Fourth Five Year Plan outlined the approach to cooperative development "It will be a part of the policy during the 4th Five Year Plan to ensure that the opportunity before cooperatives as large and varied as they can utilise."

During the Fifth Five Year Plan also, the cooperatives have been recognised as an important institutional frame-work to ameliorate the conditions of weaker sections, particularly in providing inputs and working as an important limb of national public distribution system. The main thrust has been on strengthening primary level agricultural coops so as to enable them in meeting the composite needs of their membership; strengthening consumer cooperatives as an important link in the overall national public distribution system; removal of regional imbalances in the cooperative growth and development of professionalised cooperative management at various levels through proper demarcation of functions, powers and responsibilities between chief executives and board of directors, and improving personnel management policies in cooperatives and strengthening the training programmes.

National Policy on Cooperation

Till the completion of Fifth Five Year Plan, the National Policy on the Development of Cooperative Movement was governed by the Policy Resolution of 1958 which was adopted by the Government of India regarding approach to cooperative development. However, with the changes in political and economic complexion of the nation after March 1977, the Government of India reviewed the old cooperative policy resolu-

tion and adopted a new one in December, 1977. The main features of the new Cooperative Policy Resolution, in brief, are :

- (i) Cooperatives to be built-up as one of the major instruments of decentralised, labour intensive and rural oriented economic development;
- (ii) Close association of cooperatives with the process of planning and social change;
- (iii) Cooperatives to be developed as a "Shield for the Weak".
- (iv) Promotion of Cooperative Development on a national basis and removal of regional imbalances in the cooperative growth;
- (v) Development of cooperation as an autonomous, self-reliant movement free from undue outside interference and excessive control as also from politics;
- (vi) Development of cooperatives based on enlightened participation of broad based membership free from domination of vested interests;
- (vii) Removal of corruption and malpractices from the cooperative movement;
- (viii) Development of a strong and viable integrated cooperative system for total and comprehensive rural development;
- (ix) Development of a net work of agro-processing and industrial units;
- (x) Development of consumer cooperative movement to strengthen public distribution system;
- (xi) Formulation of stream-lined organisational system, simple and rationalised procedures for cooperatives;
- (xii) Development of professional management for cooperatives;

The Policy Resolution was considered by a National Conference on the Role of Cooperatives in the Development of National Economy vis-a-vis 6th Five Year Plan convened by the NCUI in March, 1978. Based on the recommendations of the conference and views of State Governments and the national cooperative organisations the Government of India have formulated a comprehensive 42 Point Action Programme to implement its Policy Resolution. The Action Programme visualises

concrete directions and suggestions to the cooperative movement and the State Governments to promote cooperation as a real instrument of socio-economic development particularly that of weaker sections of the community. Further, it was decided by the Conference that planning for cooperative development should be done at two levels. Firstly, the movement itself should prepare its own plan of development at the level of every institution after assessing the needs of membership and availability of resources and secondly, the Government may prepare cooperative development plan taking cooperation as an agency of implementing governmental programmes. In line with this recommendation, the NCUI has constituted a Cooperative Planning Committee duly serviced by a Planning Cell. The Committee has recently prepared a plan for development of cooperatives as nucleus of integrated rural development. In this context, the Union is going to adopt four or five pilot projects through the adoption of villages wherein total and comprehensive rural development will be ushered in through the cooperative approach. The Union has also decided to create a cooperative rural development fund for giving catalytic support to the rural development programmes undertaken by its various member organisations.

Multi-Agency Approach to Development

Till 1969, the cooperative institutions were reorganised as "the main and exclusive agency for development" in certain economic spheres, particularly agricultural credit, marketing and processing, consumers cooperation, industrial cooperation etc. On account of the pressure of circumstances and the call of rapid economic development, the Government resorted to the policy of the multi-agency approach through ushering in public and private sector institutions to operate in those fields which were, hitherto, earmarked for cooperatives exclusively. To cite a few of those, commercial banks are operating along with the cooperative institutions in the sphere of agricultural credit, the public sector corporations have been set up to deal with marketing of agricultural produce, private trade and public sector corporations have entered in a big way in the distribution of chemical fertilisers as against the monopoly enjoyed by the

cooperatives.

This has thrown new challenges to the cooperatives which have to be responsive not only ideologically but also operationally. The cooperatives have accepted this challenge and have been quick in re-organising themselves to meet the requirement of the situation. This process of re-organisation is still continuing. Their place in the overall set up of nations' mixed economy need to be redefined in the context of effective articulation of energy and resources of the weaker sections of the society. In other words the cooperative institutions have to become a catalytic agent for bringing about social justice

Taking note of this, the Fifth Five Year Plan visualizes for a comprehensive programme of the development of cooperative institutions, particularly in the under-developed regions. A special scheme for the removal of regional imbalances in the cooperative growth has been formulated to equip the cooperative institutions with sufficient resources and efficiency to shoulder the new responsibilities. However, to make total and impressionable impact of multi-agency approach, it becomes imperative to find ways and means for establishing an effective coordination between cooperatives and other agencies that have been assigned the development role.

Structural Changes

Conceptually, the organisational structure of cooperative movement is federal one spreading from primary level to national level. The strength of such structure presupposes strong units at primary level and active business collaboration between the units at all levels. Continuance of weak primary units and loose organisational and operational links between various units of verticle and horizontal structure of the movement is the main concern which is actively engaging the attention of cooperators and the Government. After rational consideration and analysis a two pronged approach with opponents of integrated service to primary level membership and fruitful inter-cooperative relationship is on anvil for implementation. The village level credit societies have been reorganised into Farmers' Service Societies, Large Sized Agricultural Multi-purpose Societies and viable societies which will take care of multi-farious

needs of the rural people in addition to extension of farm guidance services. Effective efforts are also under way to develop inter-cooperative relationship through the formulation of unified business strategy, development of managerial pools and cadres of staff at the level of higher federations and extension of promotional and consultancy services to the affiliated units. Entire cooperative structure will have to function in an unison so that it is in a position to withstand the negative forces of the mixed economy.

The subject of inter-cooperative relationship and structural efficiency in the cooperative movement was deliberated in a cooperative leaders' conference held in 1976 under the auspices of the National Cooperative Union of India. The Conference recommended that business coordination committees representing various sectors of the movement should be created at the level of the National Cooperative Union of India. The Conference further recommended that the NCUI should constitute a working group on inter-cooperative relationship so as to recommend suitable ways and means for improving structural efficiency of the cooperative movement and mutual business relationship between various sectors of the movement. The Union has constituted a working group which is likely to submit its report during the current year.

Professional Management

Larger diversification and added business complexities presupposes efficient managerial resources at the level of cooperative institutions. The gains accruing out of structural reforms can be best capitalised only if the personnel maintained by the institutions are in a position to execute the policies effectively and efficiently. The cooperative institutions, on account of obvious reasons, have not been in a position to develop their own personnel management policies and practices. Since the movement was sponsored by the Government, the development of the personnel policies was also influenced, to a great deal, by the thinking of the Government. There is a need for defined personnel management policies in the cooperative enterprises through definite manpower development programmes. The approach in this direction is multi-faced one. Conducive conditions have

to be created within institutions, themselves so that they are in a position to develop their own human resources. Various aspects of personnel management e.g. recruitment, training, placement, continuous development, service conditions etc. have to be tackled together in the context of the totality of the situation.

Induction of professionals in the cooperative business-institutions is the need of the hour and the cooperative institutions cannot escape from this. However, ways and means would have to be found out so that the professionals and representatives of the members work for the achievement of organisational goals. Growth with social justice, being the key-note of future economic policies the professionalisation of cooperative management will have to be directed in such a way as would reflect rational and effective blending of ideology and business efficiency.

The Government of India have appointed an Expert Committee to examine various aspects of professionalisation of management of cooperatives at various levels. The terms of reference of the committee include examination of personnel management policy in the cooperative sector and various ways and means for introducing the concept of professional management in cooperatives. In 1976, the National Cooperative Union of India also organised a national Workshop on Employer-Employee Relationship in cooperative sector. The Workshop discussed in detail the personnel management policies of cooperatives and service conditions of cooperative employees. The Workshop made crucial recommendations on these two vital aspects which will go a long way in developing professional management in the cooperatives.

Role of Government

In line with the approach to cooperative development, the Government, both at Central and State level is actively involved in the development of cooperative movement, more specifically in the following directions :

- (i) Formulation of various policies and programmes from time to time at the level of Government;
- (ii) enactment of cooperative legislation and its execution;

- (iii) coordination between public sector undertakings and cooperatives; and
- (iv) financial assistance.

Involvement of Women & Youth

The movement has provided scope to the women and youth to participate in the economic development of the country. Increasingly, women are joining the cooperative movement particularly the consumer cooperatives. There are a large number of cooperatives especially industrial cooperatives, consumers cooperatives and thrift credit societies where membership is exclusively of women and many of them are managed by women themselves. The cooperative legislations in different states provide for representation of women on the board of management of cooperative societies at various levels. Two of the State Co-operative Unions have women as their elected Presidents. There is a special member education programme for women, the details of which have been given later on.

The involvement of youth in the cooperative movement is very essential. With a view to educating the youth in the principles and concept of cooperation and practices and procedures of working of cooperative institutions, students cooperative societies/stores are being organised in the schools/colleges and universities. Every year the Union organises national essay and debating competitions on subjects relating to cooperative movement in order to provide a forum to the students for exchange of their views and reactions academically. Recently, the Union has introduced research fellowships for the benefit of university scholars. Under this scheme problems relating to cooperative movement are to be given to research scholars. Encouragement is given by the government to the unemployed educated youth to form cooperatives as a measure of self-employment. It is expected that a large number of youth and women would join the cooperative movement as a result of the various measures taken by the movement and the government.

In order to find out practical ways and means of increasing involvement of women in the cooperative movement, the National Cooperative Union of India convened an All India Conference of Women Cooperatives in 1976. The Conference

was attended by important women cooperative leaders of the country and it recommended practical steps to activate the involvement of women in the cooperative movement. As a part of follow-up action, the National Cooperative Union of India has initiated its efforts in monitoring a cooperative educational programme for women; introduction of pilot project for education in population planning and family welfare; development of a scheme for integrated approach in population planning by primary health centres and primary cooperatives; advising the State Cooperative Unions in regard to strengthening of women's wing at their level for effective implementation of cooperative educational programmes for women.

As regards the youth, a National Convention on Youth Involvement in cooperative movement was convened by the Union in September, 1977. The convention discussed areas of involvement of youth in cooperative movement; teaching of cooperation in schools and universities; and a special cooperative education programme for youth. In line with the recommendations of this convention, a special scheme of cooperative education programme for youth has been prepared by the NCUI. Similarly, with a view to provide an impetus to the teaching of subject of cooperation in schools and colleges, an expert group appointed by the National Council for Cooperative Training of National Cooperative Union of India has submitted its report which is under examination of the concerned Ministries/Departments in the Government of India.

Cooperative Credit

Cooperative credit is the most important sector of the cooperative movement. Its development during the last 10 to 15 years has been phenomenal. It may be pointed out in this context that an elaborate All India Rural Credit Survey was undertaken by the Reserve Bank of India in 1952. The Committee observed in its report of 1954 that the cooperatives were weak in the past and therefore they could not do much. The Committee further emphasised that the cooperatives needed strong financial base and therefore the committee held that cooperatives need a strong partner. The Government will provide appropriate partnership. This Committee suggested the integrated scheme of

rural credit on the basis of the following three principles :—

1. Government partnership in agricultural credit, marketing and processing societies.
2. Integration of the credit cooperatives with marketing and processing cooperatives.
3. Management and administration of the cooperatives by the trained personnel.

The Committee also made many recommendations for the organisation and the development of cooperative movement. With the acceptance of the recommendations of this Committee and implementation of the same during the plan period, cooperation became an integral part of Five Year Plans.

Cooperative Credit has two broad structures one providing 'short and medium term agricultural credit' while the other providing long term credit for agricultural development.

For short term and medium-term agricultural credit, a network of about 100,000 active primary agricultural credit societies are spread over the country which covers more than 97% of the villages in the country. The membership of these societies is 41 million. Their working capital is Rs. 20,710 million and the figure of agricultural loans advanced during one year is Rs. 12,750 million. The total loans outstanding amount to Rs. 14,570 million.

In addition to supply of agricultural credit, these societies also supply farm requisites and consumer goods to their members. Farm requisites worth Rs. 3,100 million and consumer goods worth Rs. 2,470 million were distributed by them to their members in one year.

These societies federate in 343 Central Cooperative Banks organised at district level. These banks have a working capital of Rs. 20,400 million and a loan outstanding of Rs. 14,280 million.

Twenty-six State Cooperative Banks with 36 thousand members and a working capital of Rs. 12,870 million are the apex organisations of cooperative credit structure at the state level.

The loans outstanding at their level amount to Rs. 8948 million.

Cooperative credit institutions have been advancing loans to all types of farmers including the small farmers. But in recent years, the emphasis has been more on the coverage of weaker sections of the society and more loans are being advanced to the weaker sections. During one year of their operation 34 per cent of total loans advanced went to borrowers with holdings below 2 hectares, tenant cultivators and agricultural labourers. The total loans advanced to weaker sections amounted to Rs. 3440 million in one year.

As regards long term agricultural credit, there are 19 central land development banks with 893 primary land development banks and 668 branches, disbursing long-term cooperative agricultural credit to the farmers. More than 7 million individuals have so far joined the membership of these banks. Total working capital of these banks is Rs. 23,710 million. Total long-term outstanding amounts to Rs. 11,170 million.

More emphasis is being laid by these banks on the coverage of weaker sections. In one year Rs. 440 million have been advanced as long term agricultural credit to 262,030 cultivators with land holdings upto 2 hectares.

Commercial Banks and Cooperative Agricultural Credit

In spite of steady growth of cooperatives, they could not cope with the increasing demand of agricultural credit. Consequently a wide gap was visible in the agricultural credit needs and its supply by cooperatives. The All India Rural Credit Review Committee (1969) identified this gap and it was felt that the structural and financial strength of cooperative credit structure in the country might not bridge the gap, which in turn may adversely tell on agricultural production. For bridging the gap in the field of agricultural credit commercial banks were asked to channelise their resources for supply of agricultural credit. However, it was made clear at the very outset that the commercial banks were entering in the field of agricultural credit to supplement the efforts of cooperative credit structure and not to supplant it. In their five years of working the commercial banks have provided substantial amount of credit to the farmers.

However, their performance in this field had not been commensurate with the needs. It was mainly due to the fact that the cost structure of commercial banks was very heavy. In order to see that the funds of commercial banks meant for agriculture are fully utilised, it was felt that commercial banks might, in addition to finance provided directly to individual farmer, finance primary agricultural credit societies on behalf of their members. The main object of the scheme is to bridge the production and medium term investment credit gap in agriculture. This scheme was introduced in June, 1970 and has established that even if the finances may come from other quarters, at the village level cooperatives are the only suitable agencies to meet the requirement of agricultural credit. 3453 primary agricultural credit societies have been financed by the commercial banks in the country under the scheme, which have advanced a sum of Rs. 172 million as short-term agricultural credit in one season and Rs. 22 million as medium-term credit in one year.

Farmers Service Societies and Lamps

Unprecedented agricultural growth in several parts of the country, particularly in areas having assured means of irrigation multiplied manifolds the demand for agricultural credit. The National Commission on Agriculture recommended the organisation of Farmers Service Societies which could make available a package of inputs and custom services along with supporting services and technical advice through a single contact point. These Farmers Service Societies could be financed either by a commercial bank or a cooperative bank but shall remain cooperative in character. The matter regarding the most appropriate institutional credit structure for rural areas was further considered by the group headed by Shri T.A. Pai. The Group had also recommended the organisation of societies on the lines of Farmers Service Societies as recommended by National Commission on Agriculture. These societies have been set up at selected places throughout the country. On the recommendations of Bawa Committee, large sized agricultural multipurpose societies are being set up in tribal areas to meet all the requirements of credit, inputs and marketing of produce of tribals. It is hoped that these societies will give new dimension

to the cooperative agricultural credit movement in serving the weaker sections of the society.

Role of Reserve Bank of India

Recognising the crucial role of the cooperatives in the provision of credit to agriculture and the need for a sound cooperative credit structure, the responsibility to give a new life and potent leadership to the Cooperative Credit Movement in this country was assigned to the Reserve Bank of India. Ever since it was established in 1935, but more particularly after 1947 when the country became independent, the bank is providing re-finance to State Cooperative Banks 2% below the bank rate for short-term agricultural credit and 1/2% below the bank rate for medium-term agricultural credit. The bank is also maintaining two funds viz. Agricultural Credit (Long Term Operations) Fund and the Agricultural Credit Stabilization Fund. The Long Term Operation Fund is maintained by the Reserve Bank by making suitable appropriation out of its profits and is used for advancement of medium term agricultural loans to the State Cooperative Banks, investment in the debentures of land development banks and loan at concessional rates, to State Governments to enable them to participate in the share capital of cooperative credit institutions. The Reserve Bank of India is also providing long term loans to the Refinance Corporation out of this Fund which is being used for refinance to agencies dispensing long-term and medium-term agricultural credit to the borrower farmers.

The Reserve Bank of India has provided finance at concessional rate of interest to the tune of Rs. 8316 million to State Cooperative Banks in one year. So far Rs. 656 million have been advanced by the Reserve Bank of India to the State Governments for share participation in cooperative institutions.

Problems of Cooperative Agricultural Credit

In spite of its magnificent growth in the country, particularly after the implementation of the recommendations of All India Rural Credit Survey Committee Report (1954) the Cooperatives have been facing some problems which need to be solved. Some of these problems may be solved by the Govern-

ment while others will have their solution by the cooperatives themselves.

Magnitude of credit, technological innovations in the field of agriculture, and price rise of fertilisers are some major problems for the cooperative credit agencies. In addition, the willingness of the cooperative credit institutions to serve the weaker sections of the society has also increased the demand of credit. To meet this enhancement in demand of credit, the cooperative credit structure will have to mop up resources. It is hoped that the Reserve Bank of India will provide additional resources and the cooperative credit agencies will also gird up their loins to match the accelerated demand of credit requirement. It is gratifying to note that cooperatives have raised huge deposits in the recent past, which have enabled them to meet the increased demand of credit to a great extent.

Operational efficiency is another need of the cooperatives. Despite the fact that cooperative credit structure had been trying to ensure operational efficiency, there is still much scope for ensuring better operational efficiency. This may be ensured by the introduction of some legislative provision for making professional training compulsory for all the workers engaged in cooperative credit institutions.

Member education is essential for the success of cooperative credit movement. In institutions which deal in finances, member education has special significance so that the members may vigilently supervise the work of the society as well as protect their own interest. The member education programme in this country, in order to achieve the desired level of success, needs more concentrated efforts.

The position of overdues in the cooperative credit institutions has been responsible for a retarded growth of cooperative credit. Cooperatives must see that such overdues which are due to wilful default of members are liquidated immediately. In case of members whose crops failed, the Reserve Bank of India should take corrective steps and ensure that the economy of such farmers is established and cooperative credit structure also does not suffer on account of such overdues. The need for such arrangement of stabilisation is more pronounced in the long-term cooperative agricultural credit sector, where no such arrangements exist at all.

Agricultural Cooperative Marketing

Introductory

Marketing Cooperatives are important institutions to ensure increased income to the farming community, which may accrue due to new technological innovations in the field of agriculture. Increase in agricultural production will give no fruitful results to the farmers if the middlemen exist to arrange marketing of agricultural produce. Well organised marketing cooperatives may save the cultivators from the exploitation of the middlemen and the malpractices of the trade.

The organisation of marketing cooperatives in India has not been subjected to any rigid formula of general purpose or specialised commodity societies. In multicrop areas general purpose marketing societies have been organised, while in areas of concerted development of a particular crop specialised commodity societies have been organised.

In India, 3127 primary cooperative marketing societies are functioning, covering all important secondary markets in the country 592 are specialised commodity societies and the rest are general purpose societies.

The higher tiers consist of 170 district/regional level cooperative marketing societies, 25 apex marketing federations at the state level and the National Agricultural Cooperative Marketing Federation at the National level.

Business

The Fourth Five Year Plan had set a target of Rs. 9,000 million for the cooperative marketing societies in the country for marketing of agricultural produce. As against the target the cooperative marketing societies in the country marketed agricultural produce worth Rs. 11,000 million. This performance of marketing cooperatives has been widely appreciated. In view of their performance, their targets have been more than doubled for the last year of the Fifth Five Year Plan i.e. 1978-79. The targets for 1978-79 have been fixed at Rs. 19,000 million for marketing of agricultural produce which will consist of food

grains worth Rs. 8,000 million, sugarcane Rs. 5,500 million and Rs. 5,500 million for other crops.

In India the working of most of the sectoral cooperatives is confined to one state only. Since agricultural commodities, though produced in certain pockets, are consumed throughout the country and also in other parts of the world, the marketing of agricultural commodities cannot be confined to one State only. Public sector undertakings generally manage the inter-state and export trade. Marketing cooperatives, which handle a substantial part of agricultural produce have also entered the field of inter-state and export trade.

In order to ensure supply of agricultural commodities like food-grains, pulses etc. to the urban consumers, nearly 15918 primary cooperative consumer units are functioning in the country. In order to eliminate a host of middlemen traders, the country is considering to have an effective and close link between the consumer cooperatives and marketing cooperatives which will ensure mutual advantage to both the producers and consumers. It is hoped that this will be achieved soon.

The business of cooperative marketing societies is not only confined to marketing of agricultural produce. They also act as an effective link between the primary agricultural credit societies and their members by arranging recovery of credit. This system is popularly known as 'linking of credit with marketing'. Under this system the cultivator members sell their produce through the cooperative marketing society, which pays the price to them after deducting the demand of the credit society. In some areas, specially Maharashtra and Gujarat States, the system has worked very well. Arrangements are being made to make linking of credit with marketing scheme more effective in the entire country.

Marketing cooperatives do not confine their operations to the handling of agricultural produce or recovery of credit. They have also entered the field of processing of agricultural produce in a big way. Processing of paddy, oil seeds, fruits, plantation crops like cashewnut, cardamom, etc. is being done in the country by marketing cooperatives and their processed commodities are very popular. Some of the processed commodities have entered the international market also.

Cooperative Sugar Factories

Sugar industry is one of the major agro-based industries in India which not only produces sugar for home consumption but also for export. In this field also cooperatives have played a very important role in the country. Cooperative sugar factories are producing 47.9% of the total sugar produced in the country. By the end of the crushing season 1976-77, 119 cooperative sugar factories produced about 2.3 million tonnes of sugar as against 4.8 million tonnes of sugar produced by all the sugar factories in the country.

Consumer Cooperatives

Importance of consumer cooperatives in the country was felt especially in the wake of shortages of essential commodities. It was also found necessary whenever the distribution of goods through normal trade channel was affected resulting in great hardship to common people, particularly those in lower economic strata.

The main objectives of consumer cooperatives are to provide protection to common people against exploitation, elimination of a host of intermediaries, sharing of surplus in relation to purchases, supply of quality goods and services at fair and reasonable prices, etc.

The earliest consumer cooperatives came into existence almost in the beginning of the century. They gradually developed and at present have come to a position to be considered as important in the distribution system. Under conditions of scarcity during the first World War, 1914-18, about 100 consumer stores were set up, mostly in urban areas. The Second World War again created conditions which resulted in organising cooperative stores to help improve distribution system. Many stores were organised to deal in controlled commodities as well as other daily necessities. By 1951-52 there were 9,757 stores with a total turnover of 821 million as against 396 societies with a turnover of Rs. 5.7 million in 1938-39, just before the commencement of Second World War.

But after the war and also when conditions of scarcity were receding the cooperative stores faced a period of recession.

Many of them became defunct.

The position became more favourable to take a fresh look at these stores when the country was threatened with external aggression in 1961-62.

The Third Five Year Plan took note of the situation and planned efforts were made to develop these stores, 'not only in the stabilisation of retail prices but also in preventing the evil adulteration in food stuffs'.

As per a regular programme new primary stores were organised and the existing ones were revitalised.

The programme envisaged setting up of primary stores and retail units for every 10,000 urban population and a wholesale store to serve an urban population of 50,000 and 20 primary stores.

During 1966 the working of entire scheme was reviewed and accelerated programme of setting up of 101 new wholesale/central stores and 2000 primary/branches, 43 big department stores and organising/strengthening of national state federations of consumers stores was launched.

At present, we have a pyramidal structure of NCCF at national level, 14 State level federations, 471 wholesale/central Stores at city/district level, about 200 departmental stores, 500 branches, 15,918 primaries, 152 women's consumer societies at Mahila Super Bazars at Taluka/sub-taluka level, 5.7 million consumer families as constituents. All together, the consumer cooperative network provided about 19,000 retail outlets of various sizes.

A number of consumer cooperatives have been organised among industrial and mining workers, employees of departmental and other public and private sector enterprises. There are 5,000 cooperative stores with about 2.3 million membership.

Performance

In terms of retail trade, the consumer cooperative Stores which had created a record sales of over 4000 million during 1974-75 and Rs. 5500 million during 1975-76, handled business worth over Rs. 6000 million in 1976-77.

The progress trends of consumer cooperatives may be summarised as follows :

- (a) The business of consumer cooperatives has been considerably diversified. Sale of non-controlled commodities handled by central/wholesale stores which accounted for only 27% of their sales in 1966-67, increased to about 50%.
- (b) Over 30% of the wholesale stores have set up their own department stores to provide wide range of goods and services. The department stores which were mostly opened in State capitals and districts are now also being set up in other towns so that semi-urban population can also have the benefit of modern retail facilities.
- (c) The average sales of wholesale central consumer cooperative stores had risen from Rs. 3.6 million in 1970-71 to Rs. 8.2 million in 1974-75. About 67% of the wholesale central stores were operating in profit during 1975-76 as against only 40% in 1971-72.
- (d) The primary consumer cooperatives have also recorded considerable improvement, both in their sales turnover as also profitability. The value of total sales of primary stores during 1976-77 stood at Rs. 3150 million as against about Rs. 1300 million in 1971-72.
- (e) The sales turnover of State-level Federations has registered a steep increase from 148.5 million in 1972-73 to Rs. 590 million in 1976-77.
- (f) At the national level, the NCCF has been providing progressively increasing support to consumer cooperatives in the country. The value of consumer articles supplied by the NCCF to consumer cooperatives had increased from Rs. 285.6 million in 1973-74 to 639.9 million in 1976-77. The gross profit of NCCF was nearly Rs. 22 million in 1976-77.

The following in brief are other measures taken in this regard.

1. Cooperativisation of fair price shops.
2. Emphasis on special areas, like metropolitan cities, labour concentrated areas, district headquarters areas etc.
3. Coordination between cooperatives and state Civil Supplies Corporations.

4. Coordination between consumer cooperative societies and marketing cooperative societies.
5. Getting a portion of manufactured goods in organised sector for distribution through cooperatives.
6. Arrangements for supply of adequate finances to cooperatives to cope up with increased trading activities.
7. Develop permanent clientele through efficient cooperatives and prompt service by consumer cooperatives to their clients.
8. A systematic programme of improving the quality of controlled cloth and removing the various hurdles in effective implementation of distribution of cloth to the vulnerable sections of the community.

The consumer cooperatives hope to fulfil the great task of helping the public in many directions through their increased and useful activities.

Industrial Cooperatives

The term 'Industrial Cooperatives' in India is normally understood to cover cooperatives formed by workers and artisans such as spinners, weavers, carpenters, smiths, tanners, cobblers, potters, engineers, etc. and also small industrialists either for undertaking production or for providing facilities to them.

The main object of this sector is to help the weaker sections of the community to ameliorate their economic conditions and to help themselves, by providing various inputs required and arranging sale of their products.

According to the nature of the organisation of the society, the Industrial Cooperatives may be divided mainly into two categories (a) production type and (b) service type. Among the production type, there are workshops set up by worker members in special trade which undertake the entire risk of business and own factors of production. The production in such cases is carried out in common worksheds under the supervision of the society and worker members are paid wages either on monthly or on piece rate basis. Labour laws such as Factory Act, Payment of Wages Act etc. are applicable to these societies. There is another type of production society where members

carry out production in their own cottages. The society provides raw materials, designs and specifications of goods to be produced and the finished goods received for sale on its own account. The members are paid wages on piece rate basis. Most of the handloom weavers societies in the country are under this category.

The industrial service cooperatives are those which do not undertake risk of production but offer services to their members by supplying raw materials, tools, and equipments or helping them to sell their products.

The following are some of the industry-wise categories of industrial societies :

1. Weavers Societies (handloom and powerlooms).
2. Artisanal Cooperatives.
3. Khadi Societies (Hand Spinning & Hand Weaving)
4. Carpenters and Black-smiths societies.
5. Metal Workers Societies.
6. Brick Workers Societies.
7. Potters Societies.
8. Engineers Societies.
9. Leather Workers Societies.
10. Handicrafts Societies.
11. Woman's Industrial Cooperatives.
12. Coir Workers Societies
13. Processing of Cereals and Pulses Societies.
14. Fruits and Vegetables Processing Industrial Cooperatives.
15. Cooperative Spinning Mills.
16. Cooperative Industrial Estates.
17. Cooperative Common Facility workshops.
18. Industrial Cooperative Banks, etc.

There are also federations of these societies organised for supply and sales purposes on single industry as well as multi-industry basis at taluka, district, state and national levels.

Progress

It is the second largest sector, next only to the agricultural cooperative credit service societies.

(a) *Weavers' Cooperative Societies*

Apart from the National Weavers' Cooperative Society, there were 24 apex weavers' societies, 94 central weavers societies and 12,508 primary weavers' societies on 30 June, 1975. Of the primaries numbering 12,508 as many as 6,296 or over 50 per cent of the total were dormant. The total number of members of the primary weavers' societies was 1,102,577 on 30th June, 1975, of whom 350,695 represented members of dormant societies.

The primary societies had a working capital of Rs. 825 million comprising owned funds Rs. 255 million, deposits Rs. 62 million, borrowings Rs. 297 million, other liabilities Rs. 182 million and the undistributed profit Rs. 29 million. The total sales of cloth during the year amounted to Rs. 1367 million, as against Rs. 1286 million in the previous year. The total number of looms in the primary cooperative sector was 860,000, of which only 420,000 or about 48.9 per cent were reported to be operative during the year. They account for about 27% of the total handloom cloth production.

During 1974-75, 5,054 primary weavers' societies or 40.4 per cent of the total worked at profit, 2,607 societies worked at a loss, while the remaining 4,847 societies worked without any profit or loss.

(b) *Other Industrial Societies*

There were one national, 18 state, 107 central and 26,195 primary level industrial societies (other than weavers) at the end of June, 1975. Of the primary societies, 12,801 or 49 per cent were active with a membership of 803,481. The aggregate value of production of the primary societies was Rs. 420 million in 1974-75. Their sales declined from Rs. 503 million in 1973-74 to Rs. 440 million in 1974-75. Only 6,231 societies or 24 per cent of the total worked at profit during 1974-75.

(c) *Spinning Mills*

The number of cooperative spinning mills in the 16 reporting states was 68 in 1974-75. The number of spindles under

their fold was 500,000. The value of their production during 1974-75 was Rs. 685 million, as against Rs. 662 million in the previous year.

Problems

The industrial cooperatives, though contributing a lot to the national economy, face a number of problems. The artisan members of these societies constitute the weaker section of the community and cannot afford to invest adequately in the necessary outlay required to carry out the production and marketing activities effectively. Although, governmental assistance, both in terms of loans and subsidies has been made available, it is inadequate. Their credit in the organised banking sector as well as cooperative banking sector being small, they seldom get adequate accommodation from these banks in spite of the reimbursement facility at subsidised rates of interests from the Reserve Bank of India and often fall in the clutches of money-lenders or other forms of intermediaries. Supply of raw materials and other inputs is another major problem faced by these societies. They are also handicapped for want of proper equipment and machinery required to carry on productive activities as a result of which the quality of their products is low and production costs higher. The problem of marketing of their products is most acute due to higher costs, stiff competition from organised sector and preference of consumers to mill products, sales arrangements through Government emporia and sale depots of their higher level federations have also not solved the problem though they have eased it.

A sizeable percentage of Industrial Societies are dormant and only a smaller percentage come in the profit earning category. This is attributed to their small size, lack of member loyalty and inefficient management due to lack of competent non-officials and poor quality staff who manage them. Vested interest groups like master craftsmen and others have also entered into these cooperatives in one form or the other and exploiting them to their advantage. The attitude of departmental officials, specially at the field level is generally found to be hostile or unsympathetic which makes matters worse.

These problems are required to be tackled early to help this

sector to stand on its own. The Government of India, the State Governments and several specialised agencies have come forward in a big way to promote and develop this sector. Various facilities, including finance and concessions have been given to the industrial cooperatives and they are being reorganised on viability basis.

The National Convention on the 'Role of Cooperatives in the New Economic Programme' held on 3rd September, 1975 had suggested to take necessary action to increase the coverage of the handloom weavers to make it 60 per cent by the end of the Fifth Five Year Plan. The All India Conference on Handloom Weavers Cooperatives held on 12th April, 1978 at New Delhi also emphasised for increasing coverage of weavers into cooperative fold.

The National Federation of Industrial Cooperatives, formed by various single industry federations, helps the industrial cooperatives specially by arranging marketing of their finished products. It also undertakes export of various commodities produced by member cooperatives. The All India Handloom Fabrics Marketing Cooperative Society also helps the member cooperatives in selling their products through its chain of handloom emporias internally and abroad. It takes part in exhibitions and fairs to popularise handloom products in India and other parts of the world.

The National Cooperative Union of India undertakes several activities for promotion and development of Industrial Cooperatives organising member education programme, training of employees through National Council for Cooperative Training. It also conducts studies to locate specific problems and to suggest remedies thereof, organises seminars and conferences. It also keeps liaison, with the Central and State Governments and other sectors of cooperatives to help the industrial cooperatives solve their problems and expedite the process of development.

Labour Cooperatives

A fairly large section of the Indian population representing the weaker sections of the community consists of landless labourers who suffer from acute unemployment and underemploy-

ment both in urban and rural areas. They suffer from poverty and scarcity and are exploited by the contractors and other forms of middlemen. Removal of poverty and attainment of economic self-reliance have been set as objectives to be achieved through planned efforts and various avenues of employment have been provided. Construction work schemes in semi-public and public sectors like construction of roads, irrigation projects, buildings, godowns, housing colonies, storages have widened the scope of employment opportunities for the workers, both, skilled and unskilled. These work programmes are implemented through labour of these workers. When disorganised, they are at the mercy of the contractors' who work as intermediaries and take the major share of the efforts of the workers. The lot of the workers, could be improved on the basis of organised self-help through labour construction cooperatives. Labour cooperatives protect the member workers against exploitation of the intermediaries, improve their economic interest and also benefit the state and the community as a whole by means of effecting economies in the execution of costs of the work projects. Labour cooperatives also provide training ground for the members for democratic functioning which is very vital for every citizen of India.

Realising the vital role in the execution of the work programmes and great potential to benefit the weaker sections, the labour cooperatives got impetus during the 3rd plan onwards and liberal financial support, other concessions and preferences resulted in a speedy growth of labour cooperatives. During 1971-72, a "Crash Scheme for Rural Employment" (CSRE), was launched as a non-planned programme by State Governments for providing quick and direct employment to a minimum number of labourers in each district. This scheme became a part of the planned scheme during 1972-73 which opened up new avenues of work for labour cooperatives.

As a result, number of labour contract and construction cooperatives increased from 2491 during 1960-61 to 7950 and membership from 186,000 to 447,000 during 1975-76. The value of works executed during the same period was of the order of Rs. 32.66 million and 318.6 million respectively. The number of forest labour cooperatives increased from 77 to 1558 and their membership from 5967 to 184,064. They executed works of the order of Rs. 345,000 and 86.1 million during the same period. This

shows speedy growth of labour cooperatives, both in terms of number, membership coverage and value of works executed.

Even though there is an overall improvement in the working of labour cooperatives, a deeper look reveals that these cooperatives are not in a position of strength. Majority of these primary cooperatives have remained dormant and 2264 labour contract and construction cooperatives only were in the category of profit earning societies during 1974-75. The average share capital and reserves per society including state participation amounted to Rs. 3643 and Rs. 2050 respectively, which is indicative of their weak financial position. Further their progress has been uneven in the various states. Majority of labour cooperatives in the State of Andhra Pradesh, Himachal Pradesh, Madhya Pradesh, Orissa, Rajasthan etc. have remained dormant. Their financial position was weak and works executed was poor. They also could not provide work to large sections of their member workers. On the other hand, labour cooperatives have fared well in parts of Maharashtra, followed by West Bengal, Punjab and Haryana respectively. Maharashtra and West Bengal accounted for half of the work executed by labour cooperatives and only 6 states shared 83 per cent of the works executed.

Several major problems faced by labour cooperatives have been as under :—

(1) The organisation of labour cooperative societies has not yet been completed and is in various stages of development in the country. At the base level, the primaries have been formed by the member-workers. But the second tier i.e. district labour cooperative federations have emerged only in 14 states numbering 62. They have a mixed pattern of membership. In 7 states, the state level federations have been formed. Thus except in 7 states, the organisational structure of labour cooperatives are yet to be completed upto the state level.

(2) Another major problem faced by them is the inadequacy of finance, as they have failed to mobilise adequate resources internally and satisfactory arrangements for advances by cooperative banking institutions have also not been made. They remained to be neglected by the financing agencies and concessional finance from R.B.I. available to agricultural credit cooperatives, weavers cooperatives etc. has not been extended to this sector.

(3) They also have not been able to acquire adequate machinery and equipments required in the execution of jobs due to paucity of funds. Another important problem is that of lack of adequate work contracts. Both Central and State Governments have given various concessions and preferences for works to be executed by the labour cooperatives. However, they have not been availed of by the labour cooperatives for one or the other reason. The contractors have also entered into the labour cooperatives and using them to their own advantage because of weak internal strength and membership comprising of people of small means. They have been facing the problem of poor management and efficient administration. They lack technical and managerial staff who could ensure effective execution of work programmes. Other problem of labour cooperatives has been that in several of the states the primary level cooperatives are either small or too large sized.

Future Approach

In view of the commitment for improving the lot of economically weaker sections of the community, the labour cooperatives are required to be assisted by solving their various existing problems and providing additional concessions, facilities and reservation in the allotment of unskilled work. In the first instance, it would be necessary to reorganise these cooperatives, specially the weak and dormant, on viability basis and to eliminate the influence of the contractors and other vested interest groups who have entered into the labour cooperatives. There is also need for attitudinal change by the officers of the public works departments and other work awarding agencies by recognising labour cooperatives as the most effective tool of executing the work programmes for helping the poor people and the community at large. Where necessary, the groups of societies may join hands to undertake works jointly which shall enhance their capability to compete with contractors.

It is equally necessary that provision for share capital loans and state participation in share capital is made available in all the states of the country to boost their internal resources. Concessional finance from Reserve Bank of India may also be provided for working capital and purchase of machinery and equip-

ment through the financing agencies. It is also necessary that managerial assistance for appointment of technical and managerial staff is provided by the State Governments to the labour cooperatives at various levels. The work awarding agencies may also lend their equipment and machinery to the labour cooperatives at reasonable charges. There is also need for establishing satisfactory rapport between the labour cooperatives, the cooperative department, the public works department and major work awarding-agencies which could be done by the district/state level federations and other cooperative organisations like the State/National Cooperative Unions. The National Federation of Labour Cooperatives is being organised which shall play an effective role in this sphere. Member-education to make the members aware of their rights and duties and their place in the execution of work programmes is also of vital importance which shall go a long way in promoting and developing the labour cooperatives on a sound footing.

Urban Cooperative Banking in India

The Urban Cooperative Banks and non-agricultural credit societies are mainly organised to cater to the banking and credit requirements of the lower and middle class people comprising of small traders, business men, artisans, factory workers, salaried persons etc. in urban and semi-urban areas. The main objective of these banks and credit societies is the promotion of thrift and self-help among the members and collection of deposits from the public (in respect of urban banks) to augment resources for supply of credit to their members. Recognising their role as an important agency for meeting the credit needs of people of small means, the urban cooperative banks and non-agricultural credit cooperatives have grown over the years not only in number but also in complexity of their operations. The Working Group on Industrial Financing Through Cooperative Banks recommended for financing of small scale industries by the urban banking institutions. These banking institutions are expected to play an important role in the new context for speedy removal of regional imbalances in economic growth, aiding the industrialisation of small centres and meeting the credit needs of the weaker sections of the community.

Primary cooperative banks and non-agricultural credit cooperatives mainly have individuals as members and their area of operation is restricted under the bye-laws to the municipal limits of the town or a number of wards/zones in which the bank is located. Banks are also being organised with a districtwise area of operation and also a statewide jurisdiction. An important feature of a cooperative organisation is democratic management and the board of directors of these banks are elected. However, some of the banks have prescribed minimum share qualifications for eligibility for elections which is contrary to the cooperative ideology. Similarly, some banks are reported to be organised on a communal basis.

The land mark in the history of urban banking was the bringing of all those urban banks having a minimum paid up share capital and reserves of Rs. 100,000 under the regulation of the Banking Regulation Act, 1949 (as applicable to the cooperative societies) from 1st March, 1966. Salary earners societies whose bye-laws contained provisions for acceptance of deposits from non-members are also included under these regulations. Since the salary earners society caters to the credit requirements for consumers goods and other requirements of members, their membership is restricted to employees of a particular establishment and they are being persuaded to go out of the purview of the Act.

Progress

The non-agricultural credit societies comprising urban banks, employees' credit societies (including salary earners' societies) and others numbered 18,573 as at the end of June 1976, as compared with 17,666 on 30th June, 1975. Of these 1,133 societies were primary cooperative banks coming under the purview of the Banking Regulation Act, 1949 (as applicable to Cooperative Societies).

The membership of the non-agricultural credit societies as on 30 June, 1976 was 13 million. The working capital of these societies increased by Rs. 1160 million and stood at Rs. 10,320 million. Their deposits amounted to Rs. 6230 million and formed 60 per cent of their working capital. The loans and advances made during the year amounted to Rs. 8590 million as compared

with Rs. 7920 million during the preceding year. Their total overdues amounted to Rs. 510 million, forming 8 per cent of the total loans and advances outstanding at Rs. 6550 million, as against the overdues of Rs. 380 million, forming 6 per cent of the total loans and advances outstanding at Rs. 6050 million at the end of the previous year.

The purpose for which loans and advances are granted by these cooperative banks are generally for purchase of immovable property, building and repairs to house, petty trade and industry, purchase of consumer articles and house-hold goods, meeting of ceremonial and medical expenses etc. Advances by these banking institutions are generally made against mortgage of immovable property, pledge of gold and silver ornaments, personal sureties etc.

Problems

A defective feature of loaning is that a large proportion of advances are made without tangible security and against personal surities. Granting of such loans presupposes intimate and personal knowledge of borrower members which is not feasible in present context of their growth. The R.B.I. has issued directives to restrict such advances to 1/3 of total time and demand liabilities of banks. It is also observed that loans granted on security basis are mostly against security of real estate although, they should be backed by tangible security which has readily marketable value and free from encumbrance. A defective feature of their working is that these banks do not pay adequate attention to the actual end use of credit. Advances of some banks are found to be concentrated in the hands of a few parties and members of boards of directors. Such features of the working of these banks increase the hazards of banking and are required to be avoided.

Another undesirable feature in the loans and advances is that the loans and advances are more consumption-oriented than production-oriented. Their financing to industrial units is also very much limited, although it has been emphasised by various authorities and expert groups. These banks also suffer from low management efficiency because of lack of competent non-official leadership and poor quality staff.

The recovery position of these banks is quite satisfactory as the overdues constituted about 8 per cent of the total loans and advances outstanding at the end of June, 1976. However, the actual overdues vary from bank to bank and in some cases they are quite sizable. Some banks make inordinate delay in taking action against defaulters which needs to be avoided. Further, urban cooperative banks and non-agricultural credit societies have not made even progress all over the country. Maharashtra, Gujarat, Karnataka, Tamil Nadu, etc. have made very good progress whereas the progress has been very slow in states like Assam, Bihar, Haryana, Madhya Pradesh, Uttar Pradesh, Punjab etc.

Future Approach

There is great urgency to take further steps for mobilising more resources internally by raising deposits as borrowings play a lesser role in their operations. Share capital participation by the State shall also go a long way in this direction. Another important step required is to effect production oriented policies for lending and greater stress on industrial financing by availing re-finance facilities from the Reserve Bank of India under section 17(2) (bb) (4) (c). It is also required that these banks undertake credit planning and determination of priorities for granting loans and advances in a diversified manner. It is necessary that non-official leadership is developed and quality of staff improved by organising suitable education and training programmes. Steps should also be taken to broaden the representation on the board of management of these banks by removing various artificial restrictions to seek election.

An important impediment for successful working of these banks is dual control that of the Reserve Bank of India (in respect of urban banks covered under the Banking Regulation Act) and the Registrar of Cooperative Societies which put them to disadvantage. It has been experienced that many instructions issued by both these agencies vary and are found to be contradictory. In some of the States, the Registrar of Cooperative Societies have agreed to follow the directions issued by the Reserve Bank of India as far as financing and control policies of urban banks are concerned which needs to be adopted

in the remaining states. But what is more important in this context is the need to evolve a uniform pattern to regulate the working of these banking institutions throughout the country.

In conclusion, it may be stated that urban cooperative banks have over the years made good progress, specially in some of the states mentioned earlier. This number has increased and their resources and advances have also stepped up in volume considerably. It is of vital importance to organise and develop the urban cooperative banks in remaining states where progress has been slow so that they cater to needs of the people of small means, both in semi-urban and urban areas. The existing urban banks which are organisationally and operationally weak should be strengthened by providing necessary support. Concerted efforts are required to be made by the non-official leadership and the State Government concerned to bring about desired improvements so that these cooperative banking institutions could play an effective role in serving the weaker sections and middle class population of urban and semi-urban areas in the near future.

Cooperative Education and Training

The need and importance of cooperative education and training has been recognised the world over for the success of the cooperative movement. In fact, the two are essential elements for cooperative development and for efficient working of cooperative institutions. In a country like India, where the movement was sponsored by the Government and is being used as an instrument for implementation of economic programmes, it becomes still more imperative to strengthen cooperative education and training. Efforts have been made in India, particularly during the last 15 years, to develop comprehensive programmes of education and training in the cooperative sector.

The National Cooperative Union of India—NCUI, State Cooperative Union—SCU and the District Cooperative Unions—DCUs are responsible for promotion and overall development of cooperative movement in their respective areas of operation. From among various activities, of these Unions, implementation of cooperative education and training programme is a main activity.

Cooperative Education

In India the cooperative movement was started in the year 1904. However, there was no systematic nationwide and purpose-oriented cooperative education programme, although various commissions, working groups etc. which reviewed the working and progress of the cooperative movement recommended emphatically the need for education to enlighten members of cooperative societies. Only sporadic efforts were made in this direction by the Department and honorary workers. It was only after more than 50 years of the origin of the cooperative movement, that, preceded by a few pilot projects, a nationwide cooperative education programme was launched in the year 1960.

The implementation of cooperative education programme is done in two ways (i) by the State Coop. Unions directly or through District Cooperative Unions and (ii) By the National Cooperative Union of India.

The SCUs conduct educational activities for different sectors and different functionaries of cooperatives through over 600 Coop. Education Instructors. They conduct courses for ordinary members of cooperatives, managing committee members, office-bearers and secretaries and managers of primary cooperatives. Some of the SCUs conduct educational activities for women and youth with a view to acquaint them with the philosophy, concept and ideology of cooperation and involve them in the working of cooperatives in their area. Duration of different courses vary from State to State and type of activities.

Of late, the NCUI considered it necessary to experiment educational approaches to make them need based and development oriented. It was realised that education of the members, elected functionaries and paid employees particularly at the primary level was very important to strengthen the base of cooperative movement in different sectors. The members and elected functionaries were expected to exercise democratic control over the affairs of the society as also were responsible in strengthening their cooperatives and diversifying the activities of the cooperatives so as to ensure their socio-economic occupational needs. The overall objective of cooperative education was therefore considered to develop beneficiary cooperatives

with a view to ensure better living to their members and members' families.

A Field Laboratory

With a view to testing and developing various educational techniques, methods and approaches to make cooperative education an instrument of economic development and to improve the working efficiency of village cooperatives, a field project has been set up in the district of Indore in Madhya Pradesh in collaboration with the International Cooperative Alliance, the Madhya Pradesh State Cooperative Union, Madhya Pradesh State Cooperative Bank, the Indore Premier Central Cooperative Bank and local cooperative societies. The project covers 20 primary cooperative societies. The project team has one project officer, three cooperative education instructors, a farm guidance instructor and one specialist in dairy. The activities undertaken in the project are being diversified to include various social programmes, such as removal of illiteracy, population education etc.

Following the Indore experiment, several states, such as Gujarat, Haryana, Tamil Nadu etc. have adopted a project approach to intensify cooperative education.

Intensification of Cooperative Education in Cooperatively less developed States

The growth and development of cooperative movement in India is not a balanced one. There are States which are considered to be cooperatively developed. There is another set of States which are in the category of Cooperatively developing and there are certain States which are put in the category of cooperatively less/under developed. The Government of India have formulated various schemes for reduction of regional imbalances in the growth and development of cooperative movement. Cooperative education and training have been regarded as an essential input in developing human resources for the development of cooperative movement. Special schemes and projects have therefore been developed in the field of cooperative education and training to supplement the efforts of various

developmental agencies working for the reduction of regional imbalances in cooperative education in these States. The NCUI is operating 15 such projects for intensification of cooperative education in Assam, Bihar, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Orissa, Rajasthan and West Bengal. 30 more projects are being added during the Sixth Five Year Plan.

Pilot Project for Education in Consumers Coops.

The NCUI is operating 3 pilot projects for education in consumers cooperatives located at Ahmedabad in Gujarat, Madras in Tamil Nadu and Rae-Bareilly in Uttar Pradesh. It is proposed to increase the number of projects in the Sixth Five Year Plan.

Special Education Projects for Education in Fishermen Coops.

The NCUI is operating 9 projects for Cooperative Education among Fishermen Cooperatives in the States of Andhra Pradesh, Gujarat, Karnataka, Kerala, Maharashtra, Orissa, Tamil Nadu, West Bengal and Union Territory of Pondicherry. These projects are assisted by the National Cooperative Development Corporation.

Special Education Programme for Industrial Coops.

The NCUI is operating a special scheme for education in Industrial Cooperatives through 14 Industrial Education Instructors in the States of Andhra Pradesh, Assam, Delhi, Gujarat, Jammu & Kashmir, Karnataka, Kerala, M.P., Maharashtra, Orissa, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal.

The NCUI also proposes to implement special education programme for handloom coops. The programmes for industrial cooperatives are supported by the Department of Industrial Development, Ministry of Industry, Govt of India.

Special Education Programme for Youth

The National Cooperative Union of India has drawn up a

special cooperative education programme for youth (CEPY). The programme visualises special education classes for student and non-student youth. So far, the cooperative education programme for youth was imparted as a part of general member education programme conducted by the State Cooperative Unions, which are constituent organisations of the National Cooperative Union of India. During the year 1976-77, 238 classes for youth were organised which were attended by 7946 youths. During 6th plan it is proposed to start pilot projects for cooperative education for youth whereby the education will be taken as a development input for overall increasing participation of youth in the cooperative activity and for organising cooperative programme for economic development of the youth.

Special Cooperative Education Programme for Women

The programme for cooperative education for women is implemented in 13 states through 60 lady cooperative education instructors with the NCUI as an overall incharge of monitoring and guidance giving agency at national level. In 1976-77 under this programme 320 courses for women were organised which were attended by 15,198 women. In addition 274 meetings of one day duration during 1976-77 were also organised for women.

There is an exclusive women's wing in the National Cooperative Union of India, which apart from monitoring the Cooperative Education Programme, takes up research studies, in the programmes of women cooperatives. The women's wing has taken up case studies of good working women cooperatives and compiled important statistical information about the functioning of women cooperatives in various states.

Approach in Cooperative Education

In order to make cooperative educational activities need based and development oriented especially in the projects operated by the NCUI, following approaches are being adopted in implementing cooperative education programmes

— Collection of general data on land, people, natural resources,

communication, infra-structure of cooperative movement and other developmental agencies.

— Broad study of education and development needs of the beneficiary cooperatives and the participants of the education programmes.

— Preparation of case studies of the cooperatives especially in special projects for intensification of cooperative education.

Planning of need based and development oriented educational activities based on case studies of the cooperatives and study of occupational and social needs of selected members of the cooperatives.

Involvement of secondary level cooperative organisations such as District Central Cooperative Bank, Cooperative Marketing Societies, Land Development Bank, Milk Producers Cooperative Unions, etc., in implementing educational activities and help securing post-education developmental services.

— Involvement of governmental, non-governmental and academic institutions such as SFDA, MFAL, ICDP, Agriculture and veterinary Science Colleges, All India Rural Women's Organisation, Indo-British Project and Dry Farming, Indo-German Project etc. for implementing educational activities and help securing post-education developmental services.

— Participation in formal meetings of the Board of Management and general bodies of the project cooperatives on their request and provide management guidance on the operational aspects of the cooperatives.

— organise orientation courses for secretaries/managers and board members of the cooperatives.

— Organise seminars and study visits and study groups for secondary level cooperatives such as marketing cooperatives, dairy cooperatives, cooperative bank etc.

— To assist the cooperatives in bringing out annual report as a tool for member education.

— To bring out handbooks for secretaries/managers and managing committee members of the cooperatives.

— To produce/procure educational material and teaching aids based on needs of different education programmes.

- Making occupational technical guidance such as farm guidance an integral part of cooperative education programme.
- Making assessment of educational activities an integral part of education programme
- Making planning, supervision, guidance and post education follow-up an integral part of education programme.
Providing opportunities to cooperative educators from different states of India and abroad to study integrated approach for cooperative development through education projects.

Future Projections

The NCUI proposes to undertake following activities during the Sixth Five Year Plan.

- Establishment of an International Centre for Cooperative Education and Training.
- Setting up of a modern studio for production of education material and teaching aids for use in different cooperative education programmes.
- Introduce special projects/schemes for experimenting programmes related to functional literacy for the members of different functionaries of cooperatives.
- Developing an Education cum Development Project for selected agricultural Cooperatives in tribal areas.
- Help implementing Coop. Education and Development Scheme in each State and Union Territory of India.
- Help developing special schemes/projects for different sectors of coop. movement which are not being covered so far.

Population and Family Welfare Education

The NCUI collaborated with the Govt of India and the ILO in organising a National Seminar on Cooperatives and Population problems in December, 1974. As a follow up of the recommendations of the Seminar, the NCUI organised 8 State level seminars in the States of U.P., M.P., Orissa, Bihar,

West Bengal, Karnataka, Kerala. The NCUI has also incorporated the subject of Population Education and Family Welfare in the course contents of various education and training programmes. The NCUI has submitted a proposal for UNFPA Assistance for Project on Family Welfare Education in Cooperatives. It is also proposed to involve cooperative hospitals, and hospitals runs by cooperatives in imparting population and family welfare education and providing the post education services.

Trainers' Training and leadership development

The National Cooperative Union of India has set up a National Centre for Cooperative Education (NCCE) at New Delhi. This institution has specialisation in teaching techniques and communication methods particularly relating to adults. It organises basic and orientation courses for different categories of personnel engaged in cooperative education programme. In addition, it also conducts courses for cooperative leaders of district level cooperative institutions.

The NCCE functions in close collaboration with State Cooperative Unions, national organisations, government, International Cooperative Alliance and other institutions which provide resource persons for various courses.

Cooperative Training

The National Cooperative Union of India has set up a National Council for Coop. Training—NCCT with effect from 1st July, 1976, replacing the Committee for Cooperative Training. The NCCT is in charge of personnel, employed in different cooperative institutions and coop departments of the Government. It caters to the needs of :

- Senior personnel.
- Intermediate personnel.
- Junior personnel.

Senior Personnel

For training of senior personnel, the Council has a National

Institute called the Vaikunth Mehta National Institute of Co-operative Management at Pune in the State of Maharashtra. This is a research cum training institute for the cooperative movement. It conducts various courses as under :

Name of the Course	Duration in weeks
1. Post Graduate Course in Coop. Business Management	38
2. Coop. Executive Development Programme	7
3. Sectoral and Functional Programme for General Managers of Cooperative Wholesale Stores	5
4. Management of Cooperative Processing Units	4
5. Merchandise Management	4
6. Management of Industrial Cooperatives	4
7. Advanced Programme in Audit	4
8. Cooperative Marketing, Supplies and Stores	4
9. Project Planning and Evaluation	3
10. Personnel Management	3
11. Financial Management	2
12. Management Accounting	2
13. Material/inventory Management	2
14. Management of Communication	1

In addition the above Institute conducts short duration seminars and conferences for policy makers and key executives to discuss their managerial and operational problems.

Intermediate Personnel

Besides running the National Institute, the NCCT runs 16 Cooperative Training Colleges in different parts of the country. These colleges conduct the following courses for intermediate categories of cooperative personnel :

Name of the Course	Duration in weeks
1. Higher Diploma in Cooperation—H D C	36
2. A condensed HDC	18

- | | |
|--|----|
| 3. Diploma Course in Industrial Cooperation at Bangalore, Bhubaneswar, Chandigarh, Indore, Kalyani, Lucknow, Madras and Pune | 18 |
| 4. Diploma Course in Coop. Banking at Madras, Trivandrum and Nagpur | 16 |
| 5. Diploma Course in Land Development Banking at Hyderabad, Indore, Kalyani, Lucknow and Vallabh Vidya Nagar | 16 |
| 6. Diploma Course in Consumers Cooperation at Bangalore, Kalyani, Hyderabad, Dehradun and Pune | 12 |
| 7. Diploma Course in Coop. Audit at Chandigarh, Kota, Madras, Patna and Pune | 12 |
| 8. Diploma Course in Cooperative Marketing at Bangalore, Dehradun and Pune | 10 |

In addition to the above, the colleges organise several short-term job oriented functional courses as per the needs of the movement.

Junior Personnel

For training needs of the junior category of cooperative personnel, there are 68 coop. training centres/institutes which are run by the state cooperative unions/state Governments/separate cooperative societies. Most of them run the Junior Basic Course in Cooperation. Duration of these courses vary from state to state. Some of these centres/institutes also conduct courses in sectoral cooperation e.g. housing, farming, cooperative marketing, consumers cooperation and for sub-auditors.

Till March 1976, 6,309 officers belonging to senior category, 42,580 officers of intermediate categories and 144,000 belonging to junior categories were trained in different courses.

*NATIONAL AGRICULTURAL COOPERATIVE
MARKETING FEDERATION OF INDIA*

Cooperative Marketing in India

Country Background

India is the second most populous and the seventh largest country in the world. Its population in mid-1975 was estimated at 597.9 million. It has an area of 3,287,782 sq. km. Lying entirely in the northern hemisphere, the mainland extends between latitudes 8°4' and 37°6' north and longitudes 68°7' and 97°25' east and measure about 3,214 km from north to south between the extreme latitudes and about 2,933 km from east to west between the extreme longitudes. It has a land frontier of 15,200 km and a coastline of 6,100 km. The climate may be broadly described as tropical monsoon type. Rainfall is erratic and ill-distributed. It varies from place to place and year to year. Some places in the North-East receive the heaviest rainfall in the world i.e. Cherrapunji gets 11,419 mm of annual rainfall, the highest in the country. In contrast, Rajasthan, Kutch and the High Ladakh plateau of Kashmir extending westward to Gilgit are regions of low precipitation. They get rainfall between 100 and 500 mm in a year. The average density of population per sq. kilometre in 1971 was 177. It varied considerably being as high as 549 in Kerala and as low as 29 in Sikkim and 6 in Arunachal Pradesh. 80 per cent of the population live in villages and 20 per cent (119.6 million) in cities and towns. According to the 1971 census, there are 575,936 villages and 2,643 towns/town agglomerations. Of the villages, 318,633 have a population of less than 500 and 6,332 a population of 5,000 and over. They enumerated a total of 1,652 mother tongues, of which 15 languages have been specified in the Constitution.

Agriculture

Agriculture and allied occupations provide livelihood to about three-fourths of the population and contribute nearly one half of the national income. The number of persons en-

gaged in agriculture alone, according to the 1971 census was 125.7 million--78.2 million cultivators and 47.5 million agricultural labourers. According to the same census there are 70.5 million operational holdings in the country spread over an aggregate area of 162 million hectares. The average size of a holding is 2.30 hectares out of which net area under cultivation is 2.06 hectares. A half of the holdings are of less than one hectare whereas 2.8 million holdings are of 10 hectares and above. The area under irrigation is 29 million hectares or 21 per cent of the area under cultivation. Of the net area sown, 80.4 per cent is under food crops and 19.6 per cent under non-food crops.

Agricultural Cooperative Marketing

Marketing cooperatives have been in existence for nearly four decades. However, the development of marketing societies on a uniform basis and as a coordinated structure was initiated during the second Five Year Plan period, in pursuance of the report of the All India Rural Credit Survey Committee (1954). Marketing cooperatives have since made significant progress during the successive plan periods.

The network of cooperative marketing societies in the country comprises the National Agricultural Cooperative Marketing Federation of India (NAFFD) at the All India Level, 25 State-level cooperative marketing federations, another 170 district/regional marketing societies and 3,173 primary marketing societies which cover all the important secondary markets of the country. In addition, there are seven State-level commodity marketing Federations. For catering to special needs of the tribal people, Tribal cooperative development corporations/federations have been set up in Madhya Pradesh, Andhra Pradesh, Orissa, Bihar, Rajasthan, Maharashtra and West Bengal. Primary tribal cooperatives are affiliated to these apex tribal bodies. There is also an inter-State Marketing Federation covering the States of Kerala, Karnataka, Tamilnadu and Maharashtra for marketing of arecanut.

The cooperative marketing societies are undertaking the following functions, all of which are aimed at assisting the farmers in the field of agricultural production :

- (i) Marketing the produce of the farmers;
- (ii) Supplying production requisites like chemical fertilisers, improved seeds, pesticides, agricultural machinery, etc; and
- (iii) Supply of essential consumer articles, like sugar, kerosene, controlled cloth, foodgrains, etc.

These activities are undertaken through more than 50,000 outlets in the villages located in the interior parts of the country. The turnover of marketing cooperatives on account of the above three activities which was of the order of Rs. 2,376 million in the year 1960-61, reached the level of Rs. 29670 million in 1976-77 representing a twelve-fold increase over a span of a decade and half. The progress made by them over the year may be seen from the following table :

Progress of Marketing Cooperatives
(All types)

From 1960-61 to 1975-76				(Rs. in million)
Year	Agricultural produce marketed	Distribu- tion of agricultural inputs	Distribu- tion of consumer goods in rural areas	Total 2+3+4
(1)	(2)	(3)	(4)	(5)
1960-61	1710	357	227**	2374
1965-66	3600	1211	1981	6792
1970-71	6490	3174	1544	12208
1971-72	8440	3648	1801	13889
1972-73	9210	3926	1634	14770
1973-74	11100	4797	3270	19167
1974-75	14340	7113	3951	25404
1975-76	15640	8181	4900	28711
1976-77	15730	8530	5410	29670 ^o
				(°Prov.)

* Source : NCDC Reports

** Pertains to 1961-62

Whereas marketing cooperatives fulfilled the target of Rs. 3600 million in 1965-66 set out in the Third Plan in regard to marketing of agricultural produce, they exceeded the Fourth Plan target of Rs. 9000 million by marketing agricultural produce of the value of Rs. 11000 million in the year 1973-74.

In the course of the steady progress, they have acted as the main instruments for modernising our agriculture by providing fertilisers, improved seeds and other inputs in the remotest rural areas. The working group on Sixth Five Year Plan has projected that by 1982-83 the value of agricultural produce handled by marketing cooperatives would be of the order of Rs. 30000 million.

As a sector which functions throughout the country, that too in remote under-developed villages numbering several lakhs, there are considerable variations in the levels of performance of cooperatives from one State to another. Even within the same State, there are variances in the degree of development. While this situation may indicate areas needing greater attention, it also gives an idea of the vast untapped potential that still exists in the sector.

Primary Cooperatives

Membership

The membership of Primary Marketing Societies consists of primary agricultural credit village service societies and individual growers. The membership of primary marketing cooperatives now covers 130,884 village service societies, accounting for 96 per cent of the primary societies which are active. The number of individual members of these societies at the end of 1974-75 was of the order of 2.8 million as against 1.9 million at the end of the year 1964-65. The average number of individual members per primary marketing society is of the order of 890.

Finances

The plan-wise progress of marketing societies in regard to share capital and own fund is given below :

Funds of Primary Marketing Societies

(Rs. million)

		Share capital	Own Funds
Second Plan	(1960-61)	74	117
Third Plan	(1965-66)	187	278
Fourth Plan	(1973-74)	352	639
Fifth Plan	(1974-75)	368	699

There has been marked improvement in the Share Capital position of primary marketing societies which has increased from Rs 74.9 million in 1960-61 to Rs. 368 million in 1974-75. The State-wise position of share capital of primary marketing societies is given below :

Share Capital Structure of Primary Marketing Societies— 1974-75

(Thousand Rupees)

Share capital contributions

	Government	Members	Total
Andhra Pradesh	12885	12376	25261
Assam	N.A.	N.A.	N.A.
Bihar*	7397	1817	9214
Gujarat	1824	16079	17903
Haryana	2296	3696	5992
Himachal Pradesh	1432	733	2165
Jammu & Kashmir	N.A.	N.A.	N.A.
Karnataka	50338	13096	63434
Kerala*	7600	4557	12157
Madhya Pradesh	24524	15852	40376
Maharashtra	35868	23545	59413
Manipur	N.A.	N.A.	N.A.
Meghalaya	N.A.	N.A.	N.A.
Nagaland	N.A.	N.A.	N.A.
Orissa	25460	3199	28659
Punjab	5843	5073	10916

	Government	Members	Total
Rajasthan	7856	5100	12956
Tamilnadu	22455	10594	33049
Tripura	750	225	975
Uttar Pradesh	13490	10807	24297
West Bengal	9290	5505	14795
Chandigarh*	28	34	62
Delhi*	19	170	189
Goa, Daman & Diu*	95	54	149
Lakshadweep	140	282	422
Mizoram*	70	8	78
Pondicherry	45	27	72
Total :	229,705	132,829	362,534

*Relate to 1973-74.

It will be seen from the above that primary cooperatives of only 7 States viz. Karnataka, Maharashtra, Madhya Pradesh, Tamilnadu, Uttar Pradesh, Andhra Pradesh and Orissa account for nearly 75 per cent of the total share capital. The other 18 States/Union Territories account for rest of the 25 per cent.

This lopsided development is on account of two reasons : firstly, the Marketing Societies themselves have not taken up a vigorous programme of collecting share capital from the members. Secondly, the State Governments, whose contributions to share capital of primary cooperatives vary from two to five times of the members contribution in cooperatively weaker States, have not rendered assistance uniformly in all States. The average share capital per society during 1974-75 was of the order of 139,000. It has also to be stated here that out of the 3,127 societies, Government contribution has been made only in respect of 2,370 societies. The rest of the 757 societies accounting for nearly 25 per cent of the total number did not receive any contribution from the Government towards share capital. The share contribution by members, other than the State Governments, was of the order of Rs. 132.9 million at the end of 1974-75 as against Rs. 127.3 million in 1973-74, registering an increase of Rs. 5.4 million. This is more than the additional con-

tribution made by State Governments during 1974-75. The Government contribution in the share capital of all primary societies was of the order of 64 per cent at the end of 1974-75. If the total owned funds are reckoned, the Government share capital contribution accounted for 33 per cent of the resources of primary marketing societies.

Business Activities

The business activities of the primary marketing societies by and large, comprised marketing of agricultural produce, distribution of agricultural production requisites and consumer articles. The business undertaken by them in own account as well as agency basis aggregate to Rs. 7860 million during 1974-75, as against Rs. 6920 million during 1973-74. Their business turnover in various activities since 1965-66 were as under :

Turnover of Primary Marketing Societies

Year	Marketing of agricultural produce	Distribution of agricultural requisites	Distribution of consumer articles	Total
1965-66	13,361.04	6,190.95	1,413.98	20,965.97
1969-70	20,290.38	15,069.21	9,776.85	45,156.44
1971-72	39,925.35	16,337.85	8,368.81	64,672.02
1972-73	36,761.41	19,597.13	15,252.31	71,610.85
1973-74	27,416.00	22,072.83	19,712.05	69,201.18
1974-75	28,403.00	27,619.25	22,567.05	78,589.30

State Federations

There are today 25 State-level general purpose marketing federations and seven special commodity federations. Though the membership of these apex federations is expected to be confined to primary marketing societies, they normally have members of other categories like primary service societies and even individuals. Out of the 3,127 primary marketing societies

only 2,123 societies which were undertaking business activities were members of the Apex Societies.

NCDC Assistance

The National Cooperative Development Corporation which was set up originally in 1956 under the name of National Cooperative Development and Warehousing Board in pursuance of the recommendations of the All India Rural Credit Survey Committee, has played a key role in development of cooperative marketing and processing societies at all levels. The National Cooperative Development Corporation was set up as a successor body to NCDWB in 1963. The Organisation was reorganised under an Act of Parliament in 1974. The Corporation is charged with the responsibility of planning and promoting through the cooperative societies, production, processing, marketing, storage, etc., of agricultural and allied commodities which are notified under the Act. The NCDC provides financial and expert technical assistance to the Marketing and Processing Cooperatives at various levels for implementing various schemes. The substantial contribution of share capital has been made by State Governments, to the extent of 91 per cent of the paid-up share capital of Apex Federation.

National Level

The National Agricultural Cooperative Marketing Federation (NAFED) was established on October 2, 1958. Its registered office is in New Delhi with an area of operation extending over the entire country including the union territories. The objectives of NAFED are to render assistance to farmers through the marketing cooperative societies in the production, procurement, processing and marketing of agricultural and allied products within the country and outside and arrange for supplies of their requirements viz. agricultural inputs, machinery and consumer articles. It also undertakes various activities in support of farmers as well as the consumers at the instance of the Central and State Governments from time to time.

Membership and Constitution

All the State Cooperative Marketing Federations and those in the Union Territories are members of the Federation. Its membership since 1976-77 is also open to primary marketing and processing cooperatives having a turnover of Rs. 2 million and above, which in the case of cooperatively under-developed States is Rs. 1 million. This broadbasing of membership has been aimed at ensuring direct participation of a large number of societies in inter-state and export trade undertaken by NAFED.

Operations

NAFED undertakes the following types of business :

- (i) Internal Trade
- (ii) Foreign Trade
- (iii) Marketing and processing of perishables like fresh fruits, vegetables, eggs, etc
- (iv) Distribution of production requisites like chemical fertilisers, agricultural inputs, machinery, packing requisites, etc.

During the two decades of its existence the organisation has made considerable impact in conducting agricultural marketing operations in the fields of internal trade, export, agricultural machinery, perishable commodities and supply of inputs. The following figures indicate the growth of the organisation :

Growth of the Organisation

(Rupees in 100,000)

Year	Share capital	Own Funds	Turnover
1958-59	0.16	0.24	10.16
1963-64	0.34	12.69	82.11
1968-69	22.61	68.70	372.93
1972-73	47.00	123.59	704.34
1973-74	47.27	155.26	1607.04
1974-75	58.18	169.70	5043.86
1975-76	58.86	293.15	4483.52
1976-77	60.39	375.90	4058.47

Internal Trade

Activities of NAFED in internal trade are generally aimed at effectively fulfilling the dual objective of the Government, viz. providing fair prices to farmers and to stabilise prices of essential agricultural commodities by maintaining regular supplies to consumers at reasonable prices round the year. It also undertakes supervision of movement of fertilisers on the account of State Marketing Federations, which has resulted in reduction of transit shortages. NAFED has also arranged appointment of cooperative marketing societies as stockists of Cement Corporation of India for distribution of cement.

Export

The export of agricultural commodities through cooperative marketing sector has developed on a large scale only after the establishment of NAFED. The volume of exports of NAFED which was of the order of Rs. 201,000 during 1959-60 reached the level of over Rs. 290 million in 1975-76. The range of commodities exported by NAFED includes perishable and non-perishable commodities, forest produce, preserved fruits and vegetables, chillies, ginger, cardamom, turmeric, jute manufactures, fresh fruits and vegetables etc. NAFED regulates exports of commodities, like onion, potatoes, large cardamom etc., keeping in view the internal situation and the best interests of producers as well as consumers.

Price Support Scheme

Since 1976-77, the Government of India, have declared support prices for the benefit of the farmers in respect of groundnut, soyabean, sunflowerseed, mustardseed, gram and appointed this Federation as the canalising agency for undertaking price support operations. The Federation made elaborate arrangements for undertaking price support operations in these commodities through the network of marketing cooperatives. Detailed instructions about procurement, quality, storage, accounting procedure, etc., were issued to all concerned cooperatives for successful implementation of the scheme. Though no opera-

tions became necessary in respect of oilseeds except soyabean, the result was that the farmer felt secured of protection by getting remunerative price of his produce without involvement of any expenditure on the part of the Government.

Informal Price Support

The NAFED is also undertaking informal price support operations in respect of commodities like onion, potato, gur, ginger and to some extent raw cotton. The ginger growers in Mizoram were most benefited who were paid price support of Rs. 70 per quintal as against hardly Rs. 20-25 a quintal three years ago. Since then, a better discipline has come to prevail and private traders have been forced to offer reasonable prices to ginger growers. However during the current year, there was a glut in the production of ginger, as the Mizoram farmers were forced to resort to ginger production on account of abnormal increase in its rodent population, which spare only ginger. At the instance of the Government of India, the NAFED's entry guaranteed a minimum support price of Rs. 90 a quintal and purchased 100,000 quintals of ginger which was marketed in various parts of the country. Had this operation not been taken on a war footing, the farmers of Mizoram would have faced an economic disaster.

In respect of onion, NAFED operated a scheme of price support in Maharashtra and Gujarat where farmers were paid prices varying from Rs. 45 to 60 a quintal as against the ruling price of Rs. 15-20 a quintal. The stocks so procured were utilised for augmenting and balancing of internal availability.

The NAFED also took substantial procurement of gur in Uttar Pradesh during the current year when gur prices slumped to uneconomic levels. The entry of NAFED into the trade at the instance of the Government of India considerably reduced the losses to cane growers to a great extent.

Marketing of Perishable Commodities

The network of fruit and vegetable marketing cooperatives in the country comprises two State level Federations, 17 central level societies and 237 primary societies. However, only 9 cen-

tral societies and 73 primary societies undertook marketing activity, the value of which was of the order of Rs. 129 million. The cooperatives in Maharashtra and Gujarat accounted for nearly 95 per cent of the total value of fruit and vegetables marketed in the country. During the past five years, the NAFED has been undertaking marketing of fruits and vegetables on an increasing scale. NAFED started marketing of apples produced in Jammu and Kashmir, Himachal Pradesh and Uttar Pradesh on a large scale during the year 1972-73. As a leading agency in the field, it has since then been able to establish a full-fledged office and marketing yard in the Delhi market where nearly 200,000 cases of fresh apples are marketed every year on behalf of growers as well as cooperatives as against 27,000 cases in 1973-74. The notable feature of NAFED's activity in this field has been the establishment of open auction system in the Delhi market and commissioning of a cold storage for apples in its cold storage and for the benefit of the growers. In addition, the marketing of fresh ginger produced in North Eastern Region continues to be undertaken on a guaranteed support price. The network of NAFED's branch offices and State Federations are also being increasingly utilised by NAFED for widening the network for apple marketing throughout the country. NAFED has now opened branch offices in Srinagar (J&K) and Simla (HP) for providing necessary liaison with the apple growers and the primary cooperatives there.

Potatoes

Potato marketing was taken up by NAFED during the cooperative year 1975-76, more as a measure of offering relief to farmers in Punjab, Haryana and Uttar Pradesh who had suffered very heavily during 1974-75 due to gluts in the market, when many farmers did not take their produce to markets as the prices received by them were not sufficient even to meet the cost of packing, transportation, etc. No help could be provided to farmers in the absence of any scheme of price support operation. It is in this context NAFED took up the task of exploring export market for Indian potatoes, which it was able to successfully organise by educating the foreign buyers and governments of the suitability of the quality of Indian potatoes both

from health and marketability aspects. It was able to export a record quantity of 53,000 m/tonnes of potatoes valued at Rs. 64 million during the cooperative year 1975-76. In addition, the Federation was able to offer a guaranteed price of Rs. 45 a quintal for graded potatoes to the farmers. Besides providing this remunerative price, NAFED also paid at the end of the season, a bonus of Rs. 3 a quintal to all the farmers who had supplied potatoes at Rs. 45 a quintal. During 1976-77, however, because of increased internal demand, NAFED exported a nominal quantity of 17,000 M/tonnes as against the target of 150,000 tonnes earmarked for export by the Government of India. This, NAFED did with the explicit motive of maintaining internal prices in the interest of consumers. In both the years, NAFED had built up sufficient buffer stocks which was released in consuming areas of Delhi during off season for ensuring availability to consumers at Rs. 1.20 a kilogram. This consumer price was much less than what the consumers had to pay during the off-seasons even during years when potato prices slumped to very low levels. The entry of NAFED in the potato marketing has provided necessary encouragement to farmers and has also created a discipline in potato trade whereby the farmers are able to get remunerative returns and the off-season prices of potatoes for consumers are generally kept under check.

Onion

India is one of the important onion exporters in the world. NAFED entered the export trade of onions in 1966-67 in open competition through the private trade in recognition of its performance. The Government of India canalised the export of onions to Sri Lanka through NAFED in 1971-72. However, exports to Sri Lanka could not take place due to imposition of restrictions on the import of onions by the Government of Sri Lanka. However, NAFED continued its export of onions to other destinations in competition with the trade. Because of large number of complaints about low recovery quality, variations and spoilage in transit, the Government of India canalised export of onions to Malaysia and Singapore through the NAFED in November 1974. The Federation was able to increase the quantity of onion exports to these destinations by 150 per cent

in 1975-76. In December 1975, the Government of India canalised the export of onions through NAFED to all permissible destinations in the world. Under the canalisation scheme, NAFED, as the canalising agency, adopted regulatory measures in such a way that farmers were ensured remunerative prices of their produce and consumers' interests were protected by maintaining regular supplies at reasonable prices. The statistical performance of NAFED in the export of onions during the last three years is indicated below :

Year	Quantity in M tonnes	Value in Rs. million
1974-75	26253	27.27
1975-76	134962	183.24
1976-77	140473	182.89

Poultry

Poultry farming has come up as a source of supplementary income in a number of areas. However, because of the virtual monopoly of traditional distributive trade, poultry farmers had been facing considerable problems. The NAFED has started a poultry division in Delhi which has now taken up organised marketing of eggs in Delhi by opening facilities of cold storage and the distribution network. During the short span of six months, NAFED has been able to handle 2.5 million eggs every month. It proposes to expand the coverage of egg marketing to other important consuming areas also. The object of NAFED is to minimise the price fluctuations in eggs for the benefit of farmers as well as consumers. The NCDC will provide necessary financial support to NAFED to undertake this promotional activity.

Fresh Fruits and Vegetables Processing Units

Fresh fruits and vegetable processing units have been installed in the cooperative sector for quite sometime. However, out of the 33 units, installed in the cooperative sector, many are dormant. The NAFED took up fruit and vegetable processing for the purpose of providing an organised marketing channel. NAFED's processing unit was commissioned in Delhi during 1976-77. It has already been able to market 310 tonnes

of canned fruits in the export market. As an adjunct to its marketing plan, NAFED has taken up reviving of sick fruit and vegetable processing units in the cooperative sector. It has taken up two units, one at Vellore (Tamilnadu) and the other at Kushalnagar (Karnataka) on lease for the purpose of reviving them. In addition, NAFED has undertaken a comprehensive study for establishment of a large scale fruit and vegetable processing complex in the North Eastern Region under international collaboration with Fruit and Vegetable Processing Institute of German Democratic Republic within the overall framework of the Indo-GDR Joint Commission. The NAFED's joint study is for creation of large scale fruit and vegetable processing facility in the North Eastern Region, with the object of exporting the products valued at Rs. 150 million per annum on a long-term basis. The integrated marketing facility of NAFED is aimed at giving considerable boost to cooperative processing of fruits and vegetables.

In addition, NAFED utilised cotton ginning and pressing units in Rajasthan, where it got large quantities of cotton processed at units which had become dormant for want of business. Similarly, it utilised the idle capacity of 35 cooperative oil units, in Gujarat State, by processing large quantities of groundnut and cotton seed which helped these processing units towards revival. The Federation has also helped revival of cooperative *dal* mills in Madhya Pradesh through whom large quantities of lentils were processed before they were distributed through the public agencies in the country. Thus, the expansion of NAFED's activities by way of formal and informal price support and for consumer protection have been utilised to help revival of cooperative processing units as well.

Warehousing

NAFED has set up a Cold Storage and an Ice Factory in Delhi. Another warehouse of the capacity of 1800 M/tonnes in Delhi is expected to be commissioned during the current year. A Cold Storage, Warehouse, *Dal* Mill-cum-Packing Unit, potato and onion grading and packing unit and oil storage tanks are also coming up in greater Bombay. There are plans for setting up of a food processing, warehousing and packing complex in New Delhi. NAFED has plans to construct scientific godowns

for storage of onions in the growing areas of Pimpalgaon (Nasik) and Poona in Maharashtra. In addition, 39 conventional type of godowns were made available to meet the immediate storage needs.

Jute Mill

NAFED has entered into collaboration with the Industrial Development Corporation of Orissa for setting up of a large size jute mill in Orissa State involving an investment of about Rs 75 million for improving the supplies of packing material to trade and exports in packing material on a stable basis.

Agricultural Inputs

One of the areas of national significance in which marketing cooperatives have contributed to substantial development is in the field of distributing chemical fertilisers. It is largely because of the efforts made by the cooperatives that fertiliser use became popular even in remote areas. During the past two decades marketing cooperatives have taken all pains to open retail distribution points in interior areas for distribution of chemical fertiliser to farmers at a reasonable price. The volume of chemical fertilisers distributed by cooperatives has increased from Rs 322 million in the year 1961-62 to the level of Rs. 8,000 million estimated to have been distributed by them as on June 1977. Cooperatives today handle only 60 per cent of the total volume of fertilisers consumed in the country.

Supply of Agricultural Inputs by Cooperatives—Value of Inputs Distributed

Year	(Rs. in million)	
	Chemical fertilisers	Other inputs (Seeds, implements, pesticides)
1955-56	30	01
1960-61	282	75
1965-66	801	410
1970-71	2498	676
1974-75	6170	943
1975-76 (P)	7157	1024
1976-77 (Estimated)	8000	1250

Improved Seeds

The cooperatives have made considerable progress in the distribution of other agricultural inputs like seeds. As compared to Rs. 479 million worth of improved seeds distributed by the cooperatives in the cooperative year 1973-74, their turnover amounted to Rs. 510 million during 1974-75. During the year 1975-76, the cooperatives would have distributed improved seeds of the value of about Rs. 474 million.

Pesticides/Insecticides

The turnover of cooperatives in the distribution of pesticides and insecticides during the cooperative year 1975-76 is estimated at about Rs. 280 million as compared with the performance of Rs. 220 million during the preceding year. Besides distribution, cooperatives have also taken up formulation of pesticides and insecticides.

The country is on the threshold of an agricultural revolution. The increases in production of some commodities, and shortage of some others have been inducing crises for the producers as well as the consumers. The NAFED, as the apex body of marketing cooperatives in India, has been putting into operation the resources of the cooperative marketing structure from the primary level onwards for eliminating the nuisances following such aberrations. That some demonstrable results have been achieved during the past two years, not only proves that the NAFED and the marketing cooperatives have a great role to play for helping the country's economy, but also that they have the potential to undertake the task.

INDONESIA

The Cooperative Movement of Indonesia

General Economy

Area and population

Indonesian archipelago consists of approximately 13,000 islands and islets situated between the two continents of Asia and Australia and between two oceans, the Pacific and the Indian Ocean which makes it a strategic cross road.

The population according to the census of 1971, was 132 million people, out of which about 65% are living on the island of Java which is only 7% of the size of the land area of Indonesia.

Agricultural census of 1963 recorded 12,263,470 farming population which covered 12,883,868 HA, with an average cultivation of only 1.1 HA for every farm household. 65.5% of these small farms are to be found in Java island.

Agriculture

In accordance with the State Guidelines of 1978, during the third Five Year Development Plan (PELITA-III 1979-1984) agricultural development in Indonesia is geared to increasing agricultural production, creating employment opportunities and increasing the farmers' income.

Within the framework of the policy to sustain the increase in food production and to increase the production of export-oriented agricultural commodities, during PELITA II, programmes to increase the production in the following were carried out :

- rice
- cash crops
- horticulture
- rubber, coffee and palm oil estates

- animal husbandry
- fisheries
- forestry

Rice production in 1977 increased by 0.53% and planting area increased by 0.21%.

Cash crop production in 1977 increased by 17.8% in corn, 3.02% in sweet potato, 18.18% in peanuts and 0.95% in soya-bean. Sea fishery production increased by 5.4% in 1977.

The increase in animal husbandry production in 1977 was 4.5% in meat, 6.0% in eggs and 5.2% in milk. Estate production such as rubber, palm oil, copra, coffee, tea, clove, pepper, tobacco and cane—sugar increased in 1977. Forestry production such as teak-wood increased by 19.3% and jungle wood increased by 4.01% in 1977.

The above mentioned agricultural, forestry and fishery production in 1977 had shown substantial increasing export figures particularly for items such as palm oil, tea, coffee, tobacco, corn, cassava, shrimp, fresh fish and wood, while other items such as copra, rubber and cattle had shown a declining tendency.

Industrial development had shown favourable increasing figures upto 1977. It can be noted that the progress of the industrial sector is marked by the type and amount as well as the improvement of quality of industrial product.

The domestic industrial production has been able to meet the needs of the people in the fields of their basic needs, such as clothing, food, household equipments, cement, iron as well as fertilizer.

Some of the domestic industrial products have shown positive export prospects in the international market. Since 1976 urea was exported to Asian countries on an increasing scale from year to year. Cement has also been exported to the neighbouring countries.

To solve the problems faced by small scale industries and handicrafts, the government has given assistance in the form of education and training, guidance and extension, technical and management assistance, promotion as well as information. The Government, has built small industry and handicraft development and service centres for patchouli oil, rattan, leather,

wood carving, textile industry and metals. These efforts have resulted in an increase in the volume of trade, improvement in the quality of the product, and better administration and finance.

Cooperative Movement

History of the Cooperative Movement

Though the pioneer efforts of cooperatives had started since 1896, the growth of cooperatives in Indonesia started only in 1908 when the nationalist movement began its political activities in the country. Since then the cooperatives in Indonesia have developed with their ups and downs as a result of the changes in the political, economic and social conditions. During the 50 years' of development, since 1927 to 1977, the cooperative law has been changed six times (in 1927, 1933, 1949, 1958, 1965 and in 1967).

The types of cooperatives introduced in Indonesia was the Raiffeisen type credit cooperatives. The consumers and service cooperatives in production, processing and marketing were introduced later. After 1970 other service cooperatives such as transportation, housing and insurance were introduced.

In the framework of the development in Indonesia, Cooperatives have been involved in the Five Year Development Plans (PELITA) i.e. since the first PELITA of 1969/1970 to 1974/1975 and continued in the second PELITA of 1975/1976 to 1978/1979.

Particularly the Village Unit Cooperative Society (KUD) has been involved in the production process, supply of production inputs, credit, processing and marketing of products. Initially it was limited to food production especially rice and corn. It was then expanded to fisheries, animal husbandry, people's small-estate, handicraft and small scale industry.

The following figures show the general picture of cooperatives in Indonesia.

Overall Progress

Up to now the development of cooperatives has shown favourable hopes. The Village Unit Cooperative (KUD) has

Statistical figures on cooperatives at national level semester II of 1976.

No.	Remarks	Level of Society				Total
		Primary	Secondary	Provincial Federation	National Union	
1.	Number of Cooperatives	12,754	337	49	13	13,153
2.	Members (persons)	3,843,384	—	—	—	3,843,384
3.	Savings (Rp. 000,-)	12,741,867	519,499	365,491	1,139,890	14,766,747
4.	Reserve (Rp. 000,-)	10,257,866	750,650	265,587	436,214	11,710,317
5.	Cooperative loan (Rp. 000,-)	17,263,677	2,506,767	1,322,238	4,230,076	25,322,904
6.	Capital (Rp. 000,-)	40,263,410	3,776,916	1,953,462	5,806,180	51,799,968
7.	Business Volume (Rp. 000,-)	110,277,811	110,277,811	15,295,251	12,524,216	149,126,592
	A. Loan & Savings activities	32,769,075	3,345,467	11,872,795	509,761	48,497,098
	B. Sales	77,448,184	7,683,847	3,422,456	12,014,455	100,568,942
	C. Insurance	60,552	—	—	—	60,552
8.	Reserve funds (Rp. 000,-)	1,529,556	219,597	101,963	—	1,851,116
9.	Surplus (Rp. 000,-)	3,426,770	355,984	121,704	264,980	4,169,438
10.	Employees (persons)	16,550	1,648	585	2,919	21,802

become an inseparable part of the agricultural development programme, particularly the food programme. As a newly organised body the KUD has carried out its programmes successfully. Besides being involved in the food supply programme for the national stock, distribution of farm inputs and maintaining the price of rice, KUD has been able to increase the income of the small farmer/producer, as well as to help in the distribution of income equitably. KUD has played a substantial role in the national food programme.

Since 1973/1974 up to 1977/1978 KUD, has succeeded in collecting the equivalent of 2 million tons of rice for the national stock as well as for market operations. They distributed more than 2.5 million tons of fertilizer and nearly 8.5 million kg. of pesticide to the farmers.

The Presidential Instruction No. 2 of 1978 issued in February 1978 concerns with reorganization and restructuring of the BUUD/KUD which has to be accomplished during the third PELITA (1979/80—1983/84).

The promotion of model KUDs is organized to mark the implementation of the Presidential Instruction which will be carried out step by step on pilot basis throughout Indonesia. The enactment of Presidential Instruction No. 2 of 1978 has resulted in the expansion of KUD activities, according to its functions as well as on commodity basis. Thus KUD activities become multi-functional. It is involved in various activities such as production, collection, processing, marketing, supply, credit and other services of various commodities. Therefore its activities are not limited to agricultural food production alone but to other commodities such as salt, cloves, copra, rubber, fisheries etc., and supply of 9 basic needs of the people.

It is therefore necessary to pay more attention to the management and business activities of the KUD besides the supply of capital to support the activities.

One problem which has arisen due to the demand of modern development is the need for utilization of proper technology. Proper technology should be introduced to the rural areas besides infrastructure like rural electrification. The cooperative movement has initiated pilot projects of rural electrification in two villages in Central Java. A wider scope of activities for rural electrification on cooperative basis has been started in west

Nusatenggara, in the Kabupaten (Regency) of West Lombok, Lampung in the Kabupaten of Central Lampung and South Sulawesi in the Kabupaten of Luwu sponsored by NRECA (USA) and Canada.

Sectoral Development of Cooperatives

Rural/Agricultural Cooperatives

The BUUD/KUDs have developed since they were organized for the first time in Jogjakarta in 1971 and have spread out all over Indonesia. There were 633 BUUD/KUDs in 1972 and the number had increased to 4053 by 1977. It is hoped that with the increase in their activities and business turnover, the BUUD/KUDs will help in increasing the production and raising the income levels of their membership, i.e. farmers.

During the year 1973 the KUDs numbering 1528 collected 253,933 tons of rice for the food supply programme and during the year 1977/78 the KUDs numbering 2385 collected 184,001 tons of rice, for the same programme.

The KUDs' activities in the distribution of fertilizers and insecticides to the farmers also increased during the years. While they distributed 217,000 tons of fertilizer in 1974, 422,537 tons were distributed in 1977/78. Insecticide distribution also rose from 1,052,844 kg in 1974 to 2,358,712 kg in 1977-78.

Small Scale Industry and Handicraft Cooperatives

In spite of the difficulties faced by them in marketing their products, the Batik cooperatives have a firm position in the field of small-scale industry and people's handicrafts. The problem of marketing is experienced due to difficulties faced in modernization of production and the inability to meet the changing demand of the consumers for printed batik, rachel method knitting batik etc.

The Indonesian Batik Cooperatives Federation (GKBI), produces batik clothing material, batik garments, and has production units of cambrics, the main material for batik industry. As the production of these units have gone beyond the absorbing capacity of the member primary cooperatives, the principal

consumers, it has become necessary to channel it through the open market.

The Batik Cooperative Federation also meets the needs of its members for wax, textile paints etc. The main problem faced by the Batik Cooperative Federation is in marketing their batik products. Efforts have recently been made for sale of batik abroad which has shown a promising prospect.

Domestic marketing of batik is carried out through batik stores and through cooperative networks particularly through the BUUD/KUDs.

Textile Cooperatives have faced unavoidable obstacles since 1973. Many of the non-mechanised weaving/textile cooperatives have been closed due to the acute competition from mechanised textile industries as well as imported textiles. Consequently in May 1976 the National Federation of Textile Cooperatives was liquidated.

The Consumers Cooperative Societies

There have been no significant changes in the position and activities of consumer cooperatives in the country. Women's cooperatives, civil servants' cooperatives, army, navy, air force and police cooperatives existing in the country are consumer in nature. There were 6780 consumers cooperatives in 1976 in the country which transacted business worth Rp. 25 million and earned a surplus of Rp. 2.4 million.

Housing Cooperative Societies

There has not been much activity in the field of cooperative housing due to the low level of incomes of the labourers and of wages of the wage earners. Added to this the steady rise in prices of construction materials has created difficulties for the cooperatives in accumulating capital to start housing projects. A government sponsored national seminar on low cost housing held in 1977 has recommended several measures for developing housing cooperatives in the country.

Fisheries Cooperatives

Village Unit Cooperatives dealing with fishery activities have already been set up in conformity with the basic principles of the policy of fostering and guiding the cooperatives. Help for the development of these cooperatives include planning, fostering and guiding, amalgamation, providing facilities for production, processing and marketing of products and credit.

An attempt has been made to develop the artisanal fisheries cooperatives at eight locations in the country.

In the middle of 1975 a BUUD/KUD was started for the fishery waters of Muncar, East Java, with a capital of Rp. 300,000,000—(US\$ 750,000). The results were encouraging although some improvements and extension were considered necessary.

To improve the fishing capacity of small fishermen in this area the World Bank has given 10 fishing vessels valued at Rp. 630 million through the cooperative. On the basis of the experience gained from this project, efforts are being made to start similar projects in other parts of the country.

In October 1978 the Government has handed over 10 fishing boats to the fishermen of the fishery centre of Ambon (The Prov. Maluku) through their fishery cooperative (KUD) which have enabled them to compete effectively with private fishing vessels.

Problems confronting the fishermen's cooperatives as well as the fishermen personally include their perishable product, the economic power of fish dealers, over production during the peak season with no facilities of preserving, the need for large capital investment for fishing industry and the inadequacy of credit.

Preparations for the pilot project KUD in the aforementioned eight provinces are now being made. In 1978, the Government conducted training courses for managers, boards of directors, book-keepers, and staff of the cooperative department who supervise the cooperatives. This training will provide the cooperative personnel with some skill for running the business as well as to know the organizational aspects of cooperatives. In this way it is hoped that the fisheries cooperative will strengthen its foundation to start its work properly.

Small Scale Peoples Plantations Cooperatives

Small scale plantation industries producing tropical commodities such as rubber, copra, coffee, cloves, tea etc. have also engaged the attention of the Government. Particularly a cooperative dealing in cloves has now been organized on the same pattern as the BUUD/KUD. North Sulawesi is one of the provinces in Indonesia where cloves are produced. While other areas are busy coping with other foodstuff products, the BUUD in North Sulawesi is engaged in clove production and marketing. To make the operations of these BUUDs effective, the Government has trained the manager, board of directors and staff of the BUUD as well as the cooperative officers.

For stabilizing the price of copra, the Government has taken some measures to help the copra cooperatives and the BUUDs engaged in copra business. Floor price has been fixed to protect the farmers from private dealers of Copra.

Efforts are being made to organize small holders of rubber, palm oil in North Sumatra, tea in West Jawa and other areas into bigger units to make their operations more effective.

People's Sugarcane Growing Cooperatives

Since 1976, 120,000 hectares have been used for cane plantation. Out of this 90,000 hectares of land is rented from the people by sugar mills while the rest is planted by the people themselves. A system of plantation known as the Tebu Rakyat Intensifikasi or People's Cane Farming Intensification was introduced to the farmers to help them in cane production. The owner of the land is expected to cultivate his land according to the system. The idea is to give him an opportunity to increase his income gained from the sharing system of products with the sugar mills. This new system is expected to start from 1980.

A target production of 1,356,000 tons has been fixed for the KUD. 50 per cent is expected to be the result of the new system.

Cooperative Banking

There are six Cooperative banks in the country. Three of

them namely *The Bukopin* in Jakarta, *The Kahuripan Cooperative Bank* in Surabaya and the *Sulawesi Selatan Cooperative Bank* in Ujung Pandang are operating according to the Law on Banking Regulations of 1967.

The activities of these banks are still very limited and are yet to fulfil the needs of the Cooperatives in the region.

Cooperative Insurance

At the end of 1976 the first Insurance Cooperative was established in Jakarta called the *Koperasi Jaminan Karya Rakyat-K.J.K.R.* (Cooperative Assurance Society) with the following activities :

- (a) *Daya Jiwa* : life insurance for persons up to 75 years of age.
- (b) *Daya Jiwa Keluarga* : life insurance for members of the family.
- (c) *Daya Jiwa Siswa* : life insurance for education.
- (d) *Daya Usaha* : Credit insurance provided by banks (under LJKK system)
- (e) *Daya Sarana* : insurance against fire etc on cooperative equipments.
- (f) *Daya Guna* : Credit insurance provided by banks etc.

Cooperatives of Other Sectors

Sixty per cent of the production of salt is controlled by the people who own salt pans near the shore, particularly in Central and East Jawa and in South Sulawesi.

To protect the pan owners from the practices of private traders, they are organized into BUUD/KUDs.

The shipping cooperative known as *PELRA Cooperative* is doing a good job as a result of good management and cooperation given by the people who work in this field of business.

Small Credit System Through Cooperatives (K.C.K.)

The small credit system called "Kredit Candak Kulak" (KCK) was launched by the Government to help small traders,

small industries/handicraftsmen with cheap and small loans so as to provide them with employment opportunities and additional incomes. KCK loans are provided on easy terms without collateral. Interest charged being 1% per month is very low in comparison to the 15 to 50% interest charged by money lenders.

This system, started in November 1976, covers 12 out of the 27 Provinces. By 1979 it will be extended to 12 other provinces.

This KCK credit system was started with Rp. 533 million initial capital provided by the Government. It was calculated on the basis of Rp. 2,000.—to Rp. 15,000.—per person for a period of two to three months. 1,596 Cooperatives have opted for Candak Kulak Credit to serve their members and non-members.

The following figures show the performance during phase I, phase II and phase III respectively for 1976-1977, 1977 and 1978 :

Phase	Cooperatives involved	Loans extended	Borrowers
Phase I	533	Rp. 6,146,361,608—	1,050,506 persons
Phase II	967	Rp. 3,340,329,557—	581,621 persons
Phase III	96	Rp. 166,348,830—	37,518 persons
	1,596	Rp. 9,653,039,995—	1,669,645 persons

Cooperative Credit Guarantee

Most of the cooperative societies in Indonesia are associations of men from the economically weaker sections. In developing their business activities the cooperative societies have always encountered financial and capital problems. The capital of the average society collected from the members' saving is not adequate to support the business activities. To utilise the credit facilities provided by the bank, the cooperative society is confronted with the problem of meeting the technical requirements regarding guarantee on loans supplied to the society.

With the establishment of the Lembaga Jaminan Kredit Koperasi (LJKK) or the Institution of Credit Guarantee for Cooperatives, the capital problem faced by cooperatives for promoting their business activities is greatly relieved. The Cooperatives can now get their loans on easy terms from the bank and these loans are guaranteed by the LJKK.

The role of LJKK has benefited the activities of the Cooperatives to a great extent. The LJKK guarantees for enabling the cooperatives to take loans for activities like agriculture, fishery, handicraft, for distribution of fertilizers and pesticides and for batik marketing.

Besides the guarantee provided to cooperatives, LJKK also provides share capital to cooperative societies.

LJKK also provides interest subsidy for credit received by the cooperatives when they are unable to pay the interest.

Table belows shows LJKK Funds Development, amount of credit guarantee and the value of credit guaranteed from : 1972/1973 to 1977/1978.

Year	Number of BUUD/ KUD receiving credit	LJKK Funds 000 000 rp.	Credit Guarantee 000 000 rp.	Value of Credit 000 000 rupiah
1972-73	742	2,500	272.9	272.9
1973-74	3,431	900	1,577.6	23,798.0
1974-75	7,374	2,500	5,560.0	66,074.0
1975-76	7,560	1,700	7,894.4	98,979.1
1976-77	5,879	—	2,072.8	111,979.1
1977-78	10,987	—	3,132.2	30,658.3
1978-79	23	—	208.0	209.6

Education

In spite of the progress achieved, the government feels that the quality of cooperatives is far from what is expected. Various weaknesses and shortcomings are still to be found. These are

mostly caused by weaknesses in organization, management and skill of the cooperatives.

The government has launched a cooperative consolidation programme from 1975 to enable the cooperatives to carry out their economic functions effectively.

Various training courses, seminars and workshops have been conducted and 36,104 cadres and cooperative promoters have undergone training since the first PELITA. About 30% of the development fund is generally used for educational purposes.

To strengthen the cooperative organization and to promote its business ability, education has a very significant role. Education has been carried out for government officers as well as for members of the cooperative movement.

Government officers have attended courses on cooperative extension, project appraisal, accounting, administration, credit, etc. Those from the movement side have undergone courses on management and technical knowhow such as book-keeping, storage, credit etc.

IRAN

The Cooperative Movement in Iran

History and Activities of the Cooperative Movement in Iran

The work of the cooperatives in Iran, both in the past and present, can be placed in three groups.

- (a) Activities of traditional cooperatives
- (b) Origin of rights of cooperatives
- (c) Establishment and growth of cooperatives.

(a) Activities of Traditional Cooperatives

There is no record of when traditional cooperatives started in Iran, but as people are naturally born socially, we can guess that such cooperatives started when people started living in groups. Such traditional cooperatives can be found even nowadays in most of the far flung villages of Iran. Persian literature is abound with cooperation "one for all, and all for one".

Our religious teachings also emphasized the need to help and assist each other and in the execution of this religious belief and because of the faith in these heavenly instructions, big institutions for performing social, educational and welfare services have been established with the help of the people. Fortunately, some of these institutions are still in existence.

(b) Origin of Rights of Cooperative Societies

During 1924 and 1925 for the first time in the laws of commerce, six articles were added regarding the establishment and management of cooperative societies. In these 6 articles, two types of cooperatives are named : production and consumer. To complete the first law and regulations regarding the activities of cooperatives, a bill was passed in 1953 for the first time which consisted of 16 articles. This bill includes all kinds of cooperatives such as consumer, production, sale of products, credit, construction and all other kinds of public services.

Between 1955 and 1973 in order to protect and create facilities and encourage cooperatives and cooperative education, new laws and regulations were introduced. Supervision in the execution of these laws and regulations at present is borne by organisations which encourage, control and give credit to cooperative societies. These organisations are : Central Organisation of Rural Cooperatives—Agricultural Cooperative Bank—Northern and Southern Fisheries—Central Organisation of Cooperatives in Iran.

(c) Establishment and Growth of Cooperative Societies

According to records, the first agricultural cooperative was established in 1939 with the help of the then Ministry of Finance. Afterwards several other cooperatives came into being. In 1949, another consumer cooperative society by the name of Army Consumers Cooperative (presently SEPAH Consumers Cooperative) was established with 14 members and a capital of Rials 32,700. At the end of the fiscal year 1977-78 i.e. after 28 years, its capital was Rials 24,349,000, the reserve capital was Rials 398,489,478 and its members numbered 23,421. Its sales during 1977-78 was Rials 1,534,548,813 which has proven itself useful in combating against high prices and profiteering as well as stabilising prices of consumer goods and securing the requirements of its members and other clients in Teheran. In 1968, this society was named SEPAH Consumers Cooperative. It is a member of the International Cooperative Alliance.

During 1940, the Agricultural Bank took a big step in laying the foundation of rural cooperatives. As the capital of this bank at that times was only Rials 300,000,000 (with only one-third paid-up capital) and application for loans from farmers exceeded too much, the authorities thought of adopting the French method of attracting the small savings of the farmers for investment in agricultural affairs. The first rural fund was established in this bank and in order to establish more such funds, a regulation was passed to encourage the farmers to invest in these funds. The farmers were exempted from paying interest for the first loan provided they buy a share or shares equivalent to the interest payable. In this way more funds were created. This programme continued till 1953 and till that time there were 101

funds in 101 parts of Iran. As mentioned in "Origin of Rights of Cooperative Societies", from 1947 to 1952 the government in order to help the workers and farmers with the help of the bank introduced 80 rural cooperatives in different parts of the country. Finally in 1953 with the change in rules and regulations these 101 funds were changed to rural cooperative societies and by 1962 there were 950 agricultural and rural cooperative societies.

From the start of land reform in 1962, the activities of the Agricultural Bank increased tremendously so much so that in the early part of 1963, there were 2092 rural cooperatives with a total membership of 459,401 and a total capital of Rials 295,811,250. In the latter part of 1963, the Central Organisation for Rural Cooperatives was formed to give technical and financial assistance as well as administrative help to these cooperatives. In 1952 the Development and Rural Cooperative Bank was established (presently Bank Omran) to give loans and assistance to the farmers who had obtained land from the distribution of the royal lands. This bank established credit cooperatives for the small land holders and within ten years established 745 credit cooperative societies with a total membership of 25,382 farmers. These cooperatives were formed into five regional unions.

In 1949, an organisation of cooperative societies and rural funds was created within the Plan Organisation which till 1961 had attractive educational activities like publishing useful cooperative publications in Persian in 28 volumes. This organisation utilised the services of foreign specialists for the first time in 1952 and this activity continued till 1956. After the establishment of the Ministry of Labour propagation of the principles of cooperation among the workers by utilizing the services of foreign specialists was started by the ministry. A publication in Persian regarding cooperative societies and the principles of cooperation was issued in 1957. From 1955 to 1971, a council was set up in the Ministry of Labour comprising representatives from the ministries of Finance, Agriculture and Interior and the Plan Organisation under the Chairmanship of the Minister of Labour, to coordinate the activities of cooperatives, to educate and look into and solve the problems of cooperatives and to arrange and approve the articles of association. It has taken

useful steps in the performance of its duties. This ministry has brought out many publications in Persian regarding the establishment and running of cooperatives.

The Land Reforms Organisation was established in 1961. In the execution of its duties and after the formation of the Central Organisation for Rural Cooperatives it established 737 rural cooperatives amongst the farmers who had obtained land under the land reform programme. From 1948, the then Ministry of Education included cooperation in the curriculum in the agricultural college. From 1956 the students had also practical experience. They were allocated to cooperative societies after completing their studies to teach and instruct the villagers in running their cooperatives. In mid-1963, the Central Organisation for Rural Cooperatives, with a capital of one billion rials, started to help the farmers and villagers, who had obtained land through land reform directly, with the assistance of the regional development organisations.

To strengthen the finances and increase the technical facilities and other useful services of the rural cooperatives, the Central Organisation for Rural Cooperatives started an amalgamation programme of rural cooperatives in 1974. This was done to serve the farmers effectively in securing their requirements like machineries, sources of drinking water, warehouse, electricity, etc. At present, there are 2914 rural cooperatives with a total membership of 2,949,502 and 152 regional rural cooperative unions. The following are their functions.

1. Training of supervisors to guide and supervise the rural cooperatives.
2. To help establish and run rural cooperatives and unions.
3. To check the credit requirements of the rural cooperatives and unions and submit the same to the Agricultural Bank and supervision of loans.
4. To lay the foundation and do services to the farmers who are members.
5. To seek help and assistance both from government and private institutions for farmers.
6. To evaluate members' products.
7. To establish cooperative educational courses for farmers.
8. To train managing directors for rural cooperatives.

9. To help keep books and other financial affairs of rural co-operatives.
10. To check the accounts of rural cooperatives and unions.

In 1960, from the contributions made by the employers and employees towards social insurance, the Worker's Welfare Bank was established. One of the duties of this bank is to grant loans to workers and workers' cooperatives. The bank encouraged the workers to establish workers credit cooperatives and was successful in forming 520 workers credit cooperatives in several industries within 10 years. The bank also trained managers to run these cooperatives.

In 1965, the National Iranian Oil Company established the Oil Industries Consumer Cooperatives throughout the country to secure the daily requirements of its employees. This consumer cooperative organisation has stores in several parts of the country.

In 1950, the Iranian State Railways established consumer cooperatives for its employees and workers in different parts of the country and within ten years formed 15 consumer cooperatives with 24 stores. These cooperatives are members of a consumer union from which they secure their requirements.

In 1971 the Ministry of Finance in its programme to assist the handicraft industries, encouraged these people to form cooperatives to procure tools and raw materials for their work.

In 1967, an organisation to coordinate the activities of cooperatives in Iran was formed under the direct supervision of the Prime Minister. Presently this organisation is under the supervision of the Ministry of Commerce and continues its activities.

In order to give more cooperative and technical information, this organisation, directly or through contacts with other institutions has arranged special courses for the board of inspectors, managing directors, store managers, salesmen, book keepers, etc.

In order to have a new cooperative law, this organisation (The Central Organisation of Cooperatives in Iran) collected and studied the laws in 16 countries and finally prepared a new law for cooperatives in Iran with 149 articles. This cooperative law was passed in 1971 which now supervises the work and

protects the cooperatives in Iran.

To help the cooperatives technically, financially and administratively this organisation has set up 14 warehouses, each with a capacity of 21 tons. It helped the union of consumers cooperatives to purchase trucks and mini-trucks for distribution of goods to cooperatives. It has also financially helped construction of 50 stores in Iran for consumer cooperatives.

From 1971, this organisation has paid special attention to cooperative education. Cooperation is one of the subjects in most of the colleges in Iran.

JAPAN

Agricultural Cooperative Movement in Japan

Introduction

Japan consists of four main islands—Hokkaido, Honshu, Shikoku and Kyushu—in addition to a number of island chains. The archipelago, lying off the eastern coast of the Asian continent, stretches in an arc, 3,800 km long. It covers an area of about 370,000 square kilometers. The climate is generally mild and the four seasons are clearly distinct. Rainfall is abundant, ranging from 1,000 mm to 2,500 mm a year.

Owing to the country's mountainous topography, arable land is very limited and only about 15.1% of the total area represents agricultural land, of which paddy fields occupy 59%. The total cultivated land in 1975 was 5,572,000 hectares, which means an average landholding per farmhousehold was 1.1 hectares.

Land utilization in 1974

	1,000 hectares	%
Total area	37,210	100.0
Cultivated land	4,520	12.1
Orchard	640	1.7
Grazing field	460	1.3
Forest	25,600	68.8
Housing, factory, road, river etc.	5,990	16.1

Number of farm households by sizes of land holdings

(Unit : 1,000)

Hectares	1960	1965	1970	1974
Less than 0.5	2,275	2,096	1,999	1,906
0.5—1.0	1,907	1,762	1,604	1,504
1.0—1.5	1,002	945	868	789
1.5—2.0	404	407	404	371
2.0—3.0	201	214	241	242
Over 3.0	36	41	60	73
Total	5,823	5,466	5,176	4,885

Note : Hokkaido is not included.

Agricultural production in Japan may be said to be concentrated upon food products and in recent years production of fruits, vegetables and livestock products has been increasing, while the production of wheat, barley, soyabeans and potatoes has decreased drastically. Such divergent trends in agricultural production may be attributable to the selective expansion of production adjusted to changes in the structure of food consumption and to the unfavourable impact of agricultural imports from abroad when the demand for these products was continuing to grow. Reflecting these circumstances, Japan's self-sufficiency rate of agricultural food products fell in aggregate index numbers from 90% in 1960 to 72% in 1974.

In contrast with the rapid reduction of the agricultural population, the number of farm-households decreased only slightly from 5.99 million in 1960 to 4.95 million in 1975, of which only 12.5% were entirely dependent on agriculture for their livelihood, while 87.5% primarily or secondarily relied on non-agricultural industries. The ratio of agricultural income to total household income decreased from 50.2% in 1960 to 27.1% in 1974.

Farm households and farming population

(Unit : 1,000)

	Farm Households	Agri. Population	Population engaged in Farming	Total Population	A/C %	B/C %
	A	B	C			
1965	5,665	30,083	9,900	98,275	30.6	10.1
1970	5,342	26,282	8,230	103,720	25.3	7.9
1972	5,170	24,989	6,870	107,332	23.5	6.4
1973	5,100	24,383	6,290	108,710	22.6	5.8
1974	5,027	23,812	6,070	110,098	21.6	5.5
1975	4,953	23,195	5,930	119,934	19.3	4.9

Number of part-time and full-time farm households

(Unit : 1,000)

	Total No. of farm households	Full-time farm households	Part-time farm households		
			Total	Part-time I	Part-time II
1965	5,665	1,219	4,446	2,081	2,365
1970	5,342	832	4,510	1,802	2,709
1972	5,170	743	4,427	1,404	3,023
1973	5,100	675	4,425	1,303	3,122
1974	5,027	628	4,399	1,222	3,177
1975	4,953	618	4,337	1,259	3,078

Note : Full-time farm household—No one in the family is engaged in other occupation than agriculture.

Part-time I—One or more member(s) of a family is (are) engaged in outside job but agricultural income of a family is more than non-agricultural income.

Part-time II—One or more member(s) of a family is (are) engaged in outside job but agricultural income is less than non-agricultural income.

A. Origin and Growth of the Movement

The modern cooperative movement in Japan started after 1900 when the Cooperative Society Law was enacted. This Law authorized the formation of four types of cooperatives : credit, marketing, purchasing and processing. A few years after that, the Central Cooperative Union was established, at which time its devoted leaders availed themselves of the establishment in inaugurating an energetic campaign to form cooperatives on a nationwide scale. In 1906, credit societies were authorized to perform the additional function of marketing business. Thus, the nucleus of the present-day type of the multi-purpose cooperative societies was formed.

With the outbreak of World War II, cooperatives were re-organized into compulsory organizations in order to meet the demands of a wartime controlled economy. Coupled with this, the policy of obligatory membership substantially altered the co-operative nature of the movement.

In 1947 the Agricultural Cooperative Society Law was promulgated with a view to sustaining and developing farm management and livelihood of owner-farmers who got their lands after the World War II by Land Reformation. The Law provided that agricultural cooperatives be managed on the basis of co-operative principles.

Within about one year after the enactment of the Law, agricultural cooperatives and their federations were established on the city, town and village, and prefectural and national levels. However, some of them were plunged into financial difficulties only a few years after their establishment as a consequence of the economic turmoil and drastic shifts in the Government's economic policy during this period. In 1951, the Law for Rehabilitation and Consolidation of the Agricultural, Forestry and Fishery Cooperatives came into effect in order to help them overcome such difficulties. It provided for the rehabilitation of the sound financial status of cooperatives experiencing management difficulties. After this, federations also fell into management difficulties as a result of their financial deficits. For these reasons, the movement started rebuilding, supported by the Law for Promoting Consolidation of the Agricultural, Forestry and Fishery Cooperative Federations.

When the National Guidance Federation of Agricultural Cooperatives established after the World War II was reorganized into the present Central Union of Agricultural Cooperatives in 1954, agricultural cooperatives which had survived the chaotic age of the postwar economy began their activities in a more integrated manner based on demands of the members, so as to gear the cooperative activities effectively to the members' farm and livelihood improvement targets. They carried out the "Integrated Business Planning Campaign of Agricultural Cooperatives", which was then followed by the "Three-year Plan for Renovation and Expansion of Agricultural Cooperatives." In 1961, the Law of Amalgamation Assistance for Agricultural Cooperatives was enacted under which the merger of cooperatives was promoted. In 1967, the 11th National Congress of Agricultural Cooperatives adopted the Basic Agricultural Development Scheme to realize highly efficient and high-income earning agriculture. Based upon such a precept, efforts were made to create cooperative farming complexes.

I. Structure of Agricultural Cooperatives

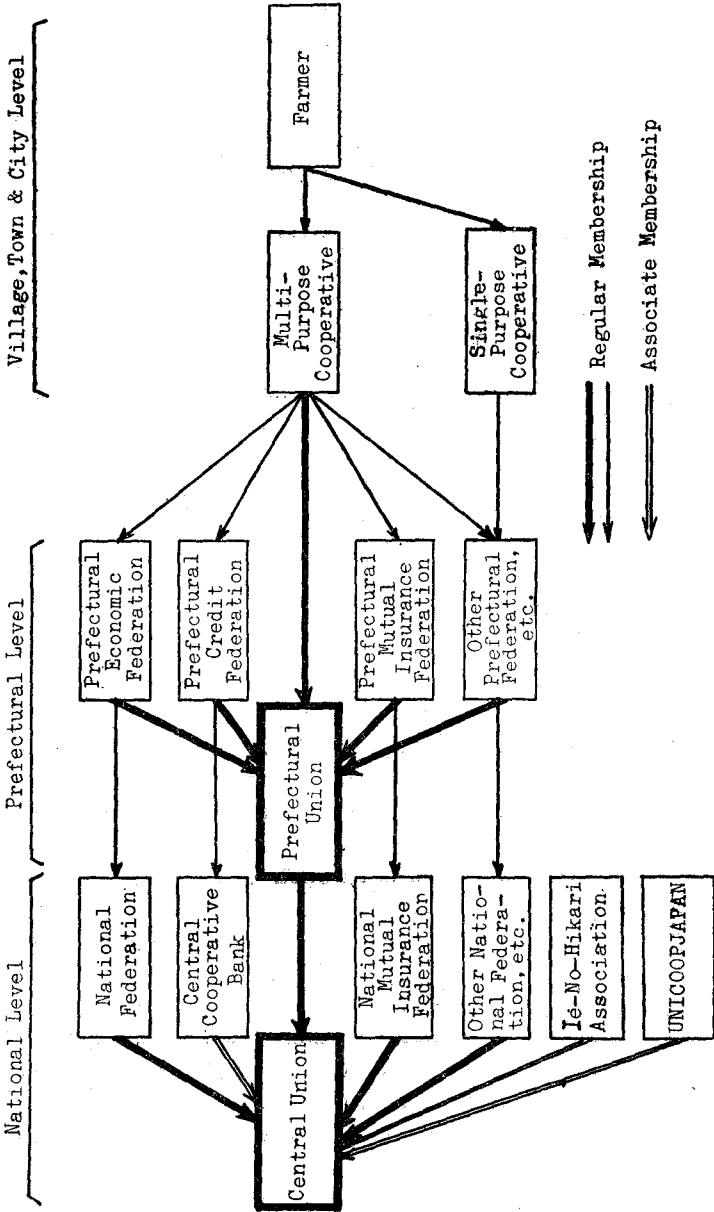
1. Primary Agricultural Cooperative Societies

In Japan, the primary agricultural cooperative societies are organized on the city, town and village levels, with their memberships composed of farmers as regular members and non-agricultural inhabitants as associate members. At present, almost all the farm household is enrolled in it.

The primary agricultural cooperative societies can be classified into two categories: multi-purpose and single-purpose types. The former are engaged in the activities of marketing various agricultural products, inputs supply, credit, mutual-insurance, utilization, processing, etc., based on advisory service to members for their better farming and living comprehensively to meet all the necessities arising from their production and consumer lives. Such multi-phased activities are geared to the realities of Japanese farmers who are engaged in mixed farming. The multi-purpose cooperatives form the main current in the Japanese agricultural cooperative movement.

Also, in certain specific sectors, such as fruits and vegetables,

Chart 1 Structural outline of agricultural cooperative movement



sericulture and livestock raising, there are single-purpose agricultural cooperatives which are organized to concentrate on the marketing of products from these sectors. Almost all of their members are concurrently members of multi-purpose agricultural cooperatives.

2. Prefectural Unions and Federations

The primary agricultural cooperative societies have their corresponding federations on the prefectural level which are organized according to specific functions. The federations can be broken down into two categories : (a) those mainly composed of multi-purpose agricultural cooperatives such as prefectural economic federations, prefectural credit federations, prefectural mutual-insurance federations, prefectural welfare federations, etc. and (b) those composed mainly of single-purpose agricultural cooperatives such as dairy cooperative federations, sericultural cooperative federations, horticultural cooperative federations, and so on. The latter then complement the functions of the former.

Each of the 47 prefectures in Japan has a prefectural union of agricultural cooperatives whose members are primary cooperatives and prefectural federations. They do not engage in any economic business, but function in the areas of guidance, coordination, research and survey, education, information, and auditing on behalf of primary agricultural cooperatives and prefectural federations. In addition, they act to represent the interests and will of the agricultural cooperative movement in each prefecture.

3. The Central Union, National Federations and Others

Each federation at the prefectural level has its counterpart organized at the national level. The national federations can also be broken into the two categories of (a) those related to multi-purpose agricultural cooperatives such as the National Federation of Agricultural Cooperative Associations, the National Mutual-Insurance Federation of Agricultural Cooperatives, the National Press and Information Federation of Agricultural Cooperatives, the National Welfare Federation of Agricultural

Cooperatives, and so forth, and (b) those related to the single-purpose agricultural cooperative movement such as the National Federation of Livestock Cooperatives, the National Federation of Dairy Cooperatives, the National Federation of Sericultural Cooperatives, the National Federation of Horticultural Cooperatives, and so forth.

In addition to this, there are the Central Cooperative Bank for Agriculture and Forestry, the National Association of (Prefectural) Credit Federations of Agricultural Cooperatives, the Ie-No-Hikari Publishing Association, the UNICOOPJAPAN, etc., but they are not national federations as defined by the Agricultural Cooperative Society Law.

The Central Union of Agricultural Cooperatives is a nationwide organization, and its members are primary agricultural cooperatives, prefectural federations, prefectural unions of agricultural cooperatives, and various national federations. It not only engages in services such as guidance, coordination, investigation, education, information, auditing, etc., but also represents the interests and will of the agricultural cooperative movement in Japan.

In addition, the majority of multi-purpose agricultural cooperatives have youth and women's associations of their own, which are designed to act independently to promote agricultural cooperative movements, and have their own organized councils at the prefectural and national levels.

II. Democratic Control and Management System

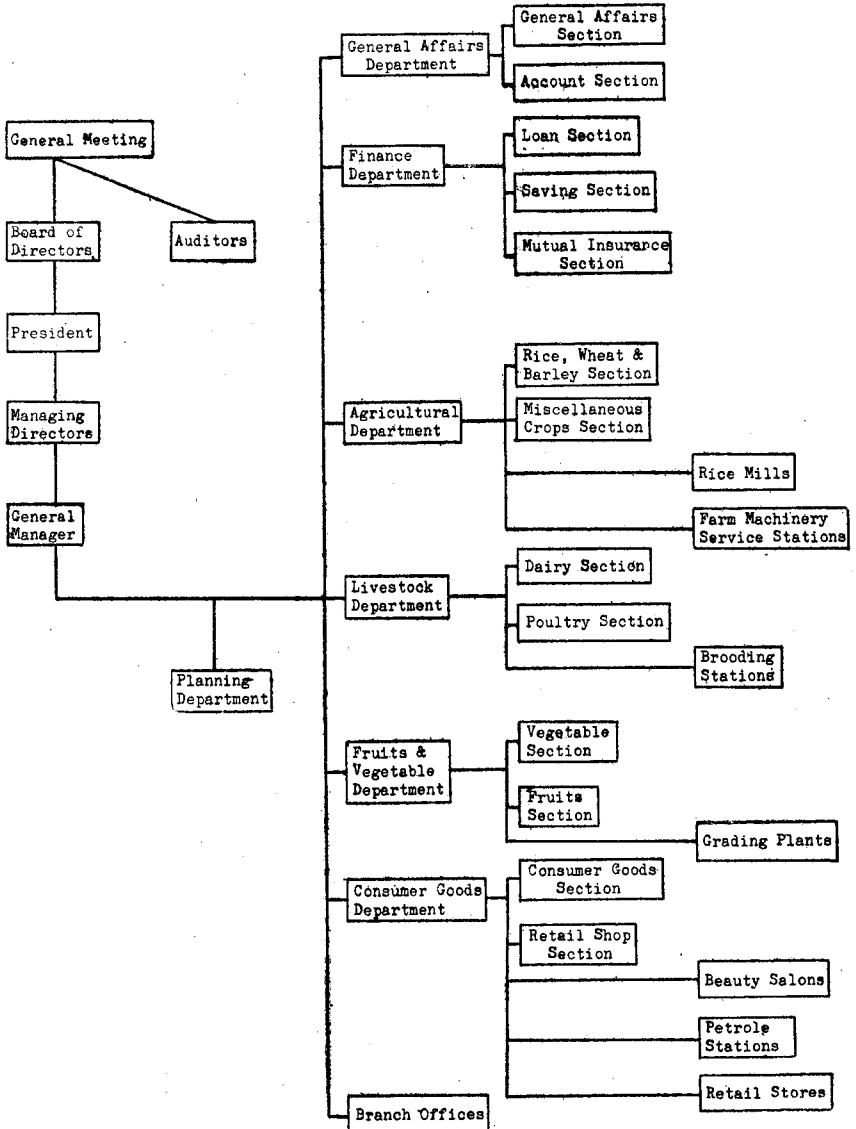
1. Organs of Multi-purpose Societies

The multi-purpose agricultural cooperative society is composed of regular members, and associate members without voting rights. The former are farmers and the latter are non-farmer inhabitants living in the locality where the cooperative society in question is situated. In order to control activities of the society there are three organs.

(a) General meeting

General meeting is the supreme decision-making body for

Chart 2 General pattern of internal structure of multi-purpose cooperative society



an agricultural cooperative society and held annually. In case of a large-scale agricultural cooperative society with a considerable membership, a representatives' meeting is instituted with an authority for decision-making. In addition to the annual (representatives') meeting, an extraordinary general (representatives') meeting will be held when board of directors deems it necessary, more than one fifth of regular members request or auditors deem it necessary.

(b) *Board of directors*

Board of directors is composed of directors elected at the general meeting for a period of three years. At least three fourth of directors must be elected from among regular members. The board of directors performs the services of the society along the policy lines adopted by the general meeting. A president and managing director(s) are elected by the board of directors from among its members for full-time service.

(c) *Auditors*

The general meeting elects more than 2 auditors for the term of three years. The auditors are to maintain a check on the status of services by the board of directors as well as on the assets of the society and to point out any defaults, and thereby ensure that the society is developing in the right direction.

In addition, each multipurpose agricultural cooperative society has a local organization at the hamlet level, which provides a forum for the society and its members for maintaining communication and mutual understanding. More recently, the members have come to be organized for each sector of farming, so that, for example, a "rice producers' group," could be an arena for the society and its members to promote communication and to disseminate information relating to farming techniques and farm management.

2. *Management system*

Management of an agricultural cooperative society is entrusted to the board of directors by its members, and it formu-

lates the basic policy and programme of management, executes after the approval at the general meeting and evaluates the results. The president and managing directors of the society take the responsibility of formulation, implementation, coordination and control of further detailed work programmes according to the policy decided at the board of directors meeting.

Work programmes are usually divided into several departments according to their services, such as guidance, marketing, supply, credit, mutual-insurance, etc. for implementation. Recently, however, more and more agricultural cooperative societies have structured their service machinery according to specific sectors of farming. Responsible for daily services are a full-time manager and other employees.

Increase of farm income and stabilization of household economy are the essential factors for sound and effective management of agricultural cooperative societies. In view of this, it has been promoted to have a long-term management programme of an agricultural cooperative society on the basis of long-term plan and the needs of individual member farmers.

Recent remarkable changes of socio-economic conditions, in rural areas however, have created diversified interests of the members and greater need for an integrated farm production and marketing system. In order to meet such diversified needs and to attain the targets, agricultural cooperative societies have promoted amalgamation, and thereby establish stronger basis for business operations of agricultural cooperative societies.

3. Integrated Approach of Multi-purpose Societies

Though credit, marketing, supply and utilization services were undertaken by a cooperative society even during pre-war days, it was not called a multi-purpose cooperative society. In those days four services mentioned above operated independently and there was not much linkage between them. Any one of these four services, however, is an integral part of farmer's economic life. It was necessary, therefore, for agricultural cooperative societies to contribute more effectively to the increase of agricultural production and to the improvement of economic and social standard of farmers by integrating various functions through farm guidance service. This idea was realized after the

World War II and it has become a special feature of the agricultural cooperative movement of Japan.

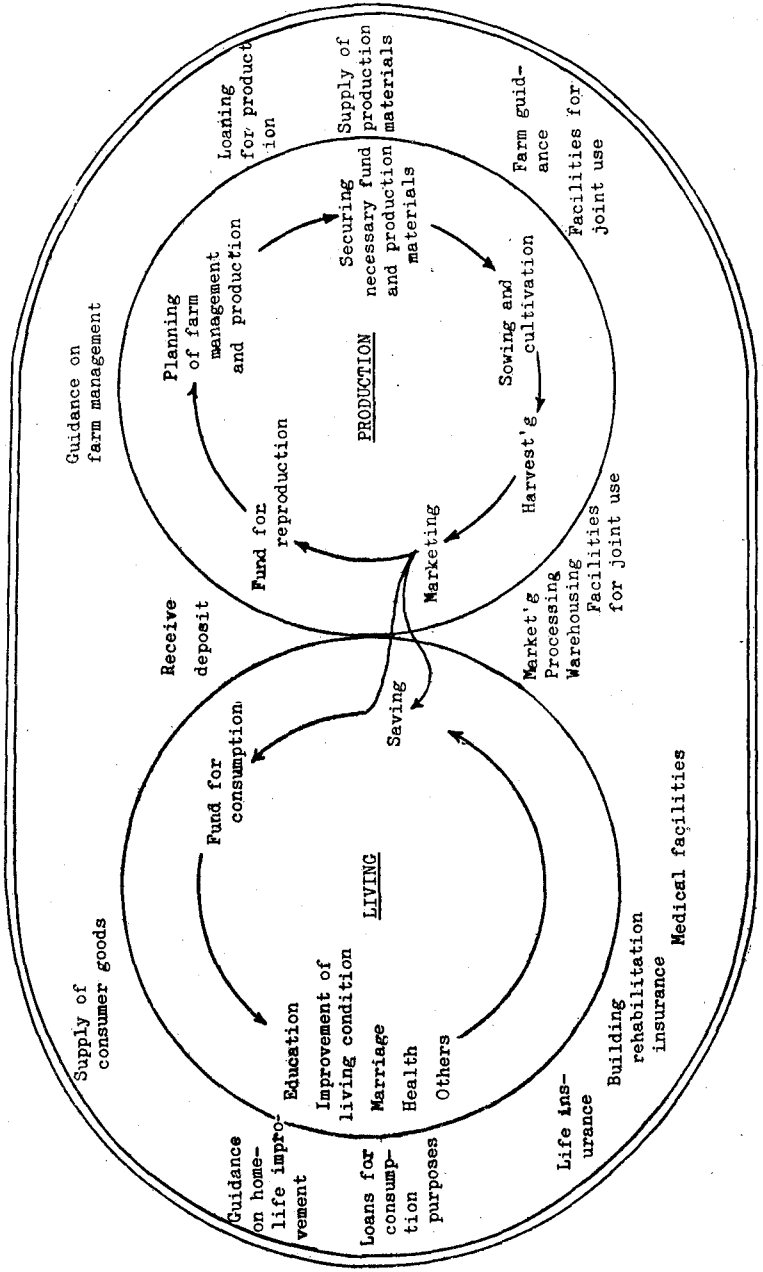
- (a) Ways of integration of various activities to contribute to the increased agricultural production and farm income :
 - (i) Guidance service on formulation of farm management improvement plan based on the regional and individual conditions.
 - (ii) Procurement of the fund required for implementing such farm management, improvement programme of individual farmers.
 - (iii) Establishment of facilities required for implementing such programmes and supply/purchase of production materials.
 - (iv) Guidance service on effective use of facilities and materials.
 - (v) Grading, assortment, processing and packaging of products.
 - (vi) Joint shipment and marketing.
 - (vii) Collection of marketing proceeds and settlement of the payment.

- (b) Ways of integration of various activities to contribute to the improvement of living standards :
 - (i) Guidance service on formulation of long-term and short-term planning for home-life improvement.
 - (ii) Savings to meet household expenses in immediate and distant futures.
 - (iii) Supply/purchase of consumer goods and establishment of facilities required.
 - (iv) Correct use of consumer articles and facilities.

III. Activities of Multi-Purpose Agricultural Cooperative Societies and the Role Played by Federation

The kind of activities which multi-purpose agricultural cooperative societies can perform in accordance with the Agricultural Cooperative Law are in the areas of marketing, purchas-

Chart 3 ACTIVITIES OF MULTI-PURPOSE SOCIETY



ing, credit, mutual-insurance, utilization, processing, education, guidance, etc.

In Japan multi-purpose agricultural cooperatives predominantly represent agricultural cooperative movement and engage in all these activities.

1. *Guidance Activities*

The guidance activities, as distinguished from the economic businesses, are designed to take charge of guidance and educational affairs in regard to agricultural production, farm management and ways of living on the part of the members, and thereby to help improve their farm management and livelihood. For this reason, each primary society has farm advisors and advisors for home-life improvement. Followings are the objectives of farm management guidance :

- consolidation of basic farmland conditions,
- selection of farming sectors,
- regional farm programming,
- individual farmers' farming programmes,
- unification of production materials, such as species or fertilizer,
- improvement and unification of production techniques,
- joint grading and marketing, etc.

These guidance activities are integrated with other economic businesses to make a contribution to increased productivity, cuts in production costs, and more profitable marketing. Furthermore, organizing cooperative farming complexes by specific farming sectors, and building up an integrated system for production and marketing, are the most significant goals of guidance activities.

Mentioned below are the objectives of guidance for home-life improvement :

- home economy planning,
- improvement of diet, clothing and housing,
- cultural activities,
- health control and sanitary education, etc.

For improving guidance activities conducted by primary societies, the prefectural unions in association with the Central Union provide them with assistance and guidance, and also hold training courses for farm advisors and advisors for home-life improvement.

2. *Marketing Business*

The purpose of the cooperative marketing business is to market on a more profitable basis agricultural products produced by members. Three basic methods of agricultural cooperative marketing are (1) unconditional consignment, (2) commission system, and (3) pooling account system.

Primary agricultural cooperative societies call on members to undertake planned production and unification of the quality and standards of their products, and also to rely exclusively on their cooperative marketing business facilities to realize more profitable marketing through mass and planned delivery. It charges a predetermined rate of commission from the members to cover necessary costs.

While the bulk of agricultural products collected by primary agricultural cooperative societies are sold on the national market through the prefectural economic federation and the National Federation, some will be sold on the local market. In addition to such outlets, products are sold to bulk consumers like factories or hospitals on a contract basis, and in forms of direct sales through cooperative stores run by primary agricultural cooperative societies and/or their federation as well as at the perishable commodities distribution centres operated by the National Federation. More recently, there has been an increasing tendency for direct transactions to be made with consumers' cooperatives.

To advance their marketing activities, primary agricultural cooperatives, economic federations, and the National Federation all have and operate distribution facilities of their own, such as the distribution centres.

3. *Purchasing Business*

The purpose of the cooperative purchasing business is to

furnish cooperative members with production materials or consumer goods on favourable terms. The basic formula in the primary agricultural cooperative purchasing business is the advance order and pooling account system. The members, based on farm and home economy plans, place their orders on the cooperative for which the prices are charged after having been pool accounted.

The agricultural cooperatives call on their members to make full use of the cooperative supply business facilities to ensure more favourable supplies through planned purchases in large quantities. In addition to this, however, daily consumer goods and the like are supplied at stores run by agricultural cooperative societies separate from the advance order system or the pooling system. The primary agricultural cooperative societies gather orders from their members and place them on the prefectural economic federation, which will in turn order them from the National Federation. In addition to this, primary agricultural cooperative societies or prefectural economic federations sometimes give orders independently to manufacturers. Some of the productive materials or consumer goods supplied to members are the products manufactured by joint-stock companies in whose capital the National Federation has a share. To promote their supply business, the agricultural cooperative societies, prefectural economic federations and the National Federation all have facilities, such as distribution centres.

4. *Credit Business*

The purpose of the cooperative credit business is to receive members' funds as deposits on favourable terms and accommodate other members with funds at a low rate of interest.

The deposits handled by a primary agricultural cooperative society can be classified into three categories: current deposits, ordinary deposits and fixed-term deposits. With the exception of reserves for repayment of these deposits, the remaining sum is available as loanable funds for the production and livelihood expenses of its members. As regards long-term and low-rate interest loans vital to agricultural investment, however, since any primary agricultural cooperative society finds it difficult to meet independently such credit needs, it may either furnish

funds of its own at a low interest rate while receiving an interest subsidy from the Government, or function as the disbursement window for the Government's low-interest loans. Any surplus funds left after loans have been advanced to the members will be used as loans to local public entities, deposits in a prefectural credit federation or working capital for business operations. Funds placed on deposit from a primary agricultural cooperative society at the prefectural credit federation may be available as loans to any primary agricultural cooperative society facing a short supply of funds, as funds for business operations by various prefectural federations, or as loans to local public entities. The remaining sum is placed in deposit at the Central Cooperative Bank for Agriculture and Forestry, which not only advances funds received on deposit from credit federations to any other credit federations in need to adjust monetary surplus or shortages occurring regionally or seasonally, but also operates a large sum of money as funds for business operations by the national organizations, or as loans to industries related to agriculture.

Also, bills for marketing and purchasing businesses are settled through the credit business organizations.

5. *Mutual-Insurance Business*

The purpose of the mutual-insurance business is to compensate for damages suffered by any member of a primary agricultural cooperative society through mutual aid and thereby to ensure security in his life. Unlike other businesses, this business was launched only after World War II.

The mutual-insurance business of an agricultural cooperative society can be grouped into the following types: long-term insurance, such as life endowment insurance, juvenile insurance, building endowment insurance and dwelling-house construction insurance; and short-term types, such as fire insurance, cooperative building fire insurance, automobile insurance, compulsory car accident liability insurance, personal accident insurance and fixed-term life insurance.

Since mutual-insurance business of an agricultural cooperative society is conducted with its members as policy holders and therefore can be operated in a most rational way, premiums

are lower than those of private insurance.

Since mutual-insurance business cannot be, by its nature, conducted by a single primary agricultural cooperative society alone, a cooperative society makes a reinsurance to the prefectural mutual-insurance federations, in this way diversifying risks. Ultimately, the latter gets a reinsurance with the National Mutual-Insurance Federation.

Premiums which have been accumulated by prefectural mutual-insurance federations or the National Mutual-Insurance Federation will be made available for medium and long-term agricultural loans and also for general loans to make sure that capital is used effectively. Furthermore, promotion of activities for advancing livelihood welfare is part of the mutual-insurance business.

6. Utilization and Processing Business

The purpose of utilization and processing businesses is to enable members to make joint use at a relatively small expense of such facilities owned by a cooperative society for agricultural production and livelihood, as it will otherwise be beyond the reach of individuals.

There are a wide variety of joint facilities which can be used for agricultural production such as large-sized tractors, country elevators, repairs workshops, pumping facilities, grading and packaging plants, pig breeding stations, chicken processing plants, etc. Joint use of these facilities is not only linked to raising agricultural productivity, and cuts in production costs but also is essential to unified grading, and planned production and marketing.

Joint facilities available in the field of living are extremely diversified, such as medical facilities, food processing plants, wire-communication facilities, barber shops and wedding ceremony halls. Among them, medical facilities belong to a prefectural welfare federation since their possession is beyond the reach of a single agricultural cooperative society.

Furthermore, any primary agricultural cooperative society is authorized to conduct farm management in a fiduciary capacity entrusted by its members or to deal with transactions in transferable farmland.

The purpose of a cooperative processing business is not only to increase added value of agricultural products through processing, which makes agricultural marketing more profitable, but also to encourage self-production of production materials to ensure a cheaper supply.

Marketing-oriented processing business is primarily meant for food manufacturing, while supply-oriented processing is mainly operated for the production of compound feedstuffs.

Therefore, while primary agricultural cooperative societies have comparatively small plants of their own, prefectural economic federations and the National Federation engage in large scale processing businesses, which would be beyond the reach of primary agricultural cooperative societies, in their directly managed plants or fully paid-up joint stock corporations.

Number of multi-purpose agricultural cooperative societies with joint use facilities

As of March, 1974

Rice mills	2,509 societies
Joint silkworm rearing facility	653
Fruit & vegetables collection centres	2,078
Fruit & vegetable grading plants	1,320
Breeding stations	199
Egg washing & grading plants	310
Milk collection depots	548
Milk cooling stations	131
Bulk feed storages	281
Farm machinery service stations	2,139
Car repairing shops	641
Petroleum stations	2,562
Tractors for joint use	1,076

7. Education Activities

The purpose of cooperative educational activities is to enhance cooperative consciousness among the members of agricultural cooperative societies through a variety of means. That is, primary agricultural cooperative societies engage in infor-

mation services through such media as wired communication sets, newspapers, posters, etc., hold round-table discussions for their members, run training courses, study visits and the like. In addition, prefectural unions, the Central Union, prefectural federations, and the national federations are engaged in radio and TV broadcast programming, movie production, and supplying materials. In addition, while the National Press and Information Federation of Agricultural Cooperatives publishes "Japan Agriculture," the Ie-No-Hikari Publishing Association publishes monthly magazines such as "Ie-No-Hikari" (Light of Home), "Chijo" (Good Earth), and "Kodomo-No-Hikari" and other books.

Also, training courses are held at each level to upgrade capability of agricultural cooperative officials and employees. For this purpose prefectural unions and the Central Union own their training schools and a college. Moreover, prefectural federations and the national federations have various kinds of educational facilities for technical training.

8. *Legislative Activities*

The purpose of legislative activities is to elevate the socioeconomic status of agricultural cooperative members by eliminating obstacles to improving their farm management and livelihood standards and of developing the agricultural cooperative movement, through submitting recommendations on the Government's policy-making.

Therefore, legislative activities cover extremely widespread fields. Included within the scope of such legislative activities are price measures for agricultural products including rice, wheat and barley, measures for increasing agricultural productivity, and for easing taxation on farmers and agricultural cooperative societies, and also measures against trade liberalization in agricultural products, legislation related with agriculture and agricultural cooperative societies and their amendments, and increase in the relevant public budget, and so on.

Employed as a means for legislative activities are the holding of a national convention aimed at unification and expression of the farmers' intentions, submission of their petitions or opinions to the Diet and the Government and so forth. Similar

legislative activities take place on the city, town and village, and on the prefectural level. Taking leadership in these activities are the prefectural unions and the Central Union of Agricultural Cooperatives, under whose guidance member farmers, officials and employees of the movement at respective levels participate in such activities.

B. Present Situation of Agricultural Cooperatives

1. Organization and Membership

In pursuance of strengthening organization to cope with rapidly changing economic conditions, amalgamations of agricultural cooperatives have been further promoted and the number of primary multi-purpose agricultural cooperative societies has been reduced by about 60% in the past 16 years from 12,221 as of March 1960 to 4,803 as of March 1976. During the fiscal year 1976, 75 societies merged into 28 societies, and the total number of agricultural cooperative societies is 4,696 as of March 31st, 1977. And agricultural cooperatives are now classified by the size of membership as follows :

Membership	Percentage of coops.
less than 500	32.6 %
500— 999	29.5 %
1,000—1,999	22.1 %
2,000—2,999	8.3 %
3,000—4,999	5.5 %
more than 5,000	2.0 %

The number of regular members (farmer members) reduced by 25,864 to 5,767,929 members as of March, 1976, associate members(non-farmer members) increased by 33,861 to 1,848,554. In comparison with the trend during 1974-75, stated that while the number of regular members reduced by almost the same number, the increasing trend of associate members was getting dull.

Average membership per society increased due to promotion of cooperative amalgamation (and more associate members from 1,524.4 in 1975 to 1,578.4 in March 1976, out of which the

number of regular members is 1,210.8 (75.7%).

Amalgamations of primary agricultural cooperatives will be further promoted under the guidance of Prefectural Unions and the Central Union of Agricultural Cooperatives.

The agricultural net income in 1976 showed only a small increase of 0.8 per cent in comparison with that of the previous year due to damages in agricultural production caused by cold weather and typhoons. The number of full-time farm household continuously decreased down to 643 thousand, which is only 13.3 per cent of the total farm households, 4,835 thousand as of January 1st, 1977. Therefore, our agricultural cooperatives, which are organized by both full-time farmer members and more members of part-time farmers, are expected to make more efforts in organizing members closely with a view to reflecting diversified demands of members in their business management.

As a major change in the organizational system of our agricultural cooperative movement, it should be noted that most of primary agricultural cooperatives became direct members of national organizations in 1977. This organizational change was carried out with the main object of reflecting opinions and ideas of primary societies toward business managements of the National Federation of Agricultural Cooperative Associations (ZEN-NOH) and the National Mutual Insurance Federation of Agricultural Cooperatives (ZENKYO-REN). As a result, 4,329 and 4,313 primary societies (including respectively 13 and 7 single-purpose agricultural cooperatives) newly affiliated themselves respectively with ZEN-NOH and ZENKYO-REN in 1976. It can be said that 92 per cent of total primary multi-purpose agricultural cooperatives have become direct members of national organizations in both cases. These two national federations will be studying the question of diplomatically improving their business systems, namely marketing/supply and mutual insurance business, at a study council to be set up at each federation which should consist of representatives of member organizations including primary societies.

2. Business Activities

Both agricultural income and non-agricultural income were depressed in 1975-76 because of the continuous slump of Japa-

nese economy as well as decreases in farm production caused by natural calamities such as "cold summer". In last year, prices of rice and milk were held down by the Government to be only 6.4 per cent up and 7.4 per cent up as compared with the previous year respectively. And non-agricultural income generally showed a dull increase, while expenses for farm production increased by 13.3 per cent over the previous year. Agricultural and non-agricultural incomes per farm household showed an increase of only 0.8 per cent and 10.5 per cent respectively in comparison with the previous year, which resulted in a small increase in farm household income, only 8.0% up over the previous year. This slump in the farm household economy exerted a serious influence on business activities of agricultural cooperatives. Among various business activities of primary societies, credit, marketing of farm products, and supply business of consumer goods showed the smallest increase in business turnover in past five years. Supply turnover of production materials also realized the smallest increase next to that in 1972. And the amount of long-term insurance policies in force showed a lower increase ratio than in 1975.

Furthermore, our agricultural cooperative movement is likely to face another difficult problem of over-production of rice. It can be said that we are entering into the same situation as that in 1970. This overproduction of rice is being caused by stable production and stagnating consumption in recent years. Unless the production is controlled, the total stock of rice will be piled up to 4-4.5 million tons in next autumn. Then the government has started to mention that it will be necessary to reduce rice production in 1978 by 1.7 million tons. This means that paddy fields of some 400 thousand hectares need to be ceased from rice production, which occupies as much as 13% of the total area of paddy fields in our country.

In the whole movement of agricultural cooperatives, it is now seriously being considered how to cope with this situation. However, it is estimated that our movement will finally follow the government's policy of reducing rice production with a view to supporting the Food Control System.

When this policy is taken into practice, the economy of farm households will be very adversely affected. And then, this difficult situation will inevitably bring about a bad and serious

influence upon not only marketing business, but also other activities of agricultural cooperatives such as supply, credit, and insurance, etc.

(1) *Credit*

In credit business it was noted during the fiscal year 1976 that a rate of increase in members' savings deposited at their agricultural cooperatives was 13.7%, 3.1% less than that of the previous year. This is the lowest rate of increase in past five years, main reasons for which can be found as follows :

- (i) There were some rural areas struck by natural disasters, which brought about a decline in agricultural incomes of members.
- (ii) Many part-time farmers could realize only a small increase in their non-agricultural income in the difficult conditions of general economic depression.
- (iii) In urban areas, the demand for lands was considerably decreasing and some member farmers, who wanted to sell a part of his farm lands, could not increase their savings at their society.

The rate of increase in loaning was only 8.8 per cent, which is 1.4 per cent less than the previous year. This is mainly because of weakened demands for funds of agricultural cooperatives under the situation of the slackened money market and diminishing demands for living expenses, especially for building a house, in urban areas.

(2) *Insurance*

The amount of long-term insurance contracts (life endowment insurance, house endowment insurance, etc.) at the end of March 1977 marked a higher and constant increase of 30.9 per cent over the previous year. The main factor contributed to this increase was the shift of members' interest in insurance with larger indemnity for inflation rather than increase in contract number. The increase ratio of the amount of long-term insurance policies was much bigger than those of other business

turnovers in primary societies. But it was 5.1% lower than that in the previous year under the influence of slumped economy of farm households. The insurance business of agricultural cooperatives had favourably developed in past years without being affected by temporary business fluctuations. However, it might now be approaching to a turning point.

(3) *Marketing*

The marketing turnover in 1976-77 increased by 7.5 per cent against the previous year which is 12.0 per cent less than that in 1975-76. This increase ratio of 7.5 per cent was the lowest in past five years. The main reasons are as follows :

- (i) The total production of rice, which is the most important commodity having a share of 45.9 per cent in the marketing turnover of agricultural cooperatives, was reduced by 10.6 per cent against the previous year, while the rice price was raised only by 6.4 per cent in last year.
- (ii) Both production and price of beef cattle and eggs showed a tendency to remain on the same level or to go down.

(4) *Supply*

Supply turnover in 1976-77 increased by 11.2 per cent over the previous year. But, if 6.8 per cent price hike of supplied goods is taken into consideration, only a small increase will be found in the volume of goods and materials supplied to members. Especially supply turnover of consumer goods achieved the lowest rate of increase in past five years. It shows that member farmers have been reducing their expenses especially in daily consumption under difficult conditions of their farm management. On the other hand, the increase in the rate of supplies of farm inputs in 1976-77 raised to 10.3 per cent against 5.9 per cent up in the previous year. Carry-overed stocks of supply goods in 1976-77 increased only by 1.5 per cent.

3. **Management**

Reflected by the slump of farm household economy, agricultural cooperative societies failed to develop their business

turnovers as expected and the gross business income of these societies in the fiscal year of 1976 was 15.3 per cent higher than the previous year, which was the lowest rate of increase in past five years as above-mentioned. Administration costs, however, increased only by 13.3 per cent in the same year which was attributed by 13.4 per cent up of personnel expenses accounting for 75.1 per cent of total administration costs. Therefore, the gross business income achieved a higher increase rate than those of all business turnovers of societies. Then, it can be said that agricultural cooperative societies in Japan produced a not too bad business result in 1976-77 in spite of the generally difficult situation of Japanese economy. This is mainly because of utmost efforts made by officials and employees of societies who restrained themselves from employing new workers and restricted the increase of personnel costs as much as possible, fully taking into consideration severe conditions surrounding the movement.

During the fiscal year 1976, 98.1 per cent of all societies made profit of 24,533,000 yen per society on an average, and 79 societies or 1.8 per cent of them recorded loss of 35,295,000 yen per society. Societies with profits increased by 0.5 per cent against the previous year, while societies with loss decreased by 0.5 per cent. It should be noted here, however, that the amount of loss per society (79 societies) on an average almost doubled than in the previous year, due to a special case which took place in a certain society recording a big loss of 1,246 million yen. If this big loss was excluded, an average loss per society would be 19.77 million, 10.6 per cent higher than the previous year.

The ratio of societies with larger current surplus than the previous year increased from 64.5 per cent in 1975 to 75.6 per cent in 1976, while that of societies with smaller surplus decreased from 32.6 per cent to 22.1 per cent.

4. Conclusion

It is a fact that the Japanese agricultural cooperative movement is now surrounded by very difficult conditions.

First, Japanese agriculture is going to be tried by the situation that domestic consumption of many farm products, including rice, have been decreasing or stagnating in recent years. Especially paddy growers are definitely facing a problem of over

production. They might be obliged to decrease their rice production by 1.7 million tons in 400 thousand hectare of paddy fields in 1978 by the governmental policy of production control.

It is now very necessary to expand demands for farm products as well as to convert a considerable share of rice production to other crop production from a viewpoint of reorganization of agricultural production.

Next, we have to recognize the limitation of raw materials such as oil in the world. And such a system of agricultural technique as "raw-material-saving" and "energy-saving" should be established as soon as possible and a low-cost farm management must be also realized with a view to expanding consumption of agricultural and livestock products.

Furthermore, member farmers need to be persuaded to understand the difficult conditions especially in non-agricultural sector, from where they cannot expect to get more cash income. They should be advised to economize their consumptions especially useless expenses in order to establish their own living manner making the most of advantages peculiar to farm households and villages.

On the other hand, it is most necessary and important for agricultural cooperatives to promote activities with a view to assisting member farmers in both aspects of their farm management and living. At the same time, cooperative societies have to improve their business activities and carry out a reform of their management control system, so as to cope with the coming situation that competitor industries, including big trading corporations, will stretch their business arm also into rural areas as a challenge against our agricultural cooperatives.

Under these severe conditions, there is nothing for our societies but to strengthen the unity of members and promote business activities in an all-out effort of their officials and employees on the basis of cooperative principles.

Our movement has been appraised especially on its highest ratio of organizing farmers and huge volume of business turnovers. It is a fact, however, that the initiative has been more actively taken by cooperative officials and employees in promoting business activities rather than by member farmers.

From this viewpoint, it was decided to launch a new movement of 3-year programme on "Kyodoh-Katsudo Kyoka" (for

renovation and strengthening of cooperative activities through active participation of members) at the 14th National Agricultural Cooperative Congress held in October 1976 in Tokyo, in order to make our agricultural cooperative organization more effective in reflecting members' interests and needs. This programme is now being carried on in the whole agricultural cooperative movement from primary to national level. Targets of the Movement is outlined as follows :

- (1) *Establishment of members' farming and agriculture in the region through promoting cooperative activities*
 - (i) To establish members' farming and agriculture in the region for the purpose of realizing happy and prosperous villages.
 - (ii) To promote many-sided and independent activities of member producers' groups.
 - (iii) To make guidance on more proper investments and more effective utilization of farm machinery and facilities through strengthening cooperative activities.
 - (iv) To consolidate and strengthen the business system from production to marketing of farm products through strengthening cooperative activities.

- (2) *Realization of happy and prosperous life of members both physically and spiritually.*
 - (i) To realize planned life of member farmers and make most of advantages peculiar to farm households and villages.
 - (ii) To establish and strengthen member organizations for better living activities which are bases for cooperative activities.
 - (iii) To establish the system for supplying members with consumer goods, displaying characteristic features of agricultural cooperatives.
 - (iv) To actively carry on activities to protect members' health.

- (3) *Strengthening of business operations of agricultural cooperatives on the basis of cooperative activities of members.*
- (i) To strengthen business operations of the agricultural cooperative, reflecting intentions of members.
 - (ii) To promote cooperative education for member farmers, officials and employees of agricultural cooperatives.
 - (iii) To improve and strengthen the system of cooperative management through encouraging cooperative activities.
 - (iv) To carry on publicity activities with a view to developing an understanding of the people of agriculture and agricultural cooperatives.
 - (v) To consolidate and rationalize organizational and business systems of federations and unions for the purpose of strengthening cooperative activities of members.

Table 1. Number of agricultural cooperatives (primary)

	1960-61	1965-66	1970-71	1974-75	1975-76	1976-77
Multi-purpose agri. coops.	12,050	7,320	6,049	4,942	4,803	4,763
Single-purpose coops.						
Gen. service	973	538	437	256	251	244
Sericultural	6,293	4,294	2,557	1,646	1,590	1,444
Livestock	3,052	807	644	584	577	570
Dairy	—	764	715	683	676	665
Poultry	—	294	288	272	272	269
Grass Land	—	1,141	1,023	919	901	927
Horticulture	679	676	571	583	578	584
Rural Industrial	597	496	334	254	248	242
Settlers'	4,789	4,438	3,484	830	615	574
Farm Broadcasting	—	183	169	134	129	125
Others	463	346	319	386	390	280
Sub-total	34,204	26,436	10,541	6,547	6,227	5,924
Grand Total	46,254	33,756	16,590	11,489	11,030	10,687

Table 2. Number of unions and federations

As of March, 1977

	Secondary federations	Prefectural unions	National federations
Unions	47		
Federations			
Credit	47		3
Economic	61		1
Insurance	47		1
Welfare	31		4
Sericulture	182		3
Livestock	100		1
Dairy	66		2
Poultry	13		5
Horticulture	75		—
Rural Indust.	39		1
Settlers'	9		1
Emigration	25		—
Agri. broadcasting	23		2
Others	61		
Total	779		24

Table 3. Figures of multi-purpose cooperatives
As of March, 1976

	Total	Per society
Number of societies	4,763	
Membership		
Regular members	5,767,929	1,210.5
Associate members	1,848,554	387.9
Total	7,616,483	1,598.4
Elected Officials		
Directors	60,177	12.6
(Out of which full-time)	6,758	1.4
Auditors	18,905	4.0
Total	85,905	18.0
Employees		
Managers	3,304	0.7
Farm advisers	16,244	3.4
Better living advisers	2,052	0.4
Other employees	249,599	52.4
Total	271,199	56.9

Share capital (Y1,000)	389,113,000	81,661
Volume of business (Y1,000)*		
Marketing	4,516,689,000	947,889
Supply	3,033,252,000	636,569
Balance of loan	7,487,826,000	1,571,422
Balance of saving	14,127,111,000	2,964,766
Long-term insurance	42,889,026,000	8,929,670
Unappropriated surplus	42,889,026	18,799
Number of Coop Stores	9,936	3.1

*As of March, 1976-77

Table 4. Progress of Amalgamation of Multi-purpose Societies

	No. of cases of amalgamation	No. of societies participated in amalgamation	No. of Multi-purpose societies	Note
1960-61			12,050	
1961-62	137	541	11,586	Amalgamation
1962-63	210	912	10,813	Aid Law was
1963-64	216	967	10,083	enacted on 1st Apr., 1961
1964-65	237	1,066	9,135	validity of the Law was
1965-66	578	2,599	7,320	5 years
1966-67	35	135	7,209	9 May 1966
1967-68	58	169	7,074	First revision
1968-69	218	829	6,470	Extended 3 years
1969-70	99	378	6,185	
1970-71	42	162	6,049	23 May 1970
1971-72	102	439	5,688	2nd revision Extended 2 years
1972-73	101	393	5,488	22 Mar. 1972
1973-74	67	286	5,198	3rd revision

1974-75	119	234	4,942	Extended 3 years
1975-76	60	219	4,803	
1976-77	28	75	4,696	
Total	2,307	9,604	—	
Estimates 1977	253	896		1st Apr. 1975
				4th revision
				Extended till 31-3-1978

Table 5. Number of multi-purpose societies by sizes of membership
—CUAC Survey—

	April, 1977	
	Number	%
Less than 500 member households		
500—999	1,530	32.6
1,000—1,999	1,385	29.5
2,000—2,999	1,036	22.1
3,000—4,999	392	8.3
More than 5,000 member households	260	5.5
Total	93	2.0
	4,696	100.0

Table 6. Marketing turnover of multi-purpose societies for 1975-76
No. of coops. surveyed : 4,765

(Unit : Y1,000)

Commodities	Total	Per Society
Rice purchased by the government	1,543,100,862	323,840.7
Rice sold to wholesalers	612,511,576	128,543.9
Rice disposed in other way	27,909,225	5,549.7
Total of wheat, barleys	32,565,812	6,754.8
Miscellaneous cereals and legumes	46,857,322	9,833.6
White & sweet potatoes (Including processed goods)	43,158,160	7,057.3
Silk cocoon	87,418,427	18,345.9
Vegetables	476,256,805	99,949.0
Fruits	427,902,469	89,801.1
Tea	41,366,167	8,681.3
Other industrial crops	77,057,912	16,171.6
Flowering plants	28,871,419	6,059.1
Other agricultural products	93,841,949	19,694.0
Fresh milk	198,002,787	41,553.6
Processed milk (Incl., processed milk products)	10,805,104	2,162.7
Eggs	97,419,518	20,444.8
Chicks and breeding cocks	3,355,860	704.3
Broiler and aged chicken	481,913,034	10,265.1
Dairy cattle	18,911,950	3,768.9

Beef cattle	215,719,986	45,271.8
Hogs	237,290,987	49,798.7
Livestock (Breeding cattle, pigs, calves and piglets)	125,276,142	26,290.9
Other livestock products	22,675,586	4,758.8
Total	4,516,689,059	947,886.6

Table 7. Supply Turnover of Multi-purpose Societies for 1975-76
 No. of coops. surveyed : 4,765
 (Unit : Y1,000)

Commodities	Total	Per Society
Production materials		
Feed	530,610,663	111,355.9
Fertilizer	303,862,536	63,769.7
Agr. chemicals	163,496,166	34,311.9
Keeping-warm materials	43,776,987	9,187.2
Packing materials	59,196,216	12,423.1
Agr. machinery	328,650,841	68,971.8
Oils	233,562,109	49,016.2
Automobile excluding bicycle	86,614,325	18,177.2
Building materials	28,175,551	5,913.0
Others	159,033,549	33,375.4
Total	1,936,978,943	406,501.4
Livelihood necessities		
Rice	72,173,717	15,146.2
Other foods	347,448,165	72,916.7
Clothings	40,554,549	8,510.9
Durable consumers goods	58,765,260	12,332.7

Miscellaneous daily commodities	95,400,873	20,021.2
L.P. Gas	43,501,576	9,129.4
Others	88,700,795	18,615.1
Total	746,544,935	156,672.6
Grand Total	2,683,523,878	563,174.0

Table 8. Rate of Increase against the previous year in Volume of Business

	1972-73	1973-74	1974-75	1975-76	1976-77
Savings	128.4	122.3	115.0	116.8	113.7
Loan	115.4	142.7	117.8	110.2	108.8
Insurance	129.7	129.2	132.4	136.0	130.9
Marketing	116.1	127.0	123.7	119.8	107.5
Supply	110.3	133.7	134.0	109.6	111.2

(Unit : %)

Table 9. Business Turnover per Society
—CUAC Survey—
(Unit : ¥ million)

	1972-73	1973-74	1974-75	1975-76	1976-77
Savings	1,725	2,229	2,739	3,291	3,785
Loan	779	1,173	1,481	1,684	1,850
Insurance	2,871	4,092	6,069	8,815	12,039
Marketing	431	579	774	965	1,050
Supply	281	396	572	648	731

Table 10. Management of Societies in Figures—Annual Growth Rate

	1972-73	1973-74	1974-75	1975-76	1976-77
Gross business profit	21.2	32.2	30.5	17.1	15.3
Administration cost	17.9	26.0	31.4	19.2	13.3
Out of which Personnel exp.	18.2	26.6	33.5	20.2	13.4

(Unit : %)

Table 11. Management Analysis of Societies
(Unit: %, 1,000 Yen)

	1973-74	1974-75	1975-76	1976-77
Administration costs against gross business profit (%)	75.0	77.7	83.2	83.1
Personnel expenses against gross business profit (%)	55.1	58.0	62.7	62.4
Labour productivity (A)				
(Gross business profit/number of officials & employees)	2,517	3,036	3,381	3,808
Growth rate of (A) (%)	36.9	20.6	11.4	12.6
Wage level (B)				
(Personnel expenses/number of officials & employees)	1,363	1,761	2,121	2,375
Growth rate of (B) (%)	28.7	29.2	20.4	12.0

Table 12. Number of Societies with Profit or Loss

	1973-74	1974-75	1975-76	1976-77
Societies with profit (%)	98.5	98.3	97.6	98.1
Average amount of profit per society (Y1,000)	14,976	17,225	19,614	24,533
Societies with loss (%)	1.5	1.4	2.3	1.8
Average amount of loss per society (Y1,000)	9,543	14,515	17,875	35,295

**REPUBLIC OF
KOREA**

Cooperative Movement in Korea

I. KOREAN ECONOMY AND AGRICULTURE

1. National Economy in 1977

The Korean economy achieved rapid growth and development through the consecutive five-year economic development plans since the early 1960s. During the year 1977, when the Fourth Five-Year Economic Development Plan aimed at balanced development of agriculture and industry was initiated, the Korean economy continued development in harmony with stabilization through overcoming numerous economic difficulties generated by the sagging international economy.

According to the preliminary estimates, the gross national product showed an increase of 10.3 per cent in real terms during the year. At current market prices, GNP was estimated at 15,240 billion won, a 25.5 per cent increase over the preceding year. Thereby, per capita GNP in 1977 was 418 thousand won (864 US Dollars), increasing by 79 thousand won over 339 thousand won (700 US Dollars) in 1976.

By industrial origin, agriculture and forestry sector grew by 4.0 per cent compared with 7.6 per cent in 1976, due to cutback in production of barley and vegetables. And fishery industry showed an increase of only 3.1 per cent because of recession in deep-sea fishing. Mining and manufacturing expanded by 11.2 per cent during the year, while social overhead capital and service sector showed a real growth rate of 13.0 per cent, compared with 11.3 per cent in 1976.

On the other hand, consumption expenditure substantially increased by 6.6 per cent and the gross investment ratio showed an increase of 36.3 per cent. National savings ratio rose by 24.8 per cent, compared with 22.3 per cent a year earlier. Due to the policy for price stabilisation, wholesale prices increased by 9.0 per cent, lower than 10 per cent of target level in 1977, and consumer prices by 10.1 per cent.

Commodity exports during 1977 totalled 10 billion US Dollars, showing an increase of 29.1 per cent over the previous

year, while commodity imports increased by 25.2 per cent. Mainly due to the increase in commodity exports and overseas construction service receipts, the current account balance in 1977 recorded a surplus of 32 billion US Dollars a great improvement over the deficit of 314 million US Dollars in 1976. As a result, foreign exchange holdings amounted to 4.3 billion US Dollars at the end of 1977.

Agricultural policy in 1977 placed emphasis on attainment of its basic goals which were boost of foodgrain output, increase in farm income, and improvement of agricultural marketing system. To attain the goals, the government implemented the following measures :

- (1) continuously increasing agricultural production,
- (2) stabilising supply and demand for foodgrains,
- (3) renovating agricultural marketing system,
- (4) increasing Saemaul income and savings in rural areas,
- (5) improving managerial base of agricultural cooperatives and agricultural financing system.

Traditionally, rice and barley are main crops in Korea. Rice output achieved a record high of 6 million metric tons in 1977, showing an increase of 20 per cent over a year earlier. Total production of foodgrains reached 8 million metric tons, due to consecutive bumper crops of rice despite slight cutback in barley production caused by freezing injury in the growing season. Thereby, Korea has continued to maintain perfect self-sufficiency in major food crops.

Total exports of agricultural and marine products amounted to 978.6 million US Dollars, and this performance resulted from intensive policies for development of exportable agricultural commodities and modernization of facilities for producing and processing them.

2. Agriculture

A. General Situation of Agriculture

(1) Arable Land Area

Since Korea is a hilly and mountainous country, the cultivated land is located mostly in mountain valleys, riversides, and

Gross National Products

Gross National Products							
Year	At current prices (bil. won)	At 1970 constant market prices (bil. won)	U.S. \$ (current prices) (mil. \$)	Per capita GNP (Dollars)	Agriculture (bil. won)	Forestry (bil. won)	Fishing (bil. won)
1961	297	1,185	2,124	83	483	19	19
1965	805	1,530	3,005	106	543	31	28
1970	2,589	7,558	7,558	234	634	44	46
1975	9,080	4,129	18,761	481	724	45	125
1976	12,143	4,768	25,090	700	779	45	150
1977	15,240	5,260	31,488	864	—	—	—

lower mountain slopes. Total arable land area is currently about 2,238 thousand hectares which accounts for 22.7 per cent of the national land area. A small but gradual increase was recorded in arable land area through land development and reclamation projects. Total arable land consists of 12,900 thousand hectares of paddy land and 948 thousand hectares of upland, 57.6 per cent and 42.4 per cent of the total respectively.

(2) Farm Population and Farm Size

At the end of 1976, number of farm household stood at 2,336 thousand with 5.47 family members per household. And total farm population amounted to 12,785 which accounted for 35.7 per cent of the total population of the nation.

Because of the heavy population pressure upon the arable land, the highly fragmented and small sized farm fields are typically characteristic of the farming condition in Korea.

The average size of arable land per farm is 0.96 hectare, which consists of 0.55 hectare of paddy field and 0.41 hectare of upland. By size of farm holdings, about 64 per cent of the

Year	Forest thou. ha	%	Others thou. ha	%	Utilisation land (thou. ha)	Utilisation Ratio %
1961	6,753	68.6	1,058	10.8	2,802	138.4
1965	6,014	67.2	973	9.9	3,319	147.1
1970	6,611	67.1	939	9.6	3,264	142.1
1974	6,641	67.2	996	10.1	3,123	139.5
1975	6,635	67.1	1,006	10.2	3,166	141.4
1976	6,613	66.9	1,028	10.4	3,093	138.2

Farm Population

Year	National Population (A)	Farm Households (thou.)	Farm Population		Land area per farm household		
			Population (B)	Ratio (B/A)	Total Paddy Field	Paddy Field	Upland
1961	25,498.	2,327	14,509	56.9	0.86	0.51	0.35
1965	28,327	2,507	15,812	55.8	0.90	0.51	0.39
1970	31,435	2,483	14,422	45.9	0.93	0.52	0.41
1975	34,681	2,379	13,244	37.5	0.94	0.54	0.40
1976	35,860	2,336	12,785	35.6	0.96	0.55	0.41
1977	---	2,304	12,309	---	---	---	---

farms have been less than one hectare and a mere 6 per cent of the farms have land over two hectares.

In recent years, there has been a decreasing trend in both absolute size and relative share of farm population. Thus, the average size of a farm holding tended to increase somewhat in recent years.

(3) *Agricultural Production*

In spite of a small arable land area, multiple cropping and improved yields have contributed to a substantial growth of agricultural production. Traditionally, rice and barley are major crops in Korea, particularly, rice farming occupies a predominantly important position in Korean agriculture. In 1976, rice production showed a record crop and accounted for 64 per cent of total agricultural output. Barley and wheat production has decreased slightly in recent years due to a decrease in planted area resulting from shifts of farmers' preference to the high income cash crops. However, barley production has been encouraged by various policy measures because it can be planted as a second crop for double cropping.

Fruit and horticultural production lagged far behind that of other agricultural products before the 1960s. However, they have shown rapid expansion since the late 1960s thanks to income growth. Cultivated area and production doubled during the last ten years.

Increased incomes due to rapid economic growth in recent years, however, has brought a sharp expansion of demand for livestock products. Accordingly, the pattern of livestock farming has gradually changed with more specialised and advanced technology and larger scale production units.

(4) *Farm Income*

Owing to government policies and programmes to develop the agricultural sector of the economy, farm income expanded at an annual average rate of 21.2 per cent during the 1960s. Average income per farm household reached 1,433 thousand won in 1977.

Some of the important contributing factors to the improve-

Agricultural Production

Unit	1961	1965	1970	1975	1976	1977
Foodgrain crops						
Rice	3,463	3,501	3,939	4,669	5,215	6,006
Barley	1,389	1,657	1,820	1,806	1,847	862
Miscellaneous	96	120	124	94	119	152
Pulses	190	203	277	363	354	583
Potatoes						
(mainly sweet potatoes)	383	1,045	783	740	671	602
Fruits	150	310	423	644	615	—
Vegetables	1,235	1,576	2,514	2,911	3,217	—
Cash crops	47	41	73	81	77	—

(Average per household)	Farm Household Income					(in thousand won)
	1966	1970	1975	1976	1977	
Farm Household Income (A)	130	256	873	1,156	1,433	
Agricultural income	101 (77.7)	194 (75.8)	715 (81.9)	921 (79.7)	1,036 (72.3)	
Non-farm income	29 (22.3)	62 (24.2)	158 (18.1)	235 (20.3)	397 (27.7)	
Urban Wage Earner Income	161	381	859	1,152	1,405	
A/B (%)	80.6	67.1	101.6	100.3	102.0	

* 1977 : Preliminary

ment of farm income were (1) increased productivity through mechanised farming and improved technology, (2) improvement of marketing system for farm products, and (3) expanded output of rice and cash crops. Farm household income in 1977 consisted of about 72 per cent of agricultural income and about 28 per cent of non-agricultural income.

B. Agricultural Development Policies

(1) Agricultural Policies and Rural Situation before the 1960s

The main achievement of agricultural policies before the 1960s was the land reform starting in 1950. Through land reform, the majority of farmers who were previously tenants could become independent farmers and were encouraged to increase production. In addition, land reform contributed to social stability by giving hope to farmers who constituted the majority of the population.

However, it was inevitable for farmers to have low productivity and poor incomes because of small size of farms, labour intensive farming techniques, inadequate supply of agricultural inputs, and lack of credit.

Consequently, farmers could not avoid relying heavily on credit at high interest rates from the private loan market and continuation of the vicious cycle of poverty.

(2) Agricultural Development Policies

(a) Rural Reconstruction Campaign (1961)

Starting in the early nineteen sixties, the government has launched economic development programmes placing the main emphasis on social stabilisation and national development. Along with the development policies, the government launched a rural reconstruction campaign in 1961 and executed the Farmers' and Fishermen's Usurious Debt Resettlement Law in order to relieve the high debt load on farmers.

The Office of Rural Development was reorganised for efficient rural guidance and experimentation, and the agricultural bank and cooperatives were amalgamated for timely supply of agricultural inputs and credit.

Throughout these series of actions, farmers' positive attitudes toward the government development policies were strongly encouraged.

(b) *The First Five Year Economic Development Plan (1962-1966)*

During the first plan period, the main emphasis in the agricultural sector was on increasing agricultural productivity. To do this, construction of fertiliser plants, upland reclamation development, and construction of reservoirs, diversion weirs and other irrigation facilities had been implemented.

The land area newly developed by the upland development project amounted to 110 thousand ha in 1966, equivalent to 11% of total cultivated land in the country. However, the income gap between the rural and urban sectors did not narrow mainly because of the relatively higher growth of the industrial sector's industrialisation oriented economic development strategy.

(c) *The Second Five-Year Economic Development Plan (1966-1971)*

Programmes and policies in the Second Five Year Plan period were aimed at achieving balanced growth between the agricultural and industrial sectors. Provision of the concentrated credit and technical assistance to farmers in the field of high profitability crops and livestock products such as fruits, vegetables, silk cocoons, pork and beef were the main policy measures directing commercialised farming for farmers' income increases.

In addition, the high price policy for foodgrains had begun; i.e. relatively larger increases in government purchasing prices than in consumer prices. This price policy contributed substantially to raising farmers' production incentives and farm income.

The underground water development project was one of the important agricultural efforts in the plan period. This project was initiated during the severe drought in 1967 and 1968 with large government investments to solve water problems.

(d) *The Third Five Year Economic Development Plan (1972-1976)*

Since one of the major objectives of the Third Five Year

Plan as a whole was extensive development of the rural sector, government investment in the rural sector constituted a substantial part of total investment. Integrated large scale agricultural development projects for four big river basins including the Han river, Kum river, Youngsan river and Nakdong river, started in the early 1970s, provided very important momentum for agricultural modernization and a good production base. Initiation and acceleration of Saemaul Undong, development of a new high yielding rice variety and introduction of mechanisation took place during the plan period.

C. Major Achievements during the Plan Period.

The major achievements during the plan period were first, self-sufficiency in key staple foodgrains through the green revolution. Secondly, equity between rural and urban worker's household income since 1974 through continuous efforts for production increase by farmers and effective government development programmes; and thirdly, establishment of new morale and high spirit of farmers towards a better future.

As a result, farmers could enjoy their improved living conditions and promised better life.

Main contributing factors for the achievements can be illustrated as follows.

(a) Development of High Yielding Rice Variety "Tongil"

The rice research team in the Crop Experimentation Station of the Office of Rural Development has developed a new high yielding variety "Tongil series" since 1972 after overcoming many challenges. Tongil variety whose yield was about 30 per cent higher than traditional varieties created the basis for the green revolution in Korea. This was also attributable to the massive multiplication of new seeds in cooperation with IEEI and the wide and rapid dissemination through dynamic and efficient rural extension services.

(b) Agricultural Technology Innovation through the Extension Work

The rural extension programmes successfully assisted the

elevation of the green revolution through the effective introduction of new farming techniques. About 8,000 rural extension workers, stationed in every township and village, equipped farmers with productive farming methods such as the preparation of vinyl covered nursery seed beds, methods of prevention and control of diseases, timely farming techniques, etc.

(c) *Improvement of Production Base*

Projects for improving the agricultural production base which covered water development, land consolidation and rearrangement have gradually been expanded with increased government investment.

(d) *Efficient Supply of Farm Inputs and Credit*

Increased efficiency in provision of farm inputs and credit, through agricultural cooperatives have made it possible for farmers to expand their production capacity. Also, the development of marketing services conducted by the agricultural cooperatives, and high price policies and an award system to the high yield model farmers have provided farmers with strong incentives for production increases.

D. Agricultural Policy Measures and Development Plan

(1) **Problems in Agriculture**

a. *Change in Farm Employment Structure*

As a result of continuous out-migration of rural youth to the growing industrial sector, the farm labour force is becoming older with relatively more females in the decreasing rural population. Also the peak farming season, particularly May and June for barley harvesting and rice planting, reveals a serious labour bottleneck.

b. *Increase in Total Food Demand with a Changing Food Consumption Pattern*

Even though self-sufficiency in key staple foodgrains, rice and barley, has been achieved since 1975, the total foodgrain

self-sufficiency level is still 75 per cent as of 1976 due to the increase in foodgrain demand. The changing food consumption structure toward a high protein in take pattern will push these trends upward. It seems, therefore, to be quite difficult in the future to raise or to sustain the present food self-sufficiency level because of the continued increase in total population and per capita income.

c. Farm Income Growth

The production increase in foodgrains under favourable foodgrain price policies provided a major source of farm income growth. Since the production increase slack in key staple foodgrains has been fully exploited, the emphasis on farm income growth strategy should be changed to the promotion of improving farm management practices and developing off-farm income sources.

d. Agricultural Marketing Development

The rapid expansion in marketing volume of agricultural commodities and the increase in consumer demand for quality products requires a more fully developed agricultural marketing system.

e. Promotion of Rural Welfare

To assure a high quality of rural life, further socio-cultural development of rural life is required.

(2) Major Policy Measures

- a. To expand the production capacity of agriculture and farm land, reclamation projects for tidal land and slope land development will be emphasised together with strengthening the limit of non-farm use of farm land. In addition to this, intensive utilisation of farm land will be encouraged.
- b. To improve land productivity and farming conditions, land and water resources development projects will be expanded. Especially, integrated large scale agricultural development pro-

jects will be continually conducted.

c. Farm mechanisation, focussed on labour substitution, will be accelerated.

d. To better improve commercial farming and enhance production specialisation, farm management practices will be emphasised.

e. Efforts to sustain self-sufficiency in stable food grains will be continuously pursued. For sufficient supply of protein, horticultural and fishery products will be encouraged with intensified applied research and extension services in these areas.

f. Effective buffer stock programmes and pricing measures will be employed.

g. For improvements in agricultural marketing and in quality of agricultural commodities, guaranteed fair transactions through improved institutional arrangements (including transportation and storage) will be emphasised.

h. For improving welfare of rural society and promoting stability in farming, farm insurance systems and rural welfare policies will be developed.

(3) The Fourth Five-Year Economic Development Plans

The scale of investment for agricultural sectors and major economic indicators of the Fourth Five-Year Economic Development Plan are as follows :

a. *Scale of Investment*

Classification	(in billion won)		
	3rd Plan (72-76)	4th Plan (77-81)	Increase Ratio (%)
Total	1,027	1,500	46
Foodgrain Production	52	80	54
Livestock, Sericulture and special Crop Production	194	169	- 13
Production Base and Mechanisation	444	879	98
Agricultural Marketing	42	166	295
Research and Extension	38	63	66
Others	257	143	- 44

b. *Major Economic Indicators*

	Unit	1975	1981
Population (total)	thou. persons	34,681	38,807
Farm Population Ratio	„	13,244	12,280
	percent	38.2	31.6
GNP (Total)	bil. won (1975 const. price)	9,080	16,214
Farm Household income	thou. won	873	1,400
Agricultural income	(75 const. price)	715	1,003
Off farm income		158	397
Agricultural Production			
Rice	thou. M/T	4,669	5,472
Barley	thou. M/T	1,806	1,875
Livestock Production			
Meat	thou. M/T	235.3	368.4
Egg	mil. each	2,896	4,377
Milk	thou. M/T	160.3	499.4
Farm inputs			
Fertiliser	kg. per ha	396	464
Chemicals	kg. per ha	9	13
Machinery—			
power tiller	thou. each	86	345
power sprayer	thou. each	138	288
Agricultural Base			
Irrigated Area	thou. ha	1,072	1,248
Consolidated Area	thou. ha	251	419

II. COOPERATIVE MOVEMENT

1. History of the Cooperative Movement

A. *Cooperative Movement in Early Days*

In Korea, there had been spontaneous cooperative activities of various types in the rural countryside. Among the diversified types, Kye, which was voluntarily organised for mutual help and friendship, was most important type. Kye is so deeply rooted in the social and economic life of the people that it is still prevalent in both rural and urban areas. The history of Kye may be traced back to Koryo dynasty (918-1135 A.D.) or even to Silla days (536-822 A.D.). As the oldest type of cooperative organisation, Kye had following major purposes for the social and economic betterment of its members.

1. Assuring public benefit for handling village affairs and financing children's education.
2. Strengthening mutual help for family ceremonies, religious rites, and farming work.
3. Boosting friendship and meaningful social life among the members.
4. Providing mutual financing through saving or lending.

Besides these voluntary and independent private cooperative groups, there were various types of institutional cooperative organisations initiated by the royal governments. These were organised on the village basis, and operated grain bufferstock policy for the needy or financed plan market operations of grains to reduce seasonal price fluctuations.

B. *Cooperative Movement by Government.*

The traditional cooperative movement in the rural areas gradually faded away towards the end of the Yi dynasty.

In 1907, financial associations were organised and operated by the government in the rural areas as cooperative types. The major activities of the financial associations were as follows :—

- (1) Providing government loans for farmers without deposit service.
- (2) Warehousing and lending grains produced by its member farmers.
- (3) Distributing seeds, fertiliser and farm machinery, and
- (4) Assembling and marketing farm products entrusted by farmers.

However, the business activities of the associations gradually became credit oriented business.

Farmers associations and industrial associations were inaugurated in 1920 and 1926, respectively. They conducted purchasing, utilisation, and marketing businesses. The farmers associations were linked with the financial associations in the activities.

On the other hand, the industrial associations suffered from inadequate finance because of a poor working relationship with the financial association. By this reason, the industrial associations were dissolved in 1945.

C. *Civil Cooperative Movement*

a. *Cooperative Movement by Korean Students in Japan*

Korean students in Japan promoted consumer cooperative movement from 1926 with a view to developing national economy and forming base of national movement. They established a head office of cooperative in Tokyo and Seoul, and made propaganda for the organisation of cooperative and cooperation among the youth in the country.

Due to the difficulties both in funds and managerial base, the cooperative movement was discontinued.

b. *Cooperative Movement by Believers in Cheondoism*

Since 1925, believers in Cheondoism had organised Korean Farmers Corporation as a cooperative movement. The objectives of their movement consisted in the improvement of living standard and the propaganda of their doctrine.

They established farmers cooperatives, consumer coopera-

tives and credit cooperatives in the rural area. These cooperative movements had contributed much toward improving marketing system in rural area through the marketing and purchasing businesses.

Before liberation of Korea, these cooperative movements were dissolved owing to inefficient managerial techniques and restriction of the government.

c. Cooperative Movement by Young Christians

The cooperative movement by young christians started around 1926 by the establishment of eight rural cooperatives in the suburban area of Seoul. The cooperatives were organised as an activity of YMCA.

Under the patronage of local members of YMCA, the cooperative movement expanded over the nation and the number of cooperatives stood at 720 in the 1930s. In compliance with the government programmes for rural development, this cooperative movement was enforced to discontinue.

D. Modern Cooperative Movement

In 1956, the financial associations were reorganised into the commercial Agriculture Bank due to their functional characteristics. The Agriculture Bank which established originally as a commercial bank changed to a government invested special bank exclusively dealing with agricultural credit. In the following year, agricultural cooperatives began to be formally organised to handle business other than credit through reorganisation of farmers associations.

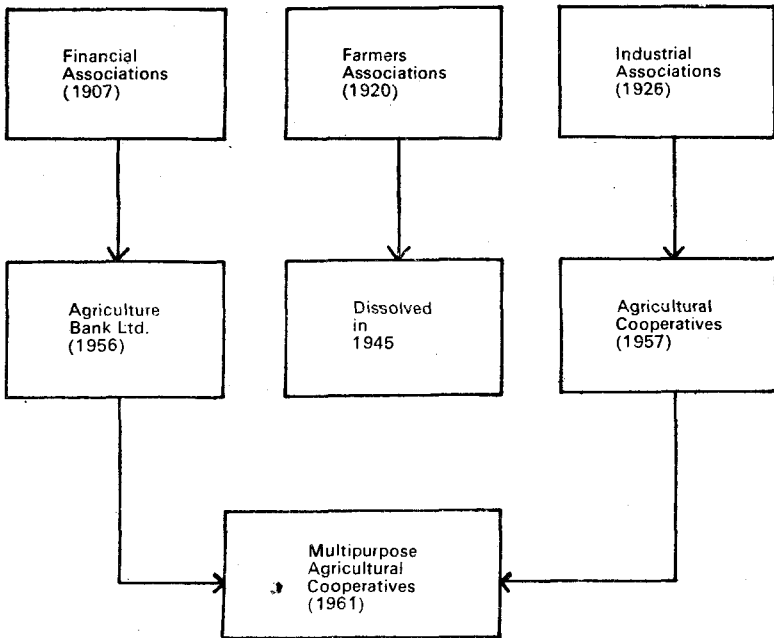
Between the Agricultural Bank and the agricultural cooperative, there were no sufficient linkage and efficiency in operation due to the duplication and competition in business activities. Furthermore, financial difficulties placed heavy restraints upon the business programmes of agricultural cooperatives because of the poor finance of the Agriculture Bank.

This situation between the bank and cooperative had accelerated an active agricultural cooperative movement to give benefit to farmers and agricultural development. In compliance with the new Agricultural Cooperative Law, the Agriculture

Bank and the agricultural cooperatives were merged into the present multipurpose agricultural cooperatives in 1961 on the basis of modern cooperative principles.

Modernised fisheries cooperatives and small business cooperatives were organised in 1962 in compliance with the Fisheries Cooperative Law and the Small Business Cooperative Law.

HISTORY OF AGRICULTURAL COOPERATIVES



2. Legislation Concerning Cooperative Organisations

The constitution of the Republic of Korea encourages farmers, fishermen and small businessmen to organise their self-help organisations such as cooperatives as follows : (paragraph 2 of article 120 of the constitution) "Organisations founded on the spirit of self-help among farmers, fishermen, and businessmen engaged in small and medium industry shall be encouraged". And each cooperative was initially organised by its

legislation, and has developed by the related law up to the present. The law and presidential decree concerning the organisation of the cooperative are illustrated as follows :

A. *Agricultural Cooperatives*

Agricultural Cooperative Law promulgated on July 29, 1961 (Law No. 670).

Presidential Decree enacted on July 9, 1970 (Decree No. 5184).

Article 27 of the Agriculture Basic Law promulgated on January 16, 1967 (Law No. 1871).

(Article 27 : Improvement of Agricultural Organisation)

“The government and local autonomous government shall promote the democratic organisation and independent development of such agricultural organisation as agricultural cooperatives for the purpose of development of agriculture and enhancement of economic and social status of farmers”.

B. *Fisheries Cooperatives*

Fisheries Cooperative Law promulgated on January 20, 1962 (Law No. 1013)

Presidential Decree enacted on July 21, 1970 (Decree No. 5216)

Article 8 of the Fishery Promotion Law promulgated on August 3, 1966 (Law No. 1814).

(Article 8, Fostering of Fisheries Organisation)

The government shall foster fisheries organisation through forming fisheries cooperatives in order to enhance economic and social status of fishermen.

C. *Small Business Cooperatives*

Small Business Cooperative Law promulgated on December 27, 1961 (Law No. 884)

Presidential Decree enacted on September 20, 1969 (Decree No. 4071)

Article 27 of the Small Business Basic Act promulgated on December 6, 1966 (Article 27 : Organisation of Small Busi-

ness). The government shall encourage small businessmen to organise their cooperatives by which they are able to develop and grow their business and improve their economic status, and shall assure rationalisation of the management of their cooperatives.

3. Role of Government in Cooperative Movement

A. Role of Government for Agricultural Cooperatives and Fisheries Cooperatives

The Agricultural Cooperative Law and the Fisheries Cooperative Law provide for assistance of the government to specified areas. The following measures are practical implementation of these legal provisions.

- (1) Agricultural cooperatives and fisheries cooperatives have tax privileges. They are exempt from business and property tax charged by central and local governments. Besides, they have various legal privileges, including exemption from the government permission or licence related to their businesses.
- (2) All of the Ministers of government actively support the business of agricultural cooperatives and fisheries cooperatives and provide public facilities of national government and local government for their use.
- (3) The government may grant subsidies necessary for the business operation of agricultural cooperatives and fisheries cooperatives within the scope of its annual budget.
- (4) The government may allow the presidents of NACF and NFFC to present to the government their recommendations regarding the development of cooperatives and NACF.
- (5) Agricultural cooperatives are authorised to be an exclusive handler of institutional agricultural credit. According to the Agricultural Cooperative Law, only agricultural cooperatives can borrow agricultural fund from the Government and the Bank of Korea. Thus, as far as agricultural fund is concerned, no bank/institutions other than agricultural cooperative can borrow from the Government and the Bank of Korea. In addition, the Government guarantee the payment of both principal and interest on agricultural credit debentures which will be issued by the National Agricultural Cooperative Federation.

(6) The government has arranged for subsidisation of the difference between the higher interest rate of deposits and lower interest rate of agricultural loan. Out of the deposit sources at higher commercial interest rate, agricultural cooperatives extend medium term loans for agricultural purpose at lower interest rate, and the difference between the two interest rates is subsidised by the government budget.

(7) For similar purpose, the government applies a lower legal reserve ratio for deposits received by agricultural cooperatives, so that a larger part of the deposits can be channelled to rural areas.

(8) The agricultural cooperatives are authorised to be an exclusive agent for some of government programmes. For fertiliser supply to farmers, agricultural cooperative has made an exclusive handling contract with the government. All the manufactured fertiliser is supplied to farmers through agricultural cooperative channel. Besides, the government acquisition programmes for such products as rice, barley, silk cocoon, straw products, rape seed, malting barley and corn are operated by agricultural cooperatives.

B. Role of the Government for Small Business Cooperatives

The major roles of the government for small business cooperatives are illustrated as follows :

(1) In order to facilitate the financing of small businessmen, the government takes such necessary measures as mobilisation of fund to be financed, establishing of a revolving fund, availability of funds from exclusive financial institutions and borrowing foreign capital.

(2) The government takes such proper measures as the conclusion of collective contracts and improvement of the bid system for the promotion of purchasing goods manufactured by small business.

(3) The government strengthens international competitive power and takes simultaneously available measures in order to promote exportation of small business.

(4) The government promotes the systematization of small business through proper measures such as assistance of fund.

(5) For the stability and progress of small business manage-

ment, the government takes proper measures so that small businessmen can coordinate autonomously their business activities and prevent excessive competition among them.

(6) The government authorizes exclusive financial institution to assist the funding of small businesses.

(7) The government takes proper measures to establish the means for the improvement of small business structures such as forming small business complexes and providing cooperation among them.

C. Concerned Government Agencies

(1) Agricultural Cooperatives

Competent Minister : Minister of Agriculture and Fisheries
(Concerning Banking and Credit Business, : Minister of Finance)
Agency : Cooperative Division of Agricultural Development Bureau, Ministry of Agriculture and Fisheries.

(2) Fisheries Cooperatives

Competent Minister : Minister of Agriculture and Fishery
(Concerning Banking and Credit Business : Minister of Finance)
Agency : Office of Fisheries, Cooperative Division of Ministry of Agriculture and Fisheries.

(3) Small Business Cooperatives

Competent Minister : Minister of Commerce and Industry
Agency : Small Business Bureau, Ministry of Commerce and Industry.

III. AGRICULTURAL COOPERATIVES IN KOREA

1. Organisational Structure

The agricultural cooperatives in Korea are vertically organised at three levels : primary cooperatives at the township level, county cooperatives at the county and city levels, and the federal organisation at the national level. On the other hand, they are horizontally classified into two categories : multi-purpose cooperatives and special cooperatives.

The multipurpose primary cooperatives are organised by individual farmers who are primarily engaged in production of major grain crops such as rice and barley. These cooperatives are the grassroots organisations conducting various businesses such as credit and banking, marketing, purchasing, utilisation, cooperative insurance and guidance for their member farmers.

As the result of a successful amalgamation programme implemented from 1969, a number of small cooperatives at village level have been merged into large scale primary cooperatives at township level. Thus, the number of primary cooperatives was reduced to 1,519 by the end of 1977 from more than 20,000 cooperatives in the early 1960s.

While special purpose Cooperatives are organised among agriculturists engaged in such specialised farming as horticulture and livestock raising, they carry out economic businesses including marketing, purchasing and processing other than credit and banking services. A total of 141 special cooperatives consisted of 43 horticultural cooperatives and 98 livestock cooperatives existed as of the end of 1977.

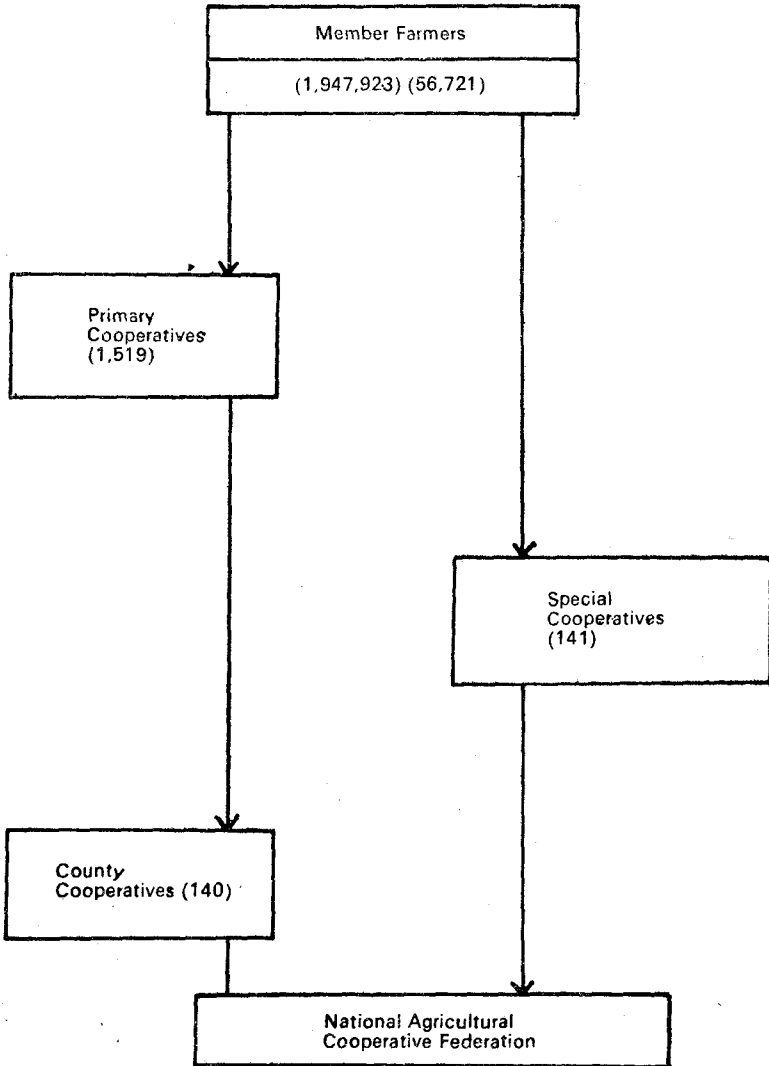
At present about 82.4 per cent of the farm households are affiliated with the primary cooperatives with an average membership of 1,282 farmers per cooperative. As of the end of 1977, total member farmers of the primary cooperatives stood at 1,947,923 and those of special cooperatives at 56,721.

The county or city cooperatives are secondary organisations whose membership is primary cooperatives and their operational areas are identical with the administrative districts of county or city. Currently, around 11 primary cooperatives are affiliated with a county or city cooperative on the average. They operate diverse businesses as the intermediate body between the primary cooperatives and the national federation. There are 140 county or city cooperatives and 232 branches of them over the nation.

As an apex organisation of agricultural cooperatives in Korea, the National Agricultural Cooperative Federation has been established with their membership composed of the city cooperatives and special cooperatives. The NACF has the head office in Seoul and 9 local branches in the capital cities of each province.

ORGANISATIONAL STRUCTURE

(as of the end of 1977)



2. Objectives and Roles

As prescribed by the Agricultural Cooperative Law, agricultural cooperatives are farmers' voluntary organisations to promote agricultural production and to elevate their living standard through a close cooperation under the spirit of mutual help among them.

The objectives of the agricultural cooperatives, therefore, consist in increasing agricultural productivity, improving the social and economic status of farmers, promoting the cultural betterment of farmers, and assuring a balanced development of the national economy. In fact, agricultural cooperatives have respectably contributed toward developing agriculture and enhancing farm income since their inauguration in 1961.

To attain the above objectives, NACF and member agricultural cooperatives conduct such wide range of businesses as credit and banking, marketing, purchasing, utilisation and processing, cooperative insurance, guidance and education, foreign trade and research. These activities are not only related to all economic activities of farmers, but also connected with government policies and programmes for agricultural development.

The major functions of agricultural cooperatives are as follows : mobilising and supplying the funds to be invested in agricultural sector, lowering prices of farm inputs and consumer goods, rationalising prices of agricultural products, improving farming technology and farmers' living standard. In addition, the agricultural cooperatives have been playing an important role in the rural Saemaul Undong (New Community Movement) in which farmers positively participated since the early 1970s.

As the sole institution handling agricultural credit and financing, the agricultural cooperatives have functioned to meet growing requirements of loan for agricultural development. They have granted more than 90 per cent of the total loans to the agricultural sector by all the banking institutions over the country.

Chemical fertilizer is exclusively distributed through the agricultural cooperative channel, and more than half of the farm chemicals used by farmers are supplied through the purchasing business of agricultural cooperatives. In particular, providing farmers with farm machinery has greatly contributed to the

mechanisation of farming in recent years.

The implementation of marketing business has resulted in the reduction of marketing costs and improvement of agricultural marketing system by means of orderly marketing and mass merchandising. Due to their intensive marketing activities, the marketing share of agricultural cooperatives has been gradually increased year after year.

Through their joint utilisation businesses such as warehousing and transportation, agricultural cooperatives have functioned to stabilise price of farm products by stockpiling and timely shipment. In addition, with the production of feed from its own feed mixing plants, NACF has played an important role in meeting demand for feed increasing year after year. And the feed supplied by agricultural cooperatives has contributed to accelerating the development of livestock industry.

The important functions of cooperative insurance business by agricultural cooperatives are to provide farmers with provision against sickness, death or any unexpected accidents, and to ensure their properties from the sudden fire or other accidents. Furthermore, the operation of cooperative insurance fund accumulated by the insurance business has contributed toward elevating welfare of farmers.

Agricultural cooperatives have rendered great services to the improvement of farming and farmers' living standard through the activities of guidance and education for member farmers. In recent years, the integrated Saemaul projects conducted by primary cooperatives have encouraged farmers to positively participate in the development of their rural communities.

3. Internal Organisation

A. National Agricultural Cooperative Federation

As the policy making organisations, there are General Assembly, Representatives Meeting and Administration Board in NACF.

(1) General Assembly

General Assembly is composed of the President and members of NACF and divided into a regular session and extraordinary

session. President of NACF is the Chairman of the General Assembly. A regular session of the Assembly is convened once a year within two months after the end of fiscal year.

The resolutions of a general assembly are as follows :

- (a) Amendment of bye-law
- (b) Election of representatives of NACF, and other important matters proposed in the assembly.

(2) *Representatives Meeting*

The Representatives Meeting is organised by 36 members elected from the General Assembly meeting. The members are composed of three persons elected by mutual votes of members of county or city cooperatives under each provincial unit (one representative each in the case of the special city of Seoul, Pusan city, and Cheju province) and 9 persons elected by members of special cooperatives. The tenure of a representative is two years.

The following items are subject to the resolution by the Representative Meeting.

- (a) Election of 5 members of Administration Board
- (b) Approval of the business plan, budget of revenues and expenditures, and settlement of accounts for each fiscal year.
- (c) Matters entrusted by the General Assembly, and
- (d) Other matters proposed by the President of NACF.

(3) *Administration Board*

The Administration Board is composed of a chairman, the President of NACF and the following 8 members.

- (a) Three persons appointed by the Minister of Agriculture and Fisheries, Minister of Finance and the Governor of the Bank of Korea.
- (b) Five persons elected by the Representative Meeting. However, 3 persons of them are members of the Representative Meeting, and other two of them are persons with abundant knowledge and experience in agriculture and agricultural economy.

The Administration Board decides basic policy concerning operation and management of NACF within the scope of provi-

sions of law and bye-law and resolutions of the General Assembly and the Representative Meeting. Furthermore, it may issue necessary regulations and instructions for the performance of the businesses of NACF.

The President of NACF presides over the meeting of the Administration Board, and the Executive Vice Presidents, Vice presidents and Auditor of NACF may attend at the Administration Board and set forth their opinion.

The President of NACF is appointed by the President of the Government on the request of the Minister of Agriculture and Fisheries with the concurrence of the Minister of Finance. The Executive Vice-Presidents and Vice Presidents are appointed by the President of NACF subject to the approval of the Minister of Agriculture and Fisheries. And Auditors are appointed by the Minister of Agriculture and Fisheries with the concurrence of the Minister of Finance. The tenure of President and Vice Presidents are three years, and that of Auditor is two years.

B. County, Primary and Special Agricultural Cooperatives

The policy making organisations of county or city cooperatives are General Assembly or Representatives Meeting, and Board of directors.

The General Assembly is composed of the President and members of a county cooperative, while the Board of Directors is composed of the President and directors of the cooperative.

Number of Officers

	Primary Coop.	Special Coop.	County Coop.
President	One	One	One
Directors	Four	Less than 5	Less than 6
Auditors	Two	Two	Two

In the case of the primary cooperative and special cooperative, the representatives meeting is organised. A cooperative with a membership of one hundred or more may have a Representative Meeting to substitute for the General Assembly. The office term of Representatives is two years.

The following matters are decided by the resolutions of the

General Assembly of the cooperatives.

- (a) Amendment of the bye-law.
- (b) Dissolution, amalgamation or division of the cooperative.
- (c) Expulsion of a member of the cooperative.

A President of a primary cooperative is to be elected from among the members of the Board of Directors, while, the presidents of county cooperatives and special cooperatives are to be elected from among member farmers by their General Assembly. However, the presidents of county or city cooperatives are appointed by the president of NACF, and the presidents of the primary cooperatives are appointed by the president of county on a temporary basis.

Directors and auditors of all cooperatives are elected by the General Assembly.

The tenure of the President and Directors is three years, and that of auditors is two years.

- (d) Election and dismissal of the official of the cooperative
- (e) Enactment and amendment of covenant and regulations of cooperative insurance business
- (f) Business report, inventory, financial statements and proposals regarding disposal of surplus funds and losses.
- (g) Matters deemed necessary by the President or Board of Directors.

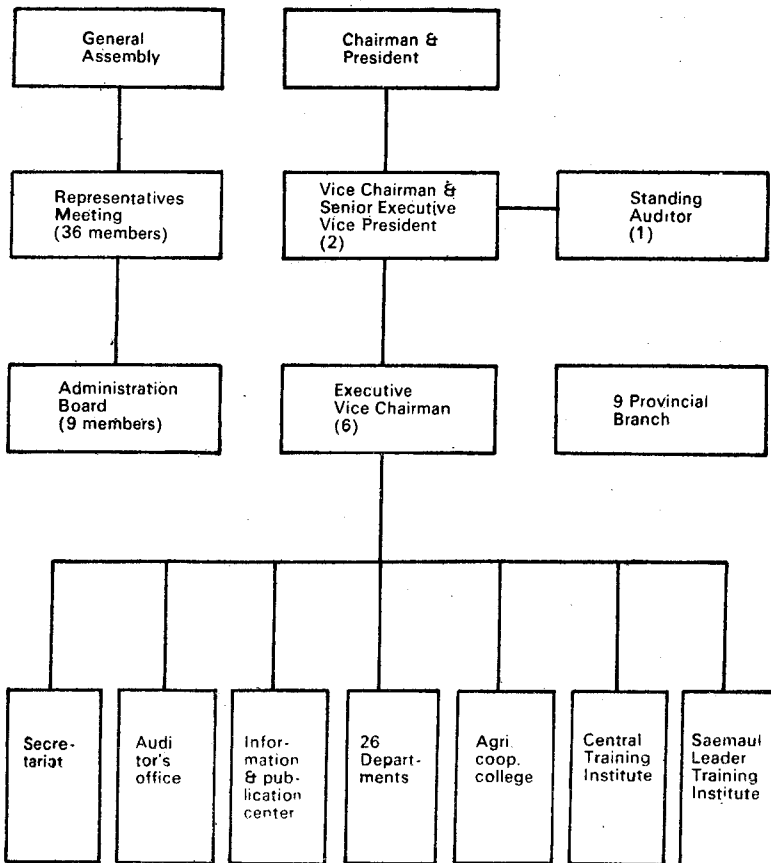
The Board of Directors decides and resolves the following matters :

- (a) Examination of membership qualification.
- (b) Use of legal reserve fund.
- (c) Maximum limit of the borrowings.
- (d) Methods of imposition and collection of expenses.
- (e) Formulation and modification of business plan and the budget.
- (f) Appointment and dismissal of executive staff members.
- (g) Acquisition and disposal of basic properties.
- (h) Decision of business implementation policy including

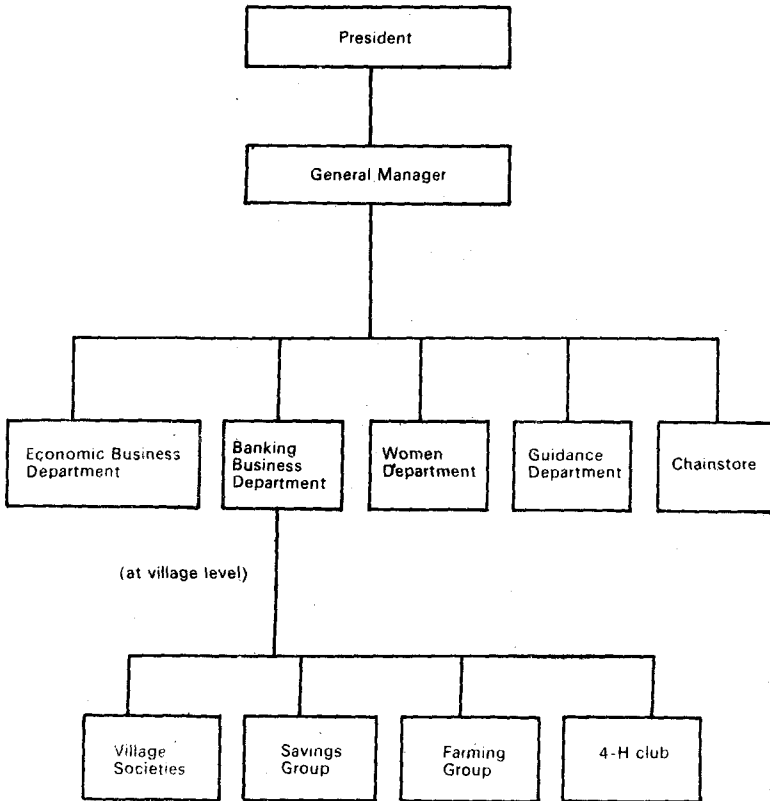
the enactment and modification of business rules and regulations.

- (i) Matters entrusted by the General Assembly, and matters to be presented to the General Assembly.
- (j) Any other matter proposed by the President of the cooperative.

ORGANISATIONAL CHART OF NACF



ORGANIZATIONAL CHART OF PRIMARY COOPERATIVE



4. Membership of Cooperatives

A. Primary Cooperative

A member of a primary cooperative is an individual householder who has his address or residence within the operational area of the cooperative. He has to engage in agriculture for more than 90 days in a year. Each member of the cooperative has to own at least more than one share of stock of which per value is 1,000 won.

A cooperative may have associate members which are such agricultural organizations as forestry associations, farm land improvement associations located in its operational area.

B. *Special Cooperative*

A member of a special cooperative is a person who is engaged in specialized field of agriculture with the places of domicile or residence within the operational area. Each member of the cooperative has to own at least more than one share of stock. Per value of each share of stock is 3,000 won.

C. *County or City Cooperative*

The members of a county or city cooperative consist of primary cooperatives established in its operational area. Each primary cooperative affiliated with a county or city cooperative has to own at least more than one share of stock. Value of each share of stock is 10,000 won.

Share of Stock Per Member

Cooperative	No. of shares	Value of each share(won)	Total Value (thousand won)
Primary coop.	1-1,000	1,000	1-1,000
Special coop.	1-2,000	3,000	3-6,000
County or city coop.	1-2,000	10,000	10-20,000
NACF	10-10,000	10,000	100-100,000

Share Capital of Primary Cooperatives

Year	Total share capital	Per cooperative	Per member farmer
	mill. won	thous. won	won
1975	31,422	20,338	16,400
1976	40,584	26,439	21,733
1977	55,971	36,847	28,632

Share Capital of Special Cooperatives

Year	Total share capital	Per cooperative	Per member farmer
	mill. won	thous. won	won
1975	2,745	33,930	93
1976	3,836	44,908	116
1977	5,222	58,191	145

Share Capital of County Cooperative and NACF

in million won

Year	County or city cooperatives	NACF
1975	6,792	3,753
1976	8,693	5,058
1977	11,407	7,069

D. National Agricultural Cooperative Federation

The members of NACF consist of county or city cooperatives and special cooperatives over the nation. Each member cooperative has to own at least more than ten shares of stock. Per value of each share of stock is 10,000 won.

5. Kinds of Business Activities

a. *Primary cooperatives, county or city cooperatives, and special cooperatives.*

- (1) Guidance service for production and living improvement (education for improvement of agricultural techniques and management, and facilities to improve rural living and culture)
- (2) Purchasing business (Purchasing, transportation, storing, processing and supply of commodities needed by members for their business and living)

- (3) Marketing business (Transportation, storing, processing, inspection and marketing of products produced by member farmers)
- (4) Banking and credit services (excluding special cooperatives)
- (5) Utilization business (installation of facilities to be used jointly by members to meet the needs of their business or living; exploitation and management of land for agriculture; installation and management of irrigation facilities; and facilities to increase efficiency of agricultural labour)
- (6) Cooperative insurance business
- (7) Medical services for member farmers
- (8) Conclusion of collective bargaining agreement (agreement with other economic organizations and cultural organisations for economic activities or measures for improvement of living standard)
- (9) Businesses entrusted by county cooperatives (in the case of Primary cooperative), entrusted by NACF (in the case of special cooperative and county or city cooperative)
- (10) Businesses entrusted by the Government
- (11) Other business approved by the Minister of Agriculture and Fisheries.

b. NACF

- (1) Guidance and adjustment of businesses conducted by member cooperatives
- (2) Research work and information service concerning the businesses of member cooperatives
- (3) Training for executive officials and staff members of agricultural cooperatives
- (4) Purchasing and marketing businesses, its joint undertaking and business in proxy.
- (5) Banking and credit services
- (6) Joint processing facilities for the exploitation of business activities of member cooperatives
- (7) Cooperative insurance business for member agricultural cooperatives

- (8) Business entrusted by the government
- (9) Business subsidized by the government
- (10) Foreign trade business associated with the businesses specified in the above items
- (11) Other business activities such as deemed necessary to achieve the purposes approved by the Minister of Agriculture and Fisheries.

6. Business Activities Performed in 1977 by NACF and its Member Cooperatives

A. Credit and Banking

The NACF and member agricultural cooperatives are engaged in diverse credit and banking businesses such as deposits, loans, remittance, and credit guarantee for not only member farmers but also non-farmer customers. And they supply various government-loan for agricultural development to farmers and agricultural organizations concerned.

Financial resources totalled 802.3 billion won at the end of 1977, compared with 614.0 billion won in 1976. Out of the total resources, 59.5 percent came from deposits, 25.5 percent from the government, the Bank of Korea and foreign loans, and 15 percent from other liabilities and reserves.

The total deposits received by NACF and the county or city cooperatives in 1977 amounted to 477.4 billion won, showing an increase of 33.2 percent over a year ago. The total consisted of 225.3 billion won of demand deposits and 252.1 billion won of saving deposits. While, the borrowings from the government and Bank of Korea stood at 204.3 billion, compared with 173.4 billion won in 1976.

Total loans granted in 1977 amounted to 765.9 billion won. While, the balance of loans as of the end of 1977 was 461.1 billion won, an increase of 27.5 percent over a year earlier. Out of the loans outstanding, about 52.7 percent was made from deposits and borrowings and 18.5 percent came from the government budget sources, showing a 14.8 percent increase and 40.6 percent respectively over the preceding year.

Most of these loans were supplied mainly for the improvement of agricultural productivity, export promotion of farm

products, fostering of primary cooperatives and rural development projects. In accordance with the expanded sources of finance in recent years, NACF and member agricultural cooperatives have improved the agricultural credit system for enhancement of loan efficiency and timely delivery of loan to farmers.

The NACF and member agricultural cooperatives have handled credit guarantee business since 1972 through the operation of the Guarantee Fund contributed by NACF and the government in order to supply agricultural fund to farmers without sufficient collateral. With the expansion of the guarantee business, the total amount of the Fund increased to 4.3 billion won in 1976 from 3.2 billion won of a year ago level. Thereby, the ceiling of the guarantee was raised up to 62.2 billion won, and the total loans guaranteed by the Fund reached 35.9 billion won during the year, compared with 25.9 billion won in 1976.

In particular, all the primary cooperatives began to deal with the guarantee business from 1977 through new contracts with 809 primary cooperatives. Thus, the number of organizations handling the guarantee business stood at 1,700 including all the agricultural cooperatives.

Since the initiation of mutual credit programme in 1969 as one of the most important banking services of the primary cooperatives, it has recorded rapid progress both in deposits and loans under the positive patronage of farmers and continuous support from NACF. As of the end of 1977, the balance of deposits received under the programme amounted to 272.5 billion won, while loans stood at 116.6 billion won, showing an increase of 74.8 percent and 72.1 percent respectively over the previous year.

As a result of efforts rendered in recent years by agricultural cooperatives to promote rural savings targeted at 1,000 billion won, the total amount of the deposits received from farmers reached 538.0 billion won at the end of 1977.

B. Marketing

Agricultural cooperatives have conducted marketing business for the purpose of extending benefits to not only farmers but also consumers of agricultural products. In recent years, NACF and member agricultural cooperatives have laid emphasis on

**Deposits Received and Loans Granted by NACF and
county or city cooperatives**

in million won

Balance as of the end of year

Items	1975	1976	1977
Total Deposits	259,466	358,304	477,349
Demand Deposits	130,298	159,702	225,271
Savings Deposits	129,168	198,602	252,078
Farmers' Deposits	58,513	74,579	85,511
Non-Farmers' Deposits	200,953	283,725	391,838
Total Loans	284,106	361,631	461,092
Loans with banking funds	202,734	252,007	289,220
Loans with govt. funds	49,591	60,605	85,207
Loans with other funds	31,731	49,019	86,665

**Deposits and Loans under the Mutual Credit Programme
of Primary Cooperatives**

in million won

Balance as of the end of year

	1975	1976	1977
Total Deposits	89,878	155,894	272,483
Total Loans	41,875	67,740	116,570

the integrated cooperative business system from production to marketing in order to carry out an efficient marketing business.

The NACF has strengthened the agricultural marketing information system through operation of information centres in the large cities of Seoul, Busan and Daegu. These centres are equipped with automatic telephone answering devices to provide information on auction prices of the cooperative marketing centres.

During 1977, 63 sets of teletype were installed in NACF and its member cooperatives to exchange rapid information on market situation. In addition, NACF conducts survey on the price and supply of farm products in 63 major producing areas and 36 major consuming urban centres. As regards the marketing information activity, NACF not only publishes 2,000 copies of Marketing Information Weekly which covers the auction prices at the cooperative marketing centres in Seoul and wholesale prices of farm products in major cities, but also releases daily price situation through radio broadcasting stations over the country.

Total marketing turnover of NACF and its member cooperatives during the year reached 464.1 million won, showing an increase of 25 per cent over the preceding year. The market share of the agricultural cooperatives accounted for 24 per cent in 1977, compared with 21.3 per cent in 1976.

The NACF operates 18 cooperative marketing centres at wholesale level in the six major cities of Seoul, Busan, Daegu, Kwangju, Daejon and Incheon. Through these centres, major farm products including grains are distributed to designated dealers on an auction basis. In addition, NACF runs 11 collection points of farm products established along the express highways for the purpose of efficient shipment and various marketing activities.

During the year 1977, total sales through the cooperative marketing centres amounted to 203.0 billion won. The predominant product handled was grain including government grain, comprising 72.6 per cent of the total or 173.1 billion won. And total amount of fruits, vegetables and eggs sold by the centres reached 13.4 billion, 9.1 billion and 1.8 billion won, respectively.

Additionally, NACF is operating livestock marketing centres in Seoul and Jeonju with modernized slaughtering facilities in an effort to stabilise price of beef and pork and increase income of livestock farmers. Beef and pork sold through the centres were valued at 35.3 billion won, an increase of 79.3 per cent over the preceding year. Out of the total value, 98 per cent was supplied to domestic markets at reasonable prices.

On the other hand, agricultural cooperatives deal exclusively with raw materials such as silk cocoons, sweet potatoes, beer barley, rapeseed and yellow corn to be purchased by processing

industries. Total sales of these products reached 86.9 billion won during 1977. Of these materials, cocoon was the most important item representing 58 per cent of the total sales or 50.7 billion won and sweet potatoes accounted for 24.7 billion won.

With a view to conducting efficient cooperative marketing, agricultural cooperatives have fostered over the country 15,486 farming groups which are internal organisations of the primary cooperatives. In addition, agricultural cooperatives have improved marketing tools such as assorting, grading and packing to enhance marketability of farm products.

Status of Marketing Business

in million won

	1975	1976	1977
Farm products sold by cooperative marketing centres.	151,339	255,116	203,046
Beef and pork sold by livestock marketing centres	162,827	274,790	238,328
Raw materials including cocoons	64,955	93,645	82,792
Farm sideline goods	5,683	6,192	4,072
Sales to Korean Army	7,016	12,085	16,733

C. Purchasing

Through the purchasing business, NACF and member agricultural cooperatives provide farmers with farm inputs and daily necessities at a proper time and at reasonable prices. Major farm inputs supplied by agricultural cooperatives include fertiliser, farm chemicals, farm machinery, foodstuff, seeds and seedling.

In 1977, total purchases and supplies amounted to 336.6 billion won, showing an increase of 16.4 per cent over a year ago level. Out of the total supplies, farm inputs represented 87.7

per cent or 295.1 billion won and consumer goods accounted for 12.3 per cent. The purchasing business performed by agricultural cooperatives during the year was as follows:

Fertiliser : Out of the total farm inputs supplied in 1977, fertiliser accounted for 55.5 per cent, or 163.9 billion won. A total of 2.3 million metric tons of fertiliser were distributed in 1977, compared with 1.9 million tons in 1976. On a nutrient basis, chemical fertiliser consisted of 52.7 per cent of nitrogen, 28.5 per cent of phosphate and 18.8 per cent of potash. Of the total chemical fertiliser, domestic fertiliser accounted for 94.4 per cent and imported fertiliser for 5.6 per cent.

With a view to adjusting supply and demand for fertiliser, NACF and member cooperatives operate fertiliser information centres. From 1977, all the primary cooperatives began to assume direct distribution of fertiliser to farmers.

Farm chemicals : Total supplies of farm chemicals were 7.8 thousand metric tons valued at 20.6 billion won. Out of the total, 55.4 per cent or 4.3 thousand metric tons were supplied for paddy production and 17.4 per cent for horticultural use. Recently, agricultural cooperatives have made efforts to extend best services to farmers through timely distribution of farm chemicals. In addition, the guidance for efficient application of farm chemicals has been conducted by the cooperatives.

Machinery : The amount of farm machinery supplied during 1977 totalled 38.5 billion won, an increase of 14.3 per cent over the previous year. Major items supplied during the year included 40,771 power tillers, 27,528 power dusters, 11,586 power sprayers and 6,789 automatic threshers. In order to provide member farmers with timely repairing service, 119 county cooperatives and 111 primary cooperatives operate their own farm machinery service centres. In particular, all the primary cooperatives began to supply farmers with big machinery from 1977.

Foodstuff : In compliance with the government policy for the development of livestock industry, NACF expanded the distribution of foodstuff. Total amount of foodstuff supplied reached 63.8 billion won, showing an increase of 26.0 per cent over the preceding year. Of the total, supplies of yellow corn accounted for 60.6 billion won, compared with 45.1 billion won in 1976.

Other inputs : In addition to above mentioned farm inputs,

about 1.3 billion won worth of seeds and seedling, and 7.0 billion won worth of other materials were supplied during 1977.

Daily necessities : Daily necessities are supplied through the cooperative chain stores which have been operated by the primary cooperatives as part of the consumer movement in the rural areas since 1970. The number of cooperative chain stores stood at 1,313 as at the end of 1977.

Total value of daily necessities supplied in 1977 amounting to 41.5 billion won, showing an increase of 48.2 per cent over a year ago figure. Of the total amount, food sales accounted for 25.2 billion won or 60.7 per cent. While other major items were clothing, sanitation goods, and durable goods, consisting of 16.7 per cent, 5.8 per cent and 5.7 per cent respectively.

Status of Purchasing Business

in million won

	1975	1976	1977
Farm inputs	205,536	261,232	295,102
Fertiliser	109,748	141,642	163,857
Farm chemicals	22,536	28,504	20,551
Seeds and seedling	1,995	1,746	1,322
Foodstuff	41,749	50,667	63,829
Others	4,886	4,952	7,011
Consumer goods	18,397	28,031	41,484
Total	223,933	289,263	336,586

D. *Utilisation and Processing*

Major activities of utilisation and processing by agricultural cooperatives are warehousing, artificial insemination, food production and transportation.

The NACF and member agricultural cooperatives operate warehouses which have contributed to conducting both marketing and purchasing businesses. Total warehouses owned by NACF and member agricultural cooperatives numbered 10,107 with a total floor space of 2,406 thousand square meters and

storage capacity of 3,218 thousand metric tons. Total quantity of grains and fertiliser stored in these warehouses stood at 3,078 thousand metric tons in 1977, an increase of 8 per cent over the preceding year.

The artificial insemination service has been carried out by the livestock improvement office of NACF since 1963. During the year 1977, the Office supplied 363 thousands ampoules of frozen bull semen to 171 artificial insemination stations at the level of the county and the special cooperatives. The inseminated livestock numbered 184.6 thousand head of native cattle, 40.7 thousand head of milk cow and 47.5 thousand head of hog in 1977.

The NACF operates two feed mixing plants in the cities of Busan and Incheon with a view to supplying feed to farmers at reasonable prices. During 1977, a total of 115.2 thousand metric tons of feed was produced by both plants which have an annual production capacity of 45 thousand metric tons each. In addition, a new feed mixing plant is under construction in the city of Gunsan with an annual production capacity of 90 thousand metric tons.

Agricultural cooperatives are engaged in transportation business with their own trucks in order to efficiently move farm products and agricultural inputs. During 1977, a total of 3,188 thousand metric tons of farm products and inputs were shipped, compared with 1,585 thousand metric tons in 1976.

E. Cooperative Insurance

The cooperative insurance business of agricultural cooperatives was launched with the initiation of damage insurance in 1961. Since the inauguration of life insurance in 1965, cooperative insurance business has been much expanded year after year.

Life insurance is divided into four categories : new life insurance, education insurance, short-term deposit insurance and whole life insurance. In an effort to expand these four kinds of insurance, agricultural cooperatives discontinued in 1977 new contract for policies of old types of life insurance such as endowment insurance, juvenile insurance and short-term life insurance.

Total amount of life insurance policies sold during 1977

reached 83.8 billion won, an increase of 34.9 per cent over the preceding year. And effective policies amounted to 236.2 billion won at the end of the year, compared with 181.8 billion won in 1976. Thereby, the premia received from life insurance totalled 15.6 billion won, increasing by 6.9 billion won over a year ago level.

Damage insurance is classified into special livestock insurance, fire insurance, forest fire insurance, depositors welfare insurance and long term insurance which was newly designated in 1977.

Total damage insurance policies sold during the year reached 1,300 billion won, and the premiums received from the insurance amounted to 2.9 billion won showing a whopping increase of 61.1 per cent over the previous year. In addition, total effective policies of national life insurance, which was taken over by agricultural cooperatives from the government in 1977, stood at 59.7 billion won at the end of the year.

With the expansion of new policies sold, the operation fund of cooperative insurance totalled 100.5 billion won in 1977, up by 107.6 per cent from the preceding year. The NACF and member agricultural cooperatives have effectively operated cooperative insurance business for the benefit of contractors and their family members by operating mobile insurance clinics and granting insurance scholarships.

Status of Cooperative Insurance Business

in million won

	1975	1976	1977
Life Insurance			
Premium received	6,810	8,717	15,564
Effective policy	150,737	181,776	236,199
Payment of insurance money	1,248	3,903	3,703
Damage Insurance			
Premium received	2,216	1,808	2,919
Effective policy	1,129,885	1,346,614	1,300,131
Payment of insurance money	288	193	1,215

F. International Banking

The NACF has much contributed towards exports of agricultural commodities and timely import of farm inputs required by farmers by carrying out its international banking business.

At the initial stage, NACF handled foreign exchange business through the intermediary of other commercial banks with the approval in 1969 of the Ministry of Finance. However, with a view to responding to growing needs for foreign exchange business among its customers and to meeting increased foreign trade in agricultural sector, NACF commenced international banking business as a class A foreign exchange bank from 1973 with the establishment of correspondent arrangements with 275 banks in foreign countries.

In accordance with the gradual progress of the international banking business, NACF expanded its overseas correspondents. Thereby, the number of correspondent banks stood at 491 comprising leading banks in 71 countries at the end of 1977, compared with 323 banks of 47 foreign countries in 1976.

With its worldwide network as a full-fledged international bank, NACF has conducted all types of international banking services as follows : opening of letters of credit, negotiation of export bills, selling and buying of foreign exchange, issuance of export and import licences, guarantees of obligations, foreign trade financing, credit inquiries and remittance.

During 1977, negotiations of bills totalled 143.4 million US Dollars, showing a rapid increase of 102.5 per cent or 72.6 billion won over the previous year. A sharp increase in the negotiation resulted from rapid expansion in export of raw silk. Import letters of credit opened during the year amounted to 195.6 million US Dollars, up by 7.2 per cent over 1976, while local letters of credit opened reached 44.6 million US Dollars, an 84.0 per cent increase over a year earlier.

Export finance extended in 1977 for promoting export of farm products amounted to 71.9 billion won, compared with 64.7 billion won in 1976. And the guarantees of obligations issued stood at 48.1 million US Dollars during 1977, an increase of 8.3 per cent over the preceding year.

Total amount of selling and buying of foreign exchange in 1977 reached 74.6 million US Dollars, increasing by 23.3 million

US Dollars over 1976. And foreign exchange remittance handled in 1977 totalled 3.3 billion won, an increase of 11.0 per cent over the previous year.

Major items served by NACF for customers in the area of international banking include agricultural products and farm inputs. Major agricultural products are raw silk, canned mushroom, ginseng products and livestock products including pork, while farm inputs are feedstuff, farm chemicals, farm machinery, and livestock products including milch cow.

In recent years, NACF has been sending its staff members engaged in international banking business to the United States with a view to securing a number of foreign exchange specialists to extend better services as well as to enhance business efficiency. Through the overseas training programmes and improvement of international banking business, NACF has been endeavouring to support both export of agricultural products and import of farm inputs.

G. Foreign Trade

In recent years, exports of agricultural commodities and marine products have been gradually increasing year after year with the encouragement of the government policy for export promotion. The NACF has also positively participated in the promotion of exports for farm products through the foreign trade business in order to contribute toward improvement of farm income. Particularly, the importation of farm inputs to be supplied to farmers has much contributed to increasing agricultural productivity.

With a view to expanding exports of farm products and carrying out efficient marketing activities in overseas markets, NACF has established a trade representative office in the United States. Additionally, NACF is contemplating opening another representative office in Japan in 1978.

In addition, NACF and member agricultural cooperatives are endeavouring to develop new items for export and to exploit overseas market for farm products by means of interchanging various information and materials related to foreign trade.

The major export items handled by NACF encompassed about 20 items including canned mushroom, pork, radish seed,

onion, chestnut, straw products and handicrafts. Among them, canned mushroom was the most important item to earn foreign exchange. These items were exported to such countries as the United States, Japan, West Germany, Canada, Australia, Sweden, Switzerland and New Zealand.

While major import items were feedstuff including yellow corn, pasturage seeds, milch cow, breeding bull, and farm chemicals, the NACF imported these items from Japan, the United States, Canada, Thailand, Australia, New Zealand, West Germany Luxemburg, United Kingdom and Mexico. The performance of foreign trade business conducted in 1977 was as follows.

Exports : The total value of exports during the year amounted to 8.8 million US Dollars, showing an increase of 3 per cent over a year ago figure. Out of the total, canned mushroom accounted for about 76 per cent or 6.7 million US dollars. Particularly, the export of pork and radish seeds showed good performance during the year. Several items such as chestnut and straw products were newly exported in 1977 by NACF.

Besides the export to foreign countries, agricultural cooperatives supply the US forces in Korea with eggs as part of foreign trade business. The sale of eggs to the US forces amounted to 210 thousand US Dollars. In recent years, NACF and member cooperatives have encouraged farmers to produce exportable farm products of better quality by implementing contract farming and supplying production loans.

Imports : Total amount of imports reached 139 million US dollars in 1977, an increase of 56.6 per cent over the preceding year. The import of yellow corn totalled 131 million US Dollars during the year, accounting for 94 per cent of the total. And total import of farm chemicals was valued at 5.5 million US Dollars.

The importation of milk cow and feedstuff materials including yellow corn has been conducted with a view to developing livestock industry. Timely purchase of raw materials for manufacturing farm chemicals and phosphatic calcium much contributed toward increasing agricultural productivity.

H. Foreign Loans

The NACF has induced foreign loans since 1968 for the

purpose of meeting a sharp increase in demand for agricultural development fund. As an important financial resources, foreign loan fund is supplied by NACF to farmers and agricultural organisations on the basis of long term and low interest rate.

Most of the foreign loans from international banking institutions are used for the implementation of irrigation projects, expansion of agricultural marketing facilities such as warehouses, development of livestock and dairy industry and the improvement of horticulture and sericulture.

The lenders of foreign loans include International Development Association, Agency for International Development, KFW of West Germany, IBRD, Convertible Local Currency Credit of the United States, Export-Import Bank of Japan and Canadian International Development Agency.

At the end of 1977, the foreign loans induced by NACF amounted to 31.5 billion won, showing an increase of 41.1 per cent from 22.3 billion won of the previous year. In 1977, the NACF newly induced foreign loans totalling 11.1 billion won, out of which 3.2 billion won came from KFW of West Germany, 5.7 billion won from the United States and 2.2 billion won from IBRD.

Of the new loans, 4.3 billion won was used for construction of warehouses for foodgrains, 2.4 billion won for supply of farm machinery, 2.2 billion won for improvement of horticulture and sericulture and 0.5 billion won for import of milk processing machinery.

On the other hand, NACF repaid 248 million won of foreign loans to Japan and 1.7 billion won to the United States during 1977.

I. Guidance and Education

In recent years, NACF and agricultural cooperatives have conducted guidance and education activities with emphasis placed on achievement of self-supporting primary cooperatives, promotion of integrated rural development as part of Saemaul Undong and extension of support for increase in agricultural production.

The self-supporting programmes for primary cooperatives were speeded up by means of increasing paid-in capital and ex-

panding joint utilization facilities. Thereby, all of 1,519 primary cooperatives consolidated the base for self-supporting viable units by the end of 1977.

The paid-in capital of primary cooperatives in 1977 totalled 56.0 billion won, up by 37.9 per cent from the previous year, with the average paid-in capital of 36.8 million won per cooperative and 28.6 thousand won per member farmer. While, the total paid-in capital of special cooperatives amounted to 8.2 billion won, showing an increase of 30 per cent over a year ago level. The average paid-in capital per cooperative and member farmer reached 58.2 million won and 145 thousand won, respectively.

As regards the institutions of education and training, NACF operates the Central Training Institute, the Agricultural Cooperative College and the Saemaul Leaders' Training Institute. During 1977, 3,706 staff members of NACF and its member cooperatives participated in the training courses by the Central Training Institute. A total of 2,195 staff members of primary cooperatives were trained by the provincial training institutes of NACF.

In addition, 129,292 staff members of primary cooperatives and special cooperatives including 118,000 persons of leading member farmers were trained at provincial and county levels. The Saemaul Leaders Training Institute trained a total of 5,991 leading personalities of every walk of life including Saemaul leaders during the year 1977.

J. Research and Publication

The NACF carries out research activities which have greatly contributed not only to the development of agricultural cooperative movement, but also to policy-making for agricultural development in Korea.

The functions of research activities of NACF are: (1) research and analysis related to the various fields of the agricultural credit and foreign agricultural economy and policy, (2) survey of price, wages and charges paid by farmers as well as prices of farm products received by farmers, (3) survey of cost for agricultural production and earnings from major farm products, (4) price forecasts for major farm products, agricultural outlook services and estimation of cultivated acreage for major crops,

(5) research on agricultural cooperative movement, and (6) survey on farm management and agricultural marketing.

During the year, the activities of research were conducted with emphasis placed on realizing basic goals of agricultural cooperatives, contributing towards increased production of food grains, interchanging information on overseas agriculture, utilizing agricultural resources, and strengthening survey on rural development.

The NACF publishes newspapers, periodicals, research reports, handbooks and other diversified information materials. As part of publicity activities of NACF, the Nongmin Sinmun (weekly farmers' newspaper) and the Sae Nongmin (monthly new farmer) are published by the Information and Publication Centre of NACF. While, the major periodicals which are published as a result of research activities include Monthly Review, Agricultural Cooperative Yearbook, Annual Report, Agricultural Information and World Agriculture News.

K. International Cooperation

The international cooperation activities of NACF has been carried out through the close collaboration with international bodies and overseas cooperative organizations. Since 1963, NACF has been a member of the International Cooperative Alliance established in 1895. A strong relationship has been maintained with such international organizations as APRACA, ESCAP, FAO, AARRO, ILO, IFAP and the International Raiffeisen Union with which NACF was affiliated in 1969.

Through the participation in the first general assembly of the Asian and Pacific Regional Agricultural Credit Association (APRACA) held in 1977, NACF has become a member of the international organization related to agricultural credit. On the other side, NACF has continued to maintain cooperation with overseas cooperative organizations around the world including the Central Union of Agricultural Cooperatives in Japan and the Cooperative League of the Republic of China.

During 1977, activities for international cooperation was promoted by means of mutual exchange of materials and interchange of personnel. Thereby, a number of staff of NACF and its member cooperatives were sent abroad to participate

in conferences, seminars, and overseas training programmes on agricultural cooperative movement and rural development. More than 100 persons were sent to foreign countries under the personnel exchange and training programmes.

In 1977, more than 550 foreign cooperators and officials of international organizations visited NACF with a view to observing agricultural cooperative movement and rural development in Korea. Particularly, 24 participants of an ICA Regional Seminar visited Korea in order to study our cooperative management under the sponsorship of the ICA Regional Office and NACF.

IV. APEX AGRICULTURAL ORGANIZATIONS

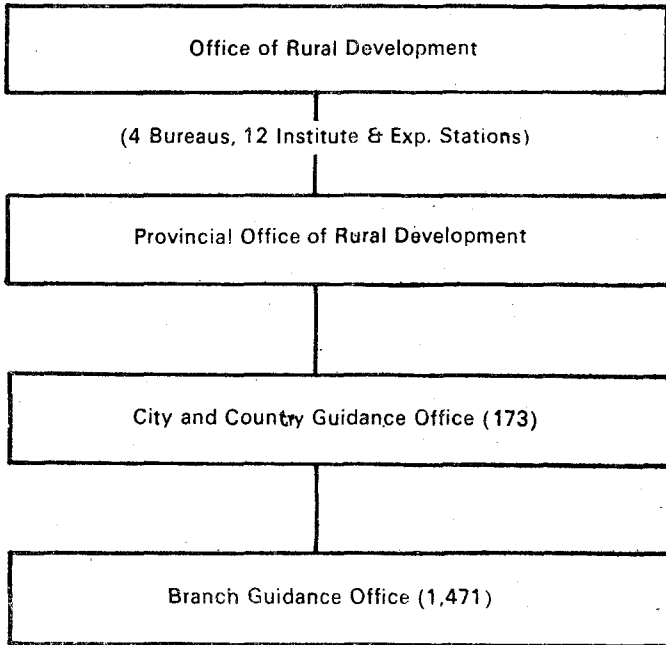
The organizations of the Korean Government which are concerned with agriculture are the Ministry of Agriculture and Fisheries, and the Office of Rural Development. In addition to these, there are government-invested organizations such as the Agricultural Development Corporation, Agriculture and Fishery Development Corporation. Besides the agricultural cooperatives there are farmers' voluntary self-help organizations such as farm land improvement associations, forestry associations and leaf tobacco associations.

1. Office of Rural Development

A. Organization

As an organization of the Ministry of Agriculture and Fisheries, the Office of Rural Development is established at the national level in compliance with the Rural Development Act promulgated on March 21, 1962. The objectives of the organization are to promote farmer's welfare through agricultural improvement, rural guidance and extension, dissemination of agricultural technology, experiment, research work and training activities. The office has 9 provincial offices under provincial governors, 173 city and county rural guidance offices under mayors and county chiefs, and 1,471 branch guidance offices at town and village levels. Rural guidance work is being carried out at the village level.

ORGANIZATIONAL STRUCTURE



B. Activities

(1) Agricultural Research Projects

Agricultural research work has been conducted at ORD research institutes, stations and research bureaus of the nine provincial offices.

a. Agricultural science research

Soil survey and fertility, fertility improvement of newly reclaimed hilly land, and establishment of safe use standard or agricultural chemicals.

b. *Crop research*

Improvement of rice varieties for high yielding and early maturing, improvement of upland crop varieties for high yielding and their cultural practice, and labour saving culture of crops.

c. *Horticultural research*

Development of exportable horticultural crops and techniques for improved utilization of arable land.

d. *Sericultural research*

Improvement of silkworm varieties for high yielding and robust silk, improvement of silkworm rearing method and mulberry culture techniques, and control of mulberry disease and insects.

e. *Livestock research*

Establishment of feeding standards in livestock and poultry management, varietal improvement of livestock and poultry, and improved techniques and management of feeding livestock and poultry.

f. *Veterinary research*

Diagnosis and treatment of livestock diseases, inspection of livestock products, and development of vaccine for livestock diseases.

g. *Agricultural engineering and products utilization research*

Improvement and utilization of locally fabricated farm machinery, farm land protection and consolidation of paddy field, and improvement of irrigation and drainage for farm land.

(2) *Rural Guidance Work*

a. *Community development guidance*

Development of rural sideline jobs and technical guidance

at cooperative farm and dissemination and guidance of methane gas installment.

b. *Home life improvement guidance*

Improvement of dietary habits, technical dissemination of rural life improvement, and technical training for rural housewives.

c. *Rural youth guidance*

Training of Saemaul 4-H Club members and training in farm machinery operation and social activities.

d. *Farmers training*

Training of rural guidance workers and ordinary farmers and special technical training by crops.

e. *Food crop production guidance*

Technical guidance of rice and upland crop culture, dissemination of superior food crop varieties and guidance in group farming, and technical guidance of paddy and upland soil testing and control of disease and insects.

f. *Cash crop guidance*

Technical guidance for vegetables, fruit and floricultural crops, industrial and medicinal crops, technical guidance for green house horticultural crops and mushroom raising, and technical guidance at special project areas for rural income increase.

g. *Sericulture and livestock guidance*

Guidance of mulberry production, silk worm rearing and disease control, and dissemination of superior livestock and guidance in livestock feeding management.

(3) *Technical Information Service*

a. Propagation of rural development policies and achieve-

ments

- b. Compilation and publication of technical training materials for rural guidance workers and Saemaul income increase projects
- c. Production and dissemination of farm educational film and slides
- d. Farming techniques broadcast through radio and T.V.
- e. Providing of technical articles to the mass media for farmers

2. Agricultural Development Corporation

A. Organization

The Agricultural Development Corporation was established through merger between land improvement association and Underground Water Development Corporation in compliance with the Rural Modernization Promotion Act effected in 1970.

The objectives of the corporation are to conduct integrated projects concerning farm land improvement, farm mechanization and housing improvement.

B. Business Activities

- (1) Projects for facilitation of irrigation and drainage
- (2) Reclamation of land
- (3) Projects for land readjustment
- (4) Installation of farming roads in rural areas
- (5) Purchase and supply of machinery for land improvement
- (6) Construction and improvement of rural housing and guidance activities concerned
- (7) Technical assistance to the improvement of farm land
- (8) Conducting improvement of farm land entrusted by state, local autonomous government, and farm land improvement association
- (9) Exportation of techniques and service on the land improvement
- (10) Business entrusted by the Minister of Agriculture and Fisheries

- (11) Other projects such as deemed necessary to achieve the objectives of the corporation

3. Federation of Farm Land Improvement Associations

A. Organization

Farm Land Improvement Association of Republic of Korea was established in 1971 in compliance with the Rural Modernization Promotion Act. It has currently 127 farm land improvement associations which are located at county level.

B. Activities

The objectives of farm land association is to enhance agricultural productivity through conservation and the improvement of farm lands belonging to members.

Major activities of the association are as follows :

- (1) Projects for irrigation and drainage
- (2) Conservation and management of facilities for improvement of farm land
- (3) Consolidation of farm land and relevant project
- (4) Improvement of agriculture
- (5) Projects for conservation and restoration of farm land
- (6) Other projects such as deemed necessary to achieve the objectives of the association

4. Federation of Forestry Associations

A. Organization

The Federation of Forestry Associations was organized in compliance with the Forest Law effected in 1961. The Federation has currently 141 forestry associations at city or county level. And it has nine provincial branches in the capital cities of each province.

B. Activities

- (1) Activities for achievement of common objectives of

member associations

- (2) Supply of subsidies to member associations
- (3) Business instructed by the competent office of the government
- (4) Mobilization of own funds and operation of forest funds
- (5) Business for production, processing, distribution, marketing, storage and export of forest products
- (6) Businesses entrusted by the government
- (7) Other projects such as deemed necessary to achieve the objectives of the associations.

V. NON-AGRICULTURAL COOPERATIVE ORGANIZATIONS

1. Fisheries Cooperatives

A. *Brief History*

A nationwide fishermen's organization emerged when the Korean Fishery Industry Association was set up in 1944. It was reorganized into Korea Fishery Industry Association in 1949. In 1952, a more comprehensive fishermen's organization named Korea Fishery Association was formed and it consisted of 88 regional fisheries cooperatives and 15 business-type fisheries cooperatives.

In compliance with the Fisheries Cooperative Law which was promulgated on January 20, 1962, traditional fishermen's organizations were reformed into the modern fisheries cooperatives. And also the National Federation of Fisheries Cooperatives was established in the same year.

B. *Objectives and Businesses*

The objectives of fisheries cooperatives are (1) improvement of fishery productivity, (2) increase in fishermen's income, and (3) enhancement of economic and social status of fishermen.

In order to achieve these objectives, fisheries cooperatives conduct diversified business activities as follows :

- a. Guidance activities for fishermen

- b. Purchasing business
- c. Storage and marketing business
- d. Credit business
 - .. Providing loans and receiving deposits
 - .. Borrowing funds from the Federation and other banking institutions
 - .. Domestic exchange and safe keeping
- e. Utilization and processing business
- f. Mutual insurance business
- g. Welfare activities
- h. Joint business with the Federation or other cooperatives
- i. Business entrusted by the government or local autonomous organizations
- j. Other business deemed necessary in the achievement of objectives of cooperatives

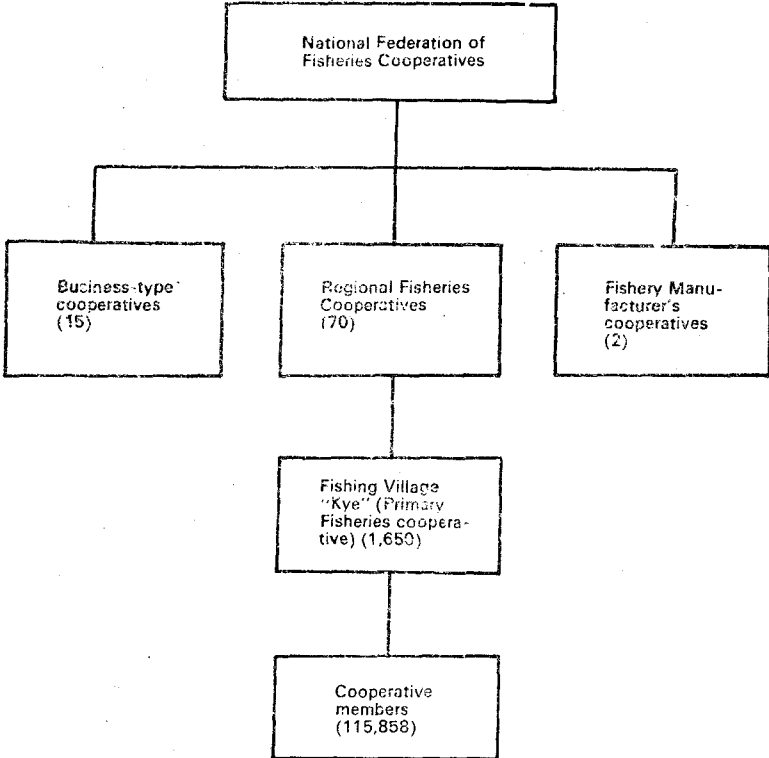
C. Apex Organization and its Businesses

As an apex organization of fisheries cooperatives, the National Federation of Fisheries Cooperatives was established at the national level. Its member organizations consist of business-type cooperatives, regional fisheries cooperatives and fishery manufacturer's cooperatives. The Federation conducts diversified businesses for its member cooperatives as follows :

- a. Guidance and adjustment of businesses conducted by member cooperatives
- b. Research work and information service concerning the businesses of member cooperatives
- c. Training for executive officials and staff members of agricultural cooperatives
- d. Purchasing and marketing businesses for member cooperatives
- e. Banking and credit services
- f. Cooperative insurance business
- g. Business entrusted by the government, including inspection of fishery products
- h. Business subsidized by the government
- i. Foreign trade business concerning the above businesses
- j. Business for processing and joint utilization

ORGANIZATIONAL STRUCTURE

(as of the end of 1976)



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- k. Transportation and communication businesses concerning fishery
 - l. Other necessary businesses

2. Small Business Cooperatives

A. *Brief History*

As the organization of cooperatives for small business, small business cooperatives were organized by the promulgation of

the Small Business Cooperatives Law (Law No. 884) on December 27, 1961.

In 1962, inaugural conference of the Korea Federation of Small Business Cooperatives was held and established the Federation by the approval of the Minister of Commerce and Industry.

B. Objectives and Businesses

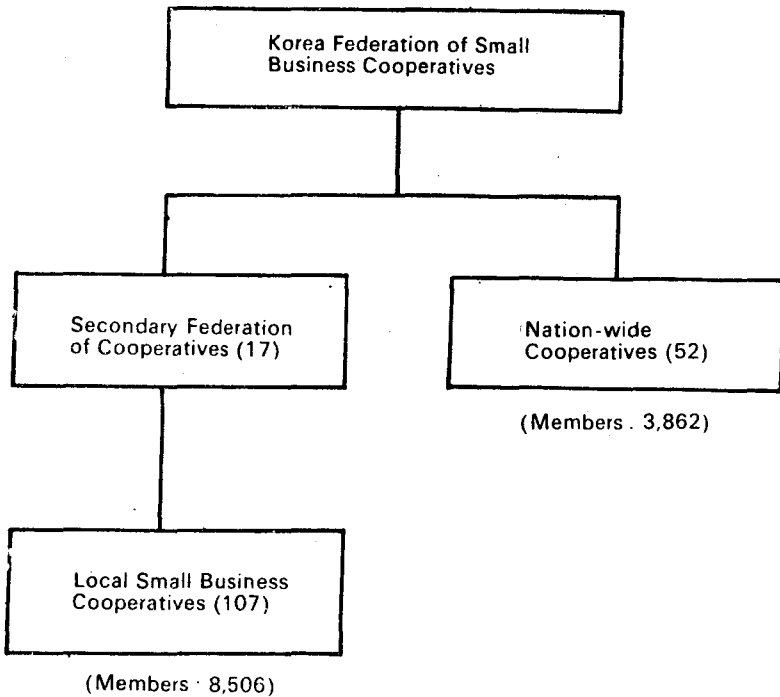
Small business cooperatives are organized among the small business with weak economic position. The objective of the cooperatives is to enhance their economic status through their cooperation and strong economic activities. Through the following roles, the small business cooperatives assure the improvement of status of small business and strengthening of competitive power.

Major functions and businesses of small business cooperatives can be illustrated as follows :

- a. Involvement in efforts such as producing, processing, order-receiving, selling, purchasing, transporting and servicing
- b. Creation and operation of industrial zoning and common facilities
- c. Planning and coordination of goals for members of the cooperatives
- d. Presenting a petition to the Ministry of Commerce and Industry in cases of infiltration by large businesses into the areas of production of the cooperatives
- e. Inspection and examination of the products of the members of the cooperatives
- f. Arrangement of loans for the purpose of financing the small industry of the members of the cooperatives
- g. Provision of technical guidance to members of the cooperatives
- h. Conclusion of collective contracts for members of the cooperatives
- i. Management of utilities for cooperatives
- j. Common improvement of market system
- k. Coordination of price and quality
- l. Protection of skilled engineers

ORGANIZATIONAL STRUCTURE

(as of June, 1977)



C. Apex Organization and its Businesses

As an apex organization of small business cooperatives, the Korea Federation of Small Business Cooperatives is organized at the national level. Its members are secondary federations of small business cooperatives and nationwide cooperatives.

The business of the Federation are as follows :

- a. Guidance for organization and operation of affiliated

cooperatives and federations

- b. Protection of rights and interests of members, and carrying out business for sound development of economy in coordination with the government
- c. Managerial and technical assistance to members
- d. Research work on small business and exchange of information
- e. Assessment or making arrangement of subsidy for members
- f. Borrowing funds for the purpose of business of the Federation
- g. Establishment and operation of training and information centre
- h. Joint business for members
- i. Trade business for members
- j. Creation and operation of joint facilities for members.

MALAYSIA

Co-operatives in Malaysia

Introduction

The cooperative movement in Peninsular Malaysia is at present classified into three categories (i) non-agricultural cooperative societies; (ii) agro-based cooperative societies and (iii) fishermen's cooperative societies. Since the inception of the cooperative movement in Malaysia up to 1972, all types of cooperative societies were under the control and administration of the Cooperative Development Department, agro-based cooperative societies were handed over to the Farmers Organisation Authority in 1973. The Cooperative Development Department also handed over the fishermen's cooperative societies to the Fishery Development Board (Majuikan) in 1975 when the Board opened its services to fishermen in the country.

However, the Farmers Organisation Authority and the Fishery Development Authority have not yet taken over agricultural type of cooperative societies and the fishermen's cooperative societies in Sabah and Sarawak. Therefore, the Cooperative Development Department of Sabah and Sarawak are responsible for the affairs and control of all types of cooperative societies in their respective states.

This article on the Cooperative Movement in Malaysia will give an insight of the position of cooperative societies under the control of the Cooperative Development Department during the years before and after the distribution of the cooperative societies and it does not show the trend of the Farmers Organisation Authority and Fishery Development Board.

The History of Cooperative Development in Peninsular Malaysia

The history of the Cooperative Movement in Peninsular Malaysia began with the realisation of its need by a number of high ranking British Officers who served under the administration of the British colonel in Malaya during the first decade of the 20th century. At that time the Peninsula of Malaya consisted of the Federated Malay States, Straits Settlements and the Protected

Malay States. The population of Malaya was made up of different races, with different religions and political ideologies. The Malays formed the majority of the population. Other races were Chinese, Indians and others who were small in number. In a nation where the people at one time depended on agriculture for a luxurious living along came the rapidly expanded tin industry using modern methods and a rubber industry most of which were developed and produced by European-owned estates. Both these industries required imported labour force. This advancement, from the beginning has reflected the danger that the Malays, most of whom depended on agriculture, will be left behind in their own nation. There were instances when they had to mortgage their land and their agricultural product had to be sold before it was due to money lenders who were normally Chinese and Indian businessmen or shopkeepers.

A number of high ranking British officers during the British rule in Malaya who were well experienced in Cyprus or India suggested that a Cooperative Movement be started in Malaya specially for introducing the credit cooperative system, but unfortunately their enthusiasm did not get any response from the government and landowners. The situation was left as it was until 1922 when the Cooperative Enactment was approved and a Director of Co-operation was appointed.

The British Officer responsible for the establishment of the Cooperative Movement in Malaya was Mr. A. Cavendish, M.C.S. He was sent to a number of European countries and Burma to study about the Co-operative Movement in those countries and when he came back to Malaya he was assigned as the Director of Co-operation for the Federated Malay States and Straits Settlements in 1922. In fact, the Co-operative Movement in the Federated Malay States started in 1922 and in the Straits Settlements in 1925.

Very limited record is available on the expansion of the Co-operative Movement during the initial years of its establishment. We are only able to provide here records for the Straits Settlement for the five-year period since the movement was first established in 1925 in these states.

It was stated that the first rural area to establish a credit cooperative body among the farmers was in the District of

	Year	No. of Co-ops.	No. of Members	Amount of Shares/Paid-up- Capital \$
	1925	4	500	8,980
	1926	15	2,711	64,628
Up to June	1927	15	3,230	112,644
„ „	1928	21	4,180	225,605
„ „	1929	30	5,933	399,819

Krian, Perak i.e. at Kampung Tebuk Haji Musa. The original co-operative society was still existing until it was handed over to the Farmers Association Board in 1973. The intention of encouraging the establishment of credit co-operative society among the farmers was to free them from the claws and influence of money lenders and to instil a sense of thrift and save money and to limit their spending according to their income.

However, in the beginning the expansion of the Co-operative Movement was not as expected because a large number of farmers who the movement wanted to help had still not changed their way of life. Apart from that, the question of collecting interest on loans or dividends became an issue brought up by the Muslim society and this matter had to be referred to the talks with members and heads of religion in the Arab Nations and Egypt to obtain advice and guidance. The matter was finally solved and the response from the Muslim society towards the Co-operative Movement particularly the credit co-operative societies began to show encouragingly which was the initial point in the development and expansion of this movement within the Malay community and for whom the Co-operative Movement in this country was started.

The Co-operative Movement was also encouraged among employees in urban areas and estate workers who are Indians. For employees in the urban areas, the aim of this movement was to encourage them to be thrifty and save their money and stop the practice of spending more than their income. The type of co-operative societies formed was the thrift and loan type.

These co-operative societies issue loans to members requiring aid to settle their debts and for purposes beneficial to them. This type of cooperative society received very good response and the number increased rapidly from time to time.

The thrift and loan co-operative societies which, at the beginning did not get the encouragement of employers received very good response from rubber estate employees. They are the people who wanted to save their money for a return trip to India or to send money to their families in India.

Until the breakout of the Second World War in Malaya in 1941, the Federated Malay States, the Straits Settlements and the Protected Malay States of Kedah, Perlis, Johor, Kelantan and Trengganu had their own Cooperative Societies Enactment. After the end of the Second World War in 1945, Singapore was separated from Malaya in 1946. In 1946 itself a separate department was formed in Singapore but the Registrar of Co-operative Societies in Malaya was acting as the Registrar of Co-operative Societies in that country until 1956 when Singapore was able to appoint its own Registrar.

In 1948 with the establishment of the Federation of Malaya, the Cooperative Societies Ordinance, No. 33 of 1948 was approved for the whole of the Federation of Malaya and with this the Co-operative Development Department was integrated and all duties and responsibilities to develop and expand the teachings and concept of the Co-operative Movement were streamlined by the department headed by the Commissioner for Co-operative Development, Federation of Malaya who was also the Registrar of Co-operative Societies.

In 1963, Malaysia was born of which the Federation of Malaya, Singapore, Sabah and Sarawak were the component states. In 1965, Singapore separated from Malaysia. Although the Director-General of Co-operative Development of Malaysia was responsible for all matters regarding the development and expansion of the Co-operative Movement in Malaysia, the Co-operative Ordinance was still enforced in Sabah and Sarawak and both these states still had their own Registrar of Co-operative Societies. However, the Co-operative Societies Ordinance No. 33 of 1948 was amended in 1976 to streamline all co-op activities in Peninsular Malaysia, Sabah and Sarawak. But until today the Co-operative Societies, Amendment and Ex-

tension Act, 1976 which was enforced in Peninsular Malaysia has still not been extended to Sabah and Sarawak.

History of Co-operative Development in Sarawak

The Co-operative Movement in Sarawak was first known since 1939 with the introduction of the Co-operative Societies Ordinance approved in that state and with the appointment of a representative in Sarawak from the Co-operative Development Department from Malaya to make a survey and study. However, there were no concrete steps taken to start this movement there until the Second World War.

After the taking over of the administration in Sarawak in 1947 by the British Colonial Office in London, the post of the Registrar of Co-operative Societies was established. At the end of 1948, the Registrar of Co-operative Societies assumed his duties after making a visit to a few countries to study matters regarding the Co-operative Movements. At about the same time in 1949, a new Co-operative Ordinance was enforced and a Co-operative Development Department was formed there.

The Co-operative Movement brought to Sarawak was to help the people of that state to free themselves from the claws of money lenders who were normally agents for distribution and purchases. The people of Sarawak were mostly farmers who grow rubber, paddy, sago and pepper, producers of jungle products and sometimes fishermen.

The Co-op Development Department established there was in the beginning unable to function satisfactorily due to problems of appointing and getting officers and staff, travelling and communications and illiteracy. The Co-op Development Department could only concentrate its activities in spreading its concept and teachings of the Co-op Movement in certain areas. Apart from that this Department had also to play its part in helping to uplift the education standard of the public an effort towards achieving its mission. Moreover, all directives and other documents had to be made in 5 languages, and this was not an easy task to perform.

History of Co-operative Development in Sabah

Sabah, a British colony in North Borneo experienced a slow

change in the form of concept and teaching development of Co-op Movement there. The Co-op Ordinance No. 3 of 1958 for Sabah was approved and enforced in 1958. With this development the Co-op Movement in that state only began in 1958 i.e. 5 years before the formation of Malaysia. The problems of travelling and communications to remote areas and lack of officers and staff and the small number of population who were educated or who could read and write were the main factors hindering the progress of this movement in the initial stage.

Apart from that, without special officers from the Audit Division to do the auditing of books and accounts of the co-operative societies, the Co-op Development Department had to solve the problem of auditing of these co-op societies by using Co-op Development officers who were few in number to also carry out the auditing.

Although Sabah was part of Malaysia, the Co-op Societies Ordinance was still enforced in that state. The Sabah Co-op Development Director was also the Registrar of Co-op Societies for Sabah.

Expansion of the Co-op Movement in Peninsular Malaysia Before and After the Second World War

Credit Co-op Societies with unlimited liabilities which was encouraged widely among the farmers in Malaya since the establishment of this movement was the 'Raiffeisen' type. In 1930 when the world was facing economic depression, 150 co-op societies of this type were formed. Apart from this, about 50 more credit co-op societies with limited liabilities issuing loans during planting of padi period were formed among the smaller farmers. Seasonal loans were to be repaid after the harvesting period. Credit Co-op Societies with limited liabilities such as these although favoured by the farmers, were able to help them to free themselves from the claws of money lenders who were exploiting them.

Efforts were also being made to form rubber marketing co-op societies and egg marketing co-op societies before the Second World War, but were not successful. However, there was keen interest to form general welfare co-op societies where activities such as cleaning of villages, constructing roads and bridges,

people's schools etc. were carried out.

There was good response from the rubber estate workers especially when the estate owners began to give their co-operation and assistance in forming and getting the co-operative societies going on behalf of the workers who were not well educated. In 1941 a total of 400 of such cooperative societies were formed in Peninsular Malaysia with about 70,000 members which figure formed more than half of the total number of cooperative societies members in Malaya at that time.

Thrift and Loan Co-operative Societies for wage-earners in the urban areas were progressing rapidly due to the good response from the wage-earners. At the end of 1938, a total of 39 co-op societies of this type were formed in the Federated Malay States with a total number of 17,812 members and a paid-up monthly subscriptions of \$2,047,700. These co-op societies were able to form associations among themselves. These associations arranged conferences among the co-op societies in urban areas and administered scholarship funds awarded to children of members. In 1953, these associations were able to form the Co-op Union of Malaya. This Union was intended as the law-making body and also represent the urban co-op societies as a whole. Rural co-op societies were also invited to affiliate with this Union.

The composition of cooperatives in the Federated Malay States and Straits Settlement from the year 1934 to 1938 is given in page 264.

In 1941, i.e. when the Japanese invaded this country, 891 co-op societies were formed in the Federated Malay States, Straits Settlements, Kedah and Perlis.

During the Japanese occupation in Malaya, all co-op societies movement were stopped totally except in Kedah and Selangor. The Co-op Development Department Officers isolated themselves and the Director of Cooperatives of Federated Malay States and the Straits Settlements was held by the Japanese Ruler. A large number of the members and local co-op committees especially among the rubber estate workers were taken by the Japanese to Siam to construct railway tracks there. Books belonging to most co-op societies were either lost or damaged and records regarding the activities of the societies could not be

Composition of Cooperatives

a. Federated Malay States		b. Straits Settlement		Total Shares/ Subs. Paid	No. of Members	Total Shares/ Subs. Paid
Year	No. of Co-op Soc.	Year	No. of Co-op Soc.			
1934	259	1934	88	3,174,318	18,928	1,431,831
1935	286	1935	103	3,754,979	22,051	1,707,590
1936	345	1936	125	4,397,241	15,171	1,954,296
1937	410	1937	133	5,294,408	28,164	2,282,254
1938	449	1938	136	5,904,350	27,406	2,491,738

Statistics for other States were not available.

found. However, after the end of the Second World War in 1947 all co-op societies which were active before the war except 46 of them were able to reorganise their books and accounts and were ready to resume function to serve the interests of their members. From this era we could see the rapid expansion in the Co-op Movement in this country especially in rural areas where the people insisted that co-op societies be formed.

In 1947, about 130 credit co-op societies with unlimited liabilities and a total number of members of 4,000 were formed. In 1945 this type of co-op societies increased in number to more than 800 with 44,000 members and share capital increased in 1947 to \$1,071,000 by the end of 1954. This type of co-op societies were mostly formed among the Chinese and Indian communities. These Credit Co-op Societies created associations called the Co-op Association Bank. Up to 1955, 12 Co-op Association Banks were established in the Federation of Malaya. In July 1954 the Co-op Association Banks established the Federation of Malaya Co-op Rural General Bank. This General Bank was registered on 28-9-54 with 12 Co-op Association Banks representing 407 rural co-op societies as its members.

Besides this, there were also Co-op Association Banks which carried out purchasing and marketing of padi for the members to help them get a good price for their product. The capital for carrying out this business and to grant seasonal loans were obtained from the Rural and Industrial Development Industry or RIDA and this loan should be settled before the harvesting season. RIDA was created in 1951 and has been in close co-operation with the Co-op Development Department in an effort to help the farmers in this country.

By 1955, 52 credit co-op societies with limited liabilities and 88 general welfare co-op societies have been registered. As the activities of these co-op societies were limited, the members were advised to change their type of co-op societies into credit co-op societies with unlimited liabilities to enable them to get facilities for bigger loans and carry out other activities which were more beneficial.

Efforts were also carried out to encourage co-op societies to be formed among the Chinese communities in this country. In the beginning it was thought that the Chinese believed in individualism and interested to make as much profit as possible

and therefore not interested in the concept and teachings of the Co-op Movement. But situations have changed after the war and especially during the emergency when a majority of Chinese vegetable growers were moved to new villages. This was found to be unsuitable for introducing the co-operative practice to them.

The progress and achievements of the credit co-op societies among the rubber estate workers after the world war was affected and brought about adverse effects to the co-op societies when the Employees Provident Fund Ordinance was approved by the Government in 1952. Members of this type of co-op societies expressed their financial difficulties because they were unable to pay their contribution to the Employees Provident Fund, trade union, levy for temple and co-op societies. As their contribution to the EPF, Trade Union and temple levy were inevitable, their co-op societies became the victim to get their financial position adjusted to their income. Although there were proposals from the Co-op Development Department to enable the co-op societies and the EPF to operate side by side and provide the same facilities, this was not approved by the Labour Advisory Board with the reason that this idea could not be carried out without encountering many problems and complications. As a result, a large number of rubber estate workers co-op societies in this country had to wind up although the possible difficulty in getting loans would be felt by the members themselves.

From other angles, the Co-op Movement has expanded in the field of marketing since 1948. In 1948, only 5 marketing and processing co-op societies were functioning of which one of them was a rubber marketing co-op society. In 1954, the number of registered co-op societies of this nature was 172 with a revolving capital of more than \$10.5 million. These societies were made up of 136 padi milling co-op societies, 22 rubber marketing co-op societies, 9 fish marketing co-op societies, 4 oil mill co-op societies and 1 coffee factory co-op society. The padi milling co-op societies were the most favourable to the farmers for milling the padi belonging to the members for their own consumption. This type of co-op societies gained a lot of income from the bran they sold to the members and poultry and pig farmers. The padi milling co-op societies also formed

their own associations to obtain facilities such as loans, marketing of padi, advice, spare parts including new padi mills.

The expansion and progress of the rubber marketing co-op societies on the whole could not be said to be satisfactory because there are number of factors hindering this industry. The occasionally unstable price of rubber, disloyalty of members to their co-op societies, location of rubber factories being too far from members' homes, tendency of members making sheet rubber than selling latex, and other factors contribute to the downfall of this type of co-op societies.

In order to help expand the marketing co-op societies activities in the Federation of Malaya, the Co-op Development Department created the Marketing Division in 1953 comprising a number of marketing officers specially appointed to carry out this duty.

In 1957-58, a large scheme was launched in the East Coast states of Kelantan, Trengganu and Pahang to help the fishermen in these states. The East Coast Fishermen's Aid Scheme was launched with the Federal Government giving an aid of about \$1.2 million through the fishermen's co-op societies formed in the three states in an effort to enable the fishermen to own boats and fishing equipment collectively. Loans were channelled to the fishermen's co-op societies through the East Coast Fishermen Co-op Societies Association, with its headquarters in Kuala Trengganu.

The loans offered to the fishermen were repayable in 3 years but due to a certain weakness in the administration of such loans and also the unsatisfactory payments by the members of the co-op societies themselves, the loans could not be issued in full until a few years later and finally part of the loans had to be written off by the Government resulting in a big loss to the Government and the East Coast Fishermen Co-op Societies Association and the co-op societies themselves.

Co-op activities in the consumer sector expanded rapidly after the Second World War especially during the emergency when the Government was restricting the distribution and transportation of food in areas influenced by the communists such as rubber estates, mining areas, new villages etc. In the meantime, the price of food was rising and as a step to curb profiteering by traders and shopkeepers, the Government decided to encourage

the public to form consumer co-op societies in suitable areas. In 1949, the Malayan Cooperative Wholesale Society was formed. This co-op society survived on financial aid in the form of grants to finance the managing cost from the Government. The Government also provided security on bank overdrafts taken by the co-op society for its business transactions. Consumer co-op societies formed all over the area were expected to be able to give co-operation to the Malayan Co-op Wholesale Society as an affiliate member and getting all their requirements from it. Affiliated co-op societies were also given the facility to take goods on short term credit from the Malayan Co-op Wholesale Society.

The progress of the consumer co-op societies was very rapid from 1949 to 1952. In 1949 the number of this type of co-op societies was 15 only, but in 1952 the figure rose to 230. This was due to the availability of facilities for co-op societies especially those in the urban areas who were getting loans from the Government and these loans were repayable over a number of years. These consumer co-op societies were also able to play their part in reducing the price of commodities, but in 1953 consumer co-op societies in the urban areas were losing their influence due to the diminishing loyalty of the members from time to time. When the cost of living was getting lower, the consumer co-op societies in urban areas had to compete with other shopkeepers. Some of these co-op societies were facing high cost of managing and loss of goods.

Consumer co-op societies in working areas were functioning satisfactorily although a few were failures due to the employer's refusal to give his cooperation such as making deduction from the pay slip of the members. Without such a facility, the consumer co-op societies were having difficulty in reacquiring their capital bound to the goods sold on credit. This created problems of getting capital to most of the co-op societies and therefore were unable to continue their business.

The position of consumer co-op societies in rural areas i.e. in Malay areas and new villages where the Chinese were present was good and they thrived quite satisfactorily. The problem faced by the consumer co-op societies in the Malay areas and in new villages was lack of capital to start the business economically. Possibly if these co-op societies did not get the supply of

goods from the Malayan Co-op Wholesale Society, their business would have been hampered. Other problems were the sale of goods on credit to the members and the debt was not paid by them. The problem faced by consumer co-op societies in new villages was the keeping of book and accounts because the method of book-keeping and accounting of the Chinese was different from the system used in the actual field of book-keeping.

The Malayan Co-op Wholesale Society which was functioning moderately in 1949 had expanded its business with the introduction of the Government policy to extend further the consumer sector of the Co-op Movement in this country. This required new capital and facility to borrow in the form of bank overdrafts with Government security. The Malayan Co-op Wholesale Society allowed co-op societies subscribing to it to take large amounts of goods on credit from 1951 to 1953. Later, credit for 2 months was also approved by charging an interest on the balance unpaid. This method was not well accepted by the co-op societies. The co-op societies began not to buy the goods and pay the debts. The unpaid debts has caused the Malayan Co-op Wholesale Society to face an acute financial problem especially when the debtor co-op societies closed down due to their failure in business. With the depreciating capital, the Malayan Co-op Wholesale Society had to get its supply of goods from the local distributors and not by importing from abroad. These co-op societies were also not giving the necessary support to the Malayan Co-op Wholesale Society. Finally at the end of 1974, the Malayan Co-op Wholesale Society was facing a loss of about \$182,000. The security for the bank overdrafts given by the Govt. was reduced and an investigation on the working of the co-op society was carried out. Many ways have been tried to save the co-op society such as to concentrate business on important goods only, appointment of committees at area level, sale of goods to the remote areas and appoint a new manager. This too did not bring any success.

The housing co-op societies showed signs of playing a big role in an effort to reduce housing problem in this country in future. Most of this type of co-op societies were formed after the Second World War. As there was no facility to obtain housing loans from co-op societies or the Government, housing co-op societies had to divert to other sources to obtain capital on

strict and expensive conditions. In 1955 a total of 22 housing co-op societies were registered in the Federation of Malaya and this figure was improving from year to year.

Co-op Farming Society also gained a place in an effort to widen the practice of the Co-op Movement in the country. A total of 20 such co-op societies was registered in 1952. These co-op societies were not as successful as expected due to lack of response, small capital and the problem of getting transport to market the agricultural produce of the members.

The Malaysian Co-operative Insurance Society was formed and registered on 2-8-54. The objective was to issue insurance policies to members such as life insurance, car insurance, fire insurance, hospital insurance and others. This society has been progressing well since its establishment and will eventually become the largest co-op society in this country in future.

Schools co-op societies were started in this country since 1965. A total of 7 of this type of co-op societies are existing supplying teaching materials and equipment, operating school canteens, school buses and others apart from instilling the spirit of co-operation, thrift and saving among the school children in the country.

Expansion of the Co-op Movement in Sarawak

In 1955, 6 years after the establishment of the Co-op Movement in Sarawak, there were 145 co-op societies with 9,400 members. Co-op societies were formed among the major tribes in the states. The Sea Dayaks were the largest group of people to have formed co-op societies in that state in the initial stages. Next were the Malays, Land Dayaks, Melanaus and other smaller groups.

In 1955, 58 rural credit co-op societies of which 31 were of unlimited liabilities and 27 of limited liabilities were formed. Four credit co-op societies for wage earners in the urban areas were registered. Both types of co-op societies in the rural and urban areas were regarded more as savings institutions rather than borrowing institutions. This was because the farmers did not need much with the existence of financing agricultural products system by way of selling the products in advance.

The Sarawak Co-operative Central Bank was formed in 1953. Apart from playing its role in receiving savings deposit from

members and issuing loans to them, the Sarawak Co-op Central Bank also acted as an agent supplying essential needs such as fuel and spare parts to rice mill co-op societies. The Sarawak State Government has been channelling financial aid from its development allocation to the Sarawak Co-op Central Bank between 1955-60 to be used as loans for the rural areas.

Among the most popular co-op societies among the farmers of Sarawak was the Padi Savings Society. In 1955, 55 co-op societies of this nature were registered with more than 1,000 members. Before such societies were formed, the farmers had been borrowing money from shopkeepers to get their food or financial requirements while waiting for the harvesting season and paying their debts in the form of padi during the harvesting season with an interest of about 40%. With the formation of this type of co-op societies the members were able to borrow from their co-op societies and also obtain facilities to store their padi for their own consumption. The co-op societies charged an interest of 10-12% per annum on loans to members and received a commission of 3-10% on the sale of surplus padi.

Rice milling co-op societies were also formed among the farmers. These co-op societies were solely for the milling of padi owned by the members and this saved their family from using the mortar.

Marketing co-op societies did not get a good response from the farmers in Sarawak. This may be due to the existence of a system whereby the products were sold in advance and the lack of understanding of the farmers on the sale of products on commission basis. Only 2 marketing co-op societies were formed in Sarawak up to 1955. The consumer co-op societies in Sarawak also started in the rural and urban areas. 20 such co-op societies were registered, 15 in the rural area and 5 in the urban area in 1955. The urban co-op societies showed more success than those in the rural area. The rural co-op societies dealt more with a sort of barter trading involving agricultural products and other items which could be traded for. These co-op societies also provided facilities for selling padi and rubber products of the members.

Co-op Development in Sabah

The progress of development of the Co-op Movement in

Sabah which started in 1958 could not be traced due to lack of records available so far. Therefore, for the purposes of this article nothing much can be said regarding it.

Explanations regarding the position of the co-op societies in Sabah at present will be dealt with later in this article.

Handing-over of Co-op Societies to Agencies

Because the co-op movement in this country has developed so rapidly, most of the co-op societies especially the farming and fishermen's co-op societies could not function satisfactorily due to certain factors especially the inefficient administration and management and technical experience. The Government has therefore decided that for the benefit of such co-op societies and the members, these co-op societies should be separated from other co-op societies which were mostly operating in the urban areas. Moreover with the establishment of Farmers Associations and Fishermen's Associations in the country it was felt that the agricultural type of co-op societies should be integrated with the Farmers Association and Fishermen's Association so that there will be no competition and duplication in the activities of the bodies concerned which were physically having the same objectives that is in looking after the interests of the farmers or fishermen they represent.

The Farmers Association Organisation which was established in 1972, was assigned to integrate and streamline the activities of the Farmers Associations and co-op societies which are agricultural in nature and the Fisheries Development Authority established several years later will integrate the activities of the fishermen's association and fishermen's co-op societies. After the introduction of the Government policy in 1973, all co-op societies of the agricultural type were handed over by the Co-op Development Department to the Farmers Association Organisation. Fishermen's Co-op Societies were handed over to the Fisheries Development Authority in 1975.

The position of co-op societies handed over to the various agencies is as follows:—

a. Farmers Association Organisation (handed over in 1973)			
No. of Co-op Societies	No. of Members	Share Capital	Total Assets
1,550	133,828	\$8,856,784	\$30,079,601
b. Fisheries Development Authority (handed over in 1975)			
No. of Co-op Societies	No. of Members	Share Capital	Total Assets
76	9,000	\$558,000	\$4,555,000

At the end of 1972, the number of registered co-op societies in Peninsular Malaysia was 2,475 with a membership of 722,934. The share capital was \$239,837,315 and the total assets was \$559,571,402. After the handing over of the agricultural type of co-op societies to the Farmers Association Organisation, the number of co-op societies registered in Peninsular Malaysia at the end of 1973 was 1,026 with a membership of 688,265, share capital of \$259,418,402 and total assets was \$631,578,050.

There was no handing over of co-op societies to the Farmers Assn. Organisation and the Fisheries Development Authority in Sabah and Sarawak. The number of co-op societies in Sabah in 1972 totalled 189 with 36,454, share capital of \$3,713,222 and the total assets was more than \$12 million. The number of co-op societies in Sarawak in 1972 was 233 with 23,346 members, share capital of \$1,172,017 and total assets totalled \$11,204,469.

Reorganisation of the Co-op Movement

In view of the fact that most of the co-op societies formed in the rural areas were of the credit, processing, consumer and marketing types and the distance between one society and another is very close, there is no possibility that these co-op societies will be able to expand by way of membership, capital and activities. This was felt since the fifties when rapid development occurred among these types of co-op societies in the rural areas and the failure of a large number of co-op societies in the

operation and business due to lack of capital, lack of response and the non-availability of efficient managers and decline in membership.

The Co-op Development Department together with the Federation of Malaya Central Co-op Bank (now known as Bank Kerjasama Rakyat) joined efforts in carrying out the consolidation of co-op societies ever since the bank came into being. Small uneconomical co-op societies were advised to close down and merge with other co-op societies of the same objectives in the same region. However, the response was very small and the plan was kept in abeyance for several years.

However, in the sixties, a new plan was launched by the Co-op Development Dept. to enable the co-op societies to widen its activities to become multi-purpose co-op societies. To enable the co-op societies to carry out this plan, they were asked to increase their membership and the share capital. The integration of small co-op societies was encouraged. Quite a number of small co-op societies gave a good response to this plan and agreed to merge with each other. Those co-op societies which could afford and had the ability were allowed to amend their by-laws and operated as multi-purpose co-op societies.

As a result of the scheme, a large number of co-op societies in Peninsular Malaysia, Sabah and Sarawak lost their original identities and operated in the name of multi-purpose co-op societies although their primary activities were still pursued.

With the implementation of this scheme too, all new co-op societies to be registered were advised to operate as multi-purpose co-op societies with large memberships in a wide area.

In 1975, the Co-op Development Department introduced a new plan to encourage the co-op societies in this country to merge or affiliate at the district level by forming District Trade and Industrial Co-op Societies. This did not get any response and could not be carried out as planned even though a couple of areas had already formed their own District Trade and Industrial Co-op Societies.

The Programmes and Strategies of the Co-operative Development Department

In line with the Government's New Economic Policy, it is

necessary to review the structure of the Co-op movement and the policy concerning its growth and development. The Third Malaysian Plan emphasizes the restructuring of the movement especially in turning small co-op societies into economical and profitable organisations. In this way these co-op societies may be able to participate more actively in the economic development of the country.

To strengthen the position of the co-op movement, the Co-op Development Department will step up co-op development in the field of consumers and employees, investments and capital. The objectives of the non-agricultural co-op movements are:

- (i) to raise the socio-economic standard of the producers of primary products;
- (ii) to increase employment opportunities in industries and non-agricultural industries; and
- (iii) to utilise the members' capital to carry out the various economic activities in line with the new economic policy.

The Department will also contribute towards achieving the goals of the New Economic Policy, i.e. to eradicate poverty among the people of the country irrespective of their race and religion and in restructuring the society by improving the social and economic balance among the races in the midst of a developing economy.

The strategies of the Co-op Development Department in co-op development are:

- (i) to encourage the formation of viable co-op societies with large memberships and capital and effective management;
- (ii) to encourage the formation of affiliated co-op societies at district and regional levels;
- (iii) to encourage co-op societies to participate in feasible and viable economic activities either individually or as joint-ventures with the private sector, co-operation among the co-op societies.

The Development of the Co-op Movement within 5 years between 1973 and 1977

The figures below indicate the development and progress of the co-op movement in Malaysia between 1973 and 1977. These figures do not include co-op societies handed over to the LPP and Majuikan:

Year	No. of societies	Member-ship	Total Paid Shares/ Subscription	Total Funds
Peninsular Malaysia				
			\$	\$
1973	1,026	668,265	259,418,402	631,578,050
1974	1,112	732,511	305,299,158	675,384,000
1975	1,201	772,000	335,754,121	728,000,000
1976	1,300	815,900	366,299,140	760,000,000
1977	1,346	850,000	400,000,000	800,000,000
Sabah				
1973	196	35,021	2,035,775	5,400,000
1974	208	34,400	2,053,000	5,700,000
1975	216	39,575	2,069,000	7,900,000
1976	234	40,253	2,088,000	8,500,000
1977	251	41,000	2,160,000	11,870,000
Sarawak				
1973	238	25,570	1,175,619	11,796,088
1974	242	26,600	1,296,000	12,334,000
1975	248	28,500	1,640,000	13,500,000
1976	253	33,110	1,750,000	15,846,800
1977	277	38,039	1,863,100	17,670,600

Based on the rapid development of the Co-op Movement in this country and also activities in increasing the number of co-op societies which are non-agro-based it is expected that the number of co-op societies will increase rapidly in the years to come.

Progress in the Peninsular Malaysia Upto 1977

After the handing over of agro-based co-op societies to the LPP in 1973 and fishermen co-op societies in 1975, the development of the co-op movement was centered upon the implementation of consumer projects, trade and industry, housing, transport, land development, commercial dairy farming, investment, capital, productive credit, joint-ventures and supply of schools materials and equipment. All these projects will require about \$472 million to implement.

The number of co-op societies registered in Peninsular Malaysia in 1977 was 1,346 compared with 1,300 in 1976. In 1976 the membership was 815,900. This figure shot up to 850,000 in 1977. Collective share capital/subscription at the end of that year was more than \$400 million and the total accumulated funds was \$800 million.

Co-op societies may be grouped together as follows: 124 consumer co-op societies, 20 industrial co-op societies, 68 housing co-op societies, 23 land development co-op societies, 329 credit and bank co-op societies, 34 transport co-op societies, 1 insurance co-op society, 359 multi-purpose co-op societies, 204 school co-op societies, 54 thrift and loan and investment co-op societies, 50 social welfare co-op societies, 12 co-op associations, 1 timber co-op society, 1 bazaar co-op society and 3 supermarket co-op societies. Details of the activities of these co-op societies are given separately in this article.

Consumers

There are 222 co-op societies of which 124 are consumers co-op societies and 98 others which were mostly of the multi-purpose type functioning as consumer in Peninsular Malaysia with 107,923 members and share capital of \$12,582,289. A total of 313 shops owned by co-op societies were functioning as consumer co-op societies and suppliers of domestic essential commodities. These shops consist of 4 supermarkets, 32 mini markets, 231 retail shops and 64 others. The trade volume of these co-op societies in 1977 was \$63,444 million buyers and \$66,899 sellers.

Although most consumer co-op societies were dissolved after 1956, the Co-op Movement expanded under the First

Malaysia Plan with the people's response to the multi-purpose co-op concept which covers functions of credit, marketing and processing and consumers as its main activity. The establishment of multi-purpose co-op societies was not only confined to rural areas but to urban areas. With the expansion of the Multi-purpose Co-op Concept the consumer function became the most popular among the members especially during peak periods when the nation was facing pressure and inflation.

The realisation and the will of the members and the public to experience a change of taste and the effect of changing times have created an atmosphere whereby consumer co-op societies in the nation progressed more rapidly in a more complex manner. This created an idea enabling co-op societies to open branches or chain stores, mini markets, supermarkets, acting as agencies for tourism and others.

As a result of the re-emergence of the consumer sector in this country, the development of consumer co-op societies was clearly seen. Among the most active co-op societies was the Koperatif Shamelin with 20,000 members, \$1 million in share capital and 40 shops in rural and urban areas. The Malaysian Multi-purpose Co-op Society (Koperatif Serbaguna Malaysia) has 60,000 members and share capital of \$7 million. This society operates 2 supermarkets and 11 mini-markets in Peninsular Malaysia. The Police Co-op Society operates 11 modern shops in the depot and certain areas. The Army Co-op Society operates 5 mini markets in certain areas. Koperatif Usahajaya opened several branches in Kuala Lumpur and Petaling Jaya.

The Malaysian Supermarket Co-op Society operating in Kuala Lumpur opened a supermarket which is the largest among those owned by co-op societies in the Peninsula. The Malaysian Co-op Agency Society deals with the sale of electrical goods and tourism.

A large number of consumer co-ops at the district level are doing business in the supply of fuel, workshop and spare parts. On the whole, co-op societies in Felda schemes, rubber estates, and new villages continue to give service more effectively.

Consumer supplies co-op societies will be fully utilised to overcome problem of inflation in the country. In line with the Government policy this type of co-op society will be increased in number throughout the nation. Consumer and other co-op

societies which are functioning as consumer co-op societies as a group will be able to operate as a big power and more meaningful for the good of the members and consumers as a whole.

Commerce and Industry

In line with the Government's policy to encourage Bumi-putra participation in the field of industry, every effort was taken to extend the activities of co-op societies in this field. 20 co-op societies of such nature have been registered and carrying out various trades in industry. Projects being carried out now are estimated to cost \$50 million.

One of the major projects which will be implemented is the Fertiliser and Paper Industrial Co-op Society (FAPICS) Project which will produce a revenue of \$60 million. This is a joint-venture between FAPICS, Bank Rakyat and foreign investors.

Other industries which are now being or will be carried out by co-op societies include orchid planting, machinery production, kitchen apparatus, plastic products, glass, electrical appliances, bricks, batik, writing chalk, scum powder, foodstuffs such as meehoon, ice etc.

Housing

68 housing co-op societies are now in existence with a membership of 98,497. The co-op societies' share capital is \$36,445,828. The success in the implementation of the various housing projects by the housing co-op societies is very encouraging. A total of 4,478 housing units valued at \$115,774 million have been built up to the end of 1975. In 1976, 803 units valued at \$22.513 million were built. 1,388 more, valued at \$44,852 million were constructed.

Progress in housing projects will be achieved more effectively with the establishment of the National Housing Co-op Society in 1977. This National Affiliated Housing Co-op Society will play an important role especially under the Third Malaysia Plan together with other housing co-op societies, the Government and private agencies to acquire land for its own housing project or for other co-op societies and obtain or manufacture

building materials and equipment.

Apart from housing co-op societies, the credit and multi-purpose co-op societies also implemented housing projects for their members. One of them is the Trengganu Government Servants Thrift & Loan Co-op Society. Opportunities are now open for co-op societies to launch their housing projects when the Government introduces the housing loan scheme for Government and Statutory Bodies officers.

The role played by housing co-op societies is very important to the nation and society as these co-op societies will be able to lessen the burden of the nation in overcoming housing problem for its people.

Transport

The number of transport and vehicle co-op societies now functioning is 34 with 73,812 members. Paid up share capital is \$9,204,637 and total assets is valued at \$26,679,589. Apart from this 31 multi-purpose co-op societies are operating transport services.

The number of vehicles owned by these co-op societies is 416 taxis, 52 passenger buses, 37 transport lorries, 16 school buses and 171 other types of vehicles. 7 motor and spares workshop are being run by several co-op societies.

The future of these co-op societies is bright with the incentive given by the government to provide more transport services by giving permits/facilities from time to time.

Land Development

In 1977, there were 23 land development co-op societies with 4,200 members and share capital of \$3.556 million. These co-op societies are involved in the opening up of land for the planting of rubber, oil palm, coconut, tapioca and others. The expansion of these co-op societies depend upon the opening of land for estates of not less than 300 acres each.

However, co-op societies such as multi-purpose, thrift and loan which have the capital and capability are encouraged to invest in land development schemes to help members to own land developed by the co-op societies.

Another co-op society involved in the development and sale of land is the National Land Finance Co-op Society which in 1976 had a membership of 68,000 share capital of \$11.15 million and owned 30,000 acres of land consisting of rubber, oil palm, coconut, cocoa, tea and other estates. This co-op society's fixed assets was \$45 at the end of 1976.

Credit and Banking

There were 296 thrift and credit co-op societies of various types in the Peninsula with 310,114 members and a capital of \$388.8 million. There were 166 thrift and loan co-op societies for the wage-earners, 118 employees credit co-op societies, 11 co-op associations and 1 Co-op Central Bank. Apart from this, there were 96 co-op societies of other types such as the multi-purpose ones whose function was to give credit.

Loans issued to members in 1976 totalled \$240 million and balance of unpaid loans was \$224.3 million.

The co-op central bank registered in 1966 with 71 affiliated co-op societies and share capital of \$329,125 is now showing satisfactory progress and success. In 1977, the co-op central bank's individual membership increased to 44,672 and member societies were 158.

In 1977, total accumulated capital of the CCB was \$14.87 million, from \$11.22 in 1976. Loans issued in 1977 totalled \$12.78 million and balance of unpaid loans by the members at the end of the year was \$13.61 million. In 1976 the CCB issued loans totalling \$9.32 million.

Sources of credit channelled by other co-op societies in 1976 totalled \$230.68 million i.e. \$215.32 million from thrift and loan co-op societies, \$13.26 million from employees credit societies and \$2.1 million from limited credit co-op societies. This does not include credit channelled by Bank Rakyat and MCIS.

The Federation of Malaya Rural General Co-op Bank, established in 1954, experienced a major change in its constitution in 1961 when the Bank amended its by-laws to enable it to own property such as buildings, land, vehicles, and materials considered essential for implementing the Bank's development plans. The bank again experienced yet another change when in 1964 the Bank's name was changed to Bank Agong Kerjasama

Malaysia Berhad and its capital was also increased from \$2 million to \$20 million.

In 1966, the Malaysian Co-op Bank's by-laws were amended as a whole which involved the membership and administration of the bank. The bank's name was again changed to the Malaysian Co-op Bank Ltd. With this change, the bank opened its membership to individual persons apart from encouraging co-op societies to become its members. The bank's objectives were also extended to giving loans with reasonable interest for purposes of agriculture, marketing, industry, fishery, transportation, loans, issuing debentures, obtaining loans and aid from the Government and other sources, safe-keeping of co-op societies and individual members' money, acting as agents for other organisations to buy and sell shares, receiving premiums from insurance companies etc, buying and owning property such as land, buildings, vehicles and other items considered essential and reasonable for the use of the bank.

The Malaysian Co-op Bank has started to open branches and appointed agents for the bank to manage the bank's affairs.

The Malaysian Co-op Bank later entered into a new era of change when it changed its name to the People's Co-op Bank. In 1976, the structure, administrative and management systems of the bank were reorganised. This step enabled to strengthen the standing and financial position of the bank. The bank was the peak of the Bumiputra Co-op Movement for all sectors having an accumulated capital of \$300.5 million made up of the members' funds of \$17.7 million, loans from the Government of \$12.2 million, fixed deposit and savings account of \$269 million and other funds of \$1.6 million. The total assets in 1977 was \$276.4 million compared with \$225.2 million in 1976.

The People's Co-op Bank has opened 18 branches in a number of towns in the Peninsula. This bank has also set up large padi mills in Kelantan to enable farmers to process their padi themselves, and enter into several fields of industry such as manufacture of insecticides and weeds poison. The bank has also invested in a number of industries such as hotel, electrical appliances, sugar, rubber and ceramics. In the field of housing, apart from giving housing loans, the bank also provides housing

schemes through a subsidised body, self-owned called the Rakyat Corporation Sendirian Berhad.

Insurance

The Malaysian Co-op Insurance Society Limited is a co-op society giving insurance services in this country. The number of members holding insurance policies is 125,000 and its paid up share capital totalled \$1.15 million. Insurance funds totalled \$128,944,633 in 1977.

The MCIS has invested a total of \$47,350,618 made up of \$18,359,940 fixed assets, \$5,977,065 other assets, \$4,421,680 share in co-op societies, \$2,039,033 funds in the banks and \$756,564 fixed deposit in 1977.

The MCIS has issued loans in 1977 totalling \$6,016,917. Balance of loans unpaid by members at the end of 1977 was \$34,402,472 and other loans totalled \$30,214,625.

The MCIS is the leader of co-op societies in the urban areas in the country by way of activities and services.

School's Co-op Societies

In 1977, there were 204 schools co-op societies with 60,700 members, subscription capital of \$305,000 and assets valued at \$870,000. The target under the Third Malaysian Plan—1976-80 is to set up at least 800 schools co-op societies. The intention of these co-op societies is to encourage savings by the pupils, supply teaching aids materials and equipment, operate schools, canteen, provide bus services and others.

The target for these co-op societies is the Schools National Co-op Society launched with the support of the Ministry of Education, Ministry of Agriculture and the Malaysian National Co-op Movement (ANGKASA). The Schools National Co-op Society will buy wholesale and will issue all teaching materials to be distributed by the schools co-op societies. The capital for this scheme is estimated to be \$3 million.

62 schools co-op societies have affiliated with the Schools National Co-op Society in 1977. Paid up share capital of these affiliated co-op societies totalled \$15,510. Revolving business of the National Schools Co-op Society in 1977 was \$412,003

bringing a profit of \$21,470 during the same year.

Development in Sabah up to 1977

With the establishment of a new Ministry in Sabah, the Ministry of Industry, it is expected that various types of co-op societies will be established at district levels such as fishermen's co-op societies, brickwork co-op societies and logging co-op societies. The target of the Ministry is to encourage the bumiputras to participate in industry through co-op societies. Consumer co-op societies will also be established widely as a means of overcoming the problem of inflation.

In Sabah, the number of registered co-op societies is 251. They are made up of 68 land development co-op societies, 6 brickwork co-op societies, 10 multipurpose marketing co-op societies, 6 logging industry co-op societies, 6 multi-purpose fishermen co-op societies, 3 transportation co-op societies, 2 dairy farming co-op societies, 1 land purchasing co-op society, 1 housing co-op society, 136 multi-purpose co-op societies, 4 thrift and loan co-op societies, 4 federations of logging industry co-op societies. The total membership of these co-op societies is about 41,000, their share capital totals \$2.16 million and total funds is \$17.87 million.

Sabah now has 71 land development co-op societies with 87,000 acres of land for planting oil palm, coconut, rubber and cocoa. 29,000 acres of the land has been cultivated made up of 15,000 acres of oil palm, 7,000 acres of coconut, 6,000 acres of rubber and 1,000 acres of cocoa. 2,000 acres more will be opened for the planting of oil palm and another 2,000 acres for cocoa. Co-op societies will be encouraged to plant more fruit trees, vegetables and other food cultivation. It is envisaged that in 1978 the co-op societies will be able to produce 30,000 tons of oil palm and 150 tons of cocoa.

SANYA, a multi-purpose co-op society whose members are youths opened factories manufacturing canvas shoes, tooth-paste, garments and wooden furniture. This co-op society will enter into a joint venture with the private sector to carry out other industries. The society is expected to be able to provide 400-500 places of work for youths in 1978.

The number of multi-purpose co-op societies in Sabah is

136. These societies are running retail shops, paddy mills, transportation service and vehicles etc.

The Sabah Public Officers Thrift and Loan Co-op Society achieved a rapid success. With Govt. aid, 3 ice factories, a processing factory and a fishery complex valued at \$2 million were established. 6 brickwork co-op societies were set up and the Sabah State Government has given a financial aid of \$833,000 towards this.

Development in Sarawak upto 1977

The number of co-op societies registered in Sarawak in 1977 was 277 with a membership of 38,039, a share capital of \$1.863 million and total funds of \$17.671 million. 44 co-op societies are in the process of establishment and will be registered in 1978. Co-op societies which are now functioning are as follows: 134 multipurpose co-op societies, 3 industrial co-op societies, 51 thrift and loan co-op societies.

Multi-purpose co-op societies are doing various businesses especially in the rural areas. Industrial co-op societies carry out logging and processing of cuttle-fish for export.

There was a total of 51 thrift and loan co-op societies with a total of 2,444 members and total funds of \$522,200 in 1977. During the same year these societies issued loans totalling \$130,000 compared with \$4.624 million issued by multi-purpose co-op societies during the same period.

The Sarawak Co-op Central Bank Berhad has 145 individual members and 208 registered co-op society members. Total shares amount to \$133,000 and reserve funds of \$506,400. Total amount of loans issued this year is \$477,132.

A total of 36 co-op societies carry out the processing of local products of padi and sago. These societies have 1,361 members and total funds of \$148,300. 30 multi-purpose co-op societies also carry out padi grinding for the members.

There are 16 schools co-op societies with 3,800 members and share capital of \$10,000. Total value of business done in 1977 was \$350,000. The State Schools Co-op Society was established and registered with the intention of looking after the interests of schools co-op societies and pupils by supplying teaching aid and equipment they require. With plans to expand

the schools co-op movement in Sarawak it is hoped that their business will increase to \$1.5 million per year by 1979.

Conclusion

It is hoped that this article will be able to give a satisfactory view on the Cooperative Movement in this country although the activity and progress of all cooperatives existing and active today is not adequately covered.

REORGANISATION OF THE FARMERS CO-OPERATIVE SOCIETIES

Co-op Laws

The Farmers Organisation Authority (FOA) is a statutory body responsible for the expansion and promotion of the Co-op Movement among farmers in Malaysia. The Board also administers three laws, i.e. the Co-op Societies Ordinance 1948, the Farmers Assn. Act 1967 and the Farmers Organisation Act 1973.

The New Economic Policy

In implementing its functions of expanding and promoting the Co-op Movement, the Farmers Assn. Board is guided by the objectives of the New Economic Policy, i.e. to eradicate poverty among the farmers and at the same time restructure the society.

Eradication of poverty among the small farmers is carried out through several projects intended to raise production from the land owned by the farmers, encouraging them to enter into farming work which bring about better income than they ever did before.

The restructuring of the farming society involves the setting up of a strong and efficient Co-op Movement. It is the hope of the Govt. that a strong Co-op Movement will provide services to the small farmers such as modern farming techniques, capital, fertiliser, seeds, insecticides, machinery, transportation, as well as facilities for savings, marketing and processing of

the agricultural products. A more positive role which will be played by the Co-op Movement in this field will be as the backbone in carrying out efforts to restructure the society.

The Target to Establish 210 Farmers Co-op Societies

The target of the Farmers Organisation Authority is to establish 210 farmers co-op societies registered under the Farmers Organisation Act, 1973 by merging 109 regional farmers associations already registered under the Farmers Association Act 1967, with 1,126 farmers co-op societies working under the Co-op Societies Ordinance 1948. Presently, the division of co-op societies based on agriculture is 398 multi-purpose co-op societies, 541 credit co-op societies, 150 padi milling co-op societies, 30 rubber and pineapple marketing co-op societies, and 18 land development and dairy farming co-op societies. The total membership of these co-op societies is 124,856. The accumulated share capital is \$9.4 million and total assets valued at \$27.7 million. The Govt's main aim to establish 210 farmers co-op societies only by the end of the 3rd Malaysian Plan is to establish a Co-op Movement which have the capacity to achieve the objectives of the New Economic Policy.

Every Farming Development Area at the most incorporates, a farmers co-op society operation area of 1,000-10,000 acres consisting of land owned by farmers which are scattered and not fully utilised. Every farming development area consists of about 1,500 families living on their cultivation of rubber, padi, coffee, coconut, cocoa, pineapple and other cash crops apart from rearing fresh water fish and small dairy farming. The intention of forming a strong farmers co-op society in an area is to restructure the production system of small farmers, processing system of our small farmers so that they will no longer be exploited by the middlemen, and they will be able to get the highest profit for their products.

The Reorganisation Strategy

The LPP's plan to reorganise the Co-op Movement in farming areas covers the following strategies:

- (a) All the 109 farmers associations in existence in farming

development areas should be the backbone of the new Farmers Co-op Society. This would mean that the registration of every farmers association will be revoked under the Farmers Association Act, 1967 and re-registered as a Farmers Co-op Society under the Farmers Organisation Act, 1973. All co-op societies based on agriculture in the respective areas will be encouraged to merge with each other into the farmers co-op societies concerned, either as unit members by maintaining their identity or fully merging by changing their identity. Non-viable co-op societies in a certain area will be closed down and the members are encouraged to join the new farmers co-op societies.

- (b) If in a certain area there is no farmers association, a viable co-op society will be selected to become the founder and the co-op society will have its registration revoked (under the Co-op Societies Ordinance 1948) and it will be re-registered under the Farmers Organisation Act, 1973. If a founder cannot be found from among the co-op societies concerned, a farmers co-op society will be formed with the application of 50 farmer members. The process of absorption and closure of the other co-op societies in the area will be according to the same rules as stated in sub-para (a) above.

The Aims of Reorganisation

The reorganisation of the Co-op Movement is necessary for the following reasons:

- (a) to reduce redundancy of work among the farmers associations and co-op societies based on agriculture;
- (b) to consolidate the farmers under one co-op organisation only which will enable them to utilise efforts, funds, and also carry out modern agricultural activities such as smoothly marketing the agricultural products, modernisation of agricultural work through mechanised farming, processing and also distribution of chemicals which will increase production;
- (c) to establish a co-op organisation which will become

as a liaising body between the farmers and the Government Departments providing aid. This organisation will be able to help in promoting agricultural technology provided by the Govt. agencies, and assist the Government in determining the needs of the farmers according to the environment.

Phases of Reorganisation

Up to now, 195 Farmers Development Areas have been established with 177,000 member farmers, and accumulated share capital valued at \$2.8 million. Out of this number, 159 are under the control of the Farmers Organisation Board, 27 under the Muda Agricultural Development Authority (MADA) and 9 under the Kemubu Agricultural Development Authority (KADA). The progress of the reorganisation of the Co-op Movement has been satisfactory. In 195 areas, the trend of changing pattern of reorganisation is as follows:—

- (a) 159 farmers co-op societies have been established, i.e. as a result of the dissolution of 85 farmers associations and 3 agro-based co-op societies which became the centre, and the establishment of 71 farmers co-op societies directly by the farmers;
- (b) 36 areas have still not formed their own farmers co-op societies and farmers associations or co-op societies in the respective areas are still considering whether or not to become the centre for the farmers co-op societies.

However, 413 non-viable co-op societies are in the process of closing down, 355 of them are of the credit or rural loans type; 795 agro-based co-op societies, and 400 more have still not merged with the farmers co-op societies. 381 co-op societies have still not agreed to be absorbed into the farmers co-op societies. Of this figure 135 are strong co-op societies from the financial, membership, management and business point of views.

Co-op Programme

As stated above, the Co-op Movement can play an impor-

tant role in eradicating poverty and restructuring the farming society. The programme for the eradication of poverty is as follows:—

- (a) develop new land alienated to these bodies by the State Governments, whether through TOL or alienation.
- (b) develop land owned by the farmers co-op society members which are until now unutilised and found to be suitable for permanent crops or cash crops;
- (c) increase production of land being developed, i.e. padi fields, coconut plantation, rubber estates, dusuns etc. through diversification projects in the areas concerned and the use of chemicals;
- (d) encourage the dairy farming and fresh-water fish rearing schemes among the co-op society members as a means of increasing their income.

Aid from the State Governments

Ever since the Farmers Co-op Movement was launched, the State Govts. have approved suitable areas of land for farming to the agro-based co-op societies, area farmers co-op societies and state farmers associations. In this connection two major projects should be recorded here.

First, the Johore State Farmers Association has been given by the Johore State Govt. a piece of land of 7,200 acres wide at Buluh Kasap, Segamat. The financing of this land project is between the Bank Pertanian which issued a loan of \$5.2 million and an equity contribution from the farmers co-op societies in the State of Johore and members of the farmers co-op societies totalling \$1.5 million. The area has been planted with oil palm and has brought a monthly income of \$60,000. The Bank Pertanian has also approved an additional capital of \$2.7 million for 2,000 acres more of land for the planting of oil palm.

Second, the Bank Pertanian has approved a loan of \$2.5 million to the Bagan Datuk Multi-purpose Co-op Society to develop 2,000 acres of land given by the Perak State Govt. for oil palm. This project is in the process of implementation. The equity contribution of the multi-purpose co-op society is \$600,000.

The Perak State Government has issued a TOL to several farmers co-op societies to develop 2,324 acres of state land for planting tapioca. The Trengganu State Government has issued a TOL on 1,230 acres of government land to farmers co-op societies for the purpose of planting banana, pineapple, sugarcane, groundnuts and yam. Apart from that farmers co-op societies and co-op societies in other states have acquired several pieces of land from their respective state govts. such as in Selangor 11 acres of land has been allocated for farming development, model dusuns and Green Book projects; in Kedah 1,186 acres of land has been allocated by the State Govt. for the planting of tapioca, cattle grazing areas, pepper, dried chillies and green peas; in Malacca 185 acres of state land has been developed as farming development site, short term crop projects and coconut; in Perlis 4 acres of state land has been acquired for the farming development centre and 100 acres for planting tapioca at Titi Tinggi; and in Penang 368 acres of state land has been referred to two co-op societies to be developed by their own members.

Group System Farming

The strategy of the farmers co-op societies in developing land is by a group system farming. This system is divided into 2 types. The first type is that every piece of land whether owned by the participant or is a TOL land, is developed by the co-operative society members on a cooperative basis i.e. the participant concerned follows a schedule for sowing, planting, looking after the fields and harvesting cooperatively. Clearing of the fields is carried out by their co-op society contractor. The supply of seedlings, fertilisers and insecticides are prepared by the farmers co-op society. The credit given by the farmers co-op society concerned is on the name of the Co-op society unit which is implementing the project. Marketing is arranged by the farmers co-op society and the profits are divided equally among the members. The second group system of farming is that the land belonging to the farmers or the TOL land is divided into sections according to the fraction of their ownership or according to the size as agreed to by all parties concerned. Ploughing is done by the

farmers co-op society. After that, the participants look after their own respective section themselves and not in a co-operative manner. However, marketing is dealt with by the farmers co-op society, and the profits are divided according to the production of each participant's lot.

The co-op society members found that by this method the farmers co-op societies can market their products because the area being developed is an economic one. Production costs can also be reduced because ploughing is done by the farmers co-op society tractors. Marketing is done by the co-op society itself on a large scale and not according to the old production system whereby marketing could not be arranged due to small and scattered production of the farmers in the villages. In this respect, the type of crops encouraged to be planted is the types which fetch a good price such as tapioca, ground nuts, tobacco, banana, ginger etc. In 1976, 177 farmers co-op society units carried out 326 groups farming system on 11,279 acres of land which received a capital contribution of \$4 million from the farmers. Co-op society units have carried out 330 group farming schemes on an area of 10,800 acres with an aid from the farmers co-op societies valued at \$3.6 million. This year, (1978) the farmers response towards the group farming system increased. 9,581 members from 293 farmers co-op society units will be implementing 450 group farming schemes on an area of 14,840 acres consisting of 3,887 acres of ground nuts, 974 acres of bananas, 5,823 acres of tapioca, 265 acres of pineapple, 452 acres of maize, 144 acres of chillies, 651 acres of yellow sugar cane, 2,257 acres of vegetables and fruits such as papayas, tobacco, pepper and others. The farmers co-op societies have allocated a sum of \$5.2 million for financing the costs of production of seedlings, fertiliser, insecticides etc.

Income

It is estimated that an investment of this amount would bring a gross income of almost \$26 million to the co-op society members if the implementation of the projects is not affected by natural disaster, insect attacks according to the production expected from each type of crop and also depending upon the stability of price.

Credit

As explained earlier, one of the ways to increase the income of the farmers, especially padi planters who are among the lowest-income group, is for the farmers co-op societies to take action in distributing the chemicals such as fertiliser and insecticides to the members of the farmers co-op societies at a reasonable rate. As is generally known, padi planters are found within the rice bowls which have a proper irrigation system such as MADA, KADA, Sungai Manik/Labu Kubong, Province Wellesley, Krian District and in Besut. Apart from this, almost 40% of the padi planters are once a year found in inner areas such as Kuala Nerang, Langkawi Tikam Batu in Kedah and the Districts of Kuala Pailh, Rembau in Negeri Sembilan and other areas. The preparation of fertiliser and insecticides channelled through co-op societies may help them because farmers co-op societies will provide good quality and reasonably priced materials according to the season and schedule of planting as specified. Secondly, provision of credit by co-op bodies may hinder pressure from middlemen. In this respect, farmers co-op societies and co-op societies based on agriculture may play an important role in several padi planting areas in the country. The Bank Pertanian appoints, every season 80 farmers associations and 48 agro-based co-op societies as their local credit centres in MADA, KADA, Besut, Tanjung Karang and Krian/Sungai Manik totalling almost \$25.7 million each year. For paid lands in the inner areas which are planted twice yearly, LPP channels credit through 78 co-op societies in 1977 totalling \$1.5 million to 33,000 members. This year, the LPP increased the allocation to \$3.2 million to 106 farmers co-op societies for the benefit of 35,895 members. The Bank Pertanian also appointed the Pontian Selatan and Simpang Renggam Farmers Co-op Society as local credit centres for the planting of pineapple and vegetables.

Co-op Society Capital

As generally known, the accumulation of funds among the farmers, whether through agro-based co-op societies or through farmers co-op societies is very moderate. For example, the accumulated share capital from 1,200 agro-based co-op

societies is only \$9.4 million. With such a small capital, agro-based co-op societies have not yet shown any results in terms of changes for the eradication of poverty and the restructuring of the farming society in the rural areas. In 1977, these co-op societies have issued credits of only \$2 million. The farmers co-op societies were not able to accumulate large capital within a short time because the society members are poor farmers. Today, 195 farmers co-op societies have been able to accumulate a share capital of \$2.8 million only, i.e. an average of \$14,000 per society. The LPP provides a revolving capital enough for each farmers co-op society, to issue short term credits for the planting of tobacco, ground nuts, ginger, small onions, soya beans etc. Medium term credits are for growers of tapioca, pineapple, bananas, and others such as pepper and 'markisu' fruits. Long term credits are for the purchase of farming machinery and other facilities such as 2-wheel and 4-wheel tractors; to finance agro-based industries such as building tobacco bunds, cocoa and coffee processing plants, padi mills etc. Towards this, the Govt. has given various aids to be channelled through farmers co-op societies to restructure the farming society in the rural areas.

As explained above, the restructuring of the farming society in the rural areas is by creating employment through the activities which have never been carried out by the farmers themselves nor by the Co-op Movement but have long since been carried out by middlemen.

Machinery

As it is generally known, one of the modern farming techniques is the use of light and heavy machines. Under the 3rd Malaysian Plan, \$10.6 million was allocated for the purchase of machines such as tractors with 4 wheels, bulldozers and other ploughing devices. Under the mechanised farming plan, it is proposed that every farmers co-op society be given at least 3, 4-wheel tractors. Involvement in machinery activities means going into a technical and economical venture which have never been carried out by the Co-op Movement on a large scale in this country. Up to now 219, 4 wheel tractors have been ploughed, benefiting 33,552 members of the farmers co-op societies. The

govt.'s aim under the 3rd Malaysian Plan is to give 400, 4-wheel tractors to the farmers co-op societies all over the country. The result in using these 4-wheel tractors is that more areas which were untouched before have now been ploughed and developed. The rate of renting tractors was established and the role of the middlemen were slowly reducing. Apart from providing 4-wheel tractors, this year mechanised farming centres will be established in Kangar, Pontian, Malacca. Kuala Trengganu, Kota Baru, Johor Baru, Seremban and Ipoh with an allocation of \$1.2 million for carrying out ploughing services and sales of spare parts.

Seedlings Godowns

A field in modern technology which is being developed by the farmers co-op societies is the running of seedlings godowns for keeping ground nuts. Today there are 5 seedlings godowns i.e. in the Manir/Belara, Kuala Brang, Dungun, Alor Gajah farmers co-op societies and 3 others in Kelantan. This year 3 more seedlings godowns will be set up in Ipoh, Kuala Trengganu and Kota Baru. The involvement of the farmers co-op societies in this field is a new one because the running of these godowns requires technical knowledge right from the initial stages. This project is intended to create self sufficiency in ground-nut seeds in the country. Trengganu will prepare 440 acres of ground nut seedlings for use by members in this country.

Marketing

In the field of marketing agricultural products, members of the farmers co-op societies have high expectations that the marketing of their products especially from the farms which were developed by the operation of the farmers co-op societies be operated by the co-op societies or agro-based co-op societies themselves. At present, marketing of the products which are done by these bodies themselves are padi, rubber, tobacco, ground nuts, cocoa, tapioca, pineapple and vegetables especially those in Johore which were sent to Singapore for sale.

The marketing of these types of agricultural products is guaranteed by other government departments for example the

marketing of dried tobacco leaves by 16 farmers co-op societies is valued at \$1.4 million through the National Tobacco Board. 16 agro-based co-op societies and 5 farmers co-op societies are involved in the marketing of rubber as agents for MARDEC. These bodies manage to market rubber valued at \$10 million per year. 40 agro-based co-op societies and 2 farmers co-op societies are involved in the marketing of padi as agents of the National Padi and Rice Marketing Board (LPN). The largest co-op society having a padi purchasing licence and rice processing licence is the Pasir Hor Multi-purpose Co-op Society in Kelantan and at present has been marketing rice valued at \$200,000 a month from padi mills. The value of padi milling and rice marketing carried out by the co-op societies per year is about \$32 million.

The farmers co-op societies also market other crops such as ground nuts, cocoa, coconut, pineapple, vegetables and tapioca. Some of the areas developed by 8 farmers co-op societies were able to produce and market ground nuts valued at \$800,000 per year, 7 farmers co-op societies were able to market cocoa valued at \$1 million per year and 9 farmers co-op societies operated the marketing of coconut valued at \$400,000 per year.

Processing of Agricultural Products

The processing of agricultural products is an economic and technical field. The involvement of the farmers co-op societies in the processing of agricultural products is also an effort to restructure the farming society as this is also a change from activities in producing for self consumption to processing purposes. In this connection, the farmers co-op societies own 148 tobacco bunds which are able to preserve 6 million pounds of green tobacco leaves. This year, the Kelantan State Farmers Association has been allocated \$314,426 for the purchase of 28 tobacco bunds. The involvement of the farmers co-op societies in the processing of tobacco leaves is technical in an effort to extend to members of the co-op societies knowledge especially in grading of tobacco leaves and also maintaining the tobacco bunds and produce dried tobacco leaves which are of high quality. Furthermore, this creates more employment for youths during the growing season. This is a new industry and will profit those involved.

Co-op societies have 446 padi mills and 3 of them are com-

mercialised with a milling capacity of 15 tons of padi an hour. The padi milling industry is an old one carried out by agro-based co-op societies. Most of these padi mills are small and only operate padi milling for some fee. Therefore the role or contribution of the co-op society padi mills is small compared with the capacity of mills which only process 7% of the total padi production of the country.

Other projects for the processing of agricultural products include the construction of 4 cocoa processing centres in Sabak Bernam, Rengit and Hutan Melintang. Another one has been completed by the Tanjung Karang Farmers Co-op Society.

The Merlimau Farmers Co-op Society has a coffee processing mill with a processing capacity of 5,840 pikuls of coffee a year. The Rengit Farmers Co-op Society will purchase on a half-price basis from the Government of Johore a coffee processing factory at Kampung Sri Ladang valued at \$330,000 which will be provided by the LPP.

Conclusion

In conclusion, the Farmers Co-op Movement is at present entering a new era in the implementation of the New Economic Policy. The Co-op Movement is one which can bring about major changes in agricultural economy in its role as a channel to redistribute the income among the farmers. As it is generally known, the Co-op Movement can change the relationship between the farmers and the rural financier in various forms. For example, the farmer may be a lessee of a landlord's and paying a high interest; a farmer may lease his agric. products to be marketed by a rural financier without a large profit. In other words rural financiers are in a strategic position to control the agric. field as a result of the monopolisation of the finance which gives them power to maintain high rental of land, high rate of interest, low wages and give minimum profits to the farmers. A strong Co-op Movement can be used as an instrument in bringing back to them the profits which are enjoyed by the middlemen because the Co-op Movement gives service to the members without a high rate of interest on credits, providing materials at reasonable prices, returning profits out of the business transactions in the form of debit and dividends to the members. Farmers should unite in the farmers co-op societies.

MAJUIKAN AND FISHERMEN CO-OP SOCIETIES

Background

The fishermen association was established under the Fishermen Association Act 1971 (Act 44), and fishermen co-op societies were established under the Co-op Societies Ordinance, Fed. of Malaya No. 33 of 1948. Both these organisations were under the jurisdiction of two separate departments, the fishermen associations were under the Co-op Development Board.

Under Act 261 (Amendment) 1974, fishermen associations and Fishermen's Development Authority (Majuikan), registration, control and supervision of fishermen associations and co-op societies were under the Fishery Development Board of Malaysia with effect from 15 August 1974. Effective from that date too the Director General of Majuikan is the Registrar for both organisations.

Objectives of Majuikan

The objectives of Majuikan are:

- To improve the socio-economic position of the fishermen; and
- expand and promote the fishing industry.

Strategy

Under the Third Malaysian Plan, Majuikan has reorganised a systematic and integrated strategy for the improvement of the fishing sector as a whole. The strategies are as follows:

- to explore sources of fish in areas where full exploration has not been carried out;
- to undertake deep sea fishing through joint-venture with foreign investors who are experienced and have technical knowhow in fishing;
- and to launch fresh water fish/prawn rearing projects on a commercial basis to increase production of fish and create more employment.

Functions

According to Section 4 of the Fishery Development Board of Malaysia Act, the functions of Majuikan are as follows:

- encourage and establish efficient and effective management of fishing enterprises and marketing of fish;
- provide and supervise credit facilities for the production of fish and ensure that this facility is fully utilised;
- participate in fishing enterprises which include the construction of boats and production, supply and fishing equipment;
- encourage, promote, facilitate and cater for the economic and social development of the fishermen associations;
- register, control and supervise fishermen associations and provide allocations for matters relating to it; and
- control and streamline the implementation of the above activities.

Aims of the Fishermen Associations

The fishermen association was formed with the main aim of developing the economic and social interests of the fishermen.

The activities carried out by an Area Fishermen Association are as follows:

- manage and operate financial aid schemes to provide sources of credit and capital for the members;
- encourage education and training for members including the circulation of information regarding subjects which may draw the interest of the members;
- make arrangements for catching fish or rearing of fish, collecting, storing, processing, distributing and selling of the members' products;
- assist in the survey and collection of statistics regarding the fishing industry;
- act as middleman in disputes involving one or more members in the fishing industry; and
- make arrangements for the participation of members in

Fishermen Co-op Societies and Fishermen Associations in Malaysia

Area	Type of Organisation	No. of Org.	No. of Members	Share \$	Capital \$
Peninsular Malaysia & Sarawak	Fishermen Assn.	34	19,640	166,254	2,357,246.20
	Fishermen Co-op Societies	66	15,383	850,322	6,593,599.08
	Total:	100	35,023	1,016,576.00	8,950,845.28

any rearing schemes directed by the Registrar.

Aims of the Fishermen Co-op Societies

Fishermen co-op societies have the following aims:

- to encourage the spirit of thrift, trustworthiness and self help;
- encourage members to accumulate capital and learn business techniques;
- develop and improve fishing techniques either by the co-op societies or by the members by using methods and fishing equipment approved by the Govt.;
- giving loans to the members for profitable uses; and
- provide and carry out the collection, processing and marketing of the members' products.

Position of the Fishermen Association and Co-op Societies

The position of the fishermen associations and co-op societies up to now including Sarawak is given in the table at page 300.

Activities of the Fishermen Assn. and Co-op Societies

Activities being carried out by the fishermen associations and co-op societies at present are as follows:

- run diesel oil stations, ice factory, retail shops and marketing of fish;
- dealing with the Government subsidy plan;
- deal with loans for fishermen from local banks for the purchase of fishing equipment and boat engines;
- investing in fishing industry such as buying shares in ice factory and fish fertiliser factory;
- carry out fishing by using trawler boats;
- run business in spare parts for boats and trawling equipment;
- hold courses in repair of engines, sailing and others which are beneficial to the fishermen with the co-operation of the Fishery Department; and
- provide secretarial course, co-op management methods

and leadership for members of the fishermen co-op societies committees with the co-operation of the Co-op College of Malaysia.

Efforts to Integrate the Fishermen Associations with the Fishermen Co-op Societies

Efforts are now being carried out to integrate the fishermen associations with the fishermen co-op societies to become a single organisation known as the Fishermen Co-op Society. This will be done in a number of ways. One way is to close down or integrate any co-op society which is weak into a larger and progressive one.

The intention of the integration is among others:—

- to create a single and strong organisation for the fishermen;
- to avoid confusion among the fishermen;
- stabilise the position of the fishermen co-op societies so that it can be more active and effective;
- to facilitate the Govt. to channel aid to the fishermen;
- to facilitate the Govt. to control and supervise the activities of the fishermen co-op societies; and
- to avoid unhealthy competition between the two types of organisations.

Future Activities

As an agency responsible for registration, control and supervision of fishermen associations and fishermen co-op societies, Majuikan will continue to assist both organisations to carry out future activities. The activities which will be undertaken by the Majuikan towards this end are:

- to provide allocation for Launching Grant for every Regional Fishermen Association;
- to assist Bank Pertanian to implement the loans to fishermen scheme;
- to stabilise the position of fishermen associations and fishermen co-op societies; and

—to encourage participation of fisherwomen in fishermen associations and fishermen co-op societies.

Launching Grant

Launching grant is an outright grant to Regional Fishermen Associations to enable a fishermen association to carry out its business activities. Under RM3, the Government has allocated about \$23.8 million for distribution to fishermen associations throughout the country. Activities which will be undertaken under this allocation are running a diesel station, sale of cylinder oil, ice factory, marketing of fish, retail shop and also short term schemes for fishermen.

Subsidy

Under the Third Malaysian Plan, the Government has allocated 70 million dollars in the form of subsidies to be given to fishermen. This allocation has been given to the Fishery Department and will be channelled through fishermen associations. Priority for this subsidy will be given to fishermen who are members of the fishermen associations and co-op societies. Managers of fishermen associations will assist in the circulation and processing of application forms and deal with catches/marketing of fish. Managers of fishermen associations will also help to collect the loan repayment from members of the associations for the bank.

Bank Pertanian Loan Scheme

MAJUIKAN will assist Bank Pertanian Malaysia to implement the Loan Scheme of the Bank with a loan from the Asian Development Bank.

Stabilization of the Position of Fishermen Associations & Co-op Societies

Efforts will continue to be taken to stabilise the position of the fishermen associations and co-op societies to enable these two organisations to undertake their own activities more ef-

fectively in line with the increasing services necessary for them.

Participation of Women in Fishermen Associations and Co-op Societies

Apart from helping the fishermen in general, the fishermen are also encouraged to participate in the fishermen associations, and co-op societies. The women who work in processing factories, doing the marketing of fish, work in keropok factories, and in any field of the fishing industry are encouraged to and can become members of the fishermen association in their own region (district). When women members have increased in number, a women's unit may be formed in each Regional Fishermen Association.

Conclusion

Majuikan which has been entrusted by the Government to register, control, supervise, manage and improve the fishermen co-op societies in the country will strive to achieve its objectives as defined by the law which is now effective. These efforts are not only confined to Majuikan only, but the fishermen themselves and the people in general must play their own part. Majuikan hopes that in the near future fishermen co-op societies will really become a place of shelter for the fishermen to lay their hopes on.

THE ROLE OF ANGKASA IN THE REDEVELOPMENT OF THE CO-OP MOVEMENT

Introduction

ANGKASA is a short form of ANGKATAN KOPERASI KEBANGSAAN MALAYSIA BERHAD (National Union of Co-operatives in Malaysia). To understand the real position of ANGKASA the following interpretation should be followed:—

- * Subject to the Co-op Societies Ordinance 1978 ANGKASA is a co-op organisation having a role which is equally in

line with the co-operative principles;

- * A co-op society is an organisation of people, not an organisation of money or capital. Therefore every co-op society should have a group of people as the members. However, in this country there are two distinct definitions of a co-op society member:

Co-op societies whose members are directly people,
Co-op societies whose members are other co-op bodies whose members are people. ANGKASA is within the second definition, i.e. a co-op society with members of various co-op bodies in the country, whose co-op societies are made of members who are people.

- * A high level organisation and national in nature which covers all co-op societies available in the various sectors be it agricultural, fishing or any other sectors which are non-agricultural and non-fishing;
- * ANGKASA is more of a co-op union, i.e. a representative body, to protect the interests of the National Co-op Movement.

It does not operate business transactions, but stands as an apex organisation which provides various services in line with the requirements of its member co-op societies or in line with the interest of the general Co-op Movement, whether the services have a direct connection with the economic or social interests.

Background

ANGKASA was established because of the necessity to have a total solidarity within the National Co-op Movement. The principles of the Co-op Movement has outlined that the movement is a free, neutral, autonomous and democratic institution. Therefore the determination of its future should be in line with the principles. Participation of the various co-op societies at the national level is an appropriate channel for the achievement of its principles.

Before ANGKASA was formed the identity of the co-op movement was not well known and well received. Moreover at one time the co-op societies were separated from each other

although they are within the same region or district.

There was no distribution and relationship between co-op societies in the urban areas, rural areas and fishing sectors. This situation is considered ineffective in development. Not only is this a deviation from the principles it can also be used as a main excuse for exploitation by certain parties who are not happy to see the progress of the co-op machinery.

As a matter of fact the co-op society is an important machinery for the development of mankind. Therefore the circumstances prevailing at that time should not be allowed to continue.

Another factor which should not be forgotten was that, the co-op society's capability was too low. This was because education in the field of co-op movement was not encouraging. The history of the establishment of the co-op societies did not begin with the proper education regarding the co-op movement. Only the physical aspects were considered when forming a co-op. Even this was not really in line with basic principles. Most of them were based on certain individual interests only.

These factors will decide the progress or decline of a co-op society. If a co-op society has among its members' leaders who really understood the principles and the operation of a co-op society, the society will have a great ability to progress. On the other hand if the members are not well educated in the co-op movement, the co-op society will just continue to become a figure which is ineffective in the area where it was formed.

In 1966, the Malaysian Co-op Societies Congress was held at the University of Malaya. A number of working papers were presented which were concentrated on the concept of a national union to initiate the integration of all co-op societies from the various sectors into a more total movement as a national movement and not as a rural movement and an urban movement so that it can plan a survey which would enable the present moderate production sources of the movement to be utilised for the maximum success.

A few important roles of the national union have been outlined in the congress. Among them were to become the prime mover in the development of cooperatives, provide services, to organise training and educational programmes of certain groups, to raise funds and to be a centre for consultation and reference

of all problems relating to the co-op movement in the country.

As a result of the congress, and after going through the various processes, ANGKASA was established in 1971 officiated by the Honourable Tun Abdul Razak bin Hussein, the then Prime Minister.

Aims

The aims of ANGKASA are:—

1. To consolidate all co-op societies in Malaysia;
2. To represent the Malaysian Co-op Movement;
3. To advice and assist members in their business management operations;
4. To promote the principles and practices of the co-op societies;
5. To encourage the research and study of the problems regarding the co-op movement;
6. To provide and give advisory services and guidance regarding the administration, management, accounting, auditing, liquidation and the law in the interest of the members and the co-op movement as a whole;
7. To promote the education, training and teaching of the co-op knowledge and business and industrial management;
8. To assist the government in encouraging and spreading of the co-op movement in Malaysia;
9. To provide and administer special or general funds to improve the co-op movement especially to finance suitable candidates to study locally or overseas about the co-op movement or to finance expenses in sending representatives to attend conferences, seminars or co-op courses overseas;
10. To control and look after the interest and tactics of the members especially and the Co-op Movement as a whole;
11. To serve as the centre for ideas and views regarding all matters relating to the Co-op Movement and expressing views and opinions of the Co-op Movement to any party concerned.

To achieve the above aims ANGKASA should carry out its duties to cover various activities as follows:—

1. Organise congresses, conventions, conferences, seminars, group studies, study tours, courses, talks etc;
2. Nominate and appoint representatives and observers to attend conferences, seminars, courses, study tours etc. in the country as well as overseas;
3. Organise Co-op Day and other celebrations in connection with the Co-op Movement;
4. Issue newspapers, magazines, books, pamphlets and other educational and informative materials;
5. Obtain and collect reports from members and other co-op societies and distribute them for the use and benefit of the members;
6. Encourage co-operation between members of the co-op societies in Malaysia;
7. Provide and organise educational programmes;
8. Buy, construct, own, rent, lease, movable and immovable assets necessary for the operation of ANGKASA;
9. Discuss mutual problems, forwarding views and make policy decisions regarding the co-op movement;
10. Borrow and receive deposits from members and non-members with securities and conditions as approved by the National Conference and Registrar for the achievement of ANGKASA's ambitions;
11. In general, do whatever it can to achieve all or part of the aims of ANGKASA.

Activities

ANGKASA concentrates its main activity through 4 important channels. This will be adjusted to the position of members, i.e. co-op societies covering the whole country. Apart from the location and different background and the distance between each other and some of the ANGKASA members have different activities and economy.

The 4 important channels are:

First, the Central Level Activity or the National Administrative Committee. That is activities carried out from time

to time according to the programme decided by the National or Central Administration Committee. This programme is normally organised by the centre itself with the cooperation of the various parties including those within ANGKASA itself. Most of these activities cover all aspects of co-op development in the country such as talks, seminars, conventions and conferences to obtain a decision on current issues at the National level which are affecting the Co-op Movement as a whole.

Up to now, a number of national seminars were held among which was the Consumers Seminar (1974), Integration Seminar (1976), Women Seminar (1977) Law Reformation Convention (1975), Agricultural Co-op Societies Marketing Seminar (1978) etc.

At the international level, the National Committee has sent representatives to various seminars and conferences apart from participating in the Annual Congress of the International Co-op Alliance.

Among the seminars, conferences and visits participated was the Fishery Co-op Society Conference in Japan and Teheran, Asian Management Seminar in Singapore, Agricultural Co-op Society Marketing Seminar in Sweden, Asean Co-op Organisation Conference in Jakarta, Co-op Instructors Training and Exchange Programme in India, Management Seminar in Sweden, India, Yugoslavia and London, ICA Conference in Budapest, High Level Conference of the ICA in Tokyo, ICA Central Committee Conference in Vienna, Senior Fishery Officials Seminar in Tokyo, Osaka and Kyoto, World Frshery Co-op Congress in Tokyo, Fishery Seminar (visit) in the Republic of Korea, ICA Conference in Hamburg, ICA Committee Conference in Bali, Teheran and Singapore, FAO Fishery Conference in Bombay, Member Relations Seminar in Korea and Japan, IDACA Seminar etc.

To facilitate the movement of the various activities at the national level, a number of sub-committees were formed. One of them is the Service Bureau Sub-committee which is now running a department dealing with the salary deductions of co-op members who are not 100% government servants.

Next is the Pelancar Magazine Publications Unit sub-committee which since 1974 has been running a department publishing the Monthly Pelancar.

Third comes the Education Sub-Committee assigned to carry out the various co-op education programmes throughout the country. Among the educational programmes carried out was the Secretarial Course at state levels attended by co-op leaders, especially secretaries. A number of other courses are being planned and will be implemented in stages according to the needs of each co-op society.

The second activity is the State Level Activity and State Liaison Committee. Apart from the National Committee carrying out all the organisation activities, ANGKASA formed a State Liaison Committee for every state where there are members.

This committee is not being appointed in the National General Meeting but by the State Liaison General Meeting, which is arranged by the National Administrative Committee. The Chairman of the State Liaison Committee automatically takes a seat in the National Committee. This meeting is being held before the National General Meeting commenced.

There are 3 main roles of this committee:—

- * To become the liaising body between the National Administrative Committee and the members in the various states;
- * To assist the National Administrative Committee in carrying out ANGKASA's activities in each state;
- * To carry out all duties as directed by the National Administrative Committee from time to time.

The State Liaison Committee apart from becoming a body representing the ANGKASA in bringing a closer relation with the members, is also the source of activities of the various schemes at state level which can be carried out by the Committee in line with the aims of ANGKASA.

This committee is also a direct channel for members to get services and aid in overcoming problems arising in the movement at state and district levels.

The autonomous feature of each state gives an incentive to the State Liaison Committee to continuously pursue actively the goals of ANGKASA and mobilize the members to be more active in improving themselves.

Table I below shows the membership of ANGKASA according to states. As ANGKASA has not yet covered Sabah and

Sarawak, the membership in these two states are not shown in the table.

Third is the Functional activity or the Functional Committee. As each member of ANGKASA has its own economic activities, the activities should be classified according to the types, so that their objective needs could be determined according to the type of economic activity.

11 functional groups have been formed which include Bank and Credit, Insurance, Vehicle and Transport, Education, Land Development, Industry, Women, Housing, Farmers, Consumers and Multi-purpose and Fishery.

Each functional group has its own committee appointed at a meeting of that group. The chairman will also sit at the National Administrative Committee.

The committee's main functions are:

- * To bring together co-op societies which are connected with a certain function into a group and encourage their participation in the various economic fields;
- * To collect information regarding economic activities and discuss further action to be taken;
- * To become the media for assisting and implementating the functions of ANGKASA.

Table II below shows the position of the membership of ANGKASA according to functions.

As mentioned earlier, ANGKASA does not carry out business transactions but it cannot help but involve itself in business which is always carried out by its functional bodies, or by co-op societies which are grouped under each function. This is the main reason why ANGKASA does not want to carry out business to avoid any overlapping with the business carried out by its members.

What is being activated by ANGKASA is a more positive operation by the functional groups in its efforts to create a more effective environment. As the autonomous groups of ANGKASA they should try to stabilize their own groups so that they can be the agents for their own sectors.

Although these functional groups are just ordinary groups, in time to come they can become socio-economic bodies which

can reach the national level. Steps are now being taken for each functional body to become the member of a National Functional Body through the establishment of a new national co-op society.

This means that co-op societies grouped together under the various functions will hold their own group meetings and take joint decisions to form a national co-op society. For example, the housing function will form a National Housing Co-op Society, the Consumer function will form the National Consumer Co-op Society, etc.

The integration of the functional bodies at the national level appears to be the main factor whereby the economy of the co-op societies can flourish. Apart from that it can also enter into the various modern economic sectors more effectively and it can also uplift and maintain the member co-op societies which forms the direct service network to be individual members. These original co-op societies which were small units will be able to get protection from the business, management, financial and relationship point of views.

In this context, ANGKASA has taken an encouraging initiative. Through the co-operation of the co-op agencies ANGKASA has strived to form 3 more national level co-op societies, which were originated from the functional groups mentioned above.

Fourthly, activity through subsidiary co-op societies. That is the national level co-op societies which were formed with the efforts of ANGKASA with the co-operation of various parties.

Up to now these co-op societies consist of:—

- * Schools National Co-op Society, a national amalgamation made up of schools co-op societies;
- * The National/Transport and Vehicle Co-op Society, a national amalgamation of Vehicle and Transport co-op societies and the Multi-purpose co-op societies whose functions are in the field of vehicle and transport; and
- * The National Housing Co-op Society, a national amalgamation of housing co-op societies.

Two more national co-op societies are in the process of establishment, i.e. National Trade Co-op Society, the national Women's Co-op Society and the National Fishery Co-op Society.

Although all national co-op societies which have been formed are now self-reliant and no longer bound by anything like the way ANGKASA is moving, it should be remembered that they were established from the function of ANGKASA, which all this while has been like a mother bringing them up and protecting them. Moreover, it is also the representative for the functional group involved in the National Administrative Committee.

Pelancar

ANGKASA considers education in co-op knowledge as an important factor to determining the progress or otherwise of a co-op society. If the education is extensive and progressive for a co-op society such a society will continue to enjoy development.

The co-op movement has its own way of education. Therefore, ANGKASA as a high level body, is responsible towards the development and expansion of education. Moreover history has proved that most of the co-op societies formed did not emphasize on education, whether in the basic or detailed forms. Therefore there are unwarranted elements within the co-op Movement.

Apart from holding talks, courses and seminars aimed at expanding education, information and study on the co-op movement, another way which is considered effective is to be active in the publishing of a magazine.

PELANCAR is the sole magazine published by ANGKASA which carry the role of propagating information and co-op knowledge and act as the voice of the Malaysian Co-op Movement as a whole.

To smoothen the operation, a sub-management unit, the Pelancar Issuing Unit Sub-Committee was formed.

Among the important functions of Pelancar are:—

1. To spread co-op knowledge covering the philosophy, concept, principles and activities;
2. To propagate information regarding the activities carried out by the various co-op societies within the country and overseas, from the economic and social point of views;

3. To carry out studies and social economic surveys in co-op development areas or districts considered suitable to become incentives to the Co-op Movement and its history;
4. Provide translation service of materials on the cooperative movement especially those from foreign countries;
5. Carry out reading campaign among members of co-op societies so that every member will make Pelancar as a reading material or a monthly correspondence course;
6. Give talks, explanations and assist students requiring co-op assistance;
7. Issue and publish co-op pamphlets etc;
8. Voice the desires of the Co-op Movement;
9. Become the effective communication device between members and the ANGKASA administration.

Although Pelancar which is issued monthly is sold at 40 cents each, it is not intended to gain maximum profit from the business point of view. The price is considered as a contribution from the members and co-op societies towards the efforts of the unit to promote co-op education.

ANGKASA believes that each co-op society in the country has a big role to play towards Pelancar, as this is the only magazine or the co-op mass media instrument owned by the Co-op Movement. Apart from becoming the customer and reader, they should also become active contributors morally as well as in the form of materials so as to keep the magazine going over the years.

Initially, the Pelancar was published in 12 pages only. It now has 32 pages with the same quality and price as before. Efforts are being made to increase the number of pages and widen the circulation in line with the reading requirements in the field of co-op movement.

It cannot be denied that ever since Pelancar was launched, we have seen new results. This is not only from the eyes of ANGKASA but also from other aspects within the co-op movement. In fact objective results were also found from outside the co-op movement. The attention of the general public towards the

co-op movement and its effort to improve the lot of the people was receiving response and appreciation. Enquiries and encouragement in the establishment of co op societies were encouraging. Supports and recognition of it as an effective agency in restructuring the society and increasing the living standard of the people were heard.

All these effects have changed the views and behaviour of the co-op societies to make new evaluations in the effort to participate in the various modern economic development sectors.

The circulation of Pelancar at present covers:

- * ANGKASA Member co-op societies and non-members;
- * Schools co-op societies and schools;
- * Agencies operating public co-op societies
- * Certain parties having dealings with the interest of the co-op movement or connected with the interest of the members.

Bureau

Another unit established by ANGKASA is the ANGKASA Service Bureau.

This Bureau was created as an important agency dealing with the problem of salary deductions of co-op society members who are permanent monthly paid staff.

Normally, the deduction of salary is done by the Government. The co-op societies merely send deduction bills showing the members names and amount to be deducted to the employers and then the employers will deduct the amounts every time before the salary is paid.

In 1976, the Government decided to stop the deduction of salary for co-op society members who are not 100% government servants. The decision involved more than 4 million dollars belonging to members who come from 23 co op societies, especially credit and multi-purpose co-op societies.

ANGKASA held a number of talks with the Government through the Treasury. Appeals were made to the Government to continue with the deduction practice. But due to unavoidable reasons, the Government had to stop that practice.

To overcome the problem, ANGKASA held a number of conferences with the co-op societies involved to find ways to save the millions of dollars in the members' possession.

One of the important decisions made by the conference was to form a bureau which will be assigned to carry out and takeover the deduction of salary system which was to be stopped.

The Government was asked to give its co-operation on the formation of the bureau.

Such bureau was later known as the ANGKASA Service Bureau.

Since then the salary deduction system or 'table deduction' for members of co-op societies who are not one hundred percent govt. servants is being dealt with by the bureau.

As the operation of this system involved more than 140,375 individual members and more than 14 thousands employers, the bureau processes it through the computer.

By this method, the bureau is required to prepare co-op society deductions bills every month to the employers and the employers will deduct the co-op society members' payment according to the amount stated in the bills and send it to the bureau. The payments will be processed by the bureau and later send the payments to the respective co-op societies. All the financial details prepared by the bureau in the bills are based on the information given by every co-op society for each member.

The service bureau's contribution is very effective in saving the co-op societies' money apart from helping to provide facilities to the members who are scattered all over the country.

Another result is from the financial administration and management aspects. Another big burden which may be faced by the co-op societies was removed and instead it brought about solidarity among the co-op societies, the employers, the Government and members from various levels.

Nobody could predict what would have happened to co-op societies concerned if the ANGKASA Service Bureau was not formed. At that time a number of large co-op societies were facing a financial and management crisis, while other societies whose members consist of government and non-government servants, were beginning to take other actions against the mem-

bers who were not government servants. A membership crisis arose which could lead to disintegration within the Co-op Movement.

Steps to streamline the bureau are being taken by ANGKASA. Apart from improving its management machinery, it is also a first step towards the expansion of the ANGKASA services to the National Co-op Movement, such as auditing and accounting services.

Seminars

ANGKASA has held several seminars at national and functional levels. Such seminars appear to be the best way for ANGKASA to obtain any information regarding problems faced by co-op societies or through seminars ANGKASA tries to look for objective formulae for the co-op societies for any problem raised at certain times which directly involves the Co-op Movement.

Moreover, seminars are an important media for ANGKASA to channel ideas, plans, strategies and mental developments which are all intended to improve the living standard of the members and co-op society.

In 1974, a Consumer Function National Seminar was held. The Seminar apart from finding ways to overcome the inflation problem which is now affecting the national economy at the same time intended to find a strong foundation for consumer type of co-op societies to play a more effective role in the Consumer Movement in future.

The seminar which was jointly organised by the International Institute of Partnership (IIP) of Germany has brought about new ideas which are useful from the business and management points of view and also from the Consumer Movement system point of view. One of the important formulae drawn up was to look into the possibility of making the consumer activity as a national activity which will later be responsible for the proper planning of not only shops with branches, but also in the co-op production sector.

Certain emphasis was made in the discussions to:—

- * Form more co-op retail shops

- * Establish a large scale wholesale system
- * Capital assistance, technical training and business skill and specialisation in management such as accounting etc.
- * Organise in a more practical manner of a closer coordination system among all co-op societies to strengthen the wholesale business machinery and distribution.

In 1976, another Seminar on the National Co-op Integration and Development was held. This Seminar centered upon the specialised study on the planning of the Malaysian Co-op Development to integrate small co-op societies in each district in the country into a large co-op society called the District Trade and Industrial Co-op Society. This is a national scheme covering all co-op societies which are non-agro-based and non-fishery based.

Although this scheme is good from the development, membership, financial and machinery points of view, a large number of co-op societies involved were against the direct absorption. ANGKASA was facing a strong pressure from the members who at that time were asking for a seminar to be held to get a better explanation of the scheme.

The seminar which was held with the co-operation of the Co-op Development Department discussed in detail the concept of absorption and its effects on existing co-op societies. Observations were made towards the problem of value of assets and finance, identity of co-op societies and other aspects existing in each district where co-op societies are already existing.

The final decision was not very encouraging and the integration scheme did not get the response of the co-op societies.

A number of small seminars were also held by ANGKASA, especially those which were connected with functions such as Vehicle and Transport Seminar which later agreed to the formation of a National Vehicle and Transport Co-op Society, the Educational Function Seminar which later agreed to the formation of the Schools National Co-op Society, the Housing Function Seminar which also later agreed to the formation of the National Housing Co-op Society, and the Women's Function Seminar which agreed to the formation of the Women's National Co-op Society.

However, the ANGKASA Women's Function Co-op Society has another important role to play apart from the establishment of a national body. It was also assigned to establish Women's Co-op Units in the various co-op societies which are not women's co-op societies but have a large number of women members. Therefore this function operates two programmes especially for women, i.e. women's co-op societies and Women's Co-op Units.

Another seminar was held with the co-operation of International Co-op Alliance and Swedish Co-op Centre which was a small Agriculture Seminar. This seminar emphasised on the agricultural function carried out by the agro-based co-op societies, farmers co-op societies and agencies in that line. The main observation was on marketing.

This seminar was represented by staff from the various agencies involved in the agric. sector and agro-based farmers co-op societies. A number of formulae were made and stress was on the National Farmers Association (NAFAS).

The best participants in the course were chosen to attend an extended seminar in Sweden.

Conferences

As mentioned earlier, the Functions of ANGKASA is centered upon the running of the economic machinery of its members. Therefore, it is the main channel in discussing the various problems faced in each of their economic activity. Every discussion is attended by representatives of co-op societies with such functions throughout the country.

Among the most interesting functional conferences was the Agricultural Function and the Fishery Function. The Agricultural Function was facing a big problem when the agro-based co-op societies were handed over to the Farmers Association Board and as a redevelopment step, the Farmers Association Board planned to absorb all the co-op societies into a new body to be established.

Most of the co-op societies did not give a good response towards this plan and ANGKASA has been showered with pressure from its members.

However, after the conference, several adjustments were

made and on the directive of the Prime Minister, Tun Abdul Razak, a reorganisation had to be implemented to help the farmers through the Co-op Movement.

Such was also in the case of the Fishery Function. Although other functions were not involved in the absorption, they were also having problems in their daily affairs, especially in matters relating to the Government agencies for purposes such as facilities, service, aid, licences and permits etc.

However, the Bank and Credit Function is expected to hold its national seminar. The Land Function requested that the Government alienates the Malay reserves to the co-op societies to be developed and take immediate steps regarding lands applied for by the co-op societies etc. The Housing Function urged that encouragement be given for the establishment of co-op industries and relax taxation.

Conventions

A Law Reformation Convention was held in 1975. The intention was to table new proposals for improving the Co-op Ordinance 33/1948. This was the first of such a convention to be held in this country.

Before this convention was held, a number of small seminars were held with the co-operation of the Law Faculty of the University of Malaya. An International Co-op Law Expert, Professor Munkner was also invited to give suitable views and recommendations.

A number of decisions were reached at the convention especially in effecting the coverage of the Co-op Code over Sabah and Sarawak. The Code should also contain 3 important sections i.e. the mukaddimah, the Code proper and Regulations outlining and specifying the regulation into various co-op activities.

In the mukaddimah section, it is required to determine the dogma or the explanation of the Co-op Principles, the objective declaration and the Govt. policy statement. So are with other matters such as Tribunal, membership of the co-op societies, control, Registrar, responsibility of the co-op societies etc.

A proposal regarding the Amendment to the Act was forwarded to the Government and was approved.

Schools Co-op Societies

One of the goals of ANGKASA was to maintain the Co-op Movement in the country. This ambition will only be achieved through two ways i.e. redevelopment of existing co-op societies, whether in its organisation or structure, and also in its machinery and management operation. Another method is the establishment of new co-op societies and get the involvement of youths in them.

Schools co-op societies seem to be a new function which we hope will become an important source towards that objective. They not only give benefit to the students, teachers and schools, they can also become an institution supplying manpower, leadership and co-op ideology towards the generation growth in the future development of the Co-op Movement.

Although schools co-op societies were first established in 1965, they did not bring objective effect in the form of preparation and services to the students. ANGKASA was able to persuade that the role of schools co-op societies be reviewed and reorganised to enable them to become an important agency for solving the problem of the requirements of students, teachers and schools. In 1974, with the co-operation of the Ministry of Agriculture, Ministry of Education and other agencies under them and ANGKASA, courses were held on a large scale for teachers who would be organising schools co-op societies.

Since then the growth of schools co-op societies has been rapid. A new form has been determined by the agency concerned, i.e. schools co-op societies were no longer what they used to be but have been extended to become multi purpose in nature.

The following are factors causing ANGKASA to emphasise on the development of the schools co-op societies:

- * To create solidarity among the students of varied family background and medium of instruction under the co-op umbrella;
- * To channel the Co-op Education through practice and activities carried out by their respective schools co-op societies;
- * To encourage students to understand the basis of thrift,

investment, trade and industry;

- * To deal with requirements of the students in their school life such as concerning educational requirements e.g. stationery, clothing, sports equipment, food and hostel, science aid and others including teachers, such as teaching aids, and schools co-op societies will be able to help reduce the burden of the families of the students and save almost \$1,000 million of students' money used from Form 1 to Form V.

Where schools co-op societies are concerned, ANGKASA has not only the foresight but also been making objective evaluations. Small units in schools may not be able to carry out business while facing the present competition. Therefore, an integration at the national level is necessary and it should act as a business organisation which not only will deal with wholesaling and supplying, but also become the protector of the schools co-op societies. When it becomes necessary and when it has reached a suitable strategy, this organisation will draw up national plans in the industrialisation of schools equipment, bank and employment opportunities for ex-students.

New scope of co-op practice will be opened through the Schools National Co-op Society, one of which is the uniforms manufacturing industry, not only on contract basis by the vocational schools co-op societies, but the women's co-op societies throughout the country will also be able to participate in such joint ventures. The printing, transport, investment and other fields can also be exploited.

ANGKASA has high hopes in the current Schools National Co-op Society that the ambition of the nation's Co-op Movement in the success of the young people at school will be achieved and implemented according to the programmes already set out from the beginning.

Strategy

ANGKASA was established by the Co-op societies for the good of co-op societies. This fact is very clear and that is why the role of the co-op societies in ANGKASA is as effective as

the role of ANGKASA itself. In fact ANGKASA will not be active if the co-op societies who are its members are not active whether in the functional groups of ANGKASA or as individual units.

Another fact which should not be forgotten is that ANGKASA is the Malaysian Co-op Movement. It has been accepted by the Government as a national body responsible for the Co-op Movement and the Government and its agencies. It is also recognised by the International Co-op Alliance as a member and the national organisation which is the voice of the Malaysian Co-op Movement.

This fact proves that the Malaysian Co-op Movement is not just a small unit and deprived from development. The spirit of brotherhood instilled by ANGKASA brought about a deep meaning towards all the characteristics and behaviour of the co-op societies. What is going on within the co-op societies, no matter how small or isolated in the country it is or how big and popular it is, all are important to ANGKASA.

To strengthen the operation of ANGKASA a number of strategies have been designed. They are:

- * Try to bring all co-op societies under ANGKASA so that the fight for the upliftment of living standard of members whether as co-op societies or as individual members can be made more effective;
- * To take effective steps to draw the attention of co-op society members and bring closer the spirit of brotherhood of ANGKASA at the National, State and Functional levels to obtain informative effects;
- * To maintain the Co-op Movement in all sectors where co-op societies are already existing and has been active for a long time;
- * To fight for the actual recognition of the Co-op Movement as an agent to develop the society and as a device to spread science and technology to mankind;
- * To encourage a harmonious co-operation among the co-op societies in all sectors so that each sector, be it agricultural, fishery and urban could make use of their production field directly among themselves;
- * ANGKASA also has the foresight towards the New Eco-

conomic Policy and poverty. One of the important factors stressed often is poverty which not only involves money but also other aspects, as this should be overcome through a strong organisation which is recognised by the people. Therefore, ANGKASA feels that the role of co-op societies in eradicating poverty is big. Moreover the principles practiced by the co-op movement in Malaysia is in line with the Rukun Negara.

Conclusion

ANGKASA hopes that not only co-op societies but also the Government and its agencies will give their co-operation in the development of the Co-op Movement. It also hopes to get the co-operation of international co-op organisations from advanced and developing countries such as Germany, Sweden, India, etc.

Such co-operation has brought much success to ANGKASA and the Co-op Movement as a whole in the past.

Table 1

Composition of ANGKASA Members By States

State	Coope- ratives	Cooperators	Subscription Total (\$,000)
Johor	84	26,640	10,002
Melaka	42	14,035	5,435
Negeri Sembilan	57	21,167	8,006
Selangor	126	339,954	106,855
Perak	76	28,904	16,059
Pulau Pinang	115	24,388	10,781
Kedah	124	23,102	12,748
Perlis	30	4,362	1,707
Trengganu	48	13,539	3,959
Pahang	31	15,600	6,733
Kelantan	54	13,848	4,887
	787	525,539	187,172

Table II
Composition of Angkasa Members
By Economic Function

Function	Coope- ratives	Cooperators	Subscription Total (,000)
Bank and Credit	138	195,203	167,217
Insurance	1	128,033	1,500
Transportation	29	5,956	754
Education	4	617	147
Land	14	71,381	2,100
Commerce	7	13,133	1,108
Women	37	4,137	391
Housing	18	3,958	3,887
Farmers	430	65,522	5,491
Consumers and Multi- purpose	81	29,407	4,189
Fishery	28	8,192	388
Total	787	525,539	187,172

Co-operative Manifesto of ANGKASA

Whereas the Malaysian Co-operative Movement under the guidance of its National Body, ANGKASA, being dedicated to the aims of—

- Maintaining the democratic way of authority;
- Attaining the widest possible expansion of the co-operative way in society;
- Eliminating poverty and exploitation so that the benefits of economic progress may be shared equitably;
- Working together with the Government for the achievement of National economic development and giving the full support of the Malaysian Co-operative Movement to take steps for the restructuring of Malaysian society;

Playing a dynamic role in efforts to develop the Nation especially in the fields of industrialization and commerce and where necessary collaborating with private enterprise in ways that are mutually beneficial yet protect co-operative identity and co-operative principles.

Therefore, all the members of the Malaysian Co-operative Movement pledge themselves to concentrate their energies and efforts to attain these aims being guided by the following principles:—

- (1) Democratic organization.
- (2) Voluntary membership.
- (3) Fair returns on capital.
- (4) Distribution of the trading surplus in the form of increased services for members, increased shares in capital or according to patronage.
- (5) Repayment of capital according to investment.
- (6) The needs of society shall take precedence over individual interests.
- (7) Neutrality in politics and religion.
- (8) Encouragement of education.
- (9) Working together at all levels of co-operatives.

It should be realized that fundamentally, co-operative principles are contradictory to the principles of private enterprise. This is clear from the aims and methods of distributing profits as well as from the way in which authority is structured in the respective types of organization. Therefore it would be unreasonable to use co-operative as an instrument or a step-ladder to encourage a group of people to become participants in private enterprise.

All members of co-operatives and in general all national leaders should understand that co-operative principles constitute a closely inter-related system of ideas. Any one principle cannot be altered without creating the danger of damaging or misdirecting the whole set of principles. Nevertheless, from time to time, in accordance with the needs of the economic aims of co-operation, the way in which these principles are practised may be changed appropriately.

Therefore it will be seen that from the above aims and principles the Co-operative Movement will play an effective role in the framework of national economic development as well as in the restructuring of Malaysian society.

Table III

Estimated Population of Malaysia by Races
As At 31st December 1975

Peninsular Malaysia	
Malays	5,423,057
Chinese	3,556,771
Indians & Pakistanis	1,058,171
Others	76,855
Total:	10,114,854
Sarawak	
Malays	212,038
Chinese	347,327
Sea Dayaks	347,551
Land Dayaks	95,696
Melanaus	53,908
Others	62,111
Total:	1,118,631
Sabah	
Kadazans	217,506
Muruts	36,173
Bajaus	95,484
Malays	44,962
Indonesians	n.a.
Chinese	160,836
Other Indigenous	156,749
Other (Incl. Indonesians)	125,809
Total:	837,519

(n.a. : not available)

Source : MALAYSIA YEAR BOOK 1976

The Cooperative Movement in Malaysia

1. Functions

Co-operatives in Malaysia can be divided into eight functions as mentioned below :—

- (1) credit and banking;
- (2) transport;
- (3) housing;
- (4) consumers;
- (5) industrial;
- (6) plantations;
- (7) insurance; and
- (8) others.

Apart from the above there are school co-operatives whose function can be said to be consumer in outlook.

2. Present state of Co-operatives

The present state of co-operatives according to its functions are as follows :—

(a) *Credit and Banking*

The credit and banking co-operatives are formed to encourage thrift amongst its members and to provide loans to its members at a low rate of interest. With the formation of these co-operatives it has been possible to oppose the activities of the “blood suckers”. Credit societies are very popular among government servants and salaried workers. In the year 1976, 130,720 loans totalling \$241 million were given out by Thrift and Loan Societies to its members. Payments towards these loans in 1976 totalled \$178 million. Such loans were financed from members’ monthly subscriptions. The balance of the loan at the end of 1976 was \$236 million.

(b) *Transport*

The co-operative movement also participates in the transport industry. It is involved in the transport of passengers and goods. The total number of transport owned by co-operatives are :—416 taxis, 97 buses (these include school buses, mini-buses and tourist buses), 37 lorries, and other means of transport include 142 tractors, motor-boats and trishaws. Co-operatives also own seven workshops. The total capital involved is in the region of nine million Malaysian dollars whilst the property owned by transport co-operatives are in the region of \$27 million. Competition with the private sector in the transport industry is very great.

(c) *Consumers*

222 co-operatives are involved as consumer societies and these societies have 231 consumer shops, 4 supermarkets, 32 mini-markets and 41 other types of consumer shops such as petrol pumps. The total number of members who have invested in these shops are 107,923 persons with a total capital of \$13 million Malaysian dollars. The total number of permanent employees employed are 1,476 persons. The consumers activity is a direct service to the members in the form of their daily needs at a reasonably fair cost. Apart from receiving patronage rebates members also receive dividends from the profits of the business.

(d) *Industrial*

In the year 1976, eighteen co-operatives participated in industrial ventures and involved themselves in twenty projects i.e. 2 sawmills, 1 printing, 1 motor, 3 logging, 7 processing rubber, oil-palm, coconut and coco, 1 orchid plantation, 1 chemical plant, 1 batik factory, one handicraft factory, two glass factories and one hotel industry. The total individual members of industrial co-operatives are 124,013 members. There are also societies

who are members of Industrial Societies. There are six subsidiaries under industrial societies. The total capital involved is 31 million Malaysian dollars whilst the 'output' in 1976 was \$39 million.

(e) *Housing*

Housing is a function which is clearly improving the socio-economic status of co-operators and making them house-hold owners, a matter which is very vital to provide shelter to members and their families and a human necessity. Co-operative houses that have been completed and occupied to-date are 10,592 units. The total cost is in region of \$303 million. Under the Third Malaysia Plan 12,000 units of houses will be built by co-operatives throughout Peninsular Malaysia.

(f) *Plantations*

This activity involves the opening of plantation lands on a big scale such as the planting of oil-palm, tea and coco. The buying of rubber estates also comes under this category. Twenty co-operatives are involved in the plantation activities. The total acreage owned by these co-operatives is 18,543 acres. The plantations are in Peninsular Malaysia and rubber, oil-palm, coco and tea are planted in these estates. There are some estates which also plant vegetables and fruits on a big scale.

(g) *Insurance*

There is only one society which is involved in insurance and that society is the Malaysian Co-operative Insurance Society Limited. Its capital is 1.5 million dollars which is financed by founder member-societies. As at 31-12-1978, the total number of policyholders is 115,000 persons. Its property up to the end of 31-12-1978 is in the region of \$165 million. The gross premium income during the same year was \$37 million. The total number

of employees is about 1,500 persons. The society has recently moved to its newly completed Headquarters known as WISMA MCIS at Jalan Barat, Petaling Jaya, built at the cost of nearly \$16 million.

There are also other societies which are involved in insurance as Agents only. The Multi-purpose Co-operative Society (K.S.M.) has an insurance subsidiary doing general insurance business while Bank Rakyat holds shares in the TALASCO Insurance Company.

(h) *School Co-operatives*

School Co-operatives are providing co-operative education to school children. Co-operative education to the youth, it is hoped, will instil in them the co-operative spirit and principles and will enable them to play an active role in the co-operative movement in the country. In the year 1977 there were 204 school co-operatives with a total membership of 60,700 members and a capital of 504,600 dollars. Sales amounted to \$1.7 million and such sales includes the sale of textbooks, writing materials, sports goods and canteens. At the tertiary level there is a National School Co-operative. Eighty-eight school co-operatives have become members of the National School Co-operative since 1978.

(i) *Others*

Of late the youths of the country are also getting themselves involved in co-operatives. Since late 1975, there have been a significant rise in the number of co-operative youth societies at the national and state levels. At the national level there are seven co-operatives including KOBENA, SEGEMAL and KOPELAJAR while at the state level there are six co-operatives. The membership is in the region of 10,000 members and the capital accumulated is about half a million dollars. The activities of these youth societies are consumers, housing, furniture and hostel.

(j) *Women Activities*

Women are also playing an active role in co-operatives. There are 30 women co-operatives throughout Peninsular Malaysia with a membership of 6,643 members. Apart from these there are thousands of women members in co-operatives whose membership is open to males and females. Amongst the big women co-operatives are Koperasi Dermajaya and Koperasi Perwanis. Their activities include loans, investments, business, buying of property, rearing of poultry and catering. At the tertiary level (ANGKASA) there is a woman's section that looks after all women activities.

3. Statistics

At appendix I, II, III & IV are statistics showing the comparative study of co-operatives based on agriculture, fishery and non-agriculture/fishery for the year 1973-1974, non-agricultural/fisheries co-operatives as at 13-2-1973, co-operatives and types of co-operatives in Peninsular Malaysia as at 31-12-1978 and co-operatives registered with the Department of Co-operative Development as at 1-1-1979.

4. Tertiary Organisations

At the tertiary level there are two organisations namely the Co-operative Union of Malaysia Limited and the National Union of Co-operatives Malaysia (Angkatan Koperasi Kebangsaan Malaysia Berhad) both of which are affiliated to the International Co-operative Alliance.

APPENDIX I

Statistics Showing the Comparative Study of Co-operatives based on Agriculture, Fishery and Non-Agriculture/Fishery for the Year 1973-1974

Year 1973-74	Type of Co-op	No. of Co-op	% Members	%	Members	%	Capital	%	Property	%
	Agriculture	1502	58.12	20.67	\$ 10,863,000	4.7	\$ 26,882,000	4.32		
	Fishery	51	1.97	1.25	\$ 583,000	0.22	\$ 6,428,000	1.03		
	Non Agricultural- ture/Fishery	1031	39.91	78.08	\$ 245,557,000	95.71	\$ 588,287,000	94.65		
		666								
	Total	2584	100	100	\$ 266,903,000	100	\$ 621,597,000	100		

APPENDIX II

Non-Agricultural/Fisheries as at 13-2-1973

No.	Type of Co-operatives	No. of Individual Co-ops. members	Shares (\$'000)	Accumu- lated Funds (\$ '000)	
1.	Thrift & Loan Societies	192	317,142	184,155	235,353
2.	Workers Credit	125	17,560	7,932	9,396
3.	Credit Limited	15	1,450	308	416
4.	Consumers	123	35,000	1,155	4,480
5.	Industry	13	12,360	4,005	11,611
6.	Investments	49	14,730	2,193	3,201
7.	Industrial Land	20	10,500	899	5,991
8.	Housing	59	11,500	7,005	81,621
9.	Transport	37	10,700	965	3,153
10.	Schools	80	17,049	65	220
11.	Multi Purpose	257	94,009	4,050	17,992
12.	Insurance	1	75,000	1,000	73,031
13.	Land Investments	1	63,000	16,570	48,595
14.	Sunday Fairs	17	2,000	164	462
15.	General	21	11,400	105	204
16.	Agency	1	—	61	1,400
17.	Hawkers	3	400	4	28
18.	Bazaar	1	60	18	20
19.	Petrol Pumps	2	600	67	250
20.	Supermarkets	1	8,146	424	5,574
21.	Finance	1	24	12	14
22.	Restaurant	1	300	14	23
23.	Urban Unions	9	—	2	49
24.	Wholesale	3	—	4	29
25.	Banking Unions	1	65	187	5,047
26.	Co-operative Cen- tral Bank	1	10,000	4,782	19,520
27.	Bank Rakyat	1	12,500	8,611	60,607
Total		1,031	724,495	245,557	588,287

APPENDIX III

**Type and Number of Co-operatives in Peninsular Malaysia
as at 31-12-1978**

Type of function of co-operative	Number of Co-operatives
Consumer Co-operative	128
Credit, Banking & Investment Co-operative	337
Housing Co-operative	55
Transport/Taxis Co-operative	40
Land Development Co-operative	22
Industries Co-operative	21
Insurance Co-operative	1
Other Co-operatives :	
(i) Multipurpose	443
(ii) Schools	222
(iii) General Purposes	52
(iv) Banking Unions	11
Total	1,372

APPENDIX IV

Co-operatives Registered with the Department of Co-operative Development as at
1st January, 1979

Total	4	321	4	321
Trengganu	4	16	16	443
Kelantan	10	22	25	222
Pahang	18	64	18	105
Johore	36	81	17	
Melaka	16	12	4	
Negeri Sembilan	34	26	2	
National and W. Persekutuan	40	80	8	
Selangor	53	42	22	
Perak	45	17	22	
Pulau Pinang	34	30	10	
Kedah	26	17	8	
Perlis	5	4	1	
Credit	5	26	8	3
Multipurpose	4	17	17	6
Schools	6	25	10	1
Consumer	1	8	10	3
Thrift & Loan and Investments	3	6	4	1
Transport	1	8	4	4
Land Development	—	—	—	—
Sunday Market	1	13	1	3
Industry	1	2	1	1
Association	—	1	1	1
General Purposes Soc.	—	34	—	3

PAKISTAN

The Cooperative Movement in Pakistan

Pakistan emerged in 1947. It covers an area of 311,406 square miles and its population is nearly 70 million, with a density of about 200 persons per square mile. The population of Muslims is about 98 percent and literacy is about 15 percent. Pakistan chiefly produces wheat, cotton, sugar-cane, tobacco and pulses and the average annual rainfall is 15 inches.

The Co-operative Movement started with the dawn of the 20th Century in Pakistan basically as a credit-providing-agency for the farmers who were in a bad plight so much so that they used to be born in debt, live in debt and die in debt. The Movement, therefore, aimed at providing credit worthiness to them.

As compared to the European countries, the Co-operative approach in Pakistan was imposed by the Government as a practical measure to reduce rural indebtedness; to save the illiterate and simple minded tillers of the soil from the callous money-lenders, whose malpractices even resulted in serious repercussions towards the close of the 19th Century and to afford them an opportunity to stand on their own feet through self-help and mutual aid. The enactment of the Cooperative Credit Societies Act 1904 which provided for the organisation of credit societies on the Raiffeisen pattern was the first major step to start the Co-operative Movement in the country. Within a decade, need was felt for enlarging the scope of cooperatives and the said Act was replaced by another legislation, namely, the Co-operative Societies Act 1912. Later on some of the Provinces enacted their own co-operative laws to suit their conditions. The Sind Co-operative Societies Act 1925 was enforced in the then Provinces of Sind and Khairpur State and the Bombay Co-operative Societies Act 1925 was applicable to the Karachi area. After the integration of the various administrative units of the then West Pakistan into a single Province in October 1955, the question of enforcing a unified Co-operative Societies Act in the whole of the said wing engaged the attention of the Government. After considerable consideration, it was felt that the Sind Co-operative Societies Act 1925 was most

comprehensive legislation and should, therefore, be applied to the then entire West Pakistan. Accordingly after making some amendments, the Sind Co-operative Societies Act 1925 was enforced throughout with effect from the 30th April, 1965, which is still in force. The enforcement of this single Co-operative Societies Act proved to be a land-mark in the development of the Co-operative Movement in Pakistan.

Prior to the pivotal year 1947 when Pakistan secured independence, the Co-operative Movement in Pakistan had mainly progressed in the field of credit both rural and urban, better farming, consolidation of holdings and thrift and savings societies etc. The total number of societies in that year was 15,146 which had a membership of 573,000 and working capital of Rs. 186,971,000. The general pattern was that there were village credit societies at the base, central co-operative banks at the tehsil or district levels and Provincial Co-operative Banks served as apex organisations. With the partition of the Indian Sub-Continent and the creation of Pakistan the non-muslim traders, bankers and industrialists left the country. This paralised banking and trade and disrupted the commercial life of the then West Pakistan creating many economic problems of nationwide magnitude. The Co-operative Movement then stepped forward to cover the hitherto unknown ground and spread itself into new fields of activities to fill the vacuum. The Central Co-operative Banks took up the financing of the trade and industry and even of directly running industrial undertakings such as rice husking mills, flour mills and cotton ginning factories. They also distributed articles of daily necessity. Besides that consumer stores, mills societies, multipurpose societies, farming societies, tubewell societies and transport societies were organised in large numbers. The Co-operative Movement thus helped avert a difficult situation.

In early 1962, it was realised that the movement needed re-orientation and a fresh approach in view of the dictates of the new social order. That also demanded a change in the super-structure of the Co-operative Department which was charged with the responsibility of running the show and acted as a friend, philosopher and guide of the cooperatives.

The Registrar of Co-operative Societies and his field staff mainly performed the regulatory functions of registration, ins-

pection and audit etc. of the societies and they were found so much absorbed and preoccupied in that work that they could not pay any attention to the planning and development of the movement. Consequently the Co-operative Department was reorganised in 1962. The Office of the Registrar, called the Commissioner, was abolished and West Pakistan was divided into six regions each headed by a Registrar for the performance of regulatory functions, directly working under the administrative control of the Secretary to the Government in the Co-operative Department. Side by side with that, a semi-autonomous organisation called the Co-operative Development Board was set up which was entrusted with the task of planning and development, directing and controlling co-operative ventures; providing advice and guidance for the implementation of new plans of the cooperatives and framing policies for the speedier and sound progress of the movement.

After the said Co-operative Board had functioned for about five years it was felt that the Board had not been in a position to make a solid contribution in the way of organising and developing co-operative societies and that the task of co-ordination among the Regional Registrars and the uniformity of procedure and policy between one Region and the other had become difficult. Accordingly the Co-operative Board was abolished in the end of 1966 and the old set-up of the Co-operative Department was revived, with effect from 1st January, 1967.

Now the Registrar, Co-operative Societies, heads the Co-operative Department, in each Province, who is assisted by Joint Registrars, Chief Auditors and Sectional Deputy Registrars etc. at the Headquarters and Deputy Registrars at the divisional levels. The Assistant Registrars control the work of the Districts under whom Inspectors and Sub-Inspectors work at tehsil and sub-tehsil levels.

At present there is a net-work of 30,000 Co-operative Societies in Pakistan. They have a membership of 1,800,000. Share Capital of Rs. 160 million and working capital of Rs. 1460 million. Considering the average size of a family at 5 it may be stated that the impact of the Co-operative Movement in Pakistan is on 9,000,000 persons in the country.

50 percent of the number of the societies i.e. 15,000 are that of Thrift and Credit, their membership is about 700,000 which

have a share capital of Rs. 30 million and working capital of Rs. 140 million. Besides the Provincial Co-operative Banks, the other main types of co-operative societies are that of co-operative supply and sale; co-operative farming; co-operative farm service societies and centres; project area societies; tubewell societies; non-agricultural societies; thrift and savings societies; co-operative stores; housing societies; transport societies; industrial societies for men and women. The hitherto known Co-operative Banks have been dissolved with the enforcement of the Establishment of the Federal Bank for Cooperatives and Regulation of Co-operative Banking Ordinance promulgated on the 16th October, 1976 which was later on passed as an Act of the National Assembly of Pakistan. All the Co-operative Societies are dedicated to the realisation of their objectives.

The Co-operative Movement has the whole-hearted support and guidance of the Government. The Government is convinced that the Co-operative Movement which represents a system of economic democracy has a great potential as an instrument of national advancement and, therefore, gives its full support and assistance to the organisation and development of Co-operative Societies in all fields of economic activity. The Co-operative Movement has proved to be the most effective instrument of accelerating economic development and for improving the lot of the common man.

PHILIPPINES

The Cooperative Movement of the Philippines

Introduction

Coöperation in the Philippines is as old as its culture. The strain of cooperation spans centuries of human existence from its pristine form of mutual assistance to what we call in the native tongue the *Bayanihan*. Cooperation, however, as a system which seeks to harness the limited resources of people of small means and opportunities for more pronounced economic as well as social ends as we know it today, was introduced in the Philippines only at the beginning of the American rule in the 1900s.

The first attempt to institutionalize cooperative as a way of life started in 1915 with the enactment of Act No. 2508, otherwise known as the Rural Credit Act, by way of helping the farmers in their credit needs through the establishment of rural credit cooperatives. This was followed in 1927 by the passage of Act No. 3425, the Cooperative Marketing Law. This was designed primarily to organize the farmers into cooperatives to help them market their produce efficiently.

In 1940 a general law on cooperatives, Commonwealth Act No. 565 was enacted to promote the organization of cooperatives by giving them some tax exemptions.

In 1952, Agricultural Cooperatives received a big boost through the enactment of Republic Act No. 821 which created the Agricultural Credit and Cooperative Financing Administration (ACCEA). The ACCEA was entrusted with the functions of extending agricultural credit to farmers at liberal terms and organizing them into Farmers Cooperative Marketing Associations (FaCoMas).

This was followed by the enactment of Republic Act No.

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2023 in 1957 otherwise known as the Non-Agricultural Cooperative Law. This law sought to promote, organize and supervise all types of non-agricultural cooperatives.

In 1963, Republic Act No. 3844, known as the Agricultural Land Reform Code was signed into law to provide production and marketing incentives to members of farmers cooperatives as a direct support to land reform.

All these previous attempts at fostering the growth of cooperatives in the Philippines, however, failed to achieve the desired results. The different pieces of legislation, uncoordinated as they were, only succeeded in fragmenting the cooperative movement.

Before the advent of the new programme it was reported that out of a total of 938 registered agricultural cooperatives only 364 were considered active. A larger percentage of cooperatives was in the throes of death. The Agricultural Credit Administration (which took the place of the ACCEA in 1963) reported that of 700 FaCoMas affiliated with them, only 120 were operating.

It is against this background that the new cooperative development programme was ushered in.

The New Cooperatives Development Programme

On April 14, 1973, Presidential Decree No. 175, entitled "Strengthening the Cooperatives Movement", was signed by President Ferdinand E. Marcos as an initial effort to consolidate the different cooperative laws into one, to provide a sound basis for a truly systematic cooperative programme and to place the responsibility of initiating, promoting, organizing, supervising and developing the cooperatives under one government agency so as to eliminate duplication of functions and at the same time maximize the productive output of the men and women who are engaged in the task of implementing the Programme.

The new cooperatives law sets the tone of cooperative development by declaring it a "policy of the state to foster the creation and growth of cooperatives as a means of increasing the income and purchasing power of the low-income sector of the population in order to attain a more equitable distribution of

income and wealth". Based on this policy of the State, the new cooperatives development programme of the Philippines was launched.

Premises of the Programme

The present cooperatives development programme stands on three basic premises :

1. Cooperatives are a means of effecting income and wealth redistribution and as such they should be accorded special privileges by government.

2. Cooperatives should be built from the bottom up. This requires effecting attitudinal changes demanding a learning process which may be completed only after a sufficient span of time. Cooperatives shall be built from the grass roots level particularly in the rural *barangays*.

3. Cooperatives shall be developed into a system by integration into a single national development scheme.

Initial Stages of the Programme

The Programme is being pursued initially in four stages. These are :

1. Stage I—Organization and Development of *Samahang Nayon*. The *Samahang Nayon* is a village-based organization composed primarily of some 25 to 200 farmers. The basic rationale in organizing the farmers into this association is to enable them to solve their social and economic problems collectively and ultimately, to help improve the quality of life of the barrio people.

This stage has two phases. Phase I deals with the organization of the *Samahang Nayon*. This consists of training and organization activities for a period of ten weeks. The principal feature of this organizational phase is the pre-membership education consisting of eight major lessons on agrarian reform, cooperatives and the *Samahang Nayon*. No *Samahang Nayon* can be organized and registered unless its members have undergone the training requirements of Phase I.

Phase II focuses on the development of the *Samahang Nayon* and covers fifty-five weeks. This consists of a series of train-

ing courses on management, technical agriculture and product specialization.

2. Stage II—is devoted to the organization and development of full-fledged cooperatives such as the organization of Area Marketing Cooperatives for the purpose of supplying the farmers with needed production inputs and supplies and in the marketing of their produce; the establishment of Cooperative Rural Banks for the purpose of mobilizing the small, scattered resources of the people for productive activities. This stage also involves the organization of other types of cooperatives such as the consumer, the credit, the producer, the marketing and the service cooperatives.

3. Stage III—brings in the organization of consumer cooperative markets in key urban centres of the country for the purpose of developing steady and regular domestic outlets for agricultural produce.

4. Stage IV—is the integration of cooperatives into a whole system. This consists of federating cooperatives at higher level establishing the proper and necessary linkages and areas of cooperation among the different types of cooperatives. This will culminate in the organization of a National Cooperative Union of the Philippines which will be the official spokesman of the movement. The union is envisioned to take over some of the current functions and activities of government in respect of cooperatives.

Cooperatives and Agrarian Reform

On October 21, 1972, one month after the birth of the New Society, Presidential Decree No. 27 was signed by the President. This Decree emancipates the tenant-farmers from the bondage of the soil by making them owners of the lands they are tilling on three conditions : (a) that they pay for those lands in 15 yearly instalments; (b) that they be members of cooperatives; and (c) that their cooperatives should guarantee their land payment amortizations.

The reason for the cooperative membership requirement is to provide the tenant-farmer the necessary institutional support that will assist in his credit needs; and organization for the effective acquisition of his production and farm supply require-

ments and the efficient marketing of his produce; and organization that will make possible the channelling to him of technical information as well as his assimilation of new and improved farming techniques; and effective organization that can have the capability of guaranteeing his land amortization payments. All these are calculated not only to make him a better farmer but to prepare him for the responsibilities of a new breed of landowner tiller.

The Samahang Nayon Programme

The *Samahang Nayon* is a pre-cooperative primarily composed of small farmers residing and/or farming within the geographical limits of a *barangay* (village) for the purpose of improving the quality of life in the *barangay*.

Although initially launched to directly support the agrarian reform programme, the *Samahang Nayon* is being built as the rural foundation on the whole cooperative development programme of the country. It is a small organization with a minimum of 25 and a maximum of 200 members. It does not engage in any business activity. It is their full fledged cooperative that undertakes business functions for them.

The *Samahang Nayon* is a development process itself and stands on three pillars: It is a continuous educational process; a savings process for capital formation and a disciplinary process.

1. The Educational Process

In the *Samahang Nayon*, the members undergo a total of sixty weeks of educational programme. In the organizational phase (Phase I), the members have to take eight major lessons before they can organize their *Samahang Nayon*. After they are organized and registered with the Bureau of Cooperatives Development (this gives them juridical personality as pre-cooperatives) they are now ready for Phase II which is the developmental phase.

In Phase II, the first course is a management course for the Board of Directors of the *Samahang Nayon*. Conducted over a period of ten weeks, this course consists of 20 lessons designed

to develop among the officers the knowledge, skills and attitudes necessary for intelligent leadership and effective management of the *Samahang Nayon*.

The second course under this phase is the technical agricultural training which is given to all members of the *Samahang Nayon*. This consists of 20 lessons conducted over a period of 20 weeks in such subjects as use of fertilizers and pesticides, poultry, piggery, vegetable production, credit financing and specific subjects on improved farming practices. These lessons are accompanied by actual demonstration projects conducted in the farms of the members.

The next course is product specialization. Given to all members of the *Samahang Nayon*, this course consists of 8 lessons along certain special skills relevant to the needs and requirements of particular areas.

The last course under Phase II is an abridged management training for all SN members. Consisting of 12 lessons, this is conducted through a 12-week period.

When a *Samahang Nayon* member has satisfactorily completed all the lessons of Phase I and II of Stage I, he is considered a graduate of the 'Pamantasan sa Nayon' which is sort of an open barrio university. He is given a 'diploma' for this.

All this educational process is reinforced by printed materials such as leaflets, posters and manuals in the appropriate vernacular and by radio programmes such as jingles, slogans, drama spots and school-on-air lessons.

2. *The Capital Formation Process*

The Savings Programme in the *Samahang Nayon* is an attempt to generate financing from the grassroots level. In the past several decades, the government successively launched one programme after the other each geared toward helping the farmer acquire low-cost credit for his agricultural inputs. The government's programme of providing low-cost credit and a package deal of technical assistance in modern farm technology, introduction of high yielding and pest-resistant varieties and multi-cropping techniques have undoubtedly contributed in increasing the income of the farmer. The increase in income which enhanced the farmer's capacity to save, failed to develop the pro-

pency to save by way of replacing external finance with internally generated capital. Hence, while the government and other institutional lending agencies were channelling millions of pesos into the main stream of agricultural production, very little if any, was generated in the form of savings by the local beneficiaries.

The Barrio Savings Programme is calculated to strengthen this weak spot in the farmer's economy. As a rule, all members of a *Samahang Nayon* must pledge to participate in the planned savings activities.

The *Samahang Nayon* has two major funds: The Barrio Savings Fund and the Barrio Guarantee Fund.

The Barrio Savings Fund is built by saving three percent (formerly 5%) of all production loans taken by a member from various financing institutions. If a member is non-borrowing, he saves at least five pesos a month. All these are placed in the Barrio Savings Fund in the name of the *Samahang Nayon* for the account of the members.

This fund can be used by the *Samahang Nayon* for the purchase of shares of stock of existing rural banks or for the establishment of their own cooperative rural banks. It may be utilized for other purposes only upon approval of the Bureau of Cooperatives Development.

The Barrio Guarantee Fund is a social fund. It is built through the members' contribution of one cavan of palay per hectare per harvest or its equivalent in other products or in cash.

This fund may be used by the *Samahang Nayon* to: (a) guarantee and amortization of its members under the agrarian reform programme; (b) provide modest social security for its members in the form of life insurance; (c) capitalize their full-fledged marketing cooperatives; (d) guarantee loans; and (e) provide other social services needed by the members.

These two funds are continuing. As long as one is a member of a *Samahang Nayon* he is obligated to contribute to these funds. To safeguard these funds, they are required to be deposited in official depository banks of the *Samahang Nayan*. They are not withdrawable unless prior authority is given to the *Samahang Nayon* by the Bureau of Cooperatives Development.

3. *The Disciplinary Process*

Through the theoretical and practical cooperatives educational process, the *Samahang Nayon* member is expected to develop the capacity to interact in a group and develop a strong sense of discipline.

The exercise in self-government where decision making is vested in the membership under the concept that the will of the majority shall prevail, the fulfillment of certain obligations such as payment of land amortizations, contributions to the *Samahang Nayon* funds, active participation in the affairs of the *Samahang Nayon*, compliance with the internal and external rules of the organization, adoption of improved farming techniques are overt manifestations of the acceptance and development of discipline. Self-imposition of discipline actualized in the relationship that prevails in the *Samahang Nayon* is calculated to provide the underpinning for cooperative activities and in the greater task of community-building.

But if a member does not have self-discipline, his *Samahang Nayon* has power to discipline him. Thus, if a member defaults in any of his major obligations, the *Samahang Nayon* has the power to take over his farm. Repeated and unjustified defaults shall mean the expulsion of the member with automatic loss of the certificate of land transfer he acquired through the agrarian reform programme.

The Cooperatives (Kilusang Bayan) of Samahang Nayon

As soon as a *Samahang Nayon* is organized and registered at the end of Phase I, it is considered a Class "C" *Samahang Nayon*. When its members have finished the Technical Agriculture training under Phase II the *Samahang Nayon* is considered Class "B". When in addition to the completion of the technical agriculture training its members have substantially complied with the savings programme then the *Samahang Nayon* graduates into Class "A".

A group of at least 10 Class "A" *Samahang Nayon* may now form a *Kilusang Bayan* (full-fledged cooperative) which will engage in business for the *Samahang Nayon* and their members.

The two types of *Kilusang Bayan* which *Samahang Nayon*

are now organizing are the Kilusang Bayan for Marketing (Area Marketing Cooperative) and the Cooperative Rural Bank. Each type is further discussed elsewhere.

Privileges of Cooperatives

By way of government incentives and institutional support, cooperatives in the Philippines enjoy exemption from income and sales taxes. They have preferential treatment in supplying government agencies and instrumentalities with agricultural commodities and other products of cooperatives. Prospective cooperatives receive technical assistance in the establishment of their organization, in the same manner that established cooperatives receive technical advice in their operation activities. This service package is provided by the government through the Bureau of Cooperatives Development.

Cooperative Development Loan Fund

In the field of cooperative finance, the new cooperatives law has provided for the establishment of the Cooperative Development Loan Fund, funded through general appropriation, foreign loans or proceeds of sales of commodity loans, grants and donations, levies imposed by existing laws on agricultural commodities for the development of cooperatives; and such other sources as are now provided by existing laws or as may be provided for in the future.

The administration of this Fund is under a Management Committee composed of representatives from the Ministry of Local Government and Community Development, Central Bank of the Philippines, Philippine National Bank, Ministry of Agriculture, Ministry of Agrarian Reform and two representatives from the Cooperative movement designated by the Minister of Local Government and Community Development.

The fund is being utilized as a source of loanable funds for cooperatives, guarantee for loans granted to cooperatives and as a source of advance to cooperatives for the purchase of equity in rural banks or for establishing Cooperative Rural Banks. By provision of law, no loans from this Fund shall be given directly to farmers.

Management Training and Assistance Programme (MTAP)

This is to support a programme that seeks to establish a central management and training pool which shall be composed of top calibre managers who may be assigned to manage co-operatives with the purpose of training one or more understudies, who will become professional managers themselves. Cooperatives in selected areas are given professional managers who in turn train one or two understudies.

Presently, there are twenty-six (26) MTAP professional managers that have been trained and fielded to manage cooperatives and train their understudies. The salaries of these professional managers are being borne by the Management Training and Assistance Programme until such time that the cooperatives they are managing shall be in a position to underwrite their salary.

Financing of the MTAP is drawn from the following:

1. General Appropriations;
2. Income from the Cooperative Development Loan Fund;
3. Grants and donations; and
4. Contributions from cooperatives.

Status of the Programme

Samahang Nayon Programme Profile

The Samahang Nayon Programme, as of December 31, 1978, has been implemented in 75 out of the 75 provinces, covering 27,697 barrios in 1,527 towns and cities. Some 2,783 field workers of the ministry are directly involved and 7,905 volunteer barrio workers (public school teachers) were utilized in the initial organization. We have like-wise trained and deputized some 831 members from the private sector to assist in Samahang Nayon organization.

As of December 31, 1978, 21,089 Samahang Nayon with 1,019,212 members have been organized of which 17,956 have been registered with a membership of 924,358.

Savings of Samahang Nayon:

General Fund	Pesos	20,165,000
Barrio Savings Fund		39,466,000
Barrio Guarantee Fund		31,322,000
	Pesos	<u>90,953,000</u>

Other Coops' Profiles

1. Area Marketing Cooperatives

The Area Marketing Cooperative (AMC) is a full-fledged cooperative whose members are Samahang Nayons. As the marketing arm of the Samahang Nayon, it engages in the procurement of production supplies and inputs needed by the farmers and the processing, storage, ware-housing, transportation and selling of farm produce. It provides limited extension services to member-Samahang Nayons.

An area marketing cooperative is organized on a provincial or multimunicipal level. It has a minimum paid-up capital of P100,000,000. There are now organized some 50 AMC's of which 38 are registered. Thirty-five of these are now fully operational.

Consolidated capitalization of organized AMCs is as follows: Authorized—P100.5 million; Subscribed—P21 Million; Paid-up—P6.7 Million.

Consolidated volume of business of operating AMCs for the year ended 1978:

Grains Marketing	P	18,690,880.32
Farm Inputs/Supplies		17,838,518.69
Vegetables and Fruits		57,498.43
Livestock		527,819.10
Copra		3,240,396.44
Equipment		869,867.87
Others		674,295.91
Total	P	<u>41,899,276.76</u>

2. Cooperative Rural Banks

The Cooperative Rural Bank (CRB) is another major full-fledged cooperative organized under Stage II of the cooperatives development programme. Together with the area marketing cooperatives, it forms a triangular linkage with the Samahang Nayon on the provincial level. While the AMCs are the Samahang Nayons marketing arm, the CRBs are the SNs financing arm.

The cooperative rural banks under the policies of the Bureau of Cooperatives Development must have a minimum capitalization of P200,000 for a province-wide operation. Meanwhile, P100,000 is required for CRBs municipal wide operation. Its members must not be less than ten duly registered Samahang Nayons. However, other viable cooperatives are encouraged to join.

As of December 31, 1978, there are 13 operational CRBs in the country with a total paid-up capital of P14,611,000.00. Out of its 13 operational CRBs, 12 reported more than P40 million loans granted to 14,500 borrowers. Total deposits received from savings and time deposits amounted to P5.5 million.

3. Cooperative Insurance System

Cooperative Insurance System of the Philippines (CISP) is an insurance cooperative organized, by Samahang Nayons and other cooperatives to provide rudimentary insurance to SN and coop members. It is now offering group life and individual life coverages. Such coverages as land payment protection plan, loan protection plan and savings incentive plan will soon be offered.

From 1957 to 1978, over 185,000 members of Samahang Nayon and other cooperatives were insured. A total premium of P6,554,264 was collected, broken down as follows :

1975	P 1,518,339
1976	1,691,158
1977	1,777,996
1978	1,566,771

As of December 31, 1978, there were 12,770 Samahang Nayons and 239 cooperatives that contributed P4.8 million paid-up capital.

4. Cooperative Marketing System of the Philippines

In an effort to systematize the procurement of production inputs and supplies by the rural sector and the marketing of their products, the Cooperative Marketing System of the Philippines was organized in January 1975 by area marketing cooperatives. Presently, the producers in the rural area, represented by the CMSP are joining hands with consumer cooperative markets. Initial target of the project is the Metro Manila Area. The CMSP has an authorized capital stock of P25 million and an initial paid-up capital of P 1.2 million.

From 1976 to 1978, the volume of business of the CMSP amounted to P 76.35 million broken down as follows:

Item	Volume of Sales			
	(million Pesos)			
	1976	1977	1978	Total
Meat & Poultry	P 2.15	P 4.21	P 3.91	P 10.27
Grains	—	6.01	4.51	10.52
Inputs	0.33	3.95	2.69	6.97
Groceries	21.64	16.12	1.23	38.99
Fruits & Vegetables	0.25	1.05	1.12	2.42
Fuel Lubricants				
TBA	1.55	1.70	1.44	4.44
Others	0.92	1.16	0.41	2.49
Total Sales	P 26.84	P 34.20	P 15.31	P 76.35

5. National Publishing Cooperative

In 1973 some Samahang Nayon and cooperatives organized a national cooperative publishing outfit, the National Publishing

Cooperative (NPC) for the purpose of handling the preparation and publication of printed materials needed in cooperative promotions and education. NPC also handles radio, TV and documentary production for educational purposes.

As of December 31, 1978 a total paid up capital of P317,407.93 was provided by twenty cooperatives. Total service income from October, 1973 to 1978 amounted to P10.2 million of which P 8.33 million were derived from printing.

Hereunder is the breakdown of service income from 1973 to 1978:

	Printing	Radio/TV	Films	Others
1973	0.2 M			
1974	1.25			
1975	1.5	.3		.03
1976	2.58	.16	.25	.10
1977	1.8	.25	.55	.05
1978	1.0	—	.29	.01
	<hr/> P 8.33 M	<hr/> .6 M	<hr/> 1.09 M	<hr/> .19 M

6. The Metro-Manila Consumers Cooperative

This has recently been organized. With an authorized capital stock of P 20 Million, the initial equity requirement of P 1 Million has been equally shared by the CMSP, which put up P 500,000 and existing consumers and producers cooperatives in the area providing the other half.

As of December 31, 1978 there were 12 member-cooperatives with paid up capital of P 980,000 in common shares and 6508 individual preferred share-holders with paid up capital of P 1,211,000.

The main store located at Roces Avenue, Quezon City had a total sales volume of P 122.9 million since it started operation in June, 1976. The branch at Broadway Centrum has just started operations and is expected to cater to even a bigger clientele.

Two other coop supermarkets have been established by the cooperative sector late last year. They are located in China town and in Caloocan City, Metro-Manila.

7. The Cooperative Savings Bank

Existing credit unions and other cooperatives have endorsed fully the idea of organizing a cooperative savings bank on the national level to cater the financing requirements of cooperatives. The bank will eventually operate branches in cities and provinces. Equity requirement as far as banking rules are concerned is P 10 M. In the interim, cooperatives agreed to register the proposed bank as a Credit Cooperative until such time that it has mastered the necessary equity of a savings bank.

As of December 31, 1978, there were forty-five (45) institutional members (cooperatives) and 224 individual shareholders, providing a total capital of P 864,756.00. Of this, P 841,916 was provided by cooperatives and P 22,840 by individuals.

Total deposits have reached the P 1 million mark in 1978, broken down as follows: savings deposits amounting to P 909,430.50 made by 2573 depositors and P 129,634.02 in time deposits by 31 depositors.

So far, short term loans ranging from 180 days to 360 days were granted to nine borrowers: P 473,000 to five cooperatives and P 13,299.01 to four individuals, or a total of P 486,299.01.

Some Important Projects

1. *Katipunan ng mga Samahang Nayon*

The main thrust in the development of Samahang Nayon is for all levels of the Katipunan ng mga Samahang Nayon (KSN) to put up Demonstration Farms where farmers will learn by doing. Through these projects farmers learn and apply modern agricultural technology. Also farm management and production along cooperative principles and practice are implemented in these farms.

In 1978, four municipal KSNs in Region I, II, III and IV have put up a fishpond project in Camiling, Tarlac, a training center in Tarlac, Tarlac, a cattle project in Lemery, Batangas

and a piggery project in Balayan, Batangas. All four projects have realized for their municipalities a neat margin of profit.

2. Depressed Areas Development Programme

Cognizant of the role of cooperatives as an arm for development, the Bureau of Cooperatives Development through the Special Task Force has adopted a depressed areas development programme. The programme aims at accelerating the pace of rural transformation by creating an economic climate conducive to such development. Among the depressed areas included in the programme are: Paoay, Telosa in Leyte, Kiput area in Iloilo and the Mindoro areas.

In these areas, residents translate into action the virtues of industry, cooperation and self-reliance. They are encouraged to join actively in meaningful social and economic development activities geared at making them realize their needs. It is the aim of the programme to let the people in these areas work for what they want to have so that in the end when they are ready to receive developmental inputs they will use them to their advantage without presupposing that these helps are dole-outs.

In Paoay Lake alone, seven hundred sixty-nine (769) farmers now own the Paoay Lake Development Corporation, Inc. (PLDCI) swelling its capitalization to P41,000.00. With a loan package of P 500,000.00 from the Cooperatives Development Loan Fund (CDLF), it has embarked in a cattle, swine and poultry projects in a tie-up activity with the Bureau of Animal Industry (BAI). To date PLDCI has 5 consumers cooperative outlets and a brick-making industry.

With the apparent success of Paoay Lake Development Corporation, Inc., other depressed areas hope to achieve for the residents self-reliance and total involvement in the communities social and economic development.

3. United Nations Development Programme/Food and Agricultural Organization Project

The UNDP/FAO assistance project is intended to help the Philippine Government through the Ministry of Local Government and Community Development in the continuing imple-

mentation of its Cooperatives Development Programme. The assistance is particularly along the line of planning and organization of market channels for agricultural products through linkages of Samahang Nayons, Area Marketing Cooperatives and the Cooperative Marketing System of the Philippines (CMSP).

During its implementation, the project was able to identify, execute and evaluate various marketing concepts and practices. It was able to facilitate the flow of farm products notably vegetables, fruits and livestock directly to Metro Manila consumers through the Metro Manila Consumers Cooperative (MMCC).

Five registered AMCs have been extended technical assistance by the project : Cavite AMC and Benguet AMC for fruits and vegetables, Batangas AMC for livestock, Mercedes (Consumers Norte) Area Fishing Cooperative and North Zambales Multi-Purpose AMC. These AMCs will serve as working examples for future market development for other AMCs in the country.

4. Cooperative Marketing Project

The Cooperative Marketing Project is an undertaking presently implemented by the Bureau of Cooperatives Development and though other agencies aimed at improving and facilitating the development of the cooperative marketing structure of the Philippines. Under the project, fifteen AMCs will be provided over a period of three years access to adequate financing and management assistance for servicing the production, supply and marketing needs of small farmers. A system for cooperative finance will be developed whereby subloans will be extended to the AMCs through Cooperative Rural Banks acting as conduits. This system will involve the establishment of a central cooperative finance group within the Central Bank of the Philippines.

The project is partly financed through a United States Agency for International Development (USAID) loan package to the Cooperatives Development Programme.

The package includes 96 man-months of technical assistance and loans amounting to \$6 million which is divided into \$1.6M and \$4.4M to be delivered in 1978 and 1979 respectively. On

the other hand, the Philippine Government through BCOD, provides the counterpart staff with cost equivalent of P3.2M which is further divided into P1.7M for 1978 and P1.5M for 1979 and a counterpart loan fund amounting to P3.75M per year for 3 years beginning in 1978.

5. Samahang Nayon Support Programme

The Samahang Nayon Support Programme (SNSP) is another three year project which begins in 1979 aimed at strengthening the organizational base of the cooperative marketing system, which is the Samahang Nayon members. It is a project related to and in support of the Cooperatives Marketing Project. Both have the same target provinces : the fifteen areas where CMP is implemented. However, as the CMP is designed to give technical, managerial and financial support, SNSP will directly revitalize the SN members keeping them strong and active.

SNSP will work to make AMCs and CRBs able to virtually serve the entire membership in the future. This viability can only be achieved through the introduction of practical socio-economic activities within the SN such as :

- a. record keeping
- b. meeting place/collection point
- c. on-farm mechanization
- d. farmer leadership development
- e. Agricultural extension
- f. integrated agricultural financing

As a whole, SNSP will serve as a complementary to the objectives of the CMP.

6. Integration of Cooperatives in the School Curricula

To maintain the gains of New Cooperatives Development Programme (CDP) in the field of education and training, it is imperative to extend the teaching of cooperative principles and practices among the youth specially during their prime years in school. These concepts could be fully internationalized, applied and reinforced into a way of life, if principles of coopera-

tivism are integrated in the curricula and taught to students from the elementary level up to the collegiate level. The approach shall be in a systematic way in order to inculcate in their minds the true meaning of cooperativism.

The objective of the BCOD and all the other cooperating agencies is to produce in the future "cooperators" out of the youth of today. The BCOD, in cooperation with other agencies like the Ministry of Education and Culture, the Polytechnic University of the Philippines and the Ministry of Information, have formulated different activities for the integration of Cooperative concepts in the school curricula to be undertaken. Among these are : (a) Orientation on the Cooperative Development Programme for Ministry of Education and Culture officials; (b) Seminar-Workshops for the preparation and use of instructional materials; (c) Six month micro-tryout in strategic localities, and (d) A nation-wide training of teachers to initiate cooperative "enriched" subjects in selected schools. Selected participants and pilot areas shall be pinpointed to undertake the initial implementation of the programme.

Concluding Remarks

The Cooperatives Development Programme was launched as a major activity of the government to fill a critical aspect of reform and restructuring both the economy and in society. In the brief span of five years, the Ministry of Local Government and Community Development, through the Bureau of Cooperatives Development, in collaboration with the private sector, has done its share of the awesome task. So much so remains to be done, but we are confident that cooperatives as a system that epitomize the "bayanihan" spirit and institutionalize our rich cultural heritage of democracy will find firm mooring in the Filipino people.

SINGAPORE

The Co-Operative Movement in Singapore

I. General Economy

Singapore is a small compact country of 587.6 sq. km., including its 54 islets. The main island is about 41.84 km. in length and 22.53 km. in breadth, with a coastline of 133.6 km.

Singapore, situated at the southern end of the Straits of Malacca, lies in Asia's most crowded sea lane, and is a cross-roads of the Indian and Pacific Oceans. Access to Peninsular Malaysia is by a 1,056 m. causeway which carries both a road and a railway.

Population at 30-6-77 was estimated at 2, 308,200. In 1977, the population growth rate was 1.2%. The population density was 3,770 persons per km. The ethnic composition of Singapore's population was 76.1% Chinese, 15.1% Malays, 6.9% Indians, Pakistanis and Sri Lankans, and 1.9% of other ethnic groups.

Originally, a small port and trading post, Singapore had diversified its economy into finance and manufacturing, which provides a catalyst for Singapore's dynamic economic growth although entrepot trade still remains a key contributor. Singapore does not have significant material resources, but it has a natural harbour, strategically situated at the cross-roads of the major travel routes and a determined breed of young and hardworking citizens.

By early 1960s, Singapore's economic structures had undergone a radical change as a result of the regional shift towards urbanisation and industrialisation. The Economic Development Board was created in 1961 to promote industrial investments, develop and manage industrial estates, provide industry financing and technical consultancy services and conduct economic research. In 1970 Singapore embarked on a new phase of industrial development, with emphasis on higher technology and skills. Attention is constantly focussed on the modernisation and expansion of the infrastructure and further diversification of the economic base.

Today there are industries in metal fabrication and engineering, ship-building and repairing, petroleum refining, petrochemical complex and plastics, electronic and electrical products, precision optical products, timber and woodworking, food and beverages, textiles and apparels. Besides the industries, tourism, shipping and services also play a major role in the economy.

The Primary Production Department of the Ministry of National Development implements agricultural policies, provides the infrastructure for agricultural developments, undertakes research in the primary industry and training of farmers and fishermen, and renders a wide range of services for them. It introduces and encourages intensive methods of production through maximum use of limited land resources at minimum production costs.

The intensive pig-farming project in Ponggol to resettle pig farms from the water catchment area and other areas affected by public projects has made rapid progress. 194 farms were resettled in the estate occupying a total area of 126.8 hectares and rearing about 67,500 pigs by the end of 1976. The number of farms increased to 274 in 1977, and the pig population rose to 166,995. Development of 226 hectares in Jalan Kayu under Phase II of the project was completed and allotted to resettlers in 1977.

Licensed farms numbered 14,246 in 1977, occupying 10,286 hectares or about 20% of Singapore's total land area. Mixed farming is the norm, often with pigs and poultry and vegetable crops constituting the main activities.

The bulk of the market vegetables are imported. 36,460 tonnes of fresh vegetables were produced in 1977, meeting only 44% of the local requirements.

Fish consumption in 1977 was 55,067 tonnes, of which more than 7% was imported from Peninsular Malaysia. Local catch amounted to 15,105 tonnes. There were 2,078 licensed inshore and offshore fishermen in 1977, of whom 64% were engaged in offshore fishing.

II. The Co-operative Movement

Co-operation was introduced in Singapore by the Government after a study of the Co-operative Credit Movement in

India, with the enactment of the first Co-operative Societies Ordinance in 1925. It was not so much the poverty of the country that was causing distress, but the lack of thrift and foresight to provide for contingencies on the part of the wage-earners. The majority of them got into the clutches of money-lenders and were heavily indebted to them. The solution of the problem was the introduction of Thrift & Loan Societies. This aspect of co-operation still forms the bulk of the Movement in Singapore.

The Co-operative Law in Singapore was first enacted in 1925, then known as the Straits Settlements Co-operative Societies Ordinance. In the same year, the Co-operative Societies Rules were also made to provide for the registration, management and working of Co-operative Societies.

Mr. A. Cavendish, Malayan Civil Service, was appointed as Registrar of Co-operative Societies, Straits Settlements & the Federated Malay States. Mr. A. Cavendish had his headquarters in Kuala Lumpur.

The Movement was by necessity closely controlled by the Co-operative Societies Department, acting through the Registrar and his Co-operative Officers. The Department was charged with the responsibilities of the promotion, supervision, registration and liquidation of Co-operative Societies in Singapore. The Department and its officers took the lead in guiding the new Societies, while the pioneer Co-operators were initiated into the fundamentals of the Movement and taught the principles of Co-operation. The assistance of the Department was given in the preparation of the books and forms and representatives of the Registrar also carried out the audit of the Societies. Apart from exempting Co-operative Societies from taxation and stamp duties by legislation, Government also provided facilities for payroll deductions of dues from its employees to Co-operative Thrift & Loan Societies.

In 1929, Mr. C. Strickland, Indian Civil Service, who was previously Registrar of Co-operative Societies, Punjab, India, visited Singapore on the invitation of the Government, and made a study of the Movement. His report was published in 1929 and many of his recommendations were adopted.

During the Japanese occupation period, 1942-1945, all Singapore Co-operative Societies ceased to function, but after

the Liberation most of the Societies commenced business again

After the 2nd World War, Co-operation spread into the field of Co-operative Housing, Banking, Stores and Insurance.

Meanwhile, the Co-operative Department began to identify itself with the rural dwellers of the Island State and fishermen of the neighbouring islands under its jurisdiction. This resulted in the formation of the rural thrift and investment, credit, consumer, production, marketing and general purpose Societies.

Since the War, the Co-operative Movement in Singapore gradually gathered strength and made phenomenal progress. The most significant development of the Co-operative Movement in Singapore was that the Singapore National Trade Union Congress decided in 1969 to launch into Co-operative ventures as a strategy in its modernisation programme. As a result, the NTUC established several Co-operative Societies, viz. an Insurance Co-operative, a Transport Co-operative in 1970, a Dental Care Society in 1971, a Consumer's Co-operative in 1973 and a Book Co-operative in 1974. These continue to make tremendous progress.

In 1947, there were only 37 Co-operative Societies with a membership of 13,000 and a working capital of \$1,310,000. As at 1977, there were 81 Co-operatives with a membership of 127,539 and a paid-up capital of \$39.3 million. Statistics of Co-operative Societies as at 31-12-77 are as per Annexe.

III. Sectoral Development of the Movement

(1) Thrift & Credit Co-operatives

The Thrift & Credit Co-operatives are the pioneers and the back-bone of the Movement. A few of them have celebrated the Golden Jubilee of their formation. They are subdivided into 3 different groups according to the nature of their business :—

(a) Thrift & Loan Societies (totalling 28)

Members of the thrift and loan societies are allowed to borrow more than what they have in the societies on the condition that their loans are secured by 2 sureties who are also members.

(b) *Thrift & Investment Societies (totalling 8)*

Members of these societies are mostly Malay dwellers along the coastal districts of Singapore and on the neighbouring islands. Such Societies do not grant loans to members, but only allow withdrawal of deposits.

(c) *Thrift & Credit Societies (totalling 4)*

A credit society caters only for fully secured loans up to 80% of a member's total subscription. Their members are mostly daily rated workers in urban areas.

These societies continue to achieve steady progress. The membership strength at the end of 1977 stood at 28,004 and the capital was \$24,521,725.82. Some thrift and credit societies provide consumer services to their members in addition to their traditional activities.

In present days the thrift and loan or credit societies are facing serious problems in their attempts to compete with commercial banks in offering their members attractive and secure investment of small amounts of money while the existing Co-operative Legislation limits the rate of dividend to 6% per annum.

Furthermore, the rate of interest on deposits and the investment of funds of Co-operative Societies are subject to some restrictions under the law, thus making Co-operative investments relatively secure but not very profitable. Some members feel that their interests as investors can no longer be promoted in an optimal way by their Co-operatives.

This state of affairs calls for co-ordinated joint action of all Co-operative Societies and for the expertise of professional bankers to advise on the management of the accumulated Co-operative fund.

(2) Agricultural Co-operatives

In the field of agricultural and fishermen's societies, such Co-operatives used to be encouraged and promoted by the Co-operative Development Division while it was under the Primary

Production Department. The Registry of Co-operative Societies is now mainly involved in liquidating inactive Societies of this type.

The present policy of the Primary Production Department is to promote farming and fishing activities in direct contact with the farmers and fishermen rather than through organised groups.

Livestock & Agricultural Co-operative Societies Ltd.

This Society was sponsored by the Teachers' Multi-Purpose Co-operative Society and registered on 10-9-74 with the objectives of developing mechanised pig-farming, chicken farming, vegetable and fruit cultivation and producing animal feed.

The Society had 5 institutional members and 52 individual members. It originally leased a piece of land of 2.1 hectares in Ponggol from the Primary Production Department to start a commercial pig-farm, but the project had to be abandoned due to lack of financial resources and managerial expertise. On the advice of the Registrar, it was decided to explore the possibility of establishing an orchid farm on land belonging to the Mandai Zoological Gardens. The project had fallen through as the Zoological Gardens wanted a partnership with the Society with at least 50% profit sharing for the free use of its land.

This Society has since been taken over by members of the Orchid Growers Association.

(3) Consumer Co-operatives

The first attempt to start a Consumer Co-operative Movement in Singapore was made after the 2nd World War, when a group of lawyers, university lecturers and school teachers got together to organise what was known as the Singapore Co-operative Stores Society Ltd. This Society was registered in 1947 at a time when black market was flourishing, but with the arrival of most essential articles in plentiful supply, the loyalty of members sagged and the Society had to be liquidated.

Other attempts at consumer co-operation followed with the formation of the Pulau Bukom Co-operative Stores Society

Ltd. at the same time, the Singapore Mental Hospital Co-operative Stores Society Ltd. in 1950, the Singapore Public Services Co-operative Stores Society Ltd. in 1958 and others. All these Consumer Societies had not succeeded for various reasons—from lack of support and co-operation from the general membership, poor and ineffective management, difficulties in the maintenance of stock control and the keen competition of the retail shops.

With the launching of the NTUC WELCOME CONSUMERS' CO-OPERATIVE LTD. in July 1973, a Consumer Co-operative Movement has again been established in Singapore.

There were 10 Consumer Co-operative Societies with 66 institutional members, 23,257 individual members and a share and subscription capital of \$2,843,026.25c as at 31-12-77. Except for NTUC Welcome Consumer Co operative Ltd. and a few larger Societies with bigger capital and membership, most of these Consumer Co operatives are small primary Societies. They are in fact nothing more than sundry shops Societies catering for provisions and mechanical goods.

(4) Housing/Land Purchase Co-operatives

There are 3 housing Co-operatives and 3 land purchase Co-operatives. They undertake housing projects for the benefit of their members and provide loans to enable members to purchase houses or land for personal use. These co-operatives are beset with problems encountered by the acute shortage of land, cost of building materials and relatively low-cost public housing available.

(i) *The Singapore Government Officers' Co-operative Housing Society Ltd.*—registered in December 1948, has so far developed 6 housing estate projects, totalling 1,180 units. In addition 1,500 units of houses were bought from private developers and sold to members at cost price. Apart from the savings of members and loans from other Co-operative Societies, this Society is financed on long term loan from Government. The loan given by Government between 1952 to 1960 was \$6.9 million.

(ii) *The Singapore Co-operative Housing Society Ltd.* was registered in June 1956 with the objective of assisting non-Gov-

ernment employees to own houses. It assists members with loans to own houses. It has also acquired a piece of land at Yew Siang Road for erection of houses, but the project could not be proceeded with due to lack of funds.

(iii) *The Singapore National Co-operative Housing Society Ltd.*, registered in June 1964, catered mainly for Malay members. It has assisted members with loans to build houses.

There is no progress in the 3 land purchase societies.

(5) Industrial Co-operatives

The Shoemakers' Co-operative Industrial Society(s) Ltd. was started in 1968 by 19 ex-political detainees with a loan of \$250,000/- from the Development Bank of Singapore to engage in the production of footwear. The Society employs 52 staff. It has increased its market at home and abroad. Its products are exported to Australia, New Zealand, Saudi Arabia, Kuwait, Zambia, Brunei, Fiji, Kenya, Germany, France, Sweden and Denmark.

The Co-operative has contracts with the Ministry of Home Affairs and the Ministry of Defence for the manufacture and repair of boots and shoes for uniform personnel. The Co-operative has also decided to set up sales departments in NTUC Welcome and PIEU Supermarkets from May 1979.

(6) School Co-operatives

(i) *The St. Joseph's Institution Co-operative Society Ltd.*—registered on 21-8-74. This is the first school co-operative in Singapore. It is run by a 9-man committee elected among the students under the guidance and supervision of a teacher-adviser. It deals mainly in stationery and other basic needs of students. Tours and excursions are also organised during school holidays. The membership as at 31-3-76 stood at 625. It made a profit of \$4,938.51c for the year ended 31-3-76.

(ii) *The Catholic Junior College Co-operative Society Ltd.*—registered on 15-9-76. The Society commenced business on 2-1-77. The turnover for the first 4 months of operations amounted to \$24,163.95c. It has a membership of 129 and a paid-up capital of \$2,990/-.

(iii) The Consumers Association of Singapore has drawn up a blue print to launch a chain of school co-operatives in the Republic. Initially the scheme will be launched as a pilot project in 6 secondary schools.

(7) Multi-purpose Co-operatives

The Ministry of Defence (U.K.) Civilian Staff Multi-Purpose Co-operative Society Ltd., was the first such Society to be registered in Singapore on 2-1-71. The Society was converted from an existing Thrift & Loan Society, which was one of 8 Co-operative Thrift & Loan Societies in the British Defence Services. Due to the withdrawal of the British Military Forces, the Society had to be liquidated.

Since then other multi-purpose Societies began to be formed. Today there are 14 multi-purpose Societies in Singapore. Three of these were converted from existing Thrift & Loan Societies to diversify their activities and to provide consumer services to their members. Two of them were set up by the giant Trade Unions, the Singapore Industrial Labour Organisation and the Pioneer Industries Employees Union, and they have set up a series of mini-supermarkets to serve their members. Two were established for employees of the shipbuilding industry, one by the Nanyang University by the staff and students, and one by members of the Japanese community in Singapore on 17-1-76 to assist them to adapt themselves to local conditions and to operate transport services for their children.

Five new multi-purpose Societies were registered in 1977, viz, :—

- (1) Singapore Flour Confectionery Wholesale Co-operative Society Ltd.
- (2) Retired Airline Employees Multi-purpose Society Ltd.
- (3) Singapore Port Workers Union Multi-purpose Society Ltd.
- (4) Food, Drinks & Allied Workers' Union Multi purpose Society Ltd.
- (5) Singapore Air Transport Workers Multi-purpose Society Ltd.

(8) Co-operative Banks

(i) *The Singapore Co-operative Bank* was organised by the Singapore Co-operative Union and registered on 23-10-57 with the object of being a central source of credit for the Co-operative Movement. It was de-registered on 9-5-68 under very unfortunate circumstances. The reasons given by the Registrar's office was that it did little in its ten years of existence to encourage the movement and that it failed in its objectives for facilitating financial operations to registered Co-operative Societies, or act as a control Board of credit for the Movement. What should have been done by the Registry was to offer guidance, direction and assistance to ensure that the Bank performed its appropriate functions for the Movement.

(ii) *The Singapore Malays Co-operative Banking Union Ltd.*, is now the only banking Co-operative in Singapore. It has 11 institutional members with a share capital of \$39,500/-. It provides credit facilities to members, but could not extend its scope of activities to cover the normal business of a commercial bank owing to lack of full-time personnel with the necessary credit.

(9) Co-operative Societies Set up by the National Trade Union Congress (NTUC)

The NTUC Co-operatives have adopted a peculiar organisational structure which provides for a Board of Trustees and a Board of Directors for each Co-op, with generally a Minister as Chairman of the Board of Trustees.

The Constitution of the NTUC Co-operatives provides for ultimate control of all affairs of the Society in the hands of the NTUC and its affiliated Trade Unions, who are institutional members and shareholders in all these Co-operatives.

The Bylaws are made in a way to ensure that the founder member (NTUC) and the life trustees are the real decision makers, and the voting powers are allotted to institutional members in proportion to share capital contribution. The majority of the officers in the NTUC Co-operatives are appointed by the trustees and the founder members and only a minority is elected by the individual members.

The Co-operatives of the NTUC are registered under the Co-operative Societies Act through exemption from the provisions of the Co-operative law by the Minister.

(i) *The Co-operative Insurance Commonwealth Enterprise Ltd. (Income)*—registered on 29-5-70.

INCOME commenced business on 21-11-70 with \$1.5 million in capital contribution from Trade Unions and Co-operatives.

Mr. Sten Skott, an employee of FOLKSAM for more than 40 years, was assigned to Singapore through the ILO in 1970 as an adviser of INCOME.

At the end of 1977, 40,030 ordinary life policies were in force for sums totalling to \$233.36 million. Currently of all life policies issued in Singapore, one in 4 belongs to INCOME.

The Second Statutory Actuarial Valuation of the liabilities under INCOME policies carried out as at 31-12-76 disclosed a surplus of \$5.88 million, reflecting the sound financial position of INCOME.

There are plans to insure all 230,000 unionised workers within the next few years.

In 1977, INCOME declared a reversionary bonus of \$32/- for every \$1,000/- assured, and a specified bonus rate of 25% of the vested bonus to all its policy holders. As part of its general insurance programmes, a private dwelling insurance, family personal accident, mortgage protection and children education policies were introduced during the latter part of 1977.

(ii) *The Workers' Co-operative Commonwealth for Transport Ltd. (Comfort)* registered in December 1970.

COMFORT went into operation in 1970 to provide transport services for children to and from schools and express charter service for office workers.

Mr. Shalima Goldin was sent to Singapore by the Histadrut to help organise COMFORT in 1970. The Government also provided COMFORT with a low interest loan of \$11.2 million at World Bank rates to finance the purchase, at a satisfactory discount, of taxis and mini-buses.

Under a Co-operative savings scheme, the taxi drivers will come into full ownership of their vehicles in 3 years' time and the mini-bus drivers will do so in 5 years.

COMFORT has a vehicular strength of 4,588, comprising of 4,200 taxis, 350 mini-buses and 38 shuttle buses as at 31-12-77.

COMFORT took over the management and organisation of the airport service from 1-5-76.

In January 1977, the NTUC COMFORT Workshop Pte. Ltd. was set up at Sin Ming Industrial Estate to enable the operators to reduce their operational costs by making available cheaper and genuine spare-parts, a shorter laid-up time and also a competent and reliable service. During 1977, two training courses on good and efficient service were conducted for new taxi operators.

Recently a loan of \$17 million was secured from the Post Office Savings Bank to purchase an additional fleet of 400 new taxis.

(iii) *The NTUC Co-operative Dental Care Society Ltd. (Denticare)*—registered on 30-8-71.

The aim of the Co-operative is to provide treatment to Union members and their families at very reasonable prices. The Society was started with a share capital of \$109,500/- subscribed by the NTUC and 11 Trade Unions. Two Denticare units were set up—one at Trade Union House, Shenton Way, and the other in Corporation Drive, Jurong, but at the end of 1974, DENTICARE decided to close down the clinic in Jurong. A full-time Dental Officer was appointed on a profit sharing basis.

Trade Unions continue to support the Society by negotiating for dental benefits to be included as part of the general fringe benefits for workers.

(iv) *The NTUC Consumers Co-operative Ltd. (welcome)*—registered on 14-3-73.

The Society was established by the NTUC in 1973, during the period of world-wide inflation. Its main objective is to combat rising prices, particularly of daily necessities.

The first WELCOME supermarket at Toa Payoh was officially declared open by the Prime Minister on 22-7-73. Altogether 12 supermarkets have been established, and they are located at Toa Payoh, Bukit Ho Swee, Serangoon Gardens, Queenstown, Peace Centre, Marine Parade, Kallang Bahru, Tanjong Pagar, Rochore, Buona Vista, Ang Mo Kio and Geylang East. Another 4 will be set up by the end of 1979.

On 30-6-78 the paid up capital was 2,475,311.40. Today the Society has 43 institutional members and an individual membership exceeding 22,000.

The sales turnover in 1978 was 39,849,868/- and the profit available for appropriation was \$1,837,217/-.

For the past 4 years, the Co-operative had declared annually a 6% dividend and a 5% rebate on all purchases by members. This year an 8% rebate on purchases was paid.

WELCOME had received a licence from the Department of Trade for importing rice from August 1976. It aims to import one-third of Singapore's rice need.

An Import Division was established on 1-7-77 to import consumer goods directly from overseas manufacturers, processors and suppliers.

WELCOME also markets its own brand of essential commodities such as cooking oil, detergents, sauce, milk powder, so as to make them available at the lowest possible price to consumers.

In January 1977 WELCOME negotiated with the Singapore Provision Shop Friendly Association to set up "Fair Price Shops" to sell necessities such as rice, cooking oil, detergents, milk powder and bee hoon. The scheme enables provision shops to participate in consignment-type agreement with NTUC WELCOME for essential commodities, especially NTUC WELCOME brands. The object is to stabilise the prices of such necessities. To date there are 1,021 "Fair Price Shops, with continuous recruitment taking place.

NTUC WELCOME plans to sell vegetables and fresh pork in markets in yet another method to stabilise the prices of these two items. A pilot project has been introduced to sell frozen fish in Kandang Kerbau and Cuppage Road markets. The Co-operative is negotiating with an Indonesian Farmers' Co-operative, Harapan Tani for the supply of vegetables and fruits regularly and at constant prices. It is also studying the feasibility of growing vegetables by hydroponics.

(v) *The NTUC Fairdeal Book Co-operative Ltd.*—registered on 18-11-74.

Fairdeal started with a working capital of \$300,000/- obtained from the NTUC. It commenced business in December 1974 with a Central Book Shop at Toa Payoh. The Queenstown Branch was set up in February 1977.

The Co-operative now services 31 schools and retails stationery, books and other item to the public. The discount offer-

ed has been further increased from 10% to 15%.

During the period 1-4-77 to 31-3-78 it made a trading profit of \$35,519/-.

IV. Ideological Apex Organisation

The Singapore National Co-operative Union Ltd. (SNCU)

Due to the peculiar way in which the Movement was introduced in 1925, it gathered root in the urban areas amongst the English speaking sector of the population. The Co-operative Societies in Singapore began to flourish and by 1933 the need for a co-ordinating body was realised and 12 Co-operative Thrift & Loan Societies formed the Urban Co-operative Union Ltd., the word "urban" giving an indication of its sphere of activities. However, after the War, when Co-operation spread to the rural areas and to other fields of Co-operation, the need for an integrated co-ordinating body for the Movement in both the rural and urban areas became apparent. Thus in 1953, the Singapore Co-operative Union dropped the word "urban" from its name. In 1972, amendments were made to the Co-operative Union's Bylaws to provide scope for expanding its object and functions, besides renaming it as the Singapore *National* Co-operative Union Ltd., as an indication of it being a National Co-operative Body.

The objects of the Union are briefly to propogate the principles and practice of Co-operation, to advise and assist affiliated Societies to co-ordinate their activities and to represent the Movement in Singapore and abroad.

The Union has 23 affiliated Societies.

In 1958 the Union became affiliated with the ICA and with the setting up of the ICA Regional Office & Education Centre for South-East Asia, the Union is represented on the ICA Council for South-East Asia as well as the ICA Sub-Committee for Agriculture and Trade. It is also represented on the Board of Advisers to IDACA.

The Singapore National Co-operative Union maintains friendly relations not only with the Co-operative National Organisations of the 14 countries served by the ICA Regional Office, but also with other Co-operative Organisations outside

the region:

With the recent setting up of the ASEAN Co-operative Organisation, the Union is also represented in the Council of ACO.

The Co-operative Union has advocated the need for collaboration between the Trade Union Movement and the Co-operative Movement for the ultimate benefit of the working class. It is for this reason that Co-operative Societies affiliated to the Co-operative Union have invested in the shares of IN-COME, WELCOME, and FAIRDEAL. The Co-operative Union is also represented on the Board of Trustees and the Board of Directors of WELCOME as well as on the Board of Trustees of FAIRDEAL.

In furtherance of its objects, the Union performs various functions and have set up the following Select Committees to cater for the diverse activities of the Union :

- (1) Selection Committee.
- (2) Co-operative Development & Legislation Committee.
- (3) Publicity & Information Committee.
- (4) Education & Training Committee.
- (5) Social & Recreation Committee.

In line with the Government's Policy of encouraging Co-operatives to take an active part in social community projects, apart from their economic roles, the Union has also set up a Community Project Working Committee for the purpose of establishing and running a Home for the Aged.

V. Education, Propaganda & Information Activities Undertaken by the Union

As Co-operative Education is vital to the very existence of the Co-operative Movement, the Co-operative Union has always endeavoured to promote Co-operative education and training for its membership and leadership.

With this object in view, the Co-operative Union had, in the past, consistently sent officials and members of its affiliates for Committee Members & Auditors' Courses at the Co-operative College in Malaysia, and also sent delegates to the All

Malayan Co-operative Conferences held periodically.

Since 1960 and throughout the years, the Co-operative Union has availed itself of the opportunity to send participants to the many seminars, conferences and workshops organised by the ICA Regional Office & Education Centre in New Delhi in various countries in the Region. It has also continually sent participants to the Annual Courses of the International Institute for Development, Co-operative & Labour Studies in Tel Aviv, Israel, to the International Co-operative Seminars organised by the Swedish Co-operative Centre in Sweden, and to courses of the Co-operative Consumer Union of the German Democratic Republic at the International Co-operative College at Dresden.

In 1961 the Co-operative Union organised the Singapore Co-operative Conference. In collaboration with the ICA Regional Office & Education Centre, the Union had also organised the following :

- (a) In 1963, a Regional Seminar on Co-operative Member Education.
- (b) In 1967, a Regional Seminar on Co-operative Training.
- (c) In 1970, a National Seminar on Co-operative Management.
- (d) In 1972, a Co-operative Educational Course for ordinary and Committee Members.
- (e) In 1972, a National Seminar on Member Education on Consumer Co-operation, and a National Seminar on Expansion of Co-operative Services to Members.
- (f) In 1974, a Workshop on Operations of Consumer Services.
- (g) In 1977, the 4th Open Asian Conference on Co-operative Management.

In 1972, the Union obtained the services of Dr. Dharm Vir, Joint Director (Education) from the ICA Regional Office & Education Centre for a period of 2 months to study the problems and educational needs of Co-operative Societies, to assist these Societies in planning and carrying out educational programmes and also to conduct the 2 National Seminars as stated above.

In January 1979, the Co-operative Union in collaboration with the ILO organised a Workshop on Strengthening of inter-Co-operative Trade Relations. The Workshop was financed by the Swedish International Development Authority.

As one of its functions is to disseminate Co-operative news and information, the Co-operative Union had in 1961-64 published a monthly newsletter named the "Co-op Recorder" in English and the National Language.

Other newsletters were published periodically and in December 1974, in association with the Co-operative Registry, a joint news bulletin named the "Co-operator" has been published by the Co-operative Union. The "Co-operator" is issued as a quarterly publication.

VI. Present Arrangement for Increasing Management Efficiency & Problems in Manpower Development

In nearly all Co-operative Societies in Singapore, the tasks of policy making and management are in the hands of honorary Committees and voluntary workers, who use their spare time after office hours to manage the affairs of the Societies.

The full-time staff employed by the Societies has purely clerical functions without authority to take decisions in the day-to-day management.

Where Societies have reached a certain size and the business transactions have become more complex, the honorary leadership is no more sufficient to cope with the managerial problems of such Co-operatives. In this type of Co-operative enterprise, the non-professional chairman, secretary or treasurer, who have their full-time job elsewhere and who attend to the Co-operative business only during evening hours, have to be assisted by a trained manager whose main job is to run the Co-operative enterprise.

It could be argued that many Societies cannot afford to pay the salary of such full-time manager; however, for the members' promotion this investment may very soon prove a good one, and furthermore, the sum required would not be much higher than the total of all the allowances and honoraria paid at present to a relatively large number of Committee-men and officers.

So far only very few societies have taken the necessary steps to employ full-time managerial personnel. Where this has been done (e.g. in the Jurong Shipyard Co-operative Store Society and all NTUC Co-operatives), it has proved to be very successful. Yet, the traditional concept of honorary management Committees being still widely considered to be a necessary feature of genuine Co-operative practice, so far has prevented many Societies from employing full-time managerial staff.

But even if some Societies decided to recruit full-time managerial staff, there would be the difficulty of finding the necessary cadre of trained personnel. It is therefore a matter of great urgency to train managerial staff for Societies at all level, and this could best be done by establishing a Co-operative Training Centre as soon as possible.

Apart from this question of employment of managerial staff, some of the management problems of the societies could also be solved if an apex organisation is formed, which will be in a position to offer advisory services to assist non-professional part-time officers in the exercise of their duties, by giving information and guidance, or by taking charge of all such matters that require the expertise of a professional. Here also, the problem of training staff of the right calibre for the Apex Organisation could be solved by the proposed Training Centre.

VII. Education, Propaganda & Information Activities Undertaken by the Government

According to the concept of the last several years, the Registry was conceived as an agency to administer existing Co-operative Societies, but not to promote Co-operative development.

During the past years, no regular training courses were organised in Singapore for staff of the Registry or for officers and employees of Co-operative Societies. Consequently, there is a shortage of trained personnel in Co-operative Societies and the Registry is unable to provide the necessary technical guidance due to lack of trained staff in the Registry.

In April 1975, the UNDP approved a project of technical assistance under its Country Programme for 1976-78 to provide

an expert to assist in the establishment of a Co-operative Training Centre. Provision has been made for 5 short-termed fellowship to be awarded to the executive staff of the Registry to undergo training in the Co-operative field between 1975-77. As a result the Registrar and his two assistants have been sent overseas for Co-operative education and training courses.

Co-operative study tours are organised occasionally by the Registry for students and their teachers to give them a first-hand knowledge on how successful Co-operatives are being run.

In its efforts to promote Co-operatives, the Registry has published the following pamphlets :

- (1) Guide to Formation of Co-operatives.
- (2) What you should know about meetings.
- (3) Auditing—Internal Control System for Co-operatives.
- (4) What happened to your investment in a Co-op?

Apart from its Annual Reports, the Registry has also published a souvenir journal "50 years of Co-operation" to commemorate the golden jubilee of the Singapore Co-operative Movement.

The Registry has conducted a Basic Book-keeping Course between 24-9-76 to 12-11-76, a similar Book-keeping Course in Malay between 25-3-77 to 29-4-77, a Basic Audit Course for Internal Auditors between September/October 1977, a Co-operative Management Course on 29-5-78, 31-5-78 and 2-6-78 and a similar course on 6-8 September 1978.

The Registry advised recently 15 groups of persons who were interested to set up Co-operatives in Singapore. Four new Co-operatives were set up as a result of these discussions.

VIII. Government Policies Regrading Co-operatives

It appears that for some years promotion of co-operative development was considered by the Singapore Government as a matter of relatively low priority.

During that period the Co-operatives were left alone to develop under their own leadership and to find their own way. Some Societies have done this with remarkable success; how-

ever, for many of the weaker Societies, the lack of Government sponsorship, guidance and control has created serious difficulties leading to stagnation or even liquidation in many cases.

There was a period of unplanned, unco-ordinated development, and the tasks of member education and training of Co-operative staff which are vital for solid Co-operative growth, have been neglected.

In its present structure the Registry of Co-operative Societies is an institution equipped for administrative control of Co-operatives only. In this respect the change in recent years from a Co-operative Development Division into a Registry of Co-operative Societies had been a step backwards.

During the last 7 years, however, the Singapore Government has taken more and more interest in Co-operative development, and a series of measures are being taken or proposed to strengthen the Co-operative Movement, viz :

- (a) The revision of the Co-operative Societies Act.
- (b) The reorganisation of the Co-operative Registry into a Co-operative Development Department.
- (c) The setting up of a Co-operative Training Institute or Centre.
- (d) The establishment of a Central Co-operative Fund.
- (e) The formation of an Apex Organisation to provide leadership for the Co-operative Movement.

Dr. J. Von Muralt, an ILO Co-operative Technical Officer, stationed at Bangkok, was assigned to the Ministry of Social Affairs from 2-7-73 to 19-4-73 to advise the Singapore Government on Co-operative development, with particular emphasis on the revision of the Co-operative Law and the reorganisation of the Co-operative Registry.

As a result of Dr. Muralt's recommendations, Professor Hans Munkner of the University of Marburg was sent by the ILO to Singapore in July 1974 for a period of 2 months to study the Co-operative Movement and to help redraft the Co-operative Law. Professor Munkner returned to Singapore in February and March 1975 to complete his mission, i.e. to prepare the draft Bill of the Co-operative Societies Act.

On 28-1-76, the SNCU formally submitted its comments

on the draft Co-operative Societies Bill. The NTUC, however, rejected the draft Bill as it was felt that the draft did not pay sufficient attention to the NTUC's type of Co-operatives, and called on the Government to set up a Special Committee to draw up a new draft Co-operative Societies Bill. In May 1977, the Government set an Ad Hoc Committee to consider the objectives to many provisions in the draft Co-operative Societies Bill by the NTUC & SNCU, and particularly to consider whether the Co-operatives set up by the Trade Unions should be regarded as part and parcel of the Co-operative Movement or should they be subject to special form of treatment in the Bill. The Committee after many sittings submitted its recommendations to the Government. In March 1979 the Co-operative Societies Bill had its first reading in Parliament. At its second reading, the Ag. Minister for Social Affairs, Dr. Ahmad Mattar, moved that the Bill be referred to a Select Committee for further study. Members of the public have been invited to submit their views to the Select Committee.

The Co-operative Registry has been reorganised into 2 sections—an audit and inspection section and an administrative, promotion and training section, which came into operation with effect from December 1975. The Registrar was also appointed Registrar of Mutual Benefit Organisations as from 1-3-77 and recently he was also made Registrar of pawnshops.

It was proposed that a Co-operative Training Centre should be established as soon as possible with Governmental and international assistance to train staff from Co-operative Societies and officers of the Co-operative Department, but ultimately it will be under the charge of the Apex Organisation when formed.

On 25-3-75, the Registrar convened a Co-operative convention of representatives from all Co-operative Societies for the purpose of the formation of an Apex Organisation for all Co-operatives in Singapore. Representatives from 43 Societies attended the convention. Only the representatives from 2 Societies of the NTUC group were present. The draft constitution of the proposed Apex Organisation was tabled for discussion, but it was decided to defer consideration of the draft constitution until relevant details of the new Co-operative law were made known. An Ad Hoc Committee was elected to study the

draft constitution in due course. It was agreed that the Registrar would convene the first meeting of the Ad Hoc Committee as soon as the revised Co-operative legislation was finalised.

To provide a solid financial basis for the Apex Organisation, it has been proposed that a Central Co-operative Fund administered jointly by the Co-operative Development Department and the Apex Organisation should be created under the New Co-operative law and it will be a statutory requirement for all registered Co-operative Societies to contribute a certain proportion (e.g. 5%) of their annual surplus to this Fund. It is recommended that a grant from the Liquidation Account under the charge of the Registrar be given to the Central Co-operative Fund. This Fund will enable the Apex Organisation to employ professional staff and to purchase modern equipment to provide services at cost which individual Societies otherwise cannot afford.

IX. Problems faced by the Movement

The present structure of the Co-operative Movement in Singapore is a very heterogeneous one.

The fact that a relatively large number of the registered Societies have become ineffective and are in the process of being wound up, is a sign of inadequate promotional, advisory and educational services over an extended period of time.

There are various reasons for the lack of a superstructure of secondary Co-operative Societies in Singapore. The present situation may have resulted, among other things, from the relative weakness of SNCU with its honorary, non-professional leaders, who have not undertaken or managed to generate permanent joint action and organised Co-operation among Co-operatives at secondary or apex levels. On the other hand, it is certainly also due to the fact that many thrift and loan or credit Societies have been until now relatively self-sufficient. Moreover, many primary societies are closely linked to one employer or to one Government service, and do not feel a need to organise joint operations with other Societies, which in some cases also would not be in the interest of the employer.

According to the existing Co-operative law, the Registrar of Co-operative Societies has to supervise the investment of funds. As a non-banker, the Registrar is in a very difficult posi-

tion to guide Co-operative Societies by allowing or disallowing investment.

Several of the thrift and loan Societies have started to open consumers' stores for their members. There is no co-ordinated action of the various co-operative consumers' stores and many opportunities to strengthen their position as a buyer vis-a-vis the wholesale dealers remain unused.

Many schools have shown interest to organise school Co-operatives, but the Registrar and his staff are unable to secure adequate guidance and supervision of such new Societies in addition to their normal duties.

The present social and economic situation in Singapore calls for a diversification of Co-operative Societies; however, at a period of rapid growth safeguards should be taken to ensure a development in the desired direction. In this context it would be of great importance to have a planning unit within the Co-operative Development Department to work together with a new Apex Organisation.

X. Conclusion

Efforts should be made both from the Government and from the Movement side to bring about a more fruitful collaboration between the "old" and "new" Societies.

In the Singapore context it should be envisaged to plan Co-operative development in the form of an integrated system under one central organisation where the tasks of planning, deployment of funds, management, accounting etc. should be distributed among the member units of the system and should be executed by those member units which could do this with best expertise and at minimum cost.

The Co-operative Societies in Singapore can be subdivided into 3 major groups :—

- (1) Those affiliated to SNCU (23).
- (2) Those belonging to the "old" Co-operative Movement which are not affiliated to SNCU (45).
- (3) Those belonging to NTUC (13).

The Societies affiliated to SNCU are mainly thrift and loan

or credit societies. In the group of non-affiliated societies there is no organised collaboration. The NTUC group is acting as a disciplined group under the NTUC. They have developed a peculiar organisational structure and have carried the special rights of institutional members to an extreme so that the internal democratic structure of such Co-operative Societies practically ceases to exist.

The problem is how to get 3 groups of Societies to come together under an Apex Organisation. The future affiliation of the NTUC group particularly will depend on the attitude of the leaders and the Central Committee of the NTUC towards such an Apex Organisation.

SRI LANKA

The Cooperative Movement of Sri Lanka

Sri Lanka is a developing third world country, whose development is based on an agricultural economy. Of the developing countries it is prominent as a supplier of agricultural raw material. Surrounded on all sides by the sea, with an area of 25,000 square miles the physical structure of the island is suited mainly for agricultural activities. It is a tropical island. Its central hill country is surrounded by low lying valleys and plains. Up to date the population is about 14 million of which 70% are Sinhalese and the balance including other races.

The agriculture in Sri Lanka is two fold. The consumer agriculture and industrial and export agriculture. Of the consumer agriculture the most important is paddy cultivation. A few export crops too have gained importance. The hill country as well as fertile plains have all come under paddy cultivation which is about 7.8% of the cultivated lands in the island. The main export crops are tea, rubber and coconut. Of the cultivated lands 39% has been grown with tea, 3.8% with coconut and 3.6% with rubber.

About 40-50% of the National Revenue (local production) is collected from the Agricultural Sector. Considering the population in Sri Lanka 70% comes under a rural economy. Only about 25% live in urban areas. The Cooperative Movement plays an important role in the rural agricultural activities of the working population in Sri Lanka, 53% depends on agriculture and 40% is employed in State and private sector organisations.

The industrial sector in Sri Lanka contributing to 60% of its National products too is an formidable fraction. This too is two phased, i.e. the large scale industries with a contribution of 25% to the industrial sector and the, small scale establishments contributing to 60% of the nation's money. Of these the small scale enterprises are important as they provide about 70% of the rural economy. This is developing more than the large scale enterprises situated within the city with no opportunity for expansion. The industries started based on local raw material are developing more rapidly. Most industries in Sri Lanka are

based on local raw materials, e.g., the State Timber Corporation.

As the economy of Sri Lanka is based mainly on Agriculture, development of those industries using local raw materials, is essential. Services of the Cooperative Sector is employed mainly for the upliftment of rural economy. In short the economy of Sri Lanka is a fast developing economy structured on industries based on agricultural raw material and widespread agricultural systems.

Historical Background of the Cooperative Movement

'Cooperation' is not a novelty to the people of Sri Lanka. Most of their day to day problems were solved and decided very often by unanimous decision of elders. Voluntary assistance and mutual help is predominant in such instances. Even today in the rural sector "Aththam System" (In the agriculture activities neighbours help each other on mutual assistance basis) based on Cooperative ideals, prevails.

Cooperative Societies not included in Registers existed long before the first Credit Cooperative Society was established in 1911, e.g. the Dumbana Credit Society (1904) and Teldeniya Credit Society of (1906). Between 1911 and 1921 a considerable development is seen in the Credit Societies, after the establishment of the Co-op Credit Society Act. Incidentally during World War II due to the initiation of a number of Cooperative Societies to solve the major economic depression in the country the number of Societies increased by three fold. Consumer Societies, Agricultural Producing and Marketing Societies, Agricultural Societies and other various types of societies were registered during this time. Later in 1957 and 1970 when the Cooperative Movement was reorganised, the varied Cooperative societies scattered all over the island were reorganised and some were amalgamated. Compared to the early days after the reorganisation the movement definitely showed marked improvement and difference. These reorganisations took place under the auspices of the Government.

Present Situation of the Cooperative Movement

Today there are 8318 Coop. Societies established in the Island, and there are 1,948,566 members. Out of this 1,945,464 are members of Primary Societies and 294,462 are members of

the defunct societies. The annual income of all these societies for last year was Rs. 3,530,895,992 of which Rs. 2,998,471,386 was from the MPC Societies. The income of Primary Societies was Rs. 3,301,110,590, Secondary Societies Rs. 160,973,789. The profit from all societies for last year was Rs. 51,876,421. Also the loss from unprofitable Societies was Rs. 13,724,598. This could be clearly understood by the table given below.

Profit And Loss of Coop. Societies

Type of Societies	Net Profit	Net Loss
Large Primaries (MPCS)	27,114,229.00	6,124,193.00
Other MPCS	104,659.00	81,537.00
All Primary Societies	42,864,267.00	13,474,550.00
Secondary Unions	4,929,477.00	68,397.00
All Island Unions	4,082,617.00	9,665.00

However the Coop.Movement in Sri Lanka is improving in leaps. This is evident from the table given below.

Coop. Society Statistics (31-3-1976)

Type of Society	Defunct	Actively Functioning	Total
MPCS	1	357	358
Unlimited Credit Soc.	833	1668	2501
Limited Credit Soc.	14	299	313
Thrift & Welfare Soc.	49	220	269
Consumer Soc.	23	85	108
Agriculture Soc.	97	631	728
Animal Husbandry Soc.	27	104	131
Fishery Society.	8	51	59
Textile Soc.	27	248	275
Small Industry Soc.	116	594	710
Textile Unions	27	248	275
Various Primary Soc.	280	2510	2790
Apex Societies.	—	12	12
Cooperative Credit Soc.	9	19	28
Other Soc.	2	15	17
Total	1513	7061	8574

It is evident from the figures given above that about 1/3 of the Societies are defunct. Yet there is a marked improvement, to be seen. In 1976 when the Cooperative Movement was re-organised a five-fold principle was observed. Through this a Cooperative district directorate was evolved and amalgamation of profitless MPC Societies took place. Also a maximum Consumer Cooperative Service and improvement in the existing Societies was made possible.

Development of the Cooperative Movement in Sri Lanka

Cooperative Credit Societies

Establishment of Cooperative Credit Societies in Sri Lanka was initiated with the attachment of the Cooperative Credit Society legislation No. 7 of 1911. Accordingly in 1972, 3 such Societies were registered in Wiligama Korale, Hinidum Pattu and Wellabada Pattu. This legislature was amended and until this Act was passed in 1921 an unlimited number of 154 Cooperative Credit Societies were started. After the Amendment of 1921 other types of Societies too were formed. In this manner from 1921 about 2036 Societies came into existence and the membership increased to 91,988.

At present these Societies are developing as Limited and Unlimited, Thrift and Credit Societies and Savings Societies. There are 314 Limited Societies, 2711 Unlimited Societies and 254 Thrift and Savings Societies. The current details of these Societies could be observed from the figures given below:

Development of Credit Societies (1974)

Type of Societies	No. of Societies	No. of Members	Share capital
Credit Soc. (Coop & Govt. employees)	169	20,111	3,000,826.00
Credit Soc. (Women)	11	672	22,353.00
Other Credit Soc.	134	31,284	7,007,332.00
Govt. Credit Soc. Ltd.	2,711	127,926	3,819,615.00
Savings Soc. (Women's)	114	3,320	52,501.00
Savings Soc. (Coop & Govt. Employees)	103	49,501	12,748,206.00
Savings Soc. (estate employees)	1	65	—
Other Savings Soc.	35	2,076	115,718.00

Out of the functioning Limited Credit Cooperative Societies the total of credit loaned to members is Rs. 91,125,617. Rs. 11,804,471 has been paid back into the account. The Capital is Rs. 2,789,170. From the 271 limited Credit Societies Rs. 14,823,-583 has been loaned to members. Rs. 13,045,067 has been refunded, and their share capital is Rs. 1,227,097. Also through Savings and Welfare Societies Rs. 2,133,969 has been loaned and the Capital remaining is Rs. 10,596.09. The net Profit of these 430 Societies is Rs. 753,343. Rs. 704,912 from 224 Limited Societies and Rs. 520,621 from 1,160 Unlimited Societies. As such these Societies are improving rapidly.

Agricultural Cooperative Societies

The Malayah Tobacco Producers Society started in Jaffna in 1934 could be considered as the first Agricultural Coop. Society in Sri Lanka. By 1945 there were 23 such societies entered in the Register. After the formation of Agricultural Producers Marketing Societies in 1947 the number of Agricultural Societies increased. By 1965 it had increased to 589. In 1974 the membership in these Societies increased to 2026 and their share capital was Rs. 41,377. There were 129 Agricultural Societies for the various Agricultural crops mainly based on Tea, Rubber, Coconut, Tobacco. Details of these Societies could be observed by the following table:

Development of Agricultural Societies

Type of Soc.	No. of Soc.	Mem- bership	Shares	Capital	Profit
Coconut	13	4,656	1,280,316	1,197,605	514,070
Tea	16	3,578	396,593	261,375	123,227
Rubber	21	811	19,994	45,675	6,569
Tobacco	19	7,780	332,612	281,214	170,534

Apart from these Societies established for various Agricultural crops other Societies for Animal Husbandry and other

types of minor crops were started, which are explained by the following table.

Other Agricultural Cooperative Societies

Types of Soc.	No. of Soc.	Mem-ber-ship	Shares	Turnover	Profit
Dairy	42	4,810	206,526	6,303,634	197,855
Poultry	32	731	68,127	59,943	1,885
Animal Husbandry	6	139	6,065	46,818	—
Sugar Cane	5	860	7,010	336,382	40,560
Toddy Soc.	26	9,126	544,327	1,369,617	474,424
Arak	1	43	1,575	6,467	7,373
Veg. Production	2	293	8,956	—	—

There are scattered small societies formed for crops such as apples, bananas, passion fruit etc.

The main services done by all these agricultural societies are providing credit facilities to farmers, supply of agricultural machines and implements, fertilizer, chemicals, marketing and transport facilities. For these purposes these societies received aid from the Government. Animal husbandry societies and sugar cane societies have received aid of Rs. 20,236 and Rs. 197,022 respectively from the State. The dairy farming society has received a loan Rs. 52,093 from the Peoples' Bank.

However in general the major drawback these societies pre-faced with is the lack of capital. Also it is clear that lack of transport and storage facilities too are hindering the marketing of produce at profitable prices.

Cooperative Farms

The agricultural sector makes a major contribution to the economic development of Sri Lanka. To conduct systematic methods and thereby bringing about developments in agriculture,

cooperative farms have been started, which plays a prominent part.

With the establishment of the Land Reform Act of 1972 a large number of lands were taken over by the government to be converted into cooperative farms. In this manner, coop. villages, coop. janawasa (settlements), special land reform coop. societies were begun. The main aim of these societies was to bring about reformation and agricultural development, to cultivate grain that could be utilised in Sri Lanka and thereby, save valuable foreign exchange, and create employment opportunities. By 1976 there were 37 Coop. Villages, 30 Janawasas, 47 Land Reform Committees, 79 Youth Settlement Schemes and 108 Societies from each electorate. Of these the Cooperative Janawasa and Cooperative Villages were taken over by the 1977 Land Settlement Commission, Cooperative Land Reform Society, State Plantation Corporation, Land Reform Commission and Peoples' Land Development Council.

Consumer Cooperative Societies

Retail and wholesale trade of daily consumer requirements as well as rare goods are in the hands of these societies. Today they sell not only essential food stuffs, but also motor vehicle spare parts, iron and steel hardware, ceramic ware etc. This is done through 764 wholesale establishments and 7669 retail outlets. Of these 890 outlets are specially meant for sale of cloth and motor spare parts. The rice, sugar, cloth, milkfood, dry fish and other goods required for these centres are supplied by the Food Commissioners Department, Salusala, Cooperative Wholesale Establishment, Sri Lanka State Trading (general) Corporation. These establishments in coordination with the Commissioner of Cooperative Development extend short term loan facilities to cooperative societies to purchase their requirements. The following table indicates the sale of goods by these wholesale establishments.

Establishment	Value of Goods in Rs.
CWE	231,312,511.00
Salusala	128,798,676.00
Govt. Corporations	102,180,314.00

Coop Marketing Fed. of Sri Lanka	124,943,481.00
Food Commissioner's Dept.	1,248,038,551.00

The approximate annual total is around Rs. 2,220,013,496.00. However this amount has decreased considerably with the reduction of rice ration books after the reorganisation of the Ration Book Scheme. Also of the 7669, retail outlets 2346 run at great loss. Yet these stores have to supply the three essentials to the people.

Within the past financial year the annual turnover from the consumer cooperative stores was Rs. 2,998,471,386.00. Membership for 1976 was 3,305,777. After the survey conducted in 1974-75 of all the Cooperative stores the conditions of these stores have improved. More attention is now paid to provide the consumer a better service to make the sales staff more attentive and courteous and to the display of goods in the stores.

Multipurpose Cooperative Societies (MPCS)

The activities of a MPCS in Sri Lanka are truly multiphased. The 356 MPC Societies having a membership of 958,709 play an active role today. The capital investments of these societies are given below.

Capital Investments of MPCS

Paid-up Share Capital	33,133,666.00
Statutory Reserves	51,177,877.00
Other Reserves	28,001,792.00
Profit B/F	43,278,228.00
People's Bank Loan	206,194,965.00
Government Loan	33,697,232.00
Other Assets	13,198,249.00

Other than for agricultural activities, construction of houses, consumer purposes, small industry, the MPCS provides loan facilities for social purposes such as festivals, and celebrations. During the last year the loans granted to members totalled Rs. 123,709,273. Of this total the biggest loan granted Rs. 2,672,665 was for agricultural and housing purposes. Rs. 209,312 was for small industries. These loans were granted by the Coope-

rative Rural Banks which work in close collaboration with MPCPS.

The MPC Societies apart from granting loans to members, have to find the assistance the members require for their Agricultural activities. Providing loan facilities, materials required for agricultural production, administration of cooperative farms, are some of these. The MPCPS has granted Rs. 123,709,273 annually for agricultural purposes. This has not been only for cultivation of paddy but also to purchase chemicals and fertilizer, seed potato and onions. During 1977 they provided Rs. 120,043 worth of machinery and Rs. 37,395,744 worth of chemicals. They provide loans at different stages in cultivation too, such as, ploughing and filling the land, plantation, application of fertilizer and weedicide etc, and harvesting. At the end buying the crop from farmers in their areas and giving them maximum aid and encouragement too fall to their lot. They purchase not only minor crops such as kurakkan, mustard, pepper, cloves, nutmeg, cardomoms, coffee, red onions, vegetables but also major produce such as paddy, rubber, coconut. The following figures show their annual purchases of these items.

Produce Purchased by MPCPS

Product	Value
Paddy	450,149,902.00
Dried Chillies	4,168,268.00
Potato	445,661.00
Red Onions	579,399.00
Rubber	5,005,325.00
Vegetables	973,698.00
Tea	361,823.00
Cotton	890,399.00

Purchasing and distribution and sale of these products too is the responsibility of MPC Societies.

The MPC societies govern and administer all the cooperative farms established on the lands taken by the government under Land Reorganisation Act No. 1 of 1972. In 1974, 19 cooperative societies were in possession of 10625 acres of land. Today there

are considerable number of such farms ruled by the MPC Societies.

In addition to these various activities the MPC Societies take an active role through the assistance of the District Development Councils to collect fresh milk for milk centres, run bakeries and cafeterias, carry on small industries such as beedi industry, brick making and sewing centres.

Fisheries Cooperative Societies

The Fishing Industry in Sri Lanka is in the hands of about 65,000 fishermen. There are two types of societies established by them i.e. Societies of Individual Ownership and Cooperative Ownership. In the first group the member owns his own boat and fishing gear and these societies are called Fishermen's Credit and Marketing Societies. In the second category of Societies the boats and fishing gear are common property of all members.

Up to date there are about 50 Societies of both groups and there are about 11,680 members. The government too sponsors the activities of these Societies. In the 1970 five year plan of the government there had been a motion to provide these Societies with 250 boats, but so far only 37 have been supplied. Fishing today is done by the 542 boats belonging to the Societies. From the 1974 statistics it is clear that 78260 cwt of fish and 3,474 of Sea Leaches were caught.

The following table clearly shows the capital investments of each Society and their profit and loss.

Business of Fishermen Societies

	1973	1974
	Rs.	Rs.
Paid up Share Capital	854,334.00	1,106,265.00
Turnover	7,006,277.00	6,466,392.00
Profit	438,582.00	81,010.00
Loss	1,130,793.00	2,332,429.00
Membership debt.	792,850.00	831,336.00

In 1974 the fixed capital of these Societies was Rs. 359,609.

These Societies provided the members with nets, fishing gear, boats etc. Today these Societies face a lot of hardships. Lack of capital and difficulty in supplying experienced professional knowledge, training of fishermen to use modern fishing gear, conduct research to locate the fishing areas where fish collect, are some of these hardships.

Industrial Cooperative Societies

Today these Societies are of two types, i.e. United Workers Production Societies and Public Utility Services Societies. The first type of society has the responsibility of supplying raw material and machinery and marketing of finished goods, and also all activities at every stage of production. Textile weaving Societies come under this category.

Public Utility Services Societies have to supply the required services for industry. These societies were first established by the united efforts of the Rural Development and Cottage Industries Department and the Cooperative Development Department. Of these societies the coir industry, textile weaving industry, carpentry industry play a prominent part.

As a result of the District Development Council System started in 1973 various societies for various industries were started. Small industries such as brick, tile, watakeiya mat weaving and light engineering industries of small dimensions were registered. There are 641 such societies with a membership of 31289. The financial status of these societies is evident from the figures given below.

Finances of Industrial Coop. Societies (1977)

	Rs.
Share Capital	961,924
Statutory Reserves	915,776
Other Reserves	1,031,306
Profit	2,191,653
Stock	5,330,705
Turnover	14,587,134
Peoples' Bank Loan	1,294,426
Govt. Loan	828,414

While these societies provide a lot of benefits to their members they encourage economic development too. The most developed type of societies of all the industrial cooperative societies is the textile weaving society. There are 480 such societies distributed all over the island with full membership of 108,114. There are 21 secondary societies of this type. Textile production is done today by hand spinning machines as well as power looms. A rough estimate of the annual textile production by hand machines is 12,218,740 yards, and by power looms is 5,890,754 yards. The turnover of these societies is Rs. 59,926,203 and the turnover of the 21 textile societies/secondary societies is Rs. 67,170,546. Of these 21 secondary societies 12 have yielded a profit of Rs. 4,915,350. Of the 480 societies 268 has shown a profit of 7,136,359. These societies are functioning satisfactorily.

Cooperative Labourers' Societies

The main aim of this type of society in Sri Lanka is, whenever an opportunity arises, to secure profit gaining employment to worker members. The most popular jobs promoted by these societies in the past were unloading at warehouses, transport, building, digging wells and construction of small bridges. In 1963 there were 152 such societies with a membership of 9361. Today there are 146 societies with a membership of 11,847. Their capital investment is Rs. 402,930. Of these societies 63 have gained profit of Rs. 549,722 and the loss for these societies is Rs. 396,664.

Cooperative Hospital Societies

Of the public service societies in Sri Lanka the Cooperative Hospital Societies play an important role. There are about 13 societies formed all over the island, with a membership of 13,197 and capital of Rs. 613,726. Membership fixed accounts are about Rs. 26,444. The financial situation is about Rs. 1,192,871 and they have a debit a/c for Rs. 1,271,977.

The main aim of these societies is to provide medical assistance to their members and non-members. Up to five years after the registration of a society, an outdoor patient is charged 25

cts, and an indoor patient is charged 30 cts. After that it is reduced to 15 cts and 10 cts. Though these societies could provide a great amount of benefit to the others, they are not functioning very satisfactorily.

The main reason for this is lack of capital, inefficient administration and inability to acquire the services of specialist doctors.

Cooperative Transport Societies

In 1974 when this type of Society was started about 23 societies were registered. Since then due to various reasons most of them have become defunct. Today there are 7 functioning coop transport societies with a membership of 851. Of these societies that execute all transport activities five have been able to gain a profit of Rs. 82,250. The total income of all societies is about Rs. 229,749 with an expenditure of about Rs. 147,509. These societies have not yet had the time to develop and improve its services.

Cooperative Housing Societies

The housing situation in Sri Lanka goes hand in hand with the ever increasing population. The first Housing Society was registered in 1948 in Jaffna with a membership of 30. In 1958 there were 26 with a membership of 1079 Societies. Of these the Kiribathgoda Housing Society is the most successful. This union received loans from Housing Loan Society and Reserve Bank. In 1971 to assist this society, the NCC organised a National Housing & Development Society. As a whole this type of Societies have not been continuously successful. When the need arises they have been formed and have yielded successful results.

School Cooperative Societies

The societies were established not so long ago. The first society was established in 1973. Today there are 2395 societies with a membership of 286,387. The paid up share capital is Rs. 370,157 and their turnover is Rs. 2,581,041 with an income

of Rs. 412,473. 1205 societies receive an annual profit of Rs. 20,322. Practically every secondary school has a school cooperative. These are sponsored by the NCC, Ministry of Education and the Coop. Department. Their main activities include the running of school canteens, book shops, school farms etc.

Other Types of Primary Cooperative Societies

Other than the prominent types of societies above mentioned there are other types of primary societies registered for various activities.

Type	Coop. Soc.	Mem- bership	Share Capital
Photographers' Socy.	2	454	153,653.00
Flower Growers Socy.	3	912	305,561.00
Motor Vehicle Owners Socy.	3	595	33,200.00
Salt Producers Socy.	1	31	651.00
Printing Socy.	7	534	195,603.00
Film Producers Socy.	3	243	17,958.00
Electrical Employees Socy.	1	16	1,130.00
Ayurvedic Socy.	4	133	3,529.00
Better Living Socy.	3	125	629.00
Grinding Mills	3	22	14,200.00
Youth Clubs	18	296	469.00
Funeral Socy.	1	254	11,228.00
Cafeteria Socy.	4	331	9,791.00
Security Services	1	41	430.00
People's Bank Employees' Socy.	1	2670	1,084,506.00
Authors' Socy.	1	19	3,842.00
Machinery & Equipment Re- pairs Socy.	1	60	6,380.00
Fine Arts Socy.	1	135	7,295.00

Cooperative Rural Banks

These banks are being run by the MPC Societies under the administration of the Peoples' Bank. There are 504 such Banks. For all purposes of credit and development at village level, savings and pawning these Banks come to the fore. A signi-

ificant factor is the reorganisation in 1974 which rapidly expanded the sphere of Rural Banks.

All Island Cooperative Unions

Sri Lanka Cooperative Fisheries Union Ltd.

This Union was established in 1952 with membership of all the fisheries societies. At the beginning there were only 11 members. This has increased to 5725 now, and there are 117 branches. Its annual profit is approximately Rs. 49,879. Importing fishing gear required by member societies, buying and selling of fish from members at nominal prices are some responsibilities of this Union. In 1974 the Union had expended Rs. 13,585 for Fisheries Educational and Publicity Works, and Rs. 1,202,280 on production activities. Emphasis is laid on breeding of fresh water fish.

Sri Lanka Rubber Societies Union Ltd.

This Union registered in 1964 has a very limited membership. When MPC Societies were reorganised this Union lost its original members, 14 large primaries and 3 rubber production societies. In 1974 the Union has purchased 1,590,403 lbs of rubber from cooperative societies and earned Rs. 2,155,735 by sales. Its main activities were the purchase of rubber from other Cooperative Societies for processing and shipping and selling a part in the open market.

Sri Lanka Coconut Producers Coop Societies Union Ltd.

The function of this Union is to distribute coconut oil to coop. societies and manufacturing of Cooperative bar-soap. The annual profit from coconut oil is approx. Rs. 20,022 and from production of soap is Rs. 152,993. Apart from the above functions the Union earns income from various other activities involved with coconut.

Sri Lanka Coop Industries Union Ltd.

This Union was established in 1974. Establishment of

industries, to provide them production facilities, and to carry out activities efficiently are the activities of this Union. Its main function today is the manufacture of rubberised coir goods. By the export of rubberised mattresses the Union has earned Rs. 2,608,746. Their annual profits reach Rs. 613,440.

Sri Lanka Light Engineering Coop. Societies Union Ltd.

This Union was registered as the main production Coop. Union in 1975, out of the various production cooperative societies that were started under the scheme of divisional development societies. Its present membership is 40 possessing Rs. 4,000 shares. In 1976 with a view to market their goods and popularise them in foreign countries a sales centre was inaugurated. The value of the following goods purchased by their societies for the last year was Rs. 668,102.

	Rs.
Motor Spare Parts	270,625
Weighing Scales	257,856
Other Goods	374,456

These products were supplied to the CTB, Paddy Marketing Board and other government corporations. The Ministry has now provided an interest free loan of Rs. 260,000 for the development of this Society.

Sri Lanka Marketing Federation

This Cooperative Union plays an important role in the field of consumer and agricultural affairs.

It was registered in 1973 and has a membership of 351. This union is engaged in purchasing milk, milk products, food stuff, chemicals, fertilizer, produce of corporation, grain, tractors, agricultural products and vegetables. The purchasing of foodstuff for primary export and supplying them to the principal marketing places. The 'Markfed' as it is commonly known can be considered the largest existing marketing body. Its annual turnover is Rs. 203 million and the paid up share capital is Rs. 96,875 of their annual turnover Rs. 110,954,921 was from

the Milk Board and Rs. 9,840,408 was from export of Steel products. The full income for last year was Rs. 6,289,899 while its net profit was Rs. 5,115,553.

National Cooperative Council of Sri Lanka

This is the Apex Organisation representing the Cooperative Movement in Sri Lanka having membership of the International Cooperative Alliance. Its work programme includes member education, formulation of schemes of assistance for audio-visual training methods in cooperation and allied subjects and printing and distribution of books pertaining to Cooperation and the Cooperative Movement in the Island. Various other services all pertaining to the upliftment of Cooperation in Sri Lanka are performed by this Council. However of all these services emphasis is laid on education of cooperative workers which is executed through its 26 District Councils. Annually about 1500 members are trained. It also conducts a postal training course. The National Coop. Council could be considered the protective organisation of the Cooperative Movement in Sri Lanka.

Cooperative School (Polgolla)

Apart from the National Cooperative Council of Sri Lanka this Institution is the other source providing education to the movement in Sri Lanka. This institution trains cooperative inspectors, organises conferences, seminars and draws up syllaby, holds both ordinary level and advanced level examinations in varied subjects pertaining to Cooperation. The advanced level examinations are conducted at the 26 district centres. Annually around 2000 employees sit for these examinations.

Cooperative Management Services Centre (CMSC)

This centre was inaugurated in April 1973 under the auspices of the Sri Lanka State Trading Corporation Act No. 33 of 1970. Aid from the Swedish International Development Agency (SIDA) and International Labour Organisation were received for this venture. The chief aims of this centre were the improve-

ment of the services of all cooperative organisations and the strengthening of Cooperative member participation, supervision and administration.

Guidance and advising on management services to Co-operative Institutions is an important item on its work programme. Managerial Advisory Division is a special section at CMSC. In addition to this they provide planning and extension services too.

The National Cooperative Council of Sri Lanka receives the full support of other apex organisations for its member education programmes. But the CMSC too performs a variety of services such as preparation of agricultural advisory plans, the establishment of a new bill system for cooperatives, advising in the re-organisation of cooperative societies and giving new life to existing societies. Finally based on the experience gained they prepare and publish reports and leaflets for future reference of cooperators.

The Cooperative Management Services Centre is maintained by funds from the Government of Sri Lanka and SIDA. Salaries of local personnel are paid by the government and the expense incurred by foreign advisers as well as what is necessary for the maintenance of the Centre are borne by SIDA.

Cooperative Employees' Commission

The Cooperative Employees' Commission became legislative under the Cooperative Commission Act No. 12 of 1972 and became operative on 31-3-1972. In terms of the Act this Commission has been granted many powers to control Cooperative Societies. In accordance with these powers, the recruitment of cooperative employees, determination of the service conditions, promotions, deposit of security bonds etc. are dealt with.

In addition, the determination of required qualifications for various posts and ascertainment of such qualifications, salaries and increments, appointment of inquiries for disciplinary action, provision of facilities for settlement of disputes are also some of its duties.

The commission is empowered to supervise cooperative societies, transfer and promote employees and look into the external and internal activities of coop. societies.

Cooperative Women's Societies

With the aim of developing the Cooperative Movement through the development and participation of women, the Coop. Women's Societies were inaugurated in 1976 in Sri Lanka, with the assistance of the International Cooperative Alliance. In 1976, the National Level Women's Committee and 26 district committees were formed. Arrangements are now made to form a Women's Committee in coordination with every MPC Society in Sri Lanka. These committees have drawn up courses to train women to take a more active stance in Cooperation. In March 1977 with the assistance of the ICA a fundamental training course was conducted for 36 Women's Committee representatives. Topics such as cooperation, leadership, nutrition, preparation of a balanced diet were discussed at this training programme.

Through these Women's Committees all efforts are taken to uplift the position of the rural women, educate them, develop their inherent abilities and develop cottage industries.

Department of Cooperative Development

Up to 1930 all activities pertaining to the Cooperative sphere were carried out by the Director of Agriculture. It was decided to open up a department for these purposes and on September 1st 1930, the Cooperative Department was inaugurated.

Work in the Department of Cooperative Development is administered by the Commissioner of Cooperative Development, Deputy Commissioners, Assistant Commissioners and Cooperative Inspectors. Consumer, agricultural, administrative, industrial, financial and audit activities are executed by Deputy Commissioners. Statistics, legislative, small industries, surveying and other work concerning societies are looked after by Assistant Commissioners. The Coop. School at Polgolla too is run by the Department.

Responsibilities of the Department are varied. Of these development of the cooperative movement, organisation of cooperative societies and their registration are important items. In addition administration and auditing of societies, cooperative development services, are also included

Conclusion

The Cooperative Movement in Sri Lanka though rich in experience is weak in development compared to the developed movements in the Scandinavian and European Countries.

The main reason for this is the absence of a strong business organisation with long standing traditions, at national level. The government has stepped in and the place of a National Cooperative Organisation is being usurped by the government departments and corporations. The policies of these offices change with every change of government.

The second major drawback in the development of the cooperative movement in Sri Lanka is the lack of skilled and experienced leaders with professional ability. The few who are present too are not satisfied with their lot due to unsatisfactory career prospects, poor salaries and unattractive employment.

Another factor hindering the progress of the cooperative movement in Sri Lanka is that it is dominated and managed by lay management boards, who manages both operational and policy decisions. Management of societies should be taken over by skilled managers while allowing the members to maintain the democratic control of the Society.

Even with its many defects and shortcomings the Cooperative Movement has taken root in the life of the people of Sri Lanka. It is facing a challenge to evolve a Cooperative System which could be most beneficial to a rapidly developing country.

THAILAND

The Cooperative Movement in Thailand

General Economy

The Kingdom of Thailand is part of South-East Asia bordered by the Indian Ocean and Burma in the west, Cambodia and Laos in the east, Laos and Burma in the north, Malaysia and the Gulf of Thailand in the south. Its total Area is 548,000 sq. kms. or approximately 200,000 sq. miles; stretching 800 km. from east to west. It has about 1,520 kilometres of coastline on the Gulf of Thailand and about 560 kilometres on the Andaman Sea. The climate is tropical and the population estimated in 1977 was 42 million.

Thailand is an agricultural country. The total land under agriculture, including forest and grazing land is 61 million hectares or 19.25 percent of the total area. Roughly 80 percent of the total population of 42 million, mostly small farmers, is engaged in agriculture. The major crops are rice (which is the mainstay of Thai economy and the largest export earner), cotton, sugarcane, coconut, peanuts, soya-beans, maize, tobacco, rubber and topioca. Agriculture contributes to over 30% of the G.N.P. and 70% of exported products.

At present, the Royal Thai Government is putting-forth great efforts to improve the life of its small farmers. Evidence of this effort was found in beginning strategies of land reform, assistance in distributing production supplies, creation of the Marketing Organization for farmers to help develop markets and price support. Accelerated support is also being given to agricultural cooperatives and farmers' associations (pre-coops.) through direct governmental assistance and financing through the government-owned Bank for Agriculture and Agricultural Cooperatives (BAAC) as well as commercial banks. The small industries are also given an important place in the programmes of economic development, because of the shortage of capital together with the presence of a large labour force and several other factors.

Cooperative Movement

An unlimited liability credit cooperative or a village credit cooperative established in 1916 by the Government under the special legislation called "The Civil Association (Amendment) Act, BE. 2459 (1916)", is the oldest of Agricultural Cooperatives in Thailand. This cooperative later became the model type for other cooperatives, both agricultural and non-agricultural.

In 1928 the Cooperative Societies Act, BE. 2471 (1928) was promulgated to pave the way for further development of cooperatives of various types. At the end of 1954 twenty two types of cooperatives had been organized in Thailand, with a total number of 19,338 societies. However, the most important one was the village credit cooperative.

The main objective of the village credit cooperative in Thailand was to extend to the members short, intermediate and long term loans for general farm purposes and to help relieve the farmers from severe indebtedness. The number of village credit cooperatives increased from one society in 1916 to 81 societies in 1927, and increased rapidly after the Second World War to 9,819 societies in 1954. This type of cooperative granted all loans against the mortgage of land, the appraised value of which must be well over the amount of loans, i.e. the loan amount must not exceed 60 per cent of the land value. In addition, two fellow members have to stand surety for a borrowing member. An interest rate of 12% p.a. is charged on out-standing loans.

In 1943, the Bank for Cooperatives was organised to serve as a financing centre of the agricultural cooperatives and to take the place of the Government's direct lendings. It was superseded in 1966 by the Bank for Agriculture and Agricultural Cooperatives (BAAC) which was established to widen scope of operations—to grant loans to individual farmers as well as agricultural co-operatives.

In 1968, the Cooperative Societies Act, BE. 2511 (1968) was promulgated, repealing the Cooperative Societies Act, BE. 2471 (1928) to facilitate the expansion and improvement of the cooperatives. This legislation embodied two new features, i.e. the amalgamation of cooperatives and the establishment of the Cooperative League of Thailand.

In 1969 the Government of Thailand, through the then

Ministry of National Development, had planned to amalgamate the small village credit cooperatives into the bigger units called "Agricultural Co-operatives". This was done to create a viable cooperative at the district or local level, as the small village credit cooperatives did not make any progress due to their limited function of provision of credit and the small volume of business.

Before the launching of amalgamation programme in 1969, there were 9,684 village credit cooperatives with a total membership of 153,278 or 3.5 million farm households. They existed in 286 districts of 63 provinces, out of the total 539 districts of 71 provinces, showing that the area coverage is still just 53% of the total districts. By the end of December 1973, 9,603 village credit cooperatives were merged into 410 fair-sized agricultural cooperatives, all of which changed their liability structure into the limited one.

At present, there are six main types of cooperatives in Thailand. They are Agricultural Cooperative, Fishery Cooperative, Land Settlement Cooperative, Thrift and Credit Cooperative, Consumers Cooperative and Service Cooperative. At the end of December 1977, there were 1,240 cooperatives with a total membership of 1,281,836 persons (families), averaging 1,033 members per society, 681 societies were agricultural cooperatives with membership of 553,456, averaging 813 members per society; 7 fishery cooperatives with membership of 1,112, averaging 158 members per society, 59 land Settlement cooperatives with membership of 32,421, averaging 550 members per society; 160 consumers cooperatives with membership of 270,434, averaging 1,690 members per society; 236 thrift and credit cooperatives with membership of 395,257, averaging 1,674 members per society and 97 service cooperatives with membership of 29,156, averaging 301 members per society. Among 681 agricultural cooperatives with membership of 553,456, there were 8 unlimited liability credit cooperatives with membership of 263 persons (families), averaging 33 members per society.

In general the Government of Thailand has recognized the need to make the cooperative a viable economic organization and cooperatives are considered highly essential to the successful extension of agricultural credit to small farmers, the most effective means to improve the marketing and purchasing power

of the farmers and the effective way to improve crop-production techniques including proper use of fertilizers, improved seeds, insecticides and pesticides. It is worthy mentioning here that during 1977 the cooperative activities got full support from the government. The then Prime Minister stressed and declared his policy that "the only means to solve economic problems of the farmers, accounted for 80% of the whole population, is agricultural cooperatives".

Agricultural Cooperatives

The first agricultural cooperative with unlimited liability later converted to limited liability was established by the Government in 1916. The limited liability agricultural cooperative was first established in 1959-60 as a pilot project in Pakchong and Muang Chacherngsao districts. They were improved both in structure and working procedures, in order to expand their activities to include the supply of farm requisites, marketing and processing of farm products, the extension of modern production techniques, the improvement of land and the extension of loans. They will operate as multifunction cooperatives. At the end of December 31, 1977 there were 681 agricultural cooperatives with a total membership of 553,456 members (families). Out of this, there were 8 unlimited village credit cooperatives with the membership of 263 members (families) as follows :

Type of Agri. Coops.	No. of Societies	Member-ship	Average Members per Society
Village Credit Coops.	8	263	33
General Agri. Coops.	597	527,076	883
Agri. Marketing	2	932	466
Land Improvement	2	2,262	1,131
Agri. Coops. in Accelerated Development Areas	48	16,519	344
Special Type of Agri. Coops.	24	6,404	267
Total	631	553,456	813

Present Structure

The structure of agricultural cooperatives in Thailand is a three-tier one, with primary societies at local level, secondary societies at the provincial level, and the apex society at the national level.

The primary society comprised individual farmers at district or local level. The main function of such society is the provision of credit and other services to the members: marketing, farm supplies, farm extension, processing, water management and general services.

The secondary level or provincial Federation comprises at least three or more societies joining together in particular areas. At the end of December 31, 1977 there were 26 secondary societies with a membership of 283 societies, averaging 11 members per society. This society functions similar to that of the primary society but on a larger scale. Special processing activities are undertaken by the federation, such as rice milling, tapioca processing, feedstuff mixing and so on.

ACFT

The national level comprises primary and secondary societies. At present "The Agricultural Cooperative Federation of Thailand Limited." (ACFT) is the apex society of agricultural cooperatives in Thailand. At the end of February 28, 1978, the membership of this society comprised of 570 agricultural cooperatives throughout the country. The main activity of this society has been agricultural cooperative business: farm marketing, farm supplies, providing credit for marketing including the export and import. ACFT acquired a modern corn silo with a capacity of 30,000 metric tons at a purchase price of 89 million baht. At the present time the major marketing activities of ACFT is purchasing and corn exporting. For other agricultural products, ACFT is just purchasing and exporting rice as follows:

Fiscal Year	Exported Products	
	Corn (Ton)	White Rice (Ton)
1969/1970	51,174	—
1970/1971	59,883	—
1971/1972	79,752	—
1972/1973	40,979	—
1973/1974	97,163	—
1974/1975	98,965	2,000
1975/1976	128,216	20,167
1976/1977	83,088	60,723
Total	639,220	82,890

The volume of business of selling fertilizers (which started in 1956 when ACFT was the cooperative wholesale society of Thailand Ltd) pesticides, other goods and publishing done by the ACFT is given below:

Fiscal Year	Goods Sold to the member			Publishing (bhat)
	Fertilizers (ton)	Pesticides (baht)	Other Goods (bhat)	
1969/1970	4,612	—	—	—
1970/1971	5,886	65,526	3,113,179	15,571,250
1971/1972	9,127	463,251	3,950,520	18,737,385
1972/1973	17,196	1,681,363	3,358,940	21,813,016
1973/1974	23,992	609,088	3,703,245	18,694,582
1974/1975	21,971	15,389,651	4,267,245	25,835,273
1975/1976	9,405	17,299,450	9,265,105	31,441,255
1976/1977	27,760	17,703,586	10,071,335	38,379,297
Total	119,949	53,211,915	37,829,570	170,471,958

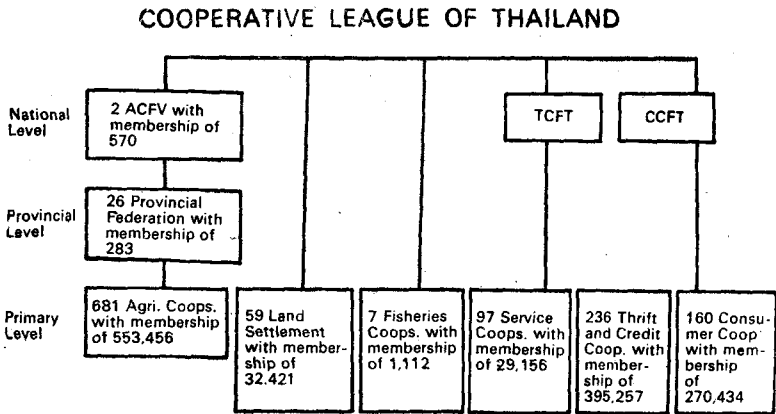
The Cooperative League of Thailand

The Cooperative League of Thailand (CLT) was organized in 1968 as an apex non-governmental organisation representing the cooperatives under the Cooperative Act 1968. Article 104, of the Act states that "The Cooperative League of Thailand shall be created on non-profit making basis consisting of all types of member cooperatives in order to give aid and assistance to cooperative societies on education and training, as well as cooperative movement." Presently there are 1,269 member societies. The objectives of the League in general are to promote and develop the cooperative movement in Thailand; to conduct research, education and training and assist the leadership within the cooperative movement, to build and expand cooperative activities and to serve as the representative of cooperatives in the country. In 1978, the following training programmes were conducted:

1. Training of board members of the land settlement cooperatives throughout the country, 116 participants.
2. National Seminar on Agricultural Marketing, 26 participants.
3. The Seminar for chiefs and their assistants of the Mobile Training Units on Family Welfare Activities, 26 participants.
4. Training of accountants of the thrift and credit cooperatives, 51 participants.
5. The Seminar for Chairmen of the Consumers' Cooperatives, 165 participants.
6. Conference of Leading members of the agricultural and Land Settlement Cooperatives, 100 participants.
7. The Seminar for the Chairmen of the Thrift and Credit cooperatives, 260 participants.
8. Training of accountants of the consumers' cooperatives, 50 participants.
9. Training of board members of the agricultural and land settlement cooperatives, 7,840 participants. This training programme is done through 9 mobile training units of the Cooperative Promotion Department with financial support from the League.
10. Training of storage keepers of the agricultural cooperatives, 250 participants.

11. Training of managers of the agricultural cooperatives, 500 participants.
12. Training of accountants of the agricultural cooperatives, 90 participants.

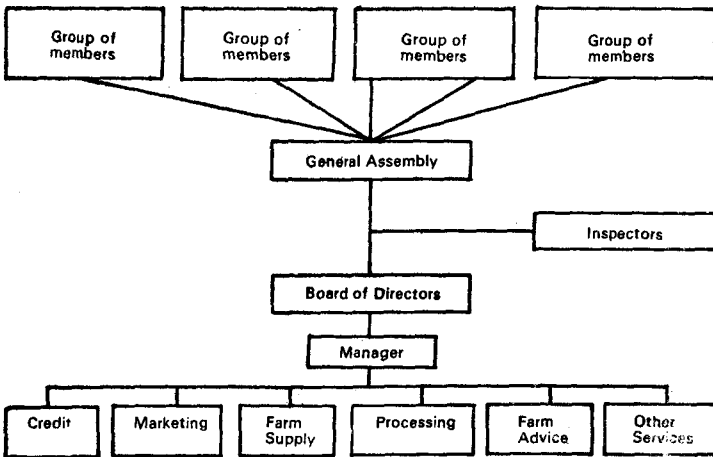
The structure of the cooperative organisation in Thailand in 1978 can be shown as follows:



*TCFT Thrift and Credit Cooperative Federation of Thailand.

*CCFT Consumer Cooperative Federation of Thailand.

The Organizational Structure of Agricultural Cooperatives.



Agricultural Cooperatives in Thailand have played an important role in agricultural development. The present agricultural cooperative is a large-sized multi-purpose organization catering to almost all needs of the members in respect of credit, marketing, purchasing, service, and guidance. These societies are the result of amalgamations undertaken in 1959. There were, during 1977, 681 such cooperatives with 553,456 individual members (families). According to the study made by the Cooperative League of Thailand, it was revealed that the working capital, fund of their own and current fund of these societies have increased every year as follows:

Unit: Million Baht

F.Y.	No. of Society	No. of Membership	Working Capital	Fund of their own	Current fund
1972	747	299,305	1,062.33	381.77	376.96
1973	768	337,863	1,047.87	396.11	357.51
1974	621	331,962	1,351.47	506.98	446.71
1975	575	363,115	1,804.05	691.51	450.53
1976	588	465,502	2,862.12	684.99	490.05

Business Activities

Agricultural cooperatives in Thailand have been organised to help improve the standard of living of people in rural areas through the provision of credit, marketing, farm supply, processing of agricultural products and other services concerned. Some activities such as lending, purchasing and marketing undertaken by the societies are as follows:

Unit: Million Baht

F.Y.	Lending	Purchasing	Marketing
1972	805.58	63.41	150.19
1973	801.81	27.25	112.79
1974	954.54	83.53	238.82
1975	1,092.66	168.16	181.05
1976	1,480.28	294.24	427.23

Income, Expenditure and Net Profit

The majority of agricultural cooperatives have launched activities successfully. From the study on financial situation of the agricultural cooperatives in 1976, it was revealed that 445 societies or 86% out of the total 520 societies had surplus, while 75 societies or 14% most of them newly established had deficits.

Unit: Million Baht

F.Y.	Income	Expenses	Net Profit
1972	155.63	124.20	28.16
1973	160.92	122.90	39.29
1974	351.69	290.88	62.26
1975	244.42	202.52	51.83
1976	859.22	743.68	54.64

Role of Government

Thai Government is assisting the agricultural cooperatives in several ways to accelerate the process of cooperative growth. In 1977 the government had a set policy regarding paddy storage. At the beginning of the fiscal year 1977, there were 315 storages with a total capacity of 163,550 tons scattering throughout the country. During the fiscal year, government budget was allocated to build 130 additional storages with a capacity of 500 tons each. When the project is completed, there will be 817 storages with a total capacity of 335,100 tons. 722 will be paddy storages and 95 multipurpose ones. To implement this programme, the government allotted Baht 55 million from farmers' aid fund for construction purposes, Baht 5 million for buying trucks and boats, Baht 230 million for collecting rice and other products.

Problems of Agricultural Cooperatives in Thailand

1. The government is too deeply involved in the control of cooperative financing and management. There is not much incentive for development of leadership among the coopera-

tives. The cooperative law is too unwieldy and there is too much interference by government department in day-to-day work.

2. Lack of adequate feasibility studies prior to organizing new cooperatives.
3. Lack of understanding among members of how a cooperative functions and what is necessary for its success.
4. Lack of sufficiently trained, competent personnel for employment in cooperatives, particularly in the areas of management, accounting and financial analysis.
5. Lack of sufficient funds to support agricultural investment.
6. Lack of market both local and international.
7. Lack of better coordination among cooperative agencies concerned.

Recommendations

1. The role of government towards cooperatives should be gradually changed from a direct assistance (management) role to a catalyst (educational and regulatory) role. The Cooperative League of Thailand has to set in a process for proper development of leadership at all levels.
2. Before establishing new cooperatives, it is necessary to make feasibility studies regarding their need among the members.
3. The Cooperative League of Thailand has to plan the training or seminar programmes for cooperative members both on short and long term bases.
4. The government should establish a Bank for Cooperatives or Cooperative Bank as the financial source of all types of cooperatives, particularly agricultural cooperatives.
5. In Thailand the middlemen have a very strong hold on the economic activities of the farmers. Hence, the cooperatives are not able to make much headway in winning them over to their side. The government should encourage the cooperative marketing, both in local and international markets.
6. All cooperative agencies should plan cooperative development together and share their activities.

Fishery Cooperatives

In Thailand, Fishery Cooperatives were organized among fishermen in 1954, both fresh water or sea water fishing, with objectives of increasing the productivity of small fishermen and providing a higher return. Most of them defaulted on their loans and the coops failed. Therefore, in 1975 fishery cooperatives were organized as multi-purpose societies along the coastal and near-by areas where fish farming was practised.

According to the cooperative development plan, the Cooperative Promotion Department will organize 2 marine fishery cooperatives per year. Through the cooperatives, financial assistance to individual members and societies is projected to provide both service and market outlets for the members. It is hoped that the government will provide funds to each cooperative on a loan basis, averaging 1,000,000 baht per cooperative for development of business operations, and 7,000,000 for lending purposes. The Cooperative League of Thailand will also hold training courses for their board members and members.

During 1977 a fishery cooperative was organized with an initial membership of 191 persons (families). At the end of December 1977 there were 7 fishery cooperatives with a total membership of 1,112 persons and 194,650 baht paid up share capital. The fishery cooperatives were unsuccessful but from 1975 business operations of this type of cooperative improved, as illustrated in the table (opp. page).

At present, fishery cooperatives with small membership still have a low bargaining power and an uncertain prospect. However, every effort has been done to increase the number of members large enough to be effective. Marketing of aqua product is a critical problem. Here the fish buyer keeps the fishermen at the poverty level. The fishery cooperatives are trying to market the members' products, build their own cold storages, icing plants and provide appropriate transportation to sell the fish. Finance is another serious problem requiring a solution.

Land Settlement Cooperatives

Land Settlement Cooperatives were started in 1938 for

Fishery Cooperatives

Year	No. of societies	No. of Member-ship	Working Capital	Fund of Their Own	Current fund	Purchasing	Marketing	Profit
1972	3	809	4.97	(0.52)	(0.62)	—	0.23	(0.04)
1973	3	815	5.00	(0.59)	(0.62)	—	0.27	(1.70)
1974	2	425	3.01	(2.26)	(2.31)	—	0.37	(1.04)
1975	4	424	1.55	(3.63)	(3.63)	—	0.30	(1.03)
1976	4	501	1.09	0.08	0.05	0.33	0.61	(0.005)

helping landless farmers or tenants to become land owners or to get security on land tenancy. This was done by way of settling them on the underdeveloped and forest lands conserved by the government for such purposes by organizing land hire purchase and land tenant cooperative societies. Land Settlement Cooperatives can be sub-divided as follows :

1. Agricultural Land Settlement Cooperatives : This type of cooperative was organized to help landless farmers to own and operate the conserved or public land allotted to them for agriculture. At the end of December 1977 there were 25 societies with a total membership of 18,679 persons (families).

2. Land Hire-Purchase Cooperatives. This type is also aimed at helping the landless and small farmers to become land owners through a hire-purchase system. In December 1977 there were 14 societies with membership of 6,814 persons (families).

3. Land Tenant Cooperatives. These cooperatives were established to help farmers in agricultural cultivation through tenant system. There were 18 societies with a membership of 12,698 persons (families) in December 1977.

4. Fishery Land Settlement Cooperatives. It was organized along the coastal and nearby areas where fish farming can be practised to help farmers' security. At the end of December 31, 1977 there were 2 societies with membership of 230 persons (families).

At present there were 59 Land Settlement Cooperatives with a membership of 32,421 persons (families), averaging 550 members per society. They were organized in 34 provinces and 0.54 million acre of land were allocated to members. During 1977 five land settlement cooperatives were organized in 5 provinces. Total land allocated under the project was 1,206 acres with membership of 1,495 persons (families). In addition Land Settlement Cooperatives extended Baht 24.6 million, loans to members for production purposes and refinancing of old debts and provided agricultural supplies valued at Baht 9.9 million to the members. In collaboration with Land Reform Bureau and Department of Irrigation and Land Development 65,750 acres of land were developed and allocated to farmers in Uthaihani and Narathiwas. A land-hire purchase cooperative was organised in the land donated by His Majesty the King.

To strengthen the operations of these Land Settlement Co-

Land Settlement Cooperatives

Unit : Million Baht

Year	No. of Societies	No. of Membership	Working Capital	Fund of their own	Current fund	Lending	Income	Expenses	Net Profit
1972	370	11,165	48.63	16.65	20.72	9.98	6.60	5.67	3.79
1973	303	9,321	55.10	19.66	31.14	25.72	7.15	5.90	1.29
1974	188	11,894	60.61	26.35	30.30	22.60	17.52	14.21	2.83
1975	77	14,867	65.53	26.55	31.35	21.71	15.39	13.68	1.00
1976	51	29,808	79.45	30.83	36.30	16.61	23.20	20.06	1.09

operatives, the Cooperative League of Thailand has tried to hold seminars and training programmes for their Board members and managers.

Thrift and Credit Cooperatives

The first thrift and credit cooperative was organized on September 28, 1949 among government officials of the Ministry of Cooperatives to promote thrift, to help members in clearing old debts and to meet expenses by giving loans at low rate of interest. This type of thrift and credit cooperatives is promoted to be organized for the benefit of wage or salary-earners both in rural and urban areas. During 1977, 74 thrift and credit cooperatives were organized with 21,718 members. At the end of December 1977, there were 236 thrift and credit cooperatives with a membership of 395,257 persons, working capital amounted to Baht 1,804 million, Baht 1,305.6 million of paid up share capital, Baht 70.9 million of reserves and Baht 99.8 million of both saving and time deposits.

During the year 49,069 members were admitted to the cooperatives, loans extended to members amounted Baht 2,086 million, working capital increased to Baht 282.2 million and reserves, paid-up share capital and deposits had increased to Baht 12.5 million, Baht 203.4 million and Baht 26.6 million respectively.

The Statistical data from Cooperative Statistics in Brief 1968-1976, collected by the Cooperative League of Thailand indicated that the business operations of these cooperatives were favourable, i.e. volume of business expanded but the main business of these cooperatives is lending or credit operation. At the end of December 1977, thrift and credit cooperatives classified by types of members were as follows :

1. Teachers' Thrift and Credit Cooperatives.
2. Government Officials' Thrift and Credit Cooperatives.
3. Police Thrift and Credit Cooperatives.
4. General Thrift and Credit Cooperatives.

The number and membership of each category of thrift and credit cooperative at the end of December 1977 are shown in the following table :

Type of Society	No. of Society	Percentage	Membership	Percentage
Teachers' Thrift & Credit Coops.	75	31.78	249,778	63.19
Govt. Officials Thrift & Credit Coops.	60	25.42	90,003	22.77
Police Thrift & Credit Coops.	95	40.25	53,141	13.44
General Thrift & Credit Coops.	6	2.54	2,335	0.59
Total	236	100	395,257	100

The Thrift and Credit Cooperatives developed mainly among wage or salary-earners, especially government officials and only 0.59% of the total number was organized in private sector such as industrial workers. No Thrift & Credit Cooperative was organized among common people with different occupations. The progress of this type of cooperative has been steady especially in 1977 when the activities of this cooperative increased sharply.

At present, the Thrift and Credit Cooperative movement is not strong enough to extend loans to other cooperatives, because of shortage of funds. In the latter half of 1972, a national federation called the "Thrift and Credit Cooperatives Federation of Thailand Limited" was organized to serve as a financing centre of its affiliates.

Consumer Cooperatives

In 1937, the first Consumer Cooperative Ltd. was established at Sena District, Ayuthya Province, to help the rural consumers in their daily purchase of commodities. More cooperative stores have been established since that year. After the World War II, the consumer cooperatives were promoted

to be organized both in rural and urban areas by the government to solve the problems of shortage of consumer goods.

In 1952 the Cooperative Wholesale Society of Thailand was organized enabling direct purchase with producing sources. The affiliated retail societies could obtain help from the CWS in the supply of commodities. Later on, its name was changed to the Cooperative Marketing and Purchasing Federation of Thailand, Ltd. (CMPF) on August 22, 1969. In 1976 the CMPF became the Agricultural Cooperative Federation of Thailand. The Consumer Cooperative Federation of Thailand was organized for specialized functions on August 14, 1975, i.e. to serve as a centre of supply of goods to the member cooperatives, handle export and import, provide education and promoting member relationships among member societies, international cooperative institutions and all organizations which have similar goals and purposes.

At the end of December 1977 there were 160 Cooperative Stores with a membership of 270,434 which can be classified by types as follows :

- 32 Government officials cooperative stores with membership of 33,778, averaging 1,055 members per society.
- 30 University or college cooperative stores with membership of 40,486, averaging 1,349 members per society.
- 97 Cooperative Stores for general public with membership of 196,170 averaging 2,022 members per society.

During 1977, 17 consumers cooperatives were organized to serve 3,970 members with 1.9 million baht of share capital. It is evident that about, 60.63% of the total number of consumer cooperatives are those for general public. Their activities have achieved a high degree of efficiency, especially the large Societies in Bangkok like the Phranakorn Cooperative Store and the Krungthep Store. The following table will show the progress of consumer cooperatives during the past 5 years.

Large consumer cooperative stores like the Phranakorn Cooperative Store and the Krungthep Cooperative Store, are very popular with their members and general public receiving their active support. The Phranakorn Cooperative Store has about 52,000 members and the membership is increasing at the

Progress of Consumer Cooperatives

Unit : Million Baht

Year	No. of Societies	No. of Membership	Working Capital	Funds of Their Own	Current fund	Purchasing	Marketing	Net Profit
1972	106	129,830	66.55	37.07	24.07	253.97	271.67	9.36
1973	91	156,041	78.46	47.79	23.94	319.27	345.31	14.72
1974	99	132,386	115.67	64.44	30.73	442.17	479.88	20.89
1975	118	181,928	154.35	87.19	45.42	664.51	721.67	31.28
1976	115	214,803	219.89	110.72	64.34	859.38	931.22	38.78

rate of 500 members per month, the monthly sales turnover was 17 million baht. This store has planned to expand with new branches in the outskirts of Bangkok and nearby cities.

The consumer cooperative stores have received technical assistance from government agencies such as supervisors and low cost credit to expand and promote their activities. Baht 40 million was given as low-cost credit by the government during the past 3 years.

Problems of Consumer Cooperatives

1. Unsuitable location.
2. Inadequate funds.
3. Competition with stronger private business.
4. Limited in varieties of goods.
5. Lack of efficient manager and board of directors.
6. Inefficient price control policy of the government.
7. Lack of knowledge of cooperative principles among members.

In order to solve these problems the consumer cooperative stores and agencies concerned have planned to take action as follows :

1. To hold seminars and training courses for members, board of directors and employees of cooperative stores.
2. Provide members with several varieties of goods.
3. Sell at market price.
4. Find suitable location for the store building.
5. Government policy on cooperative promotion must be sound and steady.

Service Cooperatives

Service cooperatives were organized among rural and urban people to improve their method of production, to provide credit and marketing service and to raise members' income through the principle of self-help and mutual-help. During 1977, 16 service cooperatives were organized with 840 members and 483,800 baht of share capital. About 400 new members were admitted to the cooperatives during the year. At the end of Dec-

ember 31, 1977 there were 97 service cooperatives with a total membership of 29,156 persons. Total turnover amounted 88.1 million baht with 4 million baht of net earnings. They are classified as follows :

- 3 Housing Cooperatives with a membership of 3,868 persons.
- 4 Electricity & Water Supply Cooperatives with a total membership of 2,112 persons.
- 58 Taxi and Microbus Cooperatives with a membership of 12,239 persons.
- 30 Handicraft Cooperatives with a membership of 9,859 persons.
- one Writers Cooperative with a membership of 318 persons.
- one Printing Cooperative Federation with 3 member cooperatives.