

COOPERATION & SMALL
INDUSTRIES IN SOUTHEAST
ASIA

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International Cooperative Alliance

J.M. Rana

COOPERATION AND SMALL
INDUSTRIES IN SOUTH EAST ASIA



COOPERATIVE SERIES-2

The International Cooperative Alliance is one of the oldest of existing international voluntary bodies. It is a world-wide confederation of Cooperative Organisations of all types. Founded by the International Cooperative Congress held in London in 1895, it embraces more than 174,000,000 members of Cooperative Societies in 53 countries. It is the only Organisation entirely and exclusively dedicated to the promotion of Cooperation in all parts of the world. The headquarters of the Alliance are in London.

Since 1960, the Alliance has been operating its Regional Office and Education Centre for South-East Asia in New Delhi. The Regional Office has the task of developing the general activities of the Alliance in the Region. These activities consist, *inter alia*, of research, provision of technical assistance, dissemination of information on cooperative matters and the building of effective liaison with member movements and international organisations including the UN Agencies.

The Regional Office includes the Education Centre which is financially supported by the Swedish Cooperative Movement. The Centre organises seminars, courses, conferences and workshops of different types. So far the ICA offices have conducted more than 30 seminars which were attended by over 800 participants from different countries of the Region.

In its efforts to produce literature, the Regional Office and Education Centre is now issuing a series of brochures. The present pamphlet is a part of this series. The series will deal both with theoretical and applied aspects of Cooperative Movements in South-East Asia.

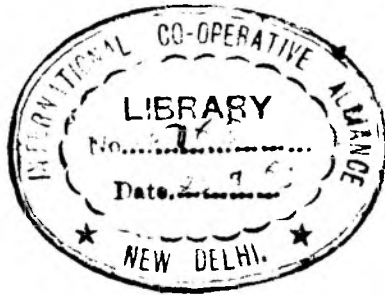
In publishing a pamphlet, the Alliance presents it as a useful discussion of a subject worthy of wider consideration. The interpretations and conclusions in such pamphlets are entirely those of the author and do not necessarily represent the views of the Alliance.

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COOPERATION AND SMALL INDUSTRIES IN SOUTH EAST ASIA

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INTRODUCTION

1.1 Scope of the Paper

The main theme of this paper is to discuss the role of Cooperation in the modernisation of cottage and small-scale industries in South and South East Asian Countries¹. It is not intended to go in great detail into the arguments of cottage and small-scale industries versus large-scale industries. Nevertheless, it will be useful to indicate very briefly, in the introductory part, the economic justification for the small industry² within the process of economic development. It is necessary to do so because it is often assumed, that industrialisation necessarily means establishment of large-scale industries, while emphasis on small industries implies retardation of economic growth.

After enumerating the various fields suitable for small industries, an attempt will be made to outline the organisational structure of the cottage and small-scale industries, their problems, and the need for modernisation. The next chapters will be devoted to a discussion of the role of Cooperation in the modernisation of small industries, the contributions made by cooperatives in South East Asia, and some basic problems affecting the growth of the industrial cooperative sector.

We will discuss in this paper mainly the potential role of cooperatives in the development of small industries. While certain basic issues affecting the nature of industrial cooperatives will be discussed, no attempt is made to discuss the various problems encountered by these societies in South East Asia.

1.2 Limitations

Certain reservations about the discussion which follows should be made at the outset. The Region of South East Asia is a vast one, and the descriptions given, both of the organisation of the small industries, and of their problems, would be in the nature of broad generalisations. Firstly, considerable diversities are found between countries and sometimes even

within one country as regards the variety of small industries, the relative seriousness of their problems, and the quickness with which cooperative approaches can be adopted. Secondly, the social, economic, and technical background of various industries may differ from one another. Within the short space of this paper, it is not possible to discuss these variations among different crafts and industries, except by giving a few illustrations from time to time.

1.3 Definitions

One word about the definitions of the cottage and small-scale industries. The U.N. ECAFE³ Working Party on Small-Scale Industries at its second session defined the terms as follows and recommended the adoption of these definitions by the countries in the ECAFE Region.

“A Cottage or Home Industry is one, the products of which require skill and craftsmanship in the manufacture and which is carried on wholly or primarily with the help of members of the family, either as a whole or a part-time occupation.”

“A Small-Scale Industry is one which is operated mainly with hired labour, usually not exceeding 50 workers in any establishment or unit not using any motive power in any operation, or 20 workers in an establishment or unit using such power.”

The term “cottage industry” is understood in all the countries of the Region on the lines of the definition of the ECAFE Working Party. However, considerable variations exist in regard to the definition of small-scale industry, which is usually defined with reference to the number of workers employed in a unit with or without power, and sometimes with regard to the number of persons employed in a unit and total capital invested.

1.4 Acknowledgements

The author would like to acknowledge his thanks to the Research Subcommittee of the ICA Regional Office and Education Centre for their comments and to Mrs. Julia P. Montgomery for editing the manuscript. Dr. S. K. Saxena, Regional Officer, Mr. M. Radetzki, Director of the Education Centre, and Mr. Bertil Mathsson, former Director of the Centre, have given him considerable assistance, and the author has benefited very much from discussions with them. Thanks are also due to the Commissioners of Cooperative Development or their equivalents in various countries of South East Asia, who have taken much trouble in supplying us with statistical information on industrial cooperatives.

ROLE AND PROBLEMS OF SMALL INDUSTRIES

2.1 Small Industries and Economic Development

Small industries are given an important place in the programmes of economic development in South East Asian countries, because of the shortage of capital together with the presence of a large labour force⁴. These countries suffer from an acute scarcity of capital, particularly long-term capital, because there are heavy demands for it in different fields, such as agriculture, heavy industries, transport, communications, and social services. Sufficient capital formation is a difficult task for developing economies with low living standards and growing populations; also foreign capital is not available in the quantities desired. Labour supply, however, is plentiful, and there exist considerable unemployment and under-employment in both rural and urban areas. Hence it is necessary that capital is rationed in many fields, and that greater reliance is placed on production units which utilise as much as possible the abundant and growing labour force. Several other factors make it both necessary and desirable to place emphasis on small industries in the strategy of economic development. These factors include dearth of entrepreneurial leadership needed for large-scale industries, low levels of industrial skills, the conditions of existing markets, and demand patterns in the developing countries. In this connection, the Third Five Year Plan of India⁵ states, that the objectives of the programme for the small industries are "to create immediate and permanent employment on a large-scale at relatively small capital cost, meet a substantial part of the increased demand for consumer goods and simple producers' goods, facilitate mobilisation of resources of capital and skill which might otherwise remain inadequately utilised and bring about integration of the development of these industries with the rural economy on the one hand and large-scale industry on the other."

The historical experiences of Western Europe and Japan indicate that small and medium-sized plants have played an important role in the highly developed countries. "In Austria in 1930, 57.7 per cent of the total

labour force in secondary production (manufacturing, mining and construction) was in firms employing fewer than 50 workers. In France, in 1906, the corresponding percentage was 70.6; in Germany, in 1907, it was 54.5; in Japan, in 1955, it was 50.6; in Switzerland, in 1955, it was 43.7; in Norway, in 1953, it was 51.3”⁶. The Japanese economy, which has demonstrated powerful competitive capacity in world markets, is even now organised to a significant extent in small-scale establishments. Thus the prevailing social, economic, and institutional conditions in the developing countries, as also the historical experiences of the advanced countries, show that small industries are likely to play an important part in achieving rapid and stable industrial development in South East Asian countries⁷.

2.2 Fields Appropriate for Small Industries

Certain fields mark themselves out for small industries. Firstly, small units have a comparative advantage in the production of artistic goods, such as gold and silver work, lace work, shawls, and brocades, which call for a high degree of manual skill and individual work. This sphere is comparatively exclusive for small industry where competition from large-scale industry is practically non-existent. The demand for such goods came formerly from the aristocratic and ruling families. With the decline of these families, the artistic handicrafts have suffered some setback. However, the rise in the standard of living of the people in the wake of economic growth and the development of export markets may offset some of these adverse factors.

In South East Asia, various home industries have been practised for centuries, and it would be possible to better organise and develop these industries since the artisans already possess some skills.

Secondly, there are trades which do not require great artistic skills on the part of artisans but which call for greater labour requirements and low capital intensity for production of goods. Such trades offer favourable conditions for the establishment and growth of small industries. The development of other sectors of the economy, and of transport and communications, will create wider opportunities for the small industries. For instance, improvement in the living standards of the urban people will bring about scope for the building industry, furniture-making and wood work, canning, dairying, toy-making, and similar other industries, so as to meet the diversified needs of the people. In highly industrialised countries like Great Britain, France, and West Germany, small-scale establishments continue to maintain their existence in such trades as

building, printing, bakery, garments-making, where, on account of the limited requirements of equipment, large-scale firms do not enjoy significant cost advantages. Also, for example, the growth of light engineering industries in the Punjab, one State of India, to service the agricultural implements, irrigation pump sets, and motor vehicles, is indicative of the transformation which can take place, if enterprising entrepreneurs grasp new opportunities by making adaptations in their traditional techniques.

Thirdly, as in Japan, a vast field of industries, ancillary to large-scale manufacturing industries, will open up for small-scale production as industrialisation proceeds, and it brings into existence a large-scale industrial sector. Small industries under this category sub-contract work from large firms to produce certain components, while production of parts, which require heavy machinery and assembling, is carried on in the "parent firm."⁸ The growth of small industries complementary to Hindustan Machine Tools, a basic industry in the public sector at Bangalore in India, indicates the possibilities of encouraging small industries by careful planning.

The technical advantages of the small industries have increased with the development of electricity as a motive power which can be carried to small towns and rural areas, and by the production of electrically-operated small tools which have reduced the size of the plant required for optimum results in many branches of production. As described earlier, new fields of activity and new markets open up for the small industries with the progress in transport and communications. At the same time, opportunities for modernisation of technical processes of production are facilitated with the developments in the field of power distribution and small production tools. However, the widening of the markets creates conditions favourable for the establishment of large-scale industries as well in the various fields mentioned above. The small-scale industries in the industrialised countries of the West are experiencing keen competition from, and some of them are even losing ground to, large-scale firms. It should, therefore, be emphasised that the small industries can survive the competition only through a process of rationalisation; it may also happen that some of the small-scale firms may graduate into large-scale units on account of capital accumulation by them over a period of time.

Finally, there are areas in which small industries are at present engaged, but in which large-scale industries would be in a position to produce commodities at lower costs. There may, however, be good justification

for the Government in a developing country for allocating, fully or partly, production capacity in some of these fields to small industries, on account of the present labour-capital ratios as discussed before. Such reservation of production capacity for the small industries can be achieved by the Government by imposition of taxes on the large-scale firms, which want to enter these fields, and other similar measures. In the developing countries, capital is urgently needed for basic and heavy industries and for building the infra-structure so essential for the growth of all types of industries. It may then be necessary to ensure that a large part of such capital is not diverted to the large-scale industry producing consumer goods, when such consumer goods can be produced by small units, using relatively little capital. Such a policy may be necessary in view of the divergence between social benefits and private benefits, even though consumer goods produced by capital intensive methods are likely to be cheaper than those produced by small industries. A policy of this nature has been followed in India with regard to the textile industry where production of certain varieties of cloth has been reserved for the small industry⁹. The existence of large and small units of production in an expanding economy may be a natural outcome or a result of planning done in view of the reasons mentioned above. A bullock cart, for instance, will have a place in a developing economy alongside the railways and the motorised vehicles, as long as the latter cannot meet the entire transportation needs.

This implies that at any given time there is an equilibrium between large-scale industry on the one hand and small industries on the other. This equilibrium will be disturbed as capital becomes available for production of consumer goods in the large-scale industrial sector, and as the small industries cease to be able to compete with the large-scale firms entering in the consumer goods' production.

The above discussion indicates that the place of many small industries in a developing economy will be transitional, which period, however, may be considerably longer than generally assumed, on account of the slow rate of economic development in these countries¹⁰. In the ultimate analysis, the scope for small industries will be confined to production of artistic wares, as ancillary to large-scale industries, and as competitive units in labour intensive production fields¹¹.

2.3 Cottage Industries' Organisation

An attempt is made below to outline briefly the nature of traditional cottage industries and their handicaps. The region of South East Asia

is so vast that it is only possible to give broad contours of the traditional industries' organisation, and their problems. Further, the situation of cottage industries is in a flux and one comes across an intermingling of old traditional style of cottage industry units endeavouring to fit themselves into the modern industrial and commercial structure. Finally, there are some cottage industries which have died or are in the process of extinction.

The artisan has historically been an important element in the village community, as he used to supply commodities produced by him to the village people. The comparative self-sufficiency of the Asian villages is a well-known fact. The cobbler, the washerman, the blacksmith, and the carpenter, continue to supply even today services required by the villagers in return for a small part of the crop at the harvest time and, perhaps, some cash remuneration. This integration of the craftsmen within the village community varies in different regions depending upon the demand for their products and services. Artisans whose products are in demand only periodically are less integrated within the village community.

The work of the rural industry is conducted on a family basis and all the members of the family provide the labour force. Occasionally a permanent or a temporary hand is hired to supplement family labour. Sometimes more than one worker is employed, if a unit meets nearby village and urban demands also, as in the case of tobacco goods, flour grinding, and goldsmithy. In some cases, the artisan families are also part-time farmers cultivating small plots of land.

Urban traditional industries, on the other hand, are all full-time occupations and some labour is hired too. In Howrah, a suburb of the city of Calcutta in India, for instance, the blacksmiths' establishments generally consist of three workers including the proprietor. They cater for a wider market and work more regularly all the year round in contrast with the rural industries, whose craft may be seasonal.¹²

Generally speaking, both rural and urban traditional industries use hand-operated tools, and any progress in acquiring power-driven equipment, as in the case of powerlooms used by the weavers of India, and machine-spinning of coir yarn in Ceylon, has been of comparatively recent origin. The methods of production are usually handed down, with practically little change, from generation to generation. If any adaptation to changing consumer tastes takes place, it is on account of the direct demands of the buyer who is in personal contact with the artisan; such adaptation, how-

ever, is of relatively small magnitude. A pertinent example of this lack of change is found in the jaggery¹³ industry of Ceylon. The unsatisfactory methods of tapping for both palmyrah and kitul in the Northern Province, Sabaragamuwa, and the Central Province, have not been improved since their inception. The tapping is mostly sporadic and irregular, and a large number of trees are left out. The cooking methods are also outmoded.¹⁴

2.4 Structure of Small-Scale Industries

Some small-scale industries, which have come into existence during the last few years, operate on the factory system and employ hired labour. The proprietor raises capital from his friends and relatives and sometimes employs modern methods of production. For example, such industries have developed in India in the spheres of machine tools, sewing machines, electric fans and motors, builders' hardware, hosiery articles, and auto-repair workshops. In these industries the entrepreneur possesses some technical knowledge, provides leadership, and capital, and also manages the firm himself. The degree of specialisation in management varies with the size and technical nature of the enterprise, but the management functions are generally concentrated among a few persons.

2.5 Problems of Small Industries

As monetisation of the rural sector proceeds apace, the dependence of the artisans on the traders and outside markets increases for purchase of raw materials, supply of credit, and sales outlets. This dependence is much greater in the case of rural artisans, not completely integrated within village communities, and urban industries. Like farmers, the artisans are also dependent upon intermediaries who perform the functions of giving credit, supplying raw materials, and/or providing sales outlets. But unlike farmers, as Professor D.R. Gadgil observes, they are more dependent on the intermediaries since there is no element of self-dependence in their economies.¹⁵ This class of intermediaries has come to assume an important place in the structure of traditional industries, very much like the trader-cum-moneylender in agriculture. They have been able to acquire this dominant position because, in addition to possessing some capital, they know where to purchase raw materials, and whom to contact for selling the goods. The artisan is not always in a position to pay cash for the raw materials, and obtains goods on credit from the middlemen on account of several reasons. These reasons are poor economic

condition of the artisans, lack of adequate capital with the small industries, and existence of a time-lag in the production of commodities. The middlemen also provide a sales outlet to the artisans who do not have the time, inclination, or knowledge of the markets, to sell themselves; thus the artisans become very much dependent on the middlemen who exploit their advantageous position. In course of time, the middlemen often set up their own business, employ the artisans, and start producing on their own. In the carving work industry in Ceylon (ivory, horn, ebony, satin and coconut hard wood), it is pointed out that only 4 per cent of the skilled workers are carrying on work independently, and that the remaining 96 per cent are employed in small and medium-scale workshops on a piece rate or daily wage basis. To some extent the independent craftsmen are exploited by the proprietors of the bigger workshops who also act as the middlemen for the independent artisans.

To the above picture should be added the increasing competition from large-scale industries which are making continuous inroads in the fields which formerly were the exclusive preserve of cottage industries. The market for traditional industries has, for instance in India, continuously diminished for the last one century and more, as machine-made cheap products were put out by large-scale industries.

Similar problems are experienced by the small-scale industries as well, which operate on a factory system and employ hired labour. Such small-scale units are not able to buy raw materials and sell their products at the most advantageous terms, since their volume of purchases and sales is small. It is also not possible for them individually to arrange training programmes for their employees.

To sum up, the problems of cottage and small-scale industries may be categorised as follows: (i) exploitation by middlemen in regard to supply of raw materials, marketing of goods and supply of adequate credit at reasonable rates, (ii) lack of bargaining power on account of scattered nature and small size of industries, (iii) antiquated methods of production, (iv) low technical and managerial levels of the entrepreneurs, and low level of labour efficiency, and (v) competition from large-scale industries.

ROLE OF COOPERATION IN MODERNISATION

3.1 *Forms of Industrial Cooperatives*

It is essential that the traditional cottage industries and the newly-emerging small-scale industries perform a number of tasks so that they can operate efficiently. For instance, they should interpret consumer preferences and market trends in order to make necessary production adjustments. They should also establish quality control and produce standardised goods. Further, they should arrange training programmes for developing industrial and managerial skills in their personnel, and forge a mechanism for purchase of raw materials and marketing of their products at the best possible prices.

In view of the scattered nature of their establishments, and the small size of their operations, the craftsmen are unable to perform these tasks themselves. Hence, they have to depend for the supply of these economic services upon a system of intermediaries who generally exploit their clients. It would for this reason, if for no other, states an ILO paper, "be desirable in encouraging handicrafts and small-scale industries to foster their association on cooperative lines, thereby enabling the producers jointly to control the organisational machinery themselves and so avoid the risk of exploitation".¹⁶ The Cooperative Movement offers a form of business organisation in which the craftsmen join as members on the basis of equality and in which they can achieve, through joint action, economic and social advantages beyond the reach of an individual producer.

Such an industrial cooperative society may be organised as a production cooperative, called *workers' cooperative productive society*, where all the production and business operations are undertaken by the society itself. Individual craftsmen, when they join such a society, cease to be independent producers, and work under a unified management. Cooperative bicycle factories in West Pakistan fall under this category. A Workers' cooperative productive society can raise the needed capital by pooling the

resources of members, and operate on a scale large enough to achieve economies in production processes, in the purchase of raw materials, and in other overhead costs such as in management. It is advantageous to form production societies when scale economies are internal to the firm i.e. are inherent in the production process itself.

However, in many cases significant economies of scale are available not so much in the production process itself but in the associated processes such as purchase of raw materials, sale of products, etc. When it is possible to de-integrate such processes from the production plant, it is advantageous to have them performed through service cooperatives. Such processes often range over a wide field, for example, purchasing, supply of credit, marketing, storage, processing of raw materials, finishing of the products, transport, maintenance and repairs of tools, worker training, designing of products, research in production methods, and product improvement. Artisans can secure economies of scale by forming cooperative societies to undertake any one or more of these processes jointly. These societies are called “*Common Facility*” or “*Service Cooperatives*” and their functions are to provide services to the artisan members, who maintain their separate entities as production units.

Service cooperatives may be organised as primary societies with individual craftsmen as members, or as federal societies with the membership of artisanal productive or service societies.

Some of the functions which call for more large-scale operations and resources than a primary productive or service cooperative can command, may be undertaken by their federations. The federal structure of the cooperative movement, while enabling the small units to function independently in a decentralised fashion, achieves for the constituent units, financial, managerial and technical advantages which can be realised only through operation on a large-scale. The significant economic and technical power, which the Cooperative Movement achieves through the federal structure with distribution of functions appropriate to each tier, can raise to a considerable extent the competitive capacity of small industries.¹⁷

3.2 Contribution to Modernisation

While the Cooperative Movement may achieve economies of scale for the small units, an important question in relation to economic growth is: Can the Cooperative Movement help change the antiquated production

cooperatives and conducive to progressive modernisation of production, marketing, management, and other important functions, in the industrial Cooperative Movement. The Cooperative Training Centres already operating in the various South East Asian Movements offer basic courses in Cooperation. These training courses can be useful for personnel of industrial cooperatives. Further, training of employees should be supplemented by technological training.

The apex industrial cooperative societies can organise technological training for workers. For instance, in India, the Madras Handloom Weavers' Cooperative Society has organised such training for the weavers in the improved methods of weaving new designs and patterns in its pattern-weaving factories. The Industrial Cooperative Movement, once it acquires the necessary strength, can also establish, like the consumers and agricultural Movements in Western countries, special cooperative training centres for the training of its personnel. However, at present the Industrial Cooperative Movements in the region are not strong enough to be able to arrange technological training for the personnel engaged in small industries.

3.5 Research and Experimentation

Research and experimentation call for the establishment of special Research Centres involving heavy expenditure. Such expenditure, however, is beyond the means of industrial cooperatives at the present stage of development. Some research and experimentation, for instance, with regard to the creation of a new design will obviously continue to take place in the apex societies and the primaries. This would happen because the industrial cooperatives are in a position to interpret consumer demand and help the cottage industries to bring about necessary production adjustments.

3.6 Finances for Purchase of New Equipment

The capacity of the Movement to finance the purchase of new tools and equipment is limited and may remain so for some time to come in view of the poverty of the artisans and the economic difficulties of the small industries. But when these industries become organised on a cooperative basis and modernise their production techniques, their capacity to finance medium and long-term capital needs will increase.¹⁹ It is safe to assume that at present the Industrial Cooperative Movement in the developing countries does not possess the financial capacity to perform all the tasks

involved in modernisation. If a rapid progress is desired, governments will have to make arrangements for research and experimentation, establishment of training institutes, and advancing long and medium-term loans for purchase of equipment.

3.7 Problems of Entrepreneurship

Entrepreneurial leadership is vital both in the private small-scale units and the industrial cooperatives for the purpose of achieving future development of small-scale units. Although defining an entrepreneur is a complex task, it would be enough for the purpose of this paper, if entrepreneurship is understood as business leadership, involving the functions of risk-bearing, collection of capital, and management. Some critics contend that industrial cooperatives being democratic bodies will not be efficient in business terms. In the opinion of the author, the industrial cooperatives can work efficiently and develop, provided well-thought-out schemes of member education are carried out and competent managers are appointed.

We have already seen that in private small-scale industrial units, the proprietor himself generally performs all the above mentioned functions. In relatively bigger small-scale units, the management functions may be performed by the proprietor along with one or two of his colleagues.

In a cooperative society, the entrepreneurial functions will be performed by the elected board of directors and the manager. The board of directors will be concerned with risk-bearing, accumulation of capital, and formulation of policies, for the guidance of the manager. The manager will operate the small-scale industrial units within the framework of the policies laid down by the elected board. It is quite important to demarcate clearly the division of authority between the elected board of directors and the manager for the efficient working of the cooperative society.

The final authority in cooperative societies vests in the general assembly of members. The board of directors must present to the general assembly once every year an annual statement of accounts, and a report on the working of the society, for approval. The board should also get approval of the general assembly for the next year's budget and expansion plans. Finally, the general assembly has to elect the board of directors every year. Thus considerable responsibility is placed on the worker-members in industrial cooperative societies. The educational levels of worker-members in industrial cooperatives are usually low. Even the elected board of directors

may lack the experience in management tasks and technical knowledge. Therefore, education of the general membership should be carried out by the Cooperative Movement in order to maintain members' loyalty, to inform them about current cooperative problems, and to equip them with knowledge for rational decision-making. Further, member education may also be directed to bring about the much-needed adaptation in the economic and professional life of members to the requirements of modernisation of small industries. Cooperative education also promotes other social qualities of citizenship, team-work and leadership, which are invaluable in the building up of a democratic society.

The active members in cooperative societies are more likely to be elected to the boards. In view of this, and in view of the tasks to be performed by the board members, cooperative education for these two categories of members should be intensive and should be directed to development of leadership and management skills. Various educational methods have been used by the Cooperative Movements in advanced countries for the education of members, and active members, including the board members. The subjects to be included in the educational programmes for the various categories of members will have to be worked out for realising the objectives mentioned above.²⁰

Recruitment and training of managers is another important requirement in cooperative societies. Such a manager should be honest, possess initiative, should have the technical management skills, and should have vision. The manager of this type would be needed in all industrial establishments and business enterprises, whether they are cooperative or private.

Further, it is essential to develop training schemes for the key personnel in industrial cooperatives in order to equip them with management and technical skills. Also the personality qualities needed in an entrepreneur-manager can be developed through education of managers of industrial cooperatives.²¹

One problem in the management of industrial productive societies may be mentioned here. The manager in an industrial cooperative productive society will be in a dual position, that of the superior, and servant, of the worker-members. On the one hand, his work will be judged by the members at the end of each year. On the other hand, the members in their capacity as workers will have to carry out the instructions of the manager in their day-to-day work. Thus the task of the manager in an industrial productive society will be quite difficult. But if he has tact,

and if he manages the society efficiently, with the result that there is an improvement in economic conditions of members, it should not be very difficult for the manager to command and to lead.

3.8 Aid to Government Programmes

Finally, the Cooperative Movement, by bringing the scattered and small production units into an organised framework, achieves effective coordination between the small industries on the one hand and the public authorities on the other. The needs of the small industries can be systematically represented by the Cooperative Movement to the Governmental authorities; also the facilities offered by the latter in terms of research knowledge, extension services, training, finances, etc. can be channelled through cooperatives to the small industries with lesser cost and more efficient results. In an era of planning, the value of the Cooperative Movement as a vehicle of carrying out economic development policies and programmes for the relatively less organised sectors of agriculture and small industries is immense. Since the Cooperative Movement helps governmental development policies to penetrate widely and deeply, the Industrial Cooperative Movement deserves full encouragement and support in the development programmes of the countries of South East Asia.

3.9 Potentiality and Problems

We have discussed the potential role of Cooperatives in solving some problems of small industries and in modernising their production techniques. In the next Chapter, the activities of cooperatives in South East Asia will be outlined, and their actual contributions will be indicated. However, the point of view mentioned in these chapters, some may think, may be inconsistent with the weak position of a sizeable number of industrial cooperatives in South East Asia. It is the author's contention that cooperatives could play the role described, provided, firstly, they receive member support, secondly, they have efficient managers and efficient board of directors, and thirdly, they are adequately supported by their central organisations. It is not possible within the short space of this paper to discuss thoroughly the problems of industrial cooperatives. However, some important problems may be mentioned. They are as follows:

1. Lack of proper economic planning before organising the cooperatives.

2. Inadequate member education work before the organisation of the society, and thereafter.
3. Difficulties of recruitment, and lack of adequate training facilities for managers.

The societies often have financial problems, but the basic problem is not one of finance; it is one of efficient management. Given economic potentiality of an industrial cooperative society, a competent manager can build up the finances of his society without much difficulty.

INDUSTRIAL COOPERATIVES IN SOUTH EAST ASIA

The table in Appendix indicates the various types of industrial cooperative societies existing in South East Asia and gives statistics of their membership, working capital, etc. In most developing countries, the earliest industrial cooperatives were organised amongst weavers, since one of the most important consumer articles required, next to food, in developing countries was textiles. Other major fields in which small industries have developed are carpentry, pottery, and coir in Ceylon; metal works, carpentry and shoe-making in West Pakistan; palm gur²²-making, tanning and shoe-making, light engineering, furniture and sericulture in India; and light engineering, food processing, chemical industry, ceramics, and wood work in Japan.

The main activities of these societies include marketing of products, purchase and supply of raw materials and tools, supply of short-term credit, and provision of technical guidance. A brief description of activities of some cooperatives given below indicates the contribution of cooperation to small industries.

The following paragraphs describe the activities of service cooperatives.

4.1 Purchase and Supply of Raw Materials

Cooperatives can buy raw materials wholesale and supply them to the artisans at costs lower than those charged by private agencies. They can also ensure that the articles supplied conform to standard quality. In the case of supply of yarn, state level weavers' cooperative societies in some parts of India purchase yarn and supply it to the weavers through primary societies. In other cases, the weavers' cooperative societies have set up cooperative spinning mills to meet their requirements of yarn. In Japan, the agricultural implements industrial cooperative in Gunma Prefecture²³ supplied to the members various commodities such as iron,

rubber, manufactured goods, metal parts, and paints, valued at U.S. \$ 83,000 per annum. Industrial cooperatives, specially those engaged in food processing which depend for raw materials on agriculture, can obtain substantial economies by linking their purchases with the agricultural marketing cooperatives.

4.2 *Marketing*

Marketing is a specialised function. Technically trained personnel are needed in order to collect and interpret price and other market information, to undertake advertising and publicity, to establish quality standards, and to perform other specialised tasks. The cooperative may receive bulk orders and distribute them among artisan members. Or the cooperative may also sell the goods produced by members on a commission or outright basis. The Madras State Handloom Weavers' Cooperative Society sold goods worth about US. \$ 2.7 million during 1959-60; for its marketing work it operated 245 selling depots inside the State of Madras and 56 outside the State and employed specialised marketing officers. The society also undertook publicity and advertising through the use of mobile vans, displays at important places, and participation in exhibitions. The Indian Cooperative Union, operated on behalf of the Government of India, the Central Cottage Industries Emporium at New Delhi for sale of handicrafts and handloom articles assembled from various parts of India. This Emporium has done useful work in shop display, sales promotion, advertising, and sale of handicrafts and handloom articles. The Emporium has trained buyers who tour the country for purchasing goods. It has established an Export Department to handle bulk foreign orders; a group of designers and craftsmen are engaged in introducing various crafts to a series of new designs, which combine tradition and utility with modern consumer taste. Its market research department is an important aid to the Emporium and the affiliated cooperatives in their production and sales programmes. The impact of the activities of the Emporium may be seen from a sharp rise in the sales from U.S. \$ 42,000 in 1953 to U.S. \$ 634,000 in 1958.²⁴ The Pakistan Products Cooperative Marketing Federation operates a sales outlet called "Cooperative Handicrafts" at Lahore and has organised, in collaboration with the West Pakistan Social Welfare Council, a design centre in the crafts of embroidery, shadow work, cut work, and tailoring. As cooperative purchase and sale activity is linked with transportation, storage, and packing functions, industrial cooperatives in some countries provide many of these services.

4.3 Common Production or Processing Functions

The cooperative method enables the individual craftsmen to make use of the machinery in a commonly-owned workshop for certain production processes. The Madras State Handloom Weavers' Cooperative Society operates dyeing factories and a calendering plant for performing certain operations on behalf of member societies. In Indonesia, central cooperative production or processing plants known as *INDUKS* operate in such industries as ceramics, leather work, metal work, wood work, umbrella-making, rubber, and textiles. These workshops provide mechanical facilities to perform finishing processes; some of them also undertake purchasing and marketing functions and provide technical guidance. Provision of these services combined with careful inspection and finishing have considerably enhanced the marketability of products.²⁵

4.4 Credit

One of the immediate requirements of artisans who work on a small scale is credit in order to buy the raw materials and to be able to wait until goods are sold. The putting-out system under which small industries are rigidly controlled and exploited by middlemen emerged because of the artisans' inability to pay ready cash for raw materials and their lack of contact with markets. As a result, the earliest cooperative action on the part of most artisans took the form of credit cooperation, as in the case of weavers societies in India and Pakistan. In course of time, the weavers' societies undertook other functions, such as purchase of raw materials, and sale of finished goods.

Urban cooperative credit societies, and, credit cooperatives specially formed for industrial societies, as for instance in Japan, supply loans to artisans and their cooperatives. In India, the Southern Gujarat Industrial Cooperative Bank²⁶, provided in 1961 loans of U.S. \$ 821,000 to individual artisans and industrial cooperatives.

Governments have recognised the value of cooperatives as a vehicle for reaching numerous artisans and have utilised the industrial cooperatives for channelling credit allocated for small industries. The Reserve Bank of India advances, through cooperative banks, loans to weavers' cooperatives and their members at a concessional rate of interest. The apex cooperative bank is given loans for the purpose by the Reserve Bank of India at the rate of interest which is 2 per cent below the bank rate. In Ceylon, the Department of Rural Development and Cottage Industries has so far advanced a sum of over U.S. \$ 1.05 million to indus-

trial cooperatives, some of which has been reloaned by them to individual members. In all countries of South-East Asia, a well-developed cooperative credit structure exists primarily for farmers. These credit cooperatives range from primary societies to national or provincial organisations, and can be utilised by governments as agencies for channelling credit to small industries.

Finally, it should be added that industrial service cooperatives undertake, depending upon the needs of members, upon capital availability, and upon market forces, any one or a combination of the above mentioned functions. In most cases, excepting in the sphere of credit, single purpose cooperatives are an exception rather than a general practice.

4.5 Artisanal Cooperative Productive Societies

At present, small-scale production is by and large carried on by the artisan in his home with the help of family labour. Even in the homes, productivity of workers can be increased by the use of simple hand-operated or electrically-driven tools. But as economic development proceeds, a need will be felt for organising many of the present cottage industries into cooperatively-owned small workshops. In cooperative workshops, more complicated tools and equipment requiring greater division of labour and specialisation of skills can be used for the purpose of raising output.

At present the number of such productive cooperatives is very small, restricted to a few spheres of industrial activity. Some examples of such cooperatives are given below. In India, some weavers' productive societies have been formed. In Pakistan, such societies are engaged in producing bicycle and bicycle parts. In Japan, these cooperatives, totalling 2962 in 1955, were mostly engaged in lumbering and wood work, food processing, chemical industry, ceramics, and light engineering industries. Although productive societies are at present numerically insignificant in South-East Asia, they will have to play in future a more significant role. With the increase in demand for goods, and the growth of competition from large and small-scale factory units in the private sector, greater rationalisation will have to be introduced into cooperatively-organised small industries.

SOME FUNDAMENTAL PROBLEMS

It is beyond the scope of this paper to discuss fully the problems of the Industrial Cooperative Movement. However, there are some basic questions which affect, in a fundamental way, both the character and the growth of the Movement, and hence, they should be indicated.

5.1 Principles of Cooperation

The Cooperative Movement is so fashioned, and its work so organised that it is controlled by the members and operated in their interests. The Principles of Cooperation which govern the constitution and working of cooperatives are: (i) open membership, (ii) democratic management based on one member one vote, (iii) limited interest on capital, (iv) patronage dividend, (v) cash trading, (vi) political and religious independence, and (vii) cooperative education. These Principles are a fine blend of idealism and good business rules. The Cooperative Movement has originated and developed as a challenge to the capitalist system, and the cooperative ideology demands that there should be no exploitative or speculative elements in the operation of cooperatives. On the basis of these Principles powerful Cooperative Movements have developed in some Western countries and in Japan in different economic spheres; these Movements have made significant contributions to the economic and social welfare of the members.

The principles of open membership, democratic management, limited interest on capital, and patronage dividend ensure that capital does not have a dominant role in cooperative organisations. The member is the focus both with regard to control of a cooperative society and with regard to the benefits generating from the cooperative business. The two principles, limited interest on capital, and patronage dividend, ensure that the surplus is distributed, not primarily on the basis of share holding of members, (which is limited and bears characteristics of interest on loan capital) but on the basis of services used by the members in service cooperatives

and on the basis of work contributed in productive societies. The principle of patronage dividend is a built-in-mechanism to ensure the loyalty of members and to encourage them to trade with their societies, since the more a member uses the services, the more he benefits. In productive societies, the same principle is expected to lead to efficient work by the members and also to encourage them to improve their skills and their productive capacity.

5.2 Membership Questions

With regard to the formation of cottage industries into service cooperatives, where no hired labour is employed, the organisation of parliamentary structure in accordance with the cooperative principles does not present any difficulty. The head of the artisan family can become a member of a cooperative society and he will enjoy the same rights and benefits as other members.²⁷ However, in a cottage industry where paid labour is engaged to perform any operation either temporarily or on a permanent basis, membership problems arise. In most cases workers hired by various cottage units are not enrolled as members in a service cooperative. In all such cases, the employee workers (owner-workers) derive advantages from the surplus which originates on account of work done by the hired laborers as well. Exploitative elements would occur in a service cooperative society where the member units (artisans) employ a number of workers and the society does not admit hired workers as full-fledged members. Such cooperatives would not be much different from small-scale industrialists' associations formed to perform common services. It is, therefore, obvious that the workers employed by artisans on a permanent basis should be entitled to be the members of the cooperative society. A system should be devised by which they could have a share in the control of, and in the benefits offered by, the industrial service cooperative society.²⁸

Quite often the master craftsmen join the service cooperative in order to take advantage of government subsidies, tax concessions, and other facilities such as loans at concessional rates. For the same reason, the proprietary small factories sometimes convert themselves into productive cooperative societies. It is also often suggested that sympathiser members should be included in industrial cooperatives in order to secure leadership and capital for the society. Societies described above are likely to be dominated by the erstwhile entrepreneurs and sympathiser members and to be operated to serve their own interests rather than the interests of the

general membership. It is safe to assume that such industrial cooperatives, whether service or productive types, are unlikely to develop into genuine member-owned and member-controlled cooperative organisations; in productive societies the employer-employee tensions found in private concerns may continue, and even become accentuated when the workers become aware of the window-dressing of the cooperative idea. The situations described above show that adequate precautions should be taken to prevent the emergence of spurious cooperatives.²⁹ Also when government financial assistance is given to industrial cooperatives, precautions are necessary to ensure that such assistance is not given to pseudo-cooperatives.

5.3 Problem of Growth

Another problem is that of growth. The artisanal service cooperative can achieve growth by admitting all those home industries which are in need of its services. Larger capital formation in such societies can be achieved in much the same manner as in the consumers' cooperatives, that is, by expansion in membership and plough back of surplus for developmental purposes.

However, in the case of artisanal cooperative-productive societies, the size of membership is limited by the capacity of the plant. So the principle of open membership cannot operate with the same ease as in regard to artisans' service cooperatives. Expansion of productive cooperatives can take place only in stages because of the "lumpy" character of investment and plant expansion under the system of factory production. Membership expansion, therefore, can also be "lumpy" and cannot be in a continuous series as in consumers or artisanal service cooperatives where each household can become a member. This restriction on the growth of membership in turn affects the formation of capital in productive societies. Due to these difficulties, artisanal productive societies may function as oases in a pool of unemployed workers without the ability to help fellow workers.

Other factors inhibiting the growth of productive societies into bigger units may also be mentioned. Firstly, if the enterprise is profitable, the productive societies may adopt a clannish behaviour and refuse to absorb new people as co-owners and co-workers.³⁰ Secondly, the cooperative productive workshop may be formed by workers, not for the purpose of transforming cottage industries into modern production units, as argued earlier, but as a reaction against the changing social and

economic structure under the impact of industrial revolution. A small workshop is to them an escape from the industrial discipline involved in large-scale factory production. Such unfortunately has been the history of the artisanal productive societies in Western Countries. For that reason, as Margaret Digby rightly observes, "artisanal productive societies was a form of cooperation which did not accommodate itself readily to the modern trend towards mass production, high capital investment in elaborate machinery and use of unskilled or semi-skilled labour. The workers productive society, the self-governing workshop, has nowhere had the same massive success as the consumers store or the farmers credit bank or marketing association".³¹

The various problems outlined above are responsible for inhibiting and preventing the growth of artisans' productive societies operating small-scale factories. To sum up, these problems are (i) self-seeking attitude of those who are already members and lack of cooperative orientation and conviction amongst them; (ii) members' romanticism about the old order of things and reactionary attitudes towards industrialisation; (iii) existence of vested interests in the societies; and (iv) difficulties in organisational structure of the artisanal productive societies regarding membership expansion and capital formation. On account of these problems, the small-scale units owned by the artisanal productive societies lack the capacity for expansion, are unable to compete with large-scale firms when they enter production, and, in course of time, die away.

5.4 Some Approaches

Limitation of space does not permit a thorough discussion of the approaches necessary to deal with these problems, which are, undoubtedly, serious. A basic fact may, however, be recognised in order to evolve proper approaches. Small-scale production units can survive the competition of large-scale industry only through a process of rationalisation, and if economic facts so dictate, by achieving greater capital intensity. The necessary cooperative and economic orientation of the members of the artisanal productive societies can be achieved through well-designed educational approaches.

It is not inconceivable to construct an organisational structure for the artisanal productive societies' movement which is suited to the needs of a modern economy. One method may be to establish a nationwide industrial productive cooperative organisation giving direct membership to individual craftsmen and workers wanting industrial employment.

Such a federation can accumulate capital through open membership and plough-back of surplus, can develop new or existing productive enterprises for providing employment to members, can provide technical services to constituent production units, and can follow a policy of modernising plants and production techniques.³² Alternatively, an artisanal productive movement may develop in partnership with consumers' movements; the latter can provide capital to the industrial cooperatives and also an assured market for their products. Such a development has taken place to a limited extent in the United Kingdom. However, the consumers' movements in the South East Asian countries are not yet strong enough to lend effective support to the industrial cooperatives.

CONCLUSION

We discussed that it is important that cottage and small-scale industries should be given an important place within the process of economic development in the countries of South East Asia, particularly in view of the acute scarcity of capital together with the existence of an abundant labour force. In the development period, small industries may exist side by side with large-scale units, particularly for production of consumer goods. The reason for that is the inability of the large-scale industry to meet the total demand in the developing countries, and the urgent need for capital for building up the basic social overheads, such as transport, communications, and heavy industries. In a developed society, however, small industries will be limited to the production of artistic goods catering to individual tastes and requiring a high degree of manual skill, in trades in which labour-capital requirements are favourable to small industries, and in production of components as ancillary to large-scale industries.

A number of problems are encountered by the small industries. These problems may be summarised as (i) exploitation by the middlemen in the field of (a) supply of raw materials, (b) marketing of goods, (c) supply of credit; (ii) lack of bargaining power on account of scattered nature and small size of industrial units; (iii) antiquated methods of production; (iv) low technical and managerial levels of the entrepreneurs and low level of labour efficiency; and (v) competition from large-scale industries.

Cooperation can make a significant contribution towards the solution of some of these problems. Industrial cooperatives may be organised either as workers' productive cooperative societies or as service cooperatives. In a workers' productive society all the production and business operations are performed by the society. Individual craftsmen joining such a society cease to be independent producers. A workers' productive society may be organised when economies of scale are internal to the firm. However, in many cases significant economies of scale are available in the associated processes such as purchase of raw materials, sale of pro-

ducts, etc. When it is possible to de-integrate such processes from the production plant, these services could be performed through service cooperatives. In the service cooperatives, the members maintain their independent production units. Thus cooperative societies can coordinate the activities of various handicrafts and small-scale industries, and provide them commonly-required services. The cooperative societies can further associate themselves into federations and achieve for the small units considerable financial, managerial, and technical advantages.

The Cooperative Movement can also help the small industries in achieving modernisation. The problems in bringing about a change in the small industries may be grouped in five categories: (i) attitudes of the craftsmen, (ii) research and experimentation, (iii) training of workers, (iv) finances to purchase the new tools, and (v) problems of entrepreneurship. Cooperation is a modern technique which brings the small industries in an advantageous relationship with the consuming public, and thus evolves in them responses conducive to modernisation of the production methods. The specific education activities of the Cooperative Movement will further strengthen these progressive attitudes. However, the capacity of the Movement to perform other tasks is limited. In this regard, the Movement can render some services but considerable help will be needed from the government as well.

Industrial cooperatives in South East Asia perform a wide range of activities. They supply credit, raw materials, and technical guidance. They also sell commodities produced by the artisans and help in general in the improvement of the industry as a whole. Usually the same cooperative performs, with the exception of the credit function, almost all these functions.

The task of developing genuine industrial cooperative societies and achieving sustained growth of the Movement, however, is by no means easy. Quite often industrial service cooperatives do not admit workers hired by the artisan members. Secondly, sometimes the master craftsmen join the service cooperative or the small-scale industrialists convert their factories into a cooperative society. These cooperatives are established with a view to taking advantage of Government subsidy, tax concessions, and other financial assistance. Thirdly, in other cases sympathiser members are enrolled in industrial cooperatives for the ostensible purpose of providing leadership and capital to the societies. In all such cases the societies are likely to be operated to serve the interests of

the sympathiser members and the erstwhile proprietors rather than the interests of the general membership. The various situations outlined above would lead to the establishment and development of pseudo-cooperatives, and not genuine ones. It is essential that the cooperative federations and the government cooperative departments should prevent the emergence of such spurious cooperatives.

Another problem is that of growth. The artisanal productive societies generally find it difficult to follow the principle of open membership in view of the limitation imposed by the capacity of the plant. Such industrial productive societies cannot, therefore, expand very easily and they may operate for small groups of workers without the capacity to help other unemployed fellow-workers. Secondly, if the enterprise is profitable, productive societies may adopt a clannish behaviour and refuse to admit new members. Thirdly, quite often the cooperative productive societies are formed by workers as a reaction against industrial revolution. A small workshop is to them an escape from the industrial discipline involving large-scale factory production. The various problems outlined above are likely to inhibit the growth of artisanal production cooperative societies. Some approaches to meet with these problems have already been discussed in chapter V.

It should also be added that the development of small industries requires careful planning within the context of economic development programmes drawn up by the Governments in South East Asia. Considerable assistance will be necessary to the small industries from the Government for the following purposes: creation of infra-structure, provision of technical and consultative services, research for improvement of production tools and equipment, extension services, vocational training arrangements, and provision of long and medium-term finance. While cooperative action leads to the development of remarkable strength among small industries, lack of basic facilities and services will hamper their growth. In some countries of the Region, the development of small industries, including those on a cooperative basis, has been accelerated by the provisions of financial and technical facilities, by the development of industrial estates, and by the organisation of production-cum-training centres.

FOOTNOTES:

1. For the sake of brevity, South and South East Asia are referred to hereafter as "S.E. Asia". The term S.E. Asia is used in the paper to include Pakistan, India, Ceylon, Thailand, Malaysia, and the Philippines. Some references to Japan and Indonesia are made in the paper and statistics in respect of industrial cooperatives in the Republic of Korea are given in the appendix.
2. The term "small industries" will later on be used to include both cottage and small-scale industries.
3. The United Nations Economic Commission for Asia and the Far East.
4. 'The importance of the role of handicrafts and small-scale industries in the changing pattern of economic and social life, especially to countries that are still in the early phases of industrial development, has been emphasised at various Regional conferences of the International Labour Organisation. In the case of the Asian countries particularly, the Conference held at New Delhi in 1947 drew attention in a separate resolution, not only to the desirability of establishing, where feasible, branches of industrial production on the basis of small domestic and handicraft industries, but also on the need of organising these industries "especially on cooperative and federated lines"'. ILO, *Rapid Survey of Handicrafts and Small-Scale Industries in Ceylon*, mimeographed, Geneva, 1952, p. 3.
5. Government of India, Planning Commission, *Third Five Year Plan*, Delhi, Manager of Publications, 1961, p. 426.
6. Hoselitz Bert F., "Entrepreneurial Element in Economic Development", edited by Sachin Chaudhuri, *The Economic Weekly*, XV; combined annual Nos.4, 5 & 6, Feb. 1963, pp. 164.
7. See for an excellent discussion of the subject : Aubrey Henry G., "Small Industry in Economic Development", *Underdeveloped Areas—A Book of Readings and Research*, edited by Shannon, Lyle W., New York, Harper and Brothers, Publishers, 1957, p. 215-225.

Also see Hoselitz Bert F., op. cit. pp 163-173.

Besides the merits described above, cottage and small-scale industries have a number of other advantages, such as existence of personal relationship between the entrepreneur and the worker, greater sense of satisfaction and pride to the worker on account of direct identification between his work and the commodity produced, adaptability to changing market factors, and social advantages, such as avoidance of industrial slums, avoidance of concentration of economic power in few hands, etc.

See for a detailed discussion of this aspect, ILO, *Handicrafts and Small-Scale Industries in Asian Countries : Possibilities of Cooperative Organisation*, Geneva, ILO, 1955, pp 7-11, reprint from the International Labour Review, VOL. LXII, No. 6, December 1950.

8. For reasons why large-scale firms prefer this system, see ILO, *Services for Small-Scale Industries*, Geneva, ILO, 1961, pp 14-18.
9. See Government of India, Planning Commission, *Report of the Village and Small Scale Industries Committee*, Delhi, Manager of Publications, 1955, pp 16-17.
10. "If we consider the efficiency of new equipment and plant, it is very tempting to take the long view and to select a level of technology geared to future needs. In this manner, it may be argued, there will be a minimum of waste as the economy develops. This thinking stems typically from the perspective of capital-rich, technically fast-developing industrial regions. Clearly the obsolescence of a plant depends upon the rate of development of the economy as a whole, and upon competitive alternatives in the specific industry under consideration. From both angles the limitation of available development capital is of decisive importance in under-developed countries. If it is true, that available capital is small compared with total needs, and that a rate of development faster than population growth is a hope rather than a definite prospect in most countries; if it is further true that the output of efficient and less efficient units alike will be required for the growing needs of the population; if it is finally true that under these conditions development can only be very slow in the economy as a whole and in most individual industries—then indeed obsolescence and waste seem to lose a great deal of their significance. Thus the problem at hand is one of short-term efficiency; simple equipment pays for itself quickly, and not much overall change need be expected within the period of amortisation". Aubrey, Henry G, op. cit, p. 220.
11. It has already been discussed that small industries will have special advantages over large-scale firms in the fields where labour requirements are greater while capital needed is of a small magnitude. In these fields, the small-scale industries may continue to occupy a place in the economies of South East Asian countries even after they get industrialised, as for instance, has been the case in many developed countries of the West.
12. UNESCO Research Centre on Social and Economic Development in Southern Asia, *Social Aspects of Small Industries in India*, Delhi, UNESCO Research Centre on Social and Economic Development in Southern Asia, 1962, p. 129.
13. Jaggery is a sweet eating material made by boiling and then solidifying the juice extracted from sugarcane or other plants mentioned in the text.
14. ILO, *Rapid Survey of Handicrafts and Small-Scale Industries in Ceylon* op. cit. p 56.

Also "Efficient, industrious and artistic handicraft workers exist in the country, but handicrafts and small-scale industries in Malaya are primitive in their equipment and outmoded in their methods of production. Hence they are not well-developed in spite of abundant local resources. The handicraft workers are widely scattered and unorganised; the crafts and industries provide great scope for support and guidance. Several traditional industries are practised all over

the country. Some of them provide a part-time occupation for numerous families; and some have great potentialities but are still at a primitive stage of development”.

ILO, *Report to the Government of the Federation of Malaya on Handicrafts and Small-Scale Industries*, Geneva, ILO, 1954, p. 52.

15. Gadgil D.R., Indian Economic Organisation, *Economic Growth, Brazil, India, Japan*, Durham N.C., Duke University Press, 1958, p. 453.
16. ILO, *Handicrafts and Small-Scale Industries in Asian Countries—Possibilities of Cooperative Organisation*, op. ct. p 11.
17. “Large-scale organisation is thus one of the indirect results of specialisation. Because people specialise, their activities have to be coordinated, and this coordination can be done either by market processes or within the firm. In this respect, the market and the firm pull in opposite directions. The more perfect the market, the less necessary it is to have coordination within the firm, whereas the less perfect the market, the greater is the opportunity for an entrepreneur to coordinate the activities of individual specialists. It is an error to think that the principle of specialisation as such gives advantage to large-scale organisations. The small firm can survive easily if markets are well organised, so that it can buy cheaply such factors as specialist advice, engineering service, component parts, raw materials and the like, and can dispose easily of its product, whether to final or to intermediate buyers. The better organised the market, the less each firm needs to do for itself, and the smaller is the advantage of large-scale organisation.

The corollary of this is that if it is desired to favour small-scale enterprise, the best way to proceed is to organise around the small firm specialist services and marketing agencies so efficient and cheap that the firm is not disadvantaged by being small. The large organisation can conduct research, buy in bulk, sell in bulk, raise funds easily, produce a standardised article, advertise, hire the best specialist advice, and so on. The small organisation can succeed just as well, if it is surrounded by agencies—Private, Cooperative, or Statutory—which will take over all that part of the work which needs to be done on a large scale, so that the small firm can concentrate on those activities which are adequately done on a small scale”. Lewis Arthur W., *The Theory of Economic Growth*, George Allen & Unwin Ltd., 1963, pp 77.

18. See “A Cooperative Born Out of Disaster, *Review of International Cooperation*, 55:5, May, 1962, pp 121-125.
19. The Role of the Movement in the supply of working capital is discussed in the following pages.
20. See J.M. Rana, “*Cooperative Education for Leadership Development*”, paper presented at the Experts' Conference on Cooperative Credit and Some Aspects of Marketing held at Baguio, Philippines on 8-14 Dec. 1963, Mimeographed. Also see by the same author “Study Circles as a Technique of Cooperative Education”, *Cooperation*, Coop Education Seminar No. July-Dec. 1962, East Pakistan Cooperative Union, Dacca, pp. 46-59.

21. See for a detailed discussion of the subject : Hoselitz Bert F., "Entrepreneurial Element in Economic Development", op. cit. pp. 163-173.
 22. Gur and Jaggery are the same commodity. See footnote No. 12.
 23. Prefectural cooperatives are regional cooperative societies.
 24. The Emporium has been recently taken over by a Government Corporation established specially to run this Emporium, and to establish other emporia in different parts of the country.
 25. ILO, *Services for Small-Scale Industry*, op. cit., pp. 30 and 146.
 26. South Gujarat is a part of Gujarat State in India.
 27. Other persons in the family usually work in the home craft owned by the head of the family. It can be safely assumed that benefits of a cooperative, which the family head will receive in his capacity as a member, will be equally shared among the various family members.
 28. For purposes of simplicity in the management structure, the temporary workers may be admitted as associate members without voting rights. But they should be entitled to a share in the surplus on the basis of their output.
 29. The recommendation of the Working Group on Industrial Cooperatives of the Government of India favouring conversion of private factories into cooperatives overlooks these dangers. The group even argues rather blandly that "we consider that when we are planning a nationwide development of industries on a cooperative basis, a few failures here and there brought about by selfish entrepreneurs should not deter us from adopting a fruitful method of promoting industrial cooperatives". Government of India, Ministry of Commerce and Industry, *Report of the Working Group on Industrial Cooperatives*, Delhi, Manager of Publications, 1958, pp. 24.
 30. Instances exist where some productive cooperative societies are composed of a restricted group of worker-members only, while most of the stable labour force who help to run the plant are either prevented from becoming members or some of them are allowed membership only after a long period of employment.
 31. Digby Margaret, *The World Cooperative Movement*, London, Hutchinson University, Library, 1960, pp. 66.
 32. The central organisations of consumer movements in some Western countries have established several productive enterprises. For instance, the KF, the Swedish Cooperative Union and Wholesale Society, operated in 1963 several industrial firms with a total output of Swedish Kronors 1630 million. Similar development is possible in the industrial cooperative field also. In the early stages a national productive cooperative organisation will not have adequate capital. Similar was the case of central consumers' cooperative organisations in the West in the early period of their establishment. Capital accumulation can be achieved successfully through efficient management of enterprises and plough-back of surpluses arising therefrom. In developing countries, the Governmental financial assistance can be given to the national cooperative productive organisations.
- It seems that similar objectives as described above have been responsible for the establishment of an Industrial Cooperative Union in Ceylon.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
INDIA 1961-62 Weavers															
				19	2,044	6,583	2,204	15,987	—	18,816	—	—	903	44	20
				120	4,733	3,698	463	3,370	—	2,920	—	—	96	1	19
				12,222	1,219,953	30	9,577	46,423	—	89,508	—	—	1,799	86	645
<i>Other Societies</i>															
				22	1,131	2,510	558	1,346	—	1,874	—	—	14	—	—
				102	10,333	4,422	425	3,454	—	7,505	—	—	99	—	3
				22,340	1,117,169	1,865	9,894	35,858	—	31,803	—	—	725	18	25
				25	5,639	6,050	7,967	13,183	3,140	5,995	—	—	—	—	—
KOREA 1964				1	1 (Type b & c are members)		61	—	—	—	—	—	—	—	—
				13	—	102	8	82	—	—	1,543	—	—	—	—
				102	5,272	—	52	486	—	—	—	—	—	—	—
				48	2,185	—	46	452	—	—	1,729	—	—	—	—
MALAY- 1963				1	54	—	0.4	8	—	—	1.1	—	—	—	—
SIA (only former ter-				2	67	—	0.3	0.6	—	—	—	—	—	—	—
ritory of Malaya)				1	42	—	0.2	0.8	—	—	—	—	—	—	—
				2	645	—	17	22	—	—	—	—	—	—	—
				389	—	—	22	29	—	—	—	—	—	—	—

PAKIS- TAN-East	1962-63	Apex Cooperative	1	---	144	459	3,514	163	160	1,023	160	2	1	1
		Central Cooperatives ...	26	9,800	1,007	249	2,328	914	1,043	846	550	25	30	217
		Primary Cooperatives...	947	193,713	--	526	2,303	1,276	1,369	785	523	--	--	--
PAKIS- TAN-West	1961-62	Pakistan Products' Coop Marketing Federation (Provincial Level)	1	1	571	--	227	22	23	--	--	--	--	--
		<i>Secondary Societies</i>												
		Industrial Credit/ Banking	12	25	975	63	245	286	936	--	--	--	--	--
		<i>Primary Societies</i>												
		Weavers	1,214	97,101	--	--	812	194	231	--	--	--	--	--
		Metal Workers ...	59	1,624	--	1,263	1,228	--	--	--	--	--	--	--
		Other Industrial ...	326	8,534	--	--	1,040	1,214	1,972	--	--	--	--	--
		Womens' Industrial	30	900	23	6	10	11	15	--	--	--	--	--
PHILIP- PINES	1963	Cooperatives Reporting	15	1,726	--	--	--	--	1,922	--	--	--	--	--
		(Total existing coops—26)												
THAI- LAND	Dec. 1963	Fish-Sauce and Fish Product Manufacturing and Distributing Coop	1	1,358	--	3	70	--	7	--	--	1	--	--
		Basketry Coop.....	1	150	--	0.8	8	13	17	--	--	1	--	--
		Cutlery Coop	1	149	--	0.8	23	14	16	--	--	3	1	--
		Silk Product Indus. Coop	1	158	--	1	14	2	1	--	--	0.9	1	--
		Umbrella Makers' Coop	1	247	--	0.1	3	1	1	--	--	0.5	1	--

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Tobacco Curing Coop	1	122	--	--	0.3	27	--	--	--	--	--	1	--
	Sugar Industrial Coops	2	733	--	--	5	38	--	--	--	--	--	2	--
	Rubber Processing Coops	14	1,555	--	--	10	575	--	--	--	--	14	27	--

Note: Statistics presented in the appendix in respect of Burma, Ceylon, Malaysia, Pakistan, Philippines, and Thailand, have been supplied by the Commissioners of Cooperative Development or their equivalents in these countries.

Statistics for Korea have been supplied by the National Federation of Medium and Small Industry Cooperatives.

Statistics in respect of India have been taken from the Reserve Bank of India, Agricultural Credit Department. "Statistical Statements Relating to the Cooperative Movement in India", Bombay, Nov. 1962, pp. 272-280.

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