EXPERTS' CONFERENCE ON
"THE ROLE OF GOVERNMENT IN COOPERATIVE DEVELOPMENT"
BANGKOK (THAILAND)

JANUARY 17-27, 1966.

CONTENTS

Page

WORKING PAPERS

ICA/MINISTRY OF NATIONAL DEVELOPMENT
Experts' Conference on "The Role of Government in Cooperative Development"
Bangkok (Thailand), January 17-27, 1966.

PROGRAMME

Monday, January 17

9.00 - 10.00 A.M.	Inauguration by H.E. Mr. Pote Sarasin, Minister of National Development Place: Santitham Hall, Bangkok.
11.00 A.M. - 12.00 Noon 10.30 - 11.00 A.M. (Coffee Break)	Working Methods of the Conference Mr. M.V. Madane, Deputy Director, ICA Regional Office & Education Centre, New Delhi-1.
2.00 - 5.00 P.M.	a. Statements by fraternal delegates b. The Role of Government in Cooperative Development: A Review
3.30 - 4.00 P.M. (Tea Break)	Chairman: Mr. Chamnien Saranaga, Deputy Director-General, Department of Credit and Marketing Cooperatives, Ministry of National Development, Bangkok (Thailand)

Tuesday, January 18

9.00 A.M. - 1.00 P.M. 10.30 - 11.00 A.M. (Coffee Break)	The Role of Government in Cooperative Development: A Review (Contd.) Chairman: Mr. Chamnien Saranaga
2.00 - 5.00 P.M.	Government and the Cooperative Movement: An Analysis of Background Factors
3.30 - 4.00 P.M. (Tea Break)	Discussion Leader: Mr. P.E. Weeraman, Commissioner of Cooperative Development, Echelon Square, P.O. Box 419, Colombo-1 (Ceylon) Chairman: Prof. D.G. Karve, Chairman, ICA Regional Office & Education Centre Advisory Council

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Wednesday, January 19

9.00 A.M. -12.00 Noon	Cooperative Legislation: Promotional, Supervisory, and Statutory Functions of the Commissioner/Registrar	
	Discussion Leader:	Dr. P.R. Baichwal, Specialist in Agricultural Cooperation, ICA Regional Office & Education Centre, New Delhi-1
10.30 - 11.00 A.M. (Coffee Break)	Chairman:	Mr. Robert Staermose, ILO Regional Expert, International Labour Office, Bangkok
2.00 - 5.00 P.M.	Free	

Thursday, January 20

9.00 A.M. - 12.00 Noon	Patterns of Government Assistance and their implications	
10.30 - 11.00 A.M. (Coffee Break)	Discussion Leader:	Mr. K. Fujisawa, Professor, Cooperative College of Japan, Tokyo (Japan).
	Chairman:	Mr. B.D. Pekurel, General Manager, Cooperative Bank, Kathmandu (Nepal).
2.00 - 5.00 P.M.	Taxation and the Cooperative Societies	
3.30 - 4.00 P.M. (Tea Break)	Joint Discussion Leaders:	Mr. Hyo Chul Ahn, Head, Public Relations Center, National Agricultural Cooperative Federation, Seoul (Republic of Korea)
		Mr. Mak Kam Heng, 53-A Jalan Buloh Perindu, Singapore-15.
	Chairman:	Mr. M.V. Madane.

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Friday, January 21

9.00 A.M. - 12.00 Noon	Role of Government in Cooperative Education and Training	
	Discussion Leader:	Mr. Luciano E. Lactao, Chief Training Officer, Agricultural Credit and Cooperative Institute, La Guna (Philippines).
10.30 - 11.00 A.M. (Coffee Break)	Chairman:	Mr. S.D. Lingam, Asst. Commissioner for Cooperative Development, Department of Coop. Development, Kuala Lumpur (Malaysia).
2.00 - 5.00 P.M.	Some other forms of Assistance to Cooperatives: Managerial, Consultative Services etc.	
	Discussion Leader:	Mr. M.L. Batra, Chief Executive Director, National Cooperative Union of India, 72 Jor Bagh, New Delhi-3 (India).
3.30 - 4.00 P.M. (Tea Break)	Chairman:	Dr. P.R. Baichwal

Saturday, January 22

9.00 A.M. - 12.00 Noon	Formation of Cooperative Policy: Role of Various Agencies	
	Discussion Leader:	Mr. M.Z. Hussain, Project Director, Pakistan Academy for Rural Development, Comilla (E. Pakistan)
10.30 - 11.00 A.M. (Coffee Break)	Chairman:	Mr. S. Chakravarti, Secretary to the Govt. of India, Ministry of Community Development and Cooperation, Department of Cooperation, New Delhi-1 (India).

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Saturday, January 22 (cont'd)

2.00 - 5.00 P.M.	Pattern(s) of Future Relationship Between the Government and the Cooperative Movement
	Discussion Leader: Mr. M.V. Madane
3.30 - 4.00 P.M. (Tea Break)	Chairman: Mr. Francis Soosay, Hony. Secretary, Cooperative Union of Malaya Ltd., Kuala Lumpur (Malaysia)
Sunday, January 23	Sightseeing in Bangkok.
Monday, January 24 to Wednesday, January 26	Study Tours
Thursday, January 27	
9.00 A.M. - 12.00 Noon	Draft Report and Conclusions
	Chairman: Prof. D.G. Karve

ADDRESS

of

H.E. Mr. Pote Sarasin, Minister of National Development

at the Opening Ceremony of

The International Cooperative Alliance Experts' Conference on

"The Role of Government in Cooperative Development"

at Santitham Hall

Monday, January 17, 1966, at 0900 a.m.

Mr. Director, Distinguished Delegates, Ladies & Gentlemen:

It is an honour for me to preside at the opening Ceremony of the International Cooperative Alliance Experts' Conference on "The Role of Government in Cooperative Development", held in Bangkok to-day. I am pleased that many experts from various countries of this Region are available for participating in the Conference. On behalf of H.M. Government I would like to extend to all delegates a very cordial and hearty welcome.

I am happy to note that the technical aids given by the International Cooperative Alliance have been rendering useful benefits to cooperative movements in the region. Cooperative movements in this area are guided by similar principles of developing the occupations and raising the social and economic standards of the peoples, especially the farmers. However, cooperative administrations in these countries have similar problems and obstacles of lower educational levels among the farmers, scarcity of skilled labour and able management especially in the rural areas, lack of local capital to finance the businesses, and others. In this situation, the governments have been playing greater roles than normally seen in Western countries where a cooperative movement is a "popular movement" at a greater degree. Participants representatives of countries in this region would therefore have an opportunity in this Conference to exchange ideas and perhaps find suitable remedies to meet some of our common problems.

The Thai Government, through the Ministry of National Development, is very interested in developing the cooperative work, especially for the agriculturists. Cooperation is considered one of the effective contributions to a goal in our economic development programs, set forth in the national economic development plan.

I am very pleased that in the schedule provided for this conference, our distinguished visitors will have opportunities to study at first hand some of our cooperative societies in the provinces, so that certain experiences and ideas may be gained for developing common objectives in promoting the cooperative movements in the respective countries. I also hope that all delegates will enjoy staying in Bangkok and seeing some parts of our country.

Finally, I would like to take this opportunity to thank the International Cooperative Alliance Regional Office and Education Centre and staff members, and the officials concerned, in making arrangements for this important Conference.

It gives me great pleasure to declare the ICA Cooperative Experts' Conference opened, with all my best wishes for the success of its deliberation.

Experts' Conference on
"The Role of Government in Cooperative Development"
BANGKOK (Thailand)
January 17-27, 1966

STATEMENT

by

Mr. Thanu Satraphai
Deputy Under-Secretary of State
Ministry of National Development
and Registrar of Cooperative Societies
Government of Thailand

Mr. Director, Fellow Cooperators,

It gives me great pleasure to present a statement on behalf of the delegates from Thailand.

Firstly, I would like to take this opportunity to extend to all delegates a very cordial and hearty welcome. I hope that you will enjoy the staying in Bangkok, and also the trip to the Northeast during the study tour. If you have any problems while you are here that we can be of any help, do not hesitate to let us know.

The cooperative movement in Thailand was introduced into the country by government's initiations in the year 1917. The success of the first small credit societies led to a moderate but sound expansion of its type only after the Constitutional Government of June 1932. Since then cooperative societies of other types were also given their place forming a movement of both producers and consumers in the Kingdom. As regards to Cooperative Law, in 1928 when the cooperative development was well under way with fair satisfaction, the Cooperative Societies Act B.E. 2471 (1928) was promulgated. With this enactment, it paved the way for further development of the old credit type as well as other types of societies. Now, apart from agricultural credit societies, we have primary land hire-purchase, land settlement, land improvement, marketing and processing, consumers' societies, together with some higher organizations.

It can be said that in Thailand, Government has been playing a major role in developing the cooperative movement. For administering the cooperative work, we first had a Department of Cooperation. Later, it was raised up to a Ministry of Cooperatives. Since the beginning of 1963, the new-born Ministry of National Development has been in charge of the cooperative development. The promotion, organization, audit and supervision work has been placed under the Ministry which maintains certain Departments and Divisions dealing with cooperatives. The Registrar of Cooperative Societies, assisted by organizers, inspectors, auditors and provincial supervisors, is responsible for executing the statutory and technical phases of the cooperative administration.

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The development of cooperatives in Thailand has been a relatively difficult task when compared with the experiences, known in developing cooperatives in some Western countries or even in certain Asian countries. Lower general educational levels among the farmers are one of more important factors influencing the situation. The cooperative ideas among the vast majority of farmers are still new to them. Moreover, peasantry is well-known of being conservative.

Again, certain disadvantages had been experienced by the cooperative movement in Thailand due to a very hasty expansion of certain types of societies during a certain period owing to political demands. Such a hasty pushing of work entails some very serious disadvantages effecting in the retardness of certain types of cooperatives. The Ministry is remedying the situation by introducing certain effective measures to be employed in the present policy of cooperative development. These include the setting up of a Committee on Reorganization of Cooperative Societies, the revising of the Cooperative Societies Act of 1928, promoting larger-sized agricultural credit societies, using a quality approach rather than a quantity approach, resorting to more initiative and capital invested in the societies on the part of the members, grouping primary societies into federations, and others, including a more intensive education and training program in the National Economic Development Plan.

The Ministry of National Development believes that the performance has hitherto laid a solid foundation for a future better development of the cooperative movement in the country.

Finally, I would like to take this opportunity to present our best compliments to the International Cooperative Alliance Regional Office and Education Centre and staff members very sincerely for their efforts in organising this Experts' Conference in Bangkok.

Background Paper

THE PRESENT ROLE OF GOVERNMENT IN COOPERATIVE DEVELOPMENT IN CEYLON

P.E. Weeraman
Commissioner for Cooperative Development, and
Registrar of Cooperative Societies.
Colombo. Ceylon

Experts' Conference on the "Role of Government in Cooperative Development". Jan 17-27, 1966
Bangkok. Thailand

organised in joint collaboration
with the Ministry of National Development
Government of Thailand, Bangkok

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Background Paper

THE PRESENT ROLE OF GOVERNMENT IN COOPERATIVE DEVELOPMENT IN CEYLON

P.E. Weeraman, Commissioner for Cooperative Development
& Registrar of Cooperative Societies, Ceylon

1. Legislation

The Government of Ceylon has provided legislation for the regulation of cooperative societies. The first ordinance was passed in 1911. This was followed by an ordinance in 1921 which was replaced in 1936 by the ordinance now in force, amended by several subsequent ordinances before independence and Acts thereafter.

The law provides for a Registrar of Cooperative Societies and a Commissioner for Cooperative Development. The latter post was created in 1945 and was held by a separate official until 1953 when the same official was appointed to be both Registrar and Commissioner, and their departments were amalgamated. By the creation of the post of Commissioner for Cooperative Development the Ceylon Government gave legal recognition to the Registrar's functions as "the foundation of the movement" and "the head of this great educative movement" as Calvert has put it in his monumental "Law and Principles of Cooperation".

The law provides for the registration, inspection, audit supersession of committees, settlement of disputes, cancellation and liquidation of cooperative societies. It also accords them several privileges like exemption from Income Tax, Stamp Duty, exclusive use of the term "cooperative", recognition as a public purpose in regard to compulsory acquisition of property by government, etc.

2. The Department of Cooperative Development

This Department of Government is charged with the development of the cooperative movement in Ceylon. Its head is the Commissioner for Cooperative Development and Registrar of Cooperative Societies.

The island is divided into 28 cooperative divisions, each under an Assistant Commissioner who is vested with certain of the powers of the Registrar of Cooperative Societies.

There are 42 Assistant Commissioners, three Senior Assistant Commissioners and three deputy Commissioners cum Deputy Registrars assisting the Commissioner cum Registrar.

There are 1681 Inspectors of Cooperative Societies in four grades (Special and Grades I, II and III) for the audit and supervision of cooperative societies.

The Government spends about 15 million rupees a year on running the Department.

3. Cooperative Education

The government runs a highly organised School of Cooperation near Kandy in the hill country for training cooperative inspectors, managers and other employees of cooperative societies, and for general membership education through 22 education centres in different parts of the country. The School also trains persons connected with Government Departments and other organisations which have a functional relationship with cooperative organisations.

The Principal of the School who is an Assistant Commissioner is assisted by another Assistant Commissioner and ten lecturers.

4. Publicity

There is a separate Publicity Division of the Department. It provides film shows, radio programmes and cooperative news. The Cooperative Federation and a branch federation together publish three fortnightly newspapers in English, Sinhalese and Tamil.

5. Financing of Cooperatives

a. The Government of Ceylon finances cooperative societies under the following heads:

Land Commissioner,
Fisheries,
Rural Department and Small Industries
Agrarian Services, and
Labour.

b. The People's Bank which is a bank for cooperatives and seven cooperative district banks grant loans which are required for purposes other than those for which loans are given directly by government under the above mentioned heads.

The People's Bank is owned by Government and the cooperative movement in equal proportion, half the share capital being held by government and half by the movement.

Rs.42 million has been granted during the last financial year for agricultural cooperation. Rs 2.9 million has been lent to textile weavers societies.

6. Government schemes implemented through the cooperative movement

The entire food rationing scheme in the city of Colombo is implemented through cooperative societies. In the rest of the country, there are both private dealers and cooperative societies handling this work. Over 80% of the consumers are attached to cooperative societies. (The country's population is around 12.5 million).

The agricultural commodities whose prices are guaranteed by the State are bought in through the cooperative movement. No one else holds this agency.

Government departments and State Corporations are required to offer all contract work not exceeding Rs.100,000 each to cooperative societies. These societies have been responsible for the construction of roads, bridges, buildings, wells, bunds, channels, anicuts and even jetties, for the handling and transport of foodstuffs and for metal work.

Government grants are made to cooperative hospitals and dispensaries, 18 in all.

7. The Cooperative Wholesale Establishment

There is a state corporation with the above name for supplying consumer goods to cooperative societies and to act as the sole importer of items in short supply.

It is a wholesale establishment for the cooperatives and not a cooperative society itself.

8. The Cooperative Fund

The government makes a levy of 5% of the net profit on all cooperative societies and gives 4/5 of the amount collected to the Cooperative Federation of Ceylon, which is the representative body of the movement at the national level.

9. Summary of Progress

a. General - 394 societies were registered during the year. Among them were 175 multipurpose societies, 27 credit societies of limited liability, 24 industrial societies, 24 labour societies, 13 fishermen's societies, 9 thrift societies, 5 stores societies, two multipurpose societies unions, one dairy society and one industrial union. Another

56 societies were recognised, these were School cooperatives which could not be registered due to their members being under 18 years of age.

The registration of 177 societies was cancelled. These include 52 multipurpose societies, 41 stores societies, 23 credit societies of unlimited liability, seven cooperative agricultural production and sales societies, six thrift societies, five tobacco societies, four labour societies, three fishermen's societies, three tea societies, two credit societies of limited liability, two dairy societies, two industrial societies, two stores unions, two agricultural unions, one multipurpose societies union and one credit union.

The total number of societies at the end of the year was 14,834. Of these 2,760 societies were either defunct or dormant during the year.

The total membership in theprimary societies inclusive of school cooperatives was 1,642,798.

The financial turnover of the Movement (excluding People's Bank transactions with the Cooperatives) during the year was Rs.1,949 million which is Rs. 297 million more than that of last year, the increase in the turnover of the Cooperative Banks was Rs.98.0 million and that of the multipurpose societies unions was Rs. 173.0 million, the issue of rationed textiles on coupon only through the cooperative unions and societies and through the CWE Depots, the increase in the price of sugar during the course of the period under review, and the Colombo cooperative stores societies union being given the monopoly of the entire wholesale distribution of sugar within the Colombo Municipality are some of the reasons for these increases in the turnover, earlier the CWE also was a wholesale distributor of sugar in Colombo. The turnover of all production and sale societies together with the corresponding sections of the multipurpose societies during the year was Rs. 343 million. The turnover of all consumer societies (primary) and the consumer sections of the multipurpose societies and the retail consumer sections of the unions amounted to Rs. 460.6 million as against Rs. 423 million last year. The turnover of producer and consumer unions was Rs. 862 million as against Rs.689 million last year, of the former, sales of consumer goods by consumer and multipurpose unions amounted to Rs. 814 million. The sales of these wholesale unions to the private trade amounted to Rs 335.2 million.

The People's Bank lent during the year a sum of Rs. 56,2 million to cooperative societies including cooperative banks.

The Cooperative Banks lent to societies a sum of Rs. 370 million of which Rs. 295.5 million was withdrawn by multipurpose cooperative societies unions and stores unions on overdraft accounts. The amount recovered by the cooperative banks during the year was Rs. 363 million. A sum of Rs. 24.8 million was owing to the cooperative banks at the end of the year. The

amount overdues was Rs. 1.5 million.

The credit societies, cooperative agricultural production and sales societies and the multipurpose societies together lent to the members during the year a sum of Rs. 22.1 million for agricultural purposes.

The net worth (i.e., paid up share capital, reserves, accumulated profits less losses) of the entire movement increased by Rs. 9.2 million to Rs. 133.8 million. 8175 societies made profits amounting to Rs. 16.4 million, whilst 4,969 societies suffered losses totalling Rs. 4.7 million.

(b) Primary societies - The number of primary societies at the end of the year was 14,554. The membership in the multipurpose societies was 829,711 which is 57.8 per cent of the total membership in all registered primary societies which was 1,434,949. The working capital of all primary societies increased by Rs. 20.8 million to Rs. 167.8 million at the end of the period under review. The borrowed capital was Rs. 90.2 million which is 53.8 per cent of the Working Capital , corresponding figures for last year were Rs. 74.2 million and 50.4 per cent respectively. The primary societies owed the Government Rs. 38.9 million on account of loans, this was 23.2 per cent of the working capital, the corresponding figures for last year were Rs. 24.8 million and 16.8 per cent. The investment held at the end of the year amounted to Rs. 20.3 million. Liabilities amounted to Rs 119.8 million against assets worth Rs. 214.3 million. The net worth of all primaries was Rs. 94.4 million.

(c) Secondary societies - The working capital of the societies at the end of the year was Rs. 101.8 million as against Rs. 72.4 million at the end of the last year. The borrowed capital of all secondary societies was Rs. 69.1 million of which the primary societies had deposited Rs. 15.1 million and loans from the People's Bank amounted to Rs. 26.3 million. The working capital of the multipurpose cooperative societies unions was Rs. 49.5 million and that of the cooperative banks was Rs. 35.1 million. The investment held by the secondary societies including the cooperative banks totalled Rs. 10.6 million.

The liabilities of secondary societies amounted to Rs. 91.2 million against assets worth Rs. 130.0 million, their net worth was Rs. 42.9 million as against Rs. 37.0 million last year.

(d) Liquidation of societies - There were 2,006 societies in the process of liquidation at the end of the year. 31 liquidations were closed during the year. The net worth of all societies in liquidation was Rs. 4.0 million. The Trust Fund of liquidation that have been closed totalled Rs. 3.7 million.

(e) Arbitrations - 6,647 disputes were referred to arbitration during the period under review, under the Cooperative Societies Ordinance. 4,384 references were decided during the year. 28 appeals against arbitration awards were allowed and 54 appeals were dismissed.

(f) Employment in the Movement - There were 17,800 employees in the cooperative societies at the end of the year. Their salaries bill totalled Rs. 22.8 million.

Background Paper

THE ROLE OF GOVERNMENT IN COOPERATIVE DEVELOPMENT

Mr. S. Chakravarti
Secretary to the Government of India
Ministry of Community Development &
Cooperation,
Krishi Bhavan, New Delhi, India

Experts' Conference on
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THE ROLE OF GOVERNMENT IN COOPERATIVE DEVELOPMENT

Mr. S. Chakravarti
Secretary to the Government of India
Ministry of Community Development &
Cooperation,
Krishi Bhavan, New Delhi, India

Historical Background

Cooperation was introduced in India in the early years of the present century primarily as a means of affording relief to the poverty-stricken farmers from the clutches of usurious money-lenders. A legal frame work for the working of cooperative societies was provided by the Cooperative Societies Act 1904 under which only the formation of credit societies was contemplated. The need, however, was soon felt for organising societies with functions other than credit : the Cooperative Societies Act, 1912 was accordingly enacted, providing legal sanction for the organisation of different kinds of cooperative societies, primary as well as federal. With the introduction of Provincial Autonomy consequent on the Montagu-Chelmsford Reforms of 1919, the subject of Cooperation was transferred to the provincial governments and several provinces passed their own Cooperative Acts in the 20s and 30s of this century. Broadly speaking, the cooperative movement in India, prior to national independence, was primarily concerned with credit activities. During this period, government looked on Cooperation not as an instrument for economic development but as a welfare agency capable of ameliorating the conditions of the poorer sections of the agriculturists to a limited extent. There was no positive government policy for assisting the growth of the cooperative movement in the credit sector or the diversification of the movement to cover other important branches of economic activity. Occasional financial help in the form of loans and guarantees used to be given to selected cooperative societies, but there was no systematic policy for either financial or organisational support to the movement. The prevailing cooperative law cast on the Registrar of Cooperative Societies the responsibility for supervision, inspection and audit of cooperative societies. The Registrar was, so to say, the friend, philosopher and guide of the cooperative movement.

Evolution of a Cooperative Policy

After the attainment of independence and the beginning of the national effort for planned development which found expression in the formulation of successive five year plans, there was radical change in the attitude and policy of the government towards the cooperative movement. It was inevitable that in a developing country like India seeking to put its

limited resources to the optimum use for quickening the pace of growth, consistent with democratic management of governmental functions, Cooperation would be looked upon as an instrument for promoting planned growth and facilitating the emergence of a socialistic pattern of society. This is reflected in the objective which government set before itself, of promoting Cooperation as the principal basis of organisation in several branches of economic life, notably in agriculture and minor irrigation, small industry and processing, marketing, distribution, supplies, rural electrification, housing and construction and the provision of essential amenities for local communities. While government recognised the importance of Cooperation as an instrument for promoting planned economic growth, it was also quick to realise that Cooperation must develop as a voluntary and self-reliant movement of the people and not as a branch of governmental activity. Only as a people's movement could Cooperation effectively play the role, envisaged for it, of harnessing the people's energies within the frame-work of a voluntary and democratic system of organisation, for their economic advancement as well as stimulating the national economy.

In studying the evolution of the relationship between the government and the cooperative movement in India, special note has to be taken of the Resolution on Cooperative Policy passed by the National Development Council in November, 1958. The following salient features of the Resolution will indicate the approach of the National Development Council, the highest body for policy deliberations in India, to the subject of cooperative development as part of, and aid to, the process of rebuilding the nation's economy :

(i) For the development of Cooperation as a people's movement, cooperatives should be organised on the basis of the village community as the primary unit, and responsibility and initiative for social and economic development at the village level should be placed fully on the village cooperative and the village panchayat.

(ii) In a rural cooperative, themembers should have intimate knowledge of one another as well as a sense of mutual obligation and concern for the rehabilitation of the weaker sections of the community. By working together for the common objective of raising the standard of living of all the sections of the population, the community develops social cohesion and unity.

(iii) The cooperative movement should be developed so as to bring within its fold all rural families.

(iv) Measures required for increased agricultural production such as use of irrigation facilities, application of improved agricultural techniques, multiplication of improved varieties of seeds, production of organic and green manures, distribution of fertilisers, should be carried out through the village cooperative.

(v) Village cooperatives should be linked with marketing societies. By linking marketing societies with village societies and using the latter as agencies for collection and sale at assured prices at the village level, it will be possible not only to obtain larger supplies of foodgrains for meeting the needs of urban areas but also to expand greatly the credit facilities available

for rural areas. The programme for cooperative processing should be enlarged. An integrated structure of credit, supplies marketing and processing could then be built up to transform and raise the level of rural economy.

(vi) To ensure the success of cooperative development programmes on the scale visualised, training programmes should be organised for village leaders, who work on village panchayats and cooperatives, for teachers in village schools and for young men in rural areas, who can serve as secretaries of village institutions. Training programmes should also be expanded for personnel serving in cooperative departments as well as village level workers and other extension workers. Efforts should be made to bring into the field of Cooperation a large number of competent and experienced persons and to draw into the cooperative movement an increasing number of non-official workers.

(vii) Many of the existing procedures and provisions in law impede the development of cooperation as a popular movement in which small groups and communities can function freely and organise their work and activities along cooperative lines without excessive official interference and red tape. The restrictive features of the existing cooperative legislation should be removed and radical changes should be introduced so as to facilitate the growth of the cooperative movement.

"The National Development Council believes", so said the Resolution, "that through the development of cooperatives based on the values of freedom and community responsibility and organised as a national movement, the creative energies of the people will be released for the tasks of national reconstruction".

In the light of these principles new cooperative legislation has been passed in as many as eleven states during the last few years and in the remaining states cooperative Bills are on the anvil of the State Legislatures. The new legislation already passed reflectsthe concern of the State to promote the cooperative movement on lines consistent with the principles of social justice. The Rajasthan Cooperative Societies Act passed as recently as in 1965 lays down, for instance, that before registration of a socieity the Registrar must satisfy himself among others that the aims of the proposed society are not inconsistent with the principles of social justice, cooperation and public morality and that they facilitate the establishment of a socialistic pattern of society.

Progress upto Third Plan

Against this historical background and the evolution of the basic approach governing the relationship between the government and the cooperative movement in India, the present state of cooperative development and the trends of further growth may be reviewed. During the course of 15 years covered by the three five-year plans, the greatest progress achieved by the cooperative movement has been in the older established system of cooperative agricultural credit. In quantitative terms of the overall percentage of rural borrowings supplied by cooperative agencies, the progress has been from about 1/30th of the total to between a fourth and fifth. In a large number of districts in India, cooperative credit represents today the most important source of credit

available for agricultural production. There has been an impressive advance in land development banking. In a few states, the programme of government assistance to cultivators for certain land development purposes has been entirely taken over by cooperative agencies. Marketing, or more comprehensively sale and purchase activity, has been another field in which considerable progress has been made. In part, this has been helped by special preference shown by government to the cooperatives as distributors of supplies which were officially controlled, such as fertilizers, iron and steel, etc. All important secondary markets will be covered by marketing societies by the end of the third plan period. Along with expansion in cooperative marketing, there has been a growth in cooperative processing activity. Examples of remarkable success in this field are cooperative sugar factories and cotton ginning societies, Cooperative processing has also been extended to rice-milling, expelling of oil, and recently a large programme of cooperative rice-mills has been undertaken. Industrial cooperatives in the hand-loom industry, coir and certain village industries have also registered sizeable progress. Special emphasis has been laid on development of consumer cooperative stores, and under a centrally sponsored programme, all towns with population of 50,000 and above have been covered by wholesale stores and retail units. With the diversification of the cooperative movement, considerable fillip was given to the growth of cooperative federal organisations, viz: the National Cooperative Union, the National Agricultural Cooperative Marketing Federation, the National Federation of Cooperative Sugar Factories, the All India Land Mortgage Banks' Union, the All-India Federation of Cooperative Apex Banks, the All-India Federation of Consumer Cooperatives and the National Cooperative Spinning Mills Federation.

Fourth Plan

The experience during the three five-year plans embodies a number of useful pointers for determining the scope and content of the fourth plan (1966-1971). For the larger tasks to be undertaken during this plan in the field of agricultural production and rural development, the first step is the establishment of a viable and expanding credit structure. The plan envisages advances of short and medium-term credit of the order of Rs.700 crores in the last year of the plan as compared to about Rs.375 crores in the last year of the third plan. This will call for concerted effort for raising the share capital and deposits of cooperative credit institutions, orienting loan procedures to meet the requirements of production programmes, and continuance of governmental support to the institutions towards share capital, managerial subsidy, loan-cum-subsidy for storage godowns, etc. While the development of the credit structure is of crucial importance for agricultural production, emphasis will continue to be laid on marketing of agricultural produce, particularly of foodgrains. As against an anticipated marketing of agricultural produce through cooperatives of the value of Rs.340 crores by the end of the third plan, of which about Rs.100 crores will be foodgrains, the fourth plan target is to market agricultural produce worth Rs.850 crores including foodgrains worth Rs.400 crores. The expansion of cooperative marketing will be possible only if marketing is intimately linked with processing. The development of cooperative processing is essential not only for increasing the rural incomes and facilitating credit for production, butalso for building up a cooperative rural economy. The significance of processing

derives from its contributions in two directions - on the one hand it strengthens the functioning of agricultural credit and marketing, on the other it provides a wide base for rural industrialisation. A significant place has, accordingly been given to the development of cooperative processing in the fourth plan. A plan of cooperativisation of the rural economy has at its core agricultural credit, marketing and processing, but the plan has to look forward chiefly in the direction of industrialisation via processing. On a wise base of agricultural processing, complexes of industries of various types can be developed. This has been the experience in the State of Maharashtra and, therefore, in the fourth plan stress is being laid on the building up of an integrated structure of credit, marketing and processing. At the same time, an attempt is being made to orient cooperative programmes towards the needs of weaker sections of the community such as small uneconomic holders, rural labourers and artisans.

An important trend of development initiated in the third plan which has to be accelerated in the fourth plan is in the sector of consumer cooperative service. The consumer movement is being promoted under a centrally sponsored programme and it has already covered all towns in the country with population exceeding 50,000. During the fourth plan, the programme will be expanded to cover all towns with population exceeding 10,000. The objective broadly is to consolidate, strengthen and expand consumer cooperatives so that by the end of the fourth plan the consumer stores would cover 20% of the households in the cities or towns where they operate. The rate of progress achieved by consumer cooperative stores under this programme in the last two years has been remarkable and the monthly sales in these stores have now touched the level of Rs. 12 crores. It has been recognised that for the success of this programme competent managerial personnel are essential. A Central Institute of Management of Consumers Business has, therefore, been started at Bombay for training the key managerial personnel for running the consumer stores. Consumer stores are thus being assisted to play a significant role in providing consumer goods at reasonable prices. A recent evaluation study conducted under the auspices of the Planning Commission has shown that consumer cooperative stores had a wholesome effect on the price level of consumer commodities dealt with by the stores.

Governmental Aid to Cooperative Movement

The progress achieved by the cooperative movement during the period covered by the three five year plans has been to a great extent facilitated by the policy of Government to provide support organisationally and financially to the programmes of cooperative development. Based on the experience of the three five year plans, the policy of assistance to cooperatives will continue to be followed by the Government during the fourth plan period. The broad features of the role of government are indicated in the following paragraphs.

(i) Organisational Assistance

When Cooperation was first introduced in India in the early years of the present century, it was with the object of ameliorating the conditions of the poorer sections of the agriculturists who were at the mercy of money-lenders. Government had, therefore, set up a machinery to super-

vise and assist the working of cooperatives. The Registrar of Cooperative Societies was given powers generally for inspection of the working of the societies, audit of their accounts, and general supervision for ensuring that the societies worked on sound lines and adhered to cooperative principles. A departmental machinery was built up in each State to assist the Registrar in the discharge of these responsibilities. The assistance and guidance available from the Cooperative Department were of great value to the cooperatives in the initial years of their growth. The services rendered by the Registrar through his departmental machinery in scrutinising proposals for registration of new societies and amendments to bye-laws, conducting periodical inspections with a view to suggesting measures for improvement, auditing the accounts once in a year and generally advising cooperative societies regarding development of their business have been significant in promoting the growth of the movement. The Registrar's organisation has also served as a liaison with other Governmental organisations in promoting the interests of the cooperatives and explaining the point of view of the cooperatives. The trend of development in the recent past has been to gradually bring about a shift in the exercise of the supervisory responsibilities from the Cooperation Department to the cooperative federal institutions, financial aid being provided by Government to enable these institutions to discharge these responsibilities. The Registrar, however, continues to have powers of statutory audit in all States except one. (In one State audit is conducted by the State Government through the Finance Department). Government continues to maintain an adequate machinery for enabling the Registrar to exercise his responsibilities for inspection and audit.

While the Cooperative Department charged with the responsibility of aiding and promoting the growth of cooperatives has been a valuable support to the movement, Government's help to the cooperatives in organisational matters has also been given in two other important ways. Firstly, cooperative federal institutions have been encouraged to take over supervisory functions and for this purpose they have been assisted to build up cadres of managerial and supervisory staff. Government have been providing financial aid to them for maintaining the staff cadres, and also for requisite training facilities. Moreover, Government maintain qualified and trained personnel for lending to cooperative institutions on deputation terms. Secondly, to help this process, it has been agreed as a policy that cooperative law should contain an enabling provision to make it possible for the Government, when the time is ripe, to transfer some of the statutory powers and responsibilities of the Registrar to the cooperative federal bodies. Such enabling provision has already been incorporated in the cooperative law of several states. Apart from delegation of statutory powers, there is also the practice of consultation with the federal cooperative bodies in matters relating to registration, amendment of bye-laws, supersession of the management and similar matters. This serves to keep the federal bodies in full touch with the administrative action proposed by the Cooperation Department with reference to their constituent societies and, at the same time, this enables the Registrar and his organisation to have the benefit of advice from the federal bodies before administrative action is taken. In some States this procedure of mutual consultation is based on legal provision; in others it is based on convention.

(ii) Financial Aid

The various forms of financial aid which have been introduced during the three plan periods and are likely to continue during the fourth plan period are briefly as follows:

(a) State Partnership: Excepting in one or two States, the principle of state partnership in the share capital of the cooperative societies was not in existence till 1951-52. The Reserve Bank of India appointed (1951-52) a Rural Credit Survey Committee to conduct a survey on rural credit in India and make recommendations. The Committee came to the conclusion that "Cooperation had failed in India but it must succeed". One of the major recommendations of the Committee was the adoption of a policy of state partnership in cooperative institutions. Apart from credit institutions, state partnership has been extended to marketing and processing societies, farming societies, labour contract societies, dairy cooperatives, fishery cooperatives, transport societies, consumers stores etc. wherever the initial capital base of the structure needed strengthening by means of state participation till such time as the members were in a position to accumulate enough capital to run the business without state support. In all these cases stress has, however, been laid on the principle that the people's contribution should gradually be increased and the government capital retired in a period of 15 to 20 years.

(b) Loans to Societies: Normally cooperative institutions are expected to borrow funds from their financing agencies such as the central cooperative banks or the apex cooperative banks. The apex banks in turn are expected to obtain their financial requirements from the Reserve Bank of India, State Bank of India and State Finance Corporations. Governments are not ordinarily expected to finance cooperatives with loans for their working capital. But there are exceptions to this general position. There may be certain types of development programmes which in their initial stages are not likely to attract any finance from regular financing agencies, but which are nevertheless worthy of encouragement and support. Moreover, certain programmes for which Government was previously offering loans directly to individuals but which are later transferred to cooperatives for implementation carry with them the obligation on the part of Government to transfer the necessary resources to the cooperatives. Examples of the first type are such schemes as cooperative farming where loans are made available by Government for specific purposes involving medium or long-term investment, provided the cooperative banks are not willing to provide the finance. Mention may also be made of the schemes for providing loan-cum-subsidy to farming societies for construction of godowns cum cattle sheds, and to marketing societies as well as service societies for construction of godowns. Examples of the second category are the loans provided by state governments to cooperative credit institutions as part of their programme for routing taccavi loans through cooperatives. In Maharashtra and Gujarat, the State Governments have withdrawn from the field of taccavi finance for schemes like land reclamation and soil conservation. These schemes are implemented through cooperative land mortgage banks. Government funds earmarked for such schemes are made available to these banks by way of government subscribing to the debentures floated by the banks. In some other states short and medium-term loans are given by the state governments to cooperative banks for specific agricultural purposes which used to be cared for under

taccavi loans. Thus the state governments are helping the growth of a unified credit structure for catering to the production requirements of agriculturists.

(c) Subsidies to societies: In the initial period most of the cooperative institutions would need some assistance if they are to render the services expected of them to the members, many of whom are at the marginal and sub-marginal levels of economy. The government has, therefore, come in to aid cooperative institutions during the initial period till they attain full viability by provision of subsidies for appointment of managerial and supervisory staff. Subsidies are also made available to cooperative banks for opening branches so as to extend their services to interior areas Such subsidies are provided on a tapering scale over a period of time so that in a period of 3 or 4 years the societies would be able to stand on their own without financial assistance from government. Subsidies are also provided for construction of godowns in order that the cooperatives may be enabled to have their own storage space to render efficient service to their clients.

(d) Government Guarantees: Another way of providing government assistance is by guarantting, on behalf of cooperatives, the repayment of principal and the payment of interest on loans. Such guarantees are afforded by the State Governments on behalf of cooperatives to the Reserve Bank of India, the State Bank of India and other financing agencies. The debentures floated by the central land mortgage banks are guaranteed by the concerned state governments. In certain states, guarantee has also been provided in respect of deposits collected by cooperative banks in order to induce the public to deposit their surplus funds with the cooperative structure, as in the commercial banking structure insurance of deposits has recently been brought into force. The rationale behind the guarantees given by government is that the outside lending agencies are assured that the purposes for which the loan funds will be used are such as have met government's approval and that the government would take due care to ensure that the borrowing cooperatives use the funds in accordance with sound business principles.

(e) Risk Funds: To achieve the objective of helping the weaker sections of the community, it is necessary to induce the cooperative lending institutions to meet the credit requirements of these sections related to their production activities. A scheme of government contribution to cooperative credit institutions to enable them to build up special bad debt funds has been in operation in the third five year plan period. The contribution is of the nature of an incentive to the credit institutions to liberalise their lending policies and progressively meet the production credit requirements of the marginal and sub-marginal cultivators.

(f) Agricultural Credit Stabilisation Fund: In a vast country like India natural calamities such as flood, draught, etc. occur almost every year in some areas. In such cases the cultivators find it difficult to repay the loans in time. This would mean that the credit institutions in such areas would either have to postpone recoveries or to write off the loans. The Rural Credit Survey Committee, mention of which has been made earlier, recommended the setting up of stabilisation funds, both at the national level and at the level of cooperative credit institutions, to arrange postponement of recoveries, so that the flow of credit remains unimpaired.

A National Agricultural Credit Stabilisation Fund has been set up under the Reserve Bank of India and an annual contribution of Rs.1.00 crore is being made by the Central Government towards this Fund since 1956. The funds at the level of the cooperative institutions have not yet been adequately built up. Government are considering some ad-hoc contribution to these funds at the level of the apex cooperative banks during the Fourth Plan to augment them to the desired level.

(g) Relief and Guarantee Fund: A relief and guarantee fund at the level of each statement government is also being built up. This fund is utilised for writing off loans which become irrecoverable.

(h) Price Fluctuation Fund: In order to encourage cooperative marketing societies to take up marketing of commodities in which wide price fluctuations occur, it has been decided that Government will contribute towards the price fluctuation funds of such societies to the extent of 2 per cent of the value of outright purchases made by them of certain selected commodities, subject to a prescribed monetary limit every year.

(i) Tax Concessions: Certain concessions have been afforded to cooperatives in income-tax, excise duty, etc. State Governments also in their State Acts have exempted the cooperatives in full or in part from payment of stamp duty, registration fees, etc.

(iii) Cooperative Training & Education

For the success of a cooperative society, intelligent and informed membership and trained and efficient staff are essential. The Government, therefore, have been helping the movement to build up a cooperative training and education programme. Broadly speaking, this programme falls into two parts: (a) training the personnel employed in the Cooperative Department and the institutions and (b) education of members of cooperatives. The personnel of the Cooperative Department and institutions, for the purpose of training, are classified into three categories, viz: senior, intermediate and junior. For training these different categories of personnel, 3 levels of institutions have been set up. The National Cooperative College and Research Institute at Poona provides training to senior and key personnel in the cooperative movement. The institute has also been equipped to undertake case studies and action research on important cooperative problems. For training of personnel of the intermediate category, 13 cooperative training centres are maintained and junior personnel are catered for in 67 institutes. Member-education is being conducted through instructors appointed by the State Cooperative Union in each State. A policy decision was taken in 1962 to entrust the work of cooperative training and education to the cooperative movement itself. In pursuance of this policy, the responsibility for administering the training institutes has been entrusted to the National Cooperative Union and State Cooperative Unions. The Government of India and the State Governments, however, have continued to provide financial assistance as well as expert teaching personnel on deputation terms. The role of the Central and State Governments in providing assistance to the education and training programme

takes the following forms:

(a) All programmes of training and education receive hundred per cent financial assistance from the State. The Government of India provides cent per cent financial assistance to the Committee for Cooperative Training for the training of senior and intermediate category of personnel and to the National Cooperative Union of India for maintenance of headquarters staff for the member-education programme. The Government of India and the State Governments share the expenditure on junior training centres and the member-education programme in certain proportions. State Cooperative Unions also receive assistance towards meeting a portion of the expenditure on specific programmes relating to publicity approved for the purpose. Cent per cent assistance is, however, expected to be a temporary phase. The Cooperative Movement has already adopted the policy of raising its own funds for financing the training and education programmes. Provision has been made in all the Cooperative Acts, according to which the cooperative societies at all levels have to contribute 2 to 5 per cent of their net profits every year to the education fund of the State Cooperative Union.

(b) Government personnel are made available to the cooperative organisations for conducting the programme of training and education. Various Ministries and organisations of the Government of India interested in the development of the cooperative movement, such as the Ministry of Community Development and Cooperation, Ministry of Food & Agriculture, Ministry of Industry and Supply, Ministry of Education, Ministry of Finance, Reserve Bank of India, Central Social Welfare Board, etc. are represented on the Committee of Cooperative Training and its various sub-committees. The Director (Cooperative Training) in the Ministry of Community Development and Cooperation works as the Member-Secretary of the Committee for Cooperative Training and provides a useful link between the Government of India on the one hand and the Committee on the other. Similarly the Chief Executive Director of the National Cooperative Union of India is an Officer on deputation from the Government of India.

(c) The State Governments and the Registrars of Cooperative Societies extend similar assistance to the State Cooperative Unions and associate themselves with the training and education committees set up by them for looking after the cooperative training and education programmes. The departmental officer in charge of training and education works in close collaboration with the State Cooperative Unions.

(d) The State Government, whenever requested to do so, make available the services of their qualified and trained officers to work as Principals and Lecturers at the Cooperative Training Centres. The Committee for Cooperative Training and the State Cooperative Unions are building up their own cadres of teaching staff. Even so, the training being job oriented, the Government have to spare the services of their officers to serve as trainers, from time to time. Apart from the staff regularly sent to the Centres, the officers of the cooperative and other government departments visit the centres and deliver talks on specialised subjects.

(e) The State Cooperative Departments also assist the Committee for Cooperative Training in the conduct of practical training programmes of the trainees by assisting the centres in chalking out study tours and conducting visits to the various cooperative institutions.

(f) The field staff and the extension officers of different government departments help in the cooperative member-education programme by giving talks in the member-education camps and by attending study circles, meetings, etc.

Future Pattern of Relationship between Government and Cooperatives

On the basis of the experience during the past 15 years, the developing pattern in the relationship between government and cooperative institutions may be briefly indicated:

(i) The cooperative movement has not grown uniformly in all the states of India; nor has the growth been uniform in the different sectors of the movement. Government's direct interest and involvement in assisting the growth of the movement by provision of financial as well as organisational aid will, therefore, continue to be crucial. Apart from direct aid, a climate of socio-economic policy congenial to the growth of the cooperative movement is also essential.

(ii) While government's help to the cooperatives must continue, efforts to promote the growth of self-reliance in the movement must be intensified. These are likely to take the following forms:

(a) Cooperatives must be helped to build their own cadres of managerial personnel, so that dependence on the services of personnel deputed by government is reduced to the minimum. For this purpose, government's aid in subsidising cooperatives to recruit and train qualified people and train them is necessary.

(b) Cooperative federal organisations must take larger responsibilities in matters of supervision, inspection and general promotion. This trend is already well-developed in the credit sector. It has to be fostered in other sectors, particularly marketing, processing and consumer stores. This requires the promotion of the growth of national and state federations. This will give a fillip to the emergence of cooperative leadership, which is an essential ingredient of a strong and self-reliant movement.

(c) The cooperative department will have to continue to audit the cooperative institutions. But on a selective basis cooperatives can make a start in undertaking audit themselves through their Unions.

(d) The Cooperative department's residuary functions will then be to register, to make statutory inspection, to provide arbitration, to audit and to act as liaison with other departments of government to promote the interests of cooperatives.

3

Background Paper

RELATIONS BETWEEN COOPERATIVE MOVEMENT AND GOVERNMENT IN JAPAN

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Relations between Co-operative Movement and Government in Japan

Relations between Co-operative Movement and government differs from the weakest to the strongest from one country to another. In some of western European countries the Movement receives little aid from the government and in some Asian and African countries it does far more. Agricultural Co-operative Movement in Japan can be classified into neither of them. It seemes to be quite independent and autonomous in some respects, but it is not entirely released from governmental controle and assistance in other phases. It is, therefore, not the simple middle-way of two extremities. Such complex character of the relationship makes it all the more difficult to judge the trend as to which side(dependent or independent) is being strengthened in recent development.

Careful examination is necessary to get thorough idea on the following items.

1. LEGISLATION

(1) LAWS AND CABINET ORDERS DIRECTLY RELATED WITH THE MOVEMENT

a. AGRICULTURAL CO-OPERATVE ASSOCIATION LAW (1947)

This is, in some meaning, the heir of INDUSTRIAL CO-OPERATIVE ASSOCIATION LAW(1900). Essential difference of these two lies in.....

Old one: national policy or aim was regarded as absolutely superior to good and welfare of individual farmers, the Movement being established after Reiffeisen system.

New one: aiming ultimately at individual farmers' lives, releas ed democratically from national totalitarian control, involves more Rochdale thought.

The present law is motivated by modern western thoughts such as liberalism, individualism, democratic and autonomous control, free competition amount various enterprises and so on. Though they are really fascinating in their outlook, their amount given in the law was rather too much for rural Japanese to fit themselves to them. Several revisions of some parts of the law seemes to direct such trend as to restrict or deduce these over-democratization.

b. MANAGEMENT STANDARD ORDINANCE (1950)

This may be regarded as one of the indirect revision to the law. More than ten thousands of new societies were established in and soon after 1947 under new law, new principle. That was, however, only formally so. Most of them were, in reality, nothing but repainted old society under old law, accompanied with slight change in their leadership and management. At the same time there appeared some very samll unstable societies, often by deviding an old society in a village into two or three as the result of opposition or conflict among membership. It is quite plausible that majority of these new societies came into confusion and difficulty in their management.

This ordinance was wanted to give proper order to managemental operation of co-operative societies.

c. MODEL 'BY-LAW' (Articles of Incorporation)

'By-law' of local societies should be approved by government, actually by prefectural authority. In the case of incorporation, prefectural authority used to require the society to amend its by-law and make it completely coincide with governmental model, while, of course, according to the law, any by-law should be admitted so far as it does not violate the law. For the matter worse, there were such unfavourable instances that, when the model was revised, the authority requested

societies to revise their by-law in force to let them follow the model. By making use of by-law in this way, governmental control would become stronger than it looks through democratic law.

d. REVISIONS ON SOME ARTICLES OF THE LAW

Some articles of Co-operative Law have been revised for more than ten times in these nearly twenty years. We can see the trend of change in the nature of the Law by tracing them. It must be mentioned here that some of them were initiated by co-operative association and others by government and that they had friendly negotiation beforehand in both cases. Some of them will be shown below,.....

1948: The previlege free from income and corporation tax was stopped, and in place of it, devidend was made free from taxation. One of the Rochdale principles had thus been appreicated properly.

1949: Formerly administrative office was authorized to dissolution to a society when its business run over the limitation by the Law. The authority was transfered to a law court. The change implies restriction of administrative control.

1950: Revision of an article necessary in enacting Management standard Ordinance. This has duplex character of both control and assistance. At the same time, annual audit by government against societies, which has credit service or whose range is as large as or larger than prefecture, was made compulsory. This increased responsibility and controling power of government, while annual audit is not in full execution because of lack of necessary number of auditors. Only one thirds of societies concern-

ed are checked every year.

1951: The term of board of directors had been, as a rule, one year with the exceptional term not longer than two years, when laid down by by-law. The revision in this year left it entirely to by-law with the prolonged limitation of three years. Election of board of directers, which had been fixed to be help in annual general assembly, was allowed to take another way like public election. These revisions were, of course, disired from the side of co-operative associati

1954: Supervisory authority was rather strengthened again in some respects.

e. LAW FOR ASSISTING AMALGAMATION OF SOCIETIES

In order to overcome difficulties in management of under-size societies, amalgamation had been called into question since many years ago. It was, however, not started on the right line, having many complicated problems concerned. Amalgamation of this stage aimed only at standerdizing the scale of business of too small societies to proper level. In the course of time, while only few cases succedded, drastic change took place in socio-economical circumstance of the Movement had become to require amalgamation of higher order i.e. of larger scale in order to gain higher efficiency in running business.

It is obvious amalgamation of this type is more difficult than the former. It was not promissing that it be managed voluntarily by societies by themselves. Hence legislation was wanted to promote rearrangement of organization by amalgamation. At first government intended to enact the law in such nature as to directly promote amalgamation by legal power. But Central Union opposed to such attitude, because it would threaten to spoil independent character of the Movement. After all,

the nature of the law was so changed as only to give some financial assistance to voluntarily initiated schemes. So far as we have gone, this process may be praised as a typical example of securing our independence. Real state of affairs in practice after that can by no means be proud of in this respect, for, in spite of the effort by Central Union, local societies used to start to amalgamate themselves with neighbouring societies intiated not by themselves but by prefectural governmental officials or mayors of towns and villages.

Anyhow, this law has been so effective that number of multi-purpose societies decreased from 13,000 to 7,500 in these years.

The law lays down, in the main, consultative and advisory service for proper planning and subsidy for the expense needed in proceeding amalgamation, such as expense for (1) gaining fascilities effective for amalgamation (2) for business consultants sent from prefectural central union to local societies (3) of prefectural government to give guidance to societies in their planning. Effective term of this law is ending at the end of next March (1966). Prefectural central unions and some societies of certain district, where they have not gained desirable success, are trying to prolong the term, and, on the contrary, in the districts where they are propelling the process in urge aiming at the end of the term, they don't agree with the movement to prolong, being afraid of the speed of process would be slow down by doing so.

We can see dependent attitude of some co-operators in these instances mentioned here.

THREE ACTS FOR RECONSTRUCTION OF CO-OPERATIVE ORGANIZATIONS

(By 'reconstruction' it is meant to make dying society and federation alive)

Though these acts are not valid at present, they played very important

role for the Movement several years ago. As mentioned above, quite a number of societies fell into difficulty in running their business soon after their start under the new Law. Some of them came to dead crisis. Co-operative association, as a whole, tried to rescue them, at first by their own effort, by organizing special committee to find effective remedy for the condition. To some extent, they did succeed, but still many societies seriously wounded left uncured.

Hence governmental aid was wanted. An act to offer proper aid to them, consist mainly of financial assistance. Again some of them were rescued and some left. Then another act was enacted which is stronger than the former. On the other hand, managemental condition of prefectural federations for marchandizing were found to be as bad as that of local societies. One more act was enacted to rescue them in pararell with the first act of theirs kind.

Those unsound conditions had been so widespread and serious that but for these three acts our Movement would not be able to develope as it did.

(2) LAWS AND ACTS INDIRECTLY RELATED WITH THE MOVEMENT

a. concerning to agriculture

1. Agricultural Land Law
2. Land Improvement Law
3. Agricultural Improvement Assistance Law
4. Agricultural Improvement Fund Assistance Law
5. Fruit Production Promotion Special Measure Law.
6. Sweet staff Special Measure Law.
7. Dairy Farming Promotion Law
8. Chiken raising Promotion Law
9. Agricultural Mechanization Promotion Law
10. Agricultural Modernization Fund Assistance Law

11. Fertilizer Price Stabilization Law

12. Staple Food Manegement Law

13. Feed staff Supply and Demand Stabilization Law

14. Agricultural Commodity Price Stabilization Law

15. Agricultural Damage Compensation Law

16. Law for the Central Cooperative Bank for Agriculture and Forestry

17. Agriculture Forestry and Fisheries Fiance Cooperation Law

b. Exceptional advantage in some laws

Miscellaneous Laws concerning Anti Trust Monopoly Law

Monopoly Restriction Law

(Juridical tax, Local tax, Municipal property tax, Stamp duty)

11 GOVERNMENTA AND SEMI-GOVERNMENTAL ORGANIZATIONS

(1) MINISTRY OF AGRICULTURE

Section of Agricultural Co-operative Association, Department of Agricultural Policy is specifically responsible to the Movement, to say nothing of that every section or department of co-operative unions and federations has their own communication with those of Ministry respectively. The every section has 45 staffs and seven sub-divisions, which may be classified into three by their nature, namely,

Legal affairs: approval of incorporation and dissolution, interpretation of articles of laws and acts, keeping good running of laws.

Subsidizing: subsidy for amalgamation of societies, subsidy to prefectural governments for their auditting business, subsidy to Unions for their supervisers' expence. Audit mainly related with subsidy.

Guidance, consultation and other services:

This field is of interesting character. Officials

are tutors in some occasion and arbitrators between various co-operative organizations when they have any trouble or dispute. Though the latter looks like trifling matter, it is actually an important function of this section. It functiones as lubricant.

The Ministry has seven regional offices which cover the whole country. They also have the section of co-operatives.

Auditting business of Ministry is actually carried on by these offices by fifty auditors and their assistans (in all).

(2) PREFECTURAL GOVERNMENT

At the beginning of the Movement under new Co-operative Law, every Prefecture has independent specific section for co-operatives. At present, however, only three prefectures has, that is to say, in majority of prefectures, one of sub-divisions of relating section is responsible to co-operatives.

Two reasons are presumable: neccessity of governmental assistance has decreased since those three acts on 'reorganization' had revealed their effect, the nature of administration has changed gradually from prefectural autonomy to centralization. Anyway, services offered by prefectural officials are, to some extent, similar to those of national level. By the way, prefectural governments have their own subsidy, which are, by the case, re-subsidized by the Ministry.

(3) AGRICULTURE, FORESTRY AND FISHERY FINANCE CORPORATION

This is a semi-governmental institution for loaning governmental fund, established on the basis of 'A.F.F. finance Corporation Law'. Original fund is managed by governmental investment, borrowings from National Bank and from Post Office Life Insurance System, etc.

Loan is issued mainly to comparatively long termed or large scaled

undertaking. It differs from Agricultural Central Bank in this respect, as well as many other differences.

III FINANCIAL ASSISTANCE

Some points on this subject have been refered above. Pretty large portion of agricultural laws and acts more or less backed up by financial aid. It must, however, be given attention to that national policy on financial aid for agriculture in general had changed very much some years after the War. Before and soon after the War, government gave financial aid mainly in the form of 'subsidy'. Now amount of subsidy is only little. Main assistance is offered in the form of 'loan'. The change of policy depends partly on that government considered agricultural economy had grewn so far as to be adaptable to loan system, and partly on educational consideration, as it were, to train farmers to be accustomed to modern processes in capitalistic economy. There is also another type of assistance which has the nature of a kind of indirect subsidy, such as fund for stabilization of price of agricultural products, subsidy for interest and so on.

IV EDUCATION

Co-operative education depends little on governmental aid, having long history of its own, though, as for its quality, it has not reached the level to be contented with. There are as many educational institute as the number of prefectures, 47 in all, 35 of which belong to prefectural government and the rest to prefectural central union. The latter is not subsidized at all. Each of these institutes has only one or two full-time staffs and some part-time lecturers most of whom are co-operative or governmental officers. Term is mostly three or six months, at longest, not longer than a year. Number of students are decrasing of these years. They can not be said to have high weight in whole educational

activity in the Movement.

There is scholarship system for students of above stated insitutes, co-operative College and another school of agriculture and agricultural co-operatives, also sponsored by government. Government invested fund to a specially organized committee for scholarship about ten years ago, and the committee has made use of its fruits. This system is better than nothing, of course, but far behind favourable condiction.

Background Paper

THE ROLE OF GOVERNMENT IN THE DEVELOPMENT OF COOPERATIVES

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"The Role of Government in Cooperative Development"
Bangkok (Thailand)
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Organised in collaboration with
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THE ROLE OF GOVERNMENT IN THE DEVELOPMENT OF COOPERATIVES

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In the developing countries the need for the economic growth causes increased government intervention almost in the all fields of the people's actions. Development becomes more planned and directed. In nearly all countries of this region cooperatives are formed under a special law containing more or less detailed provisions regarding their methods of operation and defining their obligations and privileges within the scopes aimed by the state.

But ultimate control is exercised by the government under the relevant legal provisions.

Above all, Agricultural Cooperative Movement in Korea has been actually started from the initiative of the Government. Therefore the responsibility and the role of the Government in the development of Cooperatives are essentially important. In general, Government can contribute to the development of Cooperatives in the ways of:

1. Legalizing the cooperatives

2. Education and promotion
   Cooperatives education for self-direction of the member farmers
   To get understanding from the general public
   To train management technicians and leaders

3. Financing

4. Special legal provisions giving cooperatives
   Considerable favours for their operations.

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In Korea, taking paternalistic attitude toward Cooperatives the government plays the most important role for the development of the co-ops and give support and help in many ways.

The major items can be listed as follows:

1) The protection provisions on the constitutional law:

According to Korean Constitution Article 115, the state is to bring up cooperative organization on the basis of self-help and we keep political neutrality.

2) The purpose of Agricultural Cooperative Law is to assure the balanced development of the national economy by increasing agricultural productivity and improve the economic and social status of farmers through the independe cooperative organizations of farmers.

Government is establishing following articles in order to protect and foster Agricultural Cooperatives Movement.

a. Exemption from the levy of taxes:
The income and the property of the Cooperatives and the Federation shall be exempted from taxes.

b. All the ministers of Government should actively support the business of the Cooperatives and the Federation, and shall provide public facilities of National Government and local governments for their use.

c. The Government may grant subsidies necessary for the business operation of the Cooperatives, and the Federation within the scope of its annual budget.

d. The president of the Federation may present to the Government his recommendations regarding development of Cooperatives and Federation.

e. Cooperatives enjoy some special privileges on its business transactions; the provisions of the Korea Insurance Decree, the Grain Management Law, the Korean Sericultural Decree, the Small-Scale Transportation Law the Automobile Transportation Business Law, the Central Wholesale Market Law and Foreign Trade Law shall not be applied to the Cooperatives and the Federation.

3) Government Funds

The loanable funds available to the N.A.C.F. are limited. N.A.C.F. needs a tremendous amount of funds to meet

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farmers' loan requirements and to provide necessary materials for business operation of Co-ops.

The Government funds in 1964 amounted to 15,880 million won and the borrowings from the Bank of Korea, 5,256 million won. The above total amount shows 69.5% of the sources of loanable funds of N.A.C.F.

4) Business entrusted by the Government:

The cooperatives are entirely undertaking the operation and distribution of fertilizer, that is exclusively franchaised by government. This is aimed to plant the roots of cooperative business among farmers, and also plays very important role in business training of cooperatives' employees.

The Rice Lien loan program which is started on the Government Agricultural Policy, is very important in aming to better the rural economy by stabilizing the general price level through maintaining a fair level of rice price. And it has been implemented succes fully in every grain year by linking of marketing and credit service in Agricultural Cooperatives.

5) Guidance and Supervision

Government contributes a great deal to help Agricultural Cooperatives on the basis of its establishment and business operation. On the other hand, the Cooperatives deserve the proper guidance and supervision by the Government.

Problems:

1) It should be frozen to argue with regards to assessment of income taxes to Agricultural Cooperatives.

2) In the price determination of the farm products, the representation of the voice of the farmers through the cooperatives should be extended.

3) The Government should finance more funds for development of Cooperatives (Either loans or grant).

4) Supervisory authority of the Government should be coordinated and harmonized.

5) Some of the cooperative business are operated for the government as the agency. When the cooperative is engaged in the government entrusted business, government should provide all the necessary conditions and the program should be undertaken on the sound and reasonable contract basis.

Background Paper

A GLIMPSE OF THE COOPERATIVE MOVEMENT IN NEPAL

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January 16, 1966.

A GLIMPSE OF THE COOPERATIVE MOVEMENT IN NEPAL

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Economic Background

Nepal is predominantly agricultural country. 94% of its population, which is approximately 10 million, find employment in the agricultural sector. It is the base of our economy, because 66% of our national income come from this primary industry.

The over-all development of our economy is dependent upon the development of agriculture. Increased agricultural productivity is the basic source of capital accumulation. In the initial stages of our development, agriculture is the only source from where funds required for building economic and social infrastructure and also for the expansion of industrial sector can be tapped.

No far-reaching economic development is likely to occur in a developing country like Nepal until the farming methods and output of agriculture first undergo improvement. This needs the change in the attitude of farmers also towards new farming techniques and also the provision of finance needed for bringing in such a change in the methods of cultivation.

Situation Regarding Cooperative Movement

With a view to broaden the scope of economic growth of the agriculturists by accelerating the pace of capital formation in the rural sector through the cooperative societies, a Department of Cooperatives was established in the year 1955. As very typical to this region of this region of the world a conventional approach was there so far as the emphasis on multiplying the number of these societies rather than putting emphasis on its qualitative growth was concerned. Upto 1961 emphasis on such multiplication was the key note of the policy adopted by the then ruling party. This policy had its inherent defect. The building of infra-structure need for a sustained growth of the movement could not keep pace with its hasty multiplication. As a result most of these cooperative societies naturally could not attain a stage of economic viability. On the basis of their poor performance it can be said that they have failed to some extent to accomplish the task they were entrusted with.

This could be corrected only when a new approach was adopted in the formation of the policy regarding cooperative movement by the new government. This new Government is highly oriented towards the philosophy of Panchayat Democracy initiated by our King Mahendra. Strongly believing in the fundamental rights of the people the present Panchayat oriented Government had already started associating the common man in the administration of the Government and the implementation of all the plans and programmes by decentralising the administrative and financial authority in 20 out of 75 development districts. All the development programmes are now being implemented by District and village level Panchayats (Councils). These Panchayats, etc. have local elected representatives as their constituents. All legislative powers vest with the National Panchayat - the House of Representatives at the national level.

Economic measures like Land Reform and coordinated agricultural development programmes are being implemented through these local bodies. A compulsory saving programme has been started through village level Panchayats. The collection is very satisfactory. These Panchayats were even instrumental in the construction of storage by local efforts. This saving scheme has enabled the farmer in getting out of the clutches of the indigenous as well as foreign money lenders. The farmers have been able to tide over the food crisis caused by drought in certain districts.

The cooperative societies are now called for taking a prominent role in the above programmes. They are being reorganised into Multipurpose cooperative societies. They will function mainly as the supply centres for agriculture inputs, namely, improved seeds, chemical fertilizers, insecticides and improved farm implements, and will also act as the marketing agents for their members. Every owner-farmer and tenant who has depsoited his share of the compulsory saving will automatically become the member of the multipurpose cooperative society at his Panchayat. The savings collected by the local bodies have got to be transferred to the account of the societies in the Cooperative Bank, which is established by handing over of the credit function by the Department of Cooperatives. This scheme of capital formation in the village can now help the cooperative society in getting working capital because they can draw on their accounts to meet the credit need of the farmer members for general cultivation. As no interest is given on these deposits and a very handsome dividend will be given to shareholders, there will be more incentive for converting these deposits - the surplus left over after meeting the credit - into shares of the Cooperative Bank.

By the end of the Plan period (Third Five-year Plan) some 3,500 multipurpose cooperative societies will be organised at village Panchayat level. Over and above these primary societies there will be unions of these societies at District Panchayat level. These secondary societies at District level will be the constituents of the National Federation of Cooperatives.

A very intensive training programme for the administration personnel has been already under way. Member education programme has also been started through the field officers. Attention on these training programmes has been more concentrated in all the districts where coordinated agricultural development programme has been launched. In this coordinated approach Departments of Cooperatives, Agriculture, and Land Reform have pooled their resources to ensure a substantial increase in agricultural production. The Cooperative Bank has undertaken the responsibility of meeting the credit needs of the farmers in relation to the procurement of improved seeds and fertilizers, etc., by him for better farming.

Current Problems

(i) Reorgination of societies;

(ii) Management of the reorganised multipurpose societies;

(iii) Training and education;

(iv) Provision of technical assistance in connection with warehouse and minor irrigational canal construction;

(v) Propogation of Cooperative Principles in the illiterate mass.

Background Paper

RELATIONSHIP OF THE MALAYSIAN COOPERATIVE MOVEMENT WITH THE GOVERNMENT

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Experts' Conference on
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RELATIONSHIP OF THE MALAYSIAN COOPERATIVE MOVEMENT WITH THE GOVERNMENT

by

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INTRODUCTION

The Cooperative Movement in Malaysia dates back to the year 1922. As a matter of policy, Government introduced the Cooperative Societies Enactment primarily for the development and control of thrift and credit societies. This Law was repealed in 1948 and a new Law titled the Cooperative Societies Ordinance was introduced to promote the development of all types of cooperatives. At the same time, Government established a Department called the Cooperative Societies Department to encourage and promote the Movement among the people. The Department is now one of the Divisions of the Ministry of Agriculture and Cooperatives. The Commissioner for Cooperative Development is the Technical Head of the Division. He is concurrently the Registrar of Cooperative Societies.

2. Cooperative societies are registered under the Cooperative Societies Ordinance. The Commissioner for Cooperative Development, with the assistance of his officers and auditors, helps in the growth and development of the Movement. As Registrar, he sees to it that the cooperatives observe the Law and their registered by-laws.

3. The Movement in the past was developed into two distinct and separate streams - rural and urban. There may have been reasons for such an artificial division, but no such reasons exist any longer now. Two apex organisations serve both the sectors - the Cooperative Apex Bank for the rural cooperatives, and the Cooperative Union for urban cooperatives. It is proposed to weld the two sectors and to unite them into one National Movement. A Special Committee has been set up recently to attend to this matter.

POLICY OF GOVERNMENT TOWARDS THE MOVEMENT

4. The Movement is recognised and accepted by the Government as one of the principal instruments for the economic uplift of the people, particularly those living in the rural areas. Government policy is, therefore, to encourage and stimulate the growth of the Movement.

5. At the same time, Government strictly maintains a policy of non-interference in the internal affairs of the cooperatives. There is no State control at all. The cooperatives are free to manage their own affairs in accordance with their registered by-laws. They are purely voluntary and democratic organisations observing the principles of the Rochdale Pioneers.

6. It is the aim of Government that the Movement should eventually take upon itself most of the functions now exercised by the Cooperative Division. A start has already been made towards this end. Several measures have been introduced, firstly to improve the financial position of the apex organisation, and secondly to have more trained personnel within the Movement.

7. The Law has recently been amended to provide for compulsory annual contributions to be made both to the apex organisation and the Cooperative College of Malaysia by the cooperatives. Such contributions have up to now been on a voluntary basis. The Law further provides for such amounts to be paid out of the annual allocations to the reserve fund without in any way affecting the appropriation of annual surpluses to members.

8. The Cooperative College has been expanded to provide for additional training facilities to members of cooperatives. More and more members are being sent overseas on study tours, and to attend conferences and seminars. Such members, who are in the service of the Government, are accorded unrecorded leave facilities with full pay to enable them to undertake and to attend such tours, conferences, and seminars.

ASSISTANCE PROVIDED BY GOVERNMENT

9. In implementing its policy, Government makes several substantial contributions to the Movement. Some of the principal ones are appended below.

(1) A Cooperative Division of the Ministry of Agriculture and Cooperatives, with a cadre of trained officers and auditors, provides promotional, educational, and supervisory assistance to cooperatives.

(2) Cooperatives are accorded free registration under the Law.

(3) Cooperatives are exempted from payment of income tax and several other forms of taxes, and stamp duty.

(4) Loans on reasonable and moderate terms are provided to cooperatives to assist them in the furtherance of their operations.

(5) Annual grants are made available for the upkeep and running of the Cooperative College of Malaysia. Quite lately, substantial extensions to the College were made at Government expense.

(6) Where necessary, on request, experienced officers of the Cooperative Division, are seconded to cooperatives to assist them during their early years of growth.

(7) Unrecorded leave facilities with full pay are accorded to Government employees who attend training courses, conferences, and seminars, either at home or abroad, in their capacity as members of cooperatives.

(8) Other Government agencies such as the Information Department, Film Unit, Radio, and Television, provide varied forms of assistance in the educational and publicity programmes of the Movement.

ROLE OF COOPERATIVE APEX ORGANISATIONS IN COOPERATIVE DEVELOPMENT

10. The present role of the apex organisations is to promote the development of the Movement in conjunction with the Government. The role is so played in a number of ways, some of which are quoted below.

(1) A conference of cooperatives is held annually to discuss and decide on matters of common interest to the Movement, and to represent matters, if any, to Government for implementation.

(2) Decisions made at such annual conferences have resulted in the establishment of such new types of cooperatives, and in the modification of laws applicable to cooperatives.

(3) Other forms of cooperative conferences and seminars are organised as and when required.

(4) Arrangements are made for the participation of cooperatives at such conferences and seminars.

(5) By being well represented on the Board of the Cooperative College of Malaysia, the activities of the College are promoted towards the best interests of the cooperatives.

(6) Newsletters and circulars on the Movement at home and abroad are issued at periodical intervals. A modest library has been set up for the benefit of members of cooperatives and is being gradually built up.

(7) Loan requirements of cooperatives are negotiated with Government and other bodies. All such loans are handled by the apex organisation which decides on the manner and grant of loans to needy cooperatives.

11. As already explained, the policy of Government is to encourage the Movement to look after itself without relying much on external assistance. The steps taken towards this direction have also been outlined earlier in this report. It will, however, take time for the efforts to bear fruitful results. For the time being, therefore, with the limited resources at its immediate disposal, the role of the apex organisations in cooperative development will no doubt be limited.

CONCLUSION

12. Government policy of encouraging the growth of the Movement without in any way interfering in the internal affairs of the cooperatives themselves, added to by the desire to establish an independent Movement, have among other factors, contributed to the happy ties and close relationship that exists so well between the cooperatives and the Government. Such good ties and relationship naturally tend to bring about the desired results for the benefit of the Movement and the country as a whole.

57

Background Paper

COOPERATIVE PROGRAMMES IN PAKISTAN AND ROLE OF GOVERNMENT IN COOPERATIVE DEVELOPMENT

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67

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January 16, 1966.

COOPERATIVE PROGRAMMES IN PAKISTAN AND ROLE OF GOVERNMENT IN COOPERATIVE DEVELOPMENT

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I. Introduction

Government policy toward cooperative development in any country would certainly depend on what the Government expects the cooperatives to accomplish. If, as in some of the developing countries, it is used as an instrument of Government policy in the economic sphere, certain specific legislation is needed. An example of this type of policy would be when rice procurement and distribution or irrigation development is given as a monopoly to Government cooperative institutions. Under these circumstances, once a monopoly is issued, the control of inefficiency, dishonesty and unfair practices becomes a major portion of cooperative policy. Or as in East Pakistan where cooperatives are involved in purchasing, processing and marketing activities, they quite frequently run into unfair and unethical business practices. Since cooperatives tend to have a higher moral code, they are unwilling or unable to compete in this type of market mechanism. Governments have a responsibility, not only to their consumers but to the developing cooperatives to control these unethical practices through proper legislation and enforcement.

In developing countries there is a tendency to have higher returns to investment in the industrial sector. This can cause disinvestment in the rural areas which should in fact form the base for a nation's industrial development. One role the Government can play is to regulate this flow of capital by taxes in the industrial sector and reinvesting the capital in the rural areas through grants and loans to rural cooperatives.

History has indicated that in order for cooperatives to grow and thrive, the members should be well informed and have a reasonable level of education both of a general and subject matter nature. The general and extension educational programmes are rightfully a job of Government to finance and perhaps execute. Government policies dedicated to increased education make fertile soils in which cooperative can grow.

In order for cooperatives to fulfill their desired developmental role, good transportation and communications are almost a necessity. Providing adequate farm to market roads, postal and telephone services, and electricity in rural areas is beyond the scope of the cooperatives in most developing countries unless the financing and leadership comes from Government. Here too is, in my opinion, a proper interest of Government.

The Government of Pakistan, and the Provincial Governments of both East and West Pakistan seem to be keenly aware of these facts. Policy declaration of the Government of Pakistan on the organisation and development of cooperative societies (February 1962) will sufficiently bear it out.

"The small man must be helped to overcome his weakness and isolation by joining hands with other persons of limited means. He must be raised in social scale and transformed into a free respectable and self-reliant citizen. The vast resources of human labour and finance which lie scattered in the country should be organised on cooperative basis and small producers of all types, farmers, labourers and craftsmen should be encouraged to form cooperative associations in a spirit of self-help and mutual aid so that they can contribute their highest potential to the economic and social life of the country". (i)

II. Cooperative Movement in Pakistan

The Cooperative Movement in Pakistan, as in other parts of the Indo-Pakistan sub-continent, dates back to the year 1904, in which the Cooperative Act of India was passed with the primary objective of finding a solution to the chronic problem of agriculture credit through the organisation of cooperatives. The Act provided for the agriculture credit societies of unlimited liabilities of the Raiffeisen type. The Act was later amended in the year 1919. The amended Act provided for the establishment of all types of cooperatives - credit as well as non-credit including Central Cooperative Banks with limited liabilities. This amended Act still works as the foundation of the cooperative movement in Pakistan.

I will try to give an idea of the cooperative movement in East Pakistan and the present position of the cooperatives in West Pakistan.

III. Cooperatives in East Pakistan

At the time of Partition in 1947, in East Pakistan there were 26,664 agricultural credit societies. Most of them were on the verge of liquidation. By 1956-57 over 24,000 were under liquidation. (ii)

The central banks faced with bankruptcy. The credit structure almost disappeared.

The cooperative movement in East Pakistan, therefore, had to be started almost afresh. The provincial apex bank was organised in 1948. The cooperative movement was reoriented in the light of a report of the Pakistan Agriculture Enquiry Committee headed by Lord Boyd Orr (1951-52).

The committee recommended the formation of multi-purpose societies at Union level. The reason behind organising cooperatives at the union level instead of at the village level was that smallness of the primary units often proved uneconomic and

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(i) Source - East Pakistan Cooperative Union

(ii) Credit Enquiry Commission Report of Pakistan, 1959, page 20.

that suitable persons were not always found within the small area of a village for managing the affairs of the societies. (i)

In East Pakistan there were 7,352 societies of various types with a total membership of 1,155,421. The societies had a paid-up share capital amounting to Rs. 36,946,769/-, members deposit with the central banks amounting to Rs. 282,689,215 till the end of June 1963. (ii)

The cooperatives in East Pakistan now cover different fields of activities as enumerated below:

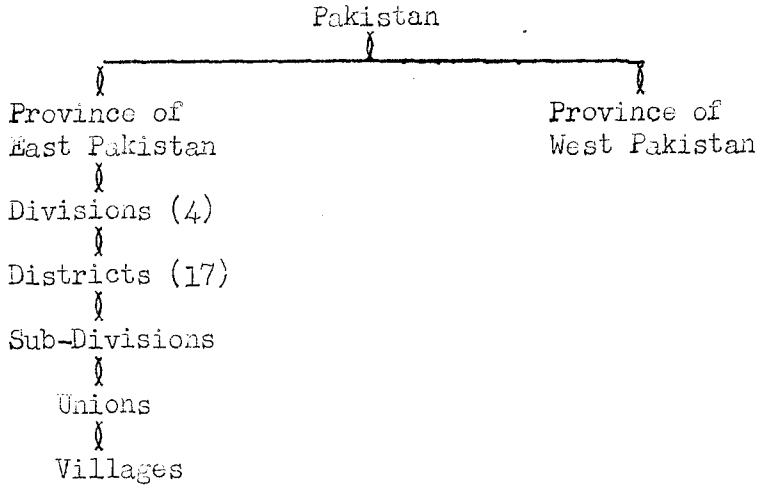
(1) Agricultural Cooperatives: Aims at making the needs of credit, marketing and supply available to the farming population who are members of cooperatives.

Agriculturists are organised into union level multi-purpose societies which are affiliated to central multi-purpose societies and/or central cooperative banks at thana, sub-divisions or district levels. The central societies are affiliated to the East Pakistan Cooperative Bank Ltd., which is an apex organisation.

(2) Rural Cottage Industry Cooperatives: Artisans engaged in handloom and other cottage industries are organised into cooperative societies at village, union or thana levels according to concentration of such industries in the area.

Primary industrial cooperatives are affiliated to central industrial cooperative organisation called the industrial union which is organised at Thana, sub-division and district levels. The objective of these cooperatives is to meet the credit needs of the members, to organise supply of raw materials and to provide marketing facilities to Industrial Unions.

(i) Administrative structure of East Pakistan



(ii) Source: Cooperative Statistics & Research, Cooperative Department.

(3) Fishermen's Cooperatives: Fishermen are organised on village, fishing area, or thana basis according to the concentration of fishermen in any particular area. The primary cooperatives are generally affiliated to a central fishermen's cooperatives at sub-divisional and district levels and in some cases the primaries are directly affiliated with the provincial apex organisation, the Provincial Fishermen's Cooperative Society Ltd. The Provincial Society supplies credit, procures and distributes raw materials and helps in providing credit facilities.

(4) Insurance Cooperative: One Cooperative Insurance Society has been organised which undertakes insurance of various kinds and for various purposes. It aims at ultimately providing coverage for crops and livestock.

(5) Marketing Cooperatives: There are two marketing societies, viz. East Pakistan Cooperative Jute Marketing Society Ltd., and East Pakistan Cooperative Marketing Society Ltd., to which the central societies and sometimes the primary societies are affiliated.

(6) Educational activities should occupy a very important place in any cooperative movement. The East Pakistan Cooperative Union Ltd. was registered on June 16, 1961, and formally inaugurated on November 4, 1961, as an apex organisation of all cooperatives of East Pakistan to meet this very important need.

A. Government's Role in Cooperative Development

Since the beginning of the 2nd Plan (1960-65) Governments both Central and Provincial, are taking interest in the development and rehabilitation of cooperatives.

The extent of Government participation in the first two Five-year Plans and its allocation for the 3rd Five-year Plan will show Government's increasing interest in the field of cooperative development.

(i) During the 1st Five-year Plan only two schemes at a cost of Rs. 2,468,000/- were taken under the development programme.

(ii) During the 2nd Plan period (1960-65), Rs. 110,000,000/-* was provided for the implementation of 13 projects.

(iii) The Third Plan projections call for the implementation of 17 projects at a total cost of Rs. 228,000,000/-.*

B. Principles of Government participation in Cooperative development

Government's participation in cooperative development is based on the following principles:

(i) Training and Education
(ii) Promotional Work
(iii) Participation in Finance and Management
(iv) Audit and supervision.

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* Figures are for East Pakistan only.
Source - Article in the daily Morning News dated November 6, 1965, entitled 'Cooperative Movement in East Pakistan', by M.M. Zaman, T.Q.A., Registrar of Cooperative Societies, East Pakistan.

(i) Training & Education: The East Pakistan Cooperative College and 4 Zonal Training Institutes have been established. The Cooperative Union has been set up and the Cooperative Statistics and Research organisation has been organised during the 2nd Plan period to cater to the training and educational needs of the Government officials and the Cooperators.

(ii) Promotional work: Government provides officers at different levels of the cooperative organisation for promotional work.

(iii) Participation in Finance and Management: The State Bank of Pakistan finances the short-term credit to the Provincial Bank at 3% to finance the central banks which in turn finance the multipurpose societies to give credit to the members. Government provides long-term loans under development plans for the constructional work of the cooperatives, to meet old liabilities and as working capital. Government also contributes to the share purchase of the apex provincial organisations. 85% of the credit requirement of the multi-purpose societies come from the Government sources and only about 15% of it is met from the share capital of the members.

(iv) Audit: Audit is an obligatory function of the Department of Cooperative. It carries out this obligation through its own audit officers or by appointment of audit firms to do the audit.

C. Schemes under Second Five-year Plan

Besides the establishment of the Cooperative College, the Zonal Institutes, the Cooperative Union and the Cooperative Statistics and Research organisation, the 2nd Plan had the following schemes under development plans.

(i) The development of cooperative credit and marketing structure;
(ii) Development of cooperative land mortgage bank;
(iii) Development of fisheries cooperative societies;
(iv) Export of fish through Khulna Fishermen's Cooperative Society;
(v) Development of sericulture industry in Rajshahi;
(vi) Development of brass and bell metal industries through cooperatives;
(vii) Devel opment of weavers' cooperatives;
(viii) Development of consumers' cooperatives.

In 1961 the East Pakistan Jute Mills was established with the assistance of East Pakistan Industrial Development Corporation and Industrial Development Bank of Pakistan, and during the first five year plan the East Pakistan Cotton Spinning Mills was developed with the setting up of calendering machines which now number five in all.

D. Projection for the Third Five-year Plan

The highlights of the Third Plan development schemes are the setting up of a Jute bailing press and one sugar mill in collaboration with the East Pakistan Industrial Corporation. Other schemes covering economic activities in the field of milk production, salt manufacture, silk industry, cane industry, jute transport, and housing have been included in the plan. (i)

(i) Source: Cooperative Movement in East Pakistan by M.M. Zaman, T.[illegible], C.S.P. (see foot-note on page 4).

IV. A Synopsis of the West Pakistan Programme

Cooperatives in West Pakistan also cover similar ground and the principle of Government participation in cooperative efforts remains the same.

They cover the different field of activities which can be broadly classified under the following heads:

(i) Banking
(ii) Agriculture Credit and production
(iii) Consumers' Cooperation
(iv) Promotion of Industries
(v) Training and Education.

Under the Agriculture section they have cooperatives farming societies, better farming societies, and tube-well societies.

The tube-well societies have a total command area of 89,587 acres of which they have been able to provide irrigation facilities to 57,366 acres with 256 tube-well up to the end of September 1965.

There is now a cooperative sugar mill and a cooperative textile mill in the industrial sector and the cooperative banks provide credit facilities to other industrial societies and individual members of such societies to conduct their business.

Till the end of September 1965, there were 29,285 societies of different types with a total membership of 1,554,032. The societies had paid up share capital amounting to Rs. 106.68 million and working capital of Rs. 1,150.76 million. (i)

V. Conclusions

The cooperative Movement in the Indo-Pakistan sub-continent has been a Government sponsored movement. Its aim was to mobilise the people of small means, particularly the rural farm population, to join together to pool their energies and resources with the objective of solving their problems through creation of self sustaining organisations. The results have not been uniform. Government initiative made it possible in many places to organise good cooperatives. In East Pakistan the cooperative movement cannot claim to have succeeded in its objective as yet.

Government help isnecessary at the initial stage and the help is now forthcoming. But unless the Government assistance can help generate the needed vitality in the movement, it may not lead us to the desired goal.

Government is providing capital and personnel to strengthen the apex organisations so that the apex organisations can in their turn help their members. But unless good cooperatives areorganised at the levels at which services and supplies will help in increased production and unless such organisations can mobilise their members for productive work the puring of governmental resources might go down the drain.

Supplies and services are needed but unless supplies and services are in demand and are properly used, mere creation of facilities cannot achieve the end result.

(i) Source: Monthly Progress Report on the working of the cooperative societies in west Pakistan for September 1965.

Though some tangible effort is being made to revitalize the apex organisations, it is feared that enough attention is not paid to building the ground level organisations. The result has been that there are lots of cooperatives but few of these are organisations with the drive, initiative and even the desire to build themselves into self-sustaining organisations.

Agriculture credit is a prime need of the farmer but it is not his only need. Even to use the credit productively he needs other services and facilities. Unless the cooperatives can help him in solving his other problems also, it may not be able to keep his interest in the organisation for long. Cooperatives should be problem oriented and its energies directed towards finding out solutions of those problems which beset the farmer. One example would be, it is not enough to provide credit to a farmer unless he can be helped to increase his production. We need to help him to learn better methods, to secure better seeds, to protect his crop from insects, etc. Increased production may not help him unless he is helped to obtain a good price. All these need the creation of the needed services and facilities. This is difficult no doubt but must be organised.

Government is helping the cooperative to establish processing industries and marketing organisations. In the developing countries, managerial and technical skills are lacking. Government officers, in most cases, are put to run business and industrial units. Government officers, as such, generally make poor business managers because by training and tradition they are not built up to manage business industries. Without needed training, Government officers in such positions would tend to weaken the organisations. Therefore, if we continue to use Government officers for managing economic units, additional and business-oriented training must be provided.

With will to succedd and with necessary services and facilities created, there is no reason why it should not be possible to use the cooperative as a vehicle for development.

69

Back round Paper

THE COOPERATIVE MOVEMENT IN THE PHILIPPINES

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Philippines

Experts' Conference on "The Role of Government in Cooperative Development"
Bangkok. Thailand
January 17-27, 1966

Organised in collaboration with
The Ministry of National Development, Bangkok. Thailand

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Background Paper

THE COOPERATIVE MOVEMENT IN THE PHILIPPINES

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INTRODUCTION

A. The Philippines

The Philippines, one of the developing countries of Asia, has been a sovereign nation since July 4, 1946, when it gained its independence from the United States. The territory consists of over 7,000 islands, large and small, and waters abounding in marine life. The total land area is around 115,000 square miles, and the coast-line measures nearly 11,000 miles. So widely dispersed is the Philippine Archipelago that the northernmost island is only 65 miles from Taiwan while the southernmost island is only 30 miles east of Borneo.

On the larger of these islands is distributed a population of about 30 million characterized by a high rate of growth and tight family solidarity. The Filipinos, as the citizens of our country are called, are predominantly Christians, a fact directly attributable to three and a half centuries of Spanish colonization and fifty years of American rule.

The level of literacy is one of the highest in Asia, Filipino being the national language and English a second language which is also the medium of instruction in the schools. Spanish is required in all college-level courses and is widely spoken by the elders.

Our principal cities are Manila, the main port of entry; Quezon City, the nation's capital; and Cebu and Davao, our trade ports in the South.

B. Economy

The economy of the Philippines has been historically rooted in agriculture since before the discovery of the country in the early part of the 16th century and through 400 years of foreign domination. As is the case with other Asian countries with a colonial past, the succession of foreign rule has seen no earnest effort on the part of the colonizer to release the country from its accustomed status of an agricultural, primary-producing territory and market for finished products imported from the colonizing countries.

We bear no ill-will toward our former masters, indebted as we are to the Spanish influence for our gift of the Christian faith, to the United States for our educational system, and to both for a workable basis for our present political and legal systems.

Agricultural produce continue to be the main export items of the country, led by sugar. We still provide a sizeable portion of the hemp requirement of the world, and half of the world's supply of copra.

During the past 20 years, however, we have sought to diversify the economy by difficult integration toward the development of industries which the abundant resources of the country and the existence of domestic and foreign markets may well sustain. The majority of essential products previously imported from the United States and other countries have since been replaced by a growing number and volume of industrial products manufactured locally. After a period of import controls, then exchange restrictions, instituted to help local industries get started and to correct a persistent imbalance in the country's balance of payments position, the country did away with economic controls in 1962 and it is in this new atmosphere of economic freedom that the Philippines is now engaged in a programme of economic and social development.

The broad objectives of this programme are (a) to restore economic stability immediately, (b) to alleviate the plight of the common man, and (c) to establish a dynamic basis for future growth.

Among the multifarious problem proposed to be remedied within the first five years, from fiscal year 1963 to 1967, are low per-capita income, a high level of unemployment, great disparity of wealth and income between the rich and the poor, lack of foreign exchange to meet the needs for development, limited tax revenues, low level of capital formation, and explosive population and congestion in the urban areas, inadequate housing facilities for the common man, and the dominance of aliens in the domestic and foreign trades.

C. Government

The government of the Philippines is a republican democracy of the presidential type. Its structure, as founded on written Constitutional bases consists of three separate and coordinate branches, namely the executive, the legislative and the judiciary. This tripartite form is preserved and kept stable by a separation of powers and the proper checks and balances.

The judiciary consists of a Supreme Court of eleven justices and various inferior courts. The legislative consists of the Congress of the Philippines composed of a Senate of 24 members and a House of Representatives of 104 members. The members of the upper chamber of Senate are elected at large for a term of six years each. The members of the lower House are elected by congressional districts and serve for a term for four years each.

Our Constitution, while providing for three branches that are separate and co-equal, actually gives preponderance to the powers of the executive branch. Consequently, the responsibility of running the affairs of the government is generally fixed in the office of the President. The President is the head of the State. He is elected by direct popular vote for a term of four years, the prohibition against two consecutive reelections, or three terms, serving to minimize the dangers of dictatorship and the evils of autocracy and to free the chief executive from the baneful influence of partisan politics.

The governmental set up on the national level is followed basically on the various local levels, namely the provincial, the municipal and the barrio. The country's 56 provinces, the municipalities or towns and the nearly 30,000 barrios or villages enjoy a large measure of autonomy in addition to the 41 cities operating under their own charters.

Current political activity is solidly based on all levels, on a two-party system, the two major parties being the Liberal Party, and the Nacionalista Party.

D. Cooperatives Administration

Under the executive branch are the various Departments each headed by a Secretary; and under each department are the different bureaus and offices headed generally by a Director.

The administration of cooperative laws, as an executive function, devolves upon the Cooperatives Administration Office in the case of non-agricultural cooperatives, /upon the Agricultural Credit Administration and the Agricultural Productivity Commission. The CAO is one of the bureaus under the Department of Commerce and Industry while the ACA and the APC are agencies under the Land Authority.

The Cooperatives Administration Office has jurisdiction over all non-agricultural cooperatives, such as credit unions, consumers cooperatives, industrial and service cooperatives, and the various federations of non-agricultural cooperatives. This agency administers Republic Act No.2023, the Philippine Non-agricultural Cooperative Act of 1957, which provides the general basic law and consolidates and amends prior laws on non-agricultural cooperatives. There were as of June 30 this year, non-agricultural cooperatives operating in our country, broken down into credit unions, consumers cooperatives, industrial cooperatives and service cooperatives. The secondary societies are the Philippine National Cooperative Bank, the Philippine Cooperative Credit Union League, and the Philippine Federation of Consumers Cooperatives.

The ACA and the APC, between which were allocated the powers and duties of the now defunct Agricultural Credit and Cooperative Financing Administration, or ACCFA, performs the functions, respectively, of financing and promoting agricultural cooperatives, the best known type of which is the farmers cooperativ marketing association, or FaCoMa.

This divided set up in the sphere of cooperative administration, which you may consider indeed peculiar, developed in 1962 when Republic Act No.821 created the ACCFA. Republic Act No.3844, otherwise known as the Agricultural Land Reform Code, last year reorganised the ACCFA and fitted its functions and machinery into the larger framework of the administration's vast land reform programme.

The Non-Agricultural Cooperative Movement

The Cooperative Movement of the Philippines is comparatively young - it is barely fifty years old. Unlike in advanced countries, cooperative development in the Philippines is undertaken by the Government. Our cooperatives are given wide latitude in the determination of their own objectives and policies, however, the general direction of the national effort toward cooperative development is largely in the hands of the Government. Right from the very beginning, the Government provided the leadership of the Movement. In its desire to hasten the economic growth of the country, the Government, in various ways, has sponsored the organisation and development of cooperatives through technical assistance, subsidies and other forms of incentives.

/ and in the case of agricultural cooperatives,

A Short History of the Movement

With the success of the cooperatives abroad, the Philippines was not slow in realising the importance of the movement. The first attempt to introduce in the Philippines the cooperative system of business as in February of 1915 when the Rural Credit Law (Act 2508) was enacted. It paved the way for the organisation of rural credit cooperatives. However, lack of cooperative education and training of the officers and members, improper use of credit, defective securities, inadequate supervision, lack of compensation of officers, etc. foredoomed these societies to an early failure.

The second attempt at cooperatives was made when the Cooperative Marketing Law (Act 3425) was enacted toward the end of 1927. Under this Law, the Bureau of Commerce and Industry was entrusted with the duty of organising farmers' cooperatives primarily to help farmers market their produce. There were 160 such associations with a total membership of 5,000 farmers. During the year, only 33 associations reported to the Bureau of Commerce. The rest of the associations however became inactive. This again, is due to the causes aforestated, aggravated by insufficiency of working capital, inadequacy of marketing facilities such as storage and transportation and disloyalty of members. The movement again fizzled out.

The third attempt to develop cooperatives in the Philippines was made with the formation of the Consumers' Cooperative League of the Philippines in the latter part of 1938, sponsored by the Bureau of Commerce. Before this attempt, however, there were already existing cooperatives operating successfully but there was no organized effort toward national integration.

The cooperative movement gained impetus in 1940 when Commonwealth Act No.565 was enacted. This Act allowed fifteen or more persons, citizens of the Philippines or of the United States, to form a cooperative which for the first five years of its operation was exempt from all taxes and government fees of whatever name and description. During the latter part of 1941, the National Cooperative Administration was created as a distinct entity to carry on the cooperative project. Much headway had already been gained in the educational work under the auspices of the NCA but progress was cut short by the outbreak of the Second World War in the Pacific.

During the Japanese occupation of the Philippines the work on cooperative development was continued but with little success. Immediately after liberation, cooperatives were organised through the Emergency Control Administration primarily for the distribution of relief goods. Suffice it to state that the cooperatives organised during these two periods were not true cooperatives. They failed soon after the distribution of relief was over. The movement stagnated and gradually slid back to its beginning as thousands of cooperatives closed shop due to lack of financing, mismanagement, dishonesty, lack of cooperative education and training among the officers and members, virtual lack of supervision or government assistance since the government was still recovering from the effects of the war.

The sad situation continued to the early 1950s when the Cooperatives Administration Office was created. The CAO started with the difficult task of salvaging whatever remained of the movement. Slowly and gradually, the movement rallied and gained momentum until the enactment of Republic Act No.821, separating the agricultural sector.

Division of the Cooperative Movement

The Cooperative Movement suffered a major setback when in 1952, it was divided into two sectors : the agricultural and the non-agricultural. The agricultural cooperatives were placed by R.A. 821 under the stewardship of the Agricultural Credit and Cooperatives Financing Administration. The non-agricultural cooperative movement remained under the Cooperatives Administration Office, also a government agency.

In the non-agricultural sector, the Government does not extend direct financial assistance to cooperatives. The government through the Cooperatives Administration Office extends mainly technical assistance to cooperatives and lays stress on education and training of officers and members of cooperatives.

The movement gained impetus with the enactment of Republic Act No.2023 in 1957. The law is a blue-print of the non-agricultural cooperative movement providing for the gradual transfer of the general direction of the movement from the government to cooperatives. The law also provides a benevolent atmosphere for the development of cooperatives through tax-exemptions, free government service, and many other privileges calculated to foster the growth of cooperatives. It was from this stage that the movement gradually increased its pace towards national development and is beginning to take its place in the national economy.

The Cooperative Development Programme

The Government realises the fact that the non-agricultural cooperative movement could play a significant role in the promotion of the welfare and socio-economic life of the masses by effectively assisting in the solution of the following major problems confronting the country : 1) usury and the lack of credit facilities, 2) the inability of the people to participate fully in the retail trade, 3) underproduction and unemployment. In helping solve these problems, the non-agricultural movement, under the stewardship of the Cooperatives Administration Office, embarked on a cooperative development programme in line with the social and economic development programme of the government, which for the purposes of simplicity is divided into five major parts : finance, retail and wholesale business, industries, service and education.

A. Cooperative Finance

The simplicity and effectiveness of the credit union, an urban credit society, makes it an ideal medium by which the government could tap the savings of the "little people" who comprise the majority of the population and channel it to productive undertakings. It considerably eases the great difficulties of the common man in times of financial distress. It is satisfying to note that since the organisation of the first credit union (the Vigan Credit Union in Vigan, Ilocos Sur) in August 1938, the credit union movement has made considerable progress despite serious setbacks.

I am proud to report to you that as of the end of fiscal year 1965, the idea has reached 107,100 individuals through 644 organisations spread all over the archipelago. This is based on reporting societies. With total resources including fixed and savings deposits, amounting to 25.5 million pesos, the movement in 1965 granted 130,400 loans to individual members amounting to 38.4 million pesos. The loans were granted for a wide range of purposes, including ₱ 6.7 million for education, ₱ 7.2 million for house repairs, ₱ 3.1 million for purchase of plots and the rest for medical purposes, repayment of old loans, etc.

The total earnings of credit unions reached a new high of ₱ 2.6 million and after paying expenses and the salaries of 1,300 employees, realised a net savings of ₱ 1.5 million. Out of the net savings of ₱ 1.5 million, ₱ 917,000 was used to pay interest on capital and patronage refunds. The rest was used for legally required reserves and funds.

To meet the need for technical training in running credit unions, the Philippine Cooperative Credit Union League was organised to provide the much-needed management advice to improve the operations of credit unions through seminars and institutes for officers, directors and committeemen.

The outlook for the credit union movement is good. Every year thousands of members join or form credit unions in search of easier credit facilities. It is a great help for the needy and the poor who cannot meet the requirements of ordinary financing institutions.

The cooperative financing scheme gained impetus upon the organisation of the Philippine National Cooperative Bank in 1959, a federation of all types of non-agricultural cooperatives. Within a period of around five years from the date of its organisation, the bank's resources totalled ₱ 36 million. To better serve the cooperatives, the bank established branches in strategic places, such as : Dagupan City for North Luzon; Legaspi City for the Bicol region; Bacolod, Cebu, Iloilo and Tacloban cities for the Visyas region and north Mindanao, and Davao city for South Mindanao. The Head Office while serving the entire country, takes charge of Manila, surrounding cities and provinces and South Luzon. To develop the Bank, the government entrusted to it the administration of the ₱ 20 million Filipino Retailers Fund created under Republic Act 1292. At the end of September, 1964 the Bank's loans portfolio amounted to ₱ 28.4 million. The primary cooperatives which are beset with the perennial problem of financing activities derive tremendous benefits from the bank, especially loans on easy terms at minimum rates of interest.

B. Cooperative Retail and Wholesale Trade

One major problem of the country is the predominance of aliens in the mercantile trade. Attempts have been made to remedy the situation such as the nationalisation of retail business under RA 1180. This is a good protection for Filipino enterpreneurs but there is practically no protection for the consuming public, who are at the mercy of traders. Until now, the channels of distribution are largely in the hands of a few who, in most cases, determine the prices of commodities. In times of calamities caused by floods, fires and typhoons these few people, more often than not, take advantage of the situation to ensure greater profits for themselves. There is also the problem of instability of prices and low quality of goods owing to the breakdown of transportation and storage facilities especially in rural areas.

The consumers cooperative movement seeks to help in the solution of these problems in its own modest way. Though still a fledgling, the movement exerts a considerable influence where consumers cooperatives are established especially in the rural areas. Reporting consumers cooperatives at the end of fiscal year 1965 numbered 142 societies with an aggregate membership of 45,222 individuals. With total resources of ₱ 7.7 million it achieved a trade volume of ₱ 21.6 million and a gross income of ₱ 3.1 million. It spent ₱ 1.1 million for the salaries of 1,200 employees, ₱ 1.4 million for other expenses and realised a net savings of ₱ 9.01 million, of which ₱ 6.7 million was used to pay patronage refunds and ₱ 5.2 million for interest on capital.

Presently, the National Marketing Corporation, a Government owned trading entity, is serving as a wholesale source of supply and consumer requirements of cooperatives. However, in spite of the assistance given by such corporation, the supply for commodities is still insufficient and the prices still high. In order to help reduce the high cost of living, and at least neutralize the impact of rising prices, more consumers cooperatives are being organized and affiliated with the Philippine Federation of Consumers Cooperatives. This Federation has been established as the nucleus of the Philippine Cooperative Wholesale Society called for under RA 2023. This wholesale society is to be the national wholesaler of cooperatives, as well as the link between producers and consumers cooperatives.

Suffice it to say that the consumers' movement has gained a firm foothold and is gradually moving towards its goal - protection of the interest of consumers.

C. Cooperative Industry

Industrial Cooperatives help increase per capita income and provide for work for those who are without work. The lack of organization among the different small-scale industries and the lack of technical knowledge in the business has stunted their growth and countless persons engaged in these industries seek greener pasture only to join the unemployed millions. Another thing that hamstrung these industries is the lack of financing among skilled workers, aggravated by usurers who control the financing, production and marketing of finished goods.

This prompted the launching of an industrial cooperative development programme to organise these skilled workers and systematise their production, marketing and distribution of their products to assure a higher income for the workers and provide opportunities for the jobless.

Today, there are fifteen reporting societies with worker-members of 2,707. With total assets of ₱ 10 million, these societies had a trade volume of ₱ 13.2 million and an aggregate gross income of ₱ 1.6 million, netting ₱ 372,470 for fiscal year 1965. The manufacturing fields entered by these cooperatives are varied, ranging from handicrafts, footwear, textile, woodwork, electronics, home appliances, bamboo crafts, matchmaking, and like industries. The industrial cooperative movement is still in its infant stage but the future looks bright.

The movement boosted with the enactment of the National Cottage Industries Development Administration to provide technical and financial assistance to cottage industries in research, training of workers, standardisation of products and marketing, giving preference to duly registered cooperatives.

D. Cooperative Service

Recently, the Cooperatives Administration office launched its programme to promote and develop service cooperatives to provide members with specific types of service badly needed. The CAO is concentrating its efforts on the promotion and development of cooperative electric and light service in places not served by franchise-holders. Electric service cooperatives are aided by the Rural Electrification Administration created under RA 2717.

Under said law, the REA provides the bulk of the capital of electric service cooperatives in the form of loans aside from technical and other services necessary to give them a good start. Housing cooperatives have also been organised but only among the middle and upper bracket income groups. In view of the dearth of agencies willing to finance on a long-term basis, housing cooperatives it is almost impossible to put up a housing cooperatives development programme. In spite of such difficulty, however, there are at present three housing cooperatives of the sub-division type.

E. Cooperative Education

We realise that a Movement can be successful only if backed up by a vigorous and continuing education programme that would eliminate the two basic problems of cooperatives in the Philippines, namely the lack or inadequacy of capital and technical knowledge and training. Capital formation among cooperatives is quite slow owing to the scarcity of money. The lack of technical men especially in industrial cooperatives where they are sorely needed, aggravated by a serious shortage of management-oriented officers, directors and personnel has multiplied the problems of the movement. These are the two major problems confronting the non-agricultural movement today. We are trying to get at the root, which is lack of education on the part of not only those who are in the movement but also outside of it. Hence, the CAO, through the Education and Training Division, fashioned a cooperative education programme in line with the policies and objectives of RA 2023 conducting promotional and training seminars for the public, its own personnel and the officers and directors of cooperatives. Since the cooperative development programme is a joint affair between the government and the public, the Central Cooperative Educational Board was organised to help the CAO in the all-out educational drive throughout the country.

The Central Cooperative Educational Board

To buttress the non-agricultural cooperative movement and to avoid the same mistakes committed in the past, the Philippine Congress in enacting RA 2023, created the Central Cooperative Educational Board, composed of seven members, six of whom are appointed by the Director of the CAO from among the leaders of the movement with himself as the ex-officio chairman. It is for all practical purposes a private agency for cooperative education, financed by all cooperatives in the country through legislative fiat - every cooperative is required to remit 5% of its net savings to the Board and for the audit of the books of accounts of cooperatives by the CAO, they are required to pay to the Board a graduated fee. Presently, the CCEB, is doing its part as a promotional and educational agency and is serving as a clearing house for cooperative information. It has put up a national organ for cooperatives under the name "Philippine Cooperative Advocate".

Summary

In resume, within the short period of fifty years of success and failure, the Cooperative Movement of the Philippines has consolidated its foothold in the national economy. Aware of the lessons of the past, cooperative leaders are cautiously taking strides toward the attainment of the objectives of the movement - that of promoting the welfare of the people and expanding the national economy with the people themselves doing the most contribution.

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Background Paper

THE ROLE OF GOVERNMENT IN COOPERATIVE DEVELOPMENT IN SINGAPORE

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Experts' Conference on
"The Role of Government in Cooperative Development"
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83

Experts' Conference on the Role of
Government in Coop Development, Bangkok.

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Background Paper on

The Role of Government in Cooperative Development in Singapore

by

Mak Kam Heng, Singapore

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1. Introduction of the Cooperative Movement in Singapore

Cooperation is basically a movement of the people. The movement in Britain originated with the Rochdale Pioneers, a group of 28 Lancashire weavers who, in the midst of hardship following the wake of the Industrial Revolution, formed their first cooperative store in 1844 and thus launched the birth of the cooperative consumer movement. In Germany the poor farmers suffered from the lack of capital to develop their farms and they were at the mercy of unscrupulous moneylenders. A man called Raiffeisen worked out a successful scheme which turned out to be the basis for cooperative farming. In Denmark the anxiety of agriculturists to get the best prices for their produce led to cooperative dairies. In Italy labour contract societies grew up because the contractors were making huge profits at the expense of the workers. The origin of the movement is more or less similar in other Western countries. They tend to show that cooperation originated with the people who realised the need for organising themselves into a system which aimed at their own economic uplift.

In Singapore Cooperation started in a rather different manner. It was imported. Instead of the movement originating from the people, it was introduced by the Government after a study of the cooperative credit movement in India. In 1925 the first Cooperative Societies Ordinance was enacted in Singapore. It was not so much the poverty of the country that was causing distress, but the lack of thrift and foresight of the country to provide for contingencies on the part of the wage-earners. The majority of them got into the clutches of moneylenders and were heavily indebted to them. The solution of the problem was the introduction of thrift and loan societies. These societies catered mainly for the urban sector of the population. This aspect of cooperation still forms the bulk of the movement in Singapore.

II. Expansion of the Movement and Early Role of the Government

The Cooperative Societies Ordinance came into force on 1st January 1925.

Mr A Cavendish, Malayan Civil Service, was appointed Registrar of Cooperative Societies, Straits Settlements and the Federated Malay States. Mr A Cavendish had his headquarters in Kuala Lumpur.

Meetings of employees of the Singapore Government, the Singapore Municipality and the Singapore Harbour Board were held in September 1925. The first Singapore Society to be registered was the Singapore Government Servants' Cooperative Thrift and Loan Society Ltd. Employees of mercantile firms became interested in 1926, and the Singapore Mercantile Cooperative Thrift and Loan Society Ltd was registered in 1926.

The movement was by necessity closely controlled by the Cooperative Societies Department, acting through the Registrar and his cooperative officers. The Department was charged with the responsibilities of the promotion, supervision registration and liquidation of cooperative societies in Singapore. The Department and its officers took the lead in guiding these new societies, while the pioneer cooperators were initiated into the fundamentals of the movement and taught the principles of Cooperation. 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.

In 1929, Mr C Strickland, Indian Civil Service, who was previously Registrar of Cooperative 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.

Due to the peculiar way in which the movement was introduced into the country, it gathered root in the urban areas amongst the English-speaking sector of the population. These new societies flourished well and began to take the lead in the movement. By 1933 the need for a coordinating body was realised and 12 thrift and loan societies formed the Singapore Urban Cooperativ Union Ltd, the name "Urban" giving an indication as to its field of activities.

During the Japanese occupation period, 1942-1945, all Singapore cooperative societies ceased to function, but after the liberation most of the societies commenced business again.

Representations were continuously and vigorously made to the Registrar of Cooperative Sofieties for the rate of contribution to the Statutory Reserve Fund of established societies to be reduced from 25% of the net profit. The following concessions were approved in 1954:-

a. After 10 years of registration, thrift and loan societies need not contribute annually more than 1/10th of the net profit to the Reserve Fund.

b. After its 5th year, if the Reserve Fund has reached 6% or more of the subscription capital, the annual contribution may be reduced to 10%.

c. After the 10th year when the Reserve Fund is between 8% and 10% of the subscription capital, the annual appropriation shall be 7½% of the net profit.

d. Where the reserve fund exceeds 10% of the subscription capital, the annual appropriation shall be 5%.

After the War, Cooperation spread into the fields of cooperative housing, cooperative banking, cooperative stores and cooperative insurance.

The Singapore Government Officers Cooperative Housing Society Ltd was formed in December 1948. It has developed three housing estates for government employees, and apart from savings of members and loans from other cooperative societies, this cooperative housing society is financed by long-term loans from the Singapore Government.

The Singapore Cooperative Bank was organised by the Singapore Cooperative Union Ltd and registered on 23rd October 1957. The main object of the Bank is to facilitate the operations of registered cooperative societies by being a central source of credit for the cooperative movement in Singapore, and of the deposits received from member-societies, the cooperative bank has a deposit of $40,000 from the Registrar of Cooperative Societies, which amount is from the Statutory Reserve Funds of liquidated cooperative societies.

Meanwhile the cooperative department began to identify itself with the rural dwellers of the Island State and the fishermen of the neighbouring islands under its jurisdiction. This resulted in the formation of Rural Thrift and Investment, Credit, consumer, production and marketing and general purposes societies.

By nature, the rural areas used the vernacular language as the medium. Thus because of language difficulties, there grew up two sectors of cooperation which had little contact with each other. The Cooperative Union realised this defect and the need for an integrated coordinating body. Thus in 1953 it dropped the word "urban" from its name, in order to bring the rural and urban movements together. In 1958 the Singapore Cooperative Union took a great step forward when it affiliated with the International Cooperative Alliance in London.

Since the War, the cooperative movement in Singapore has gradually gathered strength and made phenomenal progress. In 1947 there were 37 societies with a membership of 13,300 and a working capital of $1,310,000. By 1963, there were 109 societies with a membership of 43,357 and a working capital of $21,314,536. Statistics of the Cooperative Movement in Singapore as at 31st December 1963, obtained from the Registrar of Cooperative Societies, are shown in Appendix A. These figures have increased, but statistics for 1964 are being compiled by the CooperativeDevelopment Division and are not yet available.

III. Present Set-up of the Government Cooperative Development Division in relation to the Movement :

Today in the official sector of the Cooperative Movement in Singapore, there is a Cooperative Development Division headed by the Registrar of Cooperative Societies. The Division is under the Primary Production Department of the Ministry of Law and National Development. The Minister appoints the Registrar and such other persons to assist the Registrar in the performance of his duties.

The administration of the Cooperative Societies Ordinance is only a small part of the functions of the Cooperative Development Division. The Division is also entrusted with the duties of fostering the cooperative movement in Singapore. These duties include :-

a. Organisation of new societies and assistance in drafting of societies bye-laws and rules;

b. Registration of societies;

c. Supervision of and guidance to officials of societies in the proper management of their societies and maintenance of accounts;

d. Conciliation and arbitration of disputes;

e. Inquiries and Inspections;

f. Investigation of complaints;

g. Promotion of Cooperative Education;

h. Liquidation of societies;

i. Generally acting as guide and adviser in the solution of problems connected with the affairs of the societies.

In view of the slow progress in the rural sector, campaigns are launched to propagate the idea of Cooperation amongst the rural people. Officers of the Division hold classes and give talks and lectures on Principles and practice of Cooperation at community centres, schools and homes of rural cooperators. Special emphasis is made on the benefits that can be derived from cooperative efforts.

Cooperative Officers of the Division also regularly attend general meetings and committee meetings of the societies in order to keep in constant touch with the activities of the societies and to avail themselves on the spot to render advice to the solution of problems. Meetings are normally held in the evenings and weekends for the convenience of the cooperators who are employees of companies, farmers and fishermen.

Besides carrying out the annual statutory audit of societies' accounts the Audit Clerks of the Division also impart knowledge on cooperative accounting to treasurers of the societies. They often attend meetings together with the Cooperative Officers so that they can be on the spot to give the necessary advice and guidance when problems connected with cooperative accounting arise.

Attached is a chart showing the organisational set up of the Cooperative Development Division in Singapore, Appendix B.

IV. Problems with regard to the Role of Government in Cooperative Development

1. Thrift and Loan Societies :

Most of the thrift and loan societies are financially sound and they continue to make steady progress. Some of the well established societies are in a position to manage their affairs without much supervision by the Cooperative Development Division.

2. Employees Credit Societies :

These societies are intended for daily rated employees and they have been proved to be less popular because the members are not allowed to borrow more than 80% of their savings. Broadly speaking, this type of societies need constant and close supervision by the Cooperative Development Division because of the lack of competent personnel to manage the general affairs of the societies.

3. Thrift and Investment Societies :

Most of these societies are formed by the Malays living in the rural areas and in the neighbouring islands. The main object of these societies is to encourage members to have regular savings in the societies. Generally speaking, most of these societies are not functioning as satisfactorily as could be expected, because of poor management. However, the Cooperative Development Division is doing its best to try and revive their activities.

4. Consumers Societies :

The more popular and established ones are the Public Services Stores and the Naval Base Employees Stores. Most of the consumers societies, however, are not making satisfactory progress. Generally speaking, this state of affairs is due to lack of support and cooperation from the members.

5. Marketing Societies :

These societies have been mostly inactive. This could be attributed to the highly organised and competitive facilities ruling in Singapore. Generally speaking, Marketing Cooperative Societies have proved to be very difficult to operate because of many reasons. The main reason is the lack of cooperation among the members. Most of these societies are formed by farmers and fishermen who by nature are individualistic. Another important factor which hinders the progress of these societies is the difficulty in getting capable personnel who are willing to look after the management of the societies. The volume of business transacted by these societies is generally too small for the engagement of paid employees.

6. Rural Credit Societies :

These societies again work among the kampong folks. Members take up shares by instalment payments to foster mainly credit sales among the members themselves. No dividend is paid for the first 10 years, the object being to consolidate the funds. Although one of these societies continued to act as agent for certain agricultural insecticides, it could hardly make any profit owing to keen competition.

7. Housing Societies :

The Singapore Government Officers Housing Society, catering for permanent Government Officers has built slightly over 500 units of housing for its members, and it is responsible to a great extent in keeping down building costs. The Singapore Cooperative Housing Society, for non-governmental personnel, on the other hand, has not done so well due to lack of funds. With the assistance from the Singapore Cooperative Bank this society has enabled 17 of its members to purchase their own houses with loans.

8. Cooperative Banks :

The two cooperative banks, namely, the Singapore Cooperative Bank and the Malay Banking Union continue to make slow progress.

9. Singapore Cooperative Union :

There is close understanding and cooperation between the Registrar, his Staff and the Cooperative Union. Meetings are arranged, when necessary, between the parties to discuss problems common to the Cooperative Movement and advice and assistance are always readily given by the Registrar and his Cooperative Officers.

10. Miscellaneous Societies :

The Kampong Padang Terbakar General Purpose Cooperative Society fails mainly because of the lack of cooperation among the members who are generally not interested in the affairs of the society.

The two Land Purchasing Societies are progressing satisfactorily.

The Agencies and Conveyance Society is doing little business, and action is being taken by the Cooperative Development Division to improve its unsatisfactory position.

The Singapore Dairy Farming Cooperative Society is still in a dormant position. This society fails because of the lack of interest of the members and failure to obtain suitable sites for cattle grazing.

General Comments :

There are two aspects to the cooperative development work in Singapore. The first is in the urban sector where the majority of the urban cooperative societies are functioning well, and the problem in this sector is to ensure that Byelaws are not violated, to prevent any deceit or fraud being practised by any person in the cooperative societies, and to see that the benefits of cooperative societies are spread to members of the societies and not acquired by a minority, particularly officials of the cooperative societies, through dubious means. Then there is the rural sector where there are very few healthy and sound cooperative societies. The problem here is to help organise the rural people and to promote cooperative societies amongst them. Officers from the Cooperative Development Division should therefore concentrate on doing a great deal of extension work; persuading the rural people to understand the benefits of cooperative societies and convincing them that the forming of a society must be through their own voluntary desire and wishes and in their own benefit, but not as a means of getting loans or material help from the Government.

At the initial stages of the newly formed cooperative societies, Officers should help them in every way possible to run the societies on a sound footing, but there would be a limit to this help, and all responsibilities should be transferred to members of the societies as soon as possible so that Officers of the Cooperative Development Division could give their attention to other societies. In the rural sector it is important to establish a few sound and effective cooperative societies and make them work rather than to have a large number of ineffective, dormant societies on hand. Therefore, a few strong cooperative societies in the rural areas would serve as good examples to the people who would then see the real benefits of cooperatives, and this would be the most effective means of promoting cooperative development in the State.

There are four auditors in the Cooperative Development Division. Each of these auditors is responsible for the audit of about 30 societies' accounts. The volume of work depends on how properly the accounts are maintained. The problem is with those societies in the vernacular stream whose treasurers could not even accurately write arithmetical figures. To audit the accounts of such societies would therefore require more efforts and time. Another problem is the language difficulties in the auditing of the Malay societies' accounts. The societies which are running smoothly and could afford to pay audit fees should be advised to have their accounts audited by professional auditors approved by the Cooperative Development Division, so as to relieve the auditors from the existing volume of work.

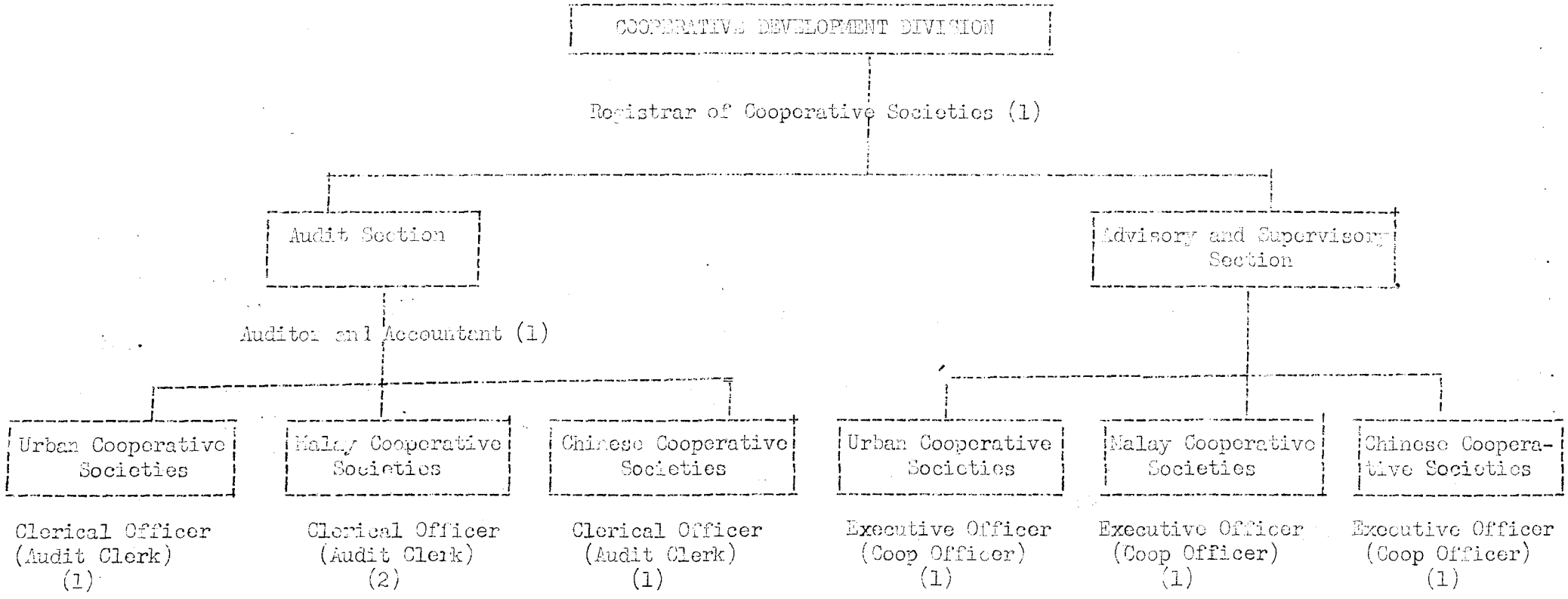
V. Future Relationship between Government and the Cooperative Movement

Forty years have passed since the inception of the Cooperative Movement in Singapore. As the movement finds its own footing, it is expected that Government control will decrease. The task of fostering the further development in the country should be pursued by the cooperators themselves. The duties of government authority should gradually change from one of directly leading the movement to an advisory and supervisory one. Of course the contention is that cooperation involves finance and the handling of funds belonging to many people and possibly the life-savings of some of them. So Government control cannot be relinguished until such time when the Government is satisfied that there is an efficient National Body to take on the work of controlling cooperation and ensuring that there are really capable men to lead the movement. That is the challenge before the Singapore Cooperative Union and therein lies the future of the Cooperative Movement in Singapore.

encl : Appendix A
Appendix B

ANNEX B

ORGANISATION CHART OF THE COOPERATIVE DEVELOPMENT DIVISION
SINGAPORE



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THE ROLE OF GOVERNMENT IN COOPERATIVE DEVELOPMENT IN THAILAND

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Ministry of National Development
Bangkok, Thailand

Experts' Conference on
"The Role of Government in Cooperative Development"
BANGKOK (Thailand)
January 17-27, 1966

Organized in collaboration with
The Ministry of National Development
Bangkok (Thailand)

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THE ROLE OF GOVERNMENT IN COOPERATIVE DEVELOPMENT IN THAILAND

Chamnien Saranaga
Deputy Director-General
Department of Credit and Marketing Cooperatives, Bangkok

I. GENERAL INFORMATION

It is a distinctive feature of cooperatives in Thailand that the majority owe their beginning to the initiative taken by the Government. As in most Asian countries, the Thai cooperative movement was introduced not because it was desired but because it was desirable, as it was believed that its spread would bring about many economic and social benefits among farmers, who constitute the bulk of the population in the country. The Government has a vitally important role to play in relation to the organization, supervision, guidance, and stimulation of all cooperative activities in a spirit of active helpfulness.

Cooperative Law

The development of cooperative movement in this country was for many years confined to agricultural credit societies as a remedy for rural indebtedness. As the scheme was, at the beginning, intended merely to be in the form of an experiment, no special cooperative law was enacted. The legal requirements of the scheme were met for the time by an amendment to the law on associations, passed in 1916. By 1928, when the agricultural credit cooperative development was well under way with fair satisfaction, a separate cooperative law was promulgated as "The Cooperative Societies Act, B.E. 2471", giving a wide scope to all types of cooperative enterprises. It underwent slight alterations in later years and is still in force. The Government, however, still confined its cooperative program to agricultural credit societies until after the Constitution of 1932. Since then cooperative

societies of other types were also given their place forming a movement of both producers and consumers in the Kingdom. A list of number and types of cooperatives in Thailand at the end of 1965 is appended.

The absence of the economic and social forces which provided the motive power of the cooperative movement in Europe, combined with a low educational level of Thai farmers, is among the factors which have made the cooperative development in Thailand a very slow and difficult process. However, it has passed from its stage of early introduction to the stage of active operation, requiring, therefore, efficiency in the management of the societies, if they are to fulfill their objectives. Consequently, there is necessity to have adequate provisions in the cooperative law for ensuring proper supervision and efficient management of the business and operations of the societies and also for their amalgamation. A new bill on cooperative societies which includes such provisions has been prepared and, it is expected, will be made a law this year.

Government Cooperative Agencies

The Office of the Registrar of Cooperative Societies is at present attached to the Ministry of National Development and headed by a Registrar who is concurrently a Deputy Under-Secretary of National Development. The Registrar is in charge of the organization, registration, liquidation, supervision, and audit of all types of cooperatives, as well as cooperative education and training and other messures for the development of the movement in general. He acts principally through three departments constituted according to subjects dealt with; viz., one of them is responsible for developing the credit, marketing, and consumers' cooperatives program, and the second is entrusted with the implementation of the land cooperatives program, while the third is concerned with the audit of cooperatives. These departments also function within the purview of the Ministry of National Development.

In the field, the Registrar is assisted by nine Regional Cooperative Inspectors, under whom there are Provincial Cooperative Supervisors working in 63 provinces, supported by 182 District Cooperative Supervisors. These local supervisors are entrusted with the regular supervision, including general guidance, of the cooperatives under their spheres of authority.

Cooperative Education and Training

Currently, the tasks of cooperative education and training are still left to the government cooperative agencies.

Membership education is periodically conducted in group meetings by respective District Cooperative Supervisors and their staff under the guidance of the Provincial Cooperative Supervisors. As a supplementary measure, nine mobile units equipped with audio-visual aids and teaching staff are dispatched by the Cooperative Training Centre, within the Ministry of National Development, to every cooperative locality once a year to help the local supervisors disseminate information on cooperative activities and rural occupations among the existing and potential membership. This medium provides helpful repetition for those educated through group discussions.

As regards the training of committee-members and managers of cooperatives, reponsibility also rests with the local supervisors. In this respect, they adopt on-the-job training method for regularly imparting such practical knowledge as business practices, bookkeeping, and policy-making to the trainees.

In addition, seminars on cooperative management and current problems are arranged from time to time, at the district or provincial level, among office-bearers and managers of each particular type of cooperatives. Officials from the departments connected with the cooperative development are usually dispatched to provide technical assistance in such a semminar, which lasts for a few days. Training materials are also supplied by such departments. In financing the training program for this category of personnel, the cooperatives concerned share most of the expenses. They are required, under their by-laws, to set aside a certain percentage of the annual surplus for the purpose of education and training.

The Cooperative Training Centre conducts annually, in close cooperation with the cooperative departments, four refresher courses of two weeks each for departmental cooperative inspectors, and a four-month training course for newly recruited junior officials of all government cooperative agencies. Moreover, seminars on cooperative administration and practical problems are held every year for the Provincial or District Cooperative Supervisors. The Centre also conducts research in cooperation for purposes of improving efficiency of its staff and publications.

With regard to information activities, the Centre makes use of radio and television broadcasting as well as publications issued, in collaboration with the cooperative departments.

As for higher education, the Faculty of Economics and Cooperation, Kasetsart University (the national agricultural college), offers a five-year course on cooperation, agricultural economics, and related subjects. Most graduates from the Faculty are usually recruited into the government cooperative agencies, and, after being given practical training in the field, become cooperative supervisory officials.

II. SOME PROBLEMS

It is proposed to include in this paper a few of many problems faced by the Government in developing the cooperative movement, with a view to stimulating discussion at the Conference.

In Thailand, the slow progress of the cooperative development is ascribed to, inter alia:

1. lack of knowledge regarding basic principles and practices of cooperatives on the part of farmers and lack of proper local leadership to develop it;

2. lack of an adequate cooperative education and training system;

3. lack of non-official participation in the cooperative movement;

4. local agricultural cooperatives being too small for economy in operation, inefficient management, lack of sufficient participation by farmer-members, extreme shortage of capital, and insufficient attention to integrate credit with marketing and supply;

5. Shortcoming in legal provisions, particularly in respect of supervision and amalgamation of cooperatives.

In this country, although cooperative societies have been in existence for about five decades, systematic education and training is, however, of recent origin and only in the early stages. This lack or ineffectiveness of education and training for a long time has been one of the important factors resulting in the dormant functioning and winding up of many cooperatives.

In imparting cooperative education to the existing and potential membership, emphasis is now shifted from the teaching of cooperative philosophy to that of ways and means for proper application of cooperative principles and practices to the solution of the farmers' problem situation, their rights and obligations in a cooperative endeavor, efficient member control over the cooperative's affairs, guidance in the wise use of credit, improved farming practices,

encouragement of savings, etc. In this connection, the application of study-group method has recently been encouraged. An important initial problem is the training of leaders and secretaries elected by their respective groups. The local cooperative supervisors are also assigned the task of training for group leaders and secretaries. In the early stages, the group leader and the secretary usually perform their functions with the aid of the local cooperative supervisor.

In the field of cooperative development, the membership educational program has to be worked in as an extensively decentralized manner as possible. In view of this fact, it has been determined that the amalgamation of small-sized agricultural cooperatives and enlargement of cooperatives' management scale are pressing needs in order that the primary cooperatives may be able to gradually conduct group studies and extension services, in addition to the government's performance.

Since 1962, cooperative subjects have been incorporated in text books of middle and vocational schools. However, this cannot be given full effect. Further attempts will be made by the Cooperative Training Centre, in cooperation with educational authorities, to include cooperation as a subject of study in the teachers' training colleges.

As the proper orientation and training of departmental staff and cooperative personnel is imperative, the cooperative departments are undertaking, in collaboration with the Cooperative Training Centre, to increase the number of short refresher courses for their staff and provide special training in actual management for managers and other employees of fair-sized cooperatives.

One general problem in arranging education and training programs lies in the fact that the magnitude of such work naturally depends on the availability of finance and qualified teaching staff. Taking into consideration the vast coverage of cooperative education and training in the country and the intensive work required, active collaboration in this field between the Government and the cooperative movement is needed. A plan is now made for organizing a Cooperative Union of Thailand, which will perform such functions as cooperative propaganda, education, training, and research, in close working relations with the government cooperative agencies.

With the passage of the new bill on cooperative societies earlier mentioned, strong moves toward amalgamation of small-sized agricultural cooperatives will be undertaken in order to insure their economic viability, ability to employ trained personnel, and sufficient participation in the affairs of the proposed Cooperative Union. We must also earnestly strive to push on an

increasing scale along multi-purpose cooperatives for integrating credit with marketing and supply.

Agricultural credit cooperatives have been financed by the Bank for Cooperatives. The Bank has a paid-up share capital of Baht 10 million, 40% of which is at present held by the Government and 60% by the cooperatives. It obtains funds to finance its lending operations from paid-in capital, reserves, deposits, cooperative bonds, and loans from the Ministry of Finance and the Government Savings Bank. The Bank's net worth does not provide a base for acquring sufficient funds to meet agricultural credit needs. The National Agricultural Credit Board, recently appointed by the Government, is now preparing a necessary work plan for the organization of a new Bank for Agriculture and Cooperatives to be implemented this year. The existing Bank for Cooperatives will be merged with the new bank. The latter will be given the role of the agricultural financing institution at the national level, acquiring additional funds for agricultural credit and cooperatives. Government participation in share capital of the proposed bank will be made to a considerable extent and, in addition, loans from internal sources are also expected. Cooperatives and private institutions will be eligible to subscribe to its share capital. The main function of the bank will be the financing of existing agricultural credit cooperatives and those which will be organized extensively. The marketing and land cooperatives, which have hiterto been financed by government appropriated funds, will also have access to the bank's resources. Besides, direct loans will be extended, through branch offices, to individual farmers in agricultural expansion areas where cooperatives have not yet been organized.

With finances furnished by the new bank, the Department of Credit and Marketing Cooperatives will be implementing an expansion program of fair-sized agricultural credit cooperatives employing a supervised credit method. Each member of such a cooperative is required to subscribe to the share capital in the amount of not less than 5 per cent of each loan obtained by him. Existing village credit societies will gradually be merged into fair-sized agricultural credit cooperatives.

As for marketing cooperatives, we have recently enforced a plan to increase membership financial participation along the following lines:

(1) In organizing a local marketing cooperative, membership must furnish full amount of the funds needed for fixed assets.

(2) Government loans granted to any local marketing cooperative should, as a rule, not exceed five times of its owned capital, and they must be used only for circulating capital, not for fixed investment.

(3) Members are required to increase their investment periodically. Additional loans from the Government are available only on a matching fund basis.

Since the ultimate aim of the government action in the cooperative field is the creation of a self-supporting cooperative movement, another area of our attempts is the promotion of regional and central cooperative federations in keeping with the improvement and expansion of local cooperatives.

Number and Types of Cooperatives in Thailand
As of December 31, 1965

Agricultural Cooperatives

1.	Village credit societies	9901
2.	Fair-sized agricultural credit societies	8
3.	Provincial federations of village credit societies	2
4.	Paddy and other field-crop marketing societies	227
5.	Provincial federations of paddy marketing societies	2
6.	Salt marketing societies	3
7.	Fisheries societies	13
8.	Land settlement societies	277
9.	Land hire-purchase societies	54
10.	Land tenant societies	20
11.	Land improvement societies	130

Non-Agricultural Cooperatives

1.	Salary-earners' savings and credit societies	77
2.	Cooperative stores (inc. a wholesale society)	143
3.	Other societies	16

111

Working Paper

GOVERNMENT AND THE COOPERATIVE MOVEMENT : AN ANALYSIS OF BACKGROUND FACTORS

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Colombo. Ceylon

Experts Conference on
The Role of Government in Cooperative Development
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WORKING PAPER

"GOVERNMENT AND THE COOPERATIVE MOVEMENT : AN ANALYSIS OF BACKGROUND FACTORS

Mr P.E. Weeraman, Commissioner, Cooperative Development, Ceylon

1. Original Background Factors

Cooperation "owes its origin to poverty and to the desire for some way out of all the distress and hardships that poverty entails" (H.Calvert : The Law and Principles of Cooperation). Cooperation was thus the result of the voluntary association of persons for the solution of their common economic problems.

The movement originated in Europe in the forties of the nineteenth century when Europe was experiencing a rapid industrial revolution. This attempt of the poorer sections of the population to overcome the hardships of the industrial revolution was viewed as a conspiracy in retraint of trade and so tended to be suspected by the governments of the day. Further, Cooperation in the urban areas was often linked in the early days with trade unionism which was then regarded as a revolutionary doctrine.

In the second half of the nineteenth century, the movement was accepted as a legitimate effort but it was only tolerated rather than welcomed by governments.

With the turn of the century, the governments of Western Europe were not only prepared to accept the movement but also ready to promote it. This is the position today. Yet, however, the original desire to be independent of government control remains among these movements and those of the United States, Canada and Australia which grew up in the same tradition.

In the under-developed countries over which the Western powers held sway, they set out actively to promote the movement. In these countries, such as India and Ceylon "Cooperation was introduced not because it was desired but because it was desirable". However, government sponsorship is regarded in these countries only as an interim measure, "to be successively relinquished as the movement becomes more and more capable of standing on its own feet".

This paper follows upon a review of the role of government in cooperative development. Hence there is no need to review the position in this paper except in so far as may be necessary for the purpose of drawing conclusions. It will have been seen that the role of government in cooperative development differs in each country both according to the state of development of the movement there as well as the views of the government concerned in regard

to the utilisation of the movement for the furtherance of its policies towards the establishment of the Welfare State.

There are broadly three groups of countries where the cooperative movement flourishes. Those in which the government performs practically no services for the movement, those where the governments provide only basic facilities, and those where the active and extensive promotion of Cooperation is a recognised function of the government.

Finland, Denmark, Ireland and Germany are good examples of the first group. In Finland the whole movement "has been based on the free initiative and will of the people. If anything, it is the government which seeks the aid of the cooperative movement and not vice versa". In Ireland, the Government only makes a contribution to the Irish Agricultural Organisation Society. In Germany the movement has been throughout independent of government control. Legislation in respect of Cooperation in these countries has been motivated by the necessity to regulate matters affecting the people in general. So, in Finland, for example, the Government has reserved the right to supervise and inspect savings funds maintained by consumers' societies. There is no official or semi-official service concerned with cooperatives specifically. Similarly, in Germany, the Federal Cooperative Act provides for the dissolution of cooperative societies but only "where they are guilty of illegal acts or omissions prejudicial to the public interest, or pursue commercial aims other than those laid down in the Act." The government does not undertake any promotional or supervisory functions.

Mexico, Japan and Egypt may be cited as good examples of countries where the governments provide only basic facilities such as registration, supervision and education. In these countries, the movement has been recognised not only as being desirable but also as deserving of assistance from the State.

Where governments take an active part in the promotion of Cooperation, the background factor motivating this attitude is the recognition that the cooperative method is the best means of "bringing a national development plan down to the level of the innumerable small producers on whom national economy ultimately rests."

Another background factor inducing government sponsorship of the cooperative movement in underdeveloped countries is that no other body or organisation is likely to take the initiative. Especially among the rural communities, there is no prospect of spontaneous action on the part of the people due to their ignorance of the principles of cooperation and the lack of leadership among them. Further, the poor are so pre-occupied with the problem of earning a living that they have little time to devote to improving their standards of life. In many underdeveloped areas "the inhabitants tend to be resigned and apathetic, mistrustful of their own abilities, disinclined to exert themselves and apt to assume that the initiation of all action is the business of the government. Where such a state of affairs exists, no government can afford to neglect

at least to attempt to foster cooperation and thereby to bring into action organised bodies actively working for improvements which the government itself is anxious to effect but, without such unofficial cooperation, could only do so after the lapse of an intolerably long time. Herein lies one justification for governments going beyond their bare legal obligations and actively taking a hand in fostering Cooperation". (W.K.H. Campbell : Practical Cooperation in Asia and Africa).

Another background factor is that Cooperation solves the problem of leadership and local personnel the lack of which is a "barrier to the diffusion of new ideas and techniques". "Cooperation has been described as the keystone of an arch without which technical knowledge offered from the side of the State and enterprise on the part of the people will not succeed in supporting a progressive rural economy."

The main background factors or influences which lead to a relationship between Governments and cooperative movements, therefore, are:

1. The need to give legal recognition to cooperative societies and to provide for their proper management and supervision in the interests of the movement;
2. The need to safeguard the rights of the people vis-a-vis these societies;
3. The need to prevent any abuse of the privileges accorded to cooperative societies;
4. The need to promote the movement because -
   a. it is per se desirable and no body other than the government is likely to take the initiative in promoting it;
   b. it is the best means of national development;
   c. it solves the problem of the lack of leadership and local personnel for the diffusion of new ideas and techniques.

II. <u>Present background factors</u>

Whilst the foregoing are the background factors which make for the association of the State with the cooperative movement, there are other background factors which influence that association after it has been established. These in fact are the factors more important to us at the moment. They are as follows:

1. The change in the attitude of governments towards cooperation.

The colonial rulers of that time intended the movement to be a truly independent one. They did not seek to implement their schemes of development through the cooperative movement. They only expected much more would be done by the people for themselves through the movement.

"Where there is so much waiting to be done and so little money or manpower with which to do it, a system which is capable of bringing into action an army of unofficial and unpaid agents, working actively to produce some of the benefits to which government aspires, is certainly not one which anyone can afford to neglect." (Campbell). The movement was introduced by them not because it was required by the government but because it was desirable that the people should be made alive to the potentialities of an independent people's movement. The self-governing character of the movement was uppermost in their minds, as is evidenced in the Administration Reports of the Ceylon Registrars of that period. They were not in a hurry because the government did not depend on the movement for the implementation of any of its schemes of development. They went slowly but surely. So in Ceylon for instance the British Government spread the credit movement with great success. The Ceylon movement was started in 1912 and by 1942 there was a very strong credit movement. It was strong by cooperative standards, for it was well on the way to deofficialisation. There were supervising unions and cooperative banks. There was an army of cooperative sub inspectors paid from an independent Audit and Supervision Fund and partly selected by a regional federation. Then came the deluge! The war conditions of 1942 necessitated the starting of the cooperative stores movement. The government was in a hurry. They saw in the cooperative movement the best means of combating the difficulties of distribution and so, without proper preparation of the ground, four thousand cooperative stores societies were started. Henceforth the Ceylonese Government looked upon cooperation as the best means of implementing its schemes of national development. The stores movement was followed soon after the war by a drive for Agricultural Production and Sales Societies for the purpose of assisting food production. A few years later there was a drive for textile weavers' societies.

In this process the principle of voluntary association was overlooked to a large extent. The government gave these societies a virtual monopoly in their particular fields of activity by making the facilities afforded for economic development available only to cooperative societies. The inevitable result was that members became inactive and uninterested in their societies for both themanagement and the membership took things for granted.

Today governments conceive of the consumer movement mainly in terms of reducing living costs, the agricultural movement mainly as a means of encouraging food production etc. They have therefore no hesitation to utilise the movement to serve the entire nation members and non members alike. They have no alternative schemes for the implementation of their policies wherever societies fail to deliver the goods. They also cannot wait until the cooperatives are equipped with the right leadership for undertaking these duties. So they supply the money, the equipment, the techniques and the managing personnel. The people, both members and non members, have no choice but to obtain the services so provided by the state in the name of Cooperation.

The background factor here is the desire of governments to implement national development plans which aim at a rapid transformation of the economy and are geared to short term programmes of five, or at most ten years. As rightly asked by Miss Margaret Digby "Can cooperative development be adjusted to such a time scheme? Or will it lose most of its content and character in the process?" Governments will continue to use the cooperative movement for the implementation of their policies of economic growth. It is well to realise this fact, as well as the inevitability of the result of such a tendency towards compulsion and the creation of cooperative monopolies viz., the membership becoming inactive and uninterested. What modifications shall we suggest to this universal policy so that only the minimum harm would be done to the content and character of Cooperation?.

2. Secondly there are a number of background factors which are the corollaries of the government's changed attitude towards the movement, to wit:-

(a) The attempt to effect rapid national development through the cooperative societies has necessitated the government itself running the societies which fell by the way side because of the need to prevent a gap from occurring in the chain of societies required for giving a particular service. There can be no weak link. If there be, it has to be managed for the society concerned by government appointees.This is the main reason why provision was made for the supersession of committees for periods of two to four years. Even without there being the necessity to implement a government scheme of development, supersession for a short period to rectify matters and to hand back the management to the society's elected committee would very well be salutary but this should be done by the society's secondary union or federation and at the society's request. The powers taken by the government to supersede the committee cannot amount to the same thing. Legal provision for this exists in many a country's legislation and it is not likely that this power will be given up. What is more, governments will tend more and more to nominate to such superseding committees persons of their political parties and this will inevitably lead to the exploitation of the movement for political ends, not to speak of the further deterioration of member-interest which may even be killed altogether by this step. Not only will governments be led to nominate persons to supersede committees where the organisation has become weak, but they will even be led to supersede where there is really no need for it, merely to satisfy political supporters whose sole interest is only that of taking revenge on the members of the elected committee because of the latter not supporting them at a recent local or parliamentary election? All these unhealthy tendencies stem from the provision for supersession of elected committees with government's nominees, which provision is now in the statute book and will not be removed. It will be the unenviable task of this conference to find a way out of this impasse.

(b) The change in the emphasis of the services rendered to the movement by the Department of Cooperative Development is another corollary of the change in Government's attitude to Cooperation. The main duty of the Department of Cooperation was the education and training of the membership. The Inspectors attended meetings of societies and taught the members the methods and practices of cooperation. But now there is no time for such teaching. The inspectors are preoccupied with managerial functions such as the obtaining, disbursement and recovery of loans given by the government. So the matter of prime importance, education in Cooperation, is neglected. This is a background factor of tremendous import. The only solution to this situation seems to be that real cooperative supervision and teaching should be undertaken by the superior unions - the secondary and tertiary federations.

(c) Another background factor of the present day is the desire of governments to bypass cooperative banks or banks for cooperatives in the matter of financing the movement. This undermines the content and character of the movement. The ideal would be to supply all available government finance to the cooperative bank or to the bank set up by the government for functioning as the central bank of the movement, and leave it to that bank to lend to societies on their cooperative merits. The government prefers to lend direct to the societies implementing the particular scheme of development and in doing so overlooks the need to observe the standards of cooperative credit. All that the government is concerned with is the quick implementation of policy. This is a background factor to be reckoned with.

(d) The most serious corollary of Government's utilisation of the cooperative movement for its own purposes is the absence of any desire on the part of the government to deofficialise the movement. The attempt to get quick results through cooperatives leads to mismanagement in spite of government supervision and this leads to more officialisation. Officials themselves will not work for their own elimination. The effort to deofficialise must come from the government. But the present tendency is quite the opposite. When quick results are demanded the movement can never develop to its full stature and so officials must continue to be in charge. Officials will always go for quick results and so the vicious circle continues. Officialisation which was meant to be a temporary phase has come to be regarded as a permanent arrangement.

(e) Another background factor of importance is the reluctance on the part of the educated and better placed to take an interest in the movement. Their apathy arises from the virtual monopolies which cooperatives enjoy and the stringency of the law. Therefore the better placed see no point in trying to foster the movement and risking their good reputation.

3. There are other background factors in this relationship:-

(a) The change in the attitude of the inspector towards the movement is another important background factor in the present day relationship between the state and the movement. Time was when the cooperative inspector was a true guide, philosopher and friend to the villager and a missionary of Cooperation. The importance placed on rapid economic growth at the cost of cooperative principles has gradually turned that missionary into an ordinary government official with no special zeal for the movement he is serving. Given other employment of equal monetary value many will not hesitate to leave the fold. The old brigade of missionary officials is fast disappearing from the scene being now well in their fifties, and the new inspectors taking their place have seen only government-inspired cooperation and cannot ever come up to the old standard. The older generation themselves have lost their missionary zeal having been compelled far too often to compromise cooperative principles with the political demands of the day at the behest of the governments they serve. Even the higher officials of the Department would become lukewarm to the principles of cooperation, for the path of least resistence is that of carrying out orders without even trying to guide their Minister to make decisions that are cooperatively correct.

In countries were the cooperative movement has not yet become a truly people's movement, and much of the initiative has yet to come from the official leaders of the movement, the gradual disappearance of the missionary spirit and of the conviction that Cooperation is a "Dharma" to be lived up to, a way of life, is a serious background factor in the development of the cooperative movement by the State.

(b) Together with the foregoing must be considered another equally serious background factor influencing the association between the State and the cooperative movement, viz., the gradual curtailment of the independence of the officials charged with the task of cooperative development. The Registrar is no longer "the foundation of the movement" as Calvert puts it. He is often dictated to by government and the independence given him by statute often becomes meaningless. So the cooperators are subjected to political decisions even in purely administrative matters.

(c) Another background factor is the tendency of governments to make frequent changes in the post of Registrar and to overlook the need to appoint men with previous experience of cooperative development to this post. The greatest danger to the movement is "the faddist and the uninformed

enthusiast." It is difficult for any person to function usefully as a Registrar unless he has served in the Department of Cooperative Development for a number of years earlier as a deputy.

A Registrar should be a man who has imbibed cooperative principles methods and practices and is imbued with the spirit of cooperation and is also one who has drunk deep of cooperative experience before his appointment to be the head of this "great educative movement". (Calvert). He should be a "picked officer of experience and authority" as recommended in the Maclagan Report. One who has not qualified in this manner for the post will fall easy prey to political manoeuvring and also fail to see the incorrectness of instructions which are uncooperative per se or are harmful to the movement. There is the likelihood of government preferring an inexperienced officer to be at the head of the movement for its own political convenience. Wherever that has happened the result has been to drift away from Cooperation.

(d) Another background factor is the assignment of the subject of cooperation to a Minister who is charged with other functions as well. There is the natural tendency for emphasis to be laid on Cooperative Development in the fields assigned to that Minister in preference to those fields falling within the purview of other Ministers. In this process it may happen very well that emphasis may not be given in the matter of cooperative development to what is really more important. Perhaps the best arrangement would be for the subject of Cooperation to be assigned to a separate minister who is not charged with the administration of other departments or the implementation of any special scheme of national development. It has sometimes happened that governments have assigned the subject of cooperation to the Minister of Finance and in some cases to the Prime Minister himself perhaps as a result of reasoning as has been done above. But neither of them will be able to find the time to give due attention to the subject of cooperative development. As almost all schemes of national development have to be implemented through cooperative societies, all Ministers in charge of special schemes should have the same attention from the Minister for Cooperation. This can be assured only if the Minister for Cooperation is himself not responsible for any special scheme of national development. The development of the cooperative movement is in itself a subject that will keep his hands full. The tendency to assign the subject of cooperation to a minister along with other subjects is, therefore, a background factor on which this Conference should make a recommendation.

(e) I would like to mention one last background factor.

In this matter the cooperative movement would appear to be on the erring side. I refer to the desire on the part of cooperative unions and federations at the national level to obtain grants from the government for the furtherance of the objects of these institutions. This practice is not new to the cooperative movement. Agricultural organisation societies in the UK receive grants from their government. Likewise the All India Cooperative Union (now the National Cooperative Union of India) and the Cooperative Federation of Ceylon. In some cases these grants are related to the amount of contributions that these institutions can collect from their member societies. In other cases there is no such proportion laid down. Although this is a long established fact in the cooperative world, there is no gainsaying the fact that such grants will tend to reduce in some measure the sense of independence of these national cooperative bodies. We who speak so much of the independence of the cooperative movement are not slow to pick up the crumbs that fall from the government table! It must be granted at the same time that the cooperative movement has an equal right to receive assistance from the state as other movements or institutions have, for the cooperative movement helps in national development in even a bigger way than any other institution can. It is essential however, that the receiving of this assistance from the State should be so arranged that the cooperative movement will not be obliged to make annual applications for this grant, nor should it be possible for the annual grant to be varied except on principles laid down well in advance and preferably in Regulations made under the Cooperative Act. Legal provision for government making this grant on fixed criteria would be the best guarantee that the national organisation representing the movement (at the national level virtually the parliament of the movement, remains independent of government control whilst being entitled to receive these grants, the only requirement being that the national organisation has its name on the Register of cooperative societies.

The association of the State and the cooperative movement is a sine qua non of national development in the under developed countries. So solutions must be found to the problems arising from the background factors enumerated above in order that this association will lead to the success of national development schemes as well as the healthy growth of the cooperative movement, with all the good that it entails.

Working Paper

SOME OTHER FORMS OF ASSISTANCE TO COOPERATIVES: MANAGERIAL CONSULTATIVE SERVICES, ETC.

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125

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The Role of Government in Cooperative Development - Some Other forms of Assistance to Cooperatives : Managerial, Consultative Services etc.

by

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There are two schools of thought in regard to the part that the State should play in relation to cooperative development. One view is that the State should keep its hands off cooperation and being a voluntary movement, it should be left to the initiative of the people themselves. The advocates of this point of view cite the example of Western countries where cooperation developed out of the need and urge felt by the people themselves and there was hardly any initiative or assistance from the side of the State. It is contended that Cooperation which emerges from below in this manner can blossom into strong and healthy movement based on self-help and mutual aid. It is such a movement that can generate true cooperative spirit among the members and administer to their economic betterment as also to social well-being. State sponsorship of cooperative movement may militate against its voluntary character and in this connection, the following observation of Sir Horace Plunkett are relevant :

> " The widely spread and numerously supported Indian Cooperative Movement should more accurately be called a cooperative policy. It was created by 'resolutions' (to all intents and purposes, laws) of the Central Government and has been administered almost wholly by the ablest civil service in the world".

This could be read in the light of the importance which Sir Horace Plunkett attaches to what he considers a fundamental principle of cooperation namely "the immeasurably more effective value of organised voluntary action than of state assistance, however, essential this might be ...."

A variant of this view is that in the social and economic conditions obtaining in under-developed countries it is necessary that the State should sponsor Cooperation and initiate people into it but that it should go no further by way of aiding cooperatives. This was the pattern that was followed more or less by British Government in India. It was thought that an initial start having been given, Cooperation would strike roots in the soil and would be able to attract a large membership and provide a variety of services to it. The British Government in India closely adhered to the policy not to give direct financial aid to the movement. The Government attitude was to disclaim all financial responsibility for Cooperation and to extend no monetary support for it. They thought that this policy would help in the establishment of a genuine cooperative movement which would be self-contained and self-supporting. This hope was, however, not fulfilled and except for some bright spots here and there, the movement on the whole

languished. The verdict pronounced on it by a high powered committee in 1951 was that it had failed. This is attributable to various causes. One is that to which forceful expression has been given by Sir Horace Plunkett, viz. that official sponsorship reinforced by excessive official regulation and interference inhibited the growth of non-official leadership and stultified initiat and sense of responsibility on its part. The Indian view, however, is that it was over-administration and under-financing of the movement that was its bane. The Cooperative Planning Committee 1945 gave the opinion that one of the main causes of the limited progress of the Cooperative Movement in India was the laissez faire policy of the British Government. Another cooperator observed "the work so far done is not in any way adequate to the immensity of the problem. Nothing short of widespread state machinery will reconstruct the village and the villager. It is only when this objective has been achieved, at least to an appreciable extent, that voluntary effort by the people themselves can make further headway with adequate grants and subventions from local boards and the government".

This brings us to the second school of thought which advocates that in under-developed economies, Cooperation can develop only as part of an over-all state plan of development and that state aid and assistance in various forms should be made available to it in the initial stages till it stabilises itself. Cooperation as a voluntary and spontaneous movement can originate among societies which have already broken away at least to some extent from traditional moorings and among people who have attained a certain measure of literacy, well-being and security. In Western countries Cooperation came in the wake of agricultural and industrial revolutions. In under-developed countries, it is too much to expect that Cooperation can precede technological advance in agriculture and industry unless an impetus is given by government agencies. My view is that in under-developed countries, especially in those where planned programmes are in operation, sponsorship of Cooperation by government should be accepted as a means for its speedy development. Due safeguards, however, should be taken in this respect. Some of these are :

1. Sponsorship should not take the shape of obsession with fulfilment of targets. Quality should not be sacrificed at the cost of quantity.

2. Sponsorship should not take away initiative from the people and as far as possible, the people themselves should be encouraged to set their societies on the ground and get them going. Guidance and advice may be tendered but it should not take the form of directions and orders.

3. Sponsorship of Cooperation by government should not take away voluntariness from it. While persuasion and incentives for the people to join cooperatives would be in order, they should not be legislated or coerced by other means to enter into Cooperation.

Along with sponsorship, government regulation of the movement would also appear to be necessary in developing economies in order to prevent perversion of cooperative ideals and to safeguard weaker sections from exploitation. Regulation may take the form of registration, audit, inspection, inquiry and liquidation of societies. Care should be taken, however, that government agencies do not interfere in the day to day affairs of the societies and also that progressively regulatory powers are transferred to higher level cooperative institutions whose organisation should be fostered.

It is not enough, however, for the government to sponsor the movement and to regulate it. There is need also to assist it in a tangible and material way. In under-developed economies, there are not enough savings available with the people to enable them to sustain societies with their own resources. It is not possible, therefore, to organise viable societies right from the beginning. It takes some time for the societies to find their feet and become self-sufficient. For the interim period, they need assistance to be able to hold their own and to keep going. Assistance from the government can be rendered in a variety of ways. Some of these are :

1. Cooperatives may be allowed remission of or concessions in certain taxes. For example, in India cooperatives are exempt from stamp duty and registration fee and upto a point from income-tax.

2. They may be assisted indirectly. For example, the government may take on the responsibility of audit and may not charge the entire cost to cooperatives.

3. The government may provide them with managers/secretaries at its own cost.

4. The government may strengthen borrowing powers of the societies by contributing to their share capital.

5. Government may give them grant-in-aid for specific purposes - say for setting up a godown or for engaging certain categories of staff.

6. Government may assist them with loans at a concessional rate of interest.

7. The government may appoint them agents on a monopoly basis or otherwise for distribution of certain commodities in short supply.

8. The government may extend patronage to them in other forms - say by making government purchases from them or giving them contracts for execution of works and so on.

9. In patronising cooperatives, the government may allow them marginal price preference.

As I am mainly concerned in this paper with the subject of "Some other forms of assistance (government) to cooperatives, managerial, consultative services etc.", I do not propose to go into the ethos or rationale of other forms of assistance except to observe in a general way that in devising a pattern for government assistance, care should be taken to see that it does not become addictive; that it is not followed by government practically administering or controlling the aid-receiving society. I would like to say something now on government assistance in regard to managerial and consultative services.

Consultative Services

So far as I know, there are no government consultative services as such for cooperatives in any developing country. In India, the proper role that was conceived for the cooperative department was that it would act as friend, philosopher and guide of the Movement. In other words, the department was meant to guide the cooperatives and advise them in their working. In case cooperative departments conform to the role envisaged for them, they will be functioning as consultants for the movement. Some concrete arrangements in this respect can also be thought of. It is common for financing institutions to secure an agreement from the borrowing society that a representative of theirs would be on their managing committee who will participate in the discussions but will not exercise any voting right. Such a representative acts as a consultant for the society. Similarly in cooperatives where government has a substantial stake, it may nominate a representative on the managing committee with the clear understanding that he would not hold any office nor cast any vote. In India, the Government has the right to nominate three or one third of the board of management whichever is less, in societies in which it buys shares. Generally, there is no restriction on these nominees as regards their right of vote. Perhaps, it would be healthy convention and would conduce to sound cooperative development if government nominees act merely as guides and advisers. Of course, if they find that any decision of the management will geopardise the financial stability of the society, they may take up the matter with higher governmental authorities.

As cooperative activity expands in diverse fields and becomes complex in its working, it will stand more and more in need of technical advice. For example, cooperative farming societies may have to lean heavily on technical advice from agriculture department. Similarly, labour and construction cooperatives will need technical support of engineering departments. If an arrangement can be made whereby cooperatives can easily secure technical guidance from the concerned government departments, it would greatly help in their operations. What generally happens is that there is inadequate coordination between cooperative societies and cooperative departments who are normally in administrative charge of them on the one side and the technical departments on the other. To the extent the three can work in collaboration, cooperatives will be successful.

Managerial

It is well known that in developing countries there is shortage of trained man-power. Next to financial, the severest handicap from which cooperatives are suffering, is lack of managerial skill. Cooperative management needs to be strengthened firstly at the level of non-officials i.e. elected members of managing committee and office-bearers, and secondly at the level of cooperative employees. Government assistance is required to strengthen the management on the non-official as well as on the staff side. In India the programme of education and training of non-official leaders is entrusted to the National Cooperative Union of India . This programme is financed wholly by the Government of India. Under this programme there is a large body of instructors who go to villages and take short-period classes in which they explain cooperative working on its practical side to members of managing committees.

This programme was started in 1957 and since then 636457 managing committee members have been trained. Apart from this, the National Cooperative Union of India adopts certain other measures also to build up non-official leadership. These are :

a. A Cooperative Congress is held every two years which is attended by a large number of leading cooperators from all over the country in which discussions are held on cooperative policies and programmes in their broad perspective.

b. Seminars are held at national, state, regional and district levels to enlighten and inform non-official leadership.

c. Study tours are arranged under which working of successful cooperatives is demonstrated to non-official leaders. National Cooperative Union of India also sponsors deputation of prominent non-official leaders to study the working of foreign cooperative movements.

Staff Training

The National Cooperative Union of India is also in over all charge of training arrangements for the staff of cooperative institutions as also of cooperative departments. For this purpose, it is provided with funds by Government. The Union, in turn, has appointed a representative committee which looks after this programme. This Committee is running a Central College which trains senior level personnel and also undertakes research on cooperative subjects. There are 16 Regional Training Centres for Intermediate level personnel under this Committee. For junior level personnel, there are 67 training centres in various parts of the country. These centres are under the charge of State Cooperative Unions. The intermediate training centres have arrangements for instruction in specialised courses also. For example, they arrange courses on marketing, land mortgage banking, industrial cooperation and so on. The Government of India is also running a Management Institute for employees of consumer cooperatives. These training programmes remain under constant review of Government of India and are re-evalued periodically by experts committees.

Subsidy for Cooperative Staff

Apart from training arrangements, the Government also assists cooperative institutions with subsidy so that they can engage suitable management personnel. The subsidy is for a specific period and tapers off within three to five years. It is presumed that by the end of that period, the concerned societies will be in a position to meet the cost of their staff from their own resources. Normally, societies are left free to choose their own staff, though in some States the government lays down minimum qualifications that the staff on which its subsidy is expended must fulfil .

Loaning of departmental officers to societies

In some States, the practice of officers of cooperative departments being lent to apex and other institutions to work in responsible capacities is in vogue. The departments seem to prefer it because it appears to provide them with the least line of resistance to ensure that cooperative institutions work on right lines. The Board of Management of some cooperative institutions also seem to

react favourably to this arrangement because it provides them with qualified and trained personnel to attend to managerial duties and saves them the botheration of looking for suitable persons themselves. As a short-term arrangement, one may not find the practice exceptionable but it cannot be commended as a regular feature. In India the deputationists from cooperative departments to cooperative institutions fall into three categories. Firstly, there are officials of the department who are appointed by government agencies to hold executive positions in some cooperative institutions. They receive their pay and allowances from the Government and the cost is not recovered from cooperative societies. This amounts to Government giving managerial subsidy equivalent to their cost to these societies. An arrangement of this nature is apt to impair the sense of responsibility of board of directors of these societies and mitigate their autonomy. This system is being discouraged. In the second category are Government officials who are appointed to cooperative societies by government agencies but in whose case their cost is recovered from the institutions concerned. A certain degree of duality of control is likely arise in such an arrangement also. The third course and the right one would appear to be that cooperatives should be left free to make their selections either from government sources or from the open market. In due course, they should build up their own management cadres with the help of higher level cooperative institutions. It is only in the formative stages, particularly in the case of specialised types of cooperatives like (marketing, processing, manufacturing etc) that government officials may be taken on loan. But that should be only for a limited and specified period. What is important is that the Board of Directors should have the competence to hire and fire their staff and if they have to surrender some of their power in this respect, that should be done, only in the initial stages, in favour of Government and on a regular basis, in favour of federal cooperative institutions.

To sum up, the best form of Government assistance to cooperatives on the management side would be to render financial support to the national level promotional apex cooperative body to undertake education and training of non-official cooperators and cooperative staff. The government may also assist nascent cooperatives with management subsidy but without affecting their autonomy or diluting the control of the elected management over the paid staff. As the movement develops, it should build up its own management cadres.

Some Other Forms of Assistance

As regards the "etc" part of my subject, I would like to make a mention of government patronage of cooperatives, either by appointing them as agents for distribution of scarce commodities or for making purchases on behalf of Government. There may not be anything strictly "cooperative" where cooperative societies function in this manner on behalf of government but the advantage to them is that they will be able to build up their business and acquire financial strength so that they can face competition when free market conditions are restored. The advantage to the Government would be that they would be saved from operating through a huge posse of government staff with all the drawbacks that an inflated bureaucracy is heir to.

A word of caution that I would like to sound is that enjoyment of monopoly for an indefinite period may not be good for the health of cooperatives and so they should be exposed to competition as soon as conditions permit.

There are certain other forms of assistance that the government can extend to cooperatives. For example, in India in some States, all "unskilled works" of the government are reserved for "labour and construction cooperatives". Similarly, in order to enable handloom cloth produced by weavers cooperatives, to compete with mill-made cloth, the government is marginally subsidising the sale price. To place itself in funds for this purpose, a cess is imposed on mill-made cloth. These measures can be justified also on the ground that the benefit accrues to the disadvantaged sections of the community. The criticism that is sometimes made is that this amounts to taxing the community to support inefficient production.

Lastly, I may mention that in India in some States for government purchases a marginal price preference is allowed for products of cottage and small scale industrial cooperatives. All this follows from State recognition of Cooperation, as an instrument for the economic and social betterment of weaker sections, which deserves State assistance in the early stages of its growth.

/32

Working Paper

PATTERNS OF GOVERNMENT ASSISTANCE AND THEIR IMPLICATIONS

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PATTERNS OF GOVERNMENTAL ASSISTANCE AND THEIR IMPLICATIONS

Relationship between Co-operative Movement and government implies essentially the problem of AUTONOMY, one of the basic principles of co-operation. There are various types of autonomous control of co-operative associations, which may be classified into three;

A. Ideal type, in a sense, is shown in the thought of 'colony' as seen in Rochdale age. It aimed at constructing a closed self-supplying community, though, of course, it was not realized in its complete form. Government was indifferent or unfavourable or even oppressive toward the Movement. On some occasions they were obliged to resist against government. Remember that educational meeting of member workers was illegal in those days. Though it was very difficult to realize, such ideal of complete autonomy was not entirely fantastic at least as an ideal.

B. B. Second type of expression of the principle of autonomy can be found in most Western European countries, especially in their consumers' Movement. They don't wish to receive almost no assistance from government except legal recognition and little fiscal advantages. They put themselves into free conpetition with other enterprises.

C. It is doubtful if it is possible or good for the Movement to remain in the second type, practically or as a matter of thought. In highly industrializes society where there are many bureaucratic huge organizations of various kinds, including that of governmental administration at the top, 'autonomy' can never exist in A-type.

As the social differenciation proceeds on and on, wider phases

so as we may be able to 'educe' infinit latent possibility from masses of people. Such possibility might exceed the best of what we can imagine. This is just the principle of evolutional growth, one of the principles of co-operation, and the genuine meaning of 'education'. I would conclude this paper remembering that education is the most important factor that should cover all phases of the Movement.

139

Working
~~Background~~ Paper

COOPERATIVES AND TAXATION

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/41

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December 9, 1965.

COOPERATIVES AND TAXATION

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I. Introduction

In the process of the development of capitalism, farmers and small and medium ententrepreneurs always find themselves in a highly disadvantageous position in their competition with capitalists and large enterprises. As a means to overcome this handicap, a movement has come to present itself - the cooperative movement.

Cooperative activities came to stand on a firm legal and institutional basis, and have developed to the extent that an International Federation of Cooperatives came into being. However, there has been a movement to oppose the development of cooperatives among business circles whose interests clash with those of cooperatives. This trend has become a common problem throughout the world.

This anti-cooperative movement is spearheaded by a campaign to have the government impose taxes on cooperatives in the name of "fair Taxation". This being the case, the issue involving imposition of a tax on cooperatives remains a common problem of cooperatives everywhere, irrespective of their nature. Therefore, common efforts are required to seek a solution to this problem.

A solution to this common problem will be found only through the correct understanding of the mission and function of cooperatives as well as proper theories of taxation.

II. Economic Background of Cooperatives

1. Emergence of Cooperatives

There are varying theories concerning the emergence of cooperatives. It is clear, however, that the cooperatives of today have emerged as a means of self-defence on the part of workers and small and medium entrepreneurs against the oppressive pressure of large capitalists. Cooperatives in modern times came to be organised only in an advanced stage of capitalism, and the form and character of cooperatives vary according to the economic, social and political background of each country.

In the case of England where the cooperative movement originated, cooperative movement was for the protection of the interests of consumers. In france, it was in the interest of producers. In Germany, the very first cooperative to emerge was a credit cooperative.

The economic background of the birth of cooperatives in varying countries may be summarized as follows:

First of all, the development of capitalism and resulting monopolistic tendency on the part of a handful of large capitalists had tended to speed up the birth of cooperatives. England was first to develop capitalism, and was also the first to give birth to a cooperative.

The development of capitalism in England was spearheaded by the cotton textile industry, and the cooperatives of England were first organised by textile mill workers.

Another major factor contributing to the birth of cooperatives was the emergence of monopolistic enterprises which tended to encroach upon small and medium enterprises. Under such circumstances, cottage industries and workers found it necess. to organise for joint production and sale to oppose large manufacturers. A good example can be found in France where the world's first cooperative of minor produc emerged.

The third major factor was the exploitation of small businessmen by usurers. A representative example of this is found in Germany where credit cooperatives develo for the first time.

2. Comparison of Cooperative and Ordinary Company Management.

Since the cooperatives are organised primarily to protect their members, the management of a cooperative differs sharply from that of an ordinary business enterprise. Characteristics of cooperatives may be described as follows:

a. Cooperatives are personal organisations

Whereas in the case of an ordinary company, capital is the major factor and in fact such a company is a union of capitalists, a cooperative represents the union of persons who compose its membership.

b. Cooperatives are democratic organisations

In the case of ordinary companies, the degree of participation in their management is determined by the magnitude of investment, but in the case of cooperatives, each member exercises equal rights irrespective of the amount of investment.

c. Cooperatives are non-profit organisations

In the case of an ordinary enterprise, its aim is pursuit of profit. In the case of a cooperative, however, its aim is promotion of the common interest and welfare of its members.

d. Cooperatives are organisations for mutual assistance

In principle, each cooperative is self-governing and self-financing, base on a spirit of mutual assistance among its members. Therefore, non-membe cannot, in principle, participate in the function of a cooperative.

e. Cooperatives are "open"

Cooperatives are in principle open to all who meet the standard qualifications, but affiliation with a cooperative is not compulsory. Thus, cooperatives differ sharply from ordinary companies and, therefore, should be treated differently from ordinary enterprises.

III. Purpose of Taxation and Tax Sources

1. Purpose

In order to review the theoretical inconsistency of imposing taxes on cooperatives, it is necessary first to review the purpose of taxation and sources of tax.

Taxes, of course, represent a major source of government revenue, and the extent of tax revenues has a serious bearing upon the activities of government itself. With the establishment of a modern state, government activities came to represent a greater share of the national economy. This entailed a greater scale of government finance, and thus the national tax burden has been increasing.

Taxes collected by government are used, of course, to meet ordinary expenditures of government. Taxation is also utilised as a policy instrument for economic and social purposes.

As an economic policy, taxation is resorted to for the protection of domestic industry. This is reflected in the protective tariff system, commodity tax and excise tax, all of which contribute to stabilizing the economy. As a social policy, taxation is utilized as an instrument for redistribution of income and property.

2. Limit and Object of Taxation

The need for collection of tax has been discussed above, and here we must now review the necessity of a rational taxation policy.

It should be noted that imposition of tax to such an extent as to jeopardize simple reproduction cannot be said to be a rational taxation policy. Nor is it appropriate to charge corporation taxes or business taxes on non-profit corporate bodies. In view of this, the principle of fair and proper taxation must be rigidly adhered to in the imposition and assessment of taxes.

IV. Basis and Problems of Imposing Tax on Cooperatives

Those who advocate the imposition of taxes on cooperatives cite the following factors:

First, cooperatives are engaged in business activities like ordinary enterprises and, therefore, preferential measures accorded to the cooperatives in terms of taxation will tend to weaken the position of ordinary enterprises. In addition, preferential tax treatment for cooperatives runs counter to the principle of fair taxation. Second, cooperatives are independent corporate bodies and, therefore, should be taxed properly.

Third, imposition of taxes on cooperatives will increase proportionately the government's tax receipts.

Fourth, patronage refunds paid out by cooperatives to their members correspond to dividends on shares of ordinary enterprises.

Fifth, reserves of cooperatives are the same as those of ordinary enterprises.

Sixth, some of the cooperatives have engaged in illegal profit-seeking activities and, therefore, it is appropriate to impose taxes on income accruing from such illegal activities of cooperatives.

Seventh, it is appropriate to impose taxes on gains of cooperatives from services rendered to non-members.

2. Imposition of tax on cooperatives and its theoretical inconsistency

As noted above, the advocates of the taxation of cooperatives cite a number factors, which stem from an ignorance or misunderstanding of the fundamental spirit of the cooperatives. Furthermore, the imposition of taxes on cooperatives has the following inconsistent points:

First of all, being non-profit organisations, cooperatives cannot earn income or profit like ordinary enterprises. The aim of cooperatives differs sharply from that of ordinary enterprises. Whereas the former furnishes service in principle, the latter's target is pursuit of profits.

It is difficult to find appropriate criteria for taxation of cooperatives as they lack income or profits. It is indeed not proper to impose corporation or business taxes on cooperatives.

Second, cooperatives, and farm cooperatives in particular, are legally independent corporations whose activities constitute part of the production activities of their members. The members of a cooperative are utilizers of their cooperative and are at the same time co-managers of the cooperative.

Though a large capitalist is in a position to engage in and benefit from a mass transaction with his own capital, members of a cooperative cannot engage in a mass transaction without pooling their financial resources. In this sense, the activities of a cooperative represent in fact an extension of the activities of its members, and they cannot represent independent activities of the cooperative.

This being the case, it is difficult to understand why anyone should argue in favour of imposing a corporation tax on a cooperative, asserting that a cooperative is an independent corporate body.

Third, it should be noted that the imposition of a tax on a cooperative will tend to reduce tax sources. The source of tax is income, and increased income automatically means an increased source of tax. The activities of a cooperative are designed to promote the welfare of its members through increased income. This means that activities of a cooperative will actually increase tax resources.

The imposition of a tax on a cooperative will adversely affect the income of its members and reduce tax sources.

Fourth, the distribution of surplus to members of a cooperative represents the refund of the surplus of a cooperative to its members. It cannot signify the dividend of profits as in the case of an ordinary corporation.

Fifth, reserves of a cooperative should not be regarded the same as the profit of an ordinary enterprise. The reserves of an ordinary enterprise represents the accumulation of profit and should belong to the capital of the said enterprise. The larger the amount of reserves in an ordinary enterprise, the greater will become the value of its shares, and the shareholders will be able to promote their own interest by selling their shares.

However, in the case of a cooperative, its members are in no position to sell their shares and the value of the shares is not influenced by the extent of its reserves. It should also be noted that the reserves of a cooperative remaining at the time of dissolution cannot be distributed to its members.

Professor of economics Charles Gide of France said, "Whereas public bonds benefit the present generation at the sacrifice of the future generation, reserves will benefit the future generation at the sacrifice of the present generation; and, therefore, no taxes should be imposed on reserves of a cooperative".

Sixth, the assertion that taxes should be imposed on income originating from illegal profit-seeking activities of a cooperative also commits a theoretical inconsistency. First of all, as we have noted earlier, no cooperative can indulge in profit-seeking activities. Supposing that a cooperative has actually engaged in illegal activities, it will suffice to invoke an appropriate law to redress the illegal activities. In fact, the imposition of a tax against an illegal activity will be tantamount to tacit tolerance of violation of a law.

Seventh, the issue of imposing a tax on the activities of a cooperative involving non-members merits a further discreet review. In principle, no non-member of a cooperative can participate in the functions of a cooperative, unless specifically authorized by a law. The utilization of a cooperative by non-members is, in fact, restricted by law in order to protect the interests of its members.

Finally, it should be noted that cooperatives must be protected and developed with the assistance of the government. One of the methods that may assist for the development of cooperatives is to give them privileges on taxation. Imposition of a tax on a cooperative is contrary to the policy of protecting and developing cooperatives.

V. Imposition of Taxes on Cooperatives and Activities of Cooperatives in Foreign Countries

1. Status of Imposition of Tax in Foreign Countries

Generally speaking, tax privileges are granted in foreign countries for cooperatives in their early stage. Due to the lack of adequate data, it is difficult to fully review taxation on cooperatives in foreign countries. One of the data available for this purpose is "The Tax Position of Cooperatives in Various Countries" which was released by the Federation of Cooperatives in Canada.

This report chiefly deals with England, France, Germany, and the Netherlands, where cooperatives have been developed remarkably. According to this report, characteristics of taxation of cooperatives in the eleven countries covered by the report can be grouped into the following three categories:

a. Cooperatives are taxed generally in the same manner as ordinary enterprises. Under this category are the Netherlands, the United States, and West Germany where cooperatives have been most highly developed. This does not mean, however, that in these advanced countries no privileges in terms of taxation are being granted to cooperatives.

In the case of the Netherlands, for example, patronage refund to cooperative members is exempt from taxation in accordance with a Corporation Tax Law enacted in 1942. Similar tax privileges are granted in West Germany and the United States.

b. Cooperatives are granted generally favourable tax privileges

Under this category are Japan and Norway. In the case of Japan, cooperatives are exampt from various taxes up until 1940. Thereafter, cooperatives in Japan have been subject to the application of a special corporation tax law under which taxes are levied on cooperatives, at lower rates than on ordinary enterprises.

In Japan, patronage refund to cooperative members is exempt from tax. Also, income tax is waived on part of the income of cooperatives. No taxes are charges on reserves provided they are used for education or rehabilitation projects. Partial remission is also granted on property tax, stamp duties and registration tax for cooperatives.

In the case of Norway, cooperatives are exempt from income tax, though they are subject to property tax, just as ordinary enterprises. Considerable tax preferences are granted for cooperatives in Sweden. In this country, only a 32 per cent income tax is charged on cooperatives, whereas a 40 per cent income tax is charged on farm cooperatives.

c. No Taxes are charges on cooperatives in principle

Under this category is France. In this country, no taxes are levied on cooperatives, provided they abide by their basic principles. In France, in order to be eligible for 100 per cent tax remission, farm cooperatives must always meet the following two conditions:

(i) The cooperatives must be agricultural in their composition and activities; and

(ii) They must be cooperative in methods, nature and intent.

It should be noted, however, that even in the countries where taxes are currently imposed on cooperatives in principle, tax privileges were granted to cooperatives in their early stage of development. Also, it should not be overlooked that cooperatives in these countries date back to several decades ago.

2. Factors Influencing Taxation of Cooperatives

Let us now review various factors influencing the imposition of tax on cooperatives, which may be grouped into the following three major categories:

a. Development of cooperatives;

b. Pressure of anti-cooperative movement; and

c. Discretion of the government authorities concerned with imposition of tax.

Of course, these three groups are closely related. For example, the more developed a cooperative is, the greater will be the pressure against it from organisations opposed to the cooperative due to a clash of business interest. Such pressure will tend to influence the government in determining policies that affect the cooperative.

What we should note here is the development process of cooperatives. If a cooperative has developed to such an extent that imposition of tax will not adversely influence its growth, taxation will pose no problem. However, should tax privileges be withdrawn from cooperatives in their developing stage due chiefly to an anti-cooperative movement or a mistaken judgment on the part of the Government, it would decisively undermine the development of cooperatives.

This being the case, sound judgment of the government on any anti-cooperative movement is important. In fact, in almost all of the countries where taxes are being imposed on cooperatives, there has been a growing anti-cooperative movement.

Another major factor influencing imposition of tax on cooperatives in advanced countries has been the need to tap greater tax sources. In fact, imposition of taxes on cooperatives will be inevitable when their activities account for a major share of the gross national product.

3. Relative Importance of Cooperative Activities in Countries where taxes are Imposed on Cooperatives.

Generally, taxes on cooperatives are charged in advanced countries. In the case of the Netherlands, savings of cooperatives account for approximately 40 per cent of the total domestic savings. Moreover, over 70 per cent of the total output of milk in the country is processed by cooperatives. Also, cooperative products account for about 80 per cent of the total domestic production of starch.

Agricultural cooperatives of Norway have the world's most powerful organisation. Farmers in Norway make purchases of all daily necessities and agricultural supplies through their cooperatives, and dispose of their products through the cooperatives as well. Thus, cooperatives control about 70 per cent of the total meat supply in the country, about 66 per cent of eggs, and about 50 per cent of fruits and vegetables In addition, the cooperatives control almost the entire supply of potatoes in Norway. Cooperatives in Norway also handle 85 per cent of the total animal furs, and 65 per cent of forestry products.

In the case of Japan, cooperatives play an important role. Farm cooperatives in Japan hold 63 per cent of total farmer deposits, and supply 90 per cent of the total capital requirement of the farmers. The cooperatives also handle 65 per cent of the fertilizer, 45 per cent of the agricultural chemicals and over 30 per cent of consumer goods needed in the rural communities in Japan. Also, the Japanese farm cooperatives handle 94 per cent of the rice and 75 per cent of the barley and wheat, respectively.

VI. Role of Government in the Development of Cooperatives

As viewed above, the imposition of taxes on cooperatives in Korea not only runs counter to the fundamental spirit of cooperatives but violates the basic theory of taxation as well.

The Government should not be swayed by the growing anti-cooperative movement among business circles opposed to the cooperatives. Rather, it is desirable that the government energetically implement the following policies to develop cooperatives:

First, the government must protect and foster cooperatives for the sake of the promotion of the welfare of the people and the balanced development of the national economy.

Second, the government must correctly recognise the irrationality of any anti-cooperative movement. There has been a growing anti-cooperative movement to impede the development of cooperatives. The government should carefully weigh all the alleged justifications of the anti-cooperative movement, and not fail to understand the ulterior motives behind the anti-cooperative movement.

Third, in case cooperatives deviate from their proper mission, the government should take steps to correct and properly lead cooperatives. Should the cooperatives grow to such an extent as to influence the national economy, and are placed in a position to successfully compete with large enterprises, then the government may withdraw its support from the cooperatives and implement a new policy on cooperatives.

149

Working Paper

TAXATION ON COOPERATIVES

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Experts' Conference on
"The Role of Government in Cooperative Development"
Bangkok (Thailand)
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151

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TAXATION ON COOPERATIVES

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Taxes, of course, represent a major source of government revenue, and the extent of tax revenues has a serious bearing upon the activities of government itself.

In recent years, particularly in the developing countries, government activities came to engage a great share of the development of the national economy.

This entailed a greater scale of government finance, and thus the national tax burden has been increasing.

Taxes collected by government are used, of course, to meet ordinary expenditures of government. Taxation is also utilized as a policy instrument for economic and social purposes.

As an economic policy, taxation is resorted for the protection of domestic industry. This is reflected in the protective tariff system, commodity tax and exercise tax, all of which contribute to stabilizing the economy. As a social policy, taxation is utilized as an instrument for redistribution of income and property.

It should be noted that imposition of tax to such an extent as to jeopardize simple reproduction cannot be said to be a rational taxation policy. Nor is it appropriate to charge corporation taxes or business taxes on nonprofit corporate bodies. In view of this, the principle of fair and proper taxation must be rigidly adhered to the imposition and assessment of taxes.

1. Taxability and Cooperatives

Those who advocate the imposition of taxes on cooperatives cite the following factors:-

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(1) Cooperatives are engaged in business activities like ordinary enterprises and, therefore, preferential measures accorded the cooperatives in terms of taxation will tend to weaken the position of ordinary enterprises. In addition, preferential tax treatment for cooperatives runs counter to the principle of fair taxation.

(2) Cooperatives are independent corporate bodies and, therefore, should be taxed properly.

(3) Imposition of taxes on cooperatives will increase proportionately the government's tax receipts.

(4) Patronage refunds paid out by cooperatives to their members correspond to dividends on shares of ordinary enterprises.

(5) Reserves of cooperatives are the same as those of ordinary enterprises.

(6) Some of the cooperatives have engaged in illegal profit-seeking activities and, therefore, it is appropriate to impose taxes on income accruing from such illegal activities of cooperatives.

(7) It is appropriate to impose taxes on the gains of cooperatives from services rendered to non-members.

2. Recent Development on the Taxation of Co-ops in Korea

In Korea, there had been long controversy regarding the taxability on cooperatives.

It was continued until the time, the final resolution was made at the House on December 1965.

Before a new act was passed Korean Agr. Co-op Act reads in the Article 8.

"The business and the property of the Cooperatives and the federation shall be exempted from taxes and other public assessment of the National or local government except in cases of custom duties and Commodity Tax."

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However, Bureau of taxation of the government sent a bill to the House requesting to abolish the Article 8 of the Cooperative Act, and to impose income taxes on Cooperatives under the name of "Fair Taxation".

According to the bill which government had draft, all the provisions of the tax exemption in various acts shall be nulified and a new law, namely tax exemption regulating act, will come to effect.

Cooperative marketing and credit operations would be imposed tax in their incomes.

The advocates of the taxation of cooperatives cite a number of reasons, which stem from an ignorance and misunderstanding of the distinguishing natures of the cooperatives.

National Agr. Co-op. Federation had started campaign to amend bill and requested to stop imposing tax on the earnings of cooperatives, pointing out the inconsistencies as follows:

First of all, being nonprofit organizations, cooperatives cannot earn income or profit like ordinary enterprises. The aim of cooperatives differ sharply from that of ordinary enterprises. Whereas the former furnishes service in principle, the latter's target is pursuit of profits.

It is difficult to find appropriate criteria for taxation of cooperatives as they lack income or profits. It is indeed not proper to impose corporation or business taxes on cooperatives.

Second, cooperatives, and farm cooperatives in particular, are legally independent corporations whose activities constitute part of the production activities of their members. The members of a cooperative are utilizers of their cooperative and are at the same time co-managers of the cooperative.

Though a large capitalist is in a position to engage in and benefit from a mass transaction with his own capital, members of a cooperative cannot engage in a mass transaction without pooling their financial resources. In this sense, the activities of a cooperative represent in fact an extension of the activities of its members, and they cannot represent independent activities of the cooperatives.

This being the case, it is difficult to understand why anyone should argue in favor of imposing a corporation tax on a cooperative asserting that a cooperative is an independent corporate body.

Third, it should be noted that the imposition of a tax on a cooperative will tend to reduce tax sources. The source of tax is income, and increased income automatically means an increased source of tax. The activities of a cooperative are designed to promote the welfare of its members through increased income. This means that activities of a cooperative will actually increase tax sources.

The imposition of a tax on a cooperative will adversely affect the income of its members and reduce tax sources.

Fourth, the distribution of surplus to members of a cooperative represents the refund of the surplus of a cooperative to its members. It cannot signify the dividend of profits as in the case of an ordinary corporation.

Fifth, reserves of a cooperative should not be regarded the same as the profit of an ordinary enterprise. The reserves of an ordinary enterprise represent the accumulation of profit and should belong to the capital of the said enterprise. The larger the amount of reserves in an ordinary enterprise, the greater will become the value of its shares, and the shareholders will be able to promote their own interest by selling their shares.

However, in the case of a cooperative, its members are in no position to sell their shares and the value of the shares is not influenced by the extent of its reserves.

Sixth, the assertion that taxes should be imposed on income originating from illegal profit-seeking activities of a cooperative also commits a theoretical inconsistency. First of all, as we have noted earlier, no cooperatives can indulge in profit-seeking activities. Supposing that a cooperative has actually engaged in illegal activities, it will suffice to invoke an appropriate law to redress the illegal activities. In fact, the imposition of a tax against an illegal activity will be tantamount to tacit tolerance of violation of a law.

Seventh, the issue of imposing a tax on the activities of a cooperative involving non-members merits a further discreet review. In principle, no non-member of a cooperative can participate in the functions of a cooperative, unless specifi cally authorized by a law. The utilization of a cooperative by non-members is, in fact, restricted by law in order to protect the interests of its members.

Finally, it should be noted that cooperatives must be protected and developed with the assistance of the government. One of the

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methods that may assist for the development of cooperatives is to give them privileges on taxation. Imposition of a tax on a cooperative is contrary to the policy of protecting and developing cooperatives.

We attempted to amend the bill at our best; adveritsement to the general public, continuous persuasion to the congressmen, organization of members' voices and mobilization the pressures.

Finally congress amended the bill, and the new act has been passed.

At present moment, Korean Cooperatives and their federations are exempted from income taxes; corporation tax, business tax, property tax and acquisition tax.

3. Role of Government in Co-op Taxation

As viewed above, the imposition of taxes on cooperatives in Korea not only runs counter to the fundamental spirit of cooperatives but violates the basic theory of taxation as well.

The government should not be swayed by the growing anti-cooperative movement amount business circles opposed to the cooperatives. Rather, it is desirable that the government energetically implement the following policies to develop cooperatives:

First, the government must protect and foster cooperatives for the sake of the promotion of the welfare of the people and the balanced development of the national economy.

Second, the government must correctly recognize the irrationality of any anti-cooperative movement. There has been a growing anti-cooperative movement to impede the development of cooperatives. The government should carefully weigh all the alleged justifications of the anti-cooperative movement, and not fail to understand the ulterior motives behind the anti-cooperative movement.

Third, in case cooperatives deviate from their proper mission, the government should take steps to correct and properly lead cooperatives. Should the cooperatives grow to such an extent as to influence the national economy, and are placed in a position to successfully compete with large enterprises, then the government may withdraw its support from the cooperatives and implement a new policy on cooperatives.

157

Working Paper

FORMATION OF COOPERATIVE POLICY : ROLE OF VARIOUS AGENCIES

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Experts' Conference on
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FORMATION OF COOPERATIVE POLICY ; ROLE OF VARIOUS AGENCIES

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Introduction

Cooperatives have been and are being used as means of solving problems of people in many parts of the globe. They can be used effectively in bringing about economic emancipation of vast masses of people in the developing countries also. My association with the Comilla experiment has raised my hopes in its efficacy in modernising an agrarian society which now has a sub-standard living through age old methods of agriculture. They form about 85% of the population of the country and it is they who ultimately dictate the rate of growth of the Nation's prosperity.

Every country has problems peculiar to its own situation. Things which have succeeded in one country may not be transplanted in another country with equal success. Certain principles however which are universal in their nature can be used successfully any where. Cooperation is one such principle. It is joining together to do things which are beyond the means of the individual to accomplish.

People say the farmers are resistant to change. It is not the farmers alone who are resistant to change, the policy makers are no exception. Mere assertion that certain system will work well under certain situations may not convince them of its efficacy. They want to be sure that it will work. Nothing convinces the policy makers more than demonstrating the successful application of the system in a particular situation.

The Comilla experiment is one such attempt at using cooperatives as a vehicle in solving the problems of rural East Pakistan, particularly the problems of small farmers who form the vast majority of the Nations population. (i)

The objective of the Comilla Experiment can be defined in words of Dr. Akhter Hameed Khan, Director of the Comilla Academy for Rural Development who is the motivating force behind the experiment.

"We think that we are in a position to initiate an experiment in Agriculture and Economic Development which may be very significant. Briefly the chief objective of the experiment would be to promote the formation of small cooperative groups of farmers who would adopt improved methods, implements and machines. Small group cooperatives would aim to become self sustained. The members would learn to save and collect their own capital and would invest it in better farming. A cooperative group would overcome the handicaps of small holding. It would be possible for the members to use implements and machines which they could not own individually and on this basis, it may be possible, to build a bigger structure of cooperative credit and marketing. The academy would be happy to sponsor this experiment; to help in its planning and execution ....." (ii)

A stagnant society tends to remain stagnant so long as some powerful motivating force does not stir the mental stagnation of the people in the society. Men with powerful ideas can capture the imagination of the people and mobilise people to march towards the path of prosperity. Bishop Grundtvigs, Raiffeisens have come through ages to play this vital role. It does not come automatically. Some motive force always plays the decisive role. It would not be flattering him to say that Dr Akhter Hameed Khan in Comilla is that towering personality and the motive force behind the Comilla experiment.

(i) Administrative structure of East Pakistan

Province of East Pakistan has 4 Divisions. Each Division has a number of districts. There are in all 17 districts. Each district has a number of sub-divisions and each sub-division has a number of thanas. There are 413 thanas. Each thana has again a number of unions varying from 10 to 15. Each union comprises a number of villages - generally 10 - 15 villages.

A population of 1,000 village people elect one member to union council. The elected members of 10 to 15 villages constitute the union council.

(ii) Excerpts from a letter to the Chief Secretary of East Pakistan from Akhter Hameed Khan, 15-1-60.

Comilla Cooperative Experiment

In Comilla the Academy started experimenting in a hundred sq. miles of rural area with village - based cooperatives. They later formed a Central Association at the Thana level, set up credit, marketing and processing activities and tractor station with repair shop, then spread to 3 other thanas and more recently to 7 more. Comilla, as do other parts of East Pakistan, has problems of unbelievable dimensions. The density of population is one of the highest in the world. 157,855 people live in 100 sq. miles, make a living on about 50,000 acres of cultivable land, the average size of family holding is 1.61 acres. Paddy yields per acre are only 14 - 18 mds per crop. The land generally grows two crops during six months from June to December, and remains idle during the rest of the time.

Dr. Arthur F. Raper (i) ably depicted the picture of Comilla prevailing at the time when the Comilla experiment was started towards the end of 1959 thus "people are continuously adjusting to problems posed by the weather; cyclone disturbances before and after the long monsoon with its heat and humidity and then five months or more of draught each year when no farming can be done for lack of dependable supply of irrigation water, which required money and organisation the people did not have. The farmers had become accustomed to ineffective ways of making a living. Farming was by traditional methods, the farmer harvested their ripening paddy with hand sickle, trampled it out by cattle; they took to market by head - and shoulder-loads any small farm surplus they could spare. The villagers were barely surviving on an annual per capita income of Rs.235/- which is less than $ 50 (U.S.). Most of them were in debt to local money lenders paying interest at the rate of 60 to 90 percent leaving the principal still to be paid.

"More than four-fifths of the rural people were illiterate, and most families were isolated for lack of boatable water ways by the end of the dry season. People had generallly concluded that nothing could be done, and so accepted as inevitable their isolation, inadequate nutrition, poor health, and the near absence of modern medical facilities. The village life was shot through with lethargy, despondency, and fatalism". (ii)

The Comilla experiment was to secure the active participation of the many villages which clustered the area in the developmental process which could raise hopes and aspirations of a better future for them. It was early decided that the village based cooperative would qualify for the approval of the Academy only if each member decided to save every week towards building up their own capital and make saving a habit with them. This was not an easy job for the poverty strichen people. Particularly so when the people expected the outsiders coming to enquire about their condition would give them some gratuity. But savings did come. By the middle of November 1965,

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(i) Dr. Arthur F. Raper visiting Professor Michigan State University was Senior Advisor for Michigan State University to Pakistan Academy for Rural Development Comilla from July 1962 to September 1964.

(ii) The contribution of Village Development to Modernization of Nations by Arthur F. Raper. The paper was presented by him at the 60th annual meeting of the American Sociological Association on August 31, 1965.

7657 members belonging to 209 societies have deposited Rs.286,140/- in shares and Rs.188,674/- in saving with the central association.

The second condition was that the total membership of the society meet once a week. Yet another condition was that the society would select from among them, one member as their manager who would be required to come to the Academy once every week on a fixed day round the year. At this time he would bring the savings collected at the weekly meeting to deposit with the central association, to discuss problems of the society with the supervisory staff of the central association, to listen to instructions and to learn more from the managers of other societies and to pass on the informations to his group in the next weekly meeting. Later, another man was selected by each society to take training in improved agriculture methods and techniques and to teach the same to his group. At the early stage he used to come once a week. Now he comes once every month.

A Feeder School Programme was added. Each cooperative selected a teacher, who is generally the Imam (a person who leads the prayer in the mosque) of the village to teach the boys and girls in the morning and the adults in the evening. He needed training to become the teacher. Now he also comes once every week to the Academy for training.

Another dimension has been added to the cooperative. A women's programme has been set up. Women form 48% of the population of the area. The Muslim women observe strict Purdah. They remain in their homes and family compounds. If they go out they are subjected to ridicule. With the consent of the members of the village societies, it has now become possible for their women folk to come to the Academy. A large number of them now come to the Academy for receiving training in sewing, garment making, kitchen gardening, poultry raising, child care and so on. With the different groups coming once a week more than a thousand people now come to the training centre at the Academy every week.

When the cooperative started forming in the early stage they had many problems. An immediate one was that they needed credit. They used to borrow from the money lender and he could give them money they needed with very short notice. An effective system which could replace the money lender was nonexistent. The ineffective use of credit also did not bring much profit to the farmer. His farm practices were outdated, his production was low and when a flood came, the crop was very badly damaged. He was thus not in a position to repay his loans unless through disinvestment of properties.

To meet the credit needs effectively it was decided that a credit organisation should be built up which could be at least as efficient as the money lender in its operation. This was possible only if a central organisation of the village cooperatives was organised with sufficient funds and sufficient authority in decision making and a supervisory and training system built up to help the members in productive utilisation of credit. The use of improved implements and machinery was considered essential for improved production. Money was needed to run such an elaborate organisation. The farmers could not mobilise enough resources to finance such an organisation. They needed more money than they could give. The Ford Foundation and the Government of East Pakistan provided Rs.4,869,000/- of this Rs.951,000/- was to be as grant for organisation, educational and training activities and Rs.3,918,000/- was for a loan of which Rs.800,000/- was working capital repayable in eight instalments from the

6th year and the remaining repayable in 20 years beginning from the fourth year. Of the total Rs.4,869,000/-, Rs.3,933,000/- came from the Ford Foundation and Rs.936,000/- was from the Government of East Pakistan. The money came through the Academy for the Central Association under a five year plan (1961-66). The Central Association was registered in February, 1962 with membership extended to 25 societies which were organised by them.

In order for the Academy to have sufficient authority in planning and execution, the Registrar of Cooperative Societies nominated Dr. Akter Hameed Khan and four others from the Academy Faculty to the Board of Management of the Central Association. Dr. Akhter Hameed Khan was to remain Chairman and another faculty was to be the chief executive of the central association till such time when the primary societies would hold more than 50% of the assets through purchase of share of the central association.

After registration of the central association, it started functioning with the credit organisation, a field supervision section for educational, training and organisational work and a tractor station.

Soon after the credit operation began and the saving deposits started coming we were in a banking operation which we were not competent to run. At this very early stage the services of a private bank was secured. They were willing to work with us as our banker provided they were not involved in the credit risk with the member societies. With the receipt of the grants from the Government and the Ford Foundation, we could give the bank enough security to give overdraft to the central association to be used for credit functions and financing other activities of the central association. The bank has been working with us since then and making good profits in its banking operation and at the same time providing a useful service to us. Now with new areas coming into operation, other banks are competing to be a part of the programme.

Running of the tractor station posed many problems. Managerial and technical skills were lacking and spare parts to keep the machines running were not available. A reasonable stock of spare parts could not be built up as there was none to prepare a list as to what was necessary. Villagers did not know how to use and operate the machines. Outsiders were not interested in working hard for them. Break downs of the machines were quite frequent. Villagers were becoming more convinced than ever that the machines could not work in East Pakistan.

The services of American Peace Corps Volunteers were secured to manage the tractor station and also to train local people. After four years of hard work by them, this year we have been able to take up the management of the machine shop with our own trained hands. All this was costly; we were losing heavily in the operation of the Tractor Station. But now we started making profit.

Farmers would not listen to the advice that he should follow certain improved practices and techniques to increase production. He would not use chemical fertilizer because he thought it would destroy the crop and land. He was sure he knew all about agriculture and he had nothing to learn. Only through effective demonstration he could be convinced. A team of Japanese experts helped the central association run a six acre

demonstration farm around the headquarters of the central associations where the people came for training. After two years of demonstration of uniformly good yields, the farmers were convinced that the Japanese were better farmers and that they could learn from them. Once they were convinced it was not difficult to persuade them to use improved method and techniques.

The Japanese were growing consistantly three crops by irrigation with water from the tank we have in our campus. Villagers were told that they also could grow an extra crop during winter if they hired a low lift pump. They tried but the water in the village tanks was not sufficient to grow irrigated crops. A dependable source of irrigation water was not there.

No organization which had the ability and resources was willing to try to tap the underground water. They thought it was not worth trying as it would not succeed. A young Peace Corps engineer, Mr. Robert Burns started exploring the area for underground water. He was convinced that there was plenty of water. He started with two inch diameter tube wells. It proved inefficient and costly. We had to get a drilling foreman from West Pakistan with drilling equipment. With local labour the foreman installed the first 6" tube well and it proved a success. This foreman has now trained ten teams who can work independently. Three teams are working in three areas which were opened in three divisions and the drilling foreman, who is now our drilling engineer, with the other teams are drilling tube wells in our area and the seven new areas.

Nothing succeeds like success. We are now getting the cooperation from all the Govt. departments. The East Pakistan Water and Power Development Authority is now working with us on a programme of rural electrification and giving us expert guidance in execution of a gravity flow irrigation scheme. With 200 tube wells and the gravity flow irrigation system it is expected that four fifths of the area will get irrigation coverage.

We have now 41 tube wells of 6" dia in Comilla and 15 in three areas of Gaibandha, Natore and Gauripur. We are having 20 more 6" tube wells and 100 Nos. 2" - tube wells this year. With a low cost pump since imported, 2" tube wells are proving economic.

Mere provision of water for irrigation does not bring the expected result. People must be taught how they can use water profitably. High yielding varieties need to be found and introduced. The Japanese water melon, Holland and Burma variety potato and Taipeh 177, a paddy brought by the Japanese, are now grown extensively as irrigated crop. Adoption of irrigation water can go faster only if high yielding crops are introduced. The higher the yield, the faster is the adoption. If the farmers interest are to be kept alive his efforts must be supported with upto date research findings.

6 tube wells which have been working for the last two to three seasons have irrigated an average of 58.28 acres during the past season. Our expectation was 60 acres when fully utilised.

Floods and the absence of roads were as serious a problem to the farmers as the absence of dependable irrigation system. Peak floods submerged the paddy plants and killed them if they remained under water for more than three days. If the flood water could be quickly drained off and the on

rush of water into the low lying areas through the network of streams which flow from the hills could be stopped, the farmers were sure they could save their crop and would repay their loans better. A Pilot Project was undertaken to open up the clogged channels and to put dykes along the streams. The farmers took an active part in planning for they know better which channels most needed to be opened and which streams were to be dyked first. The local basic democracy councils supervised the execution of the project through project committees and mobilised the local labour, which practically remained idle during the dry season, for the execution of the work. Their success in building up need capital works through mobilisation of otherwise idle labour encouraged the Government to launch a works programme which has now become a National Programme.

Increased production does not always mean increased income to the farmer. Increased production, particularly of perishable commodities tend to lower the price to uneconomic level at harvest time. Unless the price can be maintained at a level which is profitable for him to produce he would not be induced to increase production. Processing industries can help in such situations. The central association has now a cold storage, a milk processing plant and a rice mill. Processing units not only help in marketing but also help in bringing extra income to the farmers from the profit and opens up additional avenues of employment. A part of the income from the Agriculture sector is again ploughed back to the agriculture and additional investment in agriculture help increasing production.

Like the machine station, cold storage, the milk processing unit, and rice milling pose problems of management skill and technical knowhow.

A British volunteer is helping us training our own personnel in the management and maintenance of the cold storage plant. An American volunteer is helping in the management of the milk processing unit and a New Zeland expert under the Colombo Plan attached with the Government of East Pakistan is assisting in production techniques. Rice processing is posing no problem because we now have our own trained mechanics.

The Comilla cooperative experiment started with the farmers cooperatives and it has as its objective the economic development of the farm population. However it could not hold its door closed to others, though at the initial stage, the town area was kept outside the operation of the project. Some rikshaw pullers and artisans showed their interest in forming cooperatives and enlisting with the central association. It was observed that rate of capital formation with these societies was much faster and they needed very little external monetary help to conduct their business. The first rikshaw pullers society which started their cooperative in the last part of 1960 with nine members each saving one sixteenth of a rupee a day now owns 95 rikshaws, two trucks, one acre and eighteen decimal of land, an office building, a rikshaw garrage and last year invested Rs.200,000/- in brick burning. Their last year's balance sheet showed a net profit of Rs.49,000/-. The membership has by now increased to 180. There are other urban societies whose progress is as fast. Last October it was therefore decided to have a separate Federation of these societies, comprising of rikshaw pullers, truck and bus drivers, butchers, carpenters, press workers etc. numbering 50 societies. This Federation by November 30th has a share capital of Rs.150,000/-. Such an urban federation can function without much elaborate establishment, more economically and can become self-sustaining in much shorter period of time.

The Comilla experiment has shown reasonable success in attaining its objective. The question was whether what was done in Comilla could be done else where - in places where there was no Academy and no Akhter Hameed Khan. The answer should be yes; provided Comilla had developed a good working and dependable system.

Our Government was willing to find out in three other areas of the three divisions of the province if the Comilla approach would work. Three areas were opened, one in each division in 1963. The progress in those three areas was encouraging and considered by many observers to be faster than Comilla. This year, in the month of July, seven more Comilla like projects have been opened and 13 more are going to be opened during the next financial year to give coverage to the entire district of Comilla.

To give an idea of the magnitude of the financial transactions of the Comilla Thana Central Cooperative Association I may add here that during the financial year 1964-65 ending in 30th June'65 the marketing transactions of the association amounted to Rs.1,973,750/-, its investment in loan operation stood at Rs.867,244/- at the close of the year, the earning from the tractor services amounted to Rs.159,365/-. The association earned a net profit of Rs.92,144.57. Its total assets stood at Rs.8,536,697/-. The association has built in a depreciation reserve of Rs.221,733/- and a bad debt reserve of Rs.36,000/-.

The present volume of monthly transactions of the creamery section averages Rs.25,000/-, that of the machine station averages Rs.30,000/-, the rice milling unit averages Rs.10,000/- and the loan transactions Rs.75,000/- (in and out). The cold storage which has the capacity of 1000 tons is expected to bring a profit of Rs.200,000 per annum. The water development section this year will be installing 20 Nos. 6" tube wells and 100 Nos 2" tube wells.

The Lessons We Learned In Comilla

The lessons we learned in Comilla can be summarised as follows:

1. Cooperatives provide a suitable base for development of agriculture and rural economy in East Pakistan.

2. For cooperatives to flourish and succeed, the infrastructure for agriculture development has to be built up. The local council can mobilise the rural labour force during dry season to build up the necessary capital works provided funds are made available and planning and executions are decentralized to the local level.

3. A sound credit system supported by marketing and processing provies a sound economic base for the cooperative to become self-sustaining.

4. An extensive and intensive training programme in agronomy, technical and managerial skills are needed to have a break through in agriculture sector and to make agriculture cooperatives functional.

5. It is better to find out what works and what does not work in a small representative area and then to repeat the tested successful ideas elsewhere.

6. It always pays to take help from those who can help but it is necessary to know first what help is needed.

7. Once the suitable organisational pattern is set up, problems of health, education, illiteracy can be effectively tackled. The work of the extension agencies becomes easier.

8. Cooperatives often complain of not receiving sufficient cooperation from other agencies. But it is forgotten that the main job of cooperatives is to teach how to work together.

Conclusions

On the basis of our experience in Comilla and the lessons we have learned I can conclude as follows:

1. Determination of the policy on cooperatives by any Government would depend on what the Govt. wants to achieve. To use cooperative effectively for agriculture development Govt. should be willing to provide the initial capital for organising credit service and other allied services on a long term credit basis. They should be willing to subsidise the organisational and educational activities at the initial stage.

2. Govt. should be willing to pay for building the infrastructure for agriculture development which are lacking in almost all the developing countries.

3. Cooperatives are often considered as philanthropic organisations which have nothing to do with business at certain policy making levels. Cooperatives, to be an efficient organisation in problem solving, should be operated as sound business organisations though not divorced of the human aspect of cooperation.

4. The Comilla experiment is an effort in international cooperation in establishing that cooperation through voluntary association of people of small means who make ineffective living on agriculture can improve their own condition and can increase the production of a Nations food and fibre.

5. It is here that all the Govt. departments are working through an integrated approach and using the cooperative in tackling the problems their respective departments are entrusted to tackle.

6. Here the rare skills borrowed from the developed countries are used to train local skill. Once skill is created it can reproduce.

7. Comilla is a model which shows what can be done. The Comilla experiment is considered by many to be costly. Experimentation is always a costly affair but the result which has been achieved and its contribution to future is worth the expenditure or not is a matter to be evaluated by independent experts.

8. As one who is involved in the administration of the project I would like to state the bare facts how and to what extent the results of Comilla experiment, an effort in rural socio economic development through a cooperative method, has attracted the attention of the policy makers and has been influencing the development policies of the Government.

a) The headquarters of the Comilla Cooperative Projects has developed into a training and service centre with "physical facilities (office, class room, quarters, work shop, bank etc.) where the Thana officers of the Nation building departments and the semi autonomous agencies live and work. As such, it provides a convenient place for the people to come on business or for instruction, and also aids the coordination of the activities by providing them with decent facilities in close proximity to one another"(i). The centre has assumed the name of Thana Training and Development Centre. The Provincial Government has now undertaken to build up similar centres in all the Thana Headquarter of the province.

b) The project is providing data for study and research in rural development to specialised agencies. The Cooperative College, which is a provincial institution of the Government of East Pakistan, is using the project for training and research. The Dacca University, a premier educational institution of the country, has undertaken a study on modernization of rural economy in Comilla to find out what difference the Comilla type programme can bring over a period of time in an area compared to another area where the programme has not been introduced.

c) That the National Planners are paying sufficient attention to the Comilla project is borne out by the fact that in the chapter on works programme in Art 17 of the outline of the Third Five Year Plan, it has been mentioned that provincial programmes are drawn on the basis of model operations tried out in The Comilla Experimental area. The statement has been recorded thus.

> "Economic growth needs an infrastructure of Capital works and financial institutions and resources which stimulates entrepreneurs and makes the desired development possible. This is what rural Pakistan lacks. And it is this the works programme seeks to supply. In East Pakistan, Comilla is used as the experimental area in which model operations are tried out on the basis of which the provincial programmes are organised".

The chapter on cooperation also takes due notice of what is being tried in Comilla. Article 5 of chapter on cooperation runs thus "The experience gained from the operations of the cooperative farming societies at Multan and Comilla indicates that the programme can be extended during the third plan period. Cooperative farming, with the farmers retaining individual

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(i) Thana Training Centre by James Hendry, Member Harvard University Planning Advisory Group in Pakistan,

An article published in the Journal of Pakistan Academy for Rural Development, October, 1963 Vol. IV - No.2.

holdings will be started in other areas to accelerate the modernization and machanisation of cultivation practices. Similarly organisation and development of milk producers' cooperatives with dairy plants will be encouraged".

d) Comilla project has also received the due attention of the President of Pakistan who, in spite of his heavy engagements and preoccupations, was kind enough to pay visit to the project area along with the Provincial Governor and spare sufficient time to closely study the project. The Finance Minister of Pakistan and some other ministers of both the Central and the Provincial Governments also paid visit to the area.

The project is receiving sufficient attention of the top administrators and policy makers. Sometimes we feel we are receiving a little too much of attention. We are really in the midst of our experiment and our goal is not yet realized.

-171

Working Paper

THE ROLE OF GOVERNMENT IN COOPERATIVE EDUCATION AND TRAINING

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123

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- WORKING PAPER -

"ROLE OF GOVERNMENT IN COOPERATIVE EDUCATION AND TRAINING"

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This paper tries to picture only our experiences in the Philippines on "the role of government in cooperative education and training". It makes no attempt to speak of the experiences in other places. Its purpose is merely to introduce the subject thru the Philippine experience. It is hoped thereby that it will draw similar statements from the delegates themselves, of therefore a more authoritative character, about their actual experiences in their own countries.

Philippine Cooperatives

A separation of the government agencies regulating cooperatives has caused a division of Philippine co-ops into (a) agricultural and (b) non-agricultural.

As of June 30, 1965, there were reported the following agricultural co-ops:

Co-ops:	All Co-ops	Active Co-ops
Locals	512	153
Special	13	11
Federations (1 National)	22	5
Total	547	169
Membership	310,751	n.a.
No. of barrios covered	13,158	n.a.

The agricultural co-ops are generally multi-purpose, performing credit, marketing and purchasing functions. They are organized usually cover a municipality.

As of June 30, 1965, there were reported the following non-agricultural co-ops:

Co-ops	Reporting Co-ops	Membership	National Federation
Credit Unions	644	107,100	1
Consumer Co-ops	142	45,222	1
Industrial Co-ops	15	2,707	-
Service Co-ops	3	n.a.	-
Co-operative Bank		517 1/	1

1/Co-ops Society members as of June 30, 1964.

The non-agricultural co-ops are primarily single-purpose. They are organized usually among personnel in offices and business establishments.

Philippine Government

The Philippines has a constitutionally unitary system of government. National government administration is carried out primarily through Department Secretaries/Heads of offices all under the President.

There are four regular types of local government institutions falling under three (3) levels:

a) the province, and (b) chartered city
c) the municipality
d) the barrio

(The chartered city and the province are on the same level). In addition, there are two special types: Subprovince and Municipal district. As of October 15, 1965, there were the following numbers of local government units:

provinces	56	
cities	48	(8 not yet formally inaugurated)
municipalities	1,365	
municipal districts	37	
barrios	29,500	(approximate)

A set of primarily historical and cultural factors have made the Philippine governmental system very highly centralized, with the local governments serving in practice as mere administrative units of the national government.

The national government agencies concerned with cooperative education in one way or another are:

(1) Agricultural Credit Administration (ACA)
(2) Commission on Agricultural Productivity (CAP)
(3) Cooperatives Administration Office (CAO)
(4) Agricultural Credit & Cooperatives Institute of the University of the Philippines (ACCI-UP)

(5) Bureau of Public Schools (BPS)
(6) Presidential Assistant on Community Development (PACD)
(7) Philippine Coconut Administration (PHILCOA)
(8) National Cottage Industries Development Authority (NACIDA)
(9) Electrification Administration (EA)
(10) Philippine Fisheries Commission (PFC)
(11) Philippine Virginia Tobacco Administration (PVTA)
(12) Asian Labor Education Center (ALEC) and College of Agriculture (CA), both of the University of the Philippines.

The local government units which are somewhat more concerned with cooperative education are the barrios.

Other Voluntary Bodies Concerned With Cooperative Education

Cooperative education work (contributions are in one form or another) is performed both by the co-operatives sector, by government and by various other voluntary bodies.

Among the voluntary bodies (non-co-ops) contributing to co-operative education work are:
(1) Philippine Rural Reconstruction Movement (PRRM)
(2) Operations Brotherhood International, Inc. (OB)
(3) Consumers Federated Groups of the Philippines, Inc.
(4) Knights of Columbus Community Services
(5) Institute of Social Order
(6) Philippine Federation of Christian Churches
(7) Barangay Sang Virgen.

Cooperative Education Work Classified.

For our present purposes in the Philippines, we classify the areas of co-operative education, to which contributions are made by the various sectors, into:

(a) Government co-operative officers training
(b) Co-operative societies' staff training, and
(c) Member education (which includes training of committee members/directors)

The contributions to co-operative education work by the various sectors' agencies we have also classified roughly as falling under:

(a) Financing of co-op. education expenses
(e.g., of maintaining trainors and trainees, and of availing training facilities)
(b) Research to support training
(c) Administration of training and education programs

Government Agencies: Structure, Resources, and Actual Contributions to Co-op Education Work.

Among the government agencies involved with co-op education work, the more important ones from the point of view of actual contributions and evolving direction of interest are: (1) CAO, (2) CAP, (3) ACA, and (4) ACCI.

The CAO is the government supervisory agency for non-agricultural co-ops. Besides its regulatory work including audit, it conducts promotional and propaganda campaigns and guides newly starting co-ops' staffs. These functions are performed primarily through a field staff of about 65 men distributed all over the country. It also undertakes the direct administration alone or jointly with other agencies of various training courses for society staffs and its own officers. For this purpose, it maintains an Education and Training Division composed of three (3) men and draws on personnel of its other specialist divisions as needs arise for resource persons. The division has had yearly allocations of between ₱14,000.-- to ₱21,500.- during the last four years. The CAO was able to obtain thru its budgetary request the sum of ₱200,000.- for co-op education work. It has since then turned over the amount to the ACCI for co-op education work. The CAO has also been instrumental in the formation and financing of the Central Cooperative Educational Board (CCEB) (a co-op) which is concerned primarily with co-op education. The CCEB at present maintains three (3) regional co-operative education officers and publishes the co-op magazine "Philippines Co-operative Advocate", preparation of materials for which is done primarily through CAO staffs. The CAO has likewise prepared several informational pamphlets and materials including model by-laws, multiplication and distribution of which being made by CCEB, ACCI and other agencies.

The CAP is the agency under the newly-enacted Land Reform Code (RA 3844) charged with the function of promoting and guiding agricultural co-ops.

At present, it is still in the process of getting staffed for its co-op education work. It undertakes the training of such hired staffs through arrangements with ACCI and by taking advantage of scholarships/travel grants abroad afforded by international technical assistance agencies.

Its staffing pattern envisages co-op officers on congressional district basis (102 all over the country) but it also plans to utilize the services of staffs working at the barrio level for co-op promotional and propaganda purposes. In designated Land Reform Districts, its co-op officer staffs work together with members of Land Reform Project Teams.

The ACA at present still has to be a major support for agricultural co-op education work because of its accumulated experience in this field over the past decade although under the Land Reform Code, member

education work ceases to be its responsibility but that of CAP. ACA nevertheless continues to play the important part in the training of its own field staffs (specialized government co-op officers) in collaboration with ACCI. It also avails its own technical men as resource persons in training programs.

The ACCI is unlike the other three agencies which have responsibilities other than co-op education work. Its principal job is education work being a part of the State University. Also its concern includes both agricultural and non-agricultural co-ops and, as such, serves to integrate the two divided sectors. ACCI, while a government agency, has and advisory council drawn from the served agencies and concerned with policy for ACCI's training and research programs. ACCI thus enjoys the stability of regular government funding while freed from the ordinary political pressure in its policies on programs. ACCI has undertaken extensive collaboration with the various agencies, government and voluntary, in its education work. It has been undertaking research in support of training and maintains supporting facilities like a library, dormitory, bus, etc. ACCI maintains a staff of about thirty five (35) and has a yearly appropriation of about ₱350,000.-. The ACCI conduct regional and residential training courses alone or jointly with other agencies for discussion group leaders, cooperative society staffs, directors and committee men, and government cooperative officers. It also finances trainee expenses like boarding and lodging.

Among the other government agencies, the BPS and the PACD appear to have great potentials for performing co-op education work but these remain largely unexploited. Both offices have field staffs even at the barrio level. Among local government units, the barrio appears to be of potential importance. A new law, the Revised Barrio Charter, mentions co-ops as a matter of concern for the barrio governments.

Concluding Remarks

Over-all we might say that compared to the volume of needed co-op education work, the efforts so far of government while creditable are unable to make up for the deficiency of the voluntary sector in co-op education.

101

Working Paper

TAXATION AND THE COOPERATIVE SOCIETIES

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Experts Conference on
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WORKING PAPER

TAXATION AND THE COOPERATIVE SOCIETIES

Mr Mak Kam Heng

Usually where profit business comes in competition with cooperative business, more or less hostility from the former towards the latter develops. Boards of trade, chambers of commerce, merchants' and manufacturers' associations launch attacks. The history of the cooperative societies is a story of repeated attacks by profit business. Skilfully concocted misrepresentations to destroy credit to alarm the members, and to induce them to draw out their capital have been a common resort. The boycott of cooperatives by manufacturers, dealers and transportation companies, the bribing of cooperative employees - all these are also expedients to which profit business resorts. These attacks have sometimes caused serious trouble, and always annoyance. But still the cooperative movement grows.

In many countries the governments have at the behest of business acted against the cooperative movement. Restrictive laws, regulations, taxation and commercial discrimination in favour of profit business, have been directed by the State against the consumer distributive societies. In most countries attempts have been made to tax surplus-savings and loan capitals of cooperatives as though they were profits. Cooperators have to put forth long and patient efforts in order to obtain, at any rate in a large number of countries, legislation more in conformity with the distinctive nature of cooperative institutions. Unlike profit business, cooperative business asks for no discriminatory favours of the State; it asks only that it shall not be discriminated against.

Uncertainly as to the true nature of cooperative institutions and the role they can play in the economy has also frequently been reflected in certain legislative measures concerning the actual working of the economic system - regulations of prices or commercial and industrial profit margins, restriction of the number of shops in such-and-such a branch of trade, production, import and export quotas etc. Some of these measures were aimed directly against cooperative societies and the majority affected them without aiming at them specifically, while both classes of measures adversely influenced their working, their activities and their development.

Fiscal legislations too has sometimes had to deal with knotty problems on account of the peculiar nature of the cooperative share, the indivisible character of cooperative reserves and the surpluses distributed to members. However, once a distinction is established between the dividend on purchases and the dividend on profits, and when it is recognised that cooperative societies do not make profits because their trading surpluses are refunded to their members, it becomes difficult to tax them on industrial and commercial profits or income.

Taxation and the Cooperative Societies. 2

Consequently in many countries cooperative societies (or certain classes of the societies) are exempted from such taxes, either during the early years of their existence or for unlimited time. In fact in the majority of countries the part of the surplus that is refunded as "dividend" is not regarded as liable to taxation: on the other hand, the reserves (that is to say the undistributed surpluses) are frequently taxed.

Cooperative institutions are generally subject to purchase or turnover taxes. As regards the other taxes (on real and personal property, trading licences, stamp and transfer duties etc.) the fiscal regulations applicable to cooperatives vary widely from one country to another and even within the same country from one category of cooperative to another.

In certain countries in Latin America and the Middle East, the fiscal advantages granted to cooperative societies are fairly numerous and may even include total or partial exemption from certain customs duties; in some cases (Bolivia, Chile, Colombia, Costa Rica and Guatemala) they relate to transport tariffs. Before World War II a law was passed in Greece giving special consideration to cooperative societies exemption from state and local taxes (such as income tax, real estate etc.).

The explanation of this privileged treatment is the intention to assist cooperative societies until such time as they have reached maturity and also the fact that their capacity to pay taxes is practically negligible. There is a tendency for the attitude of the tax authorities to change gradually as the societies reach maturity and occupy a larger place in the national economy and among the potential sources of public revenue.

In countries in which cooperatives have been firmly established for a long time they are normally subject to the same taxes as profit-making undertakings. From time to time certain exonerations or tax rebates are allowed to particular categories of societies (agricultural cooperative societies and cooperative housing societies, for example).

Cooperation stands for free trade. Duties and import tariffs are paid by the consumer. The tariff is a tax imposed upon all the consumers in the interest of privileged traders or manufacturers. It is a source of international hostility, and promotes monopoly and a privileged and protected class at home. The Cooperative Movement asks no tariff discriminations. Not seeking private profit, it aims to have free and unobstructed commercial intercourse between all peoples. As a consequence, the Congress of the International Cooperative Alliance in 1946 passed a resolution favouring the removal of all international tariff, trade barriers.

Barriers in the way of international cooperative trade, such as discriminatory government regulations, for instance, controls, foreign exchange, taxation, quotas and duties must be overcome by cooperative organisations. A thorough study by apex organisations of the trade patterns of the countries involved would be necessary for the

promotion of cooperative trade. Government policy should be directed to securing fair trading conditions and the implementation of fair trading laws.

The Position in Singapore

Question of Taxation of Cooperative Societies

Under Section 55 of the Cooperative Societies Ordinance, Chapter 175:-

"55. The Minister by notification in the Gazette may, in the case of any registered society or class of registered societies, reduce or remit -

a. the duty or tax which under any written law for the time being in force may be payable in respect of the profits of the society or of the dividends or other payments received by the members of the society on account of profits.

b. the stamp duty with which under any written law for the time being in force instruments executed by or on behalf of a registered society or by an officer or member and relating to the business of such society or any class of such instruments, are respectively chargeable."

Thus it can be seen that the power to exempt any cooperative society from tax or duty is vested in the Minister, and in fact all cooperative societies in Singapore are exempt by legislation from taxation and duties.

Section 13(1)(f)(ii) of the Income Tax Ordinance, Chapter 166, reads as follows:

"13. (1) There shall be exempt from tax -

x x x x x

(f) the income of -

(ii) any cooperative society registered as such under the cooperative societies Ordinance or registered as such in the Federation under the law for the time being in force in the Federation relating to the registration of such societies."

Section 35(g) of the Stamp Duty Ordinance, Chapter 170, states that.....

"35. No duty shall be chargeable in respect of -

(g) any instrument executed by or on behalf of a society registered under the Cooperative Societies Ordinance or of a society registered in the Federation of Malaya under the Cooperative Societies Ordinance, 1948, of the said Federation or executed by an officer or member of any such society and relating solely to the business of such society."

Taxation and the Cooperative Societies. 4

Limitation of Dividend

Under Rule 17 of the Cooperative Societies Rules 1953, the rate of dividend paid on shares in any registered society shall not exceed 6% per annum without the sanction of the Registrar. The Registrar of Cooperative Societies has, however, laid down a maximum of 4% with the proviso that a society may exceed the maximum of 4% if it will transfer 25% of its surplus to the Reserve Fund.

It is a cooperative principle that dividends shall not be the first and only consideration of the movement - rather, "Service to members" - should be the prime motto. One of the cooperative principles is the limitation of dividends.

However, time and again cooperative societies have attempted to request for the limitation of dividends to be raised from 4% to 6% per annum, and in this respect it is pertinent to quote hereunder the views of a former Commissioner for Cooperative Development:-

> "The profits of Cooperative Societies are not subject to Income Tax. A 4% dividend free of tax is a very good return on one's money indeed, and investment in a Thrift and Loan Society is as safe an investment as any can be found. Unless cooperators are willing to limit their demands for dividend, it may be found necessary to amend the Income Tax Laws to tax the profits of cooperative societies.
>
> "It would be most unfortunate if cooperative funds, which are so terribly badly needed by the Cooperative Movement for its furtherance, were to be absorbed in taxation. Constantly the cries are heard from Malayan Cooperators for assistance from government. How can Government grant assistance from public funds, when the applicants are enjoying large tax-free dividends?"

The Law exempted registered cooperative societies from payment of Income Tax and Stamp Duty, and as such, if societies only take the question of a higher rate of dividend into consideration, the cooperative movement should expect to meet severe opposition from other trading concerns.

Charge of Deductions made by cooperative societies through the central pay office

Since its inception, the Singapore Government has given the Cooperative Movement its full encouragement and patronage. In fact in its relentless efforts to wipe out indebtedness among Government servants, the Government had encouraged those in the Civilservice, and particularly those who are about to be appointed, to join cooperative thrift and loan societies.

In the early stages of development of the movement, the Government had even provided administrative and clerical assistance and facilities to cooperative societies to help them establish on proper footings. Apart from exempting cooperative societies from taxation and duties by legislation, throughout the years Government has provided

Taxation and the Cooperative Societies. 9

facilities free of charge, for deductions of dues from its employees to cooperative thrift and loan societies through the pay packets.

But in July 1965, without prior discussion and consultation, the Accountant-General sent a Circular letter to all Cooperative Societies collecting dues from their members through the Central Pay Office, stating that a charge of ½% subject to a maximum of $500 per month, of deductions made by cooperative societies through the Central Pay Office, will be imposed with effect from 1st July 1965. The affected cooperative societies which are affiliated to the Singapore Cooperative Union, were taken by surprise and shocked with the unprecedented and arbitrary action of the Accountant-General in that this is a retrogressive step and contrary to the very policy of the government towards the cooperative movement. The reasons given for the imposition of the charge - the burden of work on the Central Pay Office in making deductions on salary sheets and a charge of ½% is small and not unduly heavy - are far from convincing, as the burden of work is not so voluminous as to justify the charge and a charge of ½% subject to a maximum of $500 per month, would mean 6000% a year, and may well represent 10% to 15% of the net profit of each society. This amount charged by the Government would naturally have to be borne by the members of the thrift and loan societies concerned. This matter is being pursued by the Singapore Cooperative Union with the Ministers.

Working Paper

PATTERN(S) OF FUTURE RELATIONSHIP BETWEEN THE GOVERNMENT AND THE COOPERATIVE MOVEMENT

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Introduction

The subject of future relationship between Government and the Cooperative Movement is of a nature which will defy all attempts to evolve norms for all countries and in all situations. The relationship will depend upon several factors and local conditions in each country. The most important factors will be the strength of the Cooperative Movement itself and the place given to Cooperation in the economy of a country. It is, therefore, possible to discuss only a broad pattern of relationship between the two. Also it is expected that the pattern of relationship will evolve itself during the deliberations of the conference, and it will be premature at this stage to state definitely what this pattern should be. Only certain basic aspects underlying the problem of relationship can be briefly stated in this document.

The basis for present relationship between the Government and the Cooperative Movement

In almost all the countries of South-East Asia except Japan, the relations between the Cooperative Movement and the State are very close. The governments in almost all these countries have evolved a pattern of administration, finance and supervision for cooperative societies. During recent years, the relationship seems to have grown thicker mainly owing to the fact that Cooperatives are being promoted and developed by the Government as a part of their planned economic development. The planned economic development has put on the Cooperative Movement the onus of developing at a rate much faster than what normally they would be able to keep. The result is that the necessary leadership, technical know-how and finance needed for such rapid development and which were not readily available in the Cooperative Movement, had to come from the Government. As planned economy is going to be a regular feature of economic development in most of the countries, it is inevitable that the Cooperatives are associated with the process of economic development and contribute their share of efforts to achieve the desired results.

Government Initiative

The reasons for the very close relationship between the Cooperative Movement and the Government are partly historical and partly, as stated earlier, due to the deliberate policy of the Government towards economic development. In the early days when voluntary organisations were not a common feature of the society in developing countries, any initiative in formulating organisations on the basis of self-help and were voluntary in character had to be promoted, except in certain cases where local leadership was available, by government agencies. Hence, cooperatives

also came to be initiated through government efforts. Later, even the role of promoting and supervising the cooperatives had to be with Government and spontaneous cooperative growth was not possible. However, things have changed and instances of spontaneous cooperative growth are not lacking. The process of transfer of power, however, to the Cooperative Movement has not yet gathered momentum and it appears that unless the Cooperative Movement itself rallies round its forces and becomes an integrated force in the national economy, the Government will remain in the picture for many years to come.

Cooperative Legislation

To implement the cooperative policy of the government involving extensive administrative and financial responsibilities, the governments had to enact legislation embracing almost all aspects of cooperative activity. The majority of cooperatives draw their strength more from cooperative legislation than from the body of members. For every cooperative action or initiative the Cooperatives look to the various sections of the Cooperative Act. It is rather unfortunate that in some countries the introduction of planned economic development has enlarged the scope of cooperative legislation and has increased the administrative machinery for implementing the various schemes of the government incorporated in the development plans. It may be necessary to have extensive cooperative legislation to administer the Cooperatives, but it is not necessary that the administrative authority be necessarily with the government. The federations of cooperatives in various sections could be entrusted with the responsibilities ranging from education to audit with regard to their affiliated Cooperatives. The most suitable pattern in this respect should be the involvement of federations in the implementation of various sections of the Cooperative Act and Rules.

The Registrar

From out of the various sections of the cooperative legislations in different countries, a very powerful personality emerges. This personality is of the Registrar or the Commissioner responsible for the execution of various powers vested in him by the Cooperative Act. The Registrar is the pivot of the entire cooperative structure. In addition to the statutory powers, he enjoys several extra-statutory powers which give him wide discretion with regard to registration, development, inspection, supervision, and dissolution of the Cooperatives. Some of the non-defined powers of the Registrar leave very little incentive and initiative in the hands of the Cooperatives and their Federations as for most of the important decisions they have to approach him from time to time. The Registrar has been described by some as the creator, preserver and the destroyer of the cooperative societies, by others as their friend, philosopher and the guide. In whatever way one puts it, the fact is that the Registrar still dominates the cooperative scene. The basis for evolving a future pattern for administering the post of the Registrar is to gradually transfer his extra-statutory powers to the business federations and National Cooperative Unions leaving to the Registrar only the minimum statutory powers which as a public servant he is expected to execute towards public bodies.

The Nature of Government Assistance

The various aspects of Government assistance and the very nature of it will be discussed in various other sessions of the Conference. However, it may be relevant to mention here the various areas in which Government assistance could be legitimately asked for by cooperative societies from the Governments. These areas are:

(i) Loans for various short-term requirements of the Cooperatives;

(ii) Subsidies, i.e. permanent grants to Cooperatives for undertaking initial construction or for meeting managerial expenses or for undertaking an activity which cannot be financed by the Cooperatives;

(iii) Guarantees for responsibilities undertaken by Cooperatives in the shape of repayment of loans, or interest, etc.;

(iv) Extension of contracts to Cooperatives for public works;

(v) Tax concessions on income as the Cooperatives return the profits to their members in proportion to the services rendered;

(vi) Miscellaneous assistance in the form of allotment of land, building, etc. for cooperative activity.

The Government should discourage the practice of dealing in above matters directly with the primary and secondary cooperatives. The assistance should invariably be channelled through their Federations. This will help integrate the cooperative structure.

Recommendations of the Ministers' Conference

The Conference of Ministers of Cooperation on "The Role of Cooperation in Social and Economic Development" held in Tokyo during April 1964 recommended the following as the basis for collaboration between the Government and the Cooperative Movement in developing countries.

"While the importance of the Cooperative Movement as a voluntary Movement cannot be over-emphasized, it would be necessary for the Movement to accept Government assistance especially in the initial stages. The role of the Government should be essentially promotional and the necessary guidance and financial assistance should cease as soon as the Movement is in a position to look after itself but no sooner."

"Government policy should be directed to securing fair trading conditions and if the Government itself enters into the field of trading, preference may be given to the use of cooperatives for such operations. The implementation of a fair trading policy requires not only the passing of the requisite laws, but more particularly a proper enforcement of such laws. Any legal hindrances to the development of the Movement, as for example area limitation or inability to trade with non-members, should be removed."

"To obtain a coordinated approach to cooperative problems, it is most desirable that governments should review their policies for providing machinery for collaboration between different Ministries and Departments, as for example, by establishing joint committees or other satisfactory means of liaison."

Recognition at the International Level

The need for drawing upon the resources of the Government for cooperative activity which aims both at social and economic development of the people, has been recognised by the Cooperators all over. The International Cooperative Alliance through its Central Committee which met in Zurich in 1946 expressed the following views on the relation between the Government and the Cooperative Movement:

> "The Central Committee of the ICA recognises that there is identity of aims between cooperative action and the action of the State, provided that the latter be freed from any coalition of private interests, and that it corresponds to the necessity of an organization which places an economy of service above an economy of profit, both from a national and an international point of view."
>
> "The Cooperative Movement is aware that the State is being led to take measures in order to assume the direction of the whole sphere of economy. (However) the action of the State necessarily has limits, and in its efforts towards the general organisation of economy it cannot do without the collaboration of cooperative institutions of all kinds. Cooperation being an organisation built up from below, and which groups in federated organisations units of a personal and family character which are at the basis of economic and social life both in towns and in the country, is the only organisation capable of linking those units organically with any plan embracing the whole economy.
>
> "Once this is recognised there will be no opposition, but rather a judicious distribution of tasks and a reciprocal collaboration between the activities of the State and those of Cooperative organisations that must be associated with the State activities."
>
> "The Cooperative Movement is, therefore, entitled to claim from the public authorities the liberty of its full development in the large fields of economic life where Cooperation succeeds in reconciling order, efficiency, and liberty, by a freely accepted discipline, and the putting into practice of the principles of self-help and mutuality."

Basis of Future Relationship

The basis of future relationship between the Cooperative Movement and the Government will largely depend on the following main factors:

(i) The strength of the national federations;
(ii) The availability of cooperative leadership;
(iii) The internal resources of the Cooperative Movement;
(iv) Competence of the cooperatives to effectively meet the challenge of other agencies in the field;

(v) The extent to which the Cooperative Movement has been able to bring about an active participation of their members in cooperative activity through a process of education;

(vi) The managerial efficiency which has been developed amongst the members of the cooperative staff through training, demonstration, etc.

Some of the Important Aspects to be Borne in Mind in Considering the Pattern of Future Relationship

(i) It is necessary to ensure that while enacting cooperative legislation and administering it through the Government machinery, the Cooperative principles are not violated. The ultimate success of Cooperatives depends largely on its ability to preserve against all odds the integrity of cooperative character and follow the principles of Cooperation.

(ii) While it may be necessary to undertake in the earlier stages of development several measures by Government to promote cooperative activity, it is also necessary simultaneously to undertake action aiming at developing federal agencies which will take over these responsibilities for implementing certain Sections of the Cooperative Act and only the bare statutory responsibilities of Government, namely, registration, audit of certain types of societies, liquidation, etc. should be retained with the Registrar.

(iii) The Government action in assisting the cooperatives should be based in such a way that inter-cooperative relations are strengthened. In other words, the Cooperatives should be allowed to grow as an integrated structure.

(iv) Priorities should be fixed for the gradual transfer of responsibilities to the federations. A beginning in the immediate future can be made in this direction by transferring responsibilities for education, promotion, supervision of the cooperative societies to the federations.

(v) The financial assistance to be given to cooperatives should be as far as possible in healthy proportion to the finances raised by the Cooperative Movement itself. In other words, if a section of the Cooperative Movement does not have a chance to raise its own resources through its normal trading, it would be a futile effort on the part of the Government to load such cooperative section with enormous amounts by way of loans, subsidy, etc. The organic strength of the cooperatives should not be impaired by Government assistance.

(vi) Government assistance given in the form of finance, personnel, guidance, etc., should in no way give veto power in the hands of the administrators which may result in over-riding the decisions of the cooperative societies.

(vii) The policy of the Government for cooperative development should always be evolved in consultation with the Cooperative Movement. In some countries bodies like Cooperative Councils have been established to formulate cooperative policy. These bodies consist of representatives of Cooperatives as well as the Registrar. This forum has proved to be of great use in formulating cooperative policies, and

(viii) The Registrar has several administrative and executive functions. It will be wrong in principle to give him judicial functions also. Efforts will have to be made to take out the judicial functions of the Registrar and entrust them to an independent body such as a Cooperative Tribunal as has been done in a few cases.

192

Working Paper

PROMOTION, SUPERVISION AND STATUTORY FUNCTIONS OF THE REGISTRAR/COMMISSIONER OF COOPERATIVE SOCIETIES

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1. Promotion of Cooperatives

1.1. Western Countries

Promotion involves organisational and educational work. In the countries of South-East Asia, this function is largely performed by government agencies. In many western countries, in the past, and even today, cooperatives were sponsored by the members themselves or by their secondary organisations, or by other social welfare organisations. The members and also the sponsoring organisations undertook educational work among the members to ensure the success of cooperatives. Cooperatives being voluntary organisations, it is argued that government should not come into the picture in the promotion of cooperatives and get directly involved in the working of cooperatives. In these countries, the role of government was largely restricted to enacting a law for recognizing and providing legal status etc. to the cooperatives. This is a traditional method and it is believed to be the only method that should be adopted in the development of cooperatives.

1.2 Developing Countries of South-East Asia

Because of the high literacy level, promotion of cooperatives in the western countries did not raise many problems. In the countries of South-East Asia, where a large majority of the people were illiterate, a number of difficulties were encountered in the promotion of cooperatives. Though Cooperation in the sense of joint working of two or more persons is as old as human society, in its modern technical sense of a conscious activity and as a philosophy of life, the concept was modern to the bulk of the population in the region. There was, therefore, a need to educate and train the persons in the formation and the working of cooperatives. Members, and especially committee members, had to be taught the meaning of Cooperation, its principles and practices, and methods of conducting cooperative business. In the village

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particularly, it was difficult to find qualified secretaries and accountants. All this work, therefore, involved considerable ground work in educating the members and also in training the office bearers in the working of cooperatives.

1.3 Role of Government in the Past

The countries of South-East Asia are mainly agricultural and a large majority of the population live on agriculture. During the later part of the nineteenth century, the conditions of the agricultural community deteriorated to a great extent. In their attempts to find a solution to the problems of agriculturists, the governments of these countries thought that organisation of cooperatives among the agriculturists, as was being done in the western countries with great advantage, would help to solve the problems of peasant communities and contribute to their social and economic uplift. Cooperative movement in these countries, therefore, was first initiated in the agricultural sector. In fact, in many countries, serious attempts in the organisation of cooperatives were launched particularly after the 1929 depression. In the organisation of societies among the peasant communities many problems had to be faced. Majority of the agricultural population was illiterate and their industry, both production and marketing, was largely controlled by a host of intermediaries. There was, therefore, a great need to educate the population and in generating consciousness among them about their low social and economic condition and the improvement that they could bring about through joint and organised effort. In this effort, it was not possible to expect any initiative on the part of the agriculturists. Again, due to various reasons, social and/or political leaders and other organisations, did not evince adequate interest in the education and organisation of the peasants for their economic and social betterment. No doubt some efforts were made by a few individuals and organisations. But, by and large, they were scarce and sporadic. It became, therefore, necessary for the governments to shoulder this responsibility of initial education of members and organisation of societies. For the purpose of undertaking this work, in almost all countries, separate departments were established under the charge of a registrar/commissioner. Governments also encouraged the societies through the provision of financial and other technical assistance.

1.4 Registrar/Commissioner and Cooperative Departments

In these countries, therefore, the part played by the governments was much more active as compared to western countries and constituted the main spring of cooperative development. In India, for example, when Cooperation was first introduced, registrars of cooperative societies were appointed in the provinces (now states), whose duties were expected to correspond to those of similar officials in Europe and to relate mainly to registration and dissolution of societies. In practice, it was found that, both in India and in other countries, the departments were busy in educating the farmers and the craftsmen to the possibilities of the cooperative method and later actively promoting the formation of cooperatives and providing all assistance.

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The working of the departments involved not merely auditing but frequent inspection, attendance at cooperative meetings and continuous help with book-keeping and clerical work. In carrying out all this work, the cooperative departments in these countries have gradually built up considerable staff of regional officers, auditors, supervisors and inspectors. Many of them are stationed in the country far from the capital city or the principal offices of the department. Efforts were also made for creating facilities for the training of personnel of the department in organising cooperatives and in supervising their functions.

Government sponsoring of cooperatives had also its drawbacks. Since in many cases, the cooperatives were not the outcome of the felt need of the people, a number of cooperatives founded by the administration did not have the popular support and were not strong. Often the beneficiaries considered these cooperatives as government bodies or welfare agencies intended to provide financial and other assistance to members. As a result, in many cases the cooperatives were merely paper cooperatives. Being largely initiated by government, the departments concerned were also given many powers to control the movement. In the process of working of the cooperatives, members, not being given adequate training in the disciplines of cooperative principles and practices, committed a number of mistakes. The governments, therefore, went further to arm the departments with more powers for effectively controlling the societies. In general, however, it may be observed that during this period, governments did not adopt a systematic and constructive approach in the encouragement and development of cooperatives.

1.5 Role of Government Today

After the achievement of political independence, these countries have launched upon development plans. In these plans, emphasis is laid on the organisation of cooperatives in different fields of economic activity. The governments in these countries, therefore, have started sponsoring cooperatives as a matter of deliberate policy. In the field of agriculture particularly, farmers have been persuaded and in some cases even compelled indirectly to organise themselves into cooperatives so that they could derive the benefit from organised action and also of government financial and other assistance which is being largely routed through cooperatives. Because of the moral and financial support, cooperatives have succeeded fairly well in certain fields in a few countries. It is hoped that though in the initial stages, these cooperatives rely on outside agencies for educational purpose or financial assistance, in the course of time, they will become completely autonomous and indepdent. The experience so far gained suggests that given the necessary positive approach, it is possible for the government administrative departments to promote sound and viable cooperative organisations. Simultaneously, attempts are also being made in these countries to pass on as much as possible the promotional work of cooperatives to non-official organisations. In Japan, for example, the National Union of Agricultural Cooperative Associations and the Regional Unions look after the promotional work. In India also, promotional, educational and

contd....4

propaganda work is being gradually transferred to the cooperative organisations. By and large, it may be observed that, in all these countries, cooperatives or other voluntary organisations have been rather slow in assuming this function.

1.6 Reasons for Slow Transfer of Powers to Voluntary Bodies

One of the important reasons for the slow transfer of these functions to the voluntary bodies is that few of such bodies have adequate funds for the purpose. This problem is to some extent being overcome by providing financial assistance to such bodies and also by raising their funds from the existing cooperatives. Besides, the able men who could provide leadership to the cooperatives are also very few. From certain points of view, as indicated earlier, it would be more correct to say that cooperatives or other voluntary organisations have been rather slow in assuming this responsibility.

Another reason is that the development plans for the co-operatives are being largely drawn up by the governments. In the execution of the plan projects and in achieving the plan targets, governments mainly rely on the departmental machinery. This is because of the difficulties involved in coordinating the activities of the department with those of the voluntary or cooperative organisations. This has also partly contributed to the slow transfer of the promotional function to the voluntary organisations.

1.7 Summing-Up

In conclusion it may be observed that there would be nothing inherently wrong if the state takes up the work of sponsorship in order to assist the coming up of a sound cooperative movement. That the state did not do so in the past nor does it even today, as in some of the western countries, cannot be an argument for not doing the same now in the countries of this region. Because of the absence of a well thought out constructive policy and financial and other needed support, a few cooperatives might have failed. With a constructive approach, the state should be able to take up the work of sponsorship in the interest of the community till cooperatives or other voluntary organisations are in a position to take upon themselves this responsibility. Simultaneously, efforts also should be made to encourage voluntary organisations to assume the responsibility of promotional work so that, in course of time, these organisations will be in a position to shoulder this responsibility and discharge it effectively and efficiently.

2. Supervision of Cooperative Societies

In countries where a large majority of the people are illiterate, external guidance, control and check over the cooperatives and educating the members, office bearers and employees of the societies in the theory and practice of Cooperation for securing the efficient and smooth working of the cooperatives, need hardly be emphasised. External guidance, control and check over cooperatives is undertaken by the special machinery provided for supervision.

contd....5

Supervision covers financial, administrative and promotional and educational aspects. It has the important aim of promoting and not merely testing, the efficiency of a society. Supervision differs from audit in the sense that it does not aim merely at testing the efficiency of a society but at helping it to be efficient. It seeks to ensure that the defects noted at the audit have been rectified and that the operations of the society are undertaken on business-like and on genuinely cooperative lines. It also comprehends the task of instructing the members and office bearers in cooperative principles and the propagation of the movement by the organisation of new societies. In this sense, supervision should also be distinguished from that of office inspection of cooperative organisations usually undertaken by the staff of cooperative department as a part of their normal administrative duties. Effective supervision, therefore, is an essential ingredient in building up a strong cooperative movement.

2.1 Supervision and Agricultural Credit Societies

The functions of a supervisor might to some extent differ according to the type of the society supervised. For example, in respect of an agricultural credit society, financial supervision would include assistance in the preparation of loan statements, maintenance of loan ledgers and other registers of societies and rectification of defects in its management pointed ou by the auditors. It further embraces certain functions which are of particular interest to cooperative financing banks. These include, among others, ensuring that the loans drawn are within the maximum credit limits of the societies and that they are properly divided as between short-term and medium-term loans according to the purpose for which the loans are borrowed and that the society has repaid its dues to the bank. It would also be necessary to supervise, in a general way, that the loans are utilised for the purpose for which they are given; that the overdues do not accumulate and extensions are given with the approval of the central financing agency. Many of these are the duties of the secretary of the society, but it is the responsibility of the supervisor to ensure that these duties are properly carried out.

Rendering assistance to the societies in its administration so as to ensure that the affairs of the society are conducted in strict conformity with cooperative principles and in accordance with the bye-laws of the society falls within the scope of administrative functions of the supervisor. The supervisor has to see that the office bearers work in a spirit of harmony and justice without taking undue advantage of their position. In short, the scope of function of supervision not only includes inspection and audit of societies but goes beyond that and covers education of office bearers and ordinary members of the society and providing constant guidance in the administration of the society both in respect of cooperative and business aspects.

contd.....6

2.3 Functions of the Supervisor

Broadly, the functions of the supervisor include :

2.31 to see that the resources of the society are properly utilised,

2.32 to check the accounts of the society and to see that they are properly maintained,

2.33 to ensure that the society operates in a business-like manner and maintains its cooperative character, and

2.34 to remedy the weaknesses and defects indicated in the audit report.

In performing his functions, the supervisor would get the necessary guidance from the latest audit report of the society. It would be the duty of the supervisor to intervene and provide prompt assistance so as to ensure that intentional or unintentional mistakes are not committed.

The supervisor should also be helpful in the organisation of new societies. Since he is in the intimate knowledge of the area and the people, he would definitely be in a position to look out for opportunities of fruitful cooperative activity in different fields. He might also be helpful in the reorganisation or revitalisation of societies and in providing advice to the local people in the formation of cooperatives and in securing assistance, if at all there is any, which could come from the government and other sources.

2.4 Supervision Machinery

In India, as also in many of the countries of the region, there is however no uniformity in the agency engaged in supervision work. Supervision work is undertaken by different agencies; by federal cooperatives, by cooperative unions, and by government. In fact, in many countries, it is usual to find all these agencies engaged in supervision work in varying degrees.

2.5 Supervision by Departmental Personnel

Supervision work undertaken by the departmental staff has a number of drawbacks. This is particularly so in these countries where the plans for cooperative development are formulated by the government and the execution of the plans also largely rests with the government. With reference to India it has been said that where supervisors are departmental officers and are controlled by the departments, the departments have largely utilised the services of the supervisors in the organisation, registration or amalgamation of the societies so as to achieve the planned target of organising societies in the plan period. It is also complained that in many cases, the supervisors are mainly engaged in other routine work of

contd.....7

the department such as collection of statistics required by the co-operative department. Under such circumstances, the supervisors are not likely to perform the duties expected of them in an efficient and effective manner. In fact, the authorities also judge the performance of the supervisory staff by their success achieved in the organisational work and in carrying on other routine departmental work. Their contribution in imparting cooperative education and in generating cooperative consciousness among the ordinary members and office bearers of the cooperatives, which, in fact, is very important, is not given the importance it deserves. It is said that even where the functions of the supervisor are clearly and precisely indicated, he is likely to get involved in the routine departmental work and neglect his main responsibility. Supervision by government officials, therefore, is not likely to meet the demands of the situation. Though it has been claimed that cooperative unions or federations are well suited to undertake the work of supervision, in very few countries and that too in certain sectors of the movement, the unions or federations have undertaken this work. With the exception of Japan, it is really doubtful the extent to which this function is being discharged by the unions or federations effectively.

2.6 Nature of Suitable Supervision Agency

The nature of the agency that should undertake the work of supervision of cooperatives has been a controversial issue since long. In India, the nature of the supervision machinery has been examined by a number of Committees of Enquiry appointed by the central and the state governments. All these committees were unanimous in suggesting that the supervision work of the societies should be undertaken by the respective cooperative federations in different sectors of cooperative movement. For example, the working of primary credit societies should be supervised by the central cooperative bank, and that of industrial cooperatives should be supervised by the federal agency of the industrial cooperatives at the district levels. In 1954, the All India Rural Credit Survey Committee recommended that the central financing agencies are the appropriate agencies for the work of supervision. This suggestion was upheld by a number of committees appointed by the government in the subsequent years. It is said that in the development of the cooperative movement and in providing financial and other assistance to the members either in the field of agriculture or small industries, the central federal agencies are expected to play a crucial role and it would therefore be difficult for these federal agencies to effectively administer the cooperative system in the absence of control over supervision machinery and its close association with it. It is also natural for the primary cooperatives to seek guidance, advice and instructions in all matters affecting their business from the federal agencies which would support them with funds required for their business.

The assumption by the federal societies of the responsibility for supervision work over their affiliated constituents will also contribute to the building up of self-reliance in the cooperative

contd.....8

movement. The arguments in support of this are :

2.61 this will provide a sense of belonging to each other so that the primary, the central and the apex level societies, feel part of one integrated structure,

2.62 each higher body through the medium of supervision can take promotional interest in propagating the movement as well as protective interest in looking after the constituent societies in distress, and

2.63 this would pave the way for the eventual transfer of some of the statutory functions of the registrar of cooperative societies, which the federal societies are best fitted to discharge.

In India, in many states, the responsibility for supervision has been transferred to the central financing agencies, and in other states, attempts are being made to transfer the work of supervision to federal agencies as early as possible. It might be indicated that even in the earlier group of states, promotion and supervision work is to some extent still being handled by the departments. This is due to the fact that cooperative federations are not uniformly strong in all the regions and they lack adequate resources for the appointment of qualified supervisory personnel. In overcoming this difficulty, in the initial stages, the governments might consider the possibility of providing adequate financial assistance to the cooperative federations so that they could shoulder the responsibility of supervision work.

2.7 Organisation of Cooperative Federations

If it is agreed that the cooperative federations are the appropriate agencies for undertaking supervision work, as a corollary to this, it is also necessary to emphasise the formation of central and apex societies in those cooperative sectors where they do not exist at present. Simultaneously, efforts also should be made for the building up of cadres of qualified and trained personnel at apex and central levels so that the task of supervision is discharged in an effective and efficient way.

3. Statutory Functions of the Registrar/Commissioner of Cooperative Societies

The statutory functions of the registrar/commissioner of cooperative societies include : registration, audit, inquiry and inspection, arbitration and dissolution of the cooperative societies. All these functions are important. However, only two aspects namely, registration and audit of cooperative societies, are dealt with here.

3.1 Registration

The main value of registration is the acquisition by a cooperative society of a legal personality with certain attendant advantages. Through registration, the society acquires the right of

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representation by officials and the right to sue and to recover debts. This also carries an obligation on the part of the society to keep proper books of accounts and their presentation annually to the Government authorities.

The function of registration is generally recognised to be the responsibility of the state, and the administrative authority concerned is created by the law for the purpose. This power is found vested in the registrar/commissioner of cooperative societies.

3.2 Audit

Audit aims at checking the accounts and books of a business in such a manner that the report submitted thereon reflects its correct condition and progress. Audit involves a systematic examination of the financial transactions of a business as recorded in its books which will enable the auditor to satisfy himself whether or not the balance sheet has been drawn up properly so as to exhibit a true and correct view of the state of affairs of an enterprise. It includes a skilful and diligent scrutiny of the genuineness of the transactions recorded in the books of accounts. The main object of the audit of a cooperative society is to ensure that it has carried out the requirements of law governing the working of cooperative societies as also that it functions on sound lines in accordance with cooperative principles and practices. A well-designed system of regular and efficient audit is as necessary as continuous and effective supervision for the sound growth of the cooperative movement.

3.3 Audit Agency

In all the countries in the region, audit of cooperative societies once a year is the statutory function of the registrar/commissioner of cooperative societies. In one state in India, namely Uttar Pradesh, audit of cooperative societies is the responsibility of the chief audit officer working under the control of the finance department. In India, as well as in some other countries of this region, the practice of entrusting audit of cooperatives particularly of large societies, to certified auditors is also prevalent. These auditors are generally elected by the registrar/commissioner and put on a panel. In one or two states in India, for example, cooperative societies are audited by retired departmental officers.

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3.4 Suitable Agency for Audit

The agency that should be responsible for conducting the audit of cooperatives has also been a controversial issue since long. The controversy has two aspects. The first relates to the question whether audit should be the responsibility of the government and if so, whether this responsibility should lie with the registrar/ commissioner of cooperative societies. Some cooperators argue that cooperatives should have their own arrangements for providing audit services to them, as is being done in some of the western countries where audit is in the hands of federal cooperative institutions. In Germany for example, towards the end of last century, cooperatives set up their own audit unions. It is needless to add here that the governments in such countries reserve their right to have a test audit and to take other necessary measures for the proper working of the societies in the interest of the community at large.

The controversy whether the responsibility for the audit of cooperatives should lie with the registrar/commissioner has assumed particular significance in these countries but particularly in India because of the role played by the government in the promotion and supervision of cooperatives and also in encouraging the development of cooperatives through provision of large amount of financial assistance. In certain sectors of the cooperative movement, the cooperative departments in these countries are deeply involved in the management of the societies. For example, in India, in some societies, the registrar or his nominee occupies an important place as president or vice-president etc. of the society. In view of the deep involvement of the cooperative departments in the promotion and development of cooperatives, it is argued that the audit of the societies by the registrar may not be impartial and objective and help to providing a true picture of the cooperative movement. It is, therefore, said that audit work should be undertaken by a department independent of the registrar.

In India, for example, the All India Rural Credit Survey Committee (1954) observed that though audit should continue to be in the hands of the government, the chief auditor of the cooperative department should be responsible to the development commissioner and not to the registrar. The Committee on Cooperative Law (1956) observed that the registrar of cooperative societies is responsible for the proper conduct of cooperatives and that he cannot fulfill his responsibilities unless he keeps in close touch with the working of the societies by keeping their accounts audited under his direction and control. It is argued that objectivity and independence of audit are not impaired by making the registrar responsible for this function. Independence and objectivity can be achieved by having within the cooperative movement a separate wing exclusively for the purpose of audit under the chief auditor who would be directly responsible to the registrar. Separation of audit and administrative staff would contribute to securing independence of audit work. This system will also have other advantages. For example, when audit work is undertaken by the cooperative department, through interchange of staff between audit and administrative sections, it is possible to have

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audit staff with the right background of administrative experience. This is necessary because cooperative audit involves just not fault-finding but it is expected to provide, in the process, education towards avoidance of such faults in future. This can be achieved if audit staff have also the background of administrative experience. It is not, however, intended to indicate here that there should be constant inter-change of staff between the two wings. On the contrary, in the day-to-day work there should be a strict division of work between the audit and administrative staff and the inter-change of staff between the two wings should be effected as and when necessary from the point of view of providing the audit staff the necessary experience in administrative work. The argument that audit by the registrar cannot be objective also loses much of its validity in view of the generally agreed plans for the transfer of the work of promotion and supervision to cooperative unions and federations. When this is largely achieved, the department of cooperatives cannot be considered as having stake in the working of the cooperatives in the sense in which it is considered at present.

On the other hand, it has been argued that at present, the work of promotion and supervision has not been entirely taken over by the cooperative organisations themselves, and the cooperative departments still play an important role in this field. Besides, even now, this is particularly so in India, in many societies, the registrar or his nominees are occupying an important place in the societies. Under these circumstances, it is difficult to say the extent to which audit can be objective and impartial if the audit work is undertaken by the registrar himself. For the purpose of securing an independent scrutiny of the financial activities of the department and also of the cooperatives and also in assessing the general trend of the working of the movement, there is a need for separating the function of audit from the registrar. The independent audit will have the following advantages :

3.41 it will inspire greater confidence in its findings,

3.42 it will facilitate taking of an objective view regarding the trend of the movement,

3.43 the registrar will be free from audit function and will have greater time to attend to the promotional and regulatory functions, and

3.44 this will also eventually pave the way for taking over of audit by the cooperative societies themselves by organising separate audit units or by assigning to the state cooperative unions or the national cooperative unions. Simultaneously, efforts will have to be made for organising separate audit unions or encouragement might be given in the form of financial assistance and other facilities to the existing cooperative unions so that they could gradually take over the responsibility of audit work of cooperatives.

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It is not, however, suggested here that this should in any way mean that the government should cease to ultimately own its responsibility for carrying on the test audit of the societies wherever necessary in the interest of the movement, and the community at large.

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EXPERTS' CONFERENCE ON "THE ROLE OF GOVERNMENT IN COOPERATIVE DEVELOPMENT"
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