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A Handbook for Cooperative Fieldworkers in  
Developing Nations Sections 1-7

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**A H A N D B O O K**  
**F O R C O O P E R A T I V E S**  
**F I E L D W O R K E R S I N**  
**D E V E L O P I N G**  
**N A T I O N S**

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Editor/Contributor

United States Peace Corp  
806 Connecticut Ave., NW  
Washington, D.C. 20525

1978

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SECTION ONE

A HANDBOOK  
FOR COOPERATIVES  
FIELDWORKERS IN  
DEVELOPING  
NATIONS

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SECTION TWO

COOPERATIVES -  
GENERAL CONCEPTS

United States Peace Corps  
806 Connecticut Ave., NW  
Washington, D.C. 20525

1978

## SECTION ONE

### INTRODUCTION BY THE EDITOR

The basic purpose of this publication is to provide a comprehensive packet of information that is of relevance to Peace Corps Cooperatives Volunteers at their posts around the world. Frequently, training programs give the Volunteer an incomplete introduction to the ways of solving the various and sundry problems that arise as he or she goes about the daily tasks that are involved with trying to organize and manage a cooperative. This failing of training programs is often due to a lack of suitable reading materials in-country.

Hopefully, this publication will fill in some of the omissions that occurred during training, and serve as a refresher course on basic concepts such as cooperative principles, financing, and education that begin to dim in the Volunteer's memory as soon as he leaves the training site.

The editor personally served as a Cooperatives Volunteer with a multi-purpose society in the French-speaking part of Cameroon in Central Africa from 1974 to 1976. During this period, the editor was faced with many of the initial organizational problems that arose during his cooperative's first year of operation, and assisted in attempts to set up viable systems for the marketing of cocoa, robusta coffee, and local foodstuffs, and a cooperative supply service.

To a major extent, ideas that were used in the compilation of this packet resulted from the editor's own experience. However, the advice of numerous other individuals has been sought as well. The editor would particularly like to thank Mary-Jean McGrath of the University Center for Cooperatives, William Sorenson of Agricultural Cooperative Development International, Howard Ebenstein and Ned Strong of Peace Corps/Washington, Jaime Mendoza of Peace Corps/Guatemala, and Joseph Brownell of Peace Corps /Philippines for the time that they spent in reviewing the handbook and for the valuable suggestions concerning the revision of the following materials that they had to offer.

The compilation of a document such as this is not an easy task. It requires the sorting of many thousands of documents that have been written on the subject of cooperatives, and the editing of those items that seem suitable for inclusion in the packet. Where the existing documentation on any one topic seemed inappropriate, the editor has written his own material on the subject.

The resulting anthology is by no means "the complete guide" for Peace Corps Volunteers. In some cases, individual variances from country

to country, and from program to program, make it difficult to arrive at general all-inclusive guidelines on a given subject area. The "be all and end all" manual on cooperatives work in developing countries has never been written (few people have ever tried!), and it is unlikely that it ever will be.

In conclusion, there are several subjects that should be discussed here because of their special significance to Peace Corps Volunteers who are serving as extension workers in the field of cooperative development:

### 1. Indigenous Forms of Cooperation

Some contemporary thinkers on the subject of cooperatives would like to see an increased emphasis put on the development of traditional means of cooperation, as they are being practiced in Third and Fourth World countries. In certain areas of the world the local groups may have come up with their own systems for the communal division of labor and the exploitation of resources. These forms of traditional cooperation can be found in the use of collective grazing lands, communal arrangements for the harvesting of crops, and traditional group credit organizations (i.e. "tontines"), to name a few possibilities.

These forms of indigenous cooperation are usually informal and imperfect ways of uniting villagers to perform a specific task or to achieve a common objective. These organizations tend to be controlled on an authoritarian basis (i.e. by the village chief) and the distribution of the profits from these "communal" undertakings may be unequal. However, they may be the most efficient means of getting things done on a small scale (i.e. creating demonstration plots or village irrigation projects).

Volunteers are encouraged to discuss the traditional means of cooperation that may exist in a particular region with local people and to assess the potential of employing these indigenous practices as a framework for action.

### 2. Appropriate Technology

The expansion of indigenous cooperative structures is indeed a form of institutional "appropriate technology." Appropriate technology, the use of techniques that are appropriate to a particular time and circumstance, is assuming increasing importance in developmental circles. The Peace Corps Volunteer should try to learn more about the principles which underly appropriate technology and employ them. A further description of the relationship between cooperatives and appropriate technology is presented in Section Two of this packet.

### 3. Unethical Practices

The Volunteer may well be shocked by the apparently unethical practices and abuse of privilege that probably occur at the local level as part of the normal functioning of his cooperative. The cooperative vehicle may be commandeered on a daily basis by the cooperative president or other local leaders for personal errands. The cooperative manager may have allocated himself a grossly exorbitant expense allowance for his regular trips to the capital city. The staff of the society may spend more of the working day at the corner bar than they do behind their desks.

In many countries this type of behavior is accepted as the way that people in authority behave. Try to take several months to analyze the situation. If it seems that the cooperative is losing significant amounts of money, or if the paper work in the office seems to be at a complete standstill, then it might be time to write a discreet report. Remember, you don't want to condemn colleagues. The best thing may be to keep quiet, adapt, and try to make things run as smoothly as they can under the circumstances.

### 4. Coordination with Host Country Programs

Any Volunteer who is contemplating taking on the organization of a cooperative by himself, when no local infrastructure exists for the promotion and supervision of such an activity, or when government officials are unwilling to back the idea, should probably start looking for something else to get involved in. It is almost a certainty that a cooperative that is formed under these circumstances will never get off the ground, or fail as soon as the Volunteer has left (no matter how reliable the counterpart may be). It is extremely important that projects have the confidence and support of local officials to insure that they will continue once the Peace Corps involvement is finished. All the undertakings should be coordinated with national development plans and the participation of government cooperative officials should be sought at every turn.

### 5. "Think Small"

Always keep the aims of what you are trying to accomplish at a realistic level. Don't undertake projects that attempt to make radical changes in a given situation in a short amount of time. Schemes that require a large amount of capital investment and the importation of sophisticated skills and equipment are inappropriate unless the cooperative has built up a large reserve fund and has a stable, loyal membership. Instead of trying to mobilize all of the farmers in the region to plant and harvest a cooperative-owned plantation, start with a couple of small demonstration plots that can easily be tended by a few people.

## 6. Hard Work

There is no substitute for hard work on a few basic problems to convince locals that the Volunteer means business. When you first get to your post, identify one area that needs improving and then find out what can be done about it. Initial involvement in bookkeeping is good because the Peace Corps Volunteer will quickly get an idea of the cash flow situation of his cooperative and determine if the society is being run well.

# SECTION TWO

## COOPERATIVES - GENERAL CONCEPTS

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## I. INTRODUCTION

This section opens with some excerpts from reports on the activities of Peace Corps Volunteers who have been involved in cooperatives projects. These passages will give the reader an idea of the role of the Peace Corps Cooperatives Volunteer, the attitudes that a Volunteer can realistically expect to encounter when he begins his assignment, and some general concepts, such as self-help. Additional excerpts from Volunteer reports, covering the areas of organization and management, membership education, agricultural marketing, rural credit, and consumer cooperatives preface later sections of this volume.

Following the Volunteer reports are several documents which are designed to give the reader a fundamental understanding of the basic nature of a cooperative: Eleven Basic Cooperative Principles, the legal aspects of a cooperative, and a comparison of the differing characteristics of a cooperative and a corporation. The reader is then acquainted with the important role of cooperatives in promoting and employing appropriate technology.

The next segment, "The Role of Government in Cooperative Development," results partially from this ex-Volunteer's own experience with a government's overt domination of the cooperative movement in an African country. Full-scale government supervision and support of a fledgling cooperative is often necessary, up to a certain point, in the society's development. However, this influence should always be kept within certain limits, and a definite program for gradual government disinvolvement, as the cooperative becomes more self-sufficient, should be drawn up. In Botswana, the government apparently plays a moderate role in cooperative administration. The guidelines that are detailed in "Some Lessons in Cooperative Development - The Case of Botswana" should be noted.

Case studies of successful cooperatives can offer valuable lessons to those who are working with a less prosperous enterprise. The Comilla project in Bangladesh is known as a scheme that has apparently succeeded and brought significant economic benefits to its members. This section concludes with a study of a potato growers' cooperative in Peru which provides a useful exposition of the processes that are involved in setting up a limited resource type cooperative in a rural environment. No attempt has been made to determine if the Cooperativa de Commercializacion Agricola Ayacucho Ltda. #141 is still functioning (the study was written in 1966). (Note: the Volunteer who is interested in putting together case studies of cooperatives in his region should refer to the guidelines for writing case studies which begin on page 262.



## II. THE PEACE CORPS EXPERIENCE

(Excerpts from Peace Corps Volunteer Reports)

### A. The Role of the Volunteer

A big part of living, working, and enjoying any new place is getting, evaluating, and using information. This can come from newspapers and media, from their editors, from doctors, from police, from priests, from technicians, from businessmen, from public officials, from trade or other records, to name a few sources. One way to mold some of this information is to talk to the different groups of people who are involved in what you are involved in (i.e. farmers, fertilizer dealers, rice traders, etc.) with particular attention to their complaints and areas of bottlenecks. As a volunteer, one of your most valuable assets is as a 'non-aligned' catalyst for 'progress,' so make the most of it. If government offices relate to your assignment, then take the liberty to visit them, keeping in mind what programs they profess to have, how they relate to the statements of other groups interviewed, and their problems, internal and external, to the programs and projects.

In having to decide how to spend two years of your life, try to concentrate as soon as possible on a viable project and stick to it. Don't drift. Carry and use a pocket-size notebook for names, facts, thoughts, and language. They say the Filipino is good at copying, which helps when you look for ways to introduce your terrific ideas. As he is a copier, he is not normally a cooperater, so don't expect cooperation. You will be there for a limited time, so set up things along the path of least resistance and don't try to do too much at once. Inflict responsibility on others as soon and as much as possible. If you want to be remembered there, learn and use the language well.

#### PC/Philippines

One of the CUNA co-op specialists told this program evaluator that 'the Volunteers fill the professional management gap in the cooperatives.' 'They teach accounting and administration to co-op directors and help supervise periodic audits. They also promote membership campaigns and do a lot of the daily work that must be done to encourage regular attendance at meetings and regular savings by members.

#### PC/Latin America

The most frustrating, but at times most successful, example of Volunteer work involves the A.B. Generalist whose skills are in the Humanities and whose mechanical abilities end with the physics of inflating a bike tire. One such generalist was placed with a large, prosperous ag co-op which frequently had need for a technician with a hat full of skills. This particular 'skill-less' PCV managed to improve the co-op by being around at the right times and using a certain approach to co-op development. The following is an example of how he functioned to improve the co-op:

One day the co-op tractor driver was pouting about a plow - looking frustrated and as if he were about to kick it. The Volunteer walked in and was asked if he couldn't figure out what was wrong and fix it up. The Volunteer pouted around, looked frustrated, and kicked the plow. Then he inquired if the driver knew where the repair manual for the co-op machinery was. That seemed like a logical starting point, but a half-hour search turned up nothing. The Volunteer then made an appointment with the driver and the co-op vice president to go to the city the next day and pick up a manual for the plow and other co-op owned equipment. They found that the implement company not only had repair manuals for the \$15,000 worth of co-op equipment but maintenance manuals as well. On the return trip the Volunteer posed questions about machinery care and the vice president was convinced of the necessity to set up a small library of manuals, and to assign a literate member the task of reading them and of helping to teach the driver and a few co-op members the basics of machinery care.

The next day the Volunteer met the driver early in the morning and spent the day reading the manual with him and fixing the plow.

Although the process required three days to complete a two-hour repair job, the Volunteer had contributed a great deal in a single effort. The library still exists and the method of maintenance and repair were permanently established as required practice in the co-op. The next broken plow will require the 'skill' of no one but the tractor driver.

The major contribution that a Volunteer can make whether he is an A.B. Generalist or mechanical engineer, is to preach and practice the idea of self-help and to show where nearby resources exist when self-help cannot do the job.

The example used here can be generalized into a daily pattern for a good PCV. In teaching co-op technology, agricultural practices, health techniques, ad infinitum, he should always encourage the people to solve their own problems. This requires a subtle approach and an active Volunteer. He must lie awake nights trying to think of creative ways to encourage self-confidence in problem solving and in contacting easily accessible resources. If he does these two jobs well enough, the co-op and the community will be able to get on well without him. This is the

essence of development work in impoverished communities. An advantage that an AB Generalist has in this process is that he is often as frustrated as the co-op leaders in trying to solve problems. This frustration increases his perception of how the leaders feel and gives him a greater empathy. For a well-trained PCV, this empathy often leads to creative approaches to problem solving which are understandable by the people and therefore enduring.

If in the given example, the Volunteer had known how to fix plow and had done it for the co-op, he would only have postponed the necessity for the co-op to figure out its own solution. It can be argued that by so doing he would have had a negative effect on the co-op's development.

PC/Guatemala

A PCV was sent to a small village in the highlands to try to improve a struggling ag co-op there. He was trained in co-op accounting, marketing, and co-op technology. He also had thought much about his purpose as a Volunteer and knew the technique of development methodology.

During his first year, he worked with the most basic problems. He encouraged paternalistic leaders to understand the need for membership participation and leadership development for the future. He struggled with the Board of Directors over the importance of accurate accounting and the necessity of consulting the books before spending money or obtaining loans. He identified potential leaders and began exposing their minds to ideas concerning self-help, availability of resources, and sound planning. During his first year, a co-op technical committee was formed to study agricultural practices and make recommendations to the membership concerning changes. He took trips with present and future leaders to government agencies, trying to create a connection between the co-op and government resources.

He found that the co-op wasn't getting new members because of community distrust and ignorance of cooperativism so he encouraged the co-op to hold social nights for the entire community to explain the idea of cooperation in general and of the co-op in particular.

At the end of a year and a few months, the present and potential leaders were cooperating, membership increasing, committees functioning, and local and government resources being used.

The Volunteer then encouraged the Board of Directors to list their most serious problems, propose solutions to them, and begin projects designed to solve them. After much time, but

## II. THE PEACE CORPS EXPERIENCE

without the PCV's intervention, the Directors listed low production, lack of storage facilities and marketing techniques, and membership ignorance of responsibility to the co-op as the problems. They wanted a solution, expert advice on production techniques, a loan to build a warehouse, and an educational program designed to eliminate membership ignorance. They were unable to propose a solution for their lack of a marketing scheme to sell members' products.

The Volunteer then took the chairman of the technical committee to the capital and introduced him to Sr. Julio Rios of the Section of Marketing of the Ministry of Agriculture. After explaining the co-op's production, storage, and marketing problems, the chairman received a list of agencies that had agreed to purchase corn and beans directly from the ag cooperatives in the country. Sr. Rios also agreed to come to a Directors' meeting to discuss marketing tactics in general.

Next the Volunteer went to a nearby city with the President, Treasurer, and a few potential leaders of the co-ops and discussed loan terms for the construction of a warehouse with a bank officer. The co-op leaders returned convinced of the impracticality of taking out a loan because of the high interest rates and strict repayment terms.

When Sr. Rios from Marketing arrived, the Directors asked him if it weren't possible to make a warehouse of simpler stuff such as adobe and wood. Rios explained that it was but that storage time was shorter and less effective, but that, nonetheless, such a warehouse would be better than no storage facility at all. He was next asked about corn price five months after harvest, and he explained that they were somewhat higher. The Directors discovered then that a small investment for a simple warehouse would enable them to store corn and thereby increase the prices received. They presented a storage plan based on these discoveries to the members, who then volunteered for a work crew to begin construction.

The technical committee was handed the problem of increasing the members' production. The Volunteer proposed a trip to a nearby community development agency and a visit with its ag experts. The visit a week later resulted in the committee's obtaining several pamphlets concerning planting, fertilization, insecticides, and harvest schedules and a promise from the ag experts to come to a co-op meeting and talk about production practices.

The Directors then launched an education campaign in which they divided the membership among them and visited each member's home to talk about co-op responsibilities and membership obligations. Following the house visits, they held several educational nights in lieu of the regularly scheduled meetings and encouraged members to talk about their co-op and its relation to life in the village.

## II. THE PEACE CORPS EXPERIENCE

The Volunteer left a few months later, profusely thanked but not really missed. He reflected later that his agricultural and co-op skills were psychologically reinforcing and an undisputed aid to perception during an infinite number of conversations with co-op members, but that his success in stabilizing and improving the co-op had resulted from hundreds of hours of selling ideas, explaining methods, and patiently guiding the co-op through the solution of its own problems.

PC/Guatemala

It is patently impossible for any Volunteer to solve half of the co-op's most basic problems during his two years. Peace Corps programming cannot guarantee that a particular PCV will be replaced or that if he is, the replacement PCV will continue the program of the previous Volunteer.

It is, then, absolutely essential that the Volunteer not make himself a locally available, temporary resource which the co-op leaders become accustomed to using. To the extent that he does so, his leaving will frustrate leaders and leave them unprepared to continue in their own environment minus one PCV.

The essence of a PCV's work in co-op improvement is not his direct role in specific problem solving. It is his role as a guide to co-op members through the difficulties of problem solving and utilization of local resources.

The methodology of the PCV referred to in the example should be MUST learning for trainees planning to work with co-ops. His approach can be described as follows:

- Step 1: Learning about the co-op...
- a. What are its resources?
  - b. Who are the leaders?  
What characteristics have they?  
Do potential leaders exist?
  - c. Do members participate in co-op meetings and projects?
  - d. How well do members understand their co-op?  
Its purpose  
Its potential  
Their responsibility
  - e. Does the co-op use an effective approach to problem solution?
  - f. Does the co-op have an adequate organizational structure?

## II. THE PEACE CORPS EXPERIENCE

- g. What are the available resources?
  - Government agencies
  - Private institutions
  - Community Development Organizations
- h. What are the co-op's relationships with the community?
- i. What services can the co-op offer to the members?
- j. What services is it offering?
- k. What do the members really need and want?
- l. Do present and potential services match the members' needs?
- m. DOES THE CO-OP HAVE AN ECONOMIC JUSTIFICATION FOR CONTINUED EXISTENCE?
- n. Is it or can it meet that economic justification?
- o. Does the co-op have enough members to succeed in economic projects?

Step 11: Working on Preparatory Activities: (according to answers to Step 1)

- a. Identify future leaders
- b. Stimulate them
- c. Encourage committee formation and function
- d. Work with committee leaders on studying co-op needs
- e. Show need for self-help and utilization of local resources
- f. Hold educational meetings
- g. Teach about availability of accessible resources
- h. Talk with leaders about co-op services and reorganization
- i. Hold social nights for entire community to educate it about the co-op and cooperativism
- j. Talk with all co-op members about their obligations and their co-op's potential

Step 111: Formal Problem Identification with the Co-op; Proposal of Solutions and Action Projects

- a. Help the co-op leaders to identify problems and propose solutions
- b. Do the problems have solutions which the co-op is capable of handling?
- c. Help to pursue proposed solutions
- d. Help to organize projects which result from pursuit of suggested solutions

PC/Guatemala

## II. THE PEACE CORPS EXPERIENCE

Recently a Volunteer terminated and returned to school. He was well experienced in agriculture technology and a bona fide expert in hog production. He, like all PCV's who are well trained, knew that Guatemalan farmers need more money, more protein for their diets, and product diversification. He deduced that his hog knowledge was well suited to meeting the needs of the people.

One month after he left, the hog co-op with which he had worked for two years held a meeting to consider what it could do without their expert-in-residence. The result was an immediate dissolution of the co-op, distribution of the 30 hogs to the members and a sale of the assets (purchase price with AID assistance, \$5,000) for \$500.

Each member received more money, ate a little pork, and briefly experienced diversification of production. Is this developing Guatemala?

Another Volunteer, dedicated to patterning Guatemalan co-ops after his father's group in Iowa, arranged the purchase of a tractor for his co-op and happily left knowing he had affected progress. Today the co-op has a \$200 debt and the implement company has the tractor. The members aren't sure why they couldn't make enough with the tractor to meet payments but are certain that they want no further heavy equipment. They wish the Volunteer had not pushed the tractor purchase because now it is difficult to get new members interested in joining a cooperative with a substantial debt.

Volunteers will say 'of course these cases are extreme examples of a single type of error.' Perhaps. But PCV's have committed them often enough to warrant a strong warning to future supermen dedicated to immediate impact projects.

Loud speakers should be constructed in training camps which, at short intervals during the day, shout 'NATURALIZE PROJECTS.' Poor Guatemalans have great faith in Gringo technicians. They will support and try to understand the most ludicrous projects. Volunteers must understand, however, that the only projects that will really help campesinos are projects which fit into their own expectations and which they can comprehend.

Mixing concentrates for chickens and hogs, understanding feeding schedules, time payments, and vaccination requirements are as new to them as UNA and production testing are to US cattlemen. To start a co-op on such projects is to feed caviar to a newborn babe. They must be started simply and gradually--retaining responsibility and self-determination. And basic to all successful operations, they must be inherently interested in the subject.

Dirt farmers don't readily attach themselves to the complicated technology of hog raising. Second grade graduates can't handle large

## II. THE PEACE CORPS EXPERIENCE

debts or the purchase of expensive vaccines. They do however want to learn how to store corn by building an adobe warehouse which resembles their home. And, they are fascinated by how a potato grows because they have a basic understanding of planting, fertilizing and working with their hands in the soil.

The point is TO START PROJECTS THAT FARMERS WILL UNDERSTAND AND IN WHICH THEY WILL HAVE A BASIC INTEREST WHICH BUILDS ON THEIR PRESENT CAPABILITIES!

PC/Guatemala

### B. The Attitude of Cooperative Members

In discussing the co-op, I feel that one important point must be emphasized. This is the attitude of the members toward the co-op itself. In general, this attitude is not one that can be called cooperation. The men are capable of spouting all kinds of cooperative principles, but when it comes to well-founded understanding of just what a co-op is, and the relation they, as 'socios' (members), have to the co-op, they just don't understand. Many of them feel that the co-op is an 'empresa' (company) and they are working for it. They can't comprehend the fact that the co-op is theirs, and theirs alone, and that they alone can make it go. This attitude is seen in the slow payment of their debts, in the idea that the co-op should give them as much as possible for nothing. I really find myself caught in a bind in dealing with the fishermen as I can understand how they feel and the problems they have; and at the same time if they do not abide by what the co-op does, and what must be done, the co-op will fail. At many times, I find myself walking the line trying to get them to pay their debts without putting a lot of pressure on them, and at the same time, knowing that they are poor and need every cent they can get just to live. When they ask for higher prices for their fish, or when the 'motorista' (driver) wants a higher wage, which the co-op couldn't pay right now, or in granting loans, which the co-op doesn't have enough money for, the men just don't realize that they are cutting their own throats. The Board of Directors has little or no concept of where the money comes from when they vote on financial matters.

PC/Colombia

## II. THE PEACE CORPS EXPERIENCE



"A co-op was organized, on paper at least, due mostly to the efforts of the old Volunteer and the F.A.O. man. That part did not really take too much effort on the part of the members. The real task now lay at hand. To transform this group into a responsible body necessary for the success of any business operation. This involves changing the basic outlook, beliefs, and customs of these people -- a very, very difficult and frustrating task.

The Volunteer decided that they would begin working through the elected leaders, getting the co-op principles through to them first, and then trying to filter it down to the other members. Once they had the support of the leaders. Gradually the board of directors began to get the feel of things and started to see how they were elected representatives of the rest of the men and as such had to make decisions to guide the co-op. It took a bit of chaos to demonstrate to the leaders the necessity of firm decision-making by a single source in order to have things run smoothly. At first, the board would not make even the smallest decision that could be a little controversial; they always wanted to be sure that everyone would agree with what they decided, an impossible task, as they eventually found out.

The men will agree to something, knowing, even when they agree to it that they will not, or can't, comply. They would rather co-operate in word than in action. Saying 'no' would call for an explanation or an excuse so they avoid the situation by agreeing. It is generally known that when a man says 'yes,' he means 'maybe yes' and if he fails to come through, no one thinks of it as any big thing. As was said before, these people are very individualistic and thus are responsible to no one but themselves."

PC/Colombia

"The only real organization problem was, that although the town wanted the co-op, they convinced themselves that nothing would ever come of the idea so why spend time and money on something that could only go as far as the planning and paper stage. The problem, although potentially larger, was surmounted by enlisting the support of a few of the town's more influential people who seemed to have confidence in the plan and were willing to devote a little time and money to see it get off the ground. Their action, along with the well-intentioned 'pushiness' of the Padre, served to bring many others into the co-op."

PC/Ecuador

## II. THE PEACE CORPS EXPERIENCE

### C. Some General Ideas

"The concept of self-help is best understood when viewed in relation to dynamic self-sufficiency. If a cooperative or cooperative organization is able to achieve sustained economic and social growth with minimal aid from the outside, then the venture is basically self-help orientated. Cooperators have engaged in much meaningless debate over the definition of self-help. One may argue that a federation supplying centralized accounting programs or financing managers to local cooperatives is violating the principle of self-help, while another may argue that the local cooperative is only a small link in a much larger self-help program. The argument is pointless since the two views differ as to the scope of the program.

Self-help is also closely related to the management principles of authority and responsibility and the desirability of encouraging the lowest possible levels of the organization to assume as much authority and responsibility as is feasible (decentralization). For the Gumilla Center it is not enough that the league or federation be able to handle all of the problems that might arise, but the individual cooperatives must also strive for the same thing in order to reap the full benefits of a self-help program (self-help at the local level).

This is especially true in Latin American cooperative ventures. There is always the danger of paternalism, or the practice of allowing all authority and responsibility to remain at the top of the organization. Although the dangers of paternalism are easy to understand in theory, they are often ignored in practice. A top-heavy organization of "casiques" (leaders) destroys all incentive to assume authority and responsibility at the primary society level. The principal benefits of cooperation cannot survive in the casique environment and members and directors of primary cooperatives will never experience the pride and self-confidence that they are becoming the 'masters of their own destiny.'

For these reasons the program of the Gumilla Center places heavy emphasis on self-help at the primary cooperative level. It is not enough that credit cooperative members, for example, help themselves by learning the habit of thrift and managing their own loan disbursements; they must develop their skills to run their entire cooperative operation including management, accounting, audits, public and member relations, and education.

One of the objectives of a carefully developed self-help program is to demonstrate to the poor that they themselves can indeed improve their lot. A well-designed cooperative self-help program will show the participants that through group action they can have a strong influence, if not control, over their environment. Once a man believes that his situation is not hopeless, he is encouraged to work for something better. Faith in oneself is half the battle, and this is what is meant by the development of people."

PC/Venezuela

## II. THE PEACE CORPS EXPERIENCE

Human development is a slow process. Apathetic men do not change to men of action overnight. The feelings of hopelessness, alienation and frustration have fed upon themselves for many years in the urban and rural slums.

Yet successful co-op management and the obvious results of growth are powerful attitude changers that produce significant transformations from pessimism to a cautious optimism. In Latin America the typical poor person is a man respectful of authority and he will rarely challenge the status quo unless driven to it by hunger or other such calamities. But co-op members are rapidly learning that, as a group, they often represent one of the most powerful groups in the community. Having already disposed of the usurer, they turn to other group projects.

By joining together the co-ops founded their own funeral society and eliminated one of the worst forms of exploitation of the poor - the costly burial service.

PC/Venezuela

On Saturday afternoon I experienced in a mild way some of the emotions, both positive and negative, which would undoubtedly be encountered by a Volunteer here.

In the early afternoon I had walked around the island a little, climbing the headland to the old abandoned lighthouse behind the town. But, when I got back the sun was still high. It was hot and hardly anyone was moving around. I had brought nothing to read. I walked around aimlessly for a time, and for an hour or so I felt almost stir crazy, hardly able to beat the thought of spending a night here with nothing to do instead of being back in Caracas. Then I went out beyond the east edge of town and sat down on the beach. The sun began to turn a bit yellow as it lowered in the western sky, changing gradually the grey headlands, which loomed on its right, to a black silhouette. The waves of the lagoon lapped softly at the shore, scarcely audible among the cries of the seagulls. There were hundreds of birds, now gliding through the air, now folding their wings and diving, now flapping them as they rose triumphantly, fish in beak. Each time a pelican dove, he would emerge to find four or five terns crowding around him, sometimes even standing on him, in the hopes of getting a bite as he readjusted the fish's position in his huge bill in preparation for the final swallow.

While the western sky gradually deepened in color, the birds continued fishing and crying, oblivious to the contribution their sounds and silhouettes made to the scene of golden sky and golden water and black headlands and boats and masts. The first star won the race

## II. THE PEACE CORPS EXPERIENCE

with the pale yellow arc lights in the village. I stayed there seated by the shore until the sky was bright with stars and the last gull's cry had subsided, and all that remained were the nearby sounds of water caressing the shore and the more distant sound of children shouting and laughing. Finally, I got up and walked slowly back to the village. I was glad after all that I hadn't returned to Caracas that afternoon.

A lovely peace and insufferable boredom are both for the asking here. Which one he finds will depend on the nature of the Volunteer sent here.

PC/Venezuela

## II. THE PEACE CORPS EXPERIENCE

### III. COOPERATIVE PRINCIPLES

#### A. Introduction

In order to be an effective promoter of cooperation, the PCV must have a basic awareness of the fundamental historical and practical guidelines which have been conceived to determine what, exactly, a cooperative society is.

The issue of cooperative principles is currently the center of controversy because some contemporary thinkers on the subject feel that the goals that have evolved from the fundamental beliefs of the Rochdale Pioneers (who started the first consumer cooperative in Britain in 1844) are too idealistic and do not fit the framework of modern government-sponsored cooperative projects in the developing areas of the world. Changes in the political, social, and economic environment have brought about an evolution of accepted practices which contradict, at times, the traditional viewpoint on cooperative principles.

The editor has attempted to compile a list of cooperative principles which effectively combine the traditional and the modern viewpoints on the subject. This outline is based primarily on two contemporary statements on the topic: the principles that were adopted by the 23rd Congress of the International Cooperative Alliance in 1966, and the book, Cooperative Principles and Cooperative Law, written by Dr. Hans H. Munkner of the University of Marburg, Germany (Marbury/Lahn Publishers, 1974).

#### B. Eleven Cooperative Principles

1. Cooperatives are Self-Help Organizations - Cooperatives exist basically so that members can overcome their own weaknesses by joining together with others, who are in the same economically disadvantaged position, to become strong through group action. Thus, the member is responsible for certain self-help actions which will work to increase the combined power of his organization. Members must be aware of their standing as co-owners of the cooperative enterprise and strive to build the society from within through active participation in the management process (either themselves, or through elected representatives) and through the full use of services that are provided by the organization.

2. Voluntary Association - Members must be allowed to join and withdraw from cooperative societies at their own free will. They must voluntarily agree to conform to the rules of conduct that are prescribed for their organization.

### III. COOPERATIVE PRINCIPLES

3. Open Membership - Cooperative membership applications must not be judged on the basis of any artificial restriction such as race, religion, sex, political affiliation, or social status. Cooperative membership must be limited under certain circumstances, i.e. if the potential member's economic objective in joining the cooperative does not coincide with the objectives of the society, or if the cooperative cannot efficiently serve an unlimited number of new members. Under some circumstances it is also acceptable to limit membership to a certain age group, profession, or to inhabitants of a particular region, in order to assure that each member is served effectively.

4. Political Neutrality - Cooperatives should not attempt to interfere with, or change, the political feelings of their members. Cooperative meetings should not be allowed to become forums for the expression of differing political viewpoints. Whenever possible, cooperatives should seek to remain independent from political parties and the government, and concentrate on protecting the economic interest of their members.

It must be recognized, however, that in many developing nations cooperatives are promoted and sponsored as part of a national political program. Under these circumstances, it is not realistic to expect cooperatives to maintain absolute neutrality in their external and internal relations.

5. Cooperatives Must Promote Economic Efficiency in Their Dealings - In basic terms, cooperatives are business enterprises that are formed to promote the economic advancement of their constituent members. In commercial transactions with members and outside firms or agencies cooperatives must strive to reduce overhead costs and risks to a minimum. The general principles of business administration and management are equally as relevant to cooperatives as they are to private firms.

6. Democratic Management and Control - The principle of democratic management and control has three aspects: cooperatives are self-governing organizations run by their members; they operate on the democratic principle of "one man-one vote," and the members must control the management of their own society (either directly or indirectly through democratically elected committees). Members must fulfill their responsibilities in this respect by keeping fully aware of all important matters which concern the society and by exercising their right to vote at election time.

7. Limited Returns on Share Capital - If a cooperative pays any return on share capital, it should be on a limited basis (i.e. an extremely low rate) to eliminate the possibility of potential members wanting to buy large numbers of shares as speculative ventures. Those who have contributed significantly to the capital of the cooperative do not receive preferential treatment when the financial profits of the society are distributed.

8. Fair and Prudent Distribution of Economic Returns - Surplus funds must be divided on the basis of the amount of business that the individual has with the society. This is done in an effort to return to the members what they have been charged by the cooperative that is in excess of actual costs. However, some earnings may be retained in the cooperative for the division of capital reserves - either allocated or unallocated.

9. Promotion of Member and Employee Education - The fact that cooperatives are primarily self-help organizations (see principle number one) implies that they must play a forceful role in the education of their members and staff. The cooperative member must receive instruction so that he can participate effectively in the functioning of his society. The cooperative must train its employees so that they are able to fill their management and administrative positions efficiently, imaginatively, and honestly.

10. Autonomy- The cooperative must be allowed to enjoy a relative degree of autonomy in its individual goal-setting and management. The government must allow the cooperative the scope to become an autonomous self-help organization. Cooperatives can naturally be subjected to a regulated amount of state planning, just like any other business organization.

11. Cooperation between Cooperatives - All cooperatives should cooperate, in every practical way, with other cooperatives at the regional, national, and international levels. In the same way that individuals gain economic power by forming and joining a cooperative, cooperatives will gain strength through membership in apex organizations of societies that have similar economic activities.

## IV. LEGAL ASPECTS

(Reprinted, with permission, from Cooperative Management and Administration, International Labor Organization, Geneva, 1963, pp. 175-186)

### A. Cooperative Law

The administration and management of a cooperative are affected in a number of ways by the laws of the country in which it carries on business. In the first place, a cooperative is obliged to do--or forbidden from doing--a number of things by the law under which it is incorporated. In a few countries no such law exists, and cooperatives are unincorporated groups of individuals; but this is exceptional. In some countries cooperatives are incorporated under a section of the commercial code. In the great majority, however, there is a special cooperative law. These laws differ from one another mostly in the degree of detail with which they define the character and behavior of a cooperative and in the measure of government interest in and assistance to cooperation which they provide for. Some laws are framed in broad general terms but are supplemented by detailed regulations and model rules which cooperatives are expected to follow. Others leave the rules to be drawn up by national cooperative unions which afterwards submit them for official approval.

### RULES AND BY-LAWS

A group of people wishing to form a cooperative must first adopt rules (or by-laws) for which official approval, if not already obtained, must be sought. These rules, or the law itself, will bind the cooperative to act or not to act in certain ways. In the first place, the objectives and powers of the society will have to be defined, and the latter may not thereafter do anything which has not been included among its objectives and powers. It is for this reason that a cooperative which intends at the outset--and probably for many years--simply to accept deposits and make loans to its members may nevertheless also include among its objectives trading in agricultural supplies and agricultural produce and claim the right to own land and buildings and to raise loans on mortgage. This makes it unnecessary to change the rules at a later date when the cooperative is ready to expand.

### ADMISSION OF MEMBERS

The law in most countries has a good deal to say as to the conditions under which members may enter or leave a cooperative and their responsibilities towards it. There must, in the first place, be a minimum number of members (seven in some countries, as many as 20 in others) before the society can be registered at all. Most laws lay down that membership shall be open, except that members must usually



be over a certain age (in most cases 18) and it may sometimes be laid down that they must live in the same village or follow the same occupation. Also, it is reasonable to limit the number of members of a housing society where the building site itself is limited, or of a society formed to make joint use of a threshing machine or a fishing boat. It may also be necessary to restrict the membership of a credit society with unlimited liability to a group of people who are really prepared to trust one another. As a rule, the law provides that the capital of a society shall be variable--that is, fresh shares will always be issued if new members seek admission.

If members are free to enter a cooperative, are they free to stay out of it and are they also free to leave? As a rule, the answer, in both cases, is in the affirmative, although members must sometimes give notice of their intention to resign and may be liable for the possible losses of the cooperative for a fixed period--one or two years--after their membership ceases. There are a few cases in which members are obliged to join and cannot withdraw. This is the case in some countries where landowners or tenants are formed into cooperatives for the joint use of land. It may also happen in cooperatives which exercise the sort of powers normally conferred on marketing boards, or in cooperatives for irrigation and drainage, where an essential service can only be carried on if all landholders participate. In such a case, membership in the cooperative goes with the ownership or tenancy of land, and the decision to form a cooperative, once it has been made by a majority of those concerned, becomes binding on all.

#### INTERNAL CONTROL

The law usually specifies how a cooperative is to be governed, though this is sometimes left for the rules of each society to determine. In most countries it is laid down in the law that the highest authority shall be the annual general meeting, which must be called once a year and at which each member shall have not more than one vote. Occasionally additional votes are allowed, based on the amount of business which the member does with his society. This is unusual; but when one society is a member of a larger organization, such as a federation or wholesale, it is usual to allot votes in proportion to the number of members of the primary society. Some laws allow and some forbid voting by proxy and voting by mail.

Some laws include detailed regulations as to the way in which general meetings are to be conducted; whether or not large societies should hold instead a delegate meeting, elected on a district basis, and how this should be carried out; how committees should be elected; how long they should hold office, and whether their members should be eligible for re-election; and whether there should be a supervisory as well as management committee. Some countries include in the law and

#### IV. LEGAL ASPECTS

others in the rules procedures by which the rules can be amended, or the cooperative voluntarily dissolved or amalgamated with some other cooperative, or converted from a cooperative into some other kind of corporate body.

### SHARE, LOAN AND RESERVE CAPITAL

The law settles how the cooperative is to be financed. There are usually two alternatives. The cooperative may have no share capital, the members being jointly and severally liable, without limitation, for any debts or losses it may contract. Alternatively, members subscribe shares either fully or partly paid up, and their liability is limited to the value of the shares or perhaps to a figure twice or three times the share value. Unlimited liability is generally the older system and is considered especially suitable to thrift and credit cooperatives of small farmers and others who may have difficulty in putting up share capital. In some countries where cooperative members are in the main small peasant farmers, unlimited liability is obligatory under the law in the case of agricultural credit societies. The security offered is real when the landholders have a clear title to their lands but may not be of great value when they have no property from which losses can be met. It is widely believed, however, that the collective moral obligation imposed on all the members of a society by unlimited liability will promote a greater sense of responsibility. However, unlimited liability is now tending in some countries to be replaced by limited liability, especially where the principle of open membership is considered more important than a high level of mutual trust, and special steps are taken to meet the difficulty of raising share capital in the initial stages.

### SHARE CAPITAL IN THE INITIAL STAGES

Where a society is financed by issuing shares, the rules must state the value of the shares and the minimum and maximum number which members may hold. Usually the minimum is the same for all members, but in some agricultural societies it goes with the acreage of the farm or the number of cows milked. The purpose of laying down a maximum is to prevent any one man from having too large an interest in the society and dominating it financially, even though he may have only one vote. The maximum may be either an absolute figure or (more often) a proportion, say one-fifth, of the total share capital. Under some laws shares may be transferred to other members with the consent of the committee and provided that they do not raise the total share holdings of the transferee above the legal maximum. Some laws allow, but others restrict the right of a cooperative to repay shares compulsorily. This may be desirable if the member has ceased to do business with the cooperative, or (occasionally) when the cooperative has more share capital than it needs.

## IV. LEGAL ASPECTS

There is at least one type of cooperative in which there is no share capital even though liability is not unlimited. In the non-stock cooperative associations of the United States, the member pays an entrance fee on admission and pledges himself to do all his business with his society. Provided this business is the marketing of a staple commodity, the society can borrow its initial capital on the security of this contract and thereafter build up capital through contributions to reserve, the formation of revolving funds, the use of chattel mortgages, and sometimes the sale of bonds or preferred stock to the public.

Either the law or, in some cases, the rules provide for the formation of reserves, usually by laying down that a fixed proportion of the surplus at the end of each year shall be carried to reserve, either as long as the society is in existence or until the reserve is equal to, or a multiple of, the share capital. The law generally states that the reserves are indivisible, even on dissolution of a society, and that in such an event they shall be applied to some purpose of common utility in the district, including the formation of a new cooperative. This is to ensure that members will not be tempted to dissolve a society merely in order to share substantial reserves among themselves.

Nearly all cooperative laws insist that the rate of interest on share capital be fixed at a moderate figure. Some do and some do not lay down in detail how the surplus on the year's trading shall be distributed after provision has been made for reserves and interest. Considering that payment of a dividend or bonus on business done is a fundamental cooperative principle, it is perhaps surprising that there should be so many countries in which this rule is not legally enforceable. The other widely practiced methods of allocating surplus--bonus to employees, grants for education or general welfare--are usually permitted but not enforced by law.

#### TRADE WITH NON-MEMBERS

The law varies from one country to another on two other important points--whether a cooperative must do business only with members and whether members must do business only with their cooperative. The argument in favor of restricting business to members is that it prevents the cooperative from degenerating into a small closed corporation making money out of trade with non-members. This purpose, however, may be served just as well by insisting on open membership and variable capital. The arguments against restricting business to members are that prospective joiners may want to sample the services offered before committing themselves to membership, and that every trading cooperative is both a buyer and a seller, buying goods from manufacturers and wholesalers to sell to members, or selling members' produce to the general public. The first argument may well call for

#### IV. LEGAL ASPECTS

some flexibility in the rule requiring business to be done with members; as for the second, it can be met quite simply by applying this rule only to the purpose for which the society was set up, but not to other aspects of its business which serve that purpose. It is obvious that a consumers' cooperative must buy goods from suppliers who are not its members, and that a marketing society must sell to wholesale firms or to the public, while a credit cooperative may well accept loans or deposits from outsiders.

The argument in favor of obliging members to trade only with their cooperative is probably strongest in the case of agricultural processing and marketing societies. If a cooperative has invested in plant and buildings to handle a given volume of milk or cotton or sugar cane, it is necessary, if the plant is to be run economically, that supplies should never fall below that level for any extended period. In some cases, also, the cooperative is in effect a price bargaining agency and its bargaining power will be weakened if some members are prepared to break the price by selling to private buyers. The obligation to deal only with the cooperative may be embodied in the rules or in a separate contract; the provision may be made for what are called "liquidated damages," safeguarding the right of the society to claim an agreed sum from the member in compensation for the injury caused by the breach of his contract to supply. In other countries, however, the law is on principle hostile to binding contracts and does nothing to encourage cooperative members to enter into them, or cooperatives to enforce them.

#### DUTIES AND PRIVILEGES OF COOPERATIVES

Most cooperative laws make provision for voluntary or compulsory arbitration in cases of dispute between members or between members and committees, usually specifying the procedure. Some do and some do not insist upon political and religious neutrality. Most specify what records a cooperative must keep and who shall have access to them. Most insist that a cooperative should have a fixed address and common seal. As noted in the last chapter, the majority provide for periodical audits, and usually for annual reports to be submitted to some government department. Some accord very considerable privileges to cooperatives registered under the law--exemption from income and other taxes and from stamp duty; the right to borrow from state funds or on state guarantee; the right to exclusive use of the designation "cooperative." Others allow no privileges at all.

It is for the secretary of a cooperative to familiarize himself both with the rules of his own society and with the cooperative law of his country, for it is his responsibility to see that the rules are carried out and that the law is not broken. He must make sure that the members are all of full age and that none of them has more than the maximum shareholding, that the annual general meeting has been properly summoned, and that any change in the rules has been carried by the prescribed majority; that the accounts are audited at the proper intervals and the reports forwarded to the proper authorities; that taxes are paid; and that the cooperative does not engage in business which is

not specified among its objectives, nor allocate surplus to purposes not permitted by the law.

## COOPERATIVES AND THE COMMON LAW

The secretary or manager of a society of any size is likely to find himself confronted with a number of responsibilities and restrictions arising from the common law in countries which have taken their legal system from Great Britain or, elsewhere, from civil, commercial or criminal codes or from special laws and regulations. In all these cases the cooperative is in the same position as any other corporate body. If it becomes involved in a lawsuit, or if there is doubt as to its legal right on any matter on which a decision must be taken, a professional lawyer will have to be consulted. For this reason many national cooperative organizations have their own legal departments, which are prepared to give advice to member societies. Secretaries and managers should, however, be aware of those aspects of the daily activities of a cooperative which are regulated by law and of the kind of action, either by the society itself or by its employees, which may bring the society into difficulties. It is not possible to enter into this subject in any detail in a work of this size, especially one which is intended for reading in countries with differing legal systems. A few indications may, however, show how broad the field is.

Cooperative societies, by the nature of their activities, come under one or probably more than one specific law. Consumers' cooperatives, for example, come under the laws which regulate the opening and closing time of shops, the minimum age of employees and the handling of perishable or easily contaminated foodstuffs. If they sell tobacco or alcoholic drinks they will require a license for that purpose. Cooperatives with factories or processing plants will come under factory laws providing for the fencing of dangerous machinery, adequate light and ventilation (especially when the process causes dust or dangerous fumes), maximum hours of work and limitations on employment of women and young persons.

Cooperatives engaged in the marketing of agricultural products will in many countries be subject to marketing laws which may lay down where, when and at what price the commodity may be sold, and may prescribe standard grades and qualities. Any cooperative engaged in banking business will be subject to the law on banks. Cooperatives using their own transport will be subject to the laws regarding insurance and licensing of vehicles and drivers, and will of course be responsible for their drivers' observance of traffic and parking regulations. Cooperatives supplying their members with farm supplies or domestic goods will have to observe the laws against adulteration or false description. Cooperatives selling poisonous substances--e.g. drugs or pesticides--will have to observe the relevant legal provisions. Any cooperative engaged in foreign trade will have to comply with import and export regulations,

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including customs duties, quotas, restrictions on the movement of materials capable of carrying plant and animal diseases, and currency and exchange controls.

### COOPERATIVE CONTRACTS

Cooperatives will also be affected by some of the more general provisions of the common law or the civil code. Like all businesses, they frequently enter into contracts for many different purposes: agreements to purchase or lease land and buildings; contracts with building and engineering firms to build premises or install machinery; agreements to purchase either capital goods or stock-in-trade; undertakings as to the price of resale of certain commodities; hire-purchase agreements with members; undertakings to deliver by a certain day; bank overdrafts guaranteed by members of the committee; contracts for the hire of transport from private haulage firms or contracts to undertake work for members with machinery owned by the cooperative; contracts with employees fixing their conditions of employment, salaries, holidays, whether they are to receive sick pay, and in what circumstances they can be dismissed.

Some of these contracts will be in writing, especially where long-term arrangements or large sums of money are involved. The lease of a building, the contract for the supply and installation of machinery, usually by a fixed date, the employment contract of the senior official of a large society will be written documents which should be carefully drawn up and carefully scrutinized before they are signed. Some commercial contracts are so skillfully worded and contain so many escape clauses that they may prove more difficult to enforce than would appear at first sight. On the other hand, the cooperative will have to be careful not to bind itself so tightly that the contract may become damaging to its interests sometime in the future. A contract with a cooperative manager which made it impossible for the society to dismiss him unless he did something actually criminal would be an example. If the matter is important, it is usually cheaper in the end to consult a lawyer.

Many agreements are not in writing, e.g. contracts for engagement of junior staff, undertakings to buy members' produce, purchases made over the telephone (though these will generally be confirmed in writing), trucks left at the garages of private repair firms with instructions for an overhaul or for whatever repairs may be necessary. Such verbal contracts are nonetheless binding on both parties and should be made by responsible people who have considered the full implications of the pledges made on behalf of the society. It is also necessary to be quite clear as to who is entitled to make what kind of contract on behalf of the cooperative. For some important contracts it may be the committee, but for others it will be the secretary or manager, while for small matters it may well be a quite junior employee.

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A great deal of litigation takes place over broken contracts and the interpretation of contracts. This is expensive and should, if possible, be avoided by exercising due care in making contracts and in the choice of the firms or individuals with whom such dealings take place. Mistakes may, however, be made, or there may be cases in which circumstances rather than any kind of sharp practice have led to the breach of contract. It then becomes necessary to fix the responsibility and decide whether compensation shall be paid to the injured party and, if so, how much. A building firm has, for instance, contracted to build and equip a ginney by the beginning of the next cotton season, and has failed to do so either because of a quite exceptional flood or because of a strike among its own employees. The ginney is not completed until nearly the end of the season, and nearly a whole year's trade has been lost. It will be vitally important to the cooperative to know whether it is or is not entitled to compensation. This may have to be settled by arbitration or by an appeal to the courts. On the other hand, the cooperative itself may fail to meet some condition on a contract. The committee may believe that circumstances over which they have no control, an "act of God"--such as the flood mentioned above--or something in the conduct of the other party to the contract have justified their action (or failure to act), but the other party may hold a different view, and again there may have to be arbitration or court proceedings.

#### COOPERATIVES AND PROPERTY LAWS

All cooperatives deal in property, whether in the form of real estate such as land and buildings, vehicles and stock-in-trade, or in the form of documents entitling the holder to money, such as checks, bills of exchange, and share certificates. Property laws deal with many matters, not all of which are of concern to cooperatives. From the point of view of a cooperative, perhaps two of the most important points to consider arise when property changes hands, either by sale or gift, or on the death of the owner. First, is the owner in fact entitled to transfer the property? Secondly, has he made his intention to do so perfectly clear? A cooperative which buys and pays for produce from one of two brothers farming together may find itself in difficulties if the other brother claims that half the money should have been paid to him. A much more serious problem may arise when a cooperative buys land, e.g. for the purpose of building its headquarters, from a man who has not what lawyers call clear title to it, and another claimant comes along, or the land turns out in fact to be common land which no one has a right to sell. If the land is a gift, a similar problem arises. The gift may be withdrawn, perhaps after the donor's death, unless the transfer of property is plainly recorded in a written statement. If the donor is a prominent local man, perhaps the chairman of the society, the committee may sometimes feel embarrassed if it has to press for such a statement. A rather different but equally awkward situation will occur

#### IV. LEGAL ASPECTS

if there are conditions attached to the use of the land, for example, that private houses may be built on it but not business premises.

Apart from the rather unusual case of a gift to the cooperative, other problems are likely to arise on the death of a member. He may have considerable interests in the society--share capital, deposits, unpaid bonus, perhaps credit for produce delivered for which the cooperative has not yet paid. The cooperative will have to know to whom such interests are to be transferred. If the man has one son who is carrying on the farm, the decision will probably be simple. If he has none, or if he has several and the land is to be divided between them, it may be more difficult.

Another problem which a cooperative may well have to face is that of assigning responsibility for loss or damage in the case of goods belonging to one person but in the care of another, e.g. a cooperative tractor temporarily kept on a member's farm where it is working, or perhaps livestock belonging to a member and entrusted to the cooperative for a few hours before being put up for sale at auction. The problem, however, arises most frequently in the case of goods in transit or in store at a dock or railway station. If they are damaged and the railway or shipping company denies responsibility, the cooperative may be faced with a heavy loss. Often the legal position is governed by a contract which the cooperative has already signed. If this does not give adequate protection against loss, it may in some cases--though certainly not in all--be worth while to take out insurance.

While on the subject of property, it may be worth mentioning that some forms of property are neither goods nor money nor title to money, e.g. trademarks, trade names, patents and designs. A new cooperative must choose a name which cannot easily be confused with that of any other cooperative or company. Once the name has been registered, the cooperative will enjoy protection against others who may wish to use a similar name. Cooperatives engaged in manufacture often also register a trademark for their product, in order to make it attractive-sounding, as well as distinctive and easily remembered by the consumer. The name may have nothing to do with the name of the cooperative, but must not too much resemble the name of any similar product, and it must be distinctive, not something that describes anyone else's product equally well. "Adam's Peak Tea" might pass, but "Mountain Tea" would not. It may not be very often that a cooperative wants to register a patent or a design but it has happened that cooperatives have invented or greatly improved a piece of machinery, and have found it worth protecting their invention from copying by other manufacturers.

#### LIABILITY FOR INJURIES

It may be that a cooperative is unfortunate enough to have its premises broken into by burglars, or that it may be obliged to prosecute

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an employee for embezzlement. This is a fairly straightforward case, even if the accusations may not always be easy to prove. There is, however, a large class of injuries, not criminal but civil, which may be caused or suffered by the cooperative. These include injuries caused by negligence to members, employees or the general public. Ladders may slip, chimneys blow down, machinery break owing to a hidden flaw, vehicles become involved in accidents. In every case responsibility must be established, if only because the injured person will certainly make a claim. Has someone failed to take proper care? And if so, who? If he was an employee of the cooperative, was he carrying out his duties in accordance with instructions, or doing something which he had been expressly told must never be done? The injured person will try if possible to prove that the cooperative was responsible for the acts of its employees, since the cooperative will be more capable of paying compensation for the injury than would a lorry driver or a machine hand. The same will apply if the injury was caused to one employee by the action of another.

There are other injuries which are not the result of accidents in the usual sense. The waste products of a creamery may pollute a river. A tall mill building may obstruct the windows of an existing house or office. Cooperative lorries may trespass by taking shortcuts across private land. A cooperative may accidentally sell a wrongly labelled commodity, so that a member receives spring wheat instead of winter wheat, and suffers loss through a poor crop. The chairman of a cooperative may denounce the methods of a rival trader and find himself sued for slander, or the rival trader may write an abusive letter about the cooperative to the local paper and the cooperative may take action for libel.

It has been said that half the work of a good lawyer lies in saving his clients from going to law. A good cooperative secretary or manager should also work steadily to keep his cooperative out of the courts by seeing that laws and regulations are observed, contracts examined and thereafter strictly carried out, and that everyone who acts in the name of the society behaves with as much prudence and common sense as can be expected. The secretary is not a lawyer and should never attempt to conduct a case or give an opinion on a strictly legal issue, but he should know where occasions for trouble may lie. In some countries books have been prepared by national cooperative organizations giving this sort of background information. Failing this, a book written for business people in general will be better than nothing, especially if there is a cooperative legal adviser who can be consulted in an emergency. Trained lawyers are often appointed to the staffs of national cooperative organizations or even some of the larger regional or specialized societies. They may be full-time salaried employees or they may be professional men in private practice to whom the cooperative pays a retaining fee so that their help may be available when a legal point of some substance arises.

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## B. A COOPERATIVE VS. A CORPORATION

(Reprinted from Venezuela Cooperative Training Outline, Peace Corps/  
Venezuela, no date, pp. 7-9)

### A CORPORATION

1. Is a union of capital as an investment to earn a profit.
2. Shareholding may be anonymous; shares are freely transferable and may be held by anyone.
3. Is limited (as a general proposition) in the number of persons owning the business, i.e. the shares are limited in number.
4. The shares being limited in number, will fluctuate in value according to the profits they earn.
5. Control by the individual is determined by the number of shares he holds.
6. Surplus earning, i.e. profits, are the property of the corporation.
7. Surplus is divided among the shareholders on the basis of the number of shares held.
8. No limit to the dividend paid on share capital.

### A COOPERATIVE

1. Is a union of persons to supply themselves with goods and services at cost.
2. Shares are identified by persons; the shareholder must be admitted to membership or transfers must be approved by the Board of Directors.
3. There is no limit to the number of persons who may participate in the business within its range of operation, i.e. the number of shares is not limited.
4. Every shareholder must be a member; thus the shares are not limited and cannot exceed par value.
5. A member has one vote and no more regardless of the number of shares he may hold.
6. Surplus belongs to the members, i.e. the customers.
7. Surplus is divided among the members in proportion to the amount of business each does with the society, except where a limited interest on capital is paid.
8. Fixed maximum rate set for dividends on share capital; in some societies no dividend paid on capital.

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## A CORPORATION

9. The joint stock company does business in a general way with the public; the buyers and the sellers (the parties to the business transactions) are distinct and different.
10. The selling price is normally above cost price and the surplus constitutes a trading profit.
11. Business is done for the express purpose of realizing the trading profit which becomes the property of the corporation.

## A COOPERATIVE

9. The cooperative is organized to do business with its members; buyers and sellers constitute one body and are identical.
10. The selling price is an arbitrary figure containing a margin of business safety above cost and the surplus constitutes an excess charge, or in the case of a marketing cooperative, an underpayment.
11. The business is organized and conducted as a mutual service for the benefit of the members of the cooperative as a legal entity.

In addition, of course, cooperatives have educational and social values which other business corporations do not ordinarily have.

## V. COOPERATIVES AND APPROPRIATE TECHNOLOGY

Appropriate technology is a term used to describe production techniques which increase the efficiency of producers in rural and developing areas. These production techniques should be labor-intensive and firmly within the reach of those producers who have limited capital resources. They should take maximum advantage of local skills and the availability of indigenous materials. The goods and services that are produced should meet the most urgent needs of the majority of the local population (i.e. farm equipment, household utensils, sanitary facilities, etc.).

Appropriate technology concentrates on the development of locally available resources. It seeks to provide an alternative to the importation of sophisticated resources which require a great deal of capital input and the presence of highly trained personnel to supervise their use.

Appropriate technology promotes the principle of "building from the ground up." The use of advanced techniques is allowed when they have been developed internally and have become suitable for use in an evolving, increasingly diversified economy. The evolutionary process of the local economy is deliberately kept at a gradual pace, with a wide number of small changes being implemented. This process will lead to a general uplifting of the living standard of the local populace as each state in the evolution of their economy is achieved.

Cooperatives and the proponents of appropriate technology share many common objectives. Both deal primarily with masses of people in rural areas. Each group seeks to combat local unemployment and apathy, and to promote the planning and implementation of self-help projects. The development of local resources and skills are common goals for each. The two seek to achieve the creation of a local infrastructure (which should originate from the people and not be imposed from the government above) and the training of selected groups of producers to assume management and other technical functions.

Appropriate Technology Centers are information clearing houses that have been set up on a regional basis to disseminate advice on the use of locally appropriate techniques in areas such as agriculture, wind and solar energy, housing construction, communications, and health care. Many areas of potential collaboration between Appropriate Technology Centers and cooperatives in developing countries exist:

1. Cooperatives could use their local contacts to identify specific needs for appropriate technology and to motivate people in the use of these techniques.

## V. COOPERATIVES AND APPROPRIATE TECHNOLOGY

2. Cooperatives are an excellent means of channeling specific information on locally appropriate technology to the "grass roots" level.

3. In return, information on locally developed appropriate techniques could be related to Appropriate Technology Centers by cooperatives.

4. Cooperative training programs may be the ideal forum in which to educate local producers in the use of appropriate technology.

5. Equipment (i.e. farm implements) which have been developed through appropriate technology could be produced and distributed by cooperative-owned workshops.

6. Cooperative financing may be used to develop local appropriate technology projects.

The Peace Corps Volunteer is encouraged to contact the Appropriate Technology Center that is located in his or her area. The Volunteer should make local cooperative officials aware of the aims of those Centers and of the potential use of Appropriate Technology Centers to cooperative members (and visa versa). The Volunteer should keep his eyes open for any local techniques which seem practical and well-suited to local conditions that could be put into use in other regions. Some examples of appropriate technologies which may be of special interest to Cooperatives Volunteers include:

- specialized farm implements
- construction techniques (i.e. of warehouse and grain storage facilities)
- methods of drying crops
- simplified accounting systems
- the manufacture of handicrafts (i.e. tie-dying techniques)

#### References:

Cooperatives and Intermediate Technology (A Paper for Discussion at a Joint Meeting of Representatives of COPAC and IRSF), Leonard Stettner, 1977.

"Cooperatives and Intermediate Technology," Review of International Co-operation Vol. 67, November 1974, Bert Oram.

## V. COOPERATIVES AND APPROPRIATE TECHNOLOGY

## VI. THE ROLE OF GOVERNMENT IN COOPERATIVE DEVELOPMENT

(The following model was adapted by the editor from Concepts for Establishment of Rural Cooperatives through Implementation of Specific Government Policies in Developing Countries with Special References to a Three-Phased Model, Alfred Hand, FAO, Rome, 1976)

### A. A THREE-PHASE MODEL

It can safely be said that most Peace Corps Volunteers who are involved in cooperatives work are participating in programs which result from the host country government's perceived need for accelerated development in this sector. As the result of this perceived need for accelerated cooperative development, the Volunteer will often find himself working with a society which is dominated by government influence. For example, it is likely that the cooperative manager will be a salaried employee of the National Cooperatives Department and that all major decisions that are passed by the cooperative's Board of Directors must be approved by a ranking official in the government ministry before they can take effect.

The questions will invariably rise in the Volunteer's mind: "Is this level of government domination necessary? Will this domination be perpetual? When and how can it be reduced?"

The answer to the first question is probably "yes--for the time being." It is extremely difficult to establish a viable, autonomous cooperative society among illiterate or semi-literate individuals unless certain pre-conditions exist. These may include a physical infrastructure, a legal framework, technical assistance, and educational programs.

The following three-phased model is presented in partial response to the second and third questions. This model outlines a process by which government support and supervision of cooperatives may be gradually decreased as the societies become stronger and more capable of serving the needs of their members as autonomous organizations.

(The PCV is likely to find that his cooperative can be classified as being in the first phase of model, that of "founding and establishment.")

#### 1. The founding and establishment of the cooperative by government and state-controlled organizations

characterized by:

--strong influence of government and state-controlled organizations

--the cooperative is partially financed by the government

the goals of this stage should be to:

- establish an adequate network of agricultural/rural societies
- establish primary societies with a homogeneous membership and of a sufficient size to provide a potential for success
- offer services (primarily marketing, credit, supply, and extension) through integrated programs
- create an enterprise with sufficient size, location, internal organization, finance, and administration to maintain and increase its promotional potential
- accumulate capital gradually through increasing reserves and share capital
- further the participation of members through education and information services aimed at the primary or village level and to integrate the processes of goal-coordination and conflict regulation between members and cooperative management.

When these goals have been met, the cooperative may then move on to the second stage, the "de-officialization phase."

Note that passage from phase one to phase two depends heavily on the host country government's willingness to adopt an active political policy of "autonomy for cooperatives," despite the fact that this policy may not have a positive influence on the interests of the government and state-run organizations that are involved.

2. The severing of the cooperative from direct administrative influence and financial dependence on the government and state-controlled organizations (phase of "de-officialization")

characterized by:

- the reduction of the government role of prescribing and/or directly influencing the goal-setting of the cooperative
- area of autonomous decision-making is increased

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the goals of this stage should be to:

- reduce gradually, but significantly, the amount of government financial support to the organization
- promote the refinement of management techniques that are practiced by cooperative employees and members so that these individuals gradually assume their roles in an "autonomous cooperative"
- intensify membership education programs so that cooperative members become motivated to increase self-help initiatives from among their own community and to decrease their view of the cooperative society as an instrument which supplies goods and services that are provided by the government
- promote the creation of regional unions and national cooperative federations, to encourage cooperation between these organizations, and to set up a legal framework to handle disputes which may rise up between these organizations

### 3. The autonomous cooperative organization

The third stage is essentially an extension of the second. It is characterized by complete autonomy of the cooperative in decision-making processes and financial independence of the cooperative. Now we have created a cooperative in the complete classical sense. The Peace Corps input into the program has been terminated, except for well-qualified Volunteers performing highly specialized tasks.

#### B. AN EXAMPLE OF RELATIVE AUTONOMY (Cooperatives in Botswana)

(Reprinted, with permission, from "Some Lessons in Cooperative Development - The Case of Botswana," Yearbook of Agricultural Cooperation 1976, The Plunkett Foundation for Cooperative Studies, B. J. Youngjohns and Trevor Bottomley, Oxford, U.K., 1976, pp. 191-200)

#### Some Lessons in Cooperative Development - The Case of Botswana

##### Introduction

In this article we try to identify some of the lessons for cooperative development derived from the relatively successful experience in Botswana. This is not, however, an article about Botswana

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in the ordinary sense. The factual record has been written up elsewhere.\* Rather, we are trying to bring out some lessons which may be of wider relevance. Nor do we wish to exaggerate the Botswana success story. Comparatively speaking, the cooperative movement in that country is still in its infancy, has only two main groups of societies (marketing and consumer), and may well have many storms ahead of it. It has, however, made an uncommonly good start, has established a solid foundation, and is interesting in having so far avoided many of the pitfalls into which other, sometimes more ambitious, movements have fallen.

### The Role of Government

The first Registrar of Cooperative Societies was appointed in 1964. At that time there were no cooperatives in the country and the potential scope for cooperative organization seemed so dubious that the Cooperative Department was only set up at all because of an offer by OXFAM to meet part of the cost. The Cooperative Department has expanded somewhat since then but remains relatively small. Technical assistance (UK, OXFAM, Peace Corps and UNDP) has also been modest, although extremely effective. The UNDP/ILO project at its peak had only four expatriate experts and there was a strong and healthy suspicion that this was rather too many. Capital aid has also been on a modest scale, comprising a grant of 30,000 pounds from the British Cooperative Movement, plus some smaller grants from other sources to provide seed capital, and a Swedish capital project for premises for the Development Centre.

This modest input by Government and foreign aid sources has been in keeping with Government's approach which was neatly summed up by the phrase "sympathetic non-intervention." In other words, Government has provided the basic services to stimulate cooperative development and to administer the law, but has otherwise not interfered. The Cooperative Department has been allowed to get on with the job and to decide its own priorities. Even if it wanted to do so it has never had the staff to manage the cooperative movement itself. Its role has been to promote, to guide and to educate the people to run the cooperatives themselves. It will be said that there is nothing new about this. True, it was the original concept of the role but few of the others have kept to it. Either because of policy decisions from above, or the pressure of circumstances created by too rapid expansion, Cooperative Departments in many countries have become enmeshed in the actual day-to-day management of the cooperatives. (The important work of education and training is, almost everywhere, including Botswana, done by civil servants.) When this happens, the Movement becomes both an extension of the bureaucracy and a permanent burden upon it. Much of the purpose in promotion of cooperatives is defeated. There is a strong and unfortunate tendency for most technical assistance programs to foster this growth of reliance on Government.

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\*Reports of the Registrar of Cooperatives, Botswana

### The Objective of Cooperative Development

Briefly stated, the job of a Cooperative Department is to promote self-governing and self-financing businesses owned by the members on a cooperative basis, possessing their own capacity to grow, and to generate capital resources for growth. Obviously, where the principal economic activities are agriculture and livestock, the cooperatives will be involved in the agricultural or livestock business. But this is in a sense incidental, and the cooperatives are not fundamentally state-sponsored organizations for the development of the agricultural or livestock industries. Rather they are concerned with development of people by establishing businesses which the people can own and run themselves, and which have a built-in capacity to expand, accumulate their own capital, and develop their own entrepreneurial dynamic.

All too often cooperative development programs have been created because some external agency in pursuit of its own concepts has advocated them or because economic planners have decided (no doubt on impeccable grounds) that small-scale farmers must have credit, or a better marketing system, if the planned targets for expanding production are to be met. Cooperatives are often decided on, after other possibilities have been eliminated or other efforts failed, as the most suitable channels for getting loans to the farmers or marketing their produce. The farmers may not want the cooperative, nor even the credit or marketing service, but they are getting both because policy demands that they do. The argument for a cooperative has been completely perverted.

Botswana has so far not made this kind of mistake. Marketing cooperatives, for example, have been established, not as adjuncts to government's agricultural or marketing policies, but because the farmers have been educated to see that cooperatives are in their interests, because marketing is good business for the cooperatives, and because it made good sense to show poor people how they could create indigenous, profitable enterprises serving their needs. The Botswana Meat Commission and the Agricultural Marketing Board do not "use" cooperatives, they do business with them--a very different concept.

### Cooperatives as Business

A cooperative society is a business--a trite remark which is nevertheless frequently contested and sometimes misunderstood. It is not a private business; it is a cooperative business and differs in a number of important respects. It differs in the form of ownership, of control, the way it raises capital and the way it distributes surpluses. It also differs in having social implications, and in motivation. It has a direct stake in the economic interests of its members. It resembles a private business in that it must cover all its costs and generate surpluses to finance expansion. If it is not successful as a business it will not succeed in its social role and will not serve the economic interests of its members. To ensure that cooperatives are

established on proper lines, it is essential from the beginning to inculcate this sense of financial discipline and self-sufficiency. To ensure this a number of basic rules must be followed:

#### Education of Membership--

There is first the overriding need for education, explanation and understanding. This priority cannot be subordinated to any other consideration. But failure to provide the necessary training is a much less grave offense than to teach the wrong lessons. The members or prospective members must understand both the scope and limitations of their enterprise. They must be taught that the cooperative is no more than the sum of their collective effort, will and capacity. They must understand the demands that will be made upon them to play their full part in running the society. And they must be aware of the full commercial implications of organizing a cooperative enterprise.

The members must never be misled by over-optimistic forecasts of the benefits they might expect or by false promises of something for nothing. They must never, for example, be cajoled by offers of easy credit. They must learn that their cooperative has got to pay its way, and will benefit them in the long run only if it does so. It is short-sighted, self-deceiving and self-defeating to expect prices or services which are uneconomic. It may serve the short-term purpose of the organizer to neglect the essential work of teaching the right lessons but it can never be to the advantage of the members and their cooperative.

#### Self-help--

The concept of self-help must be built in from the beginning. A cooperative is a business in which the members can increase their economic strength by pooling their human and financial resources. The benefits are derived from this mutual self-help and not from anywhere else. It is essential that the motivation, power and potential of self-help and mutual aid be seen as a reality. And on this basis for people to gain the confidence of relying upon their own joint efforts, and their own resources of imagination, energy and ability.

#### Independence--

The cooperative must have a least some degree of real independence. The members must put up the basic capital. The general meeting must be a reality and not merely a matter of form. The committee must exercise effective control over policy and appoint a manager with full responsibility over day-to-day management. This does not mean that the cooperative, or its committee, or its manager can do exactly as they please. They are subject to the law and by-laws and, as discussed below, to supervision by the Cooperative Department and to constraints imposed

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upon them as conditions for loans. Within these limits they must be free to make their own decisions, and take the consequences of their own mistakes. They must, above all, stand on their own feet and look first, and always, to reliance on their own resources.

### Technical Aid--

It is, of course, common ground that cooperatives in developing countries need, and are entitled to, technical assistance and help, particularly in areas of expertise not readily available in their own community. Indeed, the potential contribution that cooperatives can make to the solution of so many of the problems of the impoverished and deprived is of such significance that much expanded programs of technical assistance are essential. But to what end? To organize more and more co-ops? If the second question is taken as sufficient answer to the first, then we are left with the same question--to what end? And the answer to that must be phrased in true cooperative purposes. To offer people the opportunity of creating for themselves a vigorous, independent, viable cooperative movement capable of providing the services they require from it, and based on the principles of self-help, fellowship and mutual aid, non-exploitation, and voluntary association.

The trouble is that so much technical assistance, however well intentioned, patently fails to do this. The objectives of the technical assistance program are too often translated in terms of the short-term interest of the program and its organizers rather than in the long-term interest of the people they seek to serve. How many co-ops have been organized? How many courses run? How many people "educated"? How much business done? The kind of statistics that looks good in the report to headquarters. It is much more difficult to demonstrate that the basic, diligent, honest graft of education and organization has been done which, given patience, given time, given dedication, given reasonable good fortune, given freedom from pressure, has the capacity to result in genuine people's organizations capable of standing on their own feet and of steady, but certain, growth.

Too many technical assistance programs are concerned with rapid expansion, with the pursuit of quick results, with the creation of cooperative agencies to support other objectives. It is not to be wondered at that so much of the work has had to be repeated again and again. Even where the objectives are right, it could be argued that the large-scale programs involving large teams of highly paid experts are counterproductive. Inevitably in such a situation, measurable results are sought in terms of cooperative activity. But how is the initial impetus to be sustained after the "experts" are withdrawn? Where will the capital be found to finance a rapidly growing movement? Who will provide the education and training, the specialist advisory services, and the supervision required to sustain what has been created? The answer is usually civil servants in larger and larger

numbers and so technical assistance often becomes primarily concerned with training them to "run" the cooperatives and, hopefully, train the people in the process.

This, it must be understood, is not an argument against technical assistance. Far from it. It is an argument for technical assistance--devoted to the right purposes. And, incidentally, properly coordinated, but that is another story. In Botswana 49 marketing cooperatives and 20 consumer cooperatives have been organized in ten years. It is a fair bet they will all be still there and much, much stronger ten years from now. To the immense credit of the Government of Botswana the movement there has never been pursued further or faster than its own resources and capacity was capable of sustaining. Growth has not been permitted to outstrip ability. There has been a healthy recognition that a movement based on the principles of self-help and mutual aid must indeed help itself and rely on its own human resources if a vigorous independent cooperative movement was to be established.

#### Continuity of Policy--

Botswana cooperatives have been fortunate, or wise, in another respect. Throughout the decade there has been steady continuity of policy. There has not, as in so many places, been a succession of changes in policy, in organizational methods, or in operating procedures as advisor succeeded advisor, or project followed project. The accounting system introduced and taught in 1964 has been retained. The law and by-laws remain substantially the same. The operating procedures used have been developed from those originally introduced. There has, of course, been adaptation to cope with a developing situation, but no radical, sudden switches to other approaches or ideas. Consequently, the confusion and disturbance caused by such interventions have been avoided and the steady progress of educational and training work greatly facilitated.

#### Subsidized Inputs to be Clearly Identified--

There are two cases in which subsidized inputs may be justified. The first case is where the cooperative is potentially viable but may need aid in the early stages. The subsidizing of infant industries and other businesses is nowadays perfectly respectable, provided that there is a reasonable certainty that the subsidies will be sensibly used and will not be needed after a short initial period. The other case is when the State subsidizes cooperatives as a means of subsidizing the members. In either case it is of great importance that the subsidy should be clearly identified so that it does not obscure the issue and give a falsified and over-optimistic account of the cooperative's financial health. If this not not done, the cooperative may well flounder when the subsidy is removed or reduced. Hidden or unaccounted subsidies of any description can store up trouble for the future.

### Discipline in Financial Aid--

When a cooperative is given financial aid, it should be on a strictly disciplined basis. Easy money does more harm than good. It tends to erode the spirit of self-help. It sometimes stimulates a pace of development beyond the capacity of the people to manage and control. It militates against the understanding that wealth is not easily come by and has to be profitably used. All people are careless with other people's money. As a general rule, financial aid should be on a loan basis and carry a commercial rate of interest which must be serviced from the cooperative's trading surplus. The lender must require some control over how the loan is used and how the business is run. "Strings" should be attached. This is simply a matter of accountability, and not to have them taught the wrong lesson.

### Sources of Capital--

The proper sources of capital for cooperatives are:

1. Members' share capital
2. Accumulated reserves (undistributed surpluses)
3. Deposits from members
4. Loans from outside, raised on a commercial basis and on the cooperatives' own security

All of these are related to the cooperative's commercial viability. Take the question of profitability, for example. A cooperative is a business owned by poor, often very poor, people. Like any other business, it requires capital and can grow only within the limits of the capital available. Its owners cannot, by individual contribution, provide all the capital required for growth and expansion. The bulk of this must come, in the form of collectively owned capital, from the surpluses made in trade. Thus the cooperative generates its own capacity to expand its services to its members. It may mean slow growth but it is sound growth. In any event, it is only possible if the cooperative is responsive to the disciplines of sound cooperative and commercial practice.

### Supervision and Advice--

We have already discussed this to some extent under the heading of the Government's role. Although cooperatives should be independent, they do nevertheless require a measure of supervision for a number of reasons:

1. They are constituted, and to some extent, privileged under a special law catering for their needs. The law spells out their cooperative nature and responsibilities, and must be enforced.

## VI. THE ROLE OF GOVERNMENT IN COOPERATIVE DEVELOPMENT

2. The members, although equal in rights, are not equal in education and sophistication. The less educated are entitled to some disinterested supervision to protect their interests against the stronger.
3. Cooperatives are pioneering businesses in a developing situation and need guidance from a department which can see the overall situation, including the development policies of Government, and how the cooperatives relate to them and to each other. It is also helpful for them to have access to a source of specialist advice for complete business and financial matters.

The right measure of supervision is crucial. The objective must always be to enable them to stand up on their own feet. With too much supervision they will stand on someone else's feet; with too little they will not stand at all.

#### Credit--

The cooperative is a business, albeit of a special type. To be successful it must be a good business. The trouble with credit, especially agricultural credit, is that it is frequently bad business. It is extremely risky for a number of reasons including: climatic vagaries, pests, market fluctuations, as well as the general improvidence of human nature. There is no foolproof system of agricultural credit. It simply is not good business for a peasant community to invest and risk its own savings in agricultural credit.

The Botswana cooperatives have, so far, like the Rochdale Pioneers, solved the credit problem by having nothing to do with it. There is little doubt that this is one reason they have succeeded where others have failed. They have, incidentally, refuted the contrary argument that cooperatives, including consumer societies, cannot succeed without credit.

There can be no doubt that cooperatives are better off without credit. It would, however, be irresponsible to leave the matter there. The macro-economic case for credit in many countries is irrefutable. Small-scale agriculture is under capitalized. The peasant simply does not have the resources to pay for more and improved inputs. The required increase in agricultural production necessitates the employment of some system of credit. If the system operated can be, to some extent, brought within the control of community based farmers' groups such as cooperatives so much the better.

The point we are trying to make is that the risk costs in agricultural credit must be borne, not by the peasant community itself,

but by the State, i.e. by the whole community. This is not to argue that the peasant who wants a loan should not be made to repay it. Of course he should, but if he does not, or cannot, the loss should be borne by the State not by cooperative funds.

Generally speaking, the risk is likely to be less if the credit, supply and marketing functions are combined with the cooperative holding some kind of lien on the crop. The loan can then be recovered from the proceeds of sale. Even this system is far from perfect. It does not help in a total crop failure; the borrower can sell his produce illicitly through another channel; or send it with his cousin--or simply keep it until next year\*. Nevertheless it is the least risky and it does point to multipurpose cooperatives combining the function of credit, supply and marketing.

The cooperative movement cannot duck this responsibility for facilitating access to credit for production purposes. In situations concerning the provision of credit for the very poor, or for increasing food production, or some other crucial exercise, it would not wish to do so. It is, however, entitled to demand that the credit account should be separated from the rest of its business, and should ultimately be underwritten by the Government. The cooperative is not a welfare agency. Destroy its business capability by encouraging it to pursue uneconomic or high risk operations and you destroy its ability to match the people's aspirations.

There is also the psychological problem concerned with failure. Too frequently cooperatives are used as agencies for agricultural development or land utilization programs which fail, often at very substantial cost. In such situations it is the cooperatives which are blamed for the failure, not the planners. And so people lose faith in the cooperative approach and become sceptical of its validity.

### Conclusion

Perhaps this is the wrong heading. We have not sought to reach any hard and fast conclusions but rather to identify some of the lessons which arise from reflection about a decade of cooperative experience in one country. No doubt many of the points made will continue to be matters of controversy. That they should be is important. Few of those concerned with cooperative development work in the last quarter century would be satisfied with the record of achievement to date. The authors

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\*It is more likely to be effective (a) if there is only one channel through which the produce can be sold, and (b) if the produce is of a kind which has to be sold outside the community to be of value.



argue a central thesis. The cooperatives are concerned with development of people on the basis of voluntary association, self-help and mutual aid. That the power and efficacy of these principles, within the context of cooperative organization, offer real hope even for the very poor. That the dignity of self-reliance, through cooperative action, is essential to human development. And for the power to be released, for the dignity to be there, it is indeed necessary to rely on these resources, and to be very sure that their development is fostered, not inhibited, by any support given to them.

## VII. CASE STUDIES OF SUCCESSFUL COOPERATIVES

(This study was reprinted, with permission, from "Case Studies in Rural Development" by H. R. Amit, Report of the African Development Seminar, Coady International Institute, Antigonish, Nova Scotia, 1975)

### A. AN INTEGRATED MULTIPURPOSE COOPERATIVE PROJECT IN BANGLADESH (THE COMILLA PROGRAM)

#### 1. Background

Comilla thana (county) is one of 413 thanas of Bangladesh. Area, 107 square miles; population density per square mile, over 1,000--one of the highest rural densities in the world. This population lives in 246 villages in the thana. The only town of any consequence is Comilla with a population of over 60,000. Comilla is not only the headquarters of the thana but of the whole administrative district of Comilla--a much larger geographic area.

The major part of the thana is a rice growing plain. A large part goes under water during the rainy season. This region is part of the lower reaches of the Indo-Gangetic Plain. The county experiences year-long high temperatures. The average for winter (November to February) is 57 degrees F. The rainfall is heavy, 90 inches per year, but very unevenly distributed--it is concentrated in the June to October period, while very little occurs in winter. The country suffers from an excess of water in the second half of summer and a water shortage for agriculture during the rest of the year.

Soils are moderately fertile, clayey, and sandy loam near the river.

Population is over 80% Muslim, 80% illiterate--growing very rapidly--3.1% per year.

#### 2. The Farming System

Total cultivated area is 50,000 acres. All suitable land has been cultivated. This land is cultivated by 30,000 farm families giving an average farm size of 1.7 acres per family. Average family size is 6. About 95% of the farms are less than five acres and over 75% of the farms are owner operated. Cultivation is dominated by the monsoon.

Rice is the main crop and covers over 80% of the total cropped area.

### 3. The Major Features and Problems

a. All suitable land is under cultivation-- Population is rising steeply. Non-farm job opportunities are not rising at a proportionate rate. Inevitably fragmentation of holdings is increasing as the cultural pattern requires distribution of patrimony amongst all children.

b. Low intensity of land use-- This reflects the flood hazard of summer and lack of water in winter.

c. Low technology in land use. Even this limited area is not intensively used--as is seen from low yields--partly because of flood and climatic hazard; partly because of lack of information on new technologies; and partly because of lack of capital and the whole supporting infrastructure of commercial agriculture--roads, markets, etc.

d. Need of credit--In this situation of "risky" agriculture, capital cannot accumulate. The converse happens--farmers are frequently in debt. Average per capital indebtedness is Rs. 100/-\*, while average per capita income is Rs. 250/-. Interest rates are high--50% to 100% (1972).

e. Poor marketing system--Almost total lack of organized marketing and processing industries impels the farmers to sell their raw material at the year's lowest price in the local markets. The undeveloped marketing and processing system has given rise to a group of middlemen traders who skim off as much profit as possible.

f. Small farmers' problems--Lack of capital implies the need of credit for development. But holdings are too small and therefore individually they are unable to attract institutional credit.

g. The more prosperous farmers invest their money outside the village. They educate their children who leave the village. The village therefore loses its "enlightened" manpower as well as its profits making it all the more difficult to improve itself.

Investigations made showed that modernization of agriculture, introduction of credit, provision of extension and organization of irrigation and flood protection programs all required a new rural institution which would become a vehicle of change and service it. Accordingly, the central and initial project for modernization was the "cooperative experiment."

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\*Rs. 9.90 = \$1.00 (ed.)

The cooperative structure--having decided on the "cooperative" as the appropriate institutional form to be developed to meet the needs of the people, several questions arose--what size, multi-purpose or single purpose societies, what degree of supervision was necessary considering the 80% rate of illiteracy. A two-tiered federated structure was developed to meet the varying needs. A division of responsibilities in the various elements of the federal structure is an object lesson worthy of careful study. The first decision was that societies must be based on interest groups and should cover the needs of the group. This represented sound common sense as group cohesion required for the successful development of a co-op was provided for. The second, as valid, was that societies must be economically viable and functionally efficient.

These two decisions shaped the structure of the system that was evolved--on the basis of the first decision, village agricultural societies were formed. Purposely, their numbers were kept low--such primary societies consist of from 20 to 75 persons, with an average membership of 38. The emphasis was on social cohesion. 'A village cooperative society is a cohesive group of small farmers living in the same village and having many needs and problems in common. The proximity of their living, mutuality of their interests, and cohesiveness of their socio-economic character bind them together'....(A new Cooperative system for Comilla thana-First Annual Report, Comilla Academy for Rural Development.) These societies were multipurpose ones, empowered to cater to all member needs--but with initial emphasis being placed on agricultural needs.

Economic viability was obtained through federating all these primaries on a thana level federation--The Agricultural Cooperative Federation Ltd. The primaries were really not fully autonomous bodies as one would imagine--they were really branches or sub-depots of the Federation. For example, a primary society could not borrow independently from a bank. Its loan requirements were provided by the Federation, which in turn disbursed funds obtained by a thana federation of all co-ops.

Just as agricultural interests were formed into primaries and federated at thana level, non-agricultural primaries of artisans or professionals living in urban or semi-urban areas were federated in another structure, called the Special Cooperative Societies Federation Ltd. Special interest co-ops were formed for other special interest groups, giving a housing society, a khadi or cottage industries co-op, an agricultural machinery manufacturing co-op, and the academy employees co-op society.

All these bodies joined to form the apex structure in the thana--the Comilla Kotwalla Thana Central Cooperative Association Ltd. A 1969 addition to the membership of the K.T.C.C.A. was the Comilla Industrial

Cooperative Society Ltd., a primary owned by the K.T.C.C.A., the Employees Cooperative Federation; the special Cooperative Societies Federation, etc. (It runs two cold storage plants and a creamery.)

#### 4. Division of Responsibility

##### a. The Kotwalla Thana Central Cooperative Association

- 1) central clearing house of all co-op problems.
- 2) reconciling and coordinating all plans of members.
- 3) Securing resources and channelling them through respective Federations to primaries--through this budgetary aspect it has a very considerable say in the performance of the Federations.
- 4) provision of group services--transport, irrigation, workshops, etc.
- 5) providing training and extension and liaison with government departments.

b. Federations--they provide the more detailed services and back up the primaries. In respect to the Agricultural Societies, the Federation provides:

- 1) a banking service and supervised credit.
- 2) agricultural extension and training.
- 3) machine service and skill training.
- 4) water development, irrigation and electrification.
- 5) supplies.
- 6) processing and marketing to integrate with supplies and credit.

c. The Primary--services the Federation, collects dues; works out joint production plans; assesses credit needs; takes orders for supplies, machinery, credit, etc., arranges for training for members and promotes all activities beneficial to the members.

The Formation of the Primary--Emphasis was on quality and not quantity. Earlier co-ops had been severely castigated as paper exercises--co-ops in name with no internal discipline. The Academy accordingly worked out guidelines which are pretty workmanlike and generally applicable. No society was registered until its work had been studied over a six-month period. Until it was registered, no assistance was given. If performance was not satisfactory, probation was extended. The idea ab initio was to emphasize that discipline was necessary, that participation was voluntary and that group solidarity based on a common desire to work together for improvement was a sine qua non. The guideline covered ten points (prepared by Mr. Wazillah--an early Coady Visitor).

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- 1) Organize itself and later become a registered co-op society.
- 2) Hold weekly meetings with compulsory attendance of all members.
- 3) Select a trusted man from the group as a Manager and a good farmer as a model farmer to receive training each week from the central association and to disseminate the knowledge to its fellow members.
- 4) Keep proper and complete accounts duly assisted by an accountant, whom they will pay.
- 5) Make joint production plans--covering an increasingly wide spectrum of activities, such as use of water, tractors, purchase of seed, etc.

The idea here is that the members must learn to appreciate the privilege of acting as a group through which alone their advancement lies.

- 6) The use of supervised credit based on the village production plan.
- 7) Adopt improved agricultural practice and accept training in improved skills.
- 8) Make regular savings deposits and purchase shares in the society.
- 9) Join the central co-op association by purchasing shares.
- 10) Hold regular member discussions.

Some features worth noting in these rules are the insistence of:

- widespread participation
- challenge to intelligence
- sacrifice
- reduction of suspicion
- discipline for everyone without exception

The emphasis on savings pointed out the way to development. Capital formation must come from savings, however small. When the idea was first canvassed, there was vehement resistance. Everyone complained that they were too poor to save. They were also doubtful of the means to save and about how safe the funds would be and how they would be handled. Repeated explanations and safety devices

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discussed below brought on a slow conversion. Emphasis was not on volume of savings, but on learning the habit of thrift. After about Rs100/1 or Rs/200/- had been collected, suddenly the members awoke to the economic leverage this gave them. The credit policy was related to savings--a "no saving, no credit" policy was followed. Within five years the lesson was drilled in and the same poor farmers who had no resources to save, had collected Rs. 8000,000/- through share capital, savings deposits and reserve funds. In June 1970, the figure stood at Rs.1.9 million with a per capita savings of Rs. 153/61.

Suspicion was met by reading out at the weekly meetings the names of the savers and amounts saved. This was important in a country with 80% illiteracy. The reading of the account acted also to prove the honesty of the collector and created group pressure of approbation for those who saved and disapproval of non-savers. Confidence was further strengthened by weekly depositing of the money with the Academy/ Bank for which a receipt was issued and which was read at the meeting. Another device was the issue of a simple passbook to each member.

Saving was not a regular feature of life. Hence the above devices were used to instill confidence. The emphasis was on regular savings--small but regular. Besides these cash savings, provision was made for saving in kind.

The construction of village store houses has greatly stimulated this.

Great emphasis is placed on the need for accurate records. The Manager as Secretary of the Committee must keep minutes, membership books, etc. He is trained for this in the Academy K.T.C.C.A. The case book, etc., is also written by him, assisted by an itinerant village accountant serving 10 to 25 villages. Normally he would be present at weekly meetings to write up the books. He is employed by the Central Association, given a three-month training, and appointed on a scale of pay. This again is a very practical solution to the question of illiteracy and suspicion.

#### 5. Function of the weekly meeting

a. It is a school--not only a place for formal business. "It is unthinkable to try to run a village co-op without weekly meetings as it would be to run a school without attendance"...The School is linked to the Academy and the Central Association--where the manager, model farmer and chairman are trained, and through them the education process takes place. Some of the special advantages of this School are:

- members are homogenous, economically, socially and professionally; they can therefore talk frankly and freely.

- the Academy supplies back-stopping services.

- they have a forum to discuss complaints and problems

- they are fully aware of especially the business transactions

b. It is a business forum--not only do they learn, but they also transact their business:

- place requisitions for supplies.

- deposit savings.

- discuss production plans.

- plan marketing arrangements.

- sanction payments, e.g. advances for tractors, sign documents.

c. Control mechanism and helps smooth out the functioning of the organization:

- the individual's behavior is under group pressure at the meeting, e.g. on saving, on cultivation practice, on levels of husbandry, irrigation, discipline, etc.

- weekly meeting reviews committee action approving/disapproving or qualifying. This reduces the possibility of committee rule and involves the wider membership in problems and decisions and also provides the general membership with an opportunity to learn procedures. No one becomes 'indispensable.'

- a wider diffusion of managerial skill and ability becomes possible.

- every function is under question every week and especially office-bearers must be ready every week to face questions.

d. It is a club or a place to meet and exchange ideas. It minimizes scope for misunderstanding.

As the weekly meeting performs these vital functions, slack attendance is a dangerous sign. Those not interested must be educated back into the movement. If they do not accept the discipline, it is better to drop them from membership.

#### 6. The Extension Education System

This was based on the mistakes made in earlier programs and on research findings on 'communication' within the village society. The earlier pattern of extension work was for an 'outsider' to come into the village for the purpose. Research findings were that such a person was looked on with suspicion and distrust. The worker himself who was an 'educated' person, found life in the village difficult--poor housing,

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medical and schooling facilities militated against his bringing his "opinion leaders" in the village whose ideas prevailed and to whom people went for advice and information. Research showed that a common characteristic of all these leaders was that they had a channel of communication with the outside world.

The idea therefore was to formalize this situation--to get the villagers to select their own leaders who would be trained weekly at the Academy. They would return with the information to the village; legitimizing it through their personal standing and discuss it weekly with their fellow villagers at the meetings. In the first year they would be paid a nominal allowance by the Academy; thereafter, the Society had to pay their expenses. In this way the society chose its Manager, Chairman and model farmer, who attended weekly classes at the Central Association. At the weekly sessions, which last a day, topics relevant to the current seasonal needs are studied, e.g. cultivation methods; organizational matters relevant to seasonal inputs, use of machines, care of cattle and poultry, etc. They are provided with sufficient training material and so equipped, return to the village to conduct a weekly training class for their group. At the village session they go over what they learned and saw, and bring back to the training class all problems raised at the village group meeting which they were unable to handle. The discussions at the training class serve another purpose--they help identify the better type of village leader who can be marked out for more training and more responsibility.

Training is a continuous process--Its scope has expanded from training office bearers, managers, and model farmers to training accountants, school teachers, women organizers, county midwives, and religious teachers. Training is facilitated by an innovation; it was arranged that all government departments concerned with nation building services be physically located in the same building and that the farmer could transact all his business in one office and government personnel were physically available for training. From the administrative aspect, it had the advantages of helping foster a team spirit and coordination of Government personnel and development programs. This is the standard pattern in Bangladesh today.

This extension approach enabled effective and cheap training on a mass scale. The approach was:

- a. Train the teachers who were chosen by the villagers themselves.
- b. Equip them with training materials prepared on the basis of seasonal requirement.
- c. Backstop them by training Staff answering all village questions and going to the village where necessary for further training.

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- d. Research all problems thrown up by the trainees where this was needed.
- e. Build on available leadership--a striking example of this was the program to upgrade the skills of the village midwives, and involve as many as possible in the training program.

Hence programs are progressively designed for leaders in the non-agricultural sectors--for teachers, religious instructors, women, youth, etc. Progressively every sector of the community was being systematically exposed to new ideas, and new challenges were presented to them.

## 7. Credit

The system was designed with two purposes in mind:

a. To replace the expensive local credit system with a cheaper and as effective alternative.

b. To guide the loans into productive use by careful supervision. Loans were given by the Central Association on the basis of production plans worked out by the primaries. A liberal loan policy was followed so that part of the loan could be used to repay old debts, release mortgaged land or purchase cattle. The production plan prepared by the Co-op would give details such as name of member, together with his loan requirements and proposed repayment schedule. The loan is given to the primary which remains responsible for it. The primary disburses it to each member and is responsible for collection. In this way the group loyalty is fostered and internal pressures build up against defaulters. Interest was charged at 10% and a service fee of 5%. Supervision of loan use was by (1) members themselves, as well as by (2) periodic visits of Central Association officials. This is where the mechanism of the weekly meeting plays an important part as the disbursement of each member's loan can come under review: Why, for example, has Mr. A received a loan for purchasing cattle and used it for some other purpose. Especially if the purpose was a non-productive one. Mr. A may not have the capacity to repay the loan on time, thus undermining the credit worthiness of the group. The production plans provided the basis for close supervision. Repayment has been satisfactory. It has been both in cash and kind. In the latter case, in the form of produce offered to the Co-op for sale. Fifty percent of repayments have been in kind. Loan recovery in the early years was very satisfactory - 99%. A defaulting member is under constant pressure and criticism from his fellow members. As the primary was a small village based group--this pressure could be very strong. The organizational prototype developed in Comilla has now been adopted as the developmental structure for use in the whole of the country.

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## B. ORGANIZING POTATO FARMERS ON A SMALL SCALE IN PERU

(Reprinted from Socio-Economic Studies of Seven Cooperatives,  
Michael Nordby PCV, Peace Corps/Peru, 1966)

### 1. Conditions Prior to the Foundation of the Cooperative

#### Small Farmers

In October 1964, Juan Quispe of Manzanayyoc rented a team of oxen from his neighbor to plow the two hectares where he wanted to plant potatoes. Having prepared his land, he traveled to Ayacucho to buy his guano and insecticides, which he had ordered in August. When he arrived in Ayacucho, he found that 100 other farmers were trying to buy the same items, and that there were only enough on hand to satisfy the orders of 25. As a result, Juan spent the next month and a half traveling between his farm and Ayacucho to check on when his chemical product and fertilizers would arrive. Finally, on November 20, he received half of his order (at an extremely high price) and he returned to his farm to plant his two hectares.

Juan Quispe should have applied more insecticides and fertilizers in February, but he was sure he wouldn't be able to buy them, so he didn't bother. Therefore, some of his plants were hit badly by frost and his production dropped to 60% of the possible production.

In spite of the drop in production, he still would have to sell 14,000 kilos of potatoes in July 1965. He was faced with the idea of having to sell his potatoes to the truckers who would come to his farm and offer him a set price for his entire crop. Juan knew the price was low, but he also knew that he wouldn't receive a much better price from the market women in Ayacucho, and he would have the work of selecting and transporting the potatoes.

#### Medium-Sized Farmers

Jose Garcia also prepared his ground for potato planting in October 1964. The people on his farm brought the oxen team and plowed the ten hectares he planned to plant, while he tried to buy the chemical products and fertilizers for his crop. Garcia, too, was faced with the problem of too much demand for too few goods. He either had to pay exorbitant prices in Ayacucho or else go to Lima to buy directly from the distributors of the products, which also proved expensive because of the trip costs and the time lost in traveling. Somehow he managed to get the necessary goods and his potatoes were planted by November 15.

He still had fungicides and fertilizers on hand, so when the frost came his plants suffered less than those of Juan Quispe. He knew

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that in June and July 1965, he would be harvesting about 100,000 kilos of potatoes. He was faced with different problems than those of Juan; he would have to find people to select the potatoes (which they did badly), trucks to take the potatoes to Lima and Ayacucho (which charged high rates) and, when he reached Lima, he would be faced with the mafia of La Parada that first would beat him down on the price and second, would cheat him on the weighing.

## 2. Founding of Cooperative and Changes Wrought

In April 1965, a group of farmers formed the Cooperativa de Comercializacion Agricola Ayacucho Ltda. #141 to try to solve the problems existing in the production and marketing of their products. Since potatoes were the largest crop in Ayacucho and the one which presented the least favorable conditions, they decided to make the marketing of potatoes the first operation. Of the first 30 members of the Cooperative, 25 were Juan Quispo and his neighbors and 5 were Jose Garcia and other medium-sized farmers.

Juan and his neighbors brought in their potatoes because they had nothing to lose and because the Ingeniero (head of the Plan Ayacucho in Pampa Cangallo, a government extension organization) recommended that they do so. Jose Garcia brought in his potatoes because he had seen the Parada mafia all too often; he realized what marketing in volume and with a good selection process could mean.

The first year, the Cooperative accepted mainly the better half of the members' crops and took charge of the marketing. The cooperative hired a manager for the operation and four people to select the potatoes by hand. The first and second class potatoes were marketed in Lima, the third class in Lima and Ayacucho. The prices received rose 50% over those of 1964 because of the volume which the Co-op moved and its even selection process. The farmers received the average price per kilo per class for the season, minus the transportation charges (which were kept low because of the volume) and a 5% charge to cover the operating costs of the Co-op (rent, employees, etc.).

Potato producing began to look more like a good business, especially to Juan Quispe and his neighbors. Juan decided to plant five instead of two hectares, and because of another service of the Co-op, he thought more seriously of using chemical products and fertilizers.

By August, the Cooperative had guano available for the farmers (one and a half months before any government organization). The Co-op also bought other fertilizers, insecticides and fungicides directly from the distributors in a volume such that it received good discounts and was able to sell them to the farmers at prices which definitely

lowered their production costs. The cooperative, therefore, solved the problems of chemical products and fertilizers by selling them to the farmers: on time, having a sufficient stock on hand, and lowering the formerly exorbitant prices the farmers had had to pay.

Having solved various problems of the farmers, the Co-op became more and more conscious of the mechanization problem. Land reform offered financial help (loan for 4 and 6 years at 7% interest) if the Co-op presented a project for machinery. The project included three trucks, a potato-grader, four tractors, six threshers, a barley mill, and construction (see loan report).

Since labor costs and inefficiency were another of the grave problems, the potato-grader (which would permit grading of 14 instead of three truckloads per week), the tractors (which would give a better-worked land than the oxen and reduce dependence on manpower) and the threshers (which would give a well-selected grain in less time) were extremely necessary. The trucks would permit continued low transportation costs and greater efficiency in all the operations. The barley mill would create a marketable product from a very unmarketable one.

The Cooperative has received most of its machinery and is now in the period of expansion from a fairly simple one or two-facet operation to a multi-facet one. It is in the process of developing a system whereby the proposed utilization and payment of the machinery can be accomplished. This requires experiments in data-keeping, a new set of employees and a new outlook on the administration of the Cooperative.

### 3. Marketing

The Co-op services a large area surrounding the town of Ayacucho. Co-op members bring their products from as far as 130 kilometers (for potatoes), and up to 150 kilometers for fruit products from the Selva. These journeys take up to 12 hours over poor gravel roads and in the case of fruit, a trip over a mountain pass of about 12,000 feet. In Ayacucho the Co-op buys, handles, and markets the products for its members. Potato marketing will be explained here, but is only one of the products handled by this Co-op.

Potatoes are delivered by the farmer himself, co-op operated trucks, or commercial trucking companies. If the co-op truck is used, the farmer pays a transportation fee for his products which compares with the truckers in the area. Also, the co-op trucking service is competition for the local truckers, forcing them to reduce prices and improve their service.

After reaching the Co-op, potatoes are weighed and selected by machines belonging to the organization. Grades include #1, 2, 3, and 4. First, second, and third class potatoes are sent to Lima,

## VII. CASE STUDIES OF SUCCESSFUL COOPERATIVES

while fourth class are sold in the Ayacucho area or in some cases, sold as seedlings.

Marketing in Lima was a problem for the new Co-op. Briefly, the market in Lima is often closed to new products or tightly controlled as to volume entering, its price, and its distribution. Previous to the formation of the Co-op, Ayacucho potatoes were entering the Lima market but farmers bargained against a well-organized institution which was not particularly fair in their buying practices. Usually, the larger farmers received a decent price, but were cheated on the weight. The small farmers took a beating in both categories.

Market penetration was achieved through the contacts of the Co-op president in Lima. A satisfactory arrangement was made with an important buyer who was motivated to serve the Co-op because of its quantity marketing as well as because of his personal friendship with the Co-op's leader (an important factor in Peru). The buyer receives a 5% commission on the selling price of his potatoes and for this fee renders the complete service of distributing the product.

As the final sale of the potatoes is often delayed a week or more and since the Co-op's operation costs are figured periodically only, the farmer receives one sole per kilo when he delivers to the Co-op. This gives the farmer short-term working capital as well as confidence in the Co-op's marketing system. Upon the final sale of the potatoes, a final return to the farmer is figured based on the period's average price for each grade of potato, costs of Co-op operations, and capitalization requirements (funds saved for the members by the Co-op).

#### SUMMARY OF PRICES

<u>Grade</u>	<u>% Total</u>	<u>Typical Average Price</u>
1	15	S/.3 - 3.20
2	15	2.60
3	50	2.00
4	20	.80 - 1.00

#### SUMMARY OF REVENUE DISTRIBUTION

<u>Item</u>	<u>Rate</u>
Selling Commission	5% price/kilo
Selection & Expenses	S/. .07 ½ kilo
Transportation to Lima	S/. 4/kilo
Capitalization	5% price/kilo
Remainder Distributed	- - - - -

## VII. CASE STUDIES OF SUCCESSFUL COOPERATIVES

The effects of this new marketing arrangement have been numerous. All potatoes have a guaranteed market. Prices received for the potatoes have doubled for the small farmer and increased somewhat for the larger farmers (main advantage to this type of farmer has been fair weighing and thus higher total revenues). The time spent on the potato operation has decreased as selection and distribution is handled by the Co-op. This enables the farmer to specialize in the efficient use of his land through diversifying into other profitable crops.

In addition to specific advantages of the Co-op marketing, however, the potato grower has been aided through other Co-op activities such as community use of Co-op machinery, Co-op soil testing, quantity fertilizer buying, and through specific and general educational programs.

#### 4. Organization

The Co-op is made up of 100 farmers who grow the variety of products handled in the area: potatoes, grains, and fruits. Membership is open to new members who grow foodstuffs in these categories. The educational level varies among the members. Fifty percent have no more than two years of primary schooling; a few have a high school diploma and two or three a college degree. However, the members through experience are able to assimilate new ideas especially in the agricultural technology area.

The president of the Co-op and his American wife both have degrees from U.S. universities. The two started the Co-op and have been the force behind the Co-op's growth and success. It has been their philosophy to build a successful financial operation first, then move the farmers into positions of responsibility. This has not been without its drawbacks. Each spends their entire time working with the Co-op at the expense of their own large farm which is being managed by a hired hand. Because of the high cost of a manager for an operation of this size and complexity, it is not expected that they will be able to phase out of the operation for a number of years. Estimates of a supervisor's salary are between S/. 10,000 and 12,000 per month. Also, the supervisor must be educated in business management and dedicated to the operation--difficult qualities to find in the current Peruvian labor market.

Presently, the managerial work of the president and his wife is supplemented by the labor of 17 hired hands, including truck and tractor drivers, mechanics, machinery operators, etc. The traditional co-op organization exists in this case, but at present is only a working body on paper. The problems of moving these people into some of the phases of the operation are numerous. (Their function in this Co-op would resemble those of a board of directors in an American corporation or co-op). Educational inadequacies are a problem of course. Intelligent long-range planning, basic objectives, etc. would be difficult to achieve. Availability of the committees for meetings is

difficult because of the great distances separating the farmers. Thirdly, the Peruvian psychology is not particularly adapted to efficient decision-making or delegation of authority to hired managers.

In summary, as an education organization, the Co-op has served its members by giving them the experience of working through a tightly controlled business institution rather than educating them through operating it. (Many co-ops, especially smaller types, are run entirely by the members.) It is hoped that the next few years will bring more involvement in operating problems on the part of the members, but this will be a difficult objective to achieve. For the time being, education is through experience, general meetings on future Co-op operations, and printed materials.

## VII. CASE STUDIES OF SUCCESSFUL COOPERATIVES



# SECTION THREE

## COOPERATIVE ORGANIZATION

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A Handbook  
for Cooperative Fieldworkers  
in Developing Nations  
Information Collection & Exchange  
Resource Packet Number 5

## I. INTRODUCTION

The organization of a viable cooperative enterprise depends heavily on the work that is done to prepare the populace for active participation in such a society. The preparatory work can take a number of years to accomplish and it must be the subject of patient and carefully supervised attention.

After examining the experience of Peace Corps Volunteers in solving the initial organization problems of their cooperatives, we turn to "Setting Up a Cooperative," the second portion of this section. The seven stages of a cooperative's development are outlined and the type of technical assistance which is required at each of these stages is described.

Meeting the financial needs of a newly created society and the determination of the economic and social feasibility of such a venture are important processes that the PCV should devote a significant amount of time to if he is assigned to a cooperative that is in the initial stages. "Guidelines for Writing Cooperative Bylaws" and "How to Conduct a Cooperative Meeting" contain information which should be important in assuring that the Society gets off on a proper footing.

The duties, qualifications, and responsibilities of cooperative members and directors are subjects that are crucial to the preparation of education programs. Membership participation is an important element in judging the success of any cooperative. Members and directors must have a clear idea of what the cooperative expects from them and what benefits they can gain from the Society. The Volunteer must be fully conversant on this subject and he should profit from reading parts VI. and VII. of this section.

## II. THE PEACE CORPS EXPERIENCE

(excerpts from Peace Corps Volunteer reports)

In the Pre-Cooperative program no cooperatives were chartered. Instead 'learning by doing' was accomplished in small groups which handled as many cooperative-type activities as they were willing to assume. The keynote was a maximum of personal contact with the farmer and a maximum of involvement on his part in operations that would have carry-over value to cooperative enterprise. The question as to when cooperatives would emerge, or what kind of cooperatives they would be, or if they would develop at all--these were left for the farmers to decide on the basis of a working understanding of the advantages and problems acquired by them through their pre-cooperative experience.

At first, the volunteers followed the classical community development approach, acting as 'catalytic agents' for community-felt needs and activities. Gradually they concentrated on 'special interest' groups, where they believed the felt-need was increasing family income. Such a group usually had 'problem-solving' features from which possible alternative lines of action would develop under the 'catalytic' influence of the 'resident' community development volunteer. At this point 'outsiders' were invited by the discussion group. These were either volunteers or one of the local field workers from Santiago. The 'outsiders' would function as consultants or advisors to the group interested in some income-generating activity. The activities recommended to such a group had the following features:

1. an agricultural activity that involved some, but not drastic changes
2. one that would be carried out by the individual farm family, but
3. in which some operation could be handled most effectively by an association of individuals

Examples of this are raising poultry for egg production or for broilers, raising hogs or fattening hogs for the market, joint purchase of agricultural chemicals, joint marketing of vegetables, joint purchase of simple equipment, etc.

When the 'problem-solving group' decided to try a project, they formed a working group, raised funds needed for the project, and carried it out as a group.

These group projects:

1. allowed for exercise of leadership within the group
2. established the principle of individual savings and group capitalization
3. created a demand for individual member projects
4. formalized the need and functions of a "technical" team
5. established the need and demand for outside financing

By the end of the first six months about twelve informal groups had gone through various trial projects.

In response to the demand created for more or less specialized assistance and training, a 'visiting' team was formed that eventually included three agriculturists, three cooperative educators, and three accounting and administrative assistants. This team was made up of four Volunteers, the local Agricultural extension agent, and three rural social workers associated with the Church in Santiago. The visiting Volunteers at their own choosing continued to live in their villages "to keep their feet on the ground."

In response to the demand for outside financing of individual farmer projects, the equivalent of a "pre-Cooperative Bank" was established in Santiago and received a Grant-Loan Fund that eventually came to \$10,000.

In this framework the pre-Cooperative movement began to function early in 1965, and grew to 24 participating pre-Co-op groups by the end of the year. Each pre-Cooperative group had a membership between 10-25 farmers, had its elected directorate and a credit committee.

Each group adopted the principle of member-savings and of participating in training activities for both members and committeemen.

The leadership of each group was responsible for assisting members in working out farm production credit plans and for administering group loans to members and funds.

To do this, the directors of pre-Co-op groups received special biweekly training in Santiago, while the entire membership of each group received a practical four-day course at an agricultural training center.

On the basis of production-credit needs above what capital the group had, each pre-Co-op made a loan request to the 'pre-Co-op Bank'

## II. THE PEACE CORPS EXPERIENCE

and presented a proposal as to how the group planned to do business. This became something on the line of bylaws for the group.

These proposals usually carried a provision of 1% monthly interest on loans to members, and the equivalent in retained 'forced savings' for group capitalization. Since the margins on individual projects were usually high, this placed little hardship on members. Our experience was that on new income members were very ready to save. In the first twelve projects, 51% of such new income went to savings, of one kind or another.

The interests on member loans collected by the pre-Co-op group constituted repayments on the principal borrowed from the pre-Co-op Bank, so that as long as group-administered funds were working, the "seed capital" loaned to them remained under the group's administration. The principal objective of this arrangement was to create a positive concept of credit and to foster financial responsibility by making loans to the group, their own to use as long as they recovered it from themselves. During 1965 there had been increasing interaction between pre-Cooperative groups, which came from all parts of the area. This interaction between directors and members of the various groups took on the character of a true movement.

PC/Panama

Dick began working on the very difficult task of breaking down resistance of the fishermen to his presence and trying to get them to think of him as a true help, not merely as another good Samaritan with a million promises and no action, or worse yet, as another shyster who was out to take them for what he could. They had seen that kind of person too many times before and thus were slow to put their confidence in another stranger.

There was a very definite need for a co-op in this situation, since there was a great deal of difference between the price that the fishermen received from the middlemen and the ultimate price at markets. Oftentimes the profit of the middlemen ran as high as 100%, after expenses.

Dick put himself to the task of educating the men in the co-op principles and tried to get them to think in terms of cooperative organization and action. This was no easy task, and I should add, still is not. These men had never joined forces before in any type of organization and were, and to a great degree still are, very independent individuals.

The senior FAO representative would come down to visit Barranca at least once a month and hold a meeting with the men; his collaboration was very good for the morale of the men, since they very much

## II. THE PEACE CORPS EXPERIENCE

respected the 'Viejo' (old man). This helped things along immensely and removed much of the fear that Dick was going to exploit them.

Dick began his work with these men in June 1964. Between June and December he continued to hold meetings with the men and had much individual contact with them, this being necessary to win their confidence. During this time, Dick was formulating the estatutos (by-laws) that the co-op would need in order to govern itself and obtain legal status. He used the estatutos of a fishing co-op in Buenaventura as a model for the Barranca co-op, making some alterations in order to fit the specific needs in this situation. As he went along setting up the estatutos, he at the same time was reading them to the members for their approval.

Sometime in August of 1964, the members elected a provisional board of directors, who would theoretically apply for the legal status of the co-op from the government. In actuality, Dick did most of the paper work for this, the board, for the most part, merely collecting entrance fees and capital subscriptions.

The personeria juridica, the legal recognition of the co-op as an entity, was secured in November of 1964. The next step was the first general assembly, which took place on December 6, 1964. At this meeting the board of directors was elected and also two subsidiary boards, one corresponding to each fishing village. This was not kosher, of course, but for pragmatic reasons it was necessary. The campesinos have very little trust in one another, and have even less trust in people from another village. Thus, the necessity for two boards and two separate bank accounts.

PC/Colombia

When I first began my work here, I was under the impression that my primary mission would be co-op education, i.e. teaching the co-op personnel the mechanics of the business and then later expanding my work to include a program of general co-op education for all the members out in the campo (rural area). But such was not the case. In the first place, I found out that the co-op was, as yet, still only an idea and not actually a going business. Sure, it had some superficial forms, such as a building already rented for office and store space, plus office stationery and equipment, but it wasn't functioning. And secondly, the co-op was lacking personnel to carry on the daily operations of the business. As I have already said, the co-op's president and manager were never around during my first two months in Guachucal, and the vice president might just as well have not been around for all the good he managed to do. I wasn't ready to start an education program yet, because to my way of thinking, what's the point in going out and propagandizing cooperativism and soliciting for more capital

## II. THE PEACE CORPS EXPERIENCE

from the farmers when we've already got \$25,000 in capital paid in and nothing to show for it? (No store in operation, no loans, credit or services of any kind to the members.) I believe that there are a lot of people in this world who invest on the following principle: invest a little at first and if the investment seems to be good, invest more; if not, disinvest. So, I theorize that it works the same way with regard to personal investments in shares of co-op stock; i.e., if after a co-op member pays his first cuota (fee) and he sees the capital put to good use, he'll willingly pay up on his remaining cuotas. But, on the other hand, if the co-op capital is not put into good use (for example: if it's left to mold in a bank account), the co-op member is going to be hard to convince as to why he should pay the rest of his cuotas.

PC/Colombia

The leaders were gradually becoming more enlightened as to just what a co-op is and what it should be. They began taking some initiative in setting up deals and making decisions, running into many problems with members who did not understand why such and such was done, or who were suspicious of the trustworthiness of the board. This type of member often started rumors without coming to the board to ask about such and such or to check up on finances. If he had done so, he would have left satisfied that his fears were groundless. This became such a problem that the Volunteers had to put on an extra effort, and still are, to educate these members in proper ways of making complaints and emphasizing each member's right to demand answers concerning the co-op and all of its operations.

PC/Colombia

Leonardo is president of the board and is one of the 'rich' men on the island (comparatively speaking). Being president, though hasn't helped him be a better member as he is always trying to get as much as he can for himself and not worrying about the co-op (perhaps that's why he's well off). He will speak out about bringing in bad fish to the co-op, but the next day he will do it himself. He feels that he should get more privileges than the others because he is president and gets mad when we tell him that he'll be treated just like the rest. Be careful in dealing with him, he's tricky--especially in getting out of paying for the ice he has used.

PC/Colombia

## II. THE PEACE CORPS EXPERIENCE

During the first year all has been invested into the co-op's land and building. The lot is about two hectares (hectares), borders on the river and has a sizeable plain area. It was sold to the co-op by the biggest "accionista" (shareholder) for 960 pesos, a reasonable price. A tax of 15 pesos was levied on each member, but over half that amount is still receivable. The building is located in the center of the trail on the La Plata side of the river. The land is level and the co-op has been placed in the middle of the lot. The trail to the bridge passes through the lot in front of the building. A Community Development Volunteer designed the building. The building is 14 x 15½ meters with only a small corridor. The largest room will serve as a general meeting room, lots of storage space for expansion into other phases of co-op operations, e.g. milk, butter, or cheese and produce. The remainder will be used as living space for the family of the manager. Most of the wood that we need has been cut and paid for, and is of good quality. Two of the co-op members have cut all of the wood, and it has been carried to the site during work days.

Most of the muscle work on the construction is past now. The sand, gravel, rocks, and wood were all brought to the site on the backs of the members. The 26 bags of cement were brought in on horseback. Holes .6 meter square were dug for the cement foundations and a small column .3 meters square was poured on top of the block. The cornerstone was poured on November 17. As the large room is covered by a 7 meter span, these spans had to be constructed. We now have five of these in position, and the other four will be up in two weeks. This will complete the framework for half of the building. I think we will try to finish half the building--at least rough it out--before doing much on the other half. This will let us get the wood in where it is dry. Future costs include bolts, nails and roofing material. The roof is about 240 mt. sq. and will take about three thousand pesos to cover it. I think they will use Eternit as it is both cheaper and longer-lasting. I may have over-extended myself a little bit on the subject, but they were a little reluctant to use it because they may have to carry it in on their backs. It would break if a mule rubbed against a tree. One of the more colorful members suggested we make a frame to carry several sheets between two people. He said he had seen a similar thing used to bring in something in another region. In spite of his illiteracy, one finds oneself listening to him. He is on the Board and a good man for any tight position. He built a machine to raise the spans easily after we had just about lost both a span and a member raising one of the first ones. We have about all of the three thousand pesos for the roof. Community Development gave us 1,500 pesos, and they raised about 2,200 pesos in two bazaars. The cooperative can carry the rest. They will have another bazaar in July to pay finishing expenses. We should be able to hold that in the new co-op building.

PC/Colombia

## II. THE PEACE CORPS EXPERIENCE



The cooperative truck went to work after a few commemorative beers were enjoyed and purged, and it has had a pretty busy existence whenever dry weather and roads have permitted. It has brought a small mountain of brick, sand, dirt fill and foundation rock to El Cisne direct from the suppliers, and thus has cut out the middleman and his sizeable profit. Maintenance costs and drivers time are paid by whoever receives a load of brick or sand, but the charge is far less than that of local trucks for hire. The flatbed also doubles as a super taxi for kids' teams that play other local teams, does service for other cooperatives, and on Sundays parks prominently by the meeting house so that everyone can take notice that it is still around and ready to do the neighborhood's bidding.

PC/Ecuador

### III. SETTING UP A COOPERATIVE

#### A. A SEVEN STAGE MODEL

##### Stage One - The Search for a Suitable Project

The cooperative organizers (i.e. the PCV, local cooperative officials and agronomists) agree to form a team which is concerned with identifying a suitable project area, usually in the economic and social fields. Decisions should be made in conjunction with local government administrators. Local traditional leaders must also be consulted.

A survey, which is designed to pinpoint local needs and to quantify the availability of material and manpower resources, must be made. When this survey has been completed, the cooperative organizers should outline an order of priorities for the project and work out a long-range program.

##### Stage Two - Opening the Dialogue with Potential Members

At this point, the "popularization" campaign opens. The cooperative organizers tour the various villages that will be encompassed in the project and hold organized meetings in which the population is encouraged to make their opinions heard. The organizers, in turn, urge the villagers to overcome any lethargy and isolation by participating, through voluntary effort, in association with others. It is crucial at this point that the organizers attempt to win the trust of the villagers through personal contact. The basic goal of this stage is to get the villagers "to stop listening and to start talking."

##### Stage Three - The Initiation of Self-Help Communal Undertakings

Before making any attempt at organizing villagers on a formal level takes place, it is necessary that they be given the experience of working together to achieve a common objective.

Simple projects should be undertaken. Examples may include the creation of a village nursery for the production of seedlings, small-scale irrigation projects, or the formation of teams to improve the local road network. The introduction of new farming techniques and implements would be appropriate at this stage.

The objective of Stage Three is to modernize the outlook of the villagers and it provides a testing ground for future larger projects.

#### Stage Four - Pre-cooperative Associations

This stage involves the organization of activities, as they will be performed by a full-fledged cooperative. A feasibility study (see part V of this section) must be taken to examine the profitability of the proposed society. Budgets are drawn up. A provisional Board of Directors is chosen to plan the organization of the new cooperative. A location for the headquarters of the society is selected. A cooperative manager should be hired and trained. The initial financing problems of the cooperative must be solved.

An important aspect of Stage Four is the commencement of education programs among potential members. They must be taught the responsibilities and benefits of cooperative membership by the organizers, who continue to devote a great deal of time to extension work. The Provisional Board of Directors should also participate in educational programs which are aimed at providing the cooperative with a group of leaders who are trained in management techniques.

During Stage Four, final decision-making powers remain with the cooperative organizing group, which may be acting partially on government ministry directives.

#### Stage Five - The Organizational Structure is Agreed Upon and Elections are Held

As a prelude to Stage Five, the Provisional Board of Directors (in conjunction with the cooperative organizers) will plan out an elective structure for the cooperative. Provisional bylaws may be drawn up and enacted. Economic activities, such as the marketing of produce, may be started to provide the new cooperative with a financial base.

At this point, the recruitment of members and the accumulation of share capital begins. Promotional and educational seminars are intensified at the village level.

Elections are now held at the village and local levels. The election procedure is normally supervised by the cooperative organizers. A Board of Directors is chosen by a general meeting of farmers or their representatives. This meeting also adopts the bylaws of the society which are generally proposed by the Provisional Board.

As Stage Five draws to a close, we find that we have a functioning cooperative society that is governed by an elected Board of Directors and run by a manager. The cooperative organizers continue in a supportive role which is gradually becoming more highly specialized.

#### Stage Six - The Cooperative Gradually Becomes Self-Sufficient As Its Financial Activities Broaden

Stage Six is characterized by the broadening of the cooperative's

financial activities (a produce marketing cooperative may take on the buying and selling of new crops, or it may start a supply service). The cooperative is gradually building up a cadre of trained employees who have specialized functions in the running of the enterprise. By now the cooperative should have built up a loyal, informed membership. The Board of Directors participates actively in the management of the society. Officials and members are involved in regular training programs which qualify them to act as the cooperative's representatives at the village level. Board members serve on committees which supervise the differing aspects of the society's activities: management, marketing, education, etc.

The cooperative organizer can now be referred to as the "advisor." His primary roles now include investigating the possibility of broadening the cooperative's economic and social activities, the implementation of increasingly sophisticated educational techniques, and promoting the further use of appropriate technology at the village level.

#### Stage Seven - The Self-Sufficient Society

The cooperative is now completely self-governing. The advisor has become unnecessary, since all of his functions are being performed by capable, trained locals. A large percentage of local farmers are now cooperative members. The government now has no more regulatory powers in the running of the cooperative than it would have in controlling the activities of any other business enterprise.

By the time that this stage has been reached, the cooperative should have taken advantage of the benefits that can be realized from membership in regional and national cooperative federations.

#### B. SOLVING INITIAL ORGANIZATIONAL PROBLEMS (A Case History from Guatemala)

(Reprinted, with permission, from "Cooperative Dilemma," International Journal of Cooperative Development Vol. 5, No. 4, David Fledderjohn, The University Center for Cooperatives, Madison, Wisconsin, 1973)

In Guatemala, as in many developing nations, the obstacles to accelerated agricultural development are considerable. Two-thirds of the country's population live off the land, yet the great majority of this population is exceedingly difficult to serve through conventional channels, such as agricultural extension, supervised credit, and marketing services. More than anything else, there simply are not enough resources available to assist the hundreds of thousands of small and medium-sized farmers of the country in making the transition from

### III. SETTING UP A COOPERATIVE

subsistence farming to a point at which they may participate in agricultural commerce and contribute to the national economy.

As a part of the National Development Plan of Guatemala--an ambitious and extensive concentration of efforts to improve the lot of the country's farm population--an attempt to solve farmers' problems through cooperatives is being implemented since 1971 through the efforts of the United States government's Agency for International Development (AID), and an organization of United States cooperatives named Agricultural Cooperative Development International (ACDI), in conjunction with the Government of Guatemala. Starting with the densely-populated highland areas of Guatemala, an innovation in cooperative organization and structure has begun to show some promise as a means to reach a large number of farm families with the essential services for modernizing agriculture at a reasonable development cost. At the same time, the essential elements of survival of the cooperative institutions as authentic farmer-owned and controlled businesses, operating in a freely competitive atmosphere, are being instilled.

In the formation of any kind of cooperative service or enterprise, questions must be explored before members are recruited, education begins, capital is raised, and the doors opened to provide services. If the questions related to the economic realities, the competition, possibilities for failure and hard times are not faced squarely, there is a good chance that the cooperative will not perform according to expectations. It was in the consideration of these questions that those responsible for designing and building farm service cooperatives for the western highlands area of Guatemala have faced a dilemma.

On one hand, the organization must be complex, combining in one structure the essential services of agricultural information, credit, supply and marketing. No other institutions exist to provide the services to the extent required; to offer one or two through the cooperative without the others could easily leave the farmer stranded somewhere in the agricultural cycle which begins with the decision to plant and ends with the receipt of proceeds from a marketing transaction. An operation as complicated as this requires skilled management, efficient communications, careful accounting and control, and trained employees. Finally, a volume of operations is essential which will permit economies of scale, bargaining strength and a level of profitability which will permit capital formation, growth, and patronage returns to member farmers.

On the other hand, there are several problems with applying this concept of farmer cooperatives in the Guatemalan highlands. To name a few:

1. Farms are extremely small. In many areas of the highlands it is a fortunate farmer who is able to work one hectare.

### III. SETTING UP A COOPERATIVE

2. Farmers live in widely scattered settlements which often have little communication between them or with major towns.

3. The farmers are representatives of the ancient Indian race and culture of Guatemala. They hold strong ties of family and community, but their contacts with the world of commerce and government are few.

4. The low social status and poverty of the Indian farmer have contributed to a situation in which private business and services of government are not attracted to the highland areas.

On the more positive side, the Indian farmer is well known to be hard working and responsive to opportunity that does not interfere with cultural ties and values. Also, in many areas, spontaneous natural cooperation is a way of life--and survival.

More than 100 farmer cooperatives were organized in the Indian highlands during the decade of the sixties by persons and programs seeking an answer to the predicament of these marginal farmers. In a few instances the institutions have survived initial problems and growing pains, and are still providing essential services. The vast majority, however, have failed as business institutions. Accounting records are hopelessly garbled; credits to members have gone uncollected; operating losses have wiped out member equity; controls and auditing have been inefficient, to name a few of the problems encountered.

In the context of this dilemma, an innovation has been tried in the design of the basic cooperative institution, aimed primarily at improving economic viability. Results to date show that there is some promise in the idea. Minor adjustments and modifications of the plan have been necessary, and those responsible for the organization and start-up work are constantly learning, and perfecting the capability of the new institutions to provide needed services to farmers in a way that they can understand and support. The goal is to make it possible for the farmers to direct and manage their own business in a short time.

The Area Cooperative - As a possible solution to the organizational and operational dilemma, a sort of hybrid cooperative institution has been devised to combine the requirements of volume and management of an efficient enterprise, with the flexibility to reach many farmers in scattered small communities in which they live. The basic organizational structure is conceived as an area or regional cooperative with direct affiliation of individual farmers through informal community associations. The geographic limit of the regionals depends upon access and communications, similarity of agriculture, membership potential, common language, and the efficiency with which the services may be operated. Typically, the radius of activity of the three regionals organized in the first two years of the project is about 20 miles from the administrative center (or the "office" as the farmers have chosen to call it). Within this

### III. SETTING UP A COOPERATIVE

area, there are at least 3,000 to 5,000 farm families which may be served, and they form the potential membership. Efforts in member education, promotion of membership, and paid-in capital have yielded slightly over 500 members receiving a full line of services during the first agricultural cycle in each regional.

The organizational work began with the assignment of two field men (both Guatemalans) to areas of potential, with instructions to consult farmers on their problems, service needs, interest in organization, and to seed the idea of the regional cooperative. Only the most essential and basic concepts of cooperatives were included in the early member education, because it was known that, if members were going to join the organization, it would be for reasons of obtaining credit, supplies, and other services related to their immediate needs, and not because they were impressed with the heroic deeds of the Rochdale pioneers. Also, early in the formative period the accumulation of member capital was stressed. The membership agreed that a minimum of one \$10 share of stock would be required before any credit services would be extended. Many farmers saved a few cents per week or paid their first share in installments over a period of months whenever the fieldmen visited farming communities to give cooperative education, promotion, and agricultural advice.

Some four months after the first contact with the farmers, preparations for legal chartering were initiated in local community meetings by discussing the essentials of the by-laws and the legal nature of the future organization. At the first general assembly meeting, the by-laws were approved, provisional officers elected, and an application for a charter was signed.

Shortly after the legal charters were granted to the new regional cooperatives, general membership meetings were held to elect the board of directors and fill other elective positions. Following this, the first major decisions of the boards were the selection of a manager and the ratification of basic policies relating to such issues as credit, pricing, member eligibility, and the provision of services. Roughly one year after the first contact with farmers, the cooperatives were organized, staffed and operating.

External assistance during the formative and start-up phases of the project was provided in the form of salaries for two fieldmen per regional, a manager and skeleton office staff plus a few commodities such as office furniture, vehicles, and educational materials. Provisions were made for expenses such as travel, office rent, and supplies. A contract was signed between the new cooperatives and the source of assistance, with the understanding that the contribution in the form of subsidy for overhead and operating expenses would be temporary, and the amount provided would decline as operations began to produce revenues and absorb these costs. In addition, the cooperatives agreed that, during the period of subsidy, they would capitalize profits up to the

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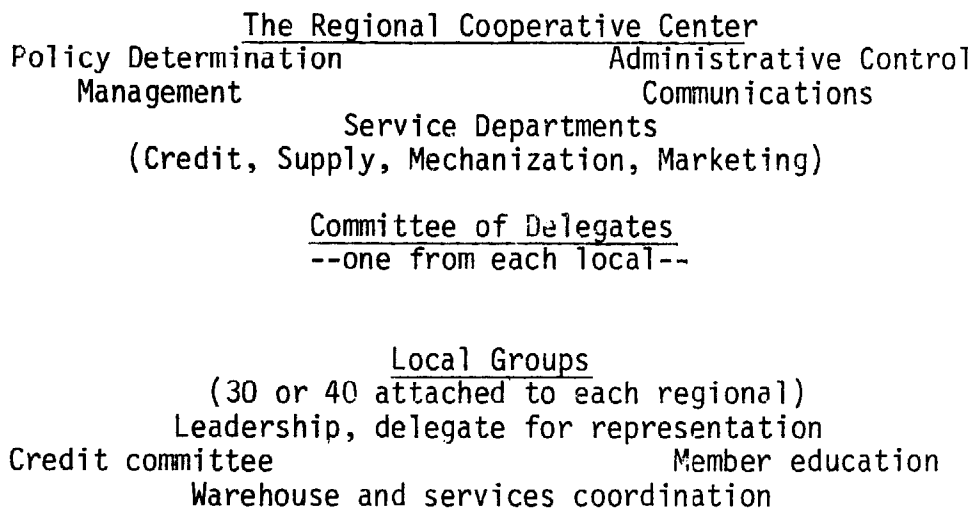
amount of the external assistance in the form of indivisible reserves.

One of the keystones to the success of this type of organization is the extent to which the small farmer, living some distance from the administrative center, may be reached with the necessary information and services, and the extent to which his voice is heard by the leadership and management. To this end, organizing and making functional the local or community groups of members was crucial.

Each local community served by the regional was asked to elect its own principal official or president, and committees for credit operations, agricultural information, and education. The local group meets regularly, usually at about two-week intervals, to discuss matters of immediate concern or interest to the members. Some local groups are also responsible for operating a small branch warehouse of the cooperative if the volume of operations or the season merits. The local president is also responsible for representing his constituent group at the meetings of the Committee of Delegates, which are held at the administrative center of the cooperative for representatives of all affiliated community groups.

This body functions as either an extended board of directors or a reduced general membership, depending on the nature of the subject matter to be discussed. Although the delegates have no specific powers in the organizational framework, nor are the delegates empowered with any special responsibility, the body is considered especially important as a communications instrument and sound-board of member sentiment.

Graphically the division of functions may be seen below:



The next major step to complete the organization structure of the cooperatives was the organization of a federation of regional

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cooperatives in early 1973. This institution will be responsible for wholesale procurement and distribution of credit and supplies, management assistance to affiliates, internal auditing, and marketing. The federation also will provide specialized assistance in areas of member promotion and education and will be responsible for developing new regionals and exploring possibilities for affiliation of existing cooperatives. As a national organization, the federation will also carry the responsibility of defense and representation of the interests of its members in issues relating to the welfare of organized farmers.

Problems and Observations - It is not the intent here to present the ideas of regional or area organization as a panacea for the problems of farmer cooperative development. The effort has been designed to fit the peculiar needs and opportunities in a particular geographic area of one country. Many problems have been encountered in implementing the work which would be too numerous and trivial to mention here. Nevertheless, the experience has been sufficient to warrant certain observations to the reader which might be called caveats or problems inherent in this type of organization which are worthy of note.

Promotion: Breaking the "confidence barrier" in the process of promoting any type of cooperative is nearly always a slow, delicate process requiring a high degree of skill. It has been found even more difficult when the organization must depend on membership from several communities. Farmers tend to trust only people they know personally, and they tend to trust only an organization they understand. Cooperative fieldmen found that all too often the Guatemalan farmers respond obediently to explanations and promotion efforts with a nod and expressions of "como no" (of course), probably to avoid confrontation on issues, and please the outsider. This can often lead to the conclusion that the message was getting through and being accepted when often just the opposite was the case. A few techniques or guidelines in promotion have been used in Guatemala with some success:

(1) Frequent contact--Farmers are not accustomed to attending long meetings, and their retention rate after an hour or so of discussion is low. Promotion should be undertaken in frequent, brief meetings.

(2) Setting--Farmers are apt to be more comfortable, receptive, and frank if promotion is done in familiar surroundings. The shelter of a tree or a porch roof of a house in a farming community is a good setting for promotional work.

(3) Subject matter--Farmers who face the everyday problems of survival are little susceptible to preachments on the beauty of the cooperative philosophy or the intricacies of cooperative method. During the promotional phase it is much preferable to concentrate discussions on how, through cooperation, solutions to the immediate problems of that group of potential members may be found.

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(4) Dialogue--Probably no one single talent is more useful during initial promotion than that of skillfully listening to and asking questions of farmers. The "salesman" approach is probably the least effective and most suspect.

(5) Posture--Complete frankness, humility, and admission of the limitations of cooperative organization in solving all of the problems of farmers is probably one of the most difficult areas of promotional communication. Farmers are naturally wary (and should be) of the slick answer, the know-it-all promoter, and "we can do anything" message. Even if farmers get extremely enthusiastic about their cooperative potential as a result of promotion work, there is a good possibility that disillusionment may follow as the organization struggles in its initial period to fulfill all of the hopes that have been built up.

The Organizational Base: The process of establishing the geographic limits, the types of farming and farmers to be served, and the structure of the local groups has required considerable judgment, consultation with farmers, and considerable trial and error to arrive at some of the parameters of feasibility and workability of the regional idea. In one area, considerable resentment was found among several small, community-based cooperatives. They foresaw if not the end, at least hardships for their local societies as the relatively large, powerful regional swept through the countryside enticing away their membership and eating into their market. In this case, the regional involved adopted a policy of not recruiting members away from established cooperatives or accepting for membership any farmer who had membership or accounts pending with another cooperative. It was judged to be more important to respect established institutions, their leadership, member loyalty and pride of achievement, than to cause hard feelings with aggressive promotion and competition between cooperatives.

It was also found that in many farming communities many divisions of sentiment and loyalty exist from antecedents of a personal, political, racial or religious origin. The existence of these divisive forces has limited the possibilities of the regional cooperative to function as an integrative or unifying vehicle of farmers' interests. It has also been found that in many communities served by the regionals, the farmers have their own ideas on how they prefer to organize themselves. The nomenclature of locally-elected directors, the composition of committees and their functions have varied according to the preferences of individual communities.

Member Education: Most of the guidelines mentioned above in relation to promotion have been found to apply to member education. In fact, member education has been considered as an extension of the first contact a farmer has with the cooperative idea. Frequent meetings with small groups of farmers in the villages in which they live have been considered the most appropriate vehicle for reaching farmers.

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The subject matter of these meetings has been programmed so that it is timely to the farmers' interests, the progress of the formation of the cooperative, and the provision of services. As examples, credit and member capital are discussed a couple of months previous to planting season, while organizational structure and member participation in the democratic process are subjects taken up in preparation for a general membership meeting. Supplies and services of the cooperatives related to plant health are discussed early in the agricultural cycle.

The regional cooperatives have employed agronomists with agricultural extension and farm credit experience mainly, and frequent training sessions were held early to develop methodology and content of member education as well as to prepare specialized materials for the farmer audience.

By relating member education directly to immediate problems and interests of farmers it is thought that interest in attending and retention of the information is higher than might normally be expected. In this project it has also been noted in that farmers are less receptive to information related to the operation of the cooperative than they are to information on how to raise better crops. The more successful meetings have combined agricultural and cooperative subjects.

Credit: Probably no operation of the regional cooperative has been found more complicated, time-consuming, and critical to the future of the institution than providing production credit. The temptation was to offer relatively easy terms of credit to demonstrate to farmers that the cooperative can solve this problem of financial resources for the farmer to intensify production. Offering easy credit, however, has proven to be one of the poorest promotional measures which could be used.

In Guatemala, on several occasions cooperatives have obtained external financing and invested heavily in production credit early in the life of the organization. There were problems of loan repayment that resulted from being unable to market the financed crops, inadequate controls in accounting and administrative procedures, bad faith on the part of farmers or, in some cases, misunderstanding of the credit terms. This body of experience has provided the new regional cooperatives with lessons in developing better credit policies and procedures.

It has also been observed in Guatemala that the credit transaction is perceived by the small farmer in terms far different from those of a trained credit analyst who evaluates such factors as interest rates, security, viability, risk, etc. The small farmer understands credit more in terms of an exchange of trust between lender and borrower. This trust is very subjective, and is based principally upon personal characteristics and the accumulated experience of good (or bad) faith between lender and borrower. The traditional lender, even though he lends for the profit motive, makes his decisions based mainly upon

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his estimate of a farmer's trustworthiness, and the kind of agreement he is able to reach with the borrower, usually in a private conversation. The borrower, in turn, pledges principally his word, in the form of a promise to respond to the confidence placed in him by making satisfactory payment.

In view of these considerations, the regional cooperatives project in Guatemala has adopted several norms of credit administration in an attempt to build upon traditional practices which have developed naturally, and to avoid some of the pitfalls of aggressive or excessively liberal production credit. After the basic information on credit and the intentions of the cooperative to provide it are communicated to member farmers, the first step taken by the field staff of the regional was a lengthy, private interview with each member. Data concerning the size of the farm, crops to be grown, labor supply, amount of the credit application, agricultural practices and miscellaneous observations were noted in a special form.

It is made clear to members that if they expect the cooperative to demonstrate trust in them in the form of giving them loans, it is also their responsibility to demonstrate trust in the cooperative by investing their own money in the purchase of shares of capital stock. Therefore, the cooperative has a policy of relating the maximum amount of credit that a member may request to the amount of his paid-in capital. A ratio of one to five (paid-in shares to maximum loan) has been devised in the project, with the mutual consent of members and the source of outside financing.

Another norm which appears to have given good results in the regional cooperatives is that of delegating the authority for final approval or denial of credit applications to a locally-elected committee of members at the village level. They know the applicants well, and a recent experience showed that 10 percent of the applicants were turned down as bad risks by the committees. The recommendations of the committees were respected by the management, and were surely based on information which would never be available to someone who did not live in the towns. The same credit committee was also made responsible for monitoring the prudent use of credit and the recovery process among the members of the locality.

It should also be noted that insofar as possible, the credit transaction has been found most satisfactory if it is made in kind rather than cash. Farm inputs such as seed, fertilizer, and plant health supplies are given out as credit with the understanding that the farmer, in addition to pledging his crop as security, is expected to market his crop through the cooperative. This not only contributes to the operations of the cooperative, but also makes the transaction easier for the farmer.

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Pricing: During the promotional phase of the regional concept, farmers frequently grasped elements of the principle of economies of scale. In very simple terms it was understood that "if we all go together to buy our fertilizer, we will get it in big lots." To suggest to farmers that the future cooperative would be able to provide bargain prices was probably misleading. For one thing, it was found that economies through volume purchases were not as easy to obtain as it was hoped. At certain times during the season, it was observed that private trucker-dealers in fertilizers were able to buy in 50C-bag lots at the same price as the cooperatives who contracted for several thousand bags. Perhaps the bargaining strength of the new cooperatives was over-estimated.

It was also determined that the newly-formed cooperatives, weak in financial capability and experience in the market, should not undertake a price war with established firms in the areas served. After considerable discussion among the elected directors, it was decided that a price policy in line with the established competition was the best guideline. The directors reasoned that, if this policy produced good net margins, the difference belonged to the members anyway. This reasoning, it should be pointed out, came from the elected leadership; members who understood less of the mechanism of patronage dividends asked many direct questions as to "why is the cooperative selling at the same price as the store here in town?"

Part of this problem was overcome by a policy of slightly lower prices for members than for non-members. (Note: The Guatemala Cooperative Law permits sales and services to non-members.) Another factor was the availability of credit which gave the cooperatives a certain competitive advantage, in that seldom are farm supplies available on any but severe credit terms from local merchants.

Also, since raising capital for the cooperative has proven to be a very difficult and somewhat onerous process for farmers when cash payments are required, it was determined that the most practical way of raising capital was through the capitalization of net margins on operations. Since price policies directly affect margins, the norm of pricing the same as the competition, and crediting the members' capital accounts with the net savings according to volume of operations (after reserves are set aside) has been accepted by the members. This is probably more because they understand the capital-credit ratio which has been followed for member credit, than because they understand or accept the capital requirements of the cooperative.

Services: The design of services to be offered also has been adapted to satisfy the largest number of farmers within the region. Especially when starting up in the region, it was evident that, for example, the vegetable growers wanted a different priority of services from say, the wheat or maize growers. The temptation of the cooperatives has been to try to offer a wide range of services to satisfy all farmers.

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However, it was discovered early that the good intentions and ambitions of the new organizations had to be trimmed down to the realities of economics, especially in planning investments. The progression of services found to be most satisfactory to date in the regionals has been (1) agricultural advice, (2) short-term production credit, (3) farm supply distribution, (4) custom machinery services in land preparation and harvesting, (5) marketing and transportation, and (6) sales of miscellaneous supplies, tools, hardware and production items for farms. The relatively low priority of marketing services was due principally to an artificial market controlled by government for the principal cash crop (wheat of the Guatemalan highlands) and the high percentage of the traditional crop (maize) which flows directly from the farm into personal consumption or local markets.

### C. CONCLUSION

An innovation in cooperative organization is being attempted in Guatemala in order to adapt the cooperative method to the needs and peculiarities of the highland population. Results to date are inconclusive, but the emphasis upon (1) economic viability, (2) integration of interests, (3) trained operating personnel, and (4) careful control have been implemented with the intent that the cooperative system may not only survive, but also contribute substantially to the development effort currently being centered on finding solutions for the many problems of the small farmer of Guatemala. It is hoped that these methods also may prove adaptable to other regions.

## IV. THE FINANCING OF COOPERATIVES

(Reprinted, with permission, from "Financing Cooperatives in Developing Countries" by Wallace J. Maddock, Guidelines for Cooperatives in Developing Economies, editor Mary Jean McGrath, The International Cooperative Training Center, The University of Wisconsin, Madison, Wisconsin, 1969, pp. 48-72)

### A. PROBLEMS

Lack of a clear statement of government policy or lack of a clearly defined administrative structure with responsibility for cooperatives and the resources to be devoted to them may result in ineffective support for cooperative development.

On the other hand, where several or many officials within government have strong feelings about cooperative development, even without a clearly defined program on the part of the government, small amounts of resources may be devoted to support of small, special cooperative activities. The total of all these efforts may be substantial, but the dispersion of the total input, and the lack of consistency in the management of the various individual activities permit it to contribute very little toward establishing a real, viable cooperative movement.

Financing cooperatives is not a simple matter; it is really more complex than the financing of other types of corporate organizations. Consider these relations: (1) cooperative capital structure is related to patronage; (2) patronage is related to service; (3) service is related to efficiency; (4) efficiency is related to management; (5) management is related to capital availability; (6) capital availability is related to management success; and (7) management success is related to member patronage.

The capital requirements of agricultural cooperative business organizations in developing countries usually seem quite out of reach, or beyond the capability of the members to provide, when considered in relation to their cash income.

The leadership that exists and that has responsibility for cooperative development often consists of "official" leadership--government civil servants whose objective is to relieve the "poor farmer" of his economic liabilities. The approach of this leadership to the organization of a cooperative is likely to have several weaknesses.

The criterion all too often used in selecting a location for a cooperative has not been the volume of economic services to be used by the number of farmers, but rather the number of people who live in this pre-selected district and their degree of poverty.

The producers in the area selected are probably unaware of their need or desire to form a cooperative until they are "told about this plan" by a government official. Since it is the plan of the government, for political reasons, membership qualifications are liberally interpreted. Most residents living in the particular administrative district or area selected expect to participate, and to be entitled to the great benefits that will result.

Adequate recognition frequently is not given to the importance of determining who or how many of the families in this particular district have a need, or have any capability of using the services of the proposed cooperative. If, for example, a cooperative rice-marketing service is involved and a criterion for selection of the area was the degree of poverty, upon later examination it may be found that only 20 percent of the farmers in this area have any volume of rice for sale in a normal production season. In an area of small farms and predominantly subsistence farming, it may not be unusual to find that less than 30 percent of the reported rice production finds its way into the commercial marketing system.

Often the "official" cooperative leader, in accomplishing this assignment, has felt obliged to establish some monument that can be pointed to as a symbol of cooperative progress in the area. The available funds, provided by government, may have been fully expended on the physical plant, a new building, with no provision made for operating capital.

The producers have some capability to contribute a minimum of cooperative capital but their wishes, experience, and opinions have not been considered in carrying out the initial organization program.

In many cases, the producers lack confidence in the promoters of this plan. Management of this new plan is inexperienced. The plan or facility provides only a limited marketing service out the outset. The farmers have little reason or incentive to pledge their loyalty, much less their financial support to this organization. Furthermore, their salable rice has already been pledged to the merchant that fed their families for the last couple of months before harvest.

#### Lack of Bonding

Insurance agreements pledging surety for financial loss, such as integrity bonds or performance bonds for manager and employees, are not available in most developing areas. Bonded warehouse systems are

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not generally available either. Bonded warehouse receipts are recognized collateral for commercial credit in many countries, but in many developing countries such systems have not been established and developed.

Traditional merchandising practices are not designed to generate confidence between buyer and seller; on the contrary, there is often a feeling of respect for the skillful manipulator who outwits the other party in the market place.

Uniform grades and quality standards are not generally applied in the operation of internal marketing processes. This applies to farm produce, and to production supplies as well. Efforts are being made in many areas to enforce improved standards, but this is a slow process, if total dependence is upon the civil administration to accomplish it. Cooperatives are at a competitive disadvantage in this atmosphere. For all practical purposes, the cooperative's management practices, its profit situation, its weights and quality standards, and its tax payments are open records. Such is not the case with the private merchant.

#### Qualified Management

Cooperatives have difficulty in attracting reputable management. Cooperatives traditionally under-finance their management, with the result that they force competent employees out of their organizations, and into their competitors' business. Competent, reliable, reputable management can attract capital from commercial sources. Untried, under-paid management is a financial liability, not an asset.

These problems are obstacles to financing cooperatives. A strong two or three tier cooperative institutional structure that has strong financial and policy backing from the central government can gradually overcome these obstacles, be competitive, and provide its members with high-quality service.

#### Financing Members

In financing cooperative members, lending must be tied to production programs providing for improved production practices, and assurances that the necessary production inputs are available in the community. Extension of production credit without assurance that the production inputs such as fertilizer or other chemicals are readily available on a timely basis, is doomed to failure.

Inexperience with improved practices, unless the individual has had an opportunity to closely observe successful demonstration close to his farm, causes considerable apprehension concerning the results of this new practice.

The problem of financing operators of small land holdings and, therefore, low income, is beset with many pitfalls. The production of

many such farmer-borrowers is almost at, or just barely above, the subsistence level. The adoption and employment of improved production practices should, of course, materially increase their production and bring them a cash income. However, in dealing with near-subsistence level producers, it should be recognized that a 10 percent or 20 percent lowering of production from the estimates may completely wipe out the margin of production that would normally result in cash income.

Producers in this category have little experience in the marketing of farm products, and have little reason to have confidence in the marketing system. They, therefore, are reluctant to go into debt for production inputs designed to produce a surplus over their own needs for marketing purposes, with the expectation that the proceeds from the marketing would more than liquidate the debt.

Beyond this, of course, the individual who is obtaining the loan perhaps has never experienced the problem of handling money and management thereof. One way of assuring proper use of funds for proper inputs is through employment of the loan-in-kind technique. This technique involves the provision of goods, such as fertilizer, to the borrower, in lieu of money for the purchase of fertilizer.

The new member of the agricultural cooperative, lacking experience, does not have confidence in the management of this new cooperative organization, and its ability to resolve his problem. In addition, he hesitates to divorce himself from the traditional channels through which he has been able to obtain assistance in the past when emergencies required. Even though he may exhibit a degree of enthusiasm for the new organization and its program, and may endeavor faithfully to perform in accordance with the agreements, for the first year or two, at least, he will no doubt continue to maintain relationships with merchant money lenders who have served him in the past. Previous failures of government-promoted innovations tend to make him very apprehensive about new innovations that are supported primarily by government agents. In many rural areas, farmers may be found who will recall incidents such as government employees encouraging production of new crops which, when produced, had no available market; or of times when new varieties were introduced, and while the yield was higher, the quality was not acceptable to the trade.

#### Debt Refinancing

The question of refinancing existing debts of the member to relieve him of his usurious burden is a problem that must be confronted and dealt with. There is no easy answer, but the problem should be dealt with without the influence of social or political factors outweighing the financial facts of sound credit operation.

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## B. THE CAPITAL NEEDS OF COOPERATIVES

### Multi-Purpose Cooperatives

The predominant type of local agricultural cooperative in Asia is the multi-purpose type organization. While this type of business organization complicates management problems, other factors are offsetting. Small farms mean small business volume per member. Lack of roads and transport equipment limit the area that a local cooperative can serve. A way to provide a sufficient volume of business under these conditions is to increase the services offered. Furthermore, because of the traditional credit patterns that often obligate the grower to repay in produce, a successful marketing service must necessarily extend some credit to its customer if it expects to market the customers' produce. In considering the capital needs of the local multi-purpose cooperatives, attention must be given to the credit needs of the members, the capital needed to carry the necessary inventory of production supplies, and the capital necessary to perform the essential marketing services at harvest time.

### Production Credit

Initially, the local cooperative under this plan becomes involved in production financing of its members. In doing this, almost of necessity, under conditions existing in most areas of the Far East, the cooperative must offer some agricultural extension services for the conduct of a sound lending program. This is, and should be, one of the important services that would make clear to the members the distinction between the new cooperative operation and the traditional merchant's service. Capital to meet the needs of members' production financing is an essential requirement. Part of this capital might be in the form of production supplies which are provided as credit in kind.

The traditional manner of marketing rice, which is the most important commodity in this part of the world, has been for the producer to deliver his product to the local merchant, where he receives settlement immediately. Often the settlement involves only a small cash payment to the producer at the time of delivery, because the credit already advanced to the farmer during the growing season is deducted from the market price. If the cooperative expects to market the members' rice, it must be prepared to provide some harvesting credit. This pattern applies to some other crops also, but not necessarily with the same rigidity.

### Production Inputs

Developing agriculture needs production inputs. The channels for supplying these inputs are not established, or not well established, in many areas. These distribution channels are not prepared to provide

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the essential inputs on a timely basis when needed. One of the major needs of cooperatives is capital to provide the inventory of production supplies for their members. Production supplies normally include seed, agricultural chemicals, tools, and in the more sophisticated areas, machines and power equipment. The capital required for this inventory may, in some part, be converted into production credit as "advances in kind" to members. This is a very practicable method of providing credit to members, in that assurance can be had that the member is getting the right kind of supplies for his particular production program, and, if properly managed, he is getting it at the right time.

The capital needs of the cooperative engaged in marketing services, of course, vary with the type of marketing program; they vary with the kind of commodities or produce being marketed; and they vary with the general marketing system. Recognition must be given to the long-established traditional marketing practices in most developing areas. Many of these practices may not be in the best interest of the producers, and it may be one of the objectives of the cooperative to change or modify these practices, but at the outset, innovations and improvements may have to be brought about on a gradual basis. For example, it is quite a common practice that a rice farmer will receive payment for his rice when he delivers it. Capital is, therefore, required to carry rice in inventory for some time, in order to contribute to an orderly marketing program.

#### Pool Marketing Practice

In case of many other crops, traditional practices may be different. Pooling arrangements are quite common in some areas for some types of crops. Members will wait from a few weeks up to two or three months for final returns for their crops from pooling marketing arrangements. In fact, the private dealers have been known to employ this type of arrangement in marketing of crops for farmers in some communities. In this situation, the farmers themselves are really furnishing the operating capital for the private merchant to carry out his marketing services. Sometimes the cooperative may merely act as an agent for the producers, or it may assume the responsibility of ownership of the commodity, and complete management of the pooling operation.

It is not uncommon for farmers to market livestock through agents or truckers acting as agents for the farmer. The trucker carries the livestock to the central established market, and returns the proceeds of the sale to the farmer, less cost of transportation, and usually a commission. Sometimes, cooperatives arrange for a regular livestock-marketing day, providing an area for the livestock to be exhibited. The cooperative invites livestock dealers to be on hand, and the individual farmer members and the livestock dealers negotiate between themselves. The cooperative, in this case, provides only an area for the sales program to be carried out, and makes arrangements for

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the dealers to be present. Oftentimes, dealers may participate in livestock sales in these areas only on the basis of permits issued by the cooperative. In such cases, the cooperative, of course, assumes implied responsibility for issuing permits only to responsible dealers. A small fee is usually charged for these services.

The marketing of vegetables and fruits is often carried out in a similar manner, with cooperatives providing suitable space or market area, where the growers meet the purchasers, and distributors and retailers can negotiate to buy individual lots. A fee, or commission, may be charged to the grower and/or the purchaser-dealer in such cases.

Where fresh fruit and vegetables are shipped out of the local area for markets at some distant points, the cooperative normally provides grading and packing services, plus transportation. In most cases, however, the produce remains the property of the grower, and he receives the proceeds of the sale, less the cost of the services provided, after the transaction has been completed.

As marketing cooperatives become more firmly established, they, of course, add various services to their program. Transportation from farm to market is one of the high-priority services that most marketing organizations try to provide. This, of course, substantially increases the capital requirements for the marketing organization. Processing is the next step that marketing organizations are usually concerned with. Capital for processing equipment can run a wide range, for instance, from simple mills, or rope-making machinery, to such complicated operations as canning of silk-thread processing.

#### Federation Financing

Over and above the capital needs of local cooperative organizations in dealing with and providing services to its individual farmer members, is its investment in regional or national federations. Many of the supply and marketing services cannot be provided effectively and efficiently by the local cooperative without the support of central and national cooperative organizations to do the procurement and/or the marketing at the central marketing centers. So, in addition to the capital requirements of the local cooperative to carry out its own member services, the local organization should provide a substantial investment in the central and/or national organizations' capital, in order to provide itself with these more sophisticated services.

## C. METHODS OF FINANCING

### Government

By far the most common source of funds for cooperative organization is the government. Governments employ a number of different devices in financing cooperative organizations. The purchase of capital stock in a cooperative organization is a frequently-used method. This device is frowned upon in many areas as, in practice, it often leads to government control and/or influence and interference in the management and operation of the cooperative institution.

A more popular method of providing capital for cooperative organizations by government is through special lending authorization. This method is usually employed for special types of activities, and frequently to encourage the implementation of government development programs. In some instances, seed capital may be granted for specific purposes to some types of organizations. Funds are often provided for programs such as the development of irrigation systems, reforestation, or land reclamation programs.

### Central Bank Discounts

A very important source of short-term financing for cooperatives, particularly those engaged in agricultural production financing, or financing of marketing services, is the discount privilege with the central bank. Of course, this cannot be managed and controlled adequately unless there is a cooperative institutional structure that provides channels from the national through the district to the local cooperative level. Central cooperative institutions may be authorized to draw overdrafts at the central banks during periods of particularly heavy marketing volumes. Such arrangements with the central bank on a managed basis are most advantageous, both to the cooperatives and in the interest of the national development program, in contributing to more orderly marketing.

Government financing of cooperatives sometimes results from the government's control over distribution of fertilizers in connection with a food control program. Where the government is exercising control over such commodities or crops, and these commodities are handled by the cooperatives, the government usually provides the funds. Such programs may be handled or managed by the cooperatives on a fee or commission basis, with the government providing capital for the inventories.

Another source of government funds in those countries where the United States of America is providing assistance, may be through counterpart funds or, in some countries, local currency generated from U.S. Public Law 480 imports of agricultural commodities. Such counterpart

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funds may be granted or lent to the cooperative organizations by the respective government agencies, under a planned program for assisting cooperative development.

### Deposits

Next to the government, the most prominent source of financing for cooperatives is deposits. Agricultural financial institutions (cooperative or otherwise) should have authority to accept deposits of all kinds, savings, time, and demand deposits, from agricultural and non-agricultural sources. In the more rapidly developing areas, deposits constitute a major source of loan funds for short-term production credit to farmer-cooperative members. In most cases, deposits from a non-agricultural sector exceed the deposits from the agricultural sector. An agricultural financial institution, cooperative or otherwise, can well serve as the depository for public and municipal funds.

The ability of agricultural financial institutions to mobilize and attract deposits and savings is dependent to a large extent on the fiscal policies of the government with respect to interest rates. For example, the interest in Taiwan and in Korea has been adjusted upward to attract funds from hiding and away from the uncontrolled "curb market."

The Land Bank and the Cooperative Bank in Taiwan are dependent upon savings for a substantial amount of their loan capital. In Korea, the National Agricultural Cooperative Federation lending capability is influenced by the ability of that organization to mobilize savings and attract deposits.

### Share Capital

Members' share capital in most cases is a relatively minor source of capital in many organizations, yet is very significant. In cooperatives providing a credit service, the device of requiring a member-borrower to purchase shares in proportion to the amount he borrows, has proven a very practical way of increasing share capital of cooperatives. As the member increases the amount he has invested in the share capital of his cooperative, these shares are usually pledged against any loan or outstanding finances he may have from the cooperative. Members also acquire an increasing investment in the cooperative, and the cooperative increases its capital through the retention of earnings and savings. These earnings and savings are over and above reserves, and are retained in the organization as credit to the member's share capital, but not disbursed to him in cash.

Some cooperative organizations have initiated cooperative insurance programs as a part of their services to members. In Korea and Japan, the success of these insurance programs has been well-established,

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and their rate of growth is phenomenal. The insurance reserves provided a very significant source of funds for intermediate and even long-term credit, for cooperatives as well as members.

### Debentures

Bonds and debentures to finance agricultural development have found limited acceptance in most developing countries. This capital-raising device has, however, been used in connection with special programs. For example, in the land reform financing program in Korea, the creditors accepted debentures guaranteed by the government for liquidation over a period of years, in lieu of complete refinancing at the time of the conversion.

### Rural Credit Unions

Rural credit unions as a basic type of credit structure have demonstrated a capability of attracting capital from low income families, savings that otherwise remain unemployed because they are hoarded funds against some anticipated emergency or investment in jewelry as a type of savings. Credit unions can support other types of cooperative development in many ways. Members may borrow from their credit unions for purchase of stock in other cooperatives, and thus assist in capitalizing other cooperatives in the service community.

The device of some credit institutions making loans to individual members of cooperatives for the purpose of their purchasing shares in a cooperative was employed on a rather large scale in the United States of America in the 1940s. This device may have some application under special conditions in some developing countries.

The financing program of rural electric cooperatives in the U.S.A. is being adapted to conditions in parts of Asia as a unique method of providing cooperative capital. Under this program, government provides special lending authority for long-term, low-interest loans for the total amount of the fixed investment in the plant and electric distribution system. At the outset, the rural electric cooperatives normally do not engage in power production, but rather, purchase their power from existing production plants, and engage primarily in the distribution of the power. The key to the success of this type of financing program is careful planning of economic feasibility, and careful screening, training, and supervision of management. It should be recognized that the member-users of the rural electric cooperative services, while not having an initially large capital investment in their cooperative, do have a large investment in the services. The cooperative provides the electricity to the property of the individual member, but usually the individual member must, from his own resources, provide the wiring and appliances to utilize the electricity. It is estimated that the average member will invest approximately four times the amount in providing

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facilities for his using electricity as the investment of the cooperative in providing delivery of the current to his property.

### Foreign Capital

Foreign sources of capital for agricultural cooperatives are becoming important as the agricultural sector of the economy becomes monetized. International lending institutions, such as the International Bank for Reconstruction and Development, the International Development Association, and the Asian Development Bank, are giving increased emphasis to the use of their resources in financing agricultural development. The foreign exchange requirements of agricultural development projects (such as irrigation systems and the mechanization of certain agricultural production and processing areas) are often financed by these institutions. Cooperatives that have regional and national structures that are competent may qualify for this type of assistance.

As the agricultural industry in developing countries expands its production, it becomes involved in searching for export markets. Foreign import and export organizations, including some cooperatives, are a significant source of capital used in the marketing operations. The Japanese cooperatives, for example, are assisting Thai cooperatives in the handling, marketing, and export of maize.

A recent development in the field of international cooperative financing is an agreement worked out between a federation of United States cooperatives and a federation of Indian cooperatives, wherein capital has been provided for the construction of one of the largest fertilizer plants to be established in India. Capital for this development comes from the Indian cooperative, from the Indian government, from the U.S. cooperatives, and from a commercial bank loan for the foreign exchange component of the investment. The U.S. Agency for International Development (AID) is supporting the commercial bank loan through an extended loan risk guarantee. This source of capital was made possible through the provision of experienced management and technical assistance provided by U.S. cooperatives.

A developing country that has a cooperative institutional structure that supports regional and national cooperative services, such as agricultural credit, agricultural supplies, and marketing has access to a broad field of international services available from a variety of institutions. It is obvious that these international institutions cannot deal with the individual farmer in the developing country, nor can they deal with the problems of the individual local cooperative. Only through the cooperative structure that provides an integrated service at the national and local levels can these international institutions provide effective services.

#### D. TYPES OF CREDIT INSTITUTIONS

##### Government Supported

Government-supported agricultural finance corporations, or agricultural banks, are the most common type of national institution established to provide agricultural credit, either for individuals or for agricultural cooperatives. One method of providing the finance is for the government to become the major shareholder of an autonomous or semi-autonomous agricultural and/or cooperative bank.

It is quite essential that agricultural cooperative credit institutions be vested with banking authority and responsibility. In countries with higher productivity, such as Japan and Taiwan, these banks, after receiving initial capital from government sources, have grown so that a large percentage of their total loanable funds is now derived from deposits. Non-member and non-farm deposits in most cases outrank member deposits and deposits from agricultural sources.

Government-finance corporations are often set up for special types of agricultural development, such as large-scale reforestation, the development of irrigation systems, or the reclamation of land. Many of these organizations set up at the national level function only through cooperatives at the local level. In other cases, the national institution may find it expedient to provide its services through a system of branches, usually on a district or provincial level. Even then, for practical purposes, the institution usually deals with the individual farmer's problems through the local cooperative organizations.

##### Rural Banks

In the Philippines under the leadership of the Central Bank, a rural bank program has developed into a very significant source of agricultural credit. Rural banks are private banking institutions. To encourage this development the Central Bank has set up a Rural Banking Department. Through this department it offers to match, dollar-for-dollar, the initial capital provided by private individuals to start a rural bank. The Central Bank also gives favorable discount rates on agricultural paper to the rural bankers. Under the rural bank charter, the management is required to provide a certain percentage of its loan portfolio in agricultural loans. This has proven to be a very effective method of mobilizing private capital for agricultural lending.

The discount and rediscount privilege incentives that are offered by the central bank of a country can be a great influence on the flow of capital in agricultural financing. While commercial banks in most developing countries have not become involved to any substantial degree in financing agricultural production, there are some exceptions, such as the rural bank program in the Philippines, and the experience

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of a commercial bank in Thailand that now has some nine years of experience in agricultural production financing. Both of these specific programs warrant careful examination by people who are involved in development of agricultural credit institutions in developing countries.

### International Institutions

International sources of agricultural credit can also be tapped, as mentioned in the portion of this paper treating methods of financing. The International Bank for Reconstruction and Development, the International Development Association, and the recently-established Asian Development Bank are all potential sources of agricultural financing of the foreign exchange components of any country's agricultural development programs. The foreign exchange component might consist of fertilizer, agricultural chemical imports, or a capital investment in mechanizing agricultural production. More recently, some joint ventures involved in agricultural production and marketing have taken place. American private corporations have teamed up with indigenous capital and technical expertise in other countries, and are carrying out integrated programs of improved production and marketing of specific agricultural products.

If there is a predominant pattern for national agricultural credit institutions in Eastern Asia, it would seem that agricultural banks are the more favored type. At the same time, the predominant type of institutional structure by which the farmer receives service is through some type of a cooperative organization. Even though the national source of financial support may be a government finance corporation, it has been demonstrated that one of the most effective methods for such an organization to function is through a cooperative at the local level.

### Credit Unions

Credit unions, while not a major factor in agricultural financing in Eastern Asia, are making substantial growth, and could become a significant rural institution among small land-holders. Off-farm income for many of these families is a very significant part of their subsistence. However, more often than not, they are counted as part of the agricultural population and treated as such in the economic planning operation. The loan needs of these families are not suited to the agricultural credit institutions' usual standards and requirements for financing. Credit unions are quite suited to serving the production and consumption credit needs of these people, and at the same time the credit union can carry out a constructive training program in money management and cooperation.

Private enterprise businesses generally have not joined with agricultural cooperatives in these countries to the extent that they

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have in the West. The cooperatives must, of course, become financially more self-sufficient and employ more efficient management, generally speaking, if they are to mature into full-fledged, independent businesses responsive to their members' needs and at the same time capable of providing efficient outlets for supply distribution.

## V. DETERMINING THE ECONOMIC AND SOCIAL FEASIBILITY OF A COOPERATIVE

(Parts A-D are reprinted from Determining the Economic Feasibility of a Cooperative, Gene O. Ott, Cooperative Extension Service, New Mexico State University, Las Cruces, New Mexico, July 1975)

### A. POLITICAL AND SOCIOLOGICAL CONSIDERATIONS

The preliminary feasibility study must take the following indispensable political and sociological conditions under consideration:

- that cooperation is mentioned and recommended within the national development plan;
- that sufficient legal regulations exist;
- that cooperatives existing within the country are promoted and supervised by a competent department;
- that the authority responsible for the agricultural project to be carried out agrees with the authority responsible for supervision of cooperatives;
- that sufficient motivation and potential for participation exists on the part of the local population.

### B. ECONOMIC SIGNIFICANCE TO POTENTIAL MEMBERS

1. Questions for a marketing cooperative. This section is concerned with questions of whether the commodity or product to be marketed can be produced profitably by the cooperative's members. No advantage would come to a prospective member from the formation of a cooperative to market a commodity or product which was unprofitable for him to produce. Questions in this section could be asked of a cooperative proposed for the marketing of agricultural commodities, as well as for one planned for the marketing of member-produced handicrafts.

In terms of production, is the proposed commodity or product more promising than other commodities or products?

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- a. Present national and local trends for proposed commodity or product.
  - (1) Production
    - Is production generally on the increase? If so, where and in what sized units?
    - What changes are taking place in production practices? Is mechanization of production operations possible?
  - (2) Utilization and consumption
    - Is utilization changing in form? In what way?
    - Is consumption expanding? For what processed forms? In what regions?
  
- b. Intraregional advantages. Within the region, would the new enterprise have an advantage of other enterprises in terms of:
  - (1) Production costs
    - Yields (production per acre, animal unit, or man day)
    - Adaptability of existing production machinery
    - Production labor requirements
    - Capital requirements for production
    - Efficiency of production from joint enterprises (Are other products from the production unit complementary or competitive?)
  - (2) Marketing costs
    - Transportation rates
    - Other marketing costs
    - Are underemployed marketing facilities available? If so, how modern are they?

- c. Profits to the producer
  - (1) What are estimated net returns per unit: gross returns per unit minus all costs (variable, fixed, and marketing) per unit? This will be related to volume, quality, and market outlets.
  - (2) How favorably do these returns compare with other present or prospective enterprises?
  
- d. Productive capacity available in terms of:
  - (1) Land
  - (2) Labor
  - (3) Capital
  - (4) Technical know-how
  - (5) Management interest
  
- e. Complementary products. Could other products or commodities be produced in the area which would complement this item in terms of the factors of production noted above (d)? (Labor and equipment would probably be important.)

2. Questions for a purchasing cooperative. Cooperatives of this type handle farm supplies, groceries, gasoline and oil, etc. Questions in this section are concerned with the advantages potential members could expect from the formation of a purchasing cooperative. Eventually, all costs of operating the purchasing cooperative must be borne by the members. If these costs are expected to result in consistently higher prices for products from the cooperative than from other existing sources of supply, there would be little reason to organize.

Will the proposed purchasing cooperative be able to reduce total costs of its consumer members? Will it make available goods and services presently unavailable?

- a. Present trends of consumption of these products in the community.
  - (1) What is the present volume for these products in the area to be served by the cooperative? Is this volume expected to increase or decrease? How much?

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- (2) Where and in what size units are the products consumed?  
Will this change in the future?
  - (3) Will competing products change the consumption pattern for these products?
- b. Existing sources of supply of these products in the community.
- (1) What are the present sources of supply?
    - How many suppliers?
    - What is the present estimated volume of each?
    - What is the anticipated future volume of each?
      - Without cooperative development
      - With cooperative development
  - (2) Are existing suppliers operating profitably?
    - What is their estimated margin per unit?
      - Over variable costs
      - Over fixed plus variable costs
    - Why are existing businesses profitable or unprofitable?
      - If unprofitable, how could the proposed cooperative operate at a net savings?
  - (3) Are existing suppliers adequately meeting market needs?
  - (4) How will existing suppliers react to the entry of the cooperative into the market? What would be the expected effect of their reaction on the cooperative?
- c. Profitability of proposed purchasing cooperative.
- (1) What volume is expected in the first year? In subsequent years?
    - Expected percentage of volume from new business in the trade territory.
    - Expected percentage of volume from existing business in the trade territory



- (2) What are the estimated net returns per unit in the first years? In subsequent years: (gross returns per unit) - (total variable costs per unit + total fixed costs per unit)?
  - (3) What are the estimated total annual profits or savings from each product line handled: (net return per unit) x (annual volume)?
  - (4) What are the estimated total annual profits or savings from the cooperative enterprise: (sum total of expected annual profits from each product line handled)?
  - (5) Could the members, or their proposed cooperative, invest their resources in some other enterprise which would give greater returns?
- d. Complementary products. Are there other products, product lines, or services which could be handled that would complement those being considered? Complementary products should more fully utilize one or more of the following resources: facilities of the cooperative, labor, capital, technical know-how, or managerial capabilities.
- e. Contribution of proposed cooperative to the economic well-being of the membership.
- (1) Will the proposed cooperative handle a greater variety of products than is presently available?
  - (2) Will a higher quality product be available through the cooperative?
  - (3) Will the cooperative be handling products which can be expected to raise net incomes of the members? How much will patron member incomes be raised because the cooperative is organized?
  - (4) Will individual member's family or business expenses be reduced because the cooperative is formed? How much?

3. Questions for a service cooperative. Service cooperatives may be organized to provide credit, insurance, domestic water, sewage disposal, electricity, telephone service, etc. This type of cooperative is often characterized by large fixed capital investments in facilities. Care should be given to project future service needs realistically in the

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economic analysis of this type of cooperative. This must be done if an accurate amortization plan is to be prepared.

Will the proposed service cooperative fill a real need of its potential members? Can this need be met at a cost the members can and will pay?

a. Present demand trends in the community for the proposed service.

(1) Is this service presently available from non-cooperative sources?

If so:

--What is the present usage of this service?

--What is the expected future usage of this service without cooperative development?

(2) What would be the expected annual demand for service from the proposed cooperative?

--In the first year?

--In subsequent years?

b. Expected profitability of proposed service cooperative.

(1) What is the anticipated fixed investment in capital improvements?

--What is the expected life of these improvements?

--How many years will it take to pay for them?

(2) What will be the anticipated annual operational cost of the proposed cooperative?

(3) What are the estimated annual profits or savings from the proposed cooperative: (annual gross income from sale of services) - (annual operational cost + annual amortization of capital investments)?

c. Other sources of this service available in the community.

(1) Are existing businesses meeting all the needs of the community?

- Can they expand their service to fill these needs?
  - Can the cooperative furnish these services at an appreciably lower cost?
  - (2) What has been the history of success of this type of service business?
    - In your community?
    - In similar communities?
  - (3) If a cooperative is organized, what would be the expected response of existing service organizations?
- d. Complementary services. Would a cooperative with a combination of services be more successful than one furnishing only one?
- (1) What other services might be complementary?
  - (2) Could this service be provided by an existing cooperative?

#### C. WHAT COMPETITIVE ADVANTAGE DOES THE REGION OFFER?

1. Marketing cooperatives may find their competition in the next county or even in another country. The feasibility of cooperative marketing proposals should be seriously questioned if like operations in another area have a distinct marketing advantage.

2. Questions in this section will be of greatest value to the marketing cooperative with products in competition in a regional or national market. The examples listed below are for a fruit or vegetable marketing cooperative. Adjustments may be made for other types of cooperative marketing organizations.

##### a. Supply

- (1) Cost advantages. In comparison to other regions of the country or other countries, does this area have advantages in terms of:
  - Raw product costs. (Local governments may be able to provide a national price index for agricultural commodities; is this index up-to-date and in use?)

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- Processing costs. (These can be readily estimated from published sources. Generally, building and equipment costs will be nationally uniform. Variations in cost of power, electricity, etc. will be slight. Raw product and labor costs will be the largest items of cost variance.)
- Transportation and other marketing costs. (Transportation costs from competing producing regions to each major consuming market should be determined.)
- Total costs. (Net cost between regions is determined by adding the costs of production, processing, and transportation to a common consuming region. This will help to isolate those consuming regions where the proposed cooperative might be competitive. Keep the long and short run in mind, along with possible economies of scale.)

(2) Other advantages

- Will the locality provide plant, tax, or other concessions?
- Does the product from this area have any unique non-cost advantages such as quality, quantity, or timing?

b. Demand

- (1) Does the area have an advantage in meeting market demand with respect to time, place, and form?
- (2) Does or would the product, because of some real or imagined feature, be in stronger demand than the product from another region (or another country)?
- (3) If there is a particularly strong demand for the product from this area, is it apt to be eventually met less expensively by products from other regions or countries?

c. Technological factors. How is the competitive picture apt to be altered by technological changes in:

- (1) Production?
- (2) Processing?
- (3) Marketing (e.g. new roads)?

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- d. Trade policy. How would the competitive picture be affected by changes in tariffs, or changes in non-tariff barriers to trades?

#### D. OTHER CONSIDERATIONS

1. All three types of cooperatives, marketing, supply, and service, are faced with the same questions in this section.

2. After it is determined that the proposed cooperative is needed, and that its organization will be economically sound, the survey committee should consider what facilities will be needed, how much capital will be required, how will this capital be secured, and how will the cooperative be operated.

- a. Physical plant (consider both present and long-range future needs.)
  - (1) What plant capacity is advisable, considering:
    - Supply of raw materials?
    - Anticipated demand for the finished product?
    - Most efficient plant operation?
  - (2) What would be the best way to obtain needed facilities?
    - Acquire facilities:
      - build new facility
      - buy and/or remodel old facility
      - rent existing facility
    - Make arrangements with existing business to perform all or part of the needed function.
  - (3) Should there be more than one plant?
  - (4) Where should the facilities be located?
- b. Capitalization
  - (1) Fixed capital
    - Approximately how much capital is required for plant and equipment?

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- Where will this capital be obtained?
  - If partly from sale of stock, how much capital has already been pledged? What percentage of total pledges will be made good? What rate of dividend payment per share?
  - If partly from loans from the National Cooperative Bank, or a similar government facility, has any indication been made of their willingness to finance the venture? What type of loan will be provided? What security must be pledged? What rate of interest will be charged? What will be the repayment schedule?
  - If partly from equipment manufacturers, what rate of interest is being charged? Has any equipment manufacturer expressed an interest in financing the enterprise?
  - If partly from membership assessment, what amount per member? How many members are anticipated?

## (2) Working Capital

- Approximately how much capital will be required for plant operation (wages, electric, water, gas, phone, etc.) promotion, and distribution?
- Where will this capital be obtained?
  - If from membership equity, how much capital has been pledged?
  - If from the National Cooperative Bank, or a similar facility, what are the repayment terms and rate of interest? Have they expressed an interest in providing this capital?
- Approximately what quantity of stock or raw product must be purchased before the first returns are received? at what prices? How much capital will be required for this inventory? How much time is expected between receipt of payment and the obligation for inventory?
- How long a period will there be between starting the enterprise and start of actual operations? How long between start of operations and first sales? How long between first sales and first receipts? What delay is usually encountered by existing firms in collecting on sales?

c. Operation

- (1) Will it be possible to obtain the trained personnel-- both managerial and labor--necessary for the operation of the facility? (This has proven to be an important consideration for many cooperatives.)
- (2) What are the possibilities of combining production and/ or distribution of this product or service with other products or services now or in the future? What are the possibilities of a merger with another cooperative?
- (3) Will the cooperative facility be operated seasonally? Is there any use that could be made of the facility during the off season?
- (4) Are adequate storage facilities available?
- (5) Are any technological breakthroughs on the horizon that would affect operations?

d. Distribution. Questions in this subsection pertain to the distribution problems of a cooperative marketing or processing firm.

- (1) Will the cooperative attempt to set up a new distribution system or will it try to fit in with an existing system? Will it have a sufficiently broad product line to interest buyers? Will it use its own brand or buyer's brand?
- (2) How will the product be introduced on the market-- through lower prices, advertising and promotion, or some other method? How long is it likely to take to build up the desired sales volume?
- (3) What marketing firms will handle the product?
  - Have these firms expressed an interest in the product?
  - How much production will they handle?
  - Are they established, reliable firms?
- (4) What delay will probably be encountered in obtaining payment for sales?

- (5) Has the potential of local sales been fully explored? What volume of the product is currently being sold in the local area? Where does it come from? If sales will be to local retail stores, what payment, delivery, service, or price arrangements can be made?

#### E. A SAMPLE SOCIO-ECONOMIC STUDY

(Reprinted from The Pine Log, January-March 1968, Paul Somogyi, The Cooperative League of the U.S.A., Chicago, Illinois)

If you are assisting a group of people who are thinking of setting up an economic enterprise or service, help them to analyze all of the various facets and ramifications of their proposal. This can best be done through a SOCIAL-ECONOMIC STUDY (SURVEY) which would, if properly done, distinguish between 'felt' and 'real' needs; establish, as near as possible, what will be the active participation--immediate, near and distant future--of the community in the proposed cooperative; and the economic feasibility of the proposed economic undertaking (its chances for success).

The actual composition of Social-Economic Study depends on the situation in the community, and can vary greatly. I shall attempt here to cover only one called 'operational feasibility,' as apart from the economic feasibility of collecting sufficient capital to start operations.

MEN ARE GOING TO BE ELIMINATED. WHICH ONES WILL BE? WHERE WILL THE PROPOSED CO-OP COME INTO THE CHANNEL OF DISTRIBUTION?. . .We have to investigate. Let's form committees: Planning, Finance, Management, Education, Legal, etc.

#### COMMITTEE REPORTS

Two weeks later the Planning Committee reports that they have found out:

1. The ultimate consumer in the provincial capital usually pays 130 per bushel 8 months after harvest time, when the product is scarce.
2. The consumer buys from retailers who pay about 105 per bu. to wholesalers (and there are many).
3. The wholesalers, in turn, buy from a few warehouses where they usually pay 80 a bushel.

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4. Our cooperative would take the place of this last mentioned middleman--the warehouses.
5. We need a building in town for one month to serve as a collection point until we send our harvest to a warehouse in the main city. Cost: 300.
6. It will cost 5 per bu. to transport our harvest to the main city.
7. Suitable storage facilities are available there at 2 a bu. per month. This includes bond coverage of the crop.

The Finance Committee reports that a loan can be gotten from the Agrarian Bank at 8% per annum on whatever bonded crop we have in storage. Since we intend to advance 25 per bu. to our members when they bring in their harvest, pay 16 per bu. storage (2 x 8 mos.), and 5 transportation costs per bu., we are faced with interest costs of 2.45 per bu. handled (46 x .08 x 2/3 of a yr.). Total variable cost per bu. handled: 48.45.

The Management Committee reports that:

1. A full-time manager is needed for 4 months (2 weeks before harvest, 1 month during harvest, 2 weeks after harvest; 2 weeks before selling warehoused crop, one month during selling, and 2 weeks afterward to clear accounts). Senor "M" is a capable businessman with experience in this line and is available at 1,000 per month.....	4,000.00
2. Two warehouse assistants are needed for the month during harvest and the month when we sell the crop. Cost is 400 each month.....	1,600.00
3. A bookkeeper is needed for all four months to work along with manager. Senor "V" is experienced and will do it for 500 a month.....	<u>2,000.00</u>
Total Projected Salary Expense.....	7,600.00
Add:	
Cost of local warehouse.....	300.00
Estimated Misc. Expenses	
Accounting books, etc. 100	
Travel of Manager 500.....	<u>600.00</u>
TOTAL PROJECTED FIXED EXPENSES.....	<u>8,500.00</u>

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Thus our cooperative will have 8,500 of fixed expenses regardless of whether it markets anything or not. The members decide that they will, between now and the next harvest, raise this money from among themselves as their initial capital and, in fact, set a goal of 10,000.

NOW--WHAT IS THE BREAK-EVEN POINT OF THE PROPOSED COOPERATIVE MARKETING OPERATION? or what is the minimum volume that the Co-op must have to just meet expenses?

DATA:                    Y = Break-even point (min. volume in bushels)  
                           80.00 = Expected price per bushel as warehouse  
                           8500.00 = Fixed Expenses  
                           48.45 = Variable costs per bushel handled

SOLUTION:            80.00 Y = 8500.00 + 48.45 Y  
                           31.55 Y = 8500.00  
                           Y = 270 (Bushels)

Let's check it out:

Sales: 270 bu. x 80 (warehouse price during scarcity).....	21,600.00
Fixed Expenses.....	8500.00
Variable costs:	
270 bu. x 25 Advance to member.....	6750.00
270 bu. x 5(transp.).....	1350.00
270 bu. x 16 (8 mos.storage).....	4320.00
270 bu. x 2.45 (int.).....	<u>662.00</u> 13,082.00
8,500.00 + 13,082.00 =	<u>21,582.00</u>

You can see that this co-op, handling a volume of 270 bushels, was able to pay no more for the product than the middlemen (25). If the members marketed less than 27 bu. through their co-op each member would have to give 1 or 2 or more back to the co-op (their business) so that it could meet expenses. This co-op would not be in business next year.

Different Story with 1000 Bu.

Let's see what happens when the members are completely loyal, sell their entire crop through the co-op (even though the middlemen may be temporarily paying 30 a bu.), and even bring in new members. TOGETHER, for this example, we will say that they market 1,000 bushels.

RESULTS:

Sales:	1,000 bu. x 80.....	<u>80,000.00</u>
Less:	Fixed Exp. .. 8,500.00	
	Variable Costs	
	(1,000 bu x 48.45). <u>48,450.00</u>	
		<u>56,950.00</u>
	SAVINGS (profit).....	<u><u>23,050.00</u></u>

POSSIBLE PATRONAGE REFUND to Co-op members (divide savings by 1,000)	=	23.05
Plus ADVANCE made to member at time of harvest (per bushel)	=	<u>25.00</u>
TOTAL PRICE REC'D BY MEMBER FOR EACH BUSHEL MARKETED THROUGH CO-OP	=	<u><u>48.05</u></u>

This co-op is here to stay. The economic chains of bondage to the middlemen have been broken. Note, however, that the farmers did not "quadruple" their income as they thought they would, but did come close to doubling it. By the same token, how close did they come to economic disaster because of insufficient planning?

HOW CLOSE ARE YOU?

## VI. GUIDELINES FOR WRITING COOPERATIVE BYLAWS

(Reprinted from the Cooperative Teachers' Manual, William Judge, Miguel Lopez, Morris Gross, The Cooperative League of the U.S.A., Section C, Number 8, Chicago, Illinois, 1963)

### A. IMPORTANT POINTS TO CONSIDER

1. In speaking of bylaws, it must be remembered that these vary considerably according to the type of cooperative involved. In addition, a certain degree of variation is often encountered among different groups of people forming the same type of cooperative. Finally, there is a good deal of variation in cooperative bylaws from country to country, since each must be adapted to a different legal code. For our purposes, therefore, only a very general outline of the basic contents of bylaws can be discussed.

2. The bylaws should be designed to last the life of the cooperative, which we hope will be a long time. It is impossible, therefore, to foresee all the problems which will arise in the future and to try to avoid these problems by including specific provisions in the bylaws. For this reason, it is much better to make the bylaws very general in nature, subject to interpretation by the Board of Directors or General Assembly as the specific problems arise. In addition, the amending procedure must be realistic. Bylaws which are too easy to amend will be changed at the whim of a minority of the members. On the other hand, they must not be too difficult to amend, since the bylaws, as well as the cooperative, must be adapted to meet changing conditions.

3. You should be aware of the purpose of the internal regulations of the cooperative. These regulations are formed in addition to the bylaws, and must also be approved by the members. The bylaws usually serve to outline in general and basic terms the rules governing the operation of the society, while the internal regulations elaborate on these rules in more specific terms. The decision as to where to draw the line between bylaws and internal regulations must be left to the members, since there are no set rules. The tendency, however, is usually to make the bylaws much too specific since more legal importance is given them. This is especially evident in areas where an atmosphere of distrust exists.

An example of the general division of material between bylaws and internal regulations is the election of officials in the cooperative. The basic rules, such as election dates, length of terms, number elected each year, etc., should be stated in the bylaws. The more specific regulations, such as exact nominating procedure, voting

## VI. GUIDELINES FOR WRITING COOPERATIVE BYLAWS

procedure, etc., can be reserved for the internal regulations.

## B. OUTLINE OF BYLAWS

### 1. Purpose of bylaws

a. To set forth the general rules which govern the cooperative

(1) Legal rights of members

(2) Operating procedure

--Administrative

--Financial

b. To legalize the cooperative as a business concern

(1) Establish legal person

(2) Right to negotiate with third parties

c. To incorporate the cooperative

(1) Insure concurrence with cooperative law and legislation

(2) Register with the proper authorities

### 2. Outline of the general contents of cooperative bylaws

a. Introduction

(1) Constitution - Name of cooperative

(2) Seat (headquarters)

(3) Duration (limited or unlimited)

(4) Objectives

(5) Statement of cooperative principles

b. Social and administrative

(1) Concerning the members

## VI. GUIDELINES FOR WRITING COOPERATIVE BYLAWS

- Requisites for membership
- Rights and obligations of members
- Voluntary withdrawal
- Loss of membership
- (2) The General Assembly
  - Authority of the General Assembly
  - Fixed date of ordinary session
  - Extraordinary sessions
  - Convening the assemblies (rules)
  - Quorums and voting
  - Other
    - Delegation of votes
    - Assembly records
- (3) The Board of Directors
  - Purpose and authority
  - Composition
    - Number of members (normally 5-9)
    - How elected and terms
    - Replacements (substitutes)
  - Requisites for Board Members
  - Duties of Board of Directors
    - Many bylaws also include the duties of each of the Board officers. These may be put in the internal regulations.
- (4) Management
  - Selection of the manager
  - Authority and duties

- Dismissal of manager
- Employees
- (5) Supervisory committee
  - Composition
  - Authority
  - Duties
- (6) Educational committee
  - Composition
  - Responsibilities
  - Financing
- (7) Other committees
  - Example: Credit committee of a credit union

c. Financial

- (1) Capital stock
  - Initial capital
  - Share value and subscribed shares
  - Liability of members
  - Restrictions on use of capital
- (2) Financing
  - Contraction of credit
  - Issuing of new shares
  - Special quotas or funds
- (3) Loans to members (if applicable)
- (4) Accounting
  - Procedure and dates

- Inventory
  - Statements (Balance sheet)
  - (5) Distribution of surplus (net gain)
    - Percentage to reserve funds
    - Percentage to education
    - Interest on paid shares (maximum rate)
    - Patronage refund
    - Approval by General Assembly
  - d. Dissolution and Liquidation
    - (1) Voluntary dissolution
    - (2) Involuntary dissolution
    - (3) Method of liquidation
    - (4) Distribution of assets
  - e. Amending the bylaws
    - (1) Requirements
    - (2) Procedure
3. Approval of bylaws
- a. By the founding members
    - (1) Proposed by Incorporating Committee
    - (2) Discussed and altered by members
    - (3) Approved by 2/3 majority
  - b. By the government authorities
    - (1) Approval by Cooperative Department
    - (2) Pending indicated changes
    - (3) Recorded in Official Register



#### 4. Conclusions:

The formation of the bylaws is a very important phase of the organizing process, but it should be remembered that it is only a phase. Many groups seem to feel that once the bylaws have been approved by the government, their work is done. Actually, their approval only indicates that the real work is just beginning; that of initiating the operation of the cooperative. The importance of the bylaws must not be minimized, but neither should all other work be forgotten once the incorporation is acquired.

## VII. HOW TO CONDUCT A COOPERATIVE MEETING

(Reprinted from The Cooperative Teachers' Manual, William Judge, Miguel Lopez, Morris Gross, The Cooperative League of the U.S.A., Chicago, Illinois, 1963, Section C, Number 9)

### A. PARLIAMENTARY PROCEDURE

Parliamentary procedure is a method of organization. It is a system that will allow a cooperative meeting to function as efficiently as possible. Parliamentary procedure will aid the cooperative membership in organizing and effectively conducting a cooperative meeting.

Parliamentary procedure in its highest developed form can become quite detached and cumbersome. The form presented here is taken from Parliamentary procedure, but it is simplified. When using the rules of Order and Procedure, it must be remembered that they are designed to organize and effectively conduct a meeting, not to hinder and disorganize a meeting.

### B. A SIMULATED COOPERATIVE MEETING

Now let us simulate a situation. We will go completely through a cooperative meeting, keeping it as simple as possible and trying to cover most of the main points. Remember it is the members of a cooperative in their sincere desire to do good that keep a cooperative functioning efficiently and effectively.

The cooperative, which is a credit union, calls a meeting for Wednesday night at 8 p.m. On the Monday before the meeting the secretary informs all the members of the meeting and will call each one the day of the meeting to remind them.

The secretary will also write out the minutes of the previous meeting and arrange the agenda for this meeting. It is the secretary's job to see that all is prepared for the meeting.

Monday night at 7:30 p.m. the members start filing into the meeting room. They have come early as always to chat and greet their friends. It is not considered good manners to come late to a cooperative meeting. At 8:00 exactly the president calls the meeting to order.

His words, "The meeting of cooperative X, on Wednesday (date) at 8 p.m. will now come to order," command silence in the room. Everyone is alert and ready for the meeting to start, and eager to see that

## VII. HOW TO CONDUCT A COOPERATIVE MEETING

it runs smoothly and efficiently.

The president asks the secretary to read the roll. The secretary in a loud and clear voice reads each member's name and a response of "HERE" is heard from each member present. When the roll has been completed the secretary notes that 25 members of the 30 in the cooperative are in attendance. This forms a quorum. Since there are more than one-half of the members in attendance, a quorum is present, and business can be conducted. Remember, in a cooperative, the majority rules.

As is customary, the president asks if any guests or non-members are in attendance and they are asked to rise and give their names. This is a courtesy request and is done to acquaint the members with the newcomer.

The president calls for the reading of the minutes. The secretary rises and reads in a clear voice the minutes of last meeting. During the reading of the minutes one of the members raises his hand and is recognized by the president. The member wishes that a certain word be changed in the minutes, because the meaning is different than the word the secretary used. A vote is called for. The majority are in favor of the change. The secretary changes the minutes and completes reading them. The minutes are then asked to be approved. It is usually a voice count with Aye, or Nay. Since all the members say Aye, the president says, "The minutes are approved as corrected." If no correction had been asked for, the president would have said, "The minutes are approved as read." Now the secretary will give the previous minutes to the president for his signature alongside of the secretary's and they will go into the records.

Next the president calls for committee reports. Each committee chairman stands as called and gives a report on the activities of his committee. These reports are given briefly and to the point. A member of the cooperative may question the chairman. But the question is asked through the chair (president). It is left up to the decision of the president if the question is of interest to the group and important.

After all reports have been given and approved, the president moves on with the Order of the Day to Old Business. Old Business is anything which was discussed before and still unsettled. It is up to the president to decide the procedure of business.

The discussion today in Old Business is whether the credit ratings should be increased or not. At the last meeting a motion was made to the effect that a study be made by the credit committee to revise the credit rating system. The motion was seconded and a vote was taken in favor of studying the proposition. The president calls the chairman of the credit committee to make his report.

After the report is made, a motion is made to specifically change the credit ratings. It is seconded, and discussion follows. Then it is put to a vote and the motion passes and becomes law.

Any other old business is discussed, voted on, and passed or defeated. It can also go to committee or just be tabled. Here again the business should be brief and to the point.

New Business is called for by the president. This is business that has never before been discussed. A member is recognized by the chair and moves that a new clause be added to the credit contract. The motion is seconded. The president calls for discussion.

It seems like everyone wants to talk on this subject. So the president calls a 5-minute recess for open discussion.

After the five minutes are over, the president calls the meeting to order again. He asks for limited discussion; Two people to talk on both sides of the question. It is then decided that a committee should study the problem and give their report next meeting. The motion is then tabled to the next meeting. Other new business is discussed and voted on.

Other business is then called for. A dance is being planned for next month. The committee wants to ask the group how much to charge for admission. A motion is made and seconded. Discussion follows and then a vote. A price is agreed upon.

Since there is no more business to conduct, the president asks or will entertain a motion to close the meeting. The motion is made and seconded and the vote is taken. The meeting is then closed.

The secretary will then prepare the minutes for the next meeting.

This is how a meeting is conducted. It depends on the president and the members to see that everything goes efficiently and correctly. Attending the meeting is the first responsibility, being on time the second, and taking an active part the third; all adding up to make your cooperative a finer, better organization for you and your community.

## C. OUTLINE

### 1. Preparation

#### a. Informing membership

## VII. HOW TO CONDUCT A COOPERATIVE MEETING

- (1) At least 3 days before meeting
- (2) Reminder the day of meeting
- b. Agenda
  - (1) Program of events
  - (2) Prepared by secretary
- c. Previous minutes
  - (1) Brief account of events at last meeting
  - (2) To be read at next meeting
- 2. Meeting or order of the day
  - a. Early arrivals
    - (1) Social talk
    - (2) Good manners
  - b. Calling the meeting to order
    - (1) By the president
    - (2) At exact time scheduled
  - c. Calling the roll
    - (1) By secretary
    - (2) Loud and clear voice
  - d. Quorum
    - (1) Members necessary to conduct business
    - (2) One more than half the membership
  - e. Courtesy request
    - (1) Introduction of guests
    - (2) Guests rise and give their names

- f. Reading of the minutes
  - (1) The previous agenda of last meeting
    - Written and scribed by the secretary
    - Brief and concise
  - (2) Read by secretary
    - Loud and clear voice
    - To the membership
  - (3) Changed
    - Recognized  
(When a member is acknowledged by the president as wanting to speak)
    - Vote called for
    - Voice count (Aye or Nay)
    - Asked to be approved  
(Voice count: approved as read; approved as corrected)
  - (4) Goes into records  
(Are filed and used for references)
- g. Committee reports
  - (1) Called for by president
  - (2) Given by chairman of the committee
    - Short and concise
    - Nothing to report
  - (3) Questions
    - Asked through the chair  
(asked to president and conducted by president)
- h. Old business
  - (1) Motion to the effect

--A motion in order to do something

(2) Seconded

--A seconding member agrees to the motion

(3) Discussion

(4) Vote

(5) Passed or not passed

(6) Go to committee

--Passed on for the study and recommendation of a committee

(7) Tabled

--Held without action until brought up again at specified time

i. New Business

(1) Recognition

--A member is permitted to speak by the president

(2) Recess--stoppage of meeting

(3) Open discussion

j. Other business - any other business

k. Entertain a motion

--President asks for a specific motion to be made

l. Closure

(1) Motion

(2) Second

(3) Vote

#### D. CONCLUSIONS

The order and procedure in a cooperative meeting of any kind should be for the betterment of the meeting and not used as a hindrance. Keeping in mind that in the meeting the will of the majority and the expression of the minority have a right to be served, the members will enjoy and accomplish good cooperative meetings. Knowledge of how and why the meeting should be carried on in an organized manner will aid the cooperative member to better understand the cooperation and the cooperative way.



## VIII. THE BOARD OF DIRECTORS

(Reprinted from Limited-Resource Cooperatives,  
Norman R. Huddleston, Cooperative Extension Service,  
Auburn University, Auburn, Alabama, June 1970,  
pp. 26-29)

Directors occupy a position of trust, responsibility, and liability. They are subject to legal actions resulting from gross negligence, fraud, and dishonesty. It is important that they be good citizens and have a philosophy and purpose in harmony with that of the cooperative.

### A. RESPONSIBILITIES OF DIRECTORS

1. Establishing the business policy according to the Articles of Incorporation, bylaws, and programs adopted by the membership.
2. Appointing officers and delegating authority and responsibility to them.
3. Acquiring knowledge of cooperative affairs to perform duties effectively.
4. Acting in good faith and taking reasonable care in handling affairs of business.
5. Attending board meetings regularly.
6. Representing a trusteeship to stockholders or members.
7. Appointing the manager and approving appointments of key personnel.
8. Approving significant financial decisions.
9. Conducting and controlling the cooperative in a business-like manner.
10. Coordinating short- and long-range planning.
11. Providing tools for effective communication.
12. Maintaining favorable public relations.

13. Employing a qualified auditor to make an independent audit at least once each year and to report directly to the board.
14. Determining what members want the cooperative to do and developing policies to accomplish these goals through good business practice.
15. Providing indiscriminate leadership.
16. Patronizing the cooperative.
17. Keeping informed.
  - a. Attending district meetings, director conferences, and special training sessions.
  - b. Reading cooperative magazines and books.
  - c. Meeting with auditors.
  - d. Studying reports.
  - e. Observing competition.
  - f. Observing other cooperatives.
  - g. Participating in cooperative tours.
  - h. Studying records, minutes, and history of cooperative.
  - i. Studying manager's monthly reports to board.
  - j. Learning how to interpret and analyze a balance sheet, operating statement, auditor's report, and budget.
  - k. Inspecting cooperative (observing service, equipment, merchandising methods, and sales ability).
  - l. Understanding the terms of all contracts.
  - m. Staying alert to every opportunity to improve knowledge and understanding of cooperative business procedure.
18. Working harmoniously as a board and cooperating with the manager.
19. Refraining from giving orders to employees.

B. CONSIDERATIONS IN SETTING UP BOARD OF DIRECTORS

1. Number
2. Qualifications
3. Time of election and term of office
4. Frequency and notice of meetings
5. Vacancies
6. Removal
7. Quorum
8. Fair representation of areas and groups

C. CONSIDERATIONS IN ELECTING DIRECTORS

1. Personal characteristics
  - a. Integrity and good character
  - b. Courage to resist pressure from special interest groups
  - c. Leadership in the community; capability to work with people
  - d. Ability to analyze and to use good judgment
  - e. Intelligence; good common sense
  - f. Progressiveness and aggressiveness
  - g. Ability to express ideas clearly
  - h. Loyalty
  - i. Emotional stability
  - j. Constructiveness
  - k. Willingness to learn to become better qualified as a director
2. Business characteristics
  - a. Ability to manage personal business successfully

VIII. THE BOARD OF DIRECTORS

- b. Knowledge of cooperative
- c. Active interest in cooperative affairs as a member
- d. Ability to organize and lead
- e. Ability to arrive at a decision
- f. Ability to evaluate managerial potential and performance
- g. Knowledge and understanding of finance, and ability to read financial reports
- h. Ability to relate information to the affairs of the business

#### D. BOARD PERFORMANCE STANDARDS

To continue to secure qualified directors in the development of a competent board, past performance should be evaluated. Directors who can best carry out the objectives of the cooperative to satisfy economic needs of members must be elected. Answers to the following questions should guide the membership in evaluating the competence of directors.

1. Does the organization have well-defined objectives and policies?
2. Are the objectives and policies followed?
3. Is the company expanding its services to members?
4. Is it serving its customers' needs effectively?
5. Does the cooperative have the respect of the community?
6. Are dividends and refunds distributed to stockholders or members on a reasonable basis?
7. Is there reasonable harmony of all interests?
8. Is growth and development systematic?
9. Does the board arrange a good annual meeting?
10. Does the board maintain sufficient communication with membership?

#### VIII. THE BOARD OF DIRECTORS

## IX. THE COOPERATIVE MEMBER

(Reprinted from an untitled cooperative teachers' manual that was prepared by Fred H. Knoble, USAID, Cambodia, 1962)

### A. RESPONSIBILITIES OF MEMBERS

Membership in any organization obligates the members to certain duties and responsibilities--particularly so if he is to enjoy the maximum benefits and privileges therefrom. Some of the most significant membership responsibilities are:

#### 1. Responsibility for Proper Operations

All membership responsibilities revolve around the fundamental principle that members are joint or mutual owners of the cooperative. As owners, the members are responsible for its operation. Thus they should be as interested in the operation of their cooperative as they are in the operation of their farms or homes. They must remember, however, that the relationships are different. They are the sole owners and operators of their farms whereas, along with other members, they are joint owners and operators of their cooperative. Therefore, decisions should be made for the benefit of all. Herein the motto - "Each for All = All for Each" applies.

#### 2. Full Support

Each member owes it to himself and all other members to patronize his cooperative. This means he should use all services provided by his cooperative which meet his needs for production and living. Members join a cooperative for mutual benefits but they can be obtained only when each member provides maximum patronage. If it is an agricultural production cooperative, the member should market all of his products through it; he should purchase from it such supplies as it provides for his requirements of production and living, and any other services it provides as credit.

#### 3. Continuous Loyalty

Membership in a cooperative should be viewed as a privilege, and a privilege that gains strength if it is enthusiastically supported year after year. The success of a cooperative largely depends upon the loyalty of its members to each other and to their association. Such loyalty requires that each one fully lives up to the terms of his membership agreement. It means confidence or trust in others and this

requires a high degree of unselfishness. A cooperative member should be willing to inform others about the benefits of his association. He should defend his organization against unfair criticism when its existence is threatened by groups who wish to destroy or seriously handicap cooperatives.

On the other hand, loyalty is also a responsibility of the cooperative organization. The cooperative must conduct its affairs in a manner deserving of loyalty. This means it must perform services and render benefits greater than those furnished by competing businesses and operate on the highest level of honesty.

#### 4. Being Informed

Membership in a cooperative carries with it an obligation to study the operations of the organization, to become familiar with its business practices, to attend its meetings, and to support actively its growth and welfare.

A cooperative member should gain a reasonable understanding of cooperative principles and functions. Without these he is poorly qualified to assume the responsibility of membership. The greater his understanding, the more valuable he will be as a member, and greater is the probability that his cooperative will be a success.

#### 5. Concern About Management and Policies

A cooperative member should be concerned about management and policies that affect the efficient and economical operation of his cooperative. It is apparent that relations between the members and the association are much more personal than those between an ordinary corporation and its stockholders. The members are the association, and the officers and directors of the association are simply their agents for conducting the joint enterprise. The members are the "employer" and the directors and officers are their "employees" or agents to direct the business, and as agents they are subject to the control of their employers.

### B. SOME RIGHTS AND PRIVILEGES OF MEMBERS

Membership responsibilities in a cooperative, as discussed above, are quite definite. To fulfill his responsibilities, a member has certain legal rights and implied rights. By legal rights it is meant those that are specifically stated in the bylaws of the organization and by "implied rights" it is meant those which evolve in the normal operation and fulfillment of the business of the association. As owner-patrons of a cooperative business the members may have the following rights:

## IX. THE COOPERATIVE MEMBER

1. To select and remove directors by vote

Normally the members of the board of directors are nominated by the members and selection is made by written ballot. Here the principle of "every-member-vote" applies. Directors may also be removed from office before termination of their term of duty by majority vote of the members.

2. To adopt or change the bylaws of the association

This also applies to resolutions and motions presented at meetings. Here again the majority vote rule is followed.

3. To require the directors and mangement to operate the business within the limits of the charter

This means in accordance with the articles of incorporation, bylaws, contracts, resolutions, and other mandates of the membership.

4. To require the association management to make complete, accurate and detailed accounts on each member's business and to make prompt returns

Such accounting should be done in a written form and given to the members at periodic intervals.

5. To examine or request an audit of the books, records and property of the association

6. To bring suit or legal action to protect the interest of the association when the directors or a majority of them are parties of wrongdoing

7. To Vote

The active member has a right to vote regardless of the amount of business he does or his investment in the association, just so he does some business with the association.

In order for members to exercise their rights, they must take action in properly called meetings. The bylaws should specify the procedure for calling meetings. It is customary for members to delegate powers to the board of directors to act for them. This power is usually conveyed through the statutes, bylaws and articles which define the duties of officers and directors. However, not all membership powers are delegated to the board. The members retain, at all times, the right to vote upon matters of policy and to review the actions of the board and management. The annual membership meeting, or a specially called meeting, is regarded as the proper time for legislation and policy making by members.

### C. OBJECTIONABLE CHARACTERISTICS OF SOME MEMBERS

It is not likely that all members of a cooperative organization will assume their full share of responsibilities as heretofore discussed. Some members do have objectionable characteristics that are harmful to the organization and to their association with other members. Some of these characteristics are suspicion, intolerance, ignorance, and lack of understanding for the cooperative association and its spirit. The best weapon against these forces is a full understanding of what a cooperative can and cannot do, why things are done as they are, and how things must be done. Policies and facts that tell the true story about the organization will do much to minimize undesirable characteristics of certain members. An informed membership, as a general rule, is modest in its demands upon the association. This is why it is vitally important to apply the cooperative principle - "Promotion of Education."

### D. TERMINATION OF MEMBERSHIP

Termination of membership has many aspects. Generally, the bylaws of the association require positive and affirmative action, usually by the board of directors, before membership in a non-stock cooperative is terminated.

In an association formed with capital stock, a stockholder continues to be a member until a redemption or forfeiture of his stock is effected. He cannot resign.

Fundamentally, in a non-stock cooperative a person continues to be a member until he resigns or is expelled, or until his membership is otherwise terminated in accordance with the law. The termination of a marketing contract or ceasing to do business with an association neither terminates a membership in a non-stock association nor does it cause a stockholder in a stock association to cease to be a stockholder.

Under the cooperative statutes, associations usually have great latitude with respect to termination of membership.

## IX. THE COOPERATIVE MEMBER



# SECTION FOUR

## COOPERATIVE MANAGEMENT

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A Handbook  
for Cooperative Fieldworkers  
in Developing Nations

Information Collection & Exchange  
Resource Packet Number 5

## I. INTRODUCTION

The average PCV will probably find that much of his time is occupied in dealing with the management functions of his cooperative. Bookkeeping, planning, budgeting, and preparing assistance applications are all vital elements in assuring the success of a cooperative venture. Mismanagement is the most common cause in the failure of cooperative societies, therefore the Volunteer should have background information which can assist him in helping his organization to run on a sounder, more efficient basis.

The manager is the most important individual in the functioning of the cooperative. He must be honest, hard-working, dynamic, and well-trained. He must have a complete conception of the responsibilities that he must fulfill. "The Cooperative Manager," the first topic that is covered in this section, is essential reading.

The management of personnel and fixed assets, such as buildings and vehicles, must be done efficiently. Many cooperatives suffer when staff members who have been trained at the expense of the society seek out higher salaried positions with other enterprises upon the completion of their education. Cooperative vehicles are frequently run into the ground during one or two seasons of unprofitable operation. Methods of avoiding these, and many other situations are outlined in the following section.

The "Simplified Cooperative Accounting System" was originally prepared for use in Peace Corps programs in Latin America by Paul Somogyi, an ex-PCV from Colombia, who later served as a coordinator in joint Peace Corps/Cooperative League of the USA programs. The system is reprinted here in the hopes that it can be adopted and implemented when no prior model for an accounting system is available. The sections on analyzing cooperative financial statements (a good starting procedure if you are looking for particular financial weakpoints to concentrate on) and preparing the society's budget are contributed by Professor Howard Whitney of the University of Wisconsin. They provide good guidelines, although the Volunteer will have to adapt these models to fit the activities of his individual cooperative.

The filling out of financial assistance applications and shepherding of these requests through, or around, the maze of government bureaucracy that must normally be dealt with before any funds can be received is a task that the PCV may undertake. The final portion of this section contains an outline that may be useful in preparing a convincing project proposal, which is important in securing any form of outside funding.

## I. INTRODUCTION

## II. THE COOPERATIVE MANAGER

### A. GENERAL JOB DESCRIPTION

(Marvin Schaars, Cooperatives, Principles, and Practices, University of Wisconsin, Cooperative Extension Service, p. 21)

The manager's job is to serve the membership efficiently, courteously, competitively, and to get things done through other people. To this end the manager uses the business resources at his command, namely, men (labor), money (capital and credit), machines, and materials. His functions are to plan ahead; organize his resources into an efficient, workable organization; direct, exercise leadership, delegate, and get things done by working with and through people. He coordinates and integrates the resources to work as a unified whole. Finally, he controls, appraises, and evaluates performance so as to know when, where, and how to initiate remedial action. To do these things well, the manager needs both technical and executive skills-- technical, to solve problems related to physical and inanimate resources; and executive, to solve problems of human resources such as relate to members, employees, competitors, and people generally.

### B. QUALIFICATIONS OF THE MANAGER

(Reprinted from the Cooperative Teachers' Manual, William Judge, Miguel Lopez, Morris Gross, The Cooperative League of the U.S.A., Chicago, 1963, Section C, Number 4)

1. He must know his job (depends on the type of cooperative)
2. He must be a good administrator (know the most efficient methods of doing the job: the delegation of responsibility while maintaining authority).
3. He must have the education and experience to go with the job.
  - a. Initiative and enthusiasm
  - b. Possess the desire for continual self improvement
4. He must have a thorough understanding of cooperatives
  - a. In order to better understand the purpose of the business (service, not profit)
  - b. To understand his position between the Board and the members (clients)
  - c. To promote the cooperative to non-members

5. He must have the ability to get along well with the groups and the clients.

- a. Board of Directors, supervisory committee, or other groups of people connected with the cooperative
- b. Each complaint or suggestion is usually directed to the manager by individual members.

6. These last two qualifications separate the managers of cooperatives from managers of other businesses.

### C. HIS SPECIFIC RESPONSIBILITIES

(Reprinted, with some adaptation, from Limited-Resource Cooperatives, Norman R. Huddleston, Cooperative Extension Service, Auburn University, Auburn, Alabama, June 1970, pp. 55-59)

#### 1. Planning

The planning function is one of the most important in developing and operating any successful business. The tools which are helpful in planning include: feasibility studies, cost/benefit analyses, balance sheets, profit and loss statements, budgets, and cash flow forecasts. The following points must be considered in planning successful cooperative activities in a developing economy:

##### a. The Goals of Planning:

- it must precede all other management functions (i.e. organizing, directing, coordinating, and controlling)
- it must be consistent with the economic objectives of the cooperative
- it must be done on all levels
- it must be efficient
- it must be based on consistent and realistic assumptions
- it requires proper timing
- it requires consultation with cooperative members and officials, and local government authorities
- it involves considering different alternatives
- it involves being flexible and recognizing limiting (i.e. cross-cultural) factors

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--it requires commitment on the part of those who are involved in the planning exercise

b. The Information that is used in Planning

--Environmental - information that relates to external force which have an impact on the cooperative's decisions (i.e. population surveys, local price indices, transportation factors, local wage scales and the make-up of the local labor force)

--Internal - information that identifies the cooperative's own strengths and weaknesses. This may include financial costs and sales figures, financial ratios, sources of capital, efficiency of production, delivery performance, personnel training and relations.

c. Long-Term Planning

--this suggests the general direction of the cooperative

--long-term planning includes: capital investment (buildings, land, equipment, vehicles), financial needs, training of employees and cooperative members, developing new services for members, attaining sufficient volume for future operation, and the overall role of the cooperative in promoting the economic development of the area that it is serving

d. Short-Term Planning

--this normally includes any decisions which relate to the present and immediate future (i.e. the next 12 months)

--for example, the controlling of day-to-day operational expenditure, the recruitment of seasonal labor, budgeting, the particulars that are involved with the implementation of all cooperative programs (i.e. the negotiation of marketing contracts, the channeling of credit to farmers, the scheduling of educational seminars, etc.)

2. Organizing

a. Organizing the Work

Work must be well organized in order to insure the successful implementation of all present and ongoing cooperative programs. The following should serve as guides to the organization of work:

- division of jobs by level of responsibility
- division of jobs by similarity of work
- even distribution of the work load
- flexibility for busy and slack periods
- organization into work units or teams
- well defined responsibilities for each position

b. Formulating Job Descriptions

A job description should be drawn up for each cooperative employee or cooperative member working for the society on a volunteer basis. The responsibilities of the individual's position, how it relates to other positions, and to the overall operation of the enterprise should be clearly stated and written down. It is extremely important that each employee and member understands exactly what is expected of him.

c. Organizational Chart

An organizational chart, showing the relationship between departments and between the manager and the different employees of the society in diagramatic form should be displayed prominently in the cooperative office. The departments may be set up by functions, products, services, locations, time periods, customers, and processes.

3. Directing

Directing is the leadership function of management. Management has the following responsibilities:

- determining what jobs need to be done
- determining what tools, supplies, and facilities are necessary to do each job
- preparing clear and effective orders, instructions, and information
- establishing standards of performance and control points for each person
- providing for proper communications and relations with and among all organizational units

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#### 4. Coordinating

Coordinating is essentially the communication function of management. It is the fitting together of the components of an organization including people, facilities, and other resources. To succeed, a cooperative will need a communication program that insures a smooth flow of information (and understanding) to members and a reliable feedback from members.

--To prevent unauthorized actions by employees or managers and within departments.

Controls are not primarily to prevent certain activities from being carried out, but serve as yardsticks for measuring the progress of the business.

### III. PERSONNEL PRACTICES

(Reprinted, with permission, from Cooperative Management and Administration, the International Labor Organization, Geneva, 1963, pp. 40-51)

#### A. NEED FOR A PERSONNEL POLICY

Personnel management is the term used for that part of management which is concerned with human relationships in an organization. It covers the methods of recruiting, selecting and training staff; placing them in the right jobs; fixing their wages and the way in which they are to be paid (by the hour, by the piece, or on commission); deciding on their working conditions and any welfare services (e.g. canteens and dispensaries) or social security benefits (e.g. pensions) which may be provided for them; methods of consultation between employers and employees (or their trade unions); and methods of settling disputes.

The cooperative movement, which exists to make a contribution to human welfare, has always been aware that in serving the needs of its members it should not neglect those of its staff, and that its treatment of them should be at least comparable to the conditions offered by the best private employers.

#### B. STAFFING OF SMALL COOPERATIVES

Before considering the personnel problems of the fairly large cooperative, it may be worth devoting a little attention to those of the small society or the society that is just beginning. Many such societies have started off with part-time staff, or with the unpaid work of one dedicated secretary. Many of the village credits banks of Europe and Asia were, and perhaps still are, managed in this way, often by schoolmasters or priests, whose regular livelihood comes from another source and who have perhaps a little more leisure and more education than the hard-worked farmer or manual worker. The same system has been followed by some of the cooperatives carrying out one simple function, such as ordering seeds or fertilizers. But reliance on part-time or volunteer staffing means that the society must remain very small and rudimentary, and the service it can give its members will be correspondingly limited. If the part-time man undertakes anything more ambitious, he will find he has neither the knowledge nor the time, and he may well land his society in difficulties. If he has the intelligence to foresee this, but still wants to keep his job, he may resist an expansion which the members desire and for which the society is ready. One of the peculiarities of cooperative employment is that the solitary official of a small society, whether full or part-time, will have to work with a minimum of supervision, although the salary offered will probably only attract a man of modest



qualifications. This implies a need for particularly careful selection and training of candidates.

At a fairly early stage, the cooperative which means to grow will have to appoint a full-time paid staff. This may not be easy, for the very small society may well fail to make sufficient gross surplus to cover the cost of a full-time employee. In some countries, therefore, societies have received government subsidies to make possible the employment of paid staff, such subsidies being granted only during the early years and on a diminishing scale. Alternatively, there may be pressure to amalgamate small societies so that their combined business produces enough surplus to pay a professional staff. The risk of appointing the staff first and hoping that the surplus will follow may have to be taken; in such a case a really careful prior estimate of possible future development will, of course, have to be made.

### C. RECRUITMENT

If the activities of a cooperative call for a good deal of manual labor, as in grading and packing, the staff may be fairly large, even on the opening day. A new cooperative, especially one in an isolated position, may be rather restricted in its choice of employees. Those selected will probably all be local people and they may be doing work they have never done before. There will inevitably be a good deal of trial and error, with wastage of the unsuitable. This is one of the dangerous processes through which young cooperatives have to pass. There are perhaps only two rules that can be definitely laid down: to appoint the best chief officer available, even if it means going outside the district, and to be careful about appointing too many friends and relations of leading committeemen. In some communities this is a real danger.

The choice of a manager has been discussed in the last chapter. It may be made easier by two circumstances. If, for instance, there is a cooperative union or federation, or a government department looking after cooperatives, it should be possible to get advice on the choice, probably accompanied by a list of candidates; and if the appointment requires technical qualifications, as for the manager of a creamery, it will be necessary to appoint a man who holds the certificate or diploma of a recognized training school. This will not necessarily ensure the desired level of ability, but it does at least guarantee a certain level of intelligence. In many countries, however, there is a shortage of technicians, and the cooperative may have difficulty in getting well qualified men.

Many cooperatives which made a bad initial choice of a manager have, for that reason, ceased to exist. Where the choice was good, the manager has grown with his society; he has pushed on new developments

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only as he has mastered the simpler operations on which they are based, and towards the end of his career he has become a man of great experience and authority, surrounded by a large staff, which he has himself picked and trained. When this stage is reached, and certainly when the pioneer manager retires, the cooperative will have to look to the future and draw up a staffing policy suited to a fairly large, complex and impersonal organization, a policy which will be at once fair from the point of view of the employee and effective from the point of view of the cooperative.

Most cooperatives--perhaps most businesses--like to recruit a large part of their staff straight from school and train them from the beginning in their own way. Most lay down certain educational standards for all except manual staff. Senior posts may be advertised. The degree to which selection can be made on the basis of references, reports of schoolmasters or tests of intelligence and skill depends largely on the state of the employment market and the extent to which the cooperative can pick and choose. It is of considerable importance, both for the well-being of the worker and for that of the cooperative which he serves, that he be placed in a job which fits his natural aptitudes and calls for neither too little nor too much responsibility or initiative. Whether or not this is the case will sometimes be revealed only gradually during service, but there are methods of assessing qualifications and character which help in making appointments and later on in arranging promotions and transfers.

#### D. TRAINING

All new employees must undergo some form of training. In the early years (and in some cooperatives this is no doubt still the case) training consisted simply of doing elementary work under proper supervision. This is no longer thought to be enough by well-organized societies. Some American cooperatives expect every new employee to attend a one-day "orientation school" at which the general work and aims of the organization are explained to him. Many cooperatives in countries with widely differing conditions arrange for young employees to attend classes both in cooperative organization and in technical skills such as bookkeeping. Some insist that every employee who has not already taken a course of cooperative training should take one on joining the staff, this being a condition for definitive appointment as well as for future promotion. Some cooperatives make use of correspondence courses offered either by cooperative or by general professional organizations. In some cases it is felt undesirable to give certain kinds of training to one individual out of a team. He or she comes back with bright new ideas which only arouse irritation and perhaps jealousy in those who have not attended the course. It is better to arrange a short intensive course of training for the team as a whole, either while they are on the job or at a one-day or weekend school.

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Finally, there are the cooperative colleges and training schools. These exist in a large number of countries but do not always do the same job. Some, especially in Asia, are run by governments and for many years were concerned primarily with training the officers of cooperative departments. Their functions are now being broadened so that they take in the non-official staff of primary and secondary cooperatives or candidates for such posts, and train them together with the officials. Such courses deal basically with the principles of cooperation, cooperative law, banking, bookkeeping and auditing. They have been extended in some countries to cover marketing, merchandising and business administration, the latter sometimes as a separate subject, but more often simply as an aspect of other topics. The need for more intensive training in this particular field is only beginning to be realized.

#### E. PROMOTION

Many cooperatives make the successful completion of a training course a condition for promotion in the cooperative, but promotion will also depend on a judgment of the employee's behavior while at work. A man who is clever at courses and examinations may be idle in the office, or unable to make up his mind when it comes to action, or bad-tempered and unable to work with others.

Not all senior appointments, especially in a rapidly expanding cooperative, can be filled by promotion from within. Technical posts--e.g. for engineers, analysts or designers--obviously cannot be filled by promoted clerks, however intelligent. There are, however, a number of highly responsible non-technical posts to which employees may hope to rise step by step, but for which it is customary in some businesses to choose persons of higher general education, and especially holders of university degrees. Such persons are brought in at the age of 22 or 23, generally as management trainees, and spend some time working in each department in turn, usually in a quite humble capacity, and sometimes as manual workers, before they are given a junior manager's appointment. This practice often causes resentment among those of a similar age who have already served the undertaking for a number of years but have not been given similar opportunities for training and promotion. The knowledge that this will be so often, though fortunately not always, influences cooperative committees against the employment of graduates and the management trainee system. They prefer to maintain a system based, as they see it, on the principle of equal opportunity; but in so doing they may deprive the cooperative of the better qualified and trained minds. A possible compromise is a management trainee system with places both for well-educated young men from outside and for those already on the staff who have shown outstanding promise.

As regards promotion to really senior posts, there is much to

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be said for the principle that cooperatives should "grow their own men," if only because it offers an attractive "ladder" to the best type of junior. There are, however, some points to bear in mind. The smaller cooperative may have difficulty in attracting and keeping competent juniors if the ladder is too obviously short. On the other hand, in societies of any size an elderly second-in-command is not always the best man to succeed a retiring general manager. He may too easily be a mechanical copy of the man who has gone before, and too set in his ways to think things out afresh. A system of promotion at the scale of a national cooperative movement or a large federal organization provides a good, long ladder and avoids too much inbreeding of ideas. It does, however, raise problems. Local societies may resent interference in their affairs, and the federation which inadvertently makes or encourages a bad appointment cannot escape responsibility and consequently blame from its members.

Not all employees qualify for promotion, and some it may hardly be in the interests of the cooperative to retain at all. The man who is dishonest, incurably lazy or incurably quarrelsome should be dismissed. There may be others who seem to be trying, but are unequal to the job in which they have been placed. In such cases, transfer to a new job may be the answer: the individual may do better at something less exacting, or, alternatively, he may need the stimulus of something more exacting to put forth his best efforts.

#### F. CONDITIONS OF WORK AND STAFF WELFARE

The conditions under which cooperative staffs work will inevitably differ greatly according to prevailing standards in the country, the type of work being carried on, whether it is in town or in the country, and other circumstances. Hours of work, the hygiene of workplaces, guarding of machinery and protection of workers handling dangerous substances may or may not be governed by legal provisions. When they are, it is for the cooperative to know the law and see that it is carried out. Where the law lays down few safeguards, it should be a point of honor with cooperatives to equal the best standards set in their own country and if possible to lead the way to improvement. It must be admitted, however, that this sometimes imposes a heavy burden on the cooperative and may even prevent it from taking up certain activities. One obvious case is that of the consumers' store, which employs paid shop assistants working regular and not excessively long hours, but finds itself in competition with family shops which are open practically day and night.

The degree to which the cooperative provides welfare services for its staff depends a good deal on the development of social insurance within the country. Voluntary schemes for retirement pensions, provident funds, sickness and accident benefits, marriage and maternity bonuses are of great value where these needs are not met by the

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government. Where they are so covered the cooperative may not need to consider their provision, but many cooperatives and private businesses do continue to provide pensions even if there is a basic state provision for old age. They do so partly because the state pension is small, partly because the prospect of a pension tends to reduce labor turnover by making frequent changes of employment less attractive.

#### G. REMUNERATION

Cooperative wages and salaries, again, must be influenced by national wage levels, by the general policy of trade unions and sometimes by the decisions of statutory wage tribunals. It has always been cooperative policy to pay the best wages possible to all manual and lower-grade staff, and indeed some valuable pioneering aimed at ensuring a better reward for labor has been carried through by the cooperative movement in the past. Nowadays such wages are often regulated by national agreements, or a legal minimum is laid down. The record with regard to salaries in the higher grades is rather different. Many committees composed of small farmers or urban workers are, or at any rate have been, unwilling to pay salaries which much exceed their own earnings, and are unable to understand that certain kinds of knowledge, experience, judgment and power to take responsibility are scarce, and that the man who possesses them can ask a relatively high price for his services. If he does not get it, he will think, if not of himself, then of his wife and children, and go elsewhere even if it means going into private business. In this way cooperatives lose, or fail to attract, good staff, especially in their earlier stages. A fairly high salary is also the price of honesty and complete loyalty to the interests of the cooperative. A man in a senior position in a trading organization has considerable opportunities of enriching himself by methods which may not necessarily be illegal or exactly dishonest, but are not in the best interests of the cooperative. If a man is to resist such temptations, it should not be at too great a cost to his own welfare.

Payment is not always in the form of a monthly or weekly wage. In some manual grades it may be on a piecework basis, and a good deal of study has been given in private business to the question of financial "incentives" to raise production. In the cooperative movement this is less common, partly because comparatively few cooperatives carry on repetitive factory operations to which this system can be easily applied.

What is not uncommon is the payment of a commission to cooperative sales staff over and above their salaries. There has been a good deal of discussion about the advantages and disadvantages of this system, but not much study of the results. One cooperative inquiry into methods of paying cooperative lorry drivers who sold petroleum

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products to members suggested that good training and discipline gave better results than the payment of a commission on sales; but this is only one isolated experience.

A quite different practice is the payment of a bonus to staff out of the annual surplus of the cooperative. This puts staff on a similar footing with members, and gives them an equal interest in the success of the society. The amount of the bonus paid to each member of the staff is generally related to his wages in the year just concluded. The distribution is usually to the staff as a whole, though some societies limit it to grades from foreman upwards, on the ground that manual staff come and go and are not permanently interested in the progress of the organization. This assumption may well be less than fair to the manual worker.

#### H. STAFF MANAGEMENT AND TEAMWORK

Money is not the only incentive which makes men work and work well, nor is it even necessarily the most powerful. Work fills the greater part of most people's day and to many people it is a means of self-expression and a source of satisfaction as well as of social status. Encouragement and praise can be very precious and can change the workers' attitude more quickly than blame. Many people take pleasure in being trusted and responsible, in having the opportunity to make choices and express ideas. People enjoy belonging to a team, especially if they feel that they are esteemed by their group. The more people enjoy their work the better they will do it, but in order that it may be enjoyable, a number of things must be remembered. The worker should feel that what he is doing is, if not important, then at least useful, and that it is in keeping with his personal dignity to do it. He must understand what he is doing. He must have, as far as possible, a complete job which he can finish himself. No one is interested in a task or process which he begins and someone else finishes. When the job is done, and done well, praise, or at least appreciation, is due to him. If it is done badly, it is the supervisor's first job to find out why. He can then decide who or what is to blame and, if necessary, deal out rebukes. In a cooperative it should be easier than in a private firm to bring about the right atmosphere and the right attitude to work, precisely because the cooperative has a broad background of social aims, does not engage in class distinctions and has no motives for exploiting anyone. For the same reasons it may be less easy to take, on occasion, the firm but unpopular decision and to give the direct order, though this is also a part of the art of personnel management.

#### I. RELATIONS OF THE STAFF WITH THE COOPERATIVE AND ITS MEMBERS

In the great majority of cooperatives, employees are not

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members of the society. This is the case in nearly all agricultural societies, for the employee is unlikely to be a farmer. The obvious exceptions are the collective farming and joint cultivation societies where the members work for the cooperative and the only non-member employees are the manager, bookkeeper and any technical experts or advisers who may be engaged. In workers' productive societies it is also in the nature of things that the employees should be members--indeed the only members--of the society, although some productive societies also have non-member employees; these may be either apprentices who have not yet qualified for membership, or manual workers such as cleaners and boiler-men, who stand apart from the skilled craftsmen by whom the cooperative was founded. In all these societies the interests of each person as a member and as an employee are the same.

In consumers' societies the position is rather different. The employee and his family are all consumers and it seems obvious that they should join the cooperative in which the employee works. If he is a member he also has a vote at the annual general meeting. He may in some countries be eligible for election to the committee. But, unlike the member of a cooperative farm or a workers' productive society, his interests as a member are not the same. They may even conflict. In this case, how much influence should he be allowed to exercise in the affairs of the cooperative? Many cooperatives draw the line at the election of employees to the committee, some limit the number of those who may be so elected. Some make no distinction between employees and other members. It is, of course, easy to say that employees should not be deprived of their rights as consumers. In any case, they are few in number compared with the membership as a whole and it's the members' own fault if they are allowed to exercise undue influence in the society's affairs. In practice, however, the fact that the employees' whole lives are bound up with the cooperative does give them an interest which is keener than, though perhaps not as impartial as, that of the ordinary member. They come in large numbers to what are often the rather thinly attended meetings of large urban cooperatives, and they may agree beforehand on nominations to committees. In a few instances the boards of societies have been entirely dominated by employee representatives. It is only fair to say that this can happen even if employees are not allowed to sit on the board, for they can elect retired employees or trade union officials. Employee-dominated committees are not necessarily inefficient or self-seeking, but they do confront the manager with, among other things, personnel problems which call for diplomacy as well as strength of character. The real remedy for a situation of this kind is a revival of interest and readiness for responsibility on the part of the membership at large.

The normal relations between staff and members are, however, of quite a different character. They are, up to a point, like those between a private business and its customers, but there is, or at least there should be, an added element of shared purpose and cooperative

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service. In a private business, service must be given or the customer goes elsewhere. In the less well-run cooperatives, the staff may lapse into a bureaucratic take-it-or-leave-it attitude which does not encourage members to do business with the society. The loyalty of members will only be won if the staff are friendly and solicitous concerning their welfare. Petty irritations and discourtesies may send them away to private traders. A manager or shopman with pleasant manners who is obviously helping the member to make a profitable sale or a good purchase will increase the business and the reputation of his society. The arrival of such men in a society quickly pulls it up and their departure pulls it down. Many more of them are needed, especially in countries where the cooperative movement is still young and growing.

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## IV. MANAGEMENT OF FIXED ASSETS

### A. VEHICLES

#### 1. The Purchase of a Vehicle

The purchase of a vehicle and the expenses that are involved in the operation of the vehicle are major items that figure heavily in the profit-making potential of the cooperative. Investment in unnecessary vehicles is a serious pitfall that often traps over-ambitious and status-conscious cooperative officials. Vehicles must be operated efficiently to insure that they will turn a profit, especially in developing countries where their cost is affected by such factors as high initial investment due to heavy import taxes, the high cost of fuel, and rapid deterioration due to poor roads and untrained drivers.

Here is a list of the major costs that must be budgeted for when a cooperative is considering the feasibility of purchasing a new vehicle:

- purchase price of the vehicle
- interest payments, if the cooperative is taking out a loan to purchase the vehicle
- insurance costs
- depreciation costs, usually spread over a three-year period
- registration fee (how many passengers will the vehicle be able to carry legally?)
- licensing fees
- auxilliary equipment (spare tires, a good tool kit, fuel containers, a canvas cover for the rear of the vehicle, tow ropes, etc.)
- wages for the driver (does he have any mechanical ability?), and the driver's assistant.
- fuel and oil
- regular maintenance

--repair costs

--printing the cooperative's name and address on the door of the vehicle

Here are some more questions that must be asked when examining the feasibility of a vehicle purchase:

--how many days per year will the vehicle spend in operating on each of the cooperative's major economic activities?

(Remember, money is being lost through wages and depreciation costs for every day that the vehicle is standing idle)

--can the vehicle be rented to private parties when the cooperative is not using it? (Cooperative members should be offered reduced rental rates when they need the vehicle for their personal use. They should never be allowed to use it for free.)

--how much mileage can the vehicle be expected to put on when operating in conjunction with each major activity?

--how much fuel will be consumed per activity?

(Prepare expense budgets for each activity. The total annual costs for the operation of the vehicle should be divided up on a percentage basis, based on the mileage that the vehicle will put in when working on each activity. Subtract the costs from the profit margin of each activity.)

--Will the vehicle turn a profit?

## 2. Guidelines for Operating a Vehicle

### a. Regular Servicing

The vehicle should be serviced regularly, according to instructions that are outlined in the vehicle's instruction manual. Failure to follow recommended procedures will cause excessive wear to the engine and other moving parts and result in rapid deterioration of the vehicle.

### b. Daily checks

Before he sets out each morning, the driver of the vehicle should be instructed to make a routine check of the following items:

- the fuel level
- the oil level
- the water in the radiator
- all tire pressures (including the spares)
- the general condition of the tires (are any double tires rubbing, or do they have stones stuck between them?)
- the water level in the battery (does it cover the plates?)
- the brake and clutch master cylinders (are they full of fluid?)

c. Log Book

Each vehicle should carry a log book in which the driver catalogs its daily activities. This document is essential in controlling the use of the vehicle and in allocating the costs of its operation. The cooperative manager should check the log book frequently to make sure that the driver is filling it out accurately and honestly. See Section 3 for a sample page from a model log book.

d. Overloading

The overloading of a truck is dangerous and it can cause serious damage to the suspension system very quickly. Special attention should be given to the loading process to assure that weights are distributed evenly and that the maximum recommended load is not exceeded.

e. Excess Speed

Besides increasing the possibility of an accident and increasing fuel consumption, traveling at excessive rates of speed (especially on bumpy, pot-holed roads) can cause a lot of extra wear and tear to the vehicle. Drivers should be cautioned, and they should be penalized if they are caught speeding.

f. Carrying passengers

Cooperative truck drivers will often take the liberty of picking up passengers along the roadside and delivering them to their destination for a fee. The drivers will use this as

a means of picking up extra pocket money. This practice should be discouraged with vigor, since time and fuel are wasted, and the cooperative may be liable for the safety of the passenger, in case of an accident.



## B. PLANT AND PREMISES

(Reprinted, with permission, from Cooperative Management and Administration, the International Labor Organization, Geneva, 1963, pp. 52-62)

The first need of a cooperative is staff to run it, but almost equally important is a place in which the staff can work. The law of most of countries requires that every cooperative have a registered address. This may in the very early stages be the house of a member, but unless the work of the cooperative is very simple indeed and does not involve the handling of any kind of materials, this will not do for long. Premises of some kind will have to be hired, bought or built. All cooperatives also need some kind of equipment. Even the credit society operated from a private house needs a safe or strong-box in which to keep cash. The simplest collecting point for produce needs a weighing machine. Great importance should be attached to the choice of premises and equipment as regards both their suitability for the work to be done and their cost in relation to the resources of the cooperative. A mistake here may be as damaging as a mistake in the choice of a manager, and much more difficult to correct.

### 1. Choice of Site

The first question is where the cooperative premises should be established. Sometimes the question contains its own answer, as when a consumers' cooperative, established by the workers in a particular factory or office with the approval of the management, has accommodation offered by the firm. This arrangement allows the members to shop as they leave work, and there is no reason why the offer should not be accepted, provided of course that the whole scheme is genuinely cooperative and not a concealed means of recycling the workers' earnings. But this is an exceptional case, and as a rule there is more choice and a greater number of factors to consider when choosing.

A cooperative which its members have to visit frequently--to buy farm or household requirements, deliver produce or borrow money--should obviously be easy to reach. If possible, it should be near the middle of the district where the members live, and accessible by road. Factories for the processing of agricultural produce should be in an area where the crop is grown; otherwise the produce may either deteriorate on the road, or members may be reluctant to go to the trouble of delivering it at all. An agricultural marketing society, on the other hand, may have to establish itself in a traditional market town where buyers congregate, rather than in a village where the members live. There have been two opinions as to whether certain kinds of cooperative should or should not be in a conspicuous location. In one view the cooperative should be in the principal business street where most trade

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is carried on. It should show itself to the world, and so attract fresh members. In the other view, members who are new to business may prefer not to be too much in evidence and borrowers in particular may prefer to think they are slipping unnoticed into their cooperative bank. On the whole this latter view may be regarded as a throwback to the early days of cooperation, and not as a good principle for long-term planning.

Much more important are considerations of transport. If heavy loads of supplies or produce are going out from or coming into the cooperative, its premises should be on the best road available. If there is a railway, they should be near the station or at a point where a siding can be built. If transport is by boat they should, if possible, be near a wharf or dock. Needless unloading and reloading, even a few hundred yards of additional road transport for goods arriving by water or by rail, are all costly and time-wasting, besides creating opportunities for damage and pilfering. Sometimes, of course, the advantage of economical transport has still to be weighed against the advantage of a site convenient to members. This is particularly necessary in the case of consumers' societies, the members of which may not want to do their shopping at the docks or in a railway siding, whatever the advantages from the point of view of transport. It may also be necessary to consider how employees are to get to work if the premises are too far from their homes.

A cooperative will require other facilities, e.g. a ready water supply; electricity if possible; perhaps some other kind of publicly supplied fuel; a telephone if trade is on any scale and probably a means of disposing of waste. This last may indeed be important. The waste products of agricultural processing establishments--slaughterhouses and dairies, for example--can cause dangerous pollution if not dealt with in the proper way. In the law of some countries certain processes, including some frequently undertaken by cooperatives, are classified as obnoxious and cannot be carried on within a certain distance of dwelling houses. This may limit the choice of a site for a cooperative in such a line of business. Some sites may themselves be dangerous, for example where there is a flood hazard. In a number of towns, also, there are municipal regulations which delimit shopping, business, industrial and residential areas, and these again may restrict the choice of sites.

When it has been decided what will constitute a desirable location for the cooperative, it is necessary to find an actual site or building. In many--perhaps in most--cases, cooperatives begin with a rented building, but they usually plan to build as soon as they can afford it. This immediately brings in the question of cost. The best sites are usually the most expensive to buy or lease, and carry high rates. Will it be wiser for the cooperative to risk tying up a good deal of capital in a costly site, or to take responsibility for a high rent and rates in years to come, if this will save transport costs or give access to power? The answer depends on a good deal of careful

#### IV. MANAGEMENT OF FIXED ASSETS

calculation of gains and losses over a period of years; on various assumptions as to the maximum and minimum amount of trade which the cooperative is likely to do; on the possibility of selling the land or transferring the lease if a change becomes necessary; and on the availability of other sites and the calculations which can be made about them. Is it better, for instance, to choose the expensive site on a railway or the cheap site which will make it necessary to procure a truck, pay a driver and buy gasoline? Would the answer be the same if two trucks and two drivers were required instead of one? In any case, has the cooperative the necessary capital to purchase either site, put up a building and still have resources enough to pay staff and purchase the goods with which to start trading? Can it obtain a long-term development loan from government or other sources and, if so, at what cost?

## 2. Design of Buildings

Some cooperatives are able at the outset to build premises adapted to their own purposes. This is desirable on many grounds, but it is not always possible. There may not be enough capital available. It may be difficult or impossible to estimate how much business the cooperative will be handling in a few years' time. It may even be that experience is lacking as to the best type of building for a particular kind of trade in a particular country or climate. For any or all of these reasons the cooperative may have to start in an old building, and either adapt it or be prepared to replace it at a fairly early date. In buying (though not quite so much in renting) a site or building, it is always necessary to look to the future and make a reasonably optimistic allowance for expansion. Many cooperatives have been handicapped by a cramped site or unsuitable buildings, though a few have suffered from too much optimism and from sinking capital in buildings too big for the scale of operations they could hope to achieve.

In buying a building it is desirable to have advice as to whether the structure is in good condition and how much will have to be spent on repairs, alterations and redecoration before the cooperative can move in. The minimum requirements are that it should be structurally sound for its purpose; healthy and, as far as possible, convenient for the staff to work in; reasonably fireproof and sufficiently well protected against rats and burglars, if goods are to be stored in it. In some countries a cooperative union or federation may employ an architect full time to give advice on such matters to member societies. This is a valuable service. Such an architect can provide plans for new buildings or alterations to old ones, advise on the plans and estimates submitted by local firms or building cooperatives, and supervise the work actually carried out. In the developing countries the government sometimes makes available the services of architects and engineers in estimating the value of buildings cooperatives propose to purchase or in preparing plans and estimates for new buildings they wish to construct.

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The advice of agricultural, veterinary and similar departments may also be made available. Without such help, cooperative committees will have to fall back on their own judgment in highly technical matters which the contractor understands much better than they do. One of the ways of safeguarding the cooperative, or indeed any non-expert person who employs a builder, is to call for tenders from several firms, which can be compared with one another. This may provide a check on extravagant estimates, but the builders may also be in a ring. Hence the value of an architect's advice, especially one who is actually employed by a cooperative organization.

It may sometimes be possible for members themselves to take an active part in building or repairing the simpler types of premises. They may be willing to make and lay bricks, lend carts and oxen, help with plastering and painting. Expenses will be saved and enthusiasm for the cooperative will find a satisfying outlet. Some expert direction will, however, be required. There are also cases where the staff have volunteered for this kind of work.

The first building which a cooperative puts up will probably have to be designed rather sternly and with utility as its primary objective, but there is no reason why it should be needlessly ugly, badly proportioned or badly finished. A good building, however simple, catches the eye and helps to give a good impression of cooperation. Once the building is up, it costs little to plant a few trees or shrubs, and the improvement is well worth the trouble. In time the trees may serve a useful purpose in providing shade for members and their draught animals when they visit the cooperative.

The great majority of cooperative premises are planned for two main purposes--office work and storage; some, however, are required as showrooms and quite a number also house production machinery and the power unit which drives it. The design must take into account three main considerations: it must provide adequately for the safety and comfort--and hence efficiency--of employees; ensure that sufficient and suitable storage space is available; and make for maximum facility in the movement of materials within the plant.

Safety and Comfort of Employees - A number of points, e.g. the fencing of dangerous machinery, the provision of drinking water and washrooms, and standards of ventilation, will probably be laid down by law and controlled by factory inspectors. It is, however, important to remember not only that cooperatives should set an example of social progress, but that good conditions mean contented and efficient employees. It is of no advantage to a cooperative that its employees should be working in a bad light, in ill-ventilated, dusty, or over-humid rooms, or carrying heavy weights up awkward stairs, even if these things are not contrary to the law. At the same time, it will not be possible to advance too far ahead of the general standards of the country if costs are to be kept within bounds.

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It should not be forgotten, incidentally, that some part of the cooperative premises will be used not only by staff but by members. The member who comes to pay his account, receive a loan or learn how his produce has been graded should be received in a clean and attractive office, with a counter separating him from the desk space for clerks. He should enjoy a reasonable amount of privacy and have somewhere to sit if he has to await his turn. Some cooperatives whose members have to travel many hours to deliver produce go further and provide a canteen where members can get a meal before returning home or even a room where they can sleep. A quiet, well-arranged boardroom helps committeemen to take their work seriously and raises the importance of the cooperative in their eyes.

Storage Capacity - The cooperative has to make an estimate of what kind of commodities it will want to store, in what quantities and for how long. One of the problems of agriculture is that much of the work is seasonal. Agricultural cooperatives may (for reasons discussed in Chapter VIII) be doing their members a great service if they can take the whole of their crop off their hands immediately after the harvest. But since the cooperative will probably sell the produce gradually in the course of the next six months, this may well mean that a large warehouse will have to be put up which will be full for three months, half empty for the next three months, and quite empty for the remaining six. This is an extravagant way of using an expensive building. It may be possible for the same cooperative to handle one or more additional crops, but this depends on whether or not they ripen at different seasons and whether any or all of them require specialized forms of storage. For example, in all modern installations grain is stored in bins, which it would be impossible to use for, say, potatoes. The possibility of multiple use of the same space is probably rather limited, and becomes more limited as storage methods are modernized and specialized.

There are other things to consider. Bulk storage of heavy commodities requires a strong building, especially if goods are to be stored on more than one floor. In some countries members refuse to have their produce bulked, and a type of storage must be used which will allow each man's deliveries to retain their identity and perhaps be periodically examined by him. Again, it is necessary to check how supplies are moving and, particularly in the case of goods sold to members, to know at any moment whether there are sufficient stocks in hand or if more must be ordered. This means orderly storage and ready access to goods in store. Some commodities are subject to heating, infestation and other forms of deterioration in the course of storage. It must be possible to inspect them at intervals, to shift and perhaps treat them. Other goods will only keep subject to certain conditions. Cold storage is the extreme example, but ventilation and humidity may also have to be controlled. It is necessary, finally, to make sure that warehouses are as safe as they can reasonably be made from fire,

flood, storms, burglary from without and pilferage from within, as well as from common pests such as rats and termites.

Movement of Materials - A very large part of the cost of any enterprise arises from the movement of materials into and out of storage, e.g. from truck to weighing machine, from weighing machine to grader, processor and packer, and back to another truck, perhaps after a period in storage. Even office papers move from desk to desk and room to room. The cost of all this movement is heavier than most people imagine, but it can be very considerably reduced if the layout of the building and its approaches are carefully considered and, in some cases, if a certain amount of machinery is installed.

If trucks or carts, or both, are arriving and departing in any number, it is necessary for the cooperative to have a yard of its own, shut off from the public thoroughfare. It may be desirable to have part of the yard roofed and to provide facilities such as gasoline pump and a cattle trough. The yard should preferably have a separate entrance and exit. Two trucks meeting in a narrow entry may cause an accident and will certainly give rise to bad temper and to waste of gas in backing and turning. Time and labor are saved if there are loading and unloading platforms of the right height. This may be different for trucks and carts. Inside the building the routes by which they are handled or processed should be carefully planned to avoid unnecessary lifting and loading. Where large quantities are handled it may be necessary to install mechanical devices by which bulk products, like grain, are pumped or sucked to their destination, while other products or packing materials travel by moving belts or along overhead rails. A number of small mechanized trucks have also been designed for use on the warehouse floor, which cut down fatigue as well as time.

### 3. Installation of Machinery

The question of installing machinery in a cooperative calls for very careful thought. There are some processes--such as cotton-ginning and butter-making--which it is almost unthinkable to carry out by hand. There are a number of others, like the transport of goods in warehouses, described above, or the keeping of office accounts, discussed in the next chapter, which may or may not be mechanized. Before deciding on mechanization in any of these optional cases, it is necessary for committees and managers to ask themselves what purpose it is going to serve. It will certainly save labor, but if labor is abundant this may not be an advantage. It may be cheaper, but this can only be decided after calculating the cost of wages saved against the cost of buying and operating the machine. It may do a better job--fewer eggs broken, or fewer mistakes in the accounts--and it will almost certainly be quicker, a factor which in certain operations, such as getting perishable produce out to market, may make the difference between profit and loss. On the other hand, if a non-perishable seasonal commodity is

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being handled, it may be a positive advantage to spread processing over a longer period and thus keep staff and premises fully occupied. If it is decided that mechanization is desirable on general grounds, or if some activity is to be taken up which only a machine can do, there are further questions to be considered. Is the machine made in the country where it is wanted? From what country will it have to be purchased, and will foreign currency be available? How is it powered? If by electricity, is electric power available on the cooperative premises, and is it the right current and voltage? If solid or liquid fuel--e.g. coal or oil--are needed, are they produced in the country? If not, can they be imported, and what sort of furnace will have to be installed? Has the machine already been tried out under local climatic conditions and with the particular type of fibre, husk or other raw material processed by the cooperative?

Another set of questions concerns the availability of skilled labor and specialists. The machine, unless it is something quite simple, like an office computer, will have to be installed by or at least under the instructions of a trained man, who will also have to teach the future operators their job. If the firm supplying the machine has a factory or even an agent in the country, they can probably supply such a man. If he has to be sent from overseas, his services will cost a good deal, but the loss from machinery incorrently set up and ignorantly handled may be heavier still. If the machine is one commonly used by cooperatives in the country, the central cooperative union or federation may itself employ a fully qualified engineer, who obviously will be the best adviser for member cooperatives.

Ability to handle machinery is not a matter of intelligence alone. It depends a good deal on general mechanical experience, which in industrial countries has developed over generations. People new to machines may learn quickly how to use them, but they often use them carelessly. They do not "feel" when something is going wrong, and they are poor at cleaning and servicing. Hence, an unusual number of breakdowns and stoppages. This also must be considered before the machine is bought. How much will inexperienced handling add to the cost? Will there be anyone on the spot skilled enough to do minor repairs? How far away will the machine have to be sent, or from where will a skilled engineer have to be fetched if there is a major breakdown? Where can spare parts be obtained? How much time is likely to be wasted owing to import formalities, currency restrictions or simple transport delays? If the process involved is by its nature a continuous one (such as the pasteurization and bottling of milk for immediate consumption), is it safe to depend on one machine or must there be some alternative in case of a breakdown?

When all these things have been considered, there still remains one question: can the cooperative afford the machine? Has it enough capital to cover the cost not only of an expensive piece of equipment,

#### IV. MANAGEMENT OF FIXED ASSETS

but of power, lubricants, spare parts and all that is required to keep it running, until returns begin to come in? Will the cooperative be left with sufficient working capital to buy the raw materials which the machine is to process and to pay the wages of the workers? If the factory has been financed by a loan, will the society be able both to pay interest and to repay the principal by installments? If a cooperative has been founded to carry on some factory process, e.g. the spinning of silk or the milling of flour, it must be supposed that such a fundamental question will have been considered before the cooperative was even registered. It is more likely to be overlooked when an established cooperative decides to mechanize some process hitherto carried on by hand, or to take on some new activity which can only be done by machine. It must also be remembered that if the machine only works for a few weeks or months in the year, the capital tied up in it will be unproductive for the remaining months. It is possible that if it were invested in some other way--in buying or selling unprocessed goods, for instance--it might be turned over several times in the same period and earn a higher income for the society and its members.

#### 4. Upkeep, Depreciation and Replacement

All machinery wears out sooner or later, and in time must be replaced. Towards the end of its life it may break down more frequently, require more replacements and generally become so costly to run that it may have to be replaced even if it is not actually unusable. Provision must be made for the time when this becomes necessary. This is usually done by "depreciation," i.e. by making an annual deduction from the value of the machine as it stands in the books of the cooperative, and creating a replacement fund or reserve ready to meet the cost of the new machine. There are various ways of deciding what deductions to make each year, but they are all based on the expected "life" of the machine, less its scrap value at the end of that period. There are several variables. The machine's life may depend on how much it is used and how carefully it is handled. The cost of replacement will depend on whether prices for machinery are rising or falling. This is a subject on which the cooperative's auditors, the makers of the machine, and the cooperative engineering consultant, where there is one, should all be consulted.

Not only machinery, but buildings, vehicles, furniture and office equipment all have to be depreciated. The furniture, equipment and vehicles will in time wear out and have to be replaced. The buildings will have to be repaired and redecorated at regular intervals, depending on climate, the use to which they are put and the materials of which they are made. They may at some future time have to be pulled down and completely rebuilt on a large scale. A special building fund may be created for these purposes. Many cooperatives and other businesses go further and use the device of depreciation for the creation of "hidden reserves." The book value of a building is

#### IV. MANAGEMENT OF FIXED ASSETS

depreciated five per cent every year, and in 20 years a building which is still quite sound and may even have grown in value will still be standing in the society's books at next to nothing. In countries where cooperatives pay income tax this practice is very popular, as no tax is charged on profits retained for depreciation (although a limit is placed on the amount which can be treated in this way). A prudent policy on depreciation is also desirable in any cooperative where the members are too eager to see all the surplus distributed to themselves as bonuses on business done and unwilling to vote money to reserve. Of course, such a policy implies that the building or machine must earn enough to pay for its own depreciation before any surplus can be made available for distribution.

As well as being depreciated to provide for normal wear and tear and obsolescence, buildings, machinery and vehicles must be insured against exceptional disasters--obviously against fire, and possibly also against floods and storm damage. Valuable stocks in a warehouse may also have to be included. Movable property and cash may have to be insured against burglary. All this may entail appreciable expense, but it would be reckless to leave a cooperative and its members exposed to the loss which would result, say, from the burning down of a warehouse full of members' produce. In many countries there are already national or regional cooperative insurance societies prepared to cover risks of this kind on the best terms available. Such insurance societies usually reinsure at least a part of their risks, sometimes with a national cooperative insurance society in another country.

Though all plant and premises must wear out in time, much can be done to delay the process for as long as possible. It cannot be repeated too often that all cooperative premises should be properly and continuously maintained in good condition; wood and iron work painted; plaster whitewashed, roofs regularly inspected for faults, floors swept and scraped, machinery serviced at frequent intervals and minor repairs immediately and correctly carried out. If all this is done systematically, buildings and plant will last for many years and will present a pleasing appearance which will attract business and put the staff in the right frame of mind for efficient service.

So far the subject of plant and premises has been treated as though a single cooperative were planning (and from time to time replanning and reconstructing) its own establishment, possibly with the help of architectural and engineering consultants made available by a national cooperative federation, possibly after visits by the manager or committee to other cooperatives having already solved similar problems with success. A rather different idea is perhaps worth considering. It is that cooperatives with the same general objectives but with many different functions should group themselves in a single estate, perhaps on the outskirts of the town in or near which their members live. Several consumers' cooperative wholesale societies have grouped

offices and factories in this way. Elsewhere all the agricultural cooperatives of a district have been grouped on one large site--the cotton ginnery, tobacco warehouse, fruit cannery, fertilizer store, the depot for agricultural machinery, the transport pool and repair depot. There will probably be a central office block housing the cooperative bank, the meeting rooms for committees and training courses and perhaps also with a library. There may be houses for some of the cooperative employees, a canteen for workers or members, a dispensary or small hospital, and perhaps a church or a temple. The estate may be the property of a federation of the societies which occupy it as tenants, or perhaps a single society such as a regional bank may be the owner and may lease sites or buildings to the others. This plan may not be applicable everywhere, but it has its attractions, both as a business convenience (cutting out journeys, allowing for pooled services, making possible easy consultation between, for example, marketing and banking societies) and as a demonstration of the cooperative idea.

## V. SIMPLIFIED COOPERATIVE ACCOUNTING SYSTEMS

(Reprinted from Simplified Accounting Systems,  
Paul Somogyi, The Cooperative League of the  
U.S.A., Chicago, 1966)

### A. INTRODUCTION

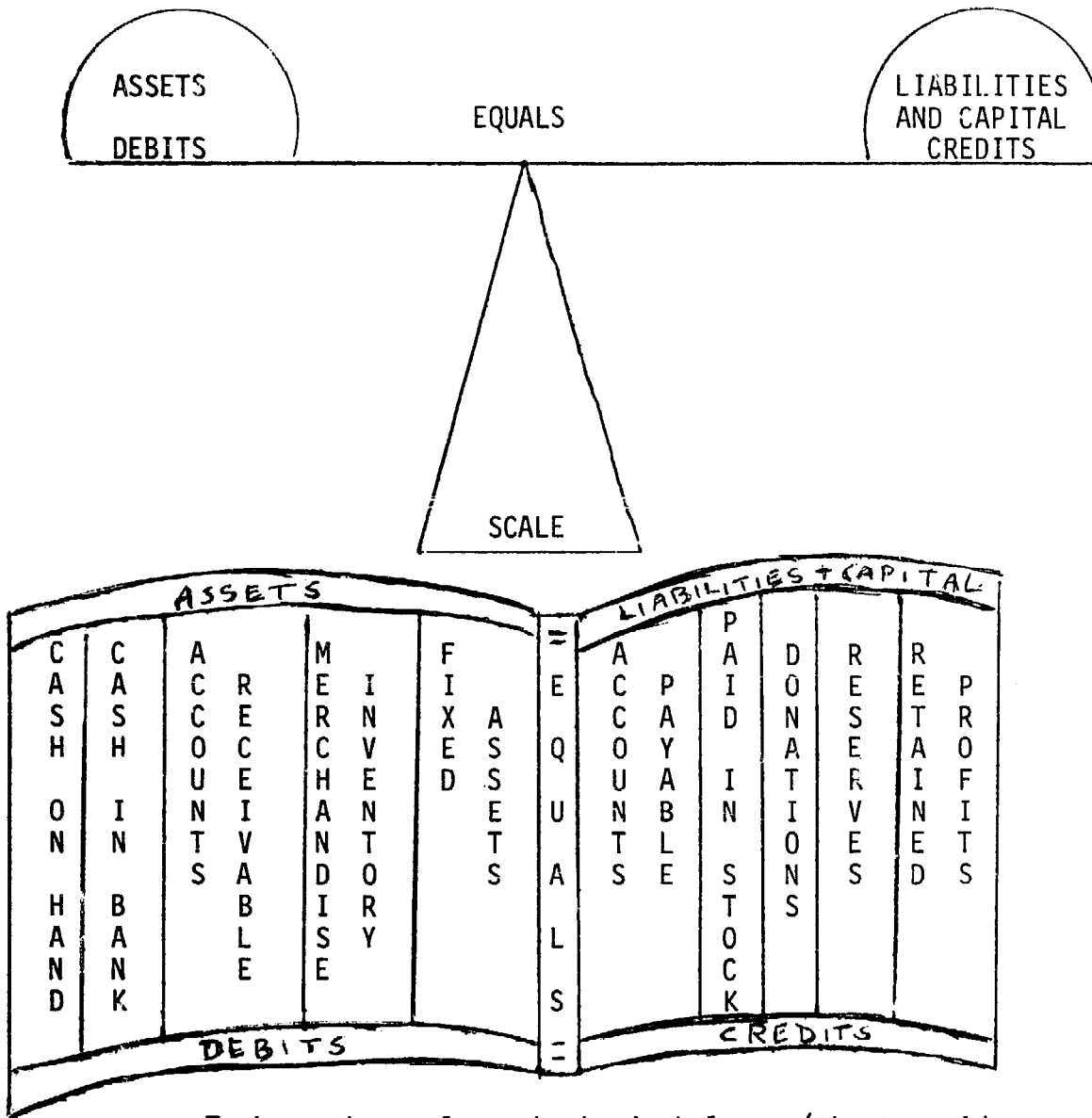
Let me welcome you to a simplified system of double-entry book-keeping which is understandable by all who can read and write.

A double-entry bookkeeping system is one in which you make two entries for each transaction. This is necessary to show a complete picture of all the assets that your cooperative has the breakdown in ownership between the creditors and members:

TOTAL ASSETS - All items that the cooperative owns -	= EQUALS =	OWNERSHIP OR FINANCIAL INTERESTS
CURRENT ASSETS - Money or items that are easily turned into money:		LIABILITIES - Money owed by the cooperative to people or to organizations:
CASH ON HAND	N	CURRENT LIABILITIES - Payable (due) within one year:
CASH IN BANK	A	ACCOUNTS PAYABLE - for purchase of merchandise on credit.
ACCOUNTS RECEIVABLE - money owed to the co-op.	M	
	E	
MERCHANDISE INVENTORY	S	SALARIES PAYABLE
	O	
FIXED ASSETS - Non-money items that take time to convert into money and for which the resale values vary depending on age, condition, location, etc.:	F	LONG-TERM LIABILITIES - Such items as bank loans which have credit terms of over one year.
	A	CAPITAL - Investment by members
FURNITURE	C	PAID-IN STOCK
MACHINERY	C	ADMISSION FEES
BUILDING(S)	O	
	U	
LAND	N	RESERVES - Restrictions on profits as required by the laws of the country and the bylaws of the cooperative.
	T	
	S	
		RETAINED PROFITS OR (LOSSES)

It's just like a big scale where you have the two sides equal. We have the ASSETS on the LEFT-hand side of the scale (the book), and the LIABILITIES and CAPITAL on the RIGHT-hand side of the scale (the book). To distinguish between the two sides we call the left-hand side debit and the right-hand side credit, and your books are in balance when the total of the debits equals the total of the credits.





To keep the scale or books in balance (the two sides equal) there MUST be a debit and a credit for each transaction. Just as the book is divided into debits and credits EACH account is also divided into two parts: debit (left side) and credit (right side). This is to allow increases and decreases to be recorded in each account.

SAMPLE ACCOUNT:

CASH ON HAND	
Debit	Credit

V. SIMPLIFIED COOPERATIVE ACCOUNTING SYSTEMS

LEARN THE "GOLDEN RULES" OF ACCOUNTING:

- TO INCREASE: 1. An ASSET account - Record the transaction on the DEBIT side of the account,
2. A LIABILITY or a CAPITAL ACCOUNT - Record the transaction on the CREDIT side of the account.
- TO DECREASE: 1. An ASSET account - Record the transaction on the CREDIT side of the account.
2. A LIABILITY or a CAPITAL account - Record the transaction on the DEBIT side of the account.

REMEMBER: The debits and credits MUST always be EQUAL.

E X A M P L E S : (Follow the use of the "Golden Rules")

- TRANSACTIONS : 1. Receipt of cash  
2. Cash purchase of shelving  
3. Purchase of merchandise on credit  
4. Payment of liability

ASSETS							=	LIABILITIES + CAPITAL					
TRANS.	CASH		MERCANDISE INVENTORY		FIXED ASSETS		E Q U A L S	ACCOUNTS PAYABLE		PAID-IN STOCK		ADM, FEES	
	DB.	CR.	DB.	CR.	DB.	CR.		DB.	CR.	DB.	CR.	DB.	CR.
1.	550										500		50
2.		200			200				300				
3.			300										
4.		300						300					
TOTALS	550	500	300	-0-	200	-0-		300	300	-0-	500	-0-	50

DEBITS		EQUALS	CREDITS	
\$ 550.			\$ 500.	
300.		-0-		
200.		-0-		
300.		300.		
-0-		500.		
-0-		50.		
\$ 1,350.	TOTALS		\$ 1,350.	

EACH ACCOUNT HAS A BALANCE: If there are only debits OR credits in an account (BUT NOT BOTH), then the balance of that account is the TOTAL.

If an account has both debits and credits, then the balance is the DIFFERENCE between the two.

E X A M P L E S: CASH: DEBIT TOTAL - \$ 550.  
CREDIT TOTAL - 500.  
\$ 50. - DEBIT BALANCE

MERCANDISE: DEBIT TOTAL - \$ 300.  
CREDIT TOTAL - -0-  
\$ 300 - DEBIT BALANCE

EXAMPLES CONT.:	FIXED ASSETS:	DEBIT TOTAL	- \$ 200.	
		CREDIT TOTAL	- -0-	
			<u>\$ 200.</u>	- DEBIT BALANCE
	ACCTS. PAY.:	DEBIT TOTAL	- \$ 300.	
		CREDIT TOTAL	- 300.	
			<u>\$ -0-</u>	- ZERO BALANCE
	PAID-IN STOCK:	DEBIT TOTAL	- \$ -0-	
		CREDIT TOTAL	- 500.	
			<u>\$ 500.</u>	- CREDIT BALANCE
	ADMISSION FEES:	DEBIT TOTAL	- \$ -0-	
		CREDIT TOTAL	- 50.	
			<u>\$ 50.</u>	- CREDIT BALANCE

As always, the total of the assets MUST EQUAL the total of the liabilities and capital:

	<u>DEBIT</u> <u>BALANCES</u>		<u>CREDIT</u> <u>BALANCES</u>
CASH	\$ 50.00	ACCOUNTS PAYABLE	\$ - 0 -
MERCHANDISE INVENTORY	300.00	PAID-IN STOCK	500.00
FIXED ASSETS	<u>300.00</u>	ADMISSION FEES	<u>50.00</u>
TOTAL	<u>\$ 550.00</u>		<u>\$ 550.00</u>

IT IS HIGHLY SUGGESTED THAT YOU READ AND RE-READ ALL OF PART ONE UNTIL YOU KNOW THE BASICS BY HEART. IF YOU CAN ANSWER THE FOLLOWING QUESTIONS CORRECTLY YOU ARE COMPLETELY READY TO CONTINUE TO PART TWO.

#### Q U E S T I O N S :

(Answers are given on the following page, but try to answer the questions on your own before referring to them).

1. What are assets?
2. What is a liability?
3. What is capital?
4. What are the "Golden Rules" of accounting -
  - a. To increase an asset account?
  - b. To decrease an asset account?
  - c. To increase a liability or a capital account?
  - d. To decrease a liability or a capital account?
  - e. The debits and credits must always be\_\_\_\_\_.
5. If there are only debits OR credits (BUT NOT BOTH), then the balance of that account is the\_\_\_\_\_.
6. If an account has both debits and credits, then the balance is the\_\_\_\_\_ between the two.

#### V. SIMPLIFIED COOPERATIVE ACCOUNTING SYSTEMS:

ANSWERS TO PART I QUESTIONNAIRE:

1. ASSETS are all the items that the cooperative owns, and they are classified into two types:
  - A. CURRENT ASSETS - Cash or items quickly turned into cash:
    - Cash on Hand
    - Cash in Bank
    - Accounts Receivable
    - Merchandise Inventory
  - B. FIXED ASSETS - Items which take time to convert into cash, and whose market value varies according to age, condition, location, etc.:
    - Furniture
    - Machinery
    - Building(s)
    - Land
2. A LIABILITY is money owed by the cooperative to persons or organizations, and there are two types:
  - A. CURRENT LIABILITIES - Obligations due within one year's time:
    - Accounts Payable
    - Salaries Payable
  - B. LONG-TERM LIABILITIES - Obligations with credit terms of over one year:
    - Bank Loans
    - Long-term Purchase Contracts
3. CAPITAL is the investment that the members have in the cooperative. It could be in the form of:
  - Paid-In Stock
  - Admission Fees
  - Reserves
  - Accumulated Profits or (Losses)
4. According to the "Golden Rules" of accounting -
  - A. To increase an asset account you record the transaction on the debit side of the account

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- B. To decrease an asset account you record the transaction on the credit side of the account
  - C. To increase a liability or a capital account you record the transaction on the credit side of the account
  - D. To decrease a liability or a capital account you record the transaction on the debit side of the account
  - E. The debits and credits must always be EQUAL
5. If there are only debits OR credits, then the balance is the DIFFERENCE between the two.

## B. SAMPLE ENTRIES

Now that you know the basics of accounting, let's make the entries for various types of transactions in the books of a fictitious consumer cooperative. This co-op has been operating for six months, and on March 1, 19\_\_, the manager and treasurer prepared the following balance sheet from the ledger:

### THE IMAGINARY COOPERATIVE BALANCE SHEET MARCH 1, 19\_\_

A S S E T S		L I A B I L I T I E S	
CURRENT ASSETS:		CURRENT LIABILITIES:	
Cash on Hand	\$ 100	Accounts Payable	\$ 850
Cash in Bank	600		
Merchandise Inventory	2,000		
	<hr/>		
Total Current Assets:	\$2,700		
FIXED ASSETS:		C A P I T A L :	
Scale	\$200	Paid-In Stock	\$1,400
Shelving	300	Reserves:	
	<hr/>	10% Legal	\$ 92
Total Fixed Assets:	500	10% Solidaridad	92
	<hr/>	20% Education	184
		Working Capital	<u>30</u> 398
		Retained Profits	552
			<hr/>
		Total Capital:	2,350
			<hr/>
TOTAL ASSETS:	<u>\$3,200</u>	TOTAL LIABILITIES & CAPITAL:	<u>\$3,200</u>
	<hr/> <hr/>		<hr/> <hr/>

## T R A N S A C T I O N S

NOTE: Be sure to follow the entries through the accounts in the ledger by looking at the pull-out sheet (page 197), and note how the "Golden Rules" of accounting are always adhered to. As you look at the ledger also take note of the Operations Section where there is a Profit and Loss account. It is here where we record the co-op's expenses and sales. They are NOT assets, liabilities, nor capital, but their balances are needed to compute the profit or

## V. SIMPLIFIED COOPERATIVE ACCOUNTING SYSTEMS

loss on the co-op's transactions (its operations). You will see at the end of the month how the profit or loss is then transferred to the appropriate Capital accounts.

March 2 - A new member, Enrique Gonzales, enters the cooperative. He subscribes to the required 10 shares of stock at \$10 each, but pays for only 4 shares:

Subscribed:	10 shares @ \$10. each =	\$ 100.00
Paid for:	4 shares @ \$10. each =	40.00

---

Balance due on the subscribed stock: \$ 60.00

---

According to the bylaws of this cooperative, anyone who becomes a member after the cooperative has its local membership quota will not pay an admission fee, but will pay an amount equal to the admission fee as a permanent contribution to Working Capital. Thus, our new member, Enrique Gonzales, pays an addition \$5.00 to the cooperative.

Entry - Debit:	Cash	\$ 45.00	
	Credit: Paid-In Stock		\$ 40.00
	Credit: Reserves - Working Capital		5.00

According to the "Golden Rules" of accounting, we have just increased our Cash by \$45.00, our Paid-In Capital by \$40.00, and our Working Capital Reserve by \$5.00; and our debits equal our credits.

NOTE: To keep track of each member's investment it is necessary to have a separate book for Capital where each member has an account which shows the amount of money he has paid into the cooperative. Look at the sample (page 205) from the Capital Book.

March 3 - The cooperative has just purchased \$450.000 of merchandise from the ABC Compania de Alimentos, and paid for it by check # 02659-78. The check is signed by both the manager and the treasurer. The invoice is marked "Paid" with the date and check number on it and is then put into the "Paid Invoice file.

Entry - Debit:	Merchandise Inventory	\$ 450.00	
	Credit: Bank		\$ 450.00

According to the "Golden Rules" of accounting, we have just increased our merchandise inventory by \$450.00, and decreased

our bank account by the same amount. Again, the debits equal the credits. Be sure to follow the "Golden Rules" of accounting through all of the following transactions.

March 4 - The cooperative records its sales in a Daily Sales Register (a book which shows ALL of the sales made each day). The sales for today were \$500.00, and are recorded in the General Ledger:

Entry - Debit: Cash \$ 500.00  
 Credit: Sales \$ 500.00

NOTE: The Daily Sales Book shows ALL of the sales made (to members and non-members alike). Since a consumer cooperative makes patronage refunds to its members on the basis of their purchases from the cooperative, it is necessary to have a record of each member's purchases. This system uses a "Purchases Card":

SAMPLE PURCHASES CARD:

GUIDE:

A - DATE  
 B - AMOUNT OF PURCHASE  
 C - SELLER'S INITIALS

SAMPLE ENTRIES:

NAME OF MEMBER: Enrique Gonzales					
NUMBER 27					
A	B	C	A	B	C
19--					
3/4	\$ 18.00	JM			
3/15	25.00	JM			
3/22	12.00	EC			
3/26	15.00	JM			
	etc.				
Total	\$ 70.00	JM			

#### EXPLANATION OF THE PURCHASES CARD:

Every month, every three months, or when the card is filled, the Amount Column is totaled, and the total is entered in the member's Purchases Column in the Capital Book (see sample from the Capital Book - page 205). This card system is a lot cheaper than having individual sales slips, and it also saves a lot of time in recording and keeping track of your members' purchases.

For control the Purchases Cards MUST be kept in the co-op store, and for easy reference it is recommended that they be kept in a box where the salesclerk can pull out each member's card quickly when the member comes in to buy something. Some co-ops prefer also to have a card in their members' possession so that the individual member has a record of what he's bought. This, of course, would be a copy of the one kept in the store.



March 5 - The cooperative issues check # 02659-79 to Jose Castellanos for the rent on their cooperative store for March. Both the manager and the treasurer sign the check, and the receipt is put into the Paid Invoice file.

Entry - Debit:	Expenses	\$ 100.00	
	Credit: Bank		\$ 100.00

March 8 - The cooperative has sales of \$550.00 (taken from the Daily Sales Register) this day, and records it in the General Ledger:

Entry - Debit:	Cash	\$ 550.00	
	Credit: Sales		\$ 550.00

March 9 - The manager of the cooperative makes a bank deposit from the cash on hand:

Entry - Debit:	Bank	\$ 1,100.00	
	Credit: Cash		\$ 1,100.00

March 10 - The cooperative pays its debt to INA for \$600.00 worth of merchandise that it bought on credit. Check # 02659-80 is written by the manager and it is countersigned by the treasurer. The INA invoice is taken out of the Unpaid Invoice file, marked Paid with the date and check number, and put into the Paid Invoice file.

Entry - Debit:	Accounts Payable	\$ 600.00	
	Credit: Bank		\$ 600.00

NOTE that a running balance is kept in the Cash, Bank, and Accounts Payable accounts.

March 11 - The cooperative buys \$700.00 worth of merchandise on credit from the Carrasco Compania. The invoice is checked to see that all of the items were received, and that the prices were right. The invoice is put into the Unpaid Invoice file.

Entry - Debit:	Merchandise Inventory	\$ 700.00	
	Credit: Accounts Payable		\$ 700.00

March 12 - The cooperative purchases a new lock for the door of the cooperative store with \$50.00 cash. The paid receipt is put into the Paid Invoice file.

Entry - Debit:	Fixed Assets	\$ 50.00	
	Credit: Cash		\$ 50.00

## V. SIMPLIFIED COOPERATIVE ACCOUNTING SYSTEMS

March 15 - The cooperative pays the manager's salary of \$120.00 (bi-weekly) with check # 02659-81. The check is, of course, countersigned by the treasurer.

Entry - Debit:	Expenses	\$ 120.00	
	Credit: Bank		\$ 120.00

March 16 - The cooperative has sales of \$600.00 (taken from the Daily Sales Register) this day and records it in the General Ledger:

Entry - Debit:	Cash	\$ 600.00	
	Credit: Sales		\$ 600.00

March 17 - The cooperative receives its bank statement and notes that there is a \$5.00 charge for the bank's services in March:

Entry - Debit:	Expense	\$ 5.00	
	Credit: Bank		\$ 5.00

NOTE: It is very important that you reconcile your bank statement with your own records to see if the bank or the co-op made an error in its bookkeeping:

#### RECONCILIATION OF BANK STATEMENT:

Bank Statement Balance - February 28, 19__:		\$ 145.00
ADD: Deposit(s) not shown on bank statement:		
February 28, 19__		1,150.00
Bank Charge		\$ 5.00
		<hr/>
		\$ 1,300.00
SUBTRACT: Outstanding checks (those which haven't gone through the bank yet):		
Nos. 02659-75	\$ 300.00	
--77	400.00	
	<hr/>	<hr/>
		700.00
Actual Bank Balance on February 28, 19__:		<u>\$ 600.00</u>

NOTE that the Bank Statement is now in agreement with the balance in our ledger as of March 1, 19\_\_ (which was the balance in our books as of February 28, 19\_\_ - the date of the Bank Statement). Thus we know that neither the bank nor the cooperative made an error in its book-

#### V. SIMPLIFIED COOPERATIVE ACCOUNTING SYSTEMS

keeping, and we put the statement and the reconciliation away in our files for possible future reference.

March 18 - The manager makes a bank deposit for \$500 from cash and puts the deposit receipt into the co-op's files.

Entry - Debit:	Bank	\$ 500.00	
	Credit:	Cash	\$ 500.00

March 19 - The cooperative pays for merchandise bought on credit from the Compania Nacional. The invoice for \$250.00 is taken out of the Unpaid Invoice file, marked Paid with the date and check number (02659-82), and put into the Paid Invoice file. The check, as always, is signed by the manager and the treasurer, and then sent to the Compania Nacional.

Entry - Debit:	Accounts Payable	\$ 250.00	
	Credit:	Bank	\$ 250.00

March 22 - The cooperative has sales (taken from the Daily Sales Register) today of \$280.00, and records it in the Ledger:

Entry - Debit:	Cash	\$ 280.00	
	Credit:	Sales	\$ 280.00

March 23 - Enrique Gonzales pays \$20.00 towards his subscribed capital:

Entry - Debit:	Cash	\$ 20.00	
	Credit:	Paid-In Stock	\$ 20.00

NOTE: It is also necessary to record this stock purchase in the Capital Book (see the sample sheet from the Capital Book - page 205).

March 24 - The cooperative pays \$15.00 in cash for paper and envelopes for its own use. The cancelled receipt is put into the Paid Invoice file.

Entry - Debit:	Expenses	\$ 15.00	
	Credit:	Cash	\$ 15.00

March 25 - The cooperative purchases \$1,200.00 worth of merchandise on credit from INA. The invoice is checked to see that everything was received, and that the prices are right. The invoice is then put into the Unpaid Invoice file for future payment.

Entry - Debit:	Merchandise Inventory	\$ 1,200.00	
	Credit:	Accounts Payable	\$ 1,200.00

## V. SIMPLIFIED COOPERATIVE ACCOUNTING SYSTEMS

March 26 - A member, Juan Beltran, is moving to another city and withdraws from the cooperative. He has paid \$50.00 towards his subscribed capital to date which is refundable, but his \$5.00 admission fee is not.

Entry - Debit:	Paid-In Stock	\$ 50.00	
	Credit: Cash		\$ 50.00

REMEMBER that it is necessary to record this withdrawal in Juan Beltran's account in the Capital Book.

NOTE: This cooperative does not show any admission fee on its books. Why? - According to the Colombian Cooperative laws admission fees are completely expendable for organizational expenses (lawyer's fees, notary fees, initial stationery, printing of the stock certificates, etc.). Also see the transaction description for the second of March.

March 29 - The cooperative has sales (taken from the Daily Sales Register) today of \$970.00, and records it in the General Ledger:

Entry - Debit:	Cash	\$ 970.00	
	Credit: Sales		\$ 970.00

March 30 - The manager deposits \$1,250.00 in the bank from the cash on hand, and puts the deposit receipt into the cooperative's files.

Entry - Debit:	Bank	\$ 1,250.00	
	Credit: Cash		\$ 1,250.00

March 31 - The cooperative pays the manager's salary of \$120.00 (bi-weekly) with check # 02659-83. The check is, of course, countersigned by the treasurer.

March 31 - It is the end of the month and the cooperative "closes" the accounts in its Ledger in order to summarize the transactions for the month and to see whether the cooperative made a profit or suffered a loss on its operations.

### C. CLOSING OF THE GENERAL LEDGER (see pp. 197-198)

**STEPS:** A - Draw a line across the whole book just under the last transaction and add up each of the columns.

**NOTE** that three accounts (Cash, Bank, and Accounts Payable) have a balance at all times. In the three balance columns you simply bring the last figure down to below the line.

#### VERIFY YOUR CASH ACCOUNTS:

The amount of cash that the cooperative has on hand should be equal to the balance shown in the Cash account. Likewise, the Bank account should agree with what the check book shows as the balance and what the bank statement (reconciled) shows as the balance.

The following is a formula to help catch any errors:

Debits minus Credits EQUALS Ending Balance.

If, for example, the debits minus the credits in the Cash account of our imaginary Cooperative at the end of March did not show a difference of \$100.00 (as shown in the balance column), then there could be an error in the addition of either the debit or credit column or both; or an error could have been made in the running balance of the account after one of the transactions. It is absolutely necessary to find whatever errors there are.

Now, if the cash on hand does not equal the balance shown (in our Imaginary Cooperative it's \$100.00), then there is either an overage or a shortage of cash and it is necessary to make an adjusting entry:

If it's a shortage - Debit:   Expense   \$ X  
                            Credit:   Cash                 \$ X

If it's an overage - Debit:   Cash             \$ X  
                            Credit:   Sales                 \$ X

Small shortages and overages do occur once in a while, but if there is a large shortage it could mean that someone is stealing money from the cooperative - perhaps the manager, salesclerk, etc. BE CAREFUL! If there's a large overage it could mean that all of the sales are not being recorded; thus, it is very important that the person(s) making the sales record in the Daily Sales Register ALL of the sales.

The Bank account, however, **MUST** be in agreement with the check book and the bank statement (reconciled). Any difference would

### V. SIMPLIFIED COOPERATIVE ACCOUNTING SYSTEMS

be due to a mathematical error in the cooperative's books or an error made by the bank. The error MUST be found.

VERIFY YOUR ACCOUNTS PAYABLE:

This is a simple matter of adding up the invoices in the Unpaid Invoice file. The total of the unpaid invoices should agree with the running balance shown in the account.

In the Unpaid Invoice file of our Imaginary Cooperative we find two invoices:

Carrasco Compania	\$ 700.00	
INA	1,200.00	
TOTAL	<u>\$ 1,900.00</u>	- It is in agreement with our General Ledger

If the total of the unpaid invoices doesn't agree with the balance shown in the account it is necessary to find the error. Check your additions and subtractions in the account, and make sure that a paid invoice is not in the Unpaid Invoice file or vice versa.

STEPS: B - Draw a double line just below the totals of all the accounts EXCEPT:

Merchandise Inventory	Retained Profits or (Loss)
Reserves	Operations (Profit and Loss)

C - Write the word "Adjustments" in the Explanation Column.

D - It is always necessary to take a physical inventory of the merchandise on hand at the end of the month if you want to compute your EXACT profit or loss. For a good control it is best that various members of the Board of Directors assist the manager of the cooperative in taking the physical inventory and checking the extension of the quantities times the costs. This is done monthly in our Imaginary Cooperative, and the inventory at the end of March totaled \$ 2,030.00.

Write the words "Ending Inventory" on the line below "Adjustments," and record the value of the ending inventory (in our case \$2,030.00) on the credit side of the Merchandise Inventory account. THIS IS THE ONLY TIME THAT THERE IS NOT A MATCHING DEBIT (as in all of the transactions).

E - Write the words "Cost of Goods Sold" on the line below "Ending Inventory."

V. SIMPLIFIED COOPERATIVE ACCOUNTING SYSTEMS

The debit total in the Merchandise Inventory account is the value of all the merchandise that the cooperative had to sell during March, and the credit is the value of the merchandise still in the cooperative at the end of the month. The difference is the cost of the goods sold:

	Debit total	-	\$ 4,350.00
	Credit total	-	<u>2,030.00</u>
Difference: Cost of Goods Sold	-	<u>\$ 2,320.00</u>	

Entry - Debit: Expense \$ 2,320.00  
 Credit: Merchandise Inventory \$ 2,320.00

F - Write the words "Profit for March Distributed to Capital Accounts" on the line below "Cost of Goods Sold."

You now have in the Profit and Loss account in the Operation section the income and outgo of the cooperative's business. If the income (Sales) is GREATER than the outgo (Expenses and the Cost of Goods Sold), then there is a PROFIT. If the income is LESS than the outgo, then there is a LOSS.

To find this out we want to "balance out" (make both sides equal) the Profit and Loss Account:

		OPERATIONS	
		PROFIT AND LOSS	
		EXPENSES	SALES
Credits: (Income)		\$ X	\$ X
Debits: (Outgo)	\$ 360.	X	X
	<u>2,320.</u>	\$ 360.	\$ 2,900.
Difference (Balancing Figure:	2,680.	2,320.	
	<u>\$ 220.</u> -	220.	
		<u>\$ 2,900.</u>	<u>\$ 2,900.</u>

It is necessary to distribute the profit according to Colombian Law:

10% Legal Reserve	-	\$ 22.00
10% Solidarity Reserve	-	22.00
20% Education Reserve	-	44.00
60% Profits Available for Distribution	-	<u>132.00</u>
<u>100%</u> Total Profits Distributed		<u>\$ 220.00</u>

On the Balance Sheet it is necessary to show how much is in each reserve account, but in the General Ledger, where space is precious, we group the 40% into one account: Reserves.

V. SIMPLIFIED COOPERATIVE ACCOUNTING SYSTEMS

THE GENERAL LEDGER (AND DAILY JOURNAL OF THE IMAGINARY CONSUMER COOPERATIVE

DATE	EXPLANATION	CK. NO.	CASH			ASSETS BANK			MERCHANDISE INVENTORY	
			DB.	CR.	BAL.	DB.	CR.	BAL.	DB.	CR.
19--										
Mar.	1 Balances		100		100	600		600	2,000	
	2 Stock Purchase by new member, Enrique Gonzales		45		145					
	3 Purchase of merchandise from the ABC Compania de Alimentos 02659	-78					450	150	450	
	4 Sales		500		645					
	5 Rent of Cooperative Store for March	-79					100	50		
	8 Sales		550		1,195					
	9 Bank Deposit made			1,100	95	1,100		1,150		
	10 INA Invoice # C-6285 Paid	-80					600	550		
	11 Purchase of merchandise on credit from the Carrasco Compania								700	
	12 Purchase of lock for Cooperative Store			50	45					
	15 Salary of manager, Jorge Milan	-81					120	430		
	16 Sales		600		645					
	17 Bank Charge						5	425		
	18 Bank Deposit made			500	145	500		925		
	19 Nacional Invoice N 608 Paid	-82					250	675		
	22 Sales		280		425					
	23 Stock Purchase by Enrique Gonzales		20		445					
	24 Purchase of stationery			15	430					
	25 Purchase of merchandise on credit from INA								1,200	
	26 Juan Beltran withdraws from the cooperative			50	380					
	29 Sales		970		1,350					
	30 Bank Deposit made			1,250	100	1,250		1,925		
	31 Salary of manager, Jorge Milan	-83					120	1,805		
A & B	Totals		3,065	2,965	100	3,450	1,645	1,805	4,350	
	C ADJUSTMENTS									
	D Ending Inventory									2,030
	E Cost of Goods Sold									2,320
	F Profit for March Distributed to Capital Accounts									
G & H	Totals								4,350	4,350
I	Balances on March 31, 19--		100		100	1,805		1,805	2,030	





Entry - Debit:	Expenses	\$ 220.00	
Credit:	Reserves		\$ 88.00
	Retained Profits or (Loss)		132.00

STEPS: G - Draw a single line below the last adjusting entry in all of the accounts not previously double-lined and total the single-lined accounts.

H - Draw a double line just below the new totals.

I - Write the word "Balances" in the Explanation Column, and bring down the balance in each account:

The Cash, Bank, and Accounts Payable accounts already have balances; just bring them down.

The balance in the Merchandise Inventory account is the value of the ending inventory: \$ 2,030.00.

The other account balances are the differences between the debits and credits in each account:

Fixed Assets	- Debits only:	<u>\$ 550.00</u>	Debit Balance
Paid-In Stock	- Credits:	\$ 1,460.00	
	Debits:	50.00	
		<u>\$ 1,410.00</u>	Credit Balance
Reserves	- Credits only:	<u>\$ 491.00</u>	Credit Balance
Retained Profits	- Credits only:	<u>\$ 684.00</u>	Credit Balance

NOTE: The Operation account "Profit and Loss" has no balance (\$2,900. minus \$2,900. equals zero). It is "closed" and ready for the operations of the next month.

#### D. PREPARATION OF THE FINANCIAL STATEMENTS

To prepare the Income Statement and the Balance Sheet you just fill in the blanks with the appropriate figures. Look at the figures in the General Ledger and see how easily they fit into the following financial statements.

#### V. SIMPLIFIED COOPERATIVE ACCOUNTING SYSTEMS

NAME THE IMAGINARY COOPERATIVE

PROFIT AND LOSS STATEMENT

FOR THE MONTH ENDED MARCH 31, 19--

	CONSUMER SECTION	PRODUCTION MARKETING SECTION	T O T A L
SALES	\$ <u>2,900.00</u>	\$ _____	\$ _____
MINUS COST OF GOODS SOLD:			
MERCHANDISE SOLD (AT COST)	\$ <u>2,300.00</u>	\$ _____	\$ _____
_____	_____	_____	_____
_____	_____	_____	_____
TOTAL COST OF GOODS SOLD:	<u>2,320.00</u>	_____	_____
GROSS PROFIT.	\$ <u>580.00</u>	\$ _____	\$ _____
MINUS GENERAL EXPENSES	<u>360.00</u>	_____	_____
NET PROFIT OR (LOSS) ON OPERATIONS	\$ <u>220.00</u>	\$ _____	\$ _____
OTHER INCOME AND/OR EXPENSES:			
_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	_____
TOTAL NET PROFIT OR (LOSS)	\$ <u><u>220.00</u></u>	\$ <u>_____</u>	\$ <u>_____</u>

PRESIDENT - BOARD OF DIRECTORS

TREASURER

MANAGER

JUNTA VIGILANCIA

NAME THE IMAGINARY COOPERATIVE

ACCUMULATIVE INCOME STATEMENT FOR 19\_\_

NOTE: It is recommended that this accumulative Income Statement be kept on a month to month basis to permit a better analysis of how the business is going and to have the annual totals readily available.

MONTH	SALES	COST OF GOODS SOLD	GROSS PROFIT	GENERAL EXPENSES	NET PROFIT OR (LOSS) ON OPERATIONS	NET OF OTHER INCOME AND (EXPENSES)	TOTAL NET PROFIT OR (LOSS)	NO. OF MEMBERS
JANUARY	\$ X	\$ X	\$ X	\$ X	\$ X	\$ --	\$ X	X
FEBRUARY	X	X	X	X	X	--	X	X
MARCH	2,900.00	2,320.00	580.00	360.00	220.00	--	220.00	26
APRIL								
MAY								
JUNE								
JULY								
AUGUST								
SEPTEMBER								
OCTOBER								
NOVEMBER								
DECEMBER								
TOTALS:	\$	\$	\$	\$	\$	\$	\$	

PRESIDENT - BOARD OF DIRECTORS      TREASURER      MANAGER      JUNTA VIGILANCIA

NAME: THE IMAGINARY COOPERATIVE

BALANCE SHEET  
DATE MARCH 31, 19--

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ASSETS

CURRENT ASSETS

CASH \$ 100.00

BANK 1,805.00

ACCOUNTS RECEIVABLE --

MERCHANDISE INVENTORY 2,030.00

TOTAL CURRENT ASSETS: \$ 3,935.00

FIXED ASSETS:

FURNITURE \$ 300.00

MACHINERY/EQUIPMENT 250.00

BUILDING(S) \_\_\_\_\_

LAND \_\_\_\_\_

TOTAL FIXED ASSETS: \$ 550.00

OTHER ASSETS:

\$ \_\_\_\_\_

TOTAL ASSETS: \$ 4,485.00

MEMBERSHIP: AT BEGINNING OF PERIOD 26  
NO. OF MEMBERS RETIRED 1  
NO. OF NEW MEMBERS 1  
AT END OF PERIOD 26

PRESIDENT - BD. OF DIR.    TREASURER    MANAGER    JUNTA VIGILANCIA

According to the Colombian Cooperative Law (Resolution No. 0046 of 1964) all types of cooperatives MUST prepare monthly Balance Sheets and Income Statements, and every three (3) months submit a Balance Sheet as of the end of each 3-month period and an Income Statement covering the operations in each 3-month period to the Superintendencia Nacional de Cooperativas.

In addition to the tri-monthly Balance Sheets and Income Statements, it is necessary to submit two (2) other types of financial reports:

- 1) A "DEBIT AND CREDIT FLOW STATEMENT" which shows:
  - a) The balances in each account at the start of each 3-month period
  - b) The totals of all the debits and credits that flowed in and out of each account during the 3-month period
  - c) The balances in each account at the end of each 3-month period.

The following is an example of what is needed taken from our Imaginary Cooperative. Remember, though, that it's to cover a three-month period, not one.

THE IMAGINARY COOPERATIVE  
DEBIT AND CREDIT FLOW STATEMENT  
FOR THE PERIOD FROM MARCH 1, 19\_\_ TO MARCH 31, 19\_\_

A C C O U N T S:	3/1/--	DEBITS	CREDITS	3/31/--
CASH	\$ 100.00	\$ 2,965.00	\$ 2,965.00	\$ 100.00
BANK	600.00	2,850.00	1,645.00	1,805.00
MERCHANDISE INVENTORY	2,000.00	2,350.00	2,320.00	2,030.00
FURNITURE	300.00	-0-	-0-	300.00
MACHINERY/EQUIPMENT	200.00	50.00	-0-	250.00
<b>TOTAL ASSETS:</b>	<b>\$ 3,200.00</b>	<b>\$ 8,215.00</b>	<b>\$ 6,930.00</b>	<b>\$ 4,485.00</b>
<b>LIABILITIES:</b>				
ACCOUNTS PAYABLE:	\$ 850.00	\$ 850.00	\$ 1,900.00	\$ 1,900.00
<b>CAPITAL:</b>				
PAID-IN STOCK	1,400.00	50.00	60.00	1,410.00
RESERVES:				
10% LEGAL	92.00	-0-	22.00	114.00
10% SOLIDARITY	92.00	-0-	22.00	114.00
20% EDUCATION	184.00	-0-	44.00	228.00
WORKING CAPITAL	30.00	-0-	5.00	35.00
PROFITS AVAILABLE FOR DIST.	552.00	-0-	132.00	684.00
<b>TOTAL LIABILITIES AND CAPITAL:</b>	<b>\$ 3,200.00</b>	<b>\$ 900.00</b>	<b>\$ 2,185.00</b>	<b>\$ 4,485.00</b>

- 2) A "SUMMARY OF ENTRIES" showing the breakdown of the debits and credits as they occurred on a daily, weekly, by-weekly, or monthly basis. The following page shows a "SUMMARY OF ENTRIES" for our Imaginary Cooperative on a monthly basis.

THE IMAGINARY COOPERATIVE  
SUMMARY OF ENTRIES  
FOR THE MONTH OF MARCH 19\_\_

	DEBIT	CREDIT
ENTRY 1: CASH	\$ 2,965.00	
SALES		\$ 2,900.00
PAID-IN STOCK		60.00
RESERVE - WORKING CAPITAL		5.00
To summarize the receipts of cash from various sources		
ENTRY 2: BANK	2,850.00	
MACHINERY/EQUIPMENT	50.00	
PAID-IN STOCK	50.00	
EXPENSES	15.00	
CASH		2,965.00
To summarize the various disbursements made from cash.		
ENTRY 3: MERCHANDISE INVENTORY	450.00	
EXPENSES	345.00	
ACCOUNTS PAYABLE	850.00	
BANK		1,645.00
To summarize the various disbursements made from the bank account.		
ENTRY 4: MERCHANDISE INVENTORY	1,900.00	
ACCOUNTS PAYABLE		1,900.00
To summarize the various purchases of merchandise bought on credit.		
ENTRY 5: COST OF GOODS SOLD	2,320.00	
MERCHANDISE INVENTORY		2,320.00
To take the cost of the merchandise sold out of the Merchandise Inventory account, and to identify it as Cost of Goods Sold.		
ENTRY 6: SALES	2,900.00	
EXPENSES		360.00
COST OF GOODS SOLD		2,320.00
RESERVES - 10% LEGAL		22.00
- 10% SOLIDARITY		22.00
- 20% EDUCATION		44.00
PROFITS AVAILABLE FOR DISTRIBUTION		132.00
To compute the profit made on operations and to distribute that profit (\$220.00) among the Reserves (40%) and Profits Available for Distribution (60%).		

The main purpose of the above summary is to support the "DEBIT AND CREDIT FLOW STATEMENT." For example, the Superintendent looks at the total of the debits that went into the Cash account (\$2,965.00) and wants to know where that money came from. By looking at Entry 1 in the "SUMMARY OF ENTRIES STATEMENT" he sees that \$2,900.00 came from Sales, \$60.00 from purchases of stock in the cooperative, and a \$5.00 addition to the Working Capital Reserve. Or, he might look at the total of the credits in the Bank account (\$1,645.00) and want to know where that money was spent. By looking at Entry 3 in the "SUMMARY OF ENTRIES STATEMENT" he sees that \$450.00 went for the purchase of merchandise, \$345.00 went to pay expenses, and \$850.00 went to pay Accounts Payable.

PAGE FROM CAPITAL BOOK

Many times the Capital Book of cooperatives shows only the debits, credits, and the balance of each member's investment. It is highly recommended that you follow the outline below so that you have a complete history of each member in the cooperative readily available and in one place.

NAME Enrique Gonzales No. OF MEMBER \_\_\_\_\_

ADDRESS Calle 4i # 16-57; Bogota, D.E. CED. NO. C684590 de Bog.

DATE	EXPLANATION	SUBS. STOCK	ADM. FEE	PAID-IN STOCK			NO. OF SHARES	PARTICIPATION	
				DB.	CR.	BAL.		PURCHASES	PATRONAGE REFUNDS
19--								%	\$
Mar. 2	Subscribed Stock	100							
2	Payment		5		40	40	4		
23	Payment				20	60	6		
31	From Purchases Card							70	
	ETC.								



## VI. ANALYZING COOPERATIVE FINANCIAL STATEMENTS

(Guidelines prepared by Professor Howard Whitney,  
The University Center for Cooperatives, University  
of Wisconsin, Madison, Wisconsin, 1974)

### A. FOUR STANDARDS OF FINANCIAL SOUNDNESS - BALANCE SHEET

1. Financial Standard 1 - Current assets should be at least double the current liabilities.
  - a. The standard simply means the cooperative must have money readily available to pay its bills and an equal sum in reserve for liquid operating capital.
  - b. Current ratio - current assets divided by current liabilities - 2 to 1.
2. Financial Standard 2 - Receivables, if any, should not exceed 40% of current assets.
  - a. If more than 40% of the current assets are in receivables, the cooperative's "Ready money" isn't ready and the cooperative is, therefore, losing income it might have if its capital were not tied up in receivables.
  - b. Net receivables divided by total current assets times 100 and answer stated as a percentage.
3. Financial Standard 3 - Fixed assets should be 1-1/2 times as large as fixed liabilities.
  - a. The value of the cooperative's land, buildings and equipment should exceed its long-term or mortgage debts by at least 50% since it should not expect to be able to borrow more than two-thirds of the worth of its fixed assets, when offered as security.
  - b. Net fixed assets divided by fixed liabilities.

4. Financial Standard 4 - Members' equity should be at least 2/3 of total assets.
  - a. The standard merely suggests that the members' share of the cooperative's assets should be at least twice as much as the creditors' share or equity-net worth should be at least twice as large as total liabilities.
  - b. Members' equity or net worth divided by total assets equal at least 66-2/3% member equity or net worth divided by total liabilities, minimum ratio of 2 to 1.

#### B. THREE GOALS OF COOPERATIVE FINANCE - BALANCE SHEET

1. Goal 1 - Cash on hand to pay current payables (liabilities) and net savings.
  - a. The cooperative should have cash to pay its bills and when the end of the year comes and the management is able to report net savings, cash to pay patronage refunds to members. An exception can be made if the cooperative has a well-established revolving fund policy.
  - b. A cooperative should not be compelled to borrow to refund the savings it has made for its members.
  - c. The cash may be cash "on hand" that is in the cash register or safe or it may be deposited in banks or as loan capital with a wholesale cooperative.
  - d. Cash equals current liabilities plus net savings or earnings.
2. Goal 2 - Reserves and revolving fund or deferred patronage refunds (that is, accumulated members' equity) built up to equal inventory, prepaid expenses investments and receivables (if any).
  - a. The cooperative should build reserves and deferred patronage refunds (revolving fund) to offset the cash tied up in inventories and receivables and the savings from regional cooperative not paid in cash but evidenced by investments in the local cooperative.
  - b. Receivables, inventories, prepaid expenses and investments equal reserves and revolving fund.

#### VI. ANALYZING COOPERATIVE FINANCIAL STATEMENTS

3. Goal 3 - Members' share capital and long-term borrowings (and ultimately members' share capital only) equal to net (depreciated) fixed assets.
- a. There should be enough long-term money in the cooperative to equal the value of the permanent or long-term investments of the cooperative.
  - b. The ultimate goal is to get notes and mortgages paid off as rapidly as possible so that the members' equity alone will be sufficient to cover the fixed assets. This may require paying members their savings in share capital.
  - c. Fixed assets equals members' shares plus fixed liabilities.

C. OPERATING STANDARDS - MEASUREMENTS OF COOPERATIVE EFFICIENCY

1. Sales Volume

- a. Operating Standard 1 - Sales for the year should be not less than eighteen times the average inventory.
  - (1) This is a measure of inventory turnover. Good management requires maintaining a well-chosen stock of goods, goods which sell, goods which never become shopworn and never need to be sold at a loss.
  - (2) Sales divided by average inventory (beginning inventory plus closing inventory divided by 2). 18 to 1
  - (3) More accurate ratio: Cost of goods sold divided by average monthly inventories.
- c. Operating Standard 2 - Sales for the year should be eight times fixed assets (more than eight times where part of the buildings or equipment is rented).
  - (1) The money invested in buildings and equipment is working for the cooperative. The rate at which it is working is measured by dividing the sales for the year by the original cost or replacement value of fixed assets-- replacement value (value new at present prices) is most accurate but undepreciated value of fixed assets (original cost) is usually used.
  - (2) If a cooperative rents buildings or equipment, it should add to the value of the property the approximate value of rented property in calculating this standard.

VI. ANALYZING COOPERATIVE FINANCIAL STATEMENTS

(3) Total sales for the year divided by the undepreciated value of fixed assets. 8 to 1.

d. Operating Standard 3 - Sales for the year should be not less than twelve times total receivables (if any).

(1) Experience over the years indicates a cooperative that has more than one-twelfth of sales on credit may lose money. Extra costs involved in handling credit business (extra bookkeeping costs, the costs of collection, the losses from bad debts, interest on borrowed money) may more than offset the savings realized from the credit sales.

(2) Sales for year divided by total receivables (accounts receivable and notes receivable). 12 to 1.

## 2. Margins and Expenses

a. Operating Standard 4 - The gross margin should be approximately 20% of sales for farm supply cooperatives.

(1) The size of gross margin is important because increasing sales will not by itself increase the rate or percent of savings. That can be done only by increasing the rate or percent of gross margin or decreasing the expense rate.

(2) This percentage is dependent upon pricing policy, competition, risk in handling products (both physical and economic) and sound management.

(3) Gross margin divided by sales times 100 equals percentage margins are of total sales. 20% recommended.

b. Operating Standard 5 - Expense, including depreciation, should be approximately 15% of sales for a farm supply cooperative.

(1) Since savings are the difference between gross margin or gross operating income and expenses, cooperative management must exert all ingenuity possible to keep expenses low.

(2) Expenses should be itemized so as to keep careful check on individual items, but sometimes too much thrift is employed in making expenditures, especially in wages.

(3) Expenses divided by sales times 100 equals percentage expenses are of total sales. 15% recommended.

- c. Operating Standard 6 - The payroll should be approximately 60% of total expenses, that is about 10% of sales for farm supply cooperative.
- (1) The amount of wages earned in a given cooperative depends on many other things, such as the amount of services required in connection with each sale, the amount of handling, processing or manufacturing carried on and the customary wage scale in the community.
  - (2) Salaries and wages and extra labor divided by total expenses times 100 equals percentage payroll is of total expenses. 60% recommended. Salaries and wages and extra labor divided by total sales times 100 equals percentage payroll is of total sales. 10% recommended.

### 3. Savings

- a. Operating Standard 7 - Other income should equal at least 3% of sales for a farm supply cooperative.
- (1) Two principal sources of income outside operating income are discounts (payment and quantity) and income from membership in and patronage of other cooperatives (dividends on capital stock and patronage refunds).
  - (2) The percentage other income will represent of sales varies dependent volume of products the cooperative handles and extent of membership and patronage in other cooperatives.
  - (3) Other income divided by sales times 100 equals percentage other income is of total sales. 3% recommended.
- b. Operating Standard 8 - Net savings should be approximately 10% of sales for a farm supply cooperative.
- (1) If a cooperative meets the standards for margins, expenses and other income, it will automatically meet the standard for net savings.
  - (2) To be assured of net savings the cooperative management must watch sales volume, gross margins, expenses and other income.

## VII. HOW TO PREPARE A COOPERATIVE'S ANNUAL BUDGET

(Guidelines prepared by Professor Howard Whitney, The University Center for Cooperatives, University of Wisconsin, Madison, Wisconsin, 1974)

1. A budget should be prepared at the beginning of each year to guide the financial operation of the cooperative during the new year.
2. In the preparation of a budget, a detailed report of the income and expenses of the previous year should be prepared by the bookkeeper to be used by the manager for making projections for the coming year.
3. Example of the sales and income section of the proposed budget:

	Actual Last Year	Gross Margin	% Gross Margin	Projected Sales	Gross Margin	% Gross Margin
Sales or Gross Income						
A	\$ 90,000	\$18,000	20%	_____	_____	_____
B	50,000	15,000	30%	_____	_____	_____
C	<u>40,000</u>	<u>10,000</u>	25%	_____	_____	_____
Total	\$180,000	\$43,000				

A - Grocery Dept.      B - Clothing Dept.      C - Household Goods Dept.

4. The Manager should carefully analyze the previous year's sales and income to project the coming year's income.
  - a. He might set a budget goal of an overall increase in sales or income for all departments of 10%, for example. On the

other hand, he may have reasons why he believes the changes in sales and income will vary among departments. Only by using his management knowledge and carefully analyzing past sales records, can the manager make a reasonable forecast of future sales and income.

- b. Let us assume the manager forecasts department incomes as follows:

A - Grocery Dept.                    15% increase  
 B - Clothing Dept.                   20% increase  
 C - Household Goods Dept.        25% increase

- c. For gross margins he forecasts as follows:

A - Grocery Dept.                    20%  
 B - Clothing Dept.                   27%  
 C - Household Goods Dept.        23%

- d. The bookkeeper should then calculate the total projected sales and income and the projected gross margins:

Projected total sales and income

Grocery Dept.	$\$90,000 + 13,500 =$	$\$103,500$
Clothing Dept.	$50,000 + 10,000 =$	$60,000$
Household Goods Dept.	$\underline{50,000 + 10,000 =}$	$\underline{50,000}$
TOTAL PROJECTED SALES		$= \$213,500$

Projected gross margin

Grocery Dept.	$\$103,500 \times 20%$	$\$ 20,700$
Clothing Dept.	$60,000 \times 27%$	$16,200$
Household Goods Dept.	$50,000 \times 23%$	$\underline{11,500}$
PROJECTED GROSS MARGIN		$\$ 48,400$

VII. HOW TO PREPARE A COOPERATIVE'S ANNUAL BUDGET

5. The bookkeeper should also prepare an expense schedule so the manager can project the expenses for the coming year for the budget.

a. Example of a budget expense schedule:

	<u>Past Year</u>	<u>Budgeted</u>
Salaries	\$15,000	
Wages	1,000	
Travel and Per Diem	1,200	
Communications	900	
Supplies	720	
Utilities	1,500	
Rent	2,500	
Insurance	1,800	
Depreciation	7,200	
Director Compensation	750	
Repairs	2,400	
Miscellaneous	<u>1,200</u>	
TOTAL EXPENSES	\$36,170	

b. The manager should carefully analyze the expenses and determine changes from the previous year, based on changes in sales volume and operations, general changes in prices, decisions of the board of directors and other factors which may affect expenses in the new year.

c. Expense analysis:

Salaries - The Board of Directors has approved a 10% increase in the salaries of all employees for the next year.

Wages - With increased volume it is estimated that wages will increase 50%.

## VII. HOW TO PREPARE A COOPERATIVE'S ANNUAL BUDGET



Travel and Per Diem - Based on past experience, the manager forecasts no change in this expense item.

Communications - The manager projected a 20% increase in communication expenses.

Supplies - Careful review of supply utilization indicated the need for increasing this item by 10%.

Electricity and Water - In view of increased volume, it was estimated that this item would increase by 15%.

Rent - Since under a new lease the cooperative has agreed to make minor repairs on a rented building, the rent has been reduced from \$2,500 to \$2,000.

Insurance - With some additional insurance needs and some increases in insurance premiums, the manager projected an increase in insurance of \$300 for the new year.

Depreciation - Since the manager is planning to recommend the purchase of some new equipment, which will cost approximately \$9,000, he estimated that depreciation expense will increase by \$900 during the new year.

Director Compensation - At the last general meeting, an increase of 20% in compensation for the directors was approved for the coming year.

Repairs - The manager projected this expense at the same amounts as expended the past year.

Miscellaneous - The manager estimated that the miscellaneous expense item should be increased by 10%.

Interest - Since the Board of Directors will probably authorize a loan for the purchase of the equipment, the manager estimated interest expense at \$540.

- d. The bookkeeper should compute the projected expenses, based on the manager's estimates.

## EXPENSE BUDGET FOR THE FISCAL YEAR 19--

<u>Expense</u>	<u>Last Year</u>	<u>Budgeted</u>
Salaries	\$ 15,000	\$ 16,500
Wages	1,000	1,500
Travel and Per Diem	1,200	1,200
Communications	900	1,080
Supplies	720	792
Electricity and Water	1,500	1,725
Rent	2,500	2,000
Insurance	1,800	2,100
Depreciation	7,200	8,100
Director Compensation	750	900
Repairs	2,400	2,400
Miscellaneous	1,200	1,320
Interest	<u>-0-</u>	<u>540</u>
	\$ 36,170	\$ 40,157

- The bookkeeper now combines the sales and income projections and the projected expenses into an income and expenses budget and arrives at a net savings projection for the next year. The income and expense information for the past year and the proposed budget for the next year are incorporated into one statement. This statement is examined by the manager who presents it to the Board of Directors for their review and approval.

4

 VII. HOW TO PREPARE A COOPERATIVE'S ANNUAL BUDGET

## PROPOSED BUDGET FOR FISCAL YEAR 19--

	This Year			Projected for Next Year		
	1973	Gross Margin	% Gross Margin	Sales or Income	Gross Margin	% Gross Margin
Sales or Income:						
A.	\$ 90,000	\$18,000	20%	\$103,000	\$20,700	20%
B.	50,000	15,000	30%	60,000	16,200	27%
C.	40,000	10,000	25%	50,000	11,500	23%
Totals	\$180,000	\$43,000	24%	\$213,500	\$48,400	22.7%

## Expenses:

Salaries	\$15,000	\$16,500
Wages	1,000	1,500
Travel and Per Diem	1,200	1,200
Communications	900	1,080
Supplies	720	792
Electricity & Water	1,500	1,725
Rent	2,500	2,000
Insurance	1,800	2,100
Depreciation	7,200	8,100
Directors Compensation	750	900
Repairs	2,400	2,400
Miscellaneous	1,200	1,320
Interest	-0-	540
Total Expenses	<u>\$36,170</u>	<u>\$40,157</u>
Net Savings	\$ 6,830	\$ 8,243

## VIII. GUIDELINES IN PREPARING LOAN AND ASSISTANCE APPLICATIONS

(Based on guidelines presented in Cooperative Technical Assistance Projects for the Establishment of Consumer and Processing Industries, International Cooperative Alliance, New Delhi, 1967).

### A. DETAILS OF THE COOPERATIVE ORGANIZATION THAT IS REQUESTING ASSISTANCE

1. name and full address of the institution
2. date of registration (with the Act number that it was registered under)
3. area of operation of the cooperative
4. number of branch offices or warehouses and their location
5. number of members, by primary society or cooperative section
6. nature of activities of the cooperative (general)
7. one copy of the cooperative's by-laws
8. a list of the members of the Board of Directors of the society
9. financial details
  - amount of share capital (subscribed and paid-up)
  - special funds, if any
  - reserves
  - working capital
  - government assistance
  - loans
  - grants
  - debts to banks and other lending agencies
  - total liability at present
  - last year's gross and net profits
  - indicate the reasons for any losses in previous years
  - property owned by the cooperative
  - mortgages, if any
  - securities
10. present cooperative activities
  - marketing
  - processing
  - supply service
  - rural credit, etc.

(briefly describe the methods in which those operations are carried out)

## B. DETAILS OF THE PROJECT THAT IS UNDER CONSIDERATION

1. name of the project
2. date of origin and present state of development
3. the main objective in establishing the new project
4. how it will benefit
  - cooperative members
  - the society itself
  - the community in general
5. have any studies, investigations, or surveys been completed? (attach one copy)
6. land and buildings that are required for the project
  - location (why was this location chosen?)
  - total area earmarked for development
  - one copy of any plans for buildings
  - has work started on the buildings?
  - does the cooperative own the land or is it leased?
7. plant and machinery
  - describe type of machinery required for the project
  - where is this machinery available?
  - has any been ordered?
  - are parts readily available?
8. power, water, and transport requirements for the project (will existing facilities need to be expanded?)
9. raw materials
  - have sources of raw materials been lined up?
  - can locally-produced indigenous materials be substituted for those that are being imported from a different region?
  - is the supply of the necessary materials constant, or is it seasonal?
  - can extension services be undertaken to improve the production of those materials which are being produced locally?
10. production capacity
  - what production of the planned product can be expected in the first year of operation?
  - when will maximum production be reached? what is the maximum production capacity?

## VIII. GUIDELINES IN PREPARING LOAN AND ASSISTANCE APPLICATIONS

## 11. storage facilities

- what facilities are needed for the storage of raw materials, finished product, and other equipment?
- where are these facilities to be constructed?

## 12. marketing of the finished product

- how is this product to be marketed?
- has the market for this product been fully assessed? (attach estimates)
- is any assistance needed in finding markets for the finished product in other regions or countries? has any responsible body offered to help find these markets?

## 13. staff and labor

- what are the requirements in terms of technical and non-technical staffing?
- are any local facilities suitable for the training of technical staff?
- if not, where must they be sent?

## 14. cost of the project

- what costs are foreseen in both the initial establishment of the project and in recurring maintenance and expansion of the project?
- have the costs been calculated in terms of both "human involvement" (i.e. voluntary labor by members and donations of indigenous building materials)?
- classify all costs under the following headings:

Land and Buildings  
 Plant and Machinery  
 Vehicles  
 Storage  
 Extension Services  
 Personnel  
 Raw Materials Used in Production Marketing and  
 Administration Costs

## 15. financing of the project

- what contribution is the cooperative prepared to make in the initial financing of the project (both in capital outlay and "human investment")?

- how long will it take the project to become self-sufficient?
- how much financial assistance is being requested of the lending body or foreign assistance organization?
- at what intervals must the financial assistance arrive from the outside organization?
- for loans, what is the proposed repayment schedule?
- how many assistance organizations have been contacted?

16. tentative timetable for the project

- date of completion of the feasibility study
- date of finalization of plans for the project
- date of commencement of construction of necessary physical facilities
- date of commencement of production
- date of achieving full production capability

# SECTION FIVE

## COOPERATIVE EDUCATION AND TRAINING

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III. THE PRINCIPAL GOALS OF COOPERATIVE EDUCATION . . . . .	231
IV. WHO NEEDS TO KNOW WHAT . . . . .	237
V. METHODS OF EDUCATION AND TRAINING . . . . .	241

A Handbook  
for Cooperative Fieldworkers  
in Developing Countries

Information Collection & Exchange  
Resource Packet Number 5



## I. INTRODUCTION

To provide an effective input into cooperative education and training programs, the volunteer should be able to determine who the benefactor of these efforts is supposed to be, what the basic planning requirements are, and what type of teaching techniques are most appropriate to the conditions under which the training is to take place. Section Five furnishes an introduction to these different subject areas. An important part of this section is the sample exercises that are included as part of the guidelines on role-playing and the case-study approach, two forms of "participative teaching methods" that merit special attention. Several other alternatives to the lecture technique, which is usually pulled out and dusted off by unimaginative cooperative educators every year when it is time to provide some membership education, are presented in Part IV of this section. Read them over and try to absorb some ideas on techniques that will be more effective in instilling new ideas in members' and officials' heads than the old stand up and speak routine.

## II. THE PEACE CORPS EXPERIENCE

(Excerpts from Peace Corps Volunteer reports)

At a recent leadership conference a co-op leader related the following incident about a co-op organized educational course designed to be a community service. A Guatemalan health agency sent three of its technicians to the co-op to give a lecture on 'nutrition.' The co-op gathered 200 people to listen to the presentation. After a couple of hours of lectures, the technicians left and the co-op leaders had to explain to the people what had happened. Many of those who attended had never before heard the Spanish word for 'nutrition' and believed it had to do with hospitals and injections. The technicians omitted the basic definition, talked only of the complicated principles of nutrition and left without making a significant point which was understood by the people.

The co-op leaders hadn't taken the incentive to translate the lecture or to tell the technicians to begin at the beginning. And the technicians spoke Spanish as if the audience understood it--which of course they did not.

The Volunteer can offer a vital service in bringing farmers and government technicians together. If the Volunteer is aware of the communications gap that exists between farmers and technicians, he can spend a great part of his two years helping to bridge it.

By tutoring leaders in the art of translation and explanation, he can see to it that several capable local people exist who can make sense of what technicians say so that the masses can understand. By helping these same leaders to express the need for translation and explanation to the technicians, the PCV can help assure that technicians will take advantage of such people and by directly helping government agents to understand the communications level of the people, he can contribute to the same process.

PC/Guatemala

The basis of many of these problems lies in the lack of education of these people, generally, as well as specifically in relation to co-ops. In order to understand something, these people must feel it; thus it requires much repetition and good solid examples in order to get a point across. It is therefore necessary to continually keep harping on the basic principles of a co-op, and to make these people see them in their sleep so that they eventually do feel that this is the way to do it. This, of course, involves a lot of repetitious, personal,

individual contact with the members, encouraging them to communicate with one another and keep interest in the co-op so that they know what is going on.

PC/Colombia

They gave educational lectures on the seven principles and waded through the complete set of proposed statutes explaining each one to the prospective members. Nevertheless, the educational material went in one ear and out the other (if it ever went in). Lectures from an educated "gringo" (foreigner) to a humble farmer are accepted on blind faith, and everyone nods their heads in accordance no matter what is presented. I am convinced that the major educational work for any seriously underdeveloped people must be done with a maximum of visual aids, personal communication and real life examples, and a bare minimum of well-intended, but boring and often impersonal lectures.

PC/Colombia

I arranged with the Minister of Agriculture in Bogota to have a cocoa expert sent on a one-month commission to El Valle to work with the farmers in setting up several demonstration cocoa plantations, attending sick cocoa, fermenting cocoa and establishing a seedbed for 3,000 seedlings. It was hoped that the farmers would take advantage of this golden opportunity by working closely with the expert, but the farmers had very little interest and what little attention they did provide was merely to fulfill social obligations to the expert. This is a good example of what happens when the Volunteer goes ahead without feeling out the sentiments of the people.

PC/Colombia

The town has had a history of literacy class failures so I plan to begin classes in a different manner. In the past, 50 people would come the first night, but by the end of the week only four or five would show up, all kids. I felt the formal classroom situation might be the reason. The adults, whom you really want to hit, balk at organized classes, and lose interest if the class outpaces them. Thus, in lieu of formal classes, I plan on carrying out a series of tutoring classes, going into peoples' homes rather than have them come here to a specific house. I will work at any hour, morning or afternoon, that is convenient for them. I have also interested the telegraph operator in this project; I hope to enlist his help. In addition, I plan to begin a town library

## II. THE PEACE CORPS EXPERIENCE

to give the people I teach how to read something to read....

PC/Venezuela

As part of the campaign for members and money, the promoters put out a monthly two-page information sheet, somewhat subsidized by paper and a ditto machine at the Peace Corps. Several people started writing bits and blurbs, usually commentary on local problems and educational items on cooperatives. In January 1964, expansion set in, and a four page 8" x 11" printed edition hit the streets, fully financed by ads sold to local merchants. Today The Pantano is in its third year of monthly publication, is in the black more months than it is in the red, and has up to eight tabloid size pages, photos, cartoons and editorials. About 2,000 copies come out each edition and circulation is achieved by delivering several hundred copies to each of several credit unions that have sprung up in other areas of Guayaquil. The articles still are geared to cooperatives and talk about the philosophy of co-ops, the role of members and leaders, duties of committees, end products of cooperative action, and so on. Most of the writing is done by the education committee of the credit union, but many contributions come in from slum dwellers who have found a forum for their comments on social conditions. Although The Pantano makes little dent at city hall, it is known to many of the people who work to improve local living conditions, and it serves as a way to let several neighborhoods know what is going on in El Cisne. The newspaper has also circulated to credit unions and leaders outside of Guayaquil, with the result that several community credit unions print similar forums for cooperative education and commentary. This judicious distribution of The Pantano makes El Cisne better known in other cities than in many parts of Guayaquil, and there are those outsiders more familiar with the leaders of El Cisne than with the erstwhile leaders of Guayaquil. Whether or not such fame is justifiable, it is clear that The Pantano continues as a project predicated by the setting up and expansion of the community's credit union.

PC/Ecuador

Almost every Sunday a general meeting takes place at the community center under the guidance of the officers of the neighborhood committee who at the end of business switch hats and become the leaders of the credit union and start that meeting. Under the guise of one meeting or another, various problems are discussed, and lots of people are given a chance to voice opinions, and everyone is given the chance to volunteer or be volunteered to do a little work. Usually the work gets done through the credit union, since it is structured, and the neighborhood committee is not. The work can be very minor, such as passing the word

## II. THE PEACE CORPS EXPERIENCE

for the next meeting, or rather major, such as forming a delegation to confront the housing bank with a development idea. The regular meeting is in itself important, regardless of the fruit that it bears. With many people Sunday afternoon attendance is a habit, as a way to pass a few hours, to do some conversing, hear some talking, conduct a little business with the credit union, and maybe have a movie(through the Peace Corps) or dance.

At each meeting the Education Committee of the cooperative takes over for a while and either shows a film or gives a talk, or just answers questions. One very effective program that went on for several weeks entailed having each elected officer of the credit union prepare and deliver a talk of his duties, a simple thing that seemed complex because it involved persons who had never before had public responsibility or who had never stood before an audience. From this little start, the leaders then attended classes on how to teach about cooperatives, given through the Alliance, and eventually gave presentations to the members of other cooperatives.

PC/Ecuador

### III. THE PRINCIPAL GOALS OF COOPERATIVE EDUCATION

(Reprinted, with permission, from Training and Extension in the Cooperative Movement, Alexander F. Laidlaw, FAO, Rome, 1962, pp. 9-15)

It is basic to all organization and extension work in the cooperative movement that the approach to people must be educational, that people adopt cooperative attitudes through the gradual process of education, and that progress in cooperatives results from a variety of educational activities. The efforts of those who set out to organize cooperatives, whether they are government fieldmen or extension workers for other institutions, are doomed to failure unless they regard their work as education. Good cooperatives cannot be organized except on a foundation of understanding and rational acceptance.

The earliest cooperatives were essentially educational, and indeed the first ones were formed by groups that gathered for the purpose of education before they organized for business and commerce. The Rochdale Pioneers were engaged in education for a long time before they opened their little shop. They started out to reform the social order and they hit upon the cooperative store as an instrument with which to reach their goal. And as soon as the Rochdale cooperative was firmly established, the pioneers began to set aside a fixed sum out of surplus for education.

Down through the years education has been such a strong feature of cooperatives that the present director of the International Cooperative Alliance has written:

"It has been said that cooperation is an economic movement employing educational action. The statement would be no less true if it were reversed. The cooperative is an educational movement employing economic action."

Education is so much a part of the cooperative system that an organization with no educational feature to its operation is simply not a true cooperative, and indeed without education a cooperative will soon lose the characteristics that mark it as a cooperative.

A most important principle, therefore, for the extension worker to understand is that cooperatives and the cooperative movement begin with education, not legislation alone. Particularly in the less developed countries where government leaders are anxious to raise the living standards of the people through cooperative societies, there is great reliance on legislative provisions and official measures, and usually not enough attention given to education. Legislation for

cooperatives is necessary, but it can only help to develop a cooperative movement that is already founded on education. Cooperation begins in the minds and hearts of people, and that is where extension work must begin. Education first leads people to the cooperative view of life, and then legislation simply provides the working form for cooperative organizations.

#### AN INSTRUMENT OF GENERAL EDUCATION

There is a further aspect of the educational value of cooperatives which is of great significance everywhere but especially in the countries emerging from colonial status and in countries where both human and material resources are as yet not fully developed: that is, the use of the cooperative organization as an instrument for teaching and learning quite apart from purely cooperative education. Many social reformers and community workers who are not particularly interested in the immediate economic benefits of cooperatives have recognized their great value in popular education, social development, and civic training.

One authority on cooperatives, D. G. Fauquet, says: "The primary aim of the cooperative institution is the improvement of its members' economic position, but through the means which it employs and the qualities which it demands of its members and develops in them, it achieves a higher purpose. The goal of cooperation is to make men--men with a sense of both individual and joint responsibility so that they may rise individually to a full personal life and collectively to a full social life."

This aspect of cooperatives has great appeal to the educator among less privileged peoples. Education for them must be concrete and immediate. It must deal with the everyday affairs of life, and it must work through activities which have real meaning to them. For example, such concepts as group responsibility, reaching decisions by majority vote, delegating authority to responsible officers, observing rules agreed upon by the group, exerting self-discipline for the welfare of the group cannot be taught or learned in the abstract. They must become part of the personality of the individual and the experience of the group through actual situations. For the great majority of people, the cooperative society engaged in the day-to-day requirements of life and earning a living becomes the ideal vehicle through which these concepts are acquired.

#### PRINCIPLES OF COOPERATIVE EDUCATION

The principles of cooperative education are the same as those of other education, and especially of adult education, but there are a few simple ones in cooperative work so basic that to disregard them is to

#### III. THE PRINCIPAL GOALS OF COOPERATIVE EDUCATION

risk failure or disappointment from the beginning.

### 1. Acceptance of existing level of understanding

Cooperative education must accept people at their present level of understanding. This is an essential principle wherever that level of understanding may be found. It is entirely unrealistic to try to start at a higher level which in fact does not exist. Some of the concepts of cooperation are not easily grasped in the beginning by people lacking the background and appropriate experience for group decisions and group action. The educational workers must therefore find out at what level their appeal should be pitched and match the program to that level.

A good example of this is found in the new educational work being carried on by the Government of Canada among the Eskimos of the far North to help them along lines of cooperative development. Obviously, the approach must be quite different from that used among Canadian farmers who have a totally different educational and social background. The worker in the North country realizes that his educational program must set off from the level of understanding at which he finds the Eskimo people.

### 2. Learning by doing

The second principle fundamental to cooperative education is best expressed in the simple statement: learning by doing. The personal development of each individual is governed by this principle; the tasks already learned were mastered by experience. From the earliest type of learning, for example, that of a child learning to walk, the skills of living have to be acquired by actually doing them. A boy can learn to swim or ride a bicycle only by doing it. No amount of explanation or instruction can enable him to carry out these activities without his actually trying to perform them himself, and keeping on trying until he succeeds. The same principle carries through to the most complex learning process.

Applied to the present purpose, this principle means that abstract ideas of cooperation must be quickly converted into actual practice in order for people to grasp the real meaning of cooperative organization. A person can only vaguely appreciate cooperative action until he has actually been a party to it. And a group of people will not be able to conduct cooperative business unless they are given the opportunity to do it for themselves. Some cooperatives in some parts of the world have been organized very quickly by fieldmen and then conducted and managed largely by government officers on behalf of the members. These members, for the most part, remain passive and unenthusiastic because they have never had the opportunity to develop through the educational process of learning by doing. Their indifference or lack of loyalty is not to be

## III. THE PRINCIPAL GOALS OF COOPERATIVE EDUCATION



wondered at, for cooperation has not actually entered their experience and comprehension.

### 3. Teaching in the vernacular

Another basic principle is that cooperative education should be in the native language of the people. In bilingual regions, while it may be necessary to conduct cooperative business in the language of the majority, education should also be in the vernacular of the minority groups. Conviction about cooperatives is a matter of the heart as well as the mind and can therefore be best acquired through the mother tongue. Moreover, in the new nations emerging from colonial status, every effort should be made to impart cooperative concepts in the native language or dialects rather than in the language of the former rulers, even though that language may be the language of commerce and institutions of higher learning (as, for example, the English language in India).

### 4. Continuity of education

A fourth principle of cooperative education is that it must be continuous. For the individual this means that education must not cease when a few principles and some simple activities are mastered. Cooperation is a body of philosophy so broad that a lifetime of education can encompass it only imperfectly. The pity is that, for most people in the cooperative movement, education stops far short of a thorough grasp of cooperative philosophy. Indeed, for lack of education, cooperation to many members means only the narrow personal advantages to be gained rather than broader social benefits and the welfare of the group.

For the cooperative organization itself this principle is also important because, unless education is continuous, new members will not be able to understand fully the purpose and meaning of the organization which they have joined. It is well known that few cooperatives are able to maintain the zeal that initially started them going. Only a continuous program of education can keep the true spirit of the organization alive as it matures and grows older.

### 5. Importance of the group technique

A further principle that springs from the very nature of cooperation is that cooperative education makes frequent use of the group approach or the technique of group action. The group idea permeates cooperative organization: a group or groups of people meet together, they make decisions as a group, they decide on group action, they have the welfare of the group uppermost in mind. The educational program is also mainly based on the group and the method of learning that best typifies this is the study club or some other form of group discussion.

Although found in different forms and called by several names--discussion group, study club, discussion circle--the fundamental concept is the same. It simply means people getting together in groups (and preferably in rather small groups) to learn something and to learn in a purposeful but not too formal way. Sometimes the study is accompanied by a radio program to which a large number can listen at one time, and then it may be called a radio forum group or listening group.

The study group method of learning is so important in cooperative education that all educational workers in the movement should be thoroughly trained in its use.

#### IV. WHO NEEDS TO KNOW WHAT

(Reprinted, with permission, from An "Approach to Cooperative Education," P. K. Udungu, a paper presented to the Fourteenth Cooperative Seminar 1969-1970, International Cooperative Training Center, Madison, Wisconsin, pp. 3-8)

##### EDUCATION FOR ORDINARY MEMBERS

The members of a cooperative society are the owners, the users, the patrons and controllers of their cooperative. Therefore, the members, having different capacities in their cooperative, need to know what a cooperative is, whose it is, and what it is for. They must know and understand fully that the cooperative is theirs. They should learn the objectives of their cooperative, promote it, and give it their full support. They should also know their responsibilities, their rights and privileges, the organizational structure of the cooperative movement in their country, principles of cooperation, history of the cooperative movement, and the various aspects of marketing and credit (in case of a multipurpose cooperative handling the marketing of members' produce).

##### EDUCATION FOR COMMITTEE MEMBERS (BOARD OF DIRECTORS)

The management committee or board of directors looks after the interests of the members of the cooperative. The members cannot all manage the affairs of the cooperative at the same time, so what the members do is to delegate part of their powers to a group of people-- members themselves, the number of which is stipulated in the bylaws. The board of directors, therefore, represents the full membership of the cooperative in carrying out the affairs of the society.

These members of the board to whom the cooperative is entrusted must know more than ordinary members if they are to run the business of the cooperative and achieve its objectives.

First and foremost: The board of directors must be taught the bylaws of their society so that they fully understand the duties of the officials, the duties of the committee and the scope of authority of the board as a whole.

The committee needs to learn policy-making. The objectives are in the bylaws of the cooperative and the board must formulate the means of effecting those objectives. The committee makes policies with regard to marketing, selling and purchasing, employees and so forth.

In other words, the education of the board of directors is exactly related to their work. They need to be taught how to obtain information from members. In small cooperatives, where members live together in the same village, communication between the directors and the members may be simple. But communication problems increase with the size of the cooperative, distribution of members over a wide area, diversity of cultures and lack of communication media, coupled with a low level of literacy.

The committee of management needs to know how to give talks at meetings, to act as presiding officers and to conduct themselves satisfactorily in board meetings or committee meetings. They need to learn to listen outside the cooperative in order to learn all they can about business.

They are responsible to the members for proper management of the cooperative. So, as is the case at home, the committee has to choose the manager who is to carry out the day-to-day operation of the cooperative and implement the policies of the committee to achieve the goals of the cooperative for the benefit of the members. In order to meet its responsibility the committee needs to take special courses on various aspects of business, especially cooperative business operations. They must be trained not only in handling the business functions but also in working with the manager, the members, and the public.

Although the committee and the manager need to work as a team, committee members must learn to distinguish between their responsibilities and those of the manager.

The committee has to be taught bookkeeping procedures so it can scrutinize the cooperative's books in preparation for auditing.

Besides the committee members being familiar with their responsibilities, they also are required to know the different types of cooperatives and the philosophy and principles of cooperatives.

#### EDUCATION OF EMPLOYEES OF A COOPERATIVE

Cooperative organizations do business like any other business enterprise but on a non-profit basis. And, thus, as business organizations, cooperatives have employees who are engaged in different facets of the society's operation. These employees include the general manager, departmental managers, bookkeepers, secretaries, porters and others. All these employees must be educated in cooperative operations, especially the managers, who are charged with the responsibility of executing the committee's policies designed to achieve the objectives of the cooperative.

Let us look at the education of a manager in a primary cooperative. This man needs to know more than the committee about business operations so that he can provide ample and valuable service to the committee. Thus, the manager needs to be taught the philosophy and principles of cooperation, cooperative bookkeeping and accounting, secretarial practice, economics, management and business administration, direction, investigation and control. He must learn how to make plans for the cooperative, how to forecast results, how to budget and use budgetary control.

Satisfactory relationships between the manager and the committee, the officials and the members of the cooperative are a result of training. A trained manager knows how to pass information to the committee in his reports and how to present his recommendations to the committee and to the members of the cooperative.

"As the tangible business heads of cooperative enterprises, managers are usually focal communications points.

"The successful managers are good at personal communication with members, employees, and the public. They must be able to direct an effective communications program through employees and directors, using all the techniques and ideas available and applicable.

"Like the directors, they need to know what members think and to represent them with the public.

"All this means that cooperative managers have found they need that extra plus in human and public relations in addition to being sound businessmen.

"Other employees in cooperatives need to be fully informed on their specific jobs and to have a broad understanding of the cooperative they work for.

"Employees are often the main point of contact with members, often the visual picture a member carries with him of his cooperative. They must respect the patron as an owner and be ready to answer his questions on the cooperative or to find an answer for him....

"Those with specific communications assignments such as editors, advertising people and member relations specialists, have the special responsibility of communicating the cooperative idea as well as business aspects.

"Salesmen, buyers, transportation specialists, and other employees with outside contacts also need to know about the cooperative aspects of the business in order to communicate effectively with the general public on the enterprises they represent." (USDA/FCS, Farmer Cooperatives in the United States, p. 41)

#### IV. WHO NEEDS TO KNOW WHAT

## V. METHODS OF EDUCATION AND TRAINING

(Reprinted, with permission, from Guidelines for Cooperatives in Developing Economies by Carl R. Hutchison, pp. 180-181)

### A. THE LECTURE METHOD

"Perhaps no method of teaching has been more overworked than the lecture, and yet, for certain purposes and situations it has marked advantages. Where time is at a premium, and information content is the primary concern, the lecture can be very useful.

Where program planners lack skills in handling more dynamic types of teaching, they often resort to a speaker to take the responsibility. The lecture may be the answer when the purpose is to make maximum use of a famous or highly-qualified authority. An instructor with a prescribed syllabus and limited time may feel forced to do most of the talking. Variations on the lecture pattern can add interest. For instance, the lecturer may start the session with discussion to see how much the trainees already know on the subject, and what additional information they feel they need. Instead of following a cut-and-dried talk, the lecturer could conduct a group interview, or panel, with a few students in front of the class. When the theme of the lecture involves human relations where people's feelings create a problem, role playing might help to clarify the lecture."

(The following outline is based upon the Ten Course Co-op Teaching Outline, J. Judge, M. Lopez, The Cooperative League of the U.S.A., Chicago, Illinois, 1962)

The following is the basic outline of a ten-lesson course that was prepared for groups of semi-literate potential cooperative leaders in Ecuador. To the editor, this course seems to be an appropriate introduction to cooperatives for those who have had some experience with pre-cooperative efforts and now feel ready to organize a genuine cooperative society. Complete lecture notes for this course can be obtained from the Cooperative League of the U.S.A. (See Section Seven, Part I for address)

#### Lesson One - WHAT IS A COOPERATIVE?

- A. Self-Introduction of Speaker
- B. Objectives of Course

## V. METHODS OF EDUCATION AND TRAINING

- C. What is Cooperation?
- D. What is a Cooperative?
- E. Economic and Social Aspects of a Co-op
- F. The Seven Basic Principles
- G. Characteristics of a Good Cooperative
- H. Conclusion

### Lesson Two - COOPERATIVE PHILOSOPHY AND PRINCIPLES

- A. Topic Introduction
- B. The Cooperative as a Binding Force
- C. The Philosophy of Co-ops
- D. Economic Philosophy
- E. Summary of Cooperative Philosophy
- F. The Goal of the Cooperative
- G. Review of Seven Co-op Principles (divided by economic, social, and educational aspects)
- H. Conclusion

### Lesson Three - HISTORY AND TYPES OF COOPERATIVES

- A. Topic Introduction
- B. A Definition of History
- C. History of Cooperatives
- D. Types of Cooperatives
  - Consumers
  - Producers
- E. Conclusion

## V. METHODS OF EDUCATION AND TRAINING

Lesson Four - THE PROCESS OF ORGANIZING A COOPERATIVE

- A. Topic Introduction
- B. Why Organize a Cooperative?
- C. The Organizational Process
- D. Review of Processes
- E. Seeking Technical Aid
- F. Conclusion

Lesson Five - FUNCTIONS OF THE ORGANIZING COMMITTEE

- A. Topic Introduction
- B. The Organizing Committee
- C. What to do at the First Meeting
- D. Formation of Sub-Committees
- E. Function of Sub-Committees  
(Promotion and Finance, Education, Incorporation,  
Supplemental Committees)
- F. Conclusion

Lesson Six - THE DETERMINATION OF MINIMUM REQUIREMENTS OF A COOPERATIVE

- A. Topic Introduction
- B. Initial Studies
- C. Analysis of Studies
- D. Estimated Budget
- E. Conclusion

Lesson Seven - HOW DOES A COOPERATIVE FUNCTION?

- A. Topic Introduction

## V. METHODS OF EDUCATION AND TRAINING



- B. Administrative Structure
- C. Delegation of Authority
- D. Board of Directors
- E. Manager
- F. Supervisory Committee
- G. Education Committee
- H. Other Committees
- I. Economic Structure  
(Sources and Uses of Capital)
- J. Conclusion

#### Lesson Eight - THE RESPONSIBILITIES OF MEMBERSHIP

- A. Topic Introduction
- B. Responsibilities  
(Keep Informed, Prepare Himself for Meetings, Attend Meetings, Vote Independently)
- C. Concept of Collective Responsibility
- D. Conclusion

#### Lesson Nine - THE RESPONSIBILITIES OF LEADERSHIP

- A. Topic Introduction
- B. The Leadership Position
- C. Characteristics of a Good Leader
- D. Responsibilities of a Cooperative Leader
- E. Conclusions

#### V. METHODS OF EDUCATION AND TRAINING

Lesson Ten - THE ROLE OF COOPERATIVE EDUCATION

- A. Topic Introduction
- B. The Role of Education
- C. Education Committee
- D. Conclusion
- E. Conclusion of Course

## B. STUDY CIRCLES

(Parts of the following guidelines are reprinted, with permission, from "Cooperative Study Circles" by Carl R. Hutchinson, International Cooperative Training Journal, Vol. 1, No. 4, Madison, Wisconsin, 1965, pp. 4-9)

### 1. Introduction and Organization

Study circles are basically groups that are organized on the village level to discuss matters that are of interest to potential and existing cooperative members. Each study circle should meet on a regular (i.e. weekly) basis. Initially the supervision and encouragement of a cooperative official is necessary for the study circle to catch on. Hopefully the project can be put in the hands of a relatively dynamic and responsible village leader after several introductory meetings.

Study circles offer the advantage of informality and easy adaptability to the social atmosphere of village life. Each participant is encouraged to present his viewpoint.

Ideally, the study circle will choose a topic of common importance (i.e. weed control) and then make a resolution to learn more about it, and how to act on it.

Carl R. Hutchinson, who conducted successful study circle experiments in India in the 1960s has drawn up a series of administrative guidelines for the successful implementation of this technique:

- a. Study circles are problem-centered, not institution-centered. Discussion grows out of the felt needs of members, and leads to appropriate group action.
- b. Study circles are continuing groups. This calls for employment of group-work techniques that foster cohesiveness and morale in the groups. Any policy or practice that tends to weaken the groups is open to question; those that contribute to group strength and morale are on the right track.
- c. Study circles function as organic units within the sponsoring organization, at the same time maintaining their independence and autonomy as voluntary educational units. The voice of the study circle is non-official and advisory in nature. These groups express the views of their particular groups, not necessarily those of the general membership. They keep the administration posted on what the members of these group think, want, and do.

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- d. To properly administer a study circle program, the duties and responsibilities of the sponsoring organization need to be defined and acted upon at each level: national, state, district, block, and village. Free-flowing, two-way communication is facilitated between this over-all structure and the small groups.
- e. The sponsoring organization is responsible for: (1) training of leadership at each level; (2) organization and supervision of small groups; (3) preparation and distribution of discussion materials; (4) receiving, analyzing and taking appropriate action on reports, requests, and recommendations from the small groups.
- f. The small groups participate in an advisory capacity in policy formation of the sponsoring organization. As action groups they are encouraged to follow up with policy execution through the structure and facilities of the sponsoring organization.
- g. Especially in the beginning states, groups are encouraged to stress projects that are within their own powers to achieve with minimum help from the outside. The majority of study circle projects are village-centered and require little or no direct assistance from the sponsoring organization.
- h. The sponsoring organization encourages the group members to speak up freely and frankly and pays active attention to what they say.
- i. The sponsoring organization provides the structure and function for cooperative thinking and action among the study circles at the various organizational levels. The nature and scope of the problem indicates the organizational level of involvement.
- j. Personal face-to-face communication with study circles is maintained through the various tiers of the organization's personnel and through a federal structure of study circles beginning at the village society level, where each group is represented on a coordinating committee responsible to the managing committee.

Mr. Hutchinson also outlines the following approaches in the organization of study circles:

It would seem that the 'proper' approach would depend to a considerable extent on the local situation and available leadership of the village concerned. Out of our experience the following approaches and guidelines suggest themselves:

- 1) The selection and training of group leaders is a vital first step. Leaders for study circles are not necessarily official leaders or villagers with special authority. In fact, our experience

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suggests that the natural leaders, who may not hold office, but who are respected and looked up to for help and advice by their neighbors, will more likely fulfill the requirements of a group leader. Such a person needs to be interested in the welfare of the community and have a genuine desire and readiness to help others.

2) The selection of members for each specific group is based on social compatibility among the members. The group leader should be able to recognize the existence of these social ties in the selection of members for the study circle. The longevity of the group will depend to a great extent on these established bonds of friendship.

3) The groups are motivated to maintain their activities over a continuing period in order to compound their information and grow in group experience.

4) Within a given society several groups are formed at the same time. This has certain distinct advantages. The joint activity of several groups heightens the interest of the members. The outside leadership can make better use of the time invested by contacting several groups at one meeting. Several groups can work together within their society on mutual problems.

5) Orientation and training are required for leadership at each level: national, state, district, block and village. Special attention needs to be given to the training of leaders who have immediate charge of the study circle program in villages such as the cooperative education instructors, cooperative extension officers, agricultural extension officers, and village level workers. The training of the group leaders is a necessary and important function of block and cooperative society leadership.

6) Provision for overall development of the study circle program at the district level is needed. This calls for a person with administrative ability to work with villagers and set up study circle groups. A carefully selected and trained cooperative education instructor seems to be a logical candidate for this post. He would work closely with the district leadership on the one hand and with the village level workers on the other.

7) Communication between study circles and the various tiers of organization is vital. This communication flows in both directions from the group to the organization and from the organization to the group. This is carried on by whatever means are on hand, but these channels need to be clearly defined and accepted by the leadership. Basic are the supplies of discussion materials fed in from various sources such as cooperative unions, the agricultural extension and the block information office.

Written communications of the groups appear in the form of minutes or reports of meetings which go to the local society and the block and district offices. From there these communications are directed to the organizations concerned and to those who are in a position to supply the particular information needed.

## 2. Procedure at a Typical Study Circle Meeting

Study circles within the society meet at a time and place suitable to the members. As a rule, the main topic to be discussed has been previously selected and materials have been delivered in advance to the study circle leaders. The leader should be a member of the society and should be able to read. The materials should be appropriate to the interests and needs of the members, written in their local language and at their comprehension level, and should be conducive to action.

a. The circles first meet together to listen to a brief preparatory talk by the resource leader, perhaps a village level worker, cooperative extension officer, cooperative education instructor, agricultural extension officer, or block development officer. This talk is directed to the topic of the evening and is designed to awaken interest, supply some basic information and focus attention on the leading questions for discussion. It should raise pertinent questions, not give pat answers.

b. The circles assemble in their respective groups to review the materials and discuss the problems at hand. At this meeting the group secretary takes notes of the topics discussed, conclusions arrived at and any new problems which may arise in the groups.

c. The groups reassemble. The group leader or secretary of each group reports the findings of his unit. This is followed by general discussion on the problems, decisions and questions brought out in small group meetings. The assembly chairman calls on the groups to express opinion as to what action needs to be taken as a result of the discussion or what further information is needed before they are ready for action. A qualified person records the proceedings of the meeting.

d. An action committee representing the managing committee and each of the groups may be needed, to plan the proposed action in greater detail. Proposals for action are referred back to the groups then submitted to the cooperative society or other body, depending on the nature of the proposal.

e. The date of the next meeting is announced and proposals for the program outlined. After the first few meetings the dates are usually established in a formal way, fortnightly or once a month on a given date or day.

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f. The program concludes with a short business meeting attended by the resource leader, the managing committee members and other leaders to evaluate this meeting and make any special plans needed for the next meeting.

g. Reports of the meeting are sent to the proper officials.

### 3. Other Organizational Guidelines

Our experience in Raipur District (India) suggests an effective approach to organizing study circles. The steps used are:

a. The day before the organization meeting the block development officer had led the progressive farmers of selected villages on a three-day tour to see what villagers can do to help themselves. The block development officer sent word to the villages an hour before the meeting asking the managing committee and other village leaders to assemble at the village center.

b. The secretary of the district cooperative union, the block development officer or the cooperative education officer opened the meeting by explaining the what, why, and how of study circles. (This took about ten minutes.)

c. The block development officer discussed with the group the desirability of having study circles in the village so more members can air their problems and express their views to their village, block and district leaders. (This took about ten minutes.)

d. The organizer got approval of the gathering to form study circles.

e. The organizer asked those to stand who would volunteer to serve as group leaders. Those who had been on the tour were first to stand. (The block development officer attached great significance to this tour, which was completed just before the villagers were invited to form study circles.)

f. While they were standing, the leader coached these volunteer group leaders on their duties and gave them simple instructions for selecting and working with their groups. (This lasted about fifteen minutes.)

g. The organizer helped the assembly and group leaders to select a place and dates for future meetings. They all agreed to meet at the same time and place.

h. The assembly agreed on several local problems that needed attention. Arrangements were made with the cooperative education

instructor to prepare or secure and deliver suitable discussion materials on these problems a few days before the next meeting.

i. The meeting adjourned.

Our experience in both Ludhiana and Raipur Districts indicates advantages in organizing several study circles at the same time. Villagers respond favorably to a larger development of groups and outside leadership can utilize its time more productively.



### C. ROLE-PLAYING EXERCISES

(Reprinted from Participative Teaching Methods, Cooperative Education Materials Advisory Service, International Cooperative Alliance, London, 1976, pp. 19-22, 106-110)

In a case study exercise, students are asked to say what they would do or recommend on the basis of the information provided. In a role play exercise they are asked to imagine that they are actually participating in a real life situation, and to work out their responses to the situation as it develops.

Role playing can be fun, but it is not a game. It is a serious and useful training technique which, if well conducted, has great learning potential, for teaching empathy, or the ability to sympathize with and understand the emotions of another person.

As in the use of case studies, the situations depicted in role play exercises should be closely related to the working experience and needs of the participants. The students should be able to readily perceive the relevance of the exercise to their own circumstances.

#### 1. Advantages

- a. Role playing is a valuable training method because it develops the capacity to analyze information, to make judgments, to describe and explain, to argue and to persuade.
- b. Since the effects of making mistakes are not the same as in real life, the participants can feel sufficiently secure to experiment and try out new ideas.
- c. By playing roles opposite to those played in real life, people have the opportunity to experience the other side of the issue being discussed. For instance, those whose working responsibilities include interviewing other people can play the part of a person being interviewed, a manager can play the part of a discontented employee or of a trade union leader, or a salesman can play the part of a difficult customer. In the process, the participants gain insight into the other man's point of view and the attitudes that shape it. For supervisors and managers in particular, this is an extremely important attribute.

#### 2. Limitations

- a. Role plays require considerable class time, and space for acting out the situation.

- b. Inexperienced teachers often cannot keep the students in the serious mood required.
- c. The value of the exercise is lost if the teacher does not know enough about the dynamics of human behavior to help the students draw out the lessons from the experiences.
- d. Feelings can be hurt by inept management of role plays.

### 3. When to Use a Role Play

Use a role play when you need to teach the human relations aspect of cooperative operation.

For example:

- a. Relations between the managing committee or board of directors and the cooperative manager
- b. Personnel relations
- c. Member relations
- d. Public relations
- e. Relations between salesmen and customers

### 4. When Not to Use a Role Play

Do not use a role play to teach a process in which the emphasis is on:

- a. Technical skill
- b. Order of step-by-step procedure
- c. Presenting factual material
- d. Doing computations

Note that Role Play is primarily designed to teach those who act in it. It is quite different from using a play as a demonstration in which the actors show something they already know to the audience.

### 5. How a Role Play Operates

- a. The number of players in a role play exercise should be limited to about five, as above this number it becomes

difficult to keep the discussion focused on the points of main interest.

- b. Each person taking part in the role play receives a description of a situation, with additional information about the character he is to play. This additional information is not made available to the other people taking part in the exercise.
- c. Using the information provided the participants then proceed to act out the part, as they believe the person would in real life. They try hard to portray the emotions of that person, even if they are not attractive or likeable. The details of the action and, in particular, the dialogue are made up by the actors as they go along, in response to the situation that develops. No costumes or scenery are used.
- d. The teacher stops the action before the problem situation is resolved, as soon as the factors that created the problem and the emotional factors are revealed. (This is done to focus attention on the learning experience, rather than on the "plot").
- e. Students not participating in the exercise act as observers. They are expected to offer an analysis of what they saw in the drama, and of the human problems and motivations involved.
- f. The situation can be replayed, reversing the roles, with the observers taking the parts and the first players as observers.
- g. Group discussion follows on what was learned from the exercise.

## 6. Preparation

- a. It is necessary to prepare well-thought-out descriptions of the general situation, and the particular role each participant is to play.
- b. Each player is given a copy of the "description of the situation."
- c. Each is also given a copy of the paper describing his own personality and role, but is not given details of the other characters. This arrangement makes for spontaneity, and calls for the exercise of imagination and quick thinking on the part of all players.

- d. Players should not be rehearsed in their roles, but teachers should ensure that each fully understands what is expected of him.
- e. It is useful to "brief" players separately, and to emphasize particular points which the teacher wishes to bring out.
- f. Make sure you do not assign a person to a role which involves humiliating him by showing that he is incompetent at the job he does in real life. Be very cautious about giving anyone a role or a personality type which is very close to his own real one. It would be usually safe to let a good salesman play the role of a salesman so that he can practice the relevant skill. It would be very dangerous to let a domineering or insecure Manager play the role of a domineering or insecure Manager especially if any of his real subordinates are present.

Before undertaking a role play for the first time, the teacher should read about the technique and prepare thoroughly.

## 7. Specimen Exercises

### Exercise No. 1

#### Movealong Multipurpose Cooperative Society

From an idea by participants in the 1973 Education and Training Course at the International Cooperative Training Centre, Stanford Hall, Loughborough, U.K.

#### Application

Every person participating in the exercise is given a copy of this paper about twelve hours before the exercise is due to begin. Each individual member of the group is given a copy of the paper describing the role he is to play. After the role play, the rest of the class discuss the performance of the role players.

#### Description of Situation

Transportation of members' produce is one of the activities undertaken by the Movealong Multipurpose Cooperative Society. For this purpose, the society maintains a seven-ton truck. The revenue from the operation of the truck and its running costs have been estimated in the budget of the current financial year of the society.

The Secretary of the society has compiled the income and

expenditure figures for the operation of the truck during the first six months of the financial year and has compared these with the provision in the budget.

Alarmed by the heavy losses sustained by the truck, the Secretary has made out a report on the basis of these figures and has asked the chairman of the society to convene a transport sub-committee meeting, inviting also the Cooperative Officer to review the report so far as it refers to the operation of the truck. The transport sub-committee comprises three committee members and the chairman.

The Secretary's report is centered on the following figures:

ADJUSTED FINANCIAL STATEMENT FOR THE PERIOD JANUARY-JUNE 1975

	BUDGET		ACTUAL		Difference
	Income	Expenditure	Income	Expenditure	
Sale of transport	12,000		9,000		2,400
Fuel and Oil		3,000		4,950	1,950
Repairs & maintenance		2,000		2,400	400
Depreciation		1,000		1,000	-
Wages		500		500	-
Insurance		250		250	-
License		150		150	-
Sundry Expenses		250		400	150
<b>TOTAL</b>	<b>12,000</b>	<b>7,150</b>	<b>9,000</b>	<b>9,650</b>	<b>4,900</b>
Surplus/Loss		4,850+		50+	4,900 total loss

MOVEALONG MULTIPURPOSE COOPERATIVE SOCIETYSlip for THE CHAIRMAN

You have been chairman of this society for several years. You are knowledgeable on meetings procedure and today you have convened a committee meeting whose main agenda centers on the losses sustained by the society's vehicle. As usual in such meetings, the Secretary of the society and the local Cooperative Officer are also present.

You have with you all the papers related to this meeting; minutes of the previous sub-committee meeting, notice of the meeting, the agenda and the Secretary's report.

Bearing in mind that this meeting has been convened to discuss and find a possible solution to a serious issue affecting the society, use your skill as a good chairman to conduct the meeting so that it leads into some positive conclusions likely to remedy the situations, rather than mere accusations.

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Slip for COMMITTEE MEMBER I

You have been on this sub-committee for a year and you are conversant with the work of the society. Lately you have been hearing some gossip in the village about the society's truck being used for private business by the driver, but you have always dismissed these as unfounded rumors that could not be substantiated. You are convinced that the losses have been caused by rising oil prices. You feel that transport charges should be raised. Everybody is doing that these days.

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Slip for COMMITTEE MEMBER II

You have been on the committee for the past three years and were nominated to serve on this sub-committee six months ago. Some people call you the "trouble shooter" because you are always outspoken. You don't mind being called anything as long as you are doing this for the good of the society. Why, for instance, have transport sales dropped when everyone knows that there is such a high demand for transport? You are aware that some farmers have had to hire private transport for their product because the truck couldn't cope with the high transport demands, and yet transport sales have gone down. What justifications are there for the over-expenditure on fuel, maintenance and sundry expenses? You want all these queries explained or else the Secretary should be fired immediately.

Slip for COMMITTEE MEMBER III

You have been on this sub-committee for six months and you feel that the transport business does not really pay even though it is a service to members. You feel strongly that this service should be discontinued. Give your arguments for this.

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Slip for THE COOPERATIVE OFFICER

You have known the affairs of the society since you were transferred to the district several months ago. You have always had the impression that the society was operating satisfactorily . . . that was until you read the Secretary's report. On checking the records you found out the following facts:

- The truck log book was not properly kept. Purchases of fuel were properly vouched for and entered in the log book but some trips made by the truck were not recorded. The mileage reading on the vehicle did not tally with the records in the log book.
  - The truck was three years old but you are satisfied with its road-worthiness. You feel, however, that it needs a thorough mechanical check.
  - As a result of the oil crisis, the price of fuel had gone up by 20%. This was not taken into account when the budget was drawn. Even then, you still feel that the purchase of gasoline does not tally with the sales of transport. Advise the meeting as to what should be done.
- 

Slip for THE SECRETARY

You have been Secretary of this society for three years. The society provides a variety of services to its members, one of which is transport. Because of the complex nature of the society's business, you have not had time to deal with transport matters. You have designated all the responsibilities of transport to one of your senior clerks. Things seemed to run smoothly until the other day when you were doing your occasional cost analysis that you discovered the transport section was losing money. Suggest to the Committee what should be done.

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Exercise No. 2

Nso CREDIT UNION - A Problem of Apathy

Contributed by The University Center for Cooperatives  
University of Wisconsin  
Madison, Wisconsin

General Situation

The Nso credit union has been troubled in the past two or three years by an almost total lack of interest in the credit union affairs on the part of the general membership. No one but the officers and a few other loyal souls come to the credit union meetings and there is practically no understanding among the members about the credit union's problems. They are doing pretty well economically and do not seem to realize the potential dangers of being complacent about some of the social and economic problems the credit union ought to be working on for the future. Also, there seems to be a growing attitude in the general public that there is not much democracy in the way credit unions are being run, and the officers of the credit union would like to do something to improve their organization in this respect, too. You cannot have democracy if people do not come to the meetings.

Slip for THE CREDIT UNION TREASURER-MANAGER

You are Treasurer-Manager of the Nso Credit Union. You have held this office for several years, having been re-elected without opposition the last two times. You feel that there are not many people who have the initiative to assume responsibilities in an organization, and have found that the best way to get things done is to do them yourself. Even the other officers in your credit union are better at talking than working, so you have just taken credit union matters pretty much into your own hands. When problems needed to be solved, or decisions made for the organization, you have worked them out yourself.

You feel that the people in the credit union have confidence in you, and have been satisfied with your leadership or they would not have kept re-electing you to office. You are disturbed, however, that so many members take such an irresponsible attitude toward the credit union's problems, because you know you cannot have a strong credit union without the wholehearted support of the members. You have to figure out some way to get cooperation in the programs and policies you have worked out for them.

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Slip for THE VICE PRESIDENT

You are a young person and relatively new to credit union leadership. You think that credit unions are one of the most important things to which a person can devote his time, and you are extremely eager to work hard for the organization. Since your election at the last annual meeting, you have not been given a chance to do very much. The President and Treasurer seem to have things pretty much well in control, and although you would like to volunteer to take on some responsibilities, you have not yet seen much of an opportunity. You feel that this problem of getting more interest and support from the general membership is very important, and that perhaps there are others like yourself who would like to do something for the group but do not quite know how to go about it. Maybe if they were given more chance to speak up at meetings and express their ideas on things, or were appointed to committees to work on various projects, they would show more enthusiasm. Now they can just sit back passively because everything is being taken care of for them. They may think this is okay now, but what happens to the organization if something were to happen to the clique now running things? Nobody else would know how to take over.

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Slip for THE SECRETARY

You do not approve of the way this organization has been run for the last few years, but it is difficult, if not impossible, to say anything about this. The President, with the support of the Treasurer-Manager, both of whom have been running things for a long time, seem to enjoy the confidence of the general membership, and are re-elected at each annual meeting. Also, they do their jobs efficiently, so there is no real agitation for a change. Anyone who spoke up against them would really get the cold shoulder.

However, it is your feeling that in spite of the treasurer's great efficiency and big ideas, he is himself one of the main causes of the difficulty the credit union is now having in maintaining the interest and support of its members. He seems to have the attitude that no one but himself has any brains or sense of responsibility, so he keeps all the power he can to himself and never seeks anybody else's ideas or help. No wonder people lose interest.

Even though you are an officer, you have practically lost interest yourself in coming to meetings. What's the point? Nobody cares what you think, so it is kind of useless to bother. And you suspect that this explains the complacency of a lot of the members. Why should they come to meetings just to sit around and listen to the President and Treasurer making long speeches? However, you feel that it is a dangerous atmosphere for the health of the organization, and that if something doesn't happen soon, the credit union will be on its last legs.

Slip for THE PRESIDENT

You are the President of the Nso Credit Union. You have held this office for several years, having been re-elected without opposition the last two times. You have worked closely with the Treasurer-Manager over these years, and feel that he has done an excellent job. He is a real "ideal man" and a vigorous leader. You feel that the people in the credit union do not truly appreciate the tremendous amount of work he does for them. They just take him for granted.

You are not too disturbed about the fact that the general membership does not take an interest in credit union affairs. What difference does it make as long as things get done? The Treasurer-Manager has certainly proved himself capable of handling things very efficiently, and in the best interests of the membership.

As President, you feel you have done your duty, by seeing that the meetings of the board of directors are held each month, and by presiding at these meetings and the annual meeting. If anything else needs to be done, the Treasurer-Manager will tell you what to do.

#### D. CASE STUDY APPROACH

(All materials except part 4 are reprinted from Participative Teaching Methods, Cooperative Education Materials Advisory Service, International Cooperative Alliance, London, 1976, pp. 13-16, 56-61; part 4 was reprinted from Cooperative Management - A Case Writing Workshop Manual, CEMAS/I.C.A., London, 1976, pp. 16-17)

A case study is a problem-solving exercise in which students are given a written description of a particular incident, situation or series of events. If necessary, the written notes can be supplemented by spoken words, tape-recordings, pictures, statistics or visits.

The users are usually asked to work out answers to problems identified in the case study on the basis of information provided to them. This may require judgment, or precise calculation or both. There may be indisputable "right" answers, but in many cases there may well be debate or difference of opinion as to the "best" solution. In submitting their "answers," the users should be required to support their conclusions with evidence drawn from the facts presented to them.

Case studies are normally used as group discussion exercises. However, (a) a lecturer may sometimes use a case to illustrate a lesson, and himself expound the moral. Alternatively, (b) individuals may be set cases to work out on their own, perhaps with the intention of comparing and discussing the solutions arrived at.

The case study may be either a true or fictional account of a situation, depending on the purposes of the exercise. Usually a teacher will prefer to use a fictional study based on actual situations, in order to offer a complete description including all the elements he wants to present.

On the other hand, it should be pointed out that the more a teacher can use actual facts for a case, the stronger will be his position when it comes to a discussion with his students about the case and the suggested "answers."

##### 1. Subject Areas for Case Studies

These are some of the subjects for which case studies have often been found useful:

- a. Accounting and auditing
- b. Business management

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- c. Personnel and human relations
- d. Management committee policy making
- e. Education and employee training
- f. Public relations

## 2. Advantages

a. The case study method encourages students to relate theory to practice. It is not a substitute for actual working experience, nor intended to be. But it can be so written as to highlight problems which are obscured in real life, or which do not occur in a sequence, at times or places convenient for teaching.

b. The indirect approach of the fictional case study helps to avoid obstacles in the direct use of real events. For example, if you criticize people's performance on a job, there is a tendency for them to defend themselves, and to reject your criticism. It is more fruitful to mirror aspects of their behavior in a fictional study, and ask them to question them in that setting.

c. In the exchange of argument and opinion that the case study should provoke, participants will be encouraged to examine alternative ideas and methods and perhaps shift from fixed positions. Many people who pride themselves on their experience or knowledge are reluctant to accept theoretical explanations. The use of case studies enables them to test the experience and knowledge they have, and in the process, they may well identify gaps in their existing knowledge for themselves, and so become more teachable.

## 3. Limitations

a. Case study exercises can take up a lot of time. When compared with lectures, they seem inefficient in terms of the amount of information which can be presented to students. On the other hand, the real test of efficiency is how much information has been absorbed and understood.

b. Case studies may also require participants to use time absorbing a lot of background information not otherwise useful. This will be particularly likely if the participants do not share a common body of experience.

c. Case studies are usually not suitable for beginners. They work best if students are able to use their own experience and knowledge in consideration of the study. However, beginners can

learn to analyze situations by making up simple case studies themselves. This is good training for future teachers.

d. Lessons learned from case study activity are not easily tested in traditional essay-type examinations. In courses dominated by the need to pass traditional examinations, neither students nor teachers readily accept the case study techniques. This may, of course, be a criticism of the course, or the examination, rather than the technique.

e. There is sometimes a tendency for groups to see the exercise as a game and refuse to take it seriously.

#### 4. Information necessary for the Preparation of Case Studies

- Date of foundation of Cooperative
- Major function of the Cooperative
- Subsidiary functions of the Cooperative
- An outline of the technical processes involved, together with samples or pictures if they are available
- The number of members of the Cooperative
- The number of employees of the Cooperative
- The job title of the informant and his responsibilities
- The organization structure of the Cooperative
- Copies of Annual Reports and Accounts
- If Accounts are not available, some indication of annual turnover, surplus and trend of recent years

If your informant is hesitant, or unclear about the type of information you need, some or all of these questions may be useful to obtain leads to potential case study subjects:

"Can you describe the background and results of some decisions you have taken recently?"

"What problems are facing you right now?"

"What important decision will you have to make in the near future?"

"Describe some major happenings in the history of this Society."

"Do you have any difficulties with your membership?"

"How do you sell your members' produce?"

"Are members completely loyal to their Society?"

"Is this Society growing, shrinking or remaining the same size? Can you explain this?"

"Can you describe how you would like this Cooperative to be in five years' time? What problems do you foresee in obtaining these objectives?"

"How do you organize your transportation services?"

"How effective are your Committee members as a channel of communication between Management and membership?"

#### 5. Writing Case Studies

As we have already said, case studies may be true or fictional accounts based on actual situations. Many teachers prefer the latter but in either case it is, of course, important to ensure that the study is relevant to your objectives.

It is good practice to write down the particular objectives of the case study and to check that the result is likely to achieve them. Be sure that the students are given the information they require to produce answers to questions you set.

Source material is frequently difficult to find and it is a good idea to keep a box file of reports, clippings, etc. which you think might be useful for this purpose. Collect copies of the reports of Cooperatives to provide statistical and other examples. Remember to keep the case study realistic. For example, the expenditure items in the balance sheet of a consumer cooperative would not be relevant in a study depicting a situation in a marketing cooperative.

Describe events and facts as briefly as possible, but make the study comprehensive. Do not make it too long. If you use more than 500 words, check that there are good reasons for its length.

If you are describing an actual situation, decide whether it would be useful to disguise this fact by changing names and other identifiable features.

Make clear your instructions and expectations by including specific tasks or questions for completion.

#### 6. Using Case Studies

A common pattern is to give a lecture or lesson first, and then to divide students into groups to consider a case study related to the contents of the lecture.

After discussing the case study, each group makes a summary of its findings and the group then reports back on their conclusions to a meeting of the full class.

Alternatively, you can begin with a case study and follow this by a lesson reinforcing the points brought out in the discussions on the study. Putting the case study first can serve to create an element of doubt about the validity of present knowledge, and so make people more receptive to new ideas.

For complicated cases, it is particularly important that the groups be small and that you allow enough time for the problems to be worked out. You may need to allow a day or more for cases involving calculations and business analysis at an advanced level.

#### 7. A Specimen Case Study

Contributed by the University Center for Cooperatives,  
The University of Wisconsin,  
Madison, Wisconsin

#### THE AGRICULTURAL COOPERATIVE OF BAMBIA

##### Assignment:

From the attached report you can obtain a general idea of the situation of this multi-purpose farmers' cooperative and of the role an expatriate adviser played in its operations and development. Make a commentary evaluating this cooperative. (Work in teams of three or four).

The following questions may help you:

1. This report was written by the adviser to give an outside observer a view of the situations and problems he faced. What additional information, if any, should have been included?

2. What does the report indicate about relations within the cooperative?
3. What do you judge to be the relations between the adviser and the cooperative?
4. What indications are there of economic potential for the cooperative, both favorable and unfavorable?
5. Do you agree with the adviser's evaluation of the financial situation? Give reasons.
6. What did you learn from the balance sheet? The profit and loss statement?
7. Given the information you have, if you were acting as adviser, what steps would you take?

#### THE AGRICULTURAL COOPERATIVE OF BAMBIA

##### An Adviser's Report on a Cooperative in Latin America

#### 1. Consumer Store

The treasurer of the Cooperative has taken over the job as store-keeper as of the first of June. Due to his initiative and interest, store sales are steadily rising. For the month of June, sales were almost \$4,000. Overall for the month, we showed a net profit of \$400. In July, we will easily surpass the June sales figures, although net profit will not be as well because of added expenses.

We have also opened up a little agricultural food and medicine supply section in the consumer store. We purchased \$2,100 worth of food from a wholesaler and in less than two weeks sold more than \$1,500 worth. The profit margin per bulto (sack) is only \$4.00, but the sale of 40-50 bultos monthly supplies a needed source of revenue.

#### 2. Lumber Negotiations

The greater part of my efforts in recent months has been an attempt to put the cooperative into the selling of lumber of the woodcutters. The only license to cut wood in the area is in the name of the cooperative. The cooperative could pay a better price for the lumber and could supply a steady source of selling the lumber for the cutters. There would also be a good income for the cooperative.

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The old license was originally placed in the name of the former manager. We had this changed to the cooperative's name and were supposed to sell the lumber for the cutters, thus eliminating the former manager from his private business.

The committee, however, chose an easier path. They simply stated that from this date forward the cooperative would collect 5% of the price of the lumber as a commission. Although this 5% has meant about \$100 monthly in revenue, it decreases the woodcutter's income from his product. In effect, the cooperative has turned out to be another middleman, lowering the price more and more.

Much of my time was spent in trying to persuade the cooperative to buy the lumber. I prepared a report on the production of lumber and took this to numerous buyers in the city. We could have sold all the lumber at a better price than the cutters make.

At one time, I had arranged for lina (wood) to be sold to a buyer on the spot in Bambia. The buyer for lina offered to give the cooperative an advance for the lumber. The set-up is simple, involves no costs whatsoever, and the only time involved would be spent in paying and marking the lumber. The price which we would receive was \$3.00 more than the price the cutters receive. The manager of the cooperative said "no," because he did not want to spend his time marking the lumber.

The initiative for more dealings in the wood business will now depend upon the woodcutters pushing the administration into the buying and selling of lumber.

### 3. Projected Sawmill

This project I still believe could be profitable. However, with the present situation, when the cooperative refuses to deal with the lumber made by hand with a volume of about \$4,000 monthly, it would be unlikely that the present administration could undertake building a sawmill, much less operating one.

### 4. Agricultural Projects

There are three families with rabbit projects. The success of these projects has not been good due to sickness and inability of the does to produce. The owners of the projects are losing interest. The cooperative now sells rabbit food and medicine in the store.

Among 7-8 members of the cooperative there are more than 700 broilers and layers in Bambia. These projects were originally started by FAO but are now carried out individually. I have aided those interested in building cages and houses. The best improvement of the project has

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been the cooperative selling food from the store. A constant and close supply of food was needed for expansion of the projects. I hope to see more poultry projects in the future.

#### 5. The Cooperative Financially

If asked last October what our biggest problem was, I would have said money. At that time there was \$00 in the bank with which to buy stock and none of the bank loan of \$5,000 had been repaid. At the time of this report, we have completely paid the bank and the stock position is fair. Although we still have inadequate operating capital, we no longer have to worry where the money will come from to pay the bank or buy food supplies. The cooperative itself has worked its way out of the hole and I hope that the members now realize that the cooperative can be profitable.

#### 6. The Outlook

With the termination of the bank loan, we are now in a position to ask for another, if the committee thinks that one is needed. Another loan would be a further burden, but, without it, we can hardly hope to expand into anything more than we already are.

About \$2,000 is needed to continue buying food supplies. Another \$1,000 is needed to expand and build up stock. This is the minimum amount. If they decide to enter into the lumber business, which I doubt, another \$2,000 would be needed. And if they really get ambitious, \$5,000 more could probably be secured for the sawmill.

The easier part of my job has been to set up the bookkeeping system and to improve the administration. Loan money had disappeared and things generally were badly organized. The difficult task, where I have had to carry on along for the most part, has been in the various projects. First, it was railroad ties and now the lumber they already produce. I feel that perhaps I have been pushing more than they can understand and because of this, the projects have failed. The position now is that the manager and I carry on the minimum of business relations. He is happy with the cooperative as it stands today and my ideas only mean more trouble. In light of this, I will let them go whichever way they want with this lumber business.

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## COOPERATIVA AGROPECUARIA DE BAMBIA LTDA.

BALANCE AS AT 30 JUNEASSETS:

Cash on hand	\$ 1,194.10
Cash in bank	79.80
Cash in Saving Account No. 776	321.38
Cash in Saving Account No. 929	153.19
Merchandise in Stock	764.03
Accounts Received	<u>12.00</u>
	\$ 2,524.50

FIXED ASSETS:

The cooperative building	\$ 8,943.80
Furniture	<u>430.00</u>
	<u>\$11,898.30</u>

LIABILITIES:

Promissory Note to the Bank	900.00
Accounts payable	<u>2,538.50</u>
	3,438.50

CAPITAL:

Donations	800.00
Admission Fees	200.00
Investment on day-work for the Co-op building	3,700.00
Capital paid	2,019.50
Retained profit	<u>1,740.30</u>
	<u>\$11,898.30</u>

## COOPERATIVA AGROPECUARIA DE BAMBIA LTDA.

BALANCE AS AT 1 SEPTEMBER

ASSETS:

Cash on hand	\$ 118.55
Cash in bank	115.05
Cash in Saving Account No. 776	181.38
Cash in Saving Account No. 929	419.50
Merchandise in Stock	2,088.37
Accounts Receivable	<u>72.45</u>
	\$ 2,995.30

FIXED ASSETS:

The Cooperative building	8,943.80
Furniture	<u>430.00</u>
	<u>\$12,369.10</u>

LIABILITIES:

Accounts payable	2,900.05
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CAPITAL:

Donations	885.60
Admission fees	215.00
Rotary Fund	160.00
Investment on day-work for the Co-op building	3,700.00
Capital paid	2,084.50
Retained profit	<u>2,423.95</u>
	<u>\$12,369.10</u>

## COOPERATIVA AGROPECUARIA DE BAMBIA LTDA.

PROFIT AND LOSSFrom August 1st to August 31st, 1965

Sales		\$6,914.40
COST OF GOODS SOLD:		
Inventory on August 1st, 1965	1,951.29	
Purchases	<u>6,174.19</u>	
	8,125.48	
Less Inventory on August 31st 1965	2,088.36	
		<u>6,037.12</u>
GROSS PROFIT		877.28
EXPENSES, SALARIES		
Salaries	400.00	
<u>Expenses</u>		
To get new licenses for wood	400.00	
San Jose Typography	70.00	
Miscellaneous	<u>127.40</u>	
		<u>997.40</u>
		(120.12)
MISCELLANEOUS INCOMES		
* percentage on commission	115.00	
** administration of food such as milk, flour and wheat	<u>426.00</u>	
		<u>541.00</u>
		<u>\$ 320.00</u>

\* the 5% on the lumber

\*\* Government payment for distribution service of controlled commodities

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## E. AUDIO-VISUAL TECHNIQUES

(Parts 1-6 are reprinted, with permission, from Audio-Visual Aids for Cooperative Education and Training, C. N. Botham, FAO, Rome, 1967; part 7 is reprinted from Cooperative Education Radio Programmes, Sam Mshiu, CEMAS/ICA, London, 1976, pp. 3-4. This publication also contains some useful sample radio scripts. - Ed.)

### 1. The Purpose of Audio-Visual Techniques

Direct experience is the best teacher. Although audio-visual aids are only a substitute for direct experience, they make use of the two main channels of learning: sound and vision. Almost invariably a well-conceived visual or audio-visual aid will provide the most satisfactory method of communicating a new idea. We know that a large percentage of all the things we learn are the direct result of visual and audio-visual experiences. It is for this reason alone that no one concerned with the communication of principles and ideas or with teaching and training in any form can afford to neglect the use of audio-visual methods.

Audio-visual aids are no substitute for the cooperative training officer. They will not do his work for him nor will they make his task of preparation any easier, but aids correctly used arouse a new interest among his trainees and possibly influence, if not change, attitudes toward both instructor and his subject. They will certainly make his work more effective.

Trainees who are attracted by a suitable form of subject presentation are likely to be much more receptive to the words of their instructor. The use of training aids will also indicate that the training officer has taken some care in the matter of preparation, that he is concerned for the well-being of his audience, and that he really wants them to understand. These are not superficial matters, for attraction toward a topic is the very beginning of its comprehension. Audio-visual aids correctly used do have a real and significant part to play in the creation of an ideal training situation.

In most spheres of adult education much benefit can be derived from discussion. In this respect, aids may be used as soon as formal contact has been made with a group of prospective cooperators, and the use of audio-visual methods at an early stage will probably do much to help consolidate an informal gathering into a regular study group. Aids such as wallcharts, filmstrips, films and dramatic interludes presented through the medium of a tape recorder may do much to consolidate a group by providing material to stimulate thought and discussion. Appropriate use may also be made of small pamphlets and publications. Once contact has been established, more formal training aids may be used. It may be

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better at this stage to use the type of aid which remains rigidly under the control of the instructor. The magnetic board, the flannelgraph, filmstrips, slides, or a collection of charts or picture cards made from a filmstrip sequence may all be suitable for this purpose. With all these aids it is possible to vary the rate of presentation, and to recapitulate or re-present material should this prove necessary.

Audio-visual aids may be used for:

- a. Spreading the idea of cooperatives and helping to consolidate study groups
- b. The continuous process of education, both formal and informal, within the cooperative movement
- c. Constant follow-up purposes, and for promoting loyalty to the movement.

If it is possible for cooperative training officers to attend audio-visual aids courses, this is to be recommended. If not, those who produce their own aids should not be too concerned if their locally produced material is not of the highest standard. Relevance to the situation and clarity to the students are much more important than high standard of production--and are, indeed, two factors often lacking in commercially produced visual-aid material.

## 2. The Art of Presentation

All who make regular use of audio-visual aids will from time to time experience the feeling that both their aids and their presentation have not met with the success expected. There are of course a whole variety of possible causes for the lack of effectiveness of teaching and training aids, and not least among these is the variable human factor. The following suggestions take into consideration some of the more practical points of presentation, and may be used to form the basis of a sound individual audio-visual training method.

It is very important in training and extension work that nothing should be presented visually if it is subject to doubt. A method or system presented in visual terms which in practice is found to fail may lead to the view that all forms of visual presentation are suspect, and a most valuable channel of communication may be lost. There is a common belief that visual experiences are true experiences. This belief must be upheld.

Planning is the best aid to good presentation. If an aid is inaccurate in its assessment of the local problem or if it is not

correctly oriented to local conditions, it will be regarded by the observers as being of little value. This means that a very careful study of the local situation must be undertaken. Aids must appear strictly relevant; they must ring true.

When using audio-visual material, have a set aim to keep to it. Depart from it only when there is a strong reason for doing so. Make a point of having an interesting or topical introduction to any cooperative training meeting and make sure all ideas are presented in a logical sequence. Work toward a conclusion, even if the conclusion is to be in the form of a problem posed to stimulate thought and discussion.

Be sincere in your approach. A lack of sincerity shows much more than a lack of skill, and most audiences can quickly detect a lack of sympathy and understanding. If your information is important to you, it will become important to your hearers. If you do not know the answer to a problem, admit it--but be prepared to find out and provide a satisfactory answer. This method of approach will do much to promote the good relations which of necessity must be established before satisfactory communication can take place.

All forms of presentation must make allowance for a two-way exchange between the speaker and the audience. It is better to present less material through audio-visual techniques and leave some time for discussion than it is to use all the time available for presentation to the complete exclusion of discussion and informal exchange. It is necessary to strike this correct balance between the audio-visual presentation of the subject matter and the practical application of the material in the form of discussion and other activities. Neither can stand alone.

The following five steps represent in outline a well-tried and proved technique. If the steps are carefully followed, it will mean an end to "one-way" communication.

1. Prepare the audience. Put them at ease and show your personal interest in them. Explain how they will benefit from an understanding of the subject. Suggest specific points for attention and observation. It is always a great help if the audience is prepared and knows what to look for; this is of special importance when films are used as the instructor will not normally be able to interrupt and explain or call attention to any point once the screening has commenced.
2. Present the material. It is important to avoid a too rapid presentation of visual material, and the instructor, naturally already familiar with his material, may find that for this reason alone he is making insufficient allowance for his students to assimilate material which is new to them. Care must therefore be taken over the rate of presentation. Variation of pace will



both stimulate and add interest but, like the art of storytelling, it will be best developed as a personal technique.

3. Application. It is at this stage that the students should be encouraged to examine and apply their new knowledge. In the sphere of formal education this could take the form of a written exercise, but in the more relaxed atmosphere of cooperative education, a conversational approach would naturally be more acceptable. The aid will really have been used to create a talking point and stimulate thinking. It is of course under such conditions that prospective cooperators begin to find their own answers to their own problems. The skillful extension officer will so guide them that they provide him with the solution he requires. Real knowledge and understanding frequently follow from the discussion and expression of ideas. All forms of presentation will be more successful if active participation rather than passive observance is the aim.
4. Test. A deliberate attempt should be made to assess the comprehension of the subject if this has not become apparent in the preceding stage. Assess your own effectiveness by means of a tactful and informal use of question and answer.
5. Review. Once weaknesses are determined, the subject may be reviewed and the visual aids used yet again where appropriate. Some audio-visual aids may be subject to revision at this stage if this will make them more effective.

### 3. Points to Remember

- a. Use an aid which can be seen by all members of your audience. Be prepared to view it critically from a distance, and make sure that all words are readable.
- b. Make sure that all can hear without difficulty.
- c. Make sure all present can see both the speaker and the visual material.
- d. Do not present too much material at once.
- e. Leave the aid on view for an appropriate length of time. Remember that you may be familiar with an aid because you devised it and are constantly using it. Others are not. Give them time to assimilate the material you present to them.
- f. Do not leave a poster or chart on permanent display for too long. It will lose its effectiveness and may even detract from the value of material displayed at a later date.

- g. Make sure your ideas are presented in a logical sequence.
- h. Ensure, by experiment and test, that the pictures are not subject to misinterpretation. This is particularly important with pictures of a diagrammatic type depicting movement and action.
- i. Face your audience, not your visual aid.
- j. Do not continue talking to your trainees when you have turned away from them to change part of your visual presentation. They may not hear you.
- k. Never apologize for an aid. If it only approximates your exact requirements, do not use it.
- l. Never use an aid which is likely to offend or annoy. It is always useful to get a second opinion on your aid from a person or persons who will not give personal praise.

#### 4. Non-Projected Aids

##### The Chalkboard

The chalkboard (or blackboard) is perhaps the most common visual aid, and can be one of the most useful. As it is so readily available, it is essential for all training personnel to be in possession of a good basic technique. The size, position in the hall or meeting place, the ease with which it can be made to command attention and its flexibility in use are factors which contribute to the possible effectiveness of this aid. It is economical, long lasting and requires only a minimum of maintenance and care. It may be used to present drawings, sketches, maps, diagrams, graphs and statistics, for the summarizing of discussions, and for general written work. Capable of such versatile use, it is a natural supplement to all other forms of aid. The cooperative education and training officer will find the chalkboard a particularly useful working aid when it is necessary to present facts for study, and to explain cooperative principles and procedures. The chalkboard may be of special value for:

- a. Planning group projects
- b. Explaining cooperative principles by means of simple diagrams
- c. Working out daily, weekly and monthly plans with a study group

- d. Explaining the functions of cooperative officers and rules and policies for cooperatives
- e. Showing in diagrammatic form relative costs and statistics
- f. Presentation of drawings to introduce topics for discussion
- g. Illustration of points in progress reports to cooperators

A sheet of hardboard or plywood makes a good chalkboard. It may be attached to the wall by screws driven into holes filled with a wall-plugging compound. Screw cups or washers should be fitted under the screw heads to provide a better form of anchorage. If a thin wooden surround is used, both hardboard and surround may be secured by steel masonry nails. In both cases it is more convenient if the boards are painted before they are finally fixed in position.

Cement-surfaced boards are common, but unless they are prepared correctly they are inclined to use up a large amount of chalk. The final skimming of cement plaster should be finished with a good quality plasterers' steel trowel. The plaster must not be overworked nor must it be too rich in cement, or crazing and cracking of the surface will result. The cement must also be well cured by keeping it wet for about two days after the initial set has taken place, and sufficient time must be allowed for the mixture to dry out thoroughly before paint is applied.

A freshly painted board will need to be "broken in" when the paint is dry. This may be achieved by lightly covering the whole surface of the board with a layer of chalk dust, and then carefully removing as much as possible. Otherwise, the surface will be badly marked at the first erasure.

### Posters

Posters have many features in common with charts, but also possess distinctive differences. A good poster can stand on its own and communicate its message effectively without assistance from any external source.

It is for this reason that nearly all posters are designed to communicate one idea only. Billboards placed by the roadside or near a railroad track demonstrate this principle in action. The traveler may only have a moment in which to observe a poster presented in competition with other distractions. If the poster is not attractive or the message

neither memorable nor capable of quick assimilation, the point is lost.

Occasions may arise when it is advantageous to present a series of posters with a common theme. Posters presented in this way should also possess a common feature, an instantly recognizable visual point, to connect with material previously presented. This could take the form of a symbol or slogan representing the campaign, the initial letters of the campaign title, a consistent color scheme or even a recurring cartoon-type character. Under rural conditions, posters may act as frequent reminders and persuaders.

In common with other forms of visual aid, posters should not be left on display for too long a period. An old poster is not the best way to communicate a new idea.

Points to remember about posters are:

1. Posters must make a positive approach--for example: "Shop co-op!"
2. The content of a poster must be limited: it must achieve a lot in a short time; one point only should be clearly made.
3. The message may be conveyed in bold lettering, with an illustration to reinforce and make the idea memorable, especially for illiterates or neoliterates.
4. A short catchy phrase may help: use might be made of alliteration or rhyme.
5. Message and illustration must be clear enough to be read at the required distance: style and size of both lettering and illustration are important.

### Teaching Charts

Cooperative training officers working under adverse rural conditions will find that charts are one of the most useful forms of visual aid. They are light in weight, easy to present, and may still be utilized when conditions do not permit the use of more sophisticated media.

A teaching chart is essentially an aid to formal education, although it may also be used to create talking points and stimulate discussion in cooperative meetings.

For the presentation of some types of material it is clearer and more colorful than the chalkboard, and can be used in place of chalk-

board diagrams, thus saving time and preparation before each session. Lettering may be incorporated, but generally only a minimum is required. Too much printed matter:

- (a) detracts from the spontaneous presentation of new items
- (b) adds confusing detail

The best answer may be found by using the chart in conjunction with a written chalkboard summary, completed point by point.

Teaching charts have more content than a poster, less than a wallchart. When preparing teaching charts, it is best to aim to create a clear overall impression of the subject matter, carefully avoiding small work and superfluous detail. It is doubtful if a teaching chart measuring less than 55 x 38 centimeters (22 x 15 inches) would be of much value except for very small audiences. All diagrams must be clearly visible from the back of the meeting room.

The size of any lettering used is important. Cursive or free-hand writing on a chalkboard needs to be between 5 and 6 centimeters (2 and 2½ inches) in height, but block lettering of smaller dimensions may be equally effective. As this is largely a question of style, experiments must be tried, the clarity of such work assessed under actual working conditions, and then any modifications made. Teaching charts can:

1. Save time spent on preparing elaborate and repetitive chalkboard work.
2. Make better use of color and contrast than is possible with the chalkboard.
3. Form an aid to the accurate presentation of material.
4. Permit the use of mounted pictures cut from magazines or newspapers.
5. Be used in conjunction with the chalkboard.

A teaching chart should not be designed to stand on its own. Points are presented and summarized by the instructor, not by the chart.

### Flip Charts

Turnover or flip charts are of special value when sequence presentation is required in situations where a filmstrip or slide projector

cannot be used. A collection of charts is arranged in a predetermined order and fastened together at the top edge. Thus when one point has been presented, the first chart is turned up and over to reveal the second. With this method a composite visual image can be built up stage by stage, and a written summary included if the points are made in a pictorial form. The technique represents an advance on the presentation of a single teaching chart.

Charts arranged in sequence for turnover presentation may be clamped between two strips of wood and secured with screws or small nuts and bolts, or alternatively the charts may be laced together through holes punched on the top. Any method of securing the charts should allow for a change of order or the insertion of new material.

Some consideration must be given to the selection of the basic material. The paper used should be of good quality, capable of withstanding a considerable amount of flexing. Charts made up out of mounted cutouts and captions are best avoided for this type of presentation.

Turnover charts are a good means of maintaining interest during the course of a training period. The knowledge that more material is yet to be presented:

- a) acts as a stimulus to thought
- b) helps to retain attention
- c) encourages the viewers to anticipate the next step

thus stimulating and encouraging audience participation,

It should be remembered that aids which create audience participation help people find their own answers, and contribute to the best possible teaching technique.

#### Basic Equipment for Making Posters and Charts

Individual preferences for equipment and methods can only be determined by practical experience and the availability of material. The following list is given as a guide to the selection of some basic equipment:

1. Drawing board and T-square, if possible, save time in layout work
2. Soft grade of pencil
3. Ruler

4. Eraser
5. Steel pens or felt-tip pens
6. Colored inks for use with pens
7. Lettering guides and stencils of various sizes
8. Poster color and brushes
9. Variety of colored paper, plain bold colors
10. Supply of white cartridge paper, available in many weights or qualities
11. Plain brown paper or gray sugar paper for use as the base material for pasted-up charts
12. Rubber or latex-based adhesive
13. Tube of quick-drying adhesive

### Flannelgraphs

The flannelgraph is a most adaptable and flexible teaching aid. The user is able to present material to his students at the requisite moment, and is thus able to build up a composite picture step by step. Drawings, titles, illustrations and headings may be added at will, and associations clearly demonstrated. Material can be rearranged, developed and simplified at will. The principle is so closely allied to the learning process that its effectiveness depends solely on the careful choice of material, and the care and skill of the user.

Pictures, illustrations, captions and other symbols prepared on light card or stiff paper are backed with a light fluffy material. When these items are placed on a board covered with a similar material, the fibers of the two interlock on contact, and a light temporary adhesion takes place. If the flannel board is lightly brushed before use, this adhesion is improved.

### Magnetic Boards

This aid is particularly suitable for use by the cooperative training officer who finds it necessary to conduct training and educational programs in the open air. It possesses all the flexibility of the flannelgraph, and even moderate gusts of wind cannot move the symbols kept in place by magnetic attraction. The working surface of

the magnetic board is usually coated with chalkboard paint which not only gives it the requisite matt background, but also facilitates the use of both chalk and magnetic symbol on the same surface.

The preparation of material for the magnetic board involves little more than the preparation of flannelgraph material. Lettering and drawing methods are employed in the usual way, and the prepared work is mounted on card. Small magnets are then secured to the back of the prepared material with a strip of Scotch tape. A plastic magnetic strip which may be cut into convenient lengths is currently available, and is less expensive than individual metal magnets. In either case, the magnets may be glued to the back of the teaching material, but there are two advantages to be gained from the use of Scotch tape. A film of tape covering the magnet will reduce the possibility of damage to the painted surface of the board. Magnets so secured may be quickly removed and mounted on another aid, thereby reducing the overall cost.

A sheet of tinplate or galvanized iron (it must be a ferrous metal) glued to a piece of wood or hardboard will make an excellent magnetic board. Both wood and metal surfaces should be well scratched with an old hacksaw blade before the adhesive is applied, as this provides a better "key." Adhesive of the contact type (that used for fixing plastic tabletops or working surfaces is admirable) should be spread evenly over both surfaces and allowed to dry before they are brought together. As this type of adhesive acts instantly and there is no possibility of correction if the two surfaces are misaligned, results are best if the metal surface is bent slightly, brought into contact at one end and then rolled onto the timber or hardboard.

## 5. Projected aids

### Slide and Filmstrip Presentation

Slides and filmstrips can be used in an extremely compelling way by a cooperative training officer who has prepared his material with care. If yet again emphasis is laid upon the importance of adaptability and flexibility in use, it is because the most flexible forms of visual aid are normally the most successful in practice. This is especially true of still picture projection, for the screen can both command and hold attention. The quality of the commentary must of course be stimulating and should aim to lead and direct the eye toward the significant features contained in each picture, and furthermore the rate of presentation of new material can be adapted to meet the needs of the audience. This may vary from group to group, and can only be assessed at the time. Quick reference may be made to an earlier stage in the program and direct audience participation encouraged. Significant frames may also be reshowed for the purposes of consolidation and reinforcement.



The commentary should flow naturally and easily. Although occasional pauses may be made to vary the pace, this should not be overdone or attention and interest may be lost. The presenter is normally out of sight of the audience and may no longer rely on appearance and gesture to aid his expression. As his voice is the only means of maintaining a direct relationship with his audience, he should at least sound as if he is enjoying his work.

### The Episcopo

The episcopo is the only piece of equipment capable of projecting nontransparent material. The light from the projector lamp is concentrated on the opaque material held in close contact with a glass plate, and the reflected image of this material is directed through the projection lens and focused on the screen. Illustrations, diagrams from books and any printed matter of appropriate size may be presented directly without the need for any intermediate process. There is much in favor of the system. Material can be gathered from all sources, and that of limited availability is readily shared by all. The episcopo may not be an aid of primary importance, but it can be most useful for supplementing other forms of presentation. It is better suited to more permanent installations in training centers and schools.

### Film Presentation

It must be remembered that, when films are used for purposes of education and training, the film in effect takes over from the lecturer. It is the producer of the film who decides exactly what material is to be presented, and who further determines the rate and mode of presentation. As films are expensive items, it is usually necessary to be economical, and the tendency is to present as much material as is practically possible in a short space of time. This frequently results in a veritable flood of information. Although a film may be generally very informative and may provide an extremely good introduction to a subject, much detail of a more specific nature will be lost with only one viewing. It is therefore necessary to prepare the audience with some care. If they know what to look for in a film, they will derive more benefit from it. There is a very strong case for review and a second showing of a film used as an integral part of a training program.

Super 8 (with or without sound) is the most practical film format to use for the recording of different aspects of local cooperative projects. It is relatively easy to have processed and to edit. Super 8 cameras and projectors are easy to use and there is less chance of breakage through rough handling or climatic conditions than to the much more sophisticated (and complicated) 16 mm equipment.

Super 8 sound equipment and film is now available in many developing countries. It should be remembered that most Super 8 sound cameras do not allow one to dub in a sound track on the magnetic ribbon in the film once the film has been exposed. Therefore, the combination of a silent Super 8 film and a taped soundtrack (placed simultaneously on a tape recorder) is recommended for those who want to include a pre-recorded commentary to go along with the visual images.

The projection of films in rural areas often is a problem due to the lack of a power supply. Well-financed cooperative projects may find it beneficial to consider the purchase of a "Cine-Van" or vehicle that has the necessary power supply and projection facilities built into the rear part of the cabin.

Media Consult in Denmark markets a Cine-Van which may be fitted with either Super 8 or 16 mm sound projection facilities. An acrylic screen is installed in the back door of the van and films may be projected successfully (through rear-screen techniques) even in broadest daylight. The vehicle itself is a Renault 4L Van. The entire package runs about \$4,500 (not including freight or taxes). Further information on this and other possible adaptations is available from: Media Consult, Admiralgade ZZ, DK-1066, Copenhagen K. Denmark. (See Appropriate Technology magazine, February 1977 issue, pp. 25-26-Ed.)

#### 6. Tape Recorders

The tape recorder may have a special application to programs of cooperative education and training. The following points are capable of adaptation and expansion:

- a. Tape messages from notable persons, especially those holding high rank in public life, may be used to add impetus to a new scheme or cooperative development program. A tape-recorded message played over to a study group can add that personal touch which it is hardly possible to convey through the medium of radio. This would help show personal concern for the welfare of a community, and could play a considerable part in the development of good attitudes toward new ideas.
- b. The tape recorder may be used in conjunction with broadcasts. For example, the times of day available for the broadcasting of educational information on a particular network may not be at peak listening hours or at times convenient for prospective cooperative members. However, good quality recordings of radio programs are quite easy to make with a direct link between the radio set and the tape recorder. (Under normal circumstances the microphone need not be used.) Recordings or selections from recordings can then be used

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during the course of training sessions. A library of tapes may be built up for general use.

- c. In some communities, drama as a means of expression and entertainment carries a high rating. Certainly dramatic interludes and conversation pieces can be used to pose problems and stimulate the kind of discussion that would lead to a group suggesting and seeking solutions to their own problems. Short dramatic interludes written by cooperative training officers who have a knowledge of the particular problems could be recorded with the assistance of associates sympathetic to the work at hand. Not many helpers are needed, sometimes a dialogue or "family circle" form of conversation are all that is necessary. Too many different voices add confusion and make it difficult for the listeners to follow the development of an argument. It need hardly be mentioned that voices with similar characteristics should not be used, and that none of the voices on the recording should be instantly recognizable. The cooperative training officer would need to disguise his own voice if he were a participant in the recorded interlude.
- d. In some training situations, it may be of value if messages recorded by members of one cooperative are played back to another group of prospective cooperative members, or an exchange of ideas might take place between those groups with similar problems. Here care must be taken, or such an interchange might have the adverse effect of discouraging one group if there is any form of incompatibility or long-standing rivalry between the two communities.
- e. Commentaries to accompany the use of filmstrips or slides may be pre-recorded, and audible but not distracting cues recorded on the tape at suitable intervals to indicate the time for a change of picture. Alternatively, adhesive jointing tape may be stuck onto the uncoated side of the tape to provide silent but visible cues. The tape recorder must, of course, be situated in a position where it can be easily seen under semi-blackout conditions.

It must be understood that when this method is employed, the presentation loses its flexibility--it is no longer under the direct control of the instructor. The rate of progress is strictly controlled by the tape. Against this should be set the advantage of having a carefully worked out commentary. The accuracy and freshness of the presentation are thereby assured.

This technique is capable of some development. New voices may be added and may be identified with characters appearing

on the screen. This form of drama, conversation set against frequently changing pictures, can be surprisingly effective. Question and answer techniques may also be used during the course of the commentary, and slides could be specially taken for use during the course of a general training program at little expense. Suitable background music played by gramophone may also be recorded, lowering and raising the volume to coincide with the commentary. This type of work is well within the scope of amateurs when first-class cine photography is not. It is also very much cheaper. It may be useful to know that many automatic slide units facilitate the automatic changing of slides at the appropriate places in the commentary.

- f. For the training of groups in methods and procedures at cooperative meetings, a much abbreviated recording of a typical meeting could be made and played over to the group to demonstrate specific points. Correct and incorrect methods might be shown, and points drawn out to indicate the safeguards incorporated for the protection of the rights of members.
- g. The use of a commentary recorded on tape in conjunction with a Super 8 mm cine projector.

## 7. Radio Broadcasts

Radio is perhaps today's most used medium of communication. From the time sound broadcasting came into being over five decades ago, the use of radio has grown so fast in popularity that today it remains virtually unsurpassed by other media. It has become a common household word, knowing no frontier or country, race or tribe, time or space. Even the advent of television has not diminished its effectiveness and popularity.

In the field of education, the use of radio is of particular importance, especially in the developing countries where the extensive use of other media such as the printed word is limited because of such factors as widespread illiteracy and scattered populations, and where television is either non-existent, or if it exists, access to it is confined to a limited population in the urban areas.

Developing countries have become increasingly aware of the vital role of radio in education, not only the school classroom, but also in adult education programs. Experience gathered from various countries of Africa, Asia, and Latin America where radio has been used in adult education programs over the years with highly satisfying results, has proved beyond doubt its potential in this field.

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### Advantages

Consider some of the advantages which radio has over other, more traditional educational methods:

- It can reach illiterates: It does not require the ability to read and write; illiterates can benefit from educational programs presented by radio.
- It is less costly: In terms of the number of people that can be reached, the use of radio compared to other educational methods is relatively cheap, and does not require many teachers, classrooms, etc.
- Coverage: It can cover a wide area and reach more people than any other educational methods.
- No limitation on time or geographical conditions: An educational program can be put on the air at any suitable time, summer or winter, and can feature events of the past or present, and inform of future activities. Where bad weather, bad roads, flooded rivers or a broken bridge might restrict the movement of both teacher and student, the radio medium conveniently brings an educational program to the listener's village or home.

### Limitations

Despite its advantages, the radio has some characteristic limitations, among which are:

- Absence of the visual element (which is enjoyed in films or television). Learning is rendered more effective when the pupil is shown rather than merely told. The radio medium relies on the spoken word; it does not show, it tells. The physical presence of a teacher, which adds to the effectiveness of a lesson in the face-to-face teaching situation, is also lacking.
- No direct question and answer: In a radio presentation there is no direct two-way communication--the flow of information is one-way: from the source to the receiver (listener). Communication theorists refer to the radio as a "deaf ear"--it gives out information but does not receive any.

To summarize the limitations of the radio medium, we must emphasize that face-to-face teaching is, and always will be, the most effective

means of imparting knowledge and skills, as it provides a physical contact between teacher and student, always maintaining a two-directional flow of information. The physical presence of a teacher, his personality and humanity cannot satisfactorily be replaced by any mechanical devices or by the printed word. The use of mass-media, therefore, (radio included) should not be taken as a substitute for face-to-face teaching methods, but rather a supplement to the methods.

## F. STUDY TOURS

(Outline prepared by Kishor: Mohan reprinted, with permission, from "First Get the Facts!" International Cooperative Training Journal, Vol. 1, No. 2, International Cooperative Training Center, Madison, Wisconsin, 1965, pp. 13-17)

The study tour, or field trip, is often a successful means of teaching cooperative members and employees to adopt new techniques and attitudes in their day-to-day routine. The study tour will also serve to reinforce the individual's conception of the cooperative principles and proper management practices.

Ideally, members or employees from a newly-established cooperative should be taken to meet officials from a successful society that is engaged in activities which are similar to those of the tour group's own organization. The tour group should spend a minimum of twenty-four hours at the location of the model cooperative's headquarters, so that they have a chance to meet with staff and members on both a formal and an informal basis. Longer stays of up to several weeks will be more beneficial. Hopefully, tour members will have an opportunity to review the model cooperative's operations in the field, as well as at the organization's headquarters.

Members of the tour group should be presented with a set of guidelines on information that should be asked of local officials during the course of the trip. At the conclusion of the expedition, they should be expected to submit a written report to the education officer of their own society, detailing what they have learned.

The following outline of information that should be obtained by trainees during a visit to a model cooperative was prepared by Kishori Mohan of the Cooperative Training Center in New Delhi, India:

### I. Organization of the Cooperative

- A. Name of the Cooperative with address, registration number and date of registration.
- B. Purpose for organization
  1. Economic need felt
  2. Official initiative
- C. Objective of the Society

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1. Original
  2. Present
- D. Any other relevant information

## II. Cooperative's Membership and Management

### A. Membership

1. Number of members
  - a) Original
  - b) Present
2. Classification of the present membership
  - a) Producers
  - b) Others (specify)
3. Non-members served or not. If yes, how many and who are they
4. Percentage of population served

### B. Managing Committee

1. Size
2. How constituted
3. When constituted
4. Period that members have been holding positions on Management Committee
5. Activities and responsibilities  
(Ask the Managing Committee Members available)
6. How many Managing Committee Members are on village panchayat (Village board)
7. Is there any Managing Committee Member on panchayat samiti (Committee)
8. Frequency of Managing Committee Meetings
9. Attendance at Managing Committee Meetings

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## C. Personnel employed

1. Number
2. Classification
  - a) Trained
  - b) Untrained
3. Terms
  - a) On deputation
  - b) Direct appointment

## D. Membership relations

1. Annual General Body (Memberhip) Meeting
  - a) When last held
  - b) Function performed
2. Membership educational activities, if any
3. In case General Body Meetings are not regular, indicate reasons

## III. The Business of the Cooperative

## A. Operations of the past year

1. Types of services rendered  
(A brief resume of the activities of the institution)

## B. Volume and value of products handled (Give all relevant details for the last financial year, product-wise and service-wise)

1. Marketing
  - a) As commission agents
  - b) As outright purchasers
2. Supplies
  - a) Wholesalers
  - b) Retailers

## V. METHODS OF EDUCATION AND TRAINING

C. Credit Supplies

1. Out of funds borrowed from Central banks
2. Rate of interest charged?
3. Out of share capital and owned funds
4. Total outstanding
5. Total overdues
6. Members in arrears: Number \_\_\_\_\_  
(Specify the reasons briefly)
7. Indicate if any Managing Committee Members are in arrears
8. Procedure adopted for
  - a) Supervision of loan
  - b) Recovery of loans
  - c) Who is in charge of these
9. Problems faced in connection with payment, recovery and supervision of loans and how solved or proposed to be solved

D. Net surplus of the year

E. Surplus, if any, returned to the members during the past

1. In cash
2. By way of shares
3. In any other form

F. Unallocated reserves

G. Business policy

A brief account of the business policy of the institution may be given. For a credit institution the formula for the fixation of credit limit; in a consumers' store, the pricing and purchasing policy, whether credit sales are allowed or not; in a marketing and processing society, the rate of commission and service charges, etc. may be mentioned.

V. METHODS OF EDUCATION AND TRAINING

## H. Cost of Management

1. Operation Expenses .
  - a) Salaries paid
  - b) Commission paid
  - c) Rent, electricity, etc.
  - d) Stationery
  - e) Incidental
  - f) Shortage and losses
  - f) Miscellaneous
2. Cost of management as percentage of turnover working capital

## IV. Finance of the Cooperative

- A. Authorized capital
- B. Value of shares
  1. Government
  2. Societies
  3. Individuals
  4. Nominal
- C. Subscribed share capital
- D. Paid up share capital
- E. Reserve and other funds
- F. Borrowing
  1. Central Cooperative Bank
  2. State Cooperative Bank
  3. Total
  4. Rate of interest on deposits paid
- H. Total borrowing power of the institution (give the basis for the fixation of borrowing power)

## V. METHODS OF EDUCATION AND TRAINING

V. Fixed Assets of the Cooperative

- A. Size and capacity of buildings, machinery, transportation and office equipment
- B. Classes of property owned and rented
- C. Cost, original and additions, if any
- D. Present value
- E. Does the society propose to augment its assets? If so, how, and to what extent?

VI. Public Relations of the Cooperative

- A. With other cooperatives in same field
- B. With general public, educational agencies, and village institutions

VII. Accomplishments of the Cooperative

- A. Increased returns to members and other patrons
  - 1. Higher returns for products sold for members
  - 2. Lower marketing costs
  - 3. Wider market for the product
  - 4. Lower price for items purchased
  - 5. Lower interest rate
  - 6. Others
- B. Increased returns to other farmers in this territory
  - 1. Higher prices for products sold
  - 2. Lower price for items purchased
  - 3. Lower interest rates
  - 4. Others

V. METHODS OF EDUCATION AND TRAINING

- C. Improved quality of goods and better services
  - 1. To members
  - 2. To other villagers
- D. Services rendered that were not obtainable elsewhere
- E. Increased knowledge among farmers of marketing and economic problems
- F. Factors of success or failure in detail

## V. METHODS OF EDUCATION AND TRAINING

# SECTION SIX

## SPECIFIC PROGRAM - RELATED INFORMATION

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A Handbook  
for Cooperative Fieldworkers  
in Developing Nations

Information Collection & Exchange  
Resource Packet Number 5

## I. INTRODUCTION

There are many areas of program-related information that cannot be dealt with in a general sense. In the amount of space that is allocated to this section, it is not possible to furnish detailed information on each type of program that the PCV may be assigned to, but some guidelines can be presented.

The Peace Corps Volunteer who is working with a produce marketing cooperative must be aware of the organizational processes that are involved in channeling the farmer's crop from the village to the consumer in an efficient fashion. The Credit Union Volunteer must have an understanding of accounting practices and organizational problems which are dealt with in this type of society. The Volunteer who is setting up a Consumers' Co-op or a cooperative supply service has to know about keeping shop and practicing inventory control.

Those of you who are organizing handicraft cooperatives or wish to promote increased participation of women in cooperative development should benefit from information that is presented in parts VI and VII, which deal specifically with these topics.

## II. THE PEACE CORPS EXPERIENCE IN AGRICULTURAL MARKETING AND RURAL CREDIT

(Excerpts from Peace Corps Volunteer reports)

I believe one of the biggest errors which we have made is that we started off too big and too quickly. We should have never attempted the marketing of oranges outside of this division on the scale which we did. Unfortunately, we were in a poor financial state and being that the orange season was on, we felt that a gold mine had been placed at our disposal. What we did not realize is that we were heavily lacking in practical experience in this trading game. What was even more shocking is the discovery that we are playing this game with merchants who have years of experience behind them. This is something which is not acquired in one or two trips to Jumba to sell oranges. It is something which needs to be studied like a science. A person has to be somewhat of a market weatherman. He has to be able to enter a market and be able to identify specific signs which will give him some idea of whether there is a storm ahead or clear skies. He has to be able to sense the humidity of the people. Are they hot and sticky to purchase your goods, or are they cool and dry and breezily pass you by. These, and fifty other little signs have to be looked for, identified, weighed against other signs and evaluated. This takes experience, and experience takes years.

PCV/Cameroon

Every Sunday is market day in Cajamarca; the middlemen and the farmers converge on the city Saturday night and Sunday morning. The first striking characteristic of the marketing system is how closely it approximates the Adam Smith classical model of perfect competition: many buyers and many sellers, which allows the free play of Supply and Demand. A second striking feature of the system is that all transactions are done on a credit basis. The farmer agrees to receive payment of this week's vegetables the following Sunday. A third feature is the strength of the bargaining position of the middlemen. The farmer is dealing with perishable vegetables; he must sell them as soon as they are ready for harvest. No contract is signed between the farmer and the middlemen. Although the middleman promises a certain price for his vegetables, if the market happens to be bad, then the middleman will very often cut the price he has offered, and the farmer has no legal recourse. Another variant of this situation is the frequent case where the middleman establishes himself as reliable and good



paying, and then one Sunday buys a huge quantity of vegetables and absconds with the money, never to return.

Enter the cooperative. The cooperative becomes another buyer; it temporarily unites the middlemen. Prices rise. The cooperative enters directly into the homegrounds of the middlemen in one of the big cities: the wholesale market place. By means of unfair competition, they try to bankrupt the co-op by paying higher prices in Cajamarca and selling at a loss in the wholesale marketing place. After a month of this grueling competition, the cooperative suffers a severe financial setback, losing more than 3,000 pesos. It's obvious that in the beginning the co-op can't compete effectively with the middleman in his own territory because the middlemen have three preponderant advantages:

1. The middlemen buy better quality. They are long established in the business and know what farmers produce the best quality. They also know who has what crops so that even in times of scarcity they are able to supply the vegetables their clients need.
2. The middlemen have an established clientele. The majority of their vegetables they sell to their clients at a profit so that whatever remains, they can sell at a loss and still make a substantial net profit.
3. The middlemen have given credit to the retailer who can't buy on a cash basis.

For these three reasons, the co-op didn't have a chance to compete with the middlemen in the wholesale market place. There is another and equally important reason that the cooperative had difficulty, and this relates to the retail marketing structure. There are no large buyers or retailers as in the U.S. The supermarket is just in its infant stage in the larger cities, while large institutional buyers such as the army, jails, and hospitals do not consume garden vegetables in quantity. About 95% of all vegetables are bought by the small retailer who rents a little stall in the large urban market place. Depending on the size of the city, there may be anywhere between 10 to 50 retailers specializing in the sale of garden vegetables directly to the consumer.

After floundering for two months, the cooperative finally solved the riddle of how to compete with the middlemen. There are two distinct cases; in both cases the technique is to avoid him.

#### Case No. 1: A Strategic City of Distribution

The first case is that of a city that acts as a distributing center for smaller surrounding cities. The retailers of these adjacent cities must come to the central city to buy the produce from the

middlemen. The co-op finally hit upon the idea of selling directly to the retailer of the adjacent cities where there are no middlemen. Curiously enough, the same retailers that refused to buy from the co-op in the wholesale market place in the distributing city were now willing to buy from us when we came directly to them in the adjacent city. In the physical presence of the middlemen, the retailer will maintain his loyalty to these particular middlemen.

#### Case No. 2: Large City

The second case is that of a large metropolis such as Bogota or Cali. Again it is suicide to enter the main wholesale market place. However, in the large cities there are several satellite or neighborhood market places in which the retailers must go to the central wholesale market place to buy the produce from the middlemen. The obvious solution is for the co-op to go directly to the neighborhood market places where the middlemen do not go and sell directly to the respective retailers."

PC/Colombia

"The cooperative must try to stabilize the fluctuations of Supply and Demand. Many times there will be one week where there is a scarcity of a particular product and the next week an overabundance. This plays havoc with the prices. The reason for the wild fluctuation of price is due precisely to the lack of information on the production schedule in the region. In order to avoid the wild fluctuation of prices in a short run period, the co-op must make surveys of the members and non-members' harvest schedules of both the type of vegetable and the quantity expected. There is year round production, and most farmers can predict quite accurately when their crops will be ready for harvest."

PC/Colombia

"The making of the first loans was important, because it showed the skeptics that the money was not dropping into a few pockets, as past ignoble experiments had led them to expect. Not only was the money seen again after it was first paid in, but a bank book and other records were always available for anyone's inspection. This was a new phenomena for people who had many times been talked into dropping a few centavos here and there for a proposed project or benefit. The word got around that money was safe in the Cisne credit union, and also that it was possible to borrow more than you put in as savings. This drew

## II. THE PEACE CORPS EXPERIENCE IN AGRICULTURAL MARKETING AND RURAL CREDIT

a few sharpies who thought they could make a small deposit, take a big loan and disappear, but the credit committee was alert and its new sense of responsibility and long-time acquaintance with the people helped it channel the money to where it would do the most good. As for the borrowers, they knew honor was at stake and, while not experts in cooperatives, did sense the spirit involved. They were pretty good on payments--the few defaults were usually justifiable--and the one percent interest on the monthly balance was less than one-tenth of the loan shark's charge. Naturally more people joined and capital increased, more loans were made and repaid, and the credit union found itself getting a good hold in the community.

PC/Ecuador

This is their first use of credit, and there is a particular Filipino trait found in many here which recognizes receiving money or goods without obligation to repay. Given the situation in Catanduanes and the strength of the bank manager and staff, I feel collateral requirements are justified and should see wider use to impose greater borrower responsibility, in lieu of effective supervision. It then becomes a matter of inspecting the collateral, which is often quite distant. I have made several attempts at facilitating these inspections, which usually are the main cause of loan processing and release delays. The method used has been to introduce the use of a motorcycle, which is ideal for most places here. Having seen the advantages, particularly as inspections provide bank income, I have made every effort to impose an acceptance of and responsibility for a Rural Bank owned motorcycle.

PC/Philippines

### III. AGRICULTURAL MARKETING COOPERATIVES

#### A. INTRODUCTION

(Reference used - Marketing Problems and Improvement Programs, J. C. Abbott, U.N. Food and Agriculture Organization, 1963)

The term "marketing" describes the differing business activities which are involved in the channeling of goods and services from the producer to the consumer. Agricultural marketing in developing countries is the flow of produce from the small farm or commercial plantation to the local user or the foreign purchaser.

Peace Corps Volunteers who are involved in agricultural marketing may be concerned with the buying and selling of foodstuffs on a local basis or with the selling of export crops to commercial buying agents or produce marketing organizations that handle such transactions on the international market.

The following basic characteristics favor the creation of a successful agricultural marketing cooperative:

#### 1. Specialized Producing Areas Which are Distant From the Major Markets

Usually the benefits to be gained are greater if producers are forced to band together to take advantage of large scale transport and marketing facilities in order to get their crop to a distant marketplace.

Those producers who are located in close proximity to the destination of their goods will have a greater opportunity to sell directly to the consumer, and the advantages of marketing through a cooperative will be much less evident.

#### 2. The Concentration of Production

Cooperatives tend to succeed in areas where farms are located within close geographic proximity to one another. This proximity facilitates the grouping and transport of produce. The sharing of technical advice on crop production and the use of cooperative-owned spraying and harvesting equipment is easier to organize under these conditions.

#### 3. Similarity of Product and Production Methods

The successful creation of an agricultural marketing cooperative usually depends on the fact that producers farm the same crop, using

### III. AGRICULTURAL MARKETING COOPERATIVES

similar methods. The advantages to potential members, through reduced handling costs and improvement of production methods, will be easier to realize under these conditions.

#### 4. Homogeneity of Population Characteristics

As with all types of cooperatives, marketing organizations will tend to succeed only when the potential members come from similar racial, cultural, and economic backgrounds. People will often distrust those who come from a group different from their own.

#### 5. Areas in Which There are Independent, Unrelated Changes in Annual Output and Demand

The creation of a cooperative will promote beneficial changes in the economic well-being of potential members in areas where farm output and buyer demand fluctuate widely on an annual basis. Cooperatives, with facilities to store produce during times of surplus, will be able to supply a constant income to the farmer during a period when supply is greater than demand, and prices have dropped.

### B. THE ORGANIZATION OF COOPERATIVE PRODUCE MARKETING

The basic operations which make up the cooperative marketing of agricultural produce include:

The grouping of produce; the purchase of goods from the farmer; the transport of the crop to the central distribution area; the warehousing of the produce once it has reached the distribution point; and the sale of the goods to the consumer, buying agent, or marketing organization.

The following factors must be taken into account when setting up a system for the marketing of agricultural produce:

1. The producer must receive a fair price for his produce. In return, he must supply goods that are of top quality and make no attempt to cheat the buyer (i.e., by mixing his produce with stones or other debris which will increase its weight).

2. The marketplace must be organized in a fashion that assures efficient grouping, grading, weighing and purchasing of the produce. The farmer must receive a legible receipt for the sale of his crop. These operations should take place during daylight hours, to minimize the opportunity for trickery on the part of the buyer or the seller.

### III. AGRICULTURAL MARKETING COOPERATIVES

3. The buyer must have sufficient funds at his disposal to purchase all of the produce that has been gathered. He should deal with the farmer in a courteous, yet firm, manner. Grading and weighing must be done honestly.

4. The transport of produce to the central distribution point must be accomplished efficiently. Transportation is usually the major cost in the marketing operation and the misuse of vehicles will mean the difference between a profit and a deficit for the organization that is undertaking the activity. The careless handling of produce and delays that may occur during the transport stage can result in significant damage to the produce that is being handled.

5. The storage of perishable farm products must be handled intelligently so that losses are not incurred on rotten or mutilated goods. It may be desirable to store produce that is in seasonal production over long periods of time to insure a constant supply for the consumer.

6. The packaging of produce (whether it be in jute sacks or in cellophane wrappers) must be done in a way that is convenient and runs no risk of having negative effects on the contents.

7. Patronage refunds must be paid to cooperative members when they are selling their produce, or at the end of the growing season. These refunds should be calculated according to the amount of produce that each member has sold through the cooperative.

8. Careful records of the tonnage of produce that is marketed by each farmer and of the total tonnage marketed by the cooperative must be kept by cooperative officials in order to facilitate the calculation of the amount of the patronage refund per member and to assure that accounting documents are accurate.

9. A calendar that outlines the dates of scheduled pick-ups of produce from each cooperative collection point should be distributed widely throughout the area. Special effort should be taken to follow this calendar as closely as possible to prevent the disenchantment that will result if the members are not able to sell the produce that they have harvested and grouped.

10. Methods of improving crop production through the use of improved planting techniques, and treatment against crop disease and insects should be taught by cooperative agents in order to stimulate an increase in production and revenues. The farmer should also be encouraged to plant the crops that will bring him the highest income and have the greatest nutritional value.

11. Elected cooperative officials must be encouraged to take an active role in the marketing procedure (i.e., as weighers or cashiers

### III. AGRICULTURAL MARKETING COOPERATIVES

in the produce market). Local member participation will increase confidence in the society and decrease the cooperative's overhead costs.

It is suggested that the Peace Corps Volunteer who is working with a produce marketing cooperative take the time to come up with a model system which can be followed by cooperative officials and employees that participate in this activity. Here are a few pointers that should be followed when setting up an organizational model of this type:

- List all steps that are involved in the cooperative's handling of the product, from the moment it leaves the farmer's door until it leaves the hands of the cooperative, and how those steps are to be carried out.
- List all documents that must be filled out during the marketing process, their purpose, and who gets a copy of each.
- Outline the responsibilities of each individual who is involved in the procedure. Make sure that these responsibilities are clear and take into account the level of experience and integrity that can be realistically expected of the person.
- Try implementing this model on a limited scale in several cooperative marketplaces.
- Make the necessary adjustments, and then implement the model throughout the cooperative as a whole.

Putting this outline into effect will take many long hours and a great deal of patience. The goal is to get cooperative officials and employees to handle the marketing of produce themselves in an organized manner. Many seminars and on-the-job training sessions will undoubtedly have to be scheduled before positive results can be experienced.

## IV. COOPERATIVE FORMS OF GROUP CREDIT

### A. AGRICULTURAL CREDIT

#### 1. Introduction

The channeling of agricultural credit to members is normally an auxiliary function of a produce marketing cooperative or a consumer cooperative. This provision of credit is an activity which can contribute significantly to the betterment of the economic and social conditions of the peoples in a developing society.

Frequently, farmers build up ties with commercial traders and money lenders who provide the necessary funds to finance the planting of crops, school tuition expenses, and housing construction at exorbitant interest rates. Savings and significant capital investment in new fields and farm equipment become difficult because the traders and money lenders take much of the producer's income, from the sale of his crop, in loan repayments.

It is the cooperative's role to combat the negative influence of these businessmen by supplying low-interest loans which are allocated after careful consideration of the financial needs of the individual applicant. Any cooperative that is setting up a loan program should appoint a committee (usually comprising members of the Board of Directors and local agricultural and cooperative extension agents) to review loan applications. Initial screening, by cooperative officials, should occur at the village level.

A reasonable schedule of loan repayment should be agreed upon. Repayments should be spaced over a sufficient period of time to allow the farmer to retain a significant portion of his income to meet living expenses and set some money aside in savings.

"Directed Agricultural Production Credit" (DAPC) is a term that has been developed to describe the type of carefully planned and coordinated loan program that we are suggesting. The farmer must meet certain minimum requirements before he is eligible to receive credit under this kind of scheme:

- He must be a cooperative member and have some experience (training or practical) in the type of farming that he is seeking to undertake.
- He must have prepared an investment plan, in collaboration with the cooperative, for the project that he wishes



to start.

- He must be willing and able to consult with agricultural extension agents in order to prepare to implement his project efficiently.
- He must be willing to save a portion of his income from the project in order to finance further investment (hopefully the cooperative has an interest-bearing savings program).

A major feature of the DAPC type program is that the farmer is responsible for the supervision of the utilization of the loan, once it has been granted. It is strongly recommended that loans be granted "in kind" (materials) rather than in cash in order to assure that the loan is put to use on the project for which it is intended.

## 2. Types of Loan

Three types of loans shall be discussed here:

### Short-term Loans

Short-term loans (of up to twelve months) are the most common type. Normally capital availability for loan programs is limited, so that the cooperative has difficulty in providing loans for an extended period of time. The farmer should learn to manage small amounts of loan capital for a short period of time before he takes on a larger project. Hence the reason for starting with short-term loans.

Short-term loans can have many purposes; here are a few of them:

- To buy seed, fertilizers, fungicides, herbicides, tools, and small machinery.
- For soil preparation and small-scale farm improvements.
- For establishing poultry, swine, and livestock production (from which profits can be realized in the short term).
- As an advance on crops or livestock sales to allow the farmer to meet his living expenses.
- For any other expenses which are related to the farmer's agricultural enterprise, whose returns may enable the borrower to make repayment in the short term.

## IV. COOPERATIVE FORMS OF GROUP CREDIT

### Medium-term Loans

The cooperative should generally refrain from making any medium-term loans (of from 1 to 5 years) until the cooperative's long-term financial position appears sound and until the short-term financial requirements of members have been met. The cooperative should also wait until members have displayed sufficient willingness and ability to repay short-term loans.

Some of the uses of medium-term credit include:

- The purchase of farm machinery
- The purchase of livestock
- Irrigation projects
- The construction of a house
- The creation of a plantation which may take several years to be put into production

### Long-term Loans

The cooperative should not make any long-term loans (of from 5 to 20 years) until it is a well-established organization in an excellent financial position. Only farmers who have displayed promptness and reliability in repaying short and medium term loans should be considered for this type of arrangement.

Long-term loans may be used:

- For the purchase of land
- For major farm improvement projects
- For the transfer of the family farm from the parents to the children

### 3. Procedures in Granting a Loan

- a. The member determines what type of project he wants to undertake. This decision should be made after the member has consulted available educational materials and has discussed the matter with extension agents to pick the type of project that insures the greatest profit.

- b. In collaboration with extension agents and the cooperative manager, the member draws up a feasibility study which identifies the goals of the project, details the expenditures that are necessary, and estimates the income that can be expected from the activity. This study is submitted to the credit committee of the cooperatives along with a completed loan application.
- c. The loan application is analyzed by the credit committee of the cooperative. Among the factors that are considered by the credit committee are:
- Is the objective of the project sensible?
  - Are the necessary resources (in land and labor) available to complete the project?
  - Is the projected income realistic and can the loan be repaid with a margin to spare?
  - Will the member be able to realize any savings from his new income?
  - Do the member's present production statistics and prior loan repayment record indicate that he has the capability to fulfill his financial obligations?
  - Have extension agents been consulted during the preparation of the feasibility study and loan application?
  - Is the applicant a loyal cooperative member?
- d. If the loan is approved, a reasonable repayment schedule and interest rate must be agreed upon. Will the loan repayments be deducted from the farmer's sale of produce to the cooperative or can the farmer be trusted to make regular cash payments? It has already been stated that it is safer to grant loans "in kind" (i.e. materials such as seedlings, fertilizer, and building materials) rather than supplying the member with large sums of cash which can be stolen or squandered inadvertently.
- e. The final process is the recuperation of the loan. The cooperative must have a well-organized method of accounting for all loan repayments. If repayment is being made when the member sells his crop at rural produce markets, the cooperative must have reliable agents that attend these markets and keep careful records of all cash that is redeemed.

(The Directed Agricultural Production Credit Manual, Percy Avram, 1974, pp. 11-5, was used as a guideline in the preparation of this segment).

#### 4. A Sample Feasibility Study

(Reprinted from Agricultural Credit Manual, Central Bank of the Philippines, Manila, 1972)

The following feasibility study was prepared for the production of one hectare of lowland rice in the Philippines:

#### ESTIMATED COST OF PRODUCTION PER HECTARE OF LOWLAND RICE

##### Materials:

Seeds: 1-1/3 cavans* at an average of P35.00/cavan	P	47.00
Fertilizers:		
3 bags complete (14-14-14) at P32/bag - P96.00		
3 bags Urea at P35.00/bag - <u>70.00</u>		166.00

##### Chemicals:

50 Kg. Lindane at P80.00		
2 packages Sevin (20 x 1/2 Kg.) at P9	18.00	
3 Kg. BHC - P2.00/Kg.	6.00	
10 btls. (24 x 360 cc) Shell 2, 4-D Ester at P2.50/bottle	<u>25.00</u>	129.00

##### Labor Costs:

Land Preparation (plowing, seedbed preparation, harrowing) 22 man-animal days at P7.00/day		154.00
Planting (pulling, transplanting, replanting, irrigating, draining, fertilizing, spraying, weeding, harvesting, etc.) 80 man days at P4.50		360.00
Others:		
Irrigation fees at P60/hectare		60.00
Threshing fee at 5% of the gross production (5 cvs. at P19.00/cavan)		<u>95.00</u>

Total P1,011.00

\*1 cavan = 2.13 bushels

#### IV. COOPERATIVE FORMS OF GROUP CREDIT

COSTS AND RETURNS PER HECTARE OF LOWLAND RICE

## Gross Production and Farm Income:

Sales of 100 cavans at an average P19.00/cavan	P1,900.00
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## Expenses:

Farm Operating Expenses	<u>1,011.00</u>
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Net Income	<u>P 889.00</u>
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LOAN BUDGET AND SCHEDULE OF RELEASES

## First Release:

Expenses for the purchase of seeds, land preparation and others -	P 297.00
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## Second Release:

Expenses for the purchase of fertilizers, chemicals, pulling of seedlings and transplanting -	459.00
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## Third Release:

Expenses for weeding, spraying, harvesting, threshing and for irrigation fees	<u>194.00</u>
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Total	<u>P 950.00</u>
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Note: The cost of farm supplies and price of produce herein illustrated are based on mere estimates and assumptions and are subject to price fluctuations. Similarly, use appropriate values in your locality.

## B. CREDIT UNIONS

### 1. Introduction

Credit unions are cooperative organizations that are founded for the express purpose of providing their members with an efficient savings and loan service. They should conform to the general cooperative principles that are outlined in Section One of this handbook.

Credit unions stress wise and regular savings on the part of their members. They serve to mobilize the combined small savings of the individual members into a powerful instrument with which the developmental process of a region can be facilitated. Credit unions are excellent instruments with which to demonstrate the advantages of mutual self-help programs.

Whereas agricultural credit programs may receive much of their loan capital from outside assistance organizations, credit unions are generally self-financing. Credit unions do not limit their lending activities to production-related projects. They normally provide loans which deal with the full range of financial necessities of their members, from paying for a family wedding to subsidizing a motorcycle repair. Credit unions are usually single-purpose organizations; they are rarely associated with multi-purpose cooperative societies.

In the past two decades, the credit union movement has enjoyed tremendous growth throughout many of the developing areas of the world. Credit unions normally have the best record of success, combined with self-sufficiency, of all cooperative projects that are attempted in countries of Latin America, Africa, and Asia. Much of this achievement can be attributed to the strong guidance that is provided through the well coordinated, locally appropriate services that are offered by the Credit Union National Association (CUNA) and the World Council of Credit Unions (WOCCU). Regional credit unions are linked by apex organizations on both the national and the international levels (such as the Africa Cooperative and Savings Association and the Asian Council of Credit Unions).

### 2. Some Basic Ideas to Remember in Credit Union Work

- a. In order to save money successfully, the individual must get into the habit of putting money aside on a regular basis. The member should be encouraged to deposit money with the credit union as soon as he receives his paycheck or crop payment.

## IV. COOPERATIVE FORMS OF GROUP CREDIT

b. Repeated Deposits and Withdrawals

The credit union member who deposits and withdraws money on a daily basis has not fully understood the responsibilities and benefits of membership in the society. Besides providing a headache for the bookkeeper, he is nullifying the effect of having his money deposited in an interest-bearing account. Members should be counseled to plan their savings activities carefully.

c. The Size of Loans

A counseling session between the credit union loan advisor and the potential borrower should take place before any credit application is approved. Certain basic questions should be asked of the borrower:

--How much money does he really need to borrow? How can this money be spent most wisely?

--What is the borrower's anticipated income? Can the loan be repaid without putting any undue stress on the borrower's finances?

The credit union loan advisor should be a sympathetic individual who treats members with dignity when they come in, in need of credit. He must also be firm and be able to make realistic and impartial decisions when considering applications.

d. Interest on Loans

Most new credit unions charge 1% a month (12% a year) simple interest on loans. Once the credit union has been established for a few years, it may find that because of a more efficient operation it can reduce interest rates. This may be achieved by issuing "interest refunds" which occur when the union credits a certain percentage of the interest that the individual has paid during the previous year to his share account.

e. Dividends

Most credit unions pay their members a dividend on their savings at the end of the fiscal year. Normally, this is added onto the share capital, although the member may elect to receive a cash payment. Ideally, these dividends will be used by the credit union to finance local development projects.

f. Association With Other Credit Unions

Local credit unions will benefit greatly from membership in regional, national, and international credit union organizations. By pooling their capital, a group of small primary or local societies can increase their economic power greatly. Benefits also lay in the increased availability of educational instruction in management, auditing, and promotion techniques, which result from membership in a credit union league.

g. The Credit Union Treasurer

In most small credit unions, the treasurer performs the role of manager. He is in charge of all money that the credit union collects or disburses. The treasurer often serves as the credit union's loan officer and supervises the collection of loans. A patient, efficient, and honest man is needed for this job.

(The above guidelines are based on portions of the book, Credit Unions: Theory and Practice, Jack Dublin, Wayne State University Press, Detroit, 1971)

3. Credit Union Bookkeeping and Financial Statements

(Reprinted, with permission, from Credit Unions (Theory and Practice), Jack Dublin, Wayne State University Press, Detroit, Michigan, 1971, pp. 103-129)

Credit unions are a very simple form of business organization. They deal in only one commodity--money. And with few exceptions they deal only with their members. But like any other business organization they must keep records of their transactions and they use these records to produce reports that show the results of their business operations.

Bookeeping records are maintained to show how much money has been received from members for entrance fees, shares, payments on loans and payments on interest; and how much money has been paid out to members for loans and withdrawals of shares; or paid out for operating expenses. With this information the treasurer can draw up a statement of income and expense that provides for each month and finally for the entire year the results--earnings or losses--from putting the members' money to work, and shows the sources of the income and the kinds of expense that brought about these results. Using the same information in another way, the treasurer prepares a balance sheet at the end of each month that shows the credit union's position in terms

IV. COOPERATIVE FORMS OF GROUP CREDIT



of what it owns and what it owes.

Most credit unions keep their bookkeeping records on a modified cash basis, that is, they record each transaction on their books as the cash is received or paid out. Thus it is relatively easy for the credit union to determine its earnings and its financial position at any given date.

This paper is intended to help with an understanding of the basic bookkeeping system used by most credit unions, and thereby to explain the meaning of the credit-union financial statement.

## PART I

### Credit Union Bookkeeping

Let us start by reviewing briefly the theory on which the credit union bases its bookkeeping system. First, we recall that the credit union is a cooperative, doing business almost entirely with its members, but at the same time it is a business organization incorporated under a law which gives it legal status as a corporation to own and to owe. When members invest their money in shares of the credit union they exchange that money for certain legal rights in relation to the credit union. The credit union as a corporation owes them money for their shares. When they borrow money from the credit union, they are not borrowing their own money, they are borrowing money belonging to the corporation which has certain legal rights in relation to the member who has obtained a loan. The credit union owns the right to collect the loan.

Bookkeeping terminology uses the word "asset" to describe something that is owned, and the word "liability" to describe something that is owed. Members' shares, and reserves and earnings of the credit union that are being held for the members, are a special kind of liability which may be called "ownership" or "capital" but for our purposes in this paper they will be referred to simply as liabilities.

Like other modern businesses the credit union uses the double-entry system of bookkeeping. Actually this system is centuries old, having its origins in ancient Rome and having been perfected by the Venetians of the 1400s. It is self-balancing and it minimizes errors or makes it easier to locate them when they do occur. Two entries are made for every transaction and two words are used to describe them, on the theory that every transaction involves a value received and a value given, that both these values are equal in amount and both must be recorded at the same time. These two entries are made on bookkeeping stationery that is divided into a column of figures on the left and a column of figures on the right.

These two words, which we shall encounter throughout the manuals and guidebooks on credit-union bookkeeping procedures, are -

Debit--(from the Latin "he owes") to record acquisitions of an asset, or something that is owed to the credit union, by a debtor. Debits are recorded on the left side of the bookkeeping form.

Credit--(from the Latin "he entrusts") to record recognition of a liability or something that the credit union owes to a shareholder or other creditor. Credits are recorded on the right side of the bookkeeping form.

When the credit union receives money from a member or pays out money to a member it records changes in the asset and liability accounts by appropriate debits and credits. We could say in other words that it changes the amounts of what it owns and what it owes by appropriate notations on the left-hand side and on the right-hand side of bookkeeping stationery. Let us take a few examples of typical transactions in a credit union using dollar currency, with shares valued at \$5.00.

The credit union credits shares, giving a member's share account credit for \$5.00 when he invests in one share; and debits the Cash-in-Bank account for money which the bank, where the money is deposited, owes to the credit union.

Entry No. 1.	Debit--Cash in Bank	\$5.00	
	Credit--Shares		\$5.00

Or the credit union lends \$500. to a member, recording by a debit to Loans that the member is in debt to the credit union on a \$500.00 loan; and recording by a credit to Cash-in-Bank the reduction in the amount of money which the depository bank owes the credit union now that this money has been paid over to the borrowing member.

Entry No. 2.	Debit--Loans	\$500.00	
	Credit--Cash in Bank		\$500.00

When the member withdraws \$1.00 from his shares, the credit union pays him the cash out of its bank account; the credit union debits the member's share account to show that it owes him less money--it has reduced the liability for shares. At the same time the credit union owns less cash in the bank so it gives credit to that asset account.

Entry No. 3.	Debit--Shares	\$1.00	
	Credit--Cash in Bank		\$1.00

When the member pays back to the credit union \$100.00 on his loan, the credit union gives him credit on his loan account for the payment and likewise debits the Cash-in-Bank account to show that the bank owes more money to the credit union for the amount deposited.

#### IV. COOPERATIVE FORMS OF GROUP CREDIT

Entry No. 4.	Debit--Cash in Bank	\$100.00	
	Credit--Loans		\$100.00

Most of the credit union's bookkeeping is involved with share and loan transactions with its members. However, there is another activity which goes along at the same time and which requires more bookkeeping. The credit union puts its money to work mostly in loans to members but also in investments, and this results in earnings or income for the credit union from the interest collected. In running the credit union expenses are involved which use up some of the income. The net earnings for any given period (accumulating into undivided earnings yearly) are the amount by which the income exceeds the expenses in that period. Or a loss results if expenses exceed income. The business year for most credit unions is the same as their calendar year, but it can be any twelve-month period. Credit unions usually prepare financial statements showing their income and expenses for each calendar month, although the most important statement is that for the business year--the annual statement--which is a part of the treasurer's report to the members at their annual meeting.

Income and expense transactions are also recorded by debits and credits, on what might be called Temporary Accounts. The Temporary Accounts provide a chronological record of the activities of each year that shows whether the business operations of the credit union result in any added value to the members' shares. If there is any added value, it is owed to the members and eventually paid to them in dividends or other ways. Since each year's income and expense accounts are closed after they have served their purpose, they are called temporary or "nominal" accounts, as compared with the permanent or "real" asset and liability accounts that continue month after month as long as the credit union exists.

The credit union credits its income accounts for money it receives as interest on loans, or interest on any of its investments. It debits the expense accounts for money paid out for the various costs involved in operating the credit union, such as stationery, league dues, or insurance. Income adds to the assets of the credit union, and expenses reduce the assets. Sometimes expenses are not paid for in cash; instead the amount of the expense is owed to a credit and, up to the time it is paid, is a liability of the credit union.

Here are some typical examples of income and expense transactions: The credit union credits its Interest-Income account for \$1.00 when a member pays interest on his loan in that amount. It debits the Cash-in-Bank account for the same amount deposited in the bank.

Entry No. 5.	Debit--Cash in Bank	\$1.00	
	Credit--Interest Income		\$1.00

The credit union purchases \$15.00 worth of bookkeeping stationery from the league and pays for it with a check. The Expense account is debited for this addition to the cost of operating the organization, and Cash in Bank is credited to reduce the asset (Cash in Bank).

Entry No. 6.	Debit--Expense		
	(Stationery)	\$15.00	
	Credit--Cash in Bank		\$15.00

Or on another occasion the credit union buys stationery from the league, but instead of paying cash for it, leaves the amount owing as a liability on an account payable to the league.

Entry No. 7.	Debit--Expense		
	(Stationery)	\$15.00	
	Credit--Accounts Payable		\$15.00
	(Credit Union League)		

When the league account is paid with a check, the liability is reduced by a debit to the Accounts Payable while the asset account for Cash in Bank is reduced by a credit.

Entry No. 8.	Debit--Accounts Payable		
	(Credit Union League)	\$15.00	
	Credit--Cash in Bank		\$15.00

### Three Rules

Let's pause for a refresher now and go back over these illustrations, with a few rules in mind. Like any other rules, these must be memorized, but maybe they will make more sense to us now that we have studied some actual examples of credit union bookkeeping transactions.

Rule No. 1: Every transaction of the credit union is recorded on its books and records in two parts, on opposite sides of an account--

a debit--that goes on the left side and its opposite  
a credit--that goes on the right side

And for every transaction the debits must equal the credits.

Rule No. 2: The credit union keeps two sets of accounts: the Permanent Accounts show what the credit union, at any time, owns and what it owes, known as

Assets (what the credit union owns)  
and  
Liabilities (what the credit union owes)

the Temporary Accounts, used on an accounting-period basis (usually annually) to show what income the credit union has taken in, and what expenses it has incurred, from the operation of its business are known as

Income (what is received for the use of its money)  
and  
Expense (what is paid out to operate the business)

Rule No. 3: All of the accounts are increased or decreased by debits or credits, according to the theory that every transaction involves a value received and a value parted with, and this results in adding to what the credit union owns or what it owes. Thus--

on the Permanent Accounts

Assets are increased by debits, signifying that a member or someone else owes something to the credit union. Assets are reduced by credits.

Liabilities are increased by credits, signifying that the credit union owes something to a member or someone else. Liabilities are decreased by debits.

on the Temporary Accounts

Expenses are increased by debits, signifying that the credit union has given up something of value, thus reducing what will be added to the value of the members' shares at the end of the business year.

Income is increased by credits, signifying that the credit union has received something that adds to the value of the members' shares and is therefore included in what is owned to the members.

### Closing Entries

At the end of the credit union's business year, which is usually the same as the calendar year, a special account called "Profit and Loss" is used to compute the earnings or loss resulting from the income and expenses of the year. All of the temporary--income and expense--accounts are closed by transferring their balances to Profit and Loss. If the credit union has earnings to show for its year's activity, some of these earnings are immediately set aside in a legally required or statutory reserve for losses on loans, or other reserves, according to the requirements of the bylaws of the credit union. The remainder of the earnings can be used for dividends on shares to pay the members for the use of their money during the year. If the computation shows that the earnings will be more than sufficient to build the reserves and to

pay a reasonable dividend, some of the interest income can be returned to the borrowers who paid it during the year. This is known as an interest refund. All entries used for these year-end computations and transfers are called "closing entries."

The illustrated examples show how the bookkeeping entries appear in the Journal and Cash Record when the closing entries are made at the year-end:

Closing Entry A.

Debit-Interest Income	\$446.00	
Credit-Profit and Loss		\$446.00
Debit-Profit and Loss	\$246.00	
Credit-Expenses		\$246.00

(To close income and expense accounts to Profit and Loss)

Closing Entry B.

Debit-Profit and Loss	\$ 40.00	
Credit-Statutory Reserve		\$ 40.00

(To transfer 20% of net earnings to the statutory reserve)

Closing Entry C.

Debit-Profit and Loss	\$160.00	
Credit-Undivided Earnings		\$160.00

(To transfer remaining 80% of net earnings to undivided earnings)

Closing Entry D.

Debit-Undivided Earnings	\$132.00	
Credit-Dividends Authorized		\$132.00

(To record dividend authorized to be paid to members)

If the dividend is paid by crediting each member's share account with the amount of his dividend, another non-cash entry is made as follows:

Closing Entry E.

Debit-Dividends Authorized	\$132.00	
Credit-Shares		\$132.00

(To record payment of dividend by credits to the members' share accounts)

Or, if the dividend is paid in cash to the members, the entries would be:

Closing Entry E-1.

Debit-Dividends Authorized	\$132.00	
Credit-Cash in Bank		\$132.00
(To record payment of dividends in cash)		

In actual practice none of the closing entries should be made on the books of the credit union until after the treasurer has computed on work papers the amount of the credit union's earnings, the maximum amount of dividend that can be paid, the amount of the actual dividend authorized by the board of directors or by the membership, and the amount that may be available for an interest refund.

For example, it can be seen from the Closing Entries A-C that the credit union has \$28.00 more than enough earnings to pay the four per cent dividend that had been authorized, after the required transfer of earnings to the reserve account has been made.

Interest Income	\$446.00
Deduct: Expenses	- 246.00
Net earnings	\$200.00
Deduct: 20% to statutory reserve	- 40.00
Undivided earnings	\$160.00
Deduct: Dividend Authorized	- 132.00
Remaining undivided earnings	\$ 28.00

Knowing this, the treasurer might recommend an interest refund to be deducted from the Interest Income and returned to the borrowers before closing entries are made as shown above. A look at the Interest Income account shows that a total of \$446.00 was collected from the borrowers during the entire year. If \$28.00 is left in the earnings after 20% of the earnings have been transferred to reserve, then \$28.00 equals 80% of the total earnings, \$35.00, that would be available for an interest refund if no such transfer were necessary. \$35.00 works out to 7.8% of \$446.00, but to simplify matters for everyone the treasurer might recommend that the amount of the interest refund be an even five percent. Each borrower would get back (either by credit to his share account or by payment in cash) exactly 5% of the total amount he had paid in interest to the credit union for the current year. The total amount of interest refunded would be \$22.30. These entries would be made before any of the other closing entries.

Closing Entry F.

Debit-Interest Income	\$22.30	
Credit-Interest Refund Authorized		\$22.30
(To record authorization of 5% interest refund)		

Closing Entry G.

Debit-Interest Refund Authorized	\$22.30	
Credit-Cash in Bank		\$22.30
(To record payment of interest refund to member-borrowers in cash or		

Closing Entry G-1.

Debit-Interest Refund Authorized	\$22.30	
Credit-Shares		\$22.30
(To credit interest refund to members' share accounts)		

## BOOKKEEPING STATIONERY USED BY CREDIT UNIONS

Except where government supervisory authorities specify the bookkeeping stationery to be used, credit unions are free to devise the forms best suited to their purposes. There is remarkable uniformity, nevertheless, and we can safely list some of the most commonly used bookkeeping stationery forms and a description of their use.

Cash Received Voucher--a short form on which the treasurer first records the date, member's name and passbook number, details of the credits for entrance fee, shares, loans, interest, or for any other purpose, and the total amount of the debit for cash received. The totals of all Cash Received Vouchers for a single day are summarized on a Summary Cash Received Voucher, and these totals are carried to the appropriate columns on the Journal and Cash Record.

Collections Sheet--a full-page form on which the treasurer lists all cash collections, giving essentially the same information as the Cash Received Voucher. The Collection Sheet is especially convenient to use if no adding machine is available. It is also summarized at the end of each business day. Some credit unions, especially in the beginning stages when the officials are learning the steps in bookkeeping, use the Collections Sheet in addition to Cash Received Vouchers. However, either of the forms can be used without the other, since both contain the same information.

Cash Payment Voucher--a short form for recording the details of each transaction in which the credit union pays out cash and credits the Cash in Bank account. The date, member's name and passbook number,

## IV. COOPERATIVE FORMS OF GROUP CREDIT



purpose of the payment to him, such as loan or withdrawal of shares, and amount of the debit to each account are included. Sometimes there is space for the member's signature or other signatures required to authorize the payment. This voucher can be used also for recording the amounts to be debited as expense payments. Cash Payment Vouchers can be summarized on a daily basis, but most credit unions issue each payment by check on the current bank account where the credit union deposits its money, and prefer to list each payment separately.

Journal and Cash Record--a chronological record of all cash received and paid out, usually made up of two pages to provide numerous columns for credits and debits to the various accounts involved in cash transactions. Usually cash receipts are entered in total amounts from the Summary Cash Received Voucher (or from the daily total of the Collections Sheet), and cash payments are entered individually from the Cash Payment Vouchers. This record is also the place where entries are made first to record non-cash transactions, such as adjustments, corrections of errors and closing entries. The monthly totals from the columns of the Journal and Cash Record are carried to the General Ledger.

General Ledger--the book of final entry, showing the assets, liabilities, income and expense accounts. The accounts are increased or decreased by the amounts transferred from the Journal and Cash Record. All other bookkeeping records serve to gather the figures which go into the General Ledger accounts, or act as supplementary records to these accounts. The financial statement is made up from the general ledger account balances at the end of each month.

In addition to the forms already described, these forms are used especially for the information of the member or about the members:

Application for Membership--sometimes known as the Signature Card, this form enables the member to supply facts about himself and his family which enable the credit union to determine whether he is eligible for membership, and to service his account after he becomes a member. His signature, next of kin, birth date, and address are usually requested. Where the law requires the credit union to maintain a membership register, this form can be adapted to that purpose as well, giving the legally required information for such a register. Usually these cards are filed in alphabetical order of the member's surname.

Member's Individual Share and Loan Ledger--one of these forms is used for each member, to record his name, address, passbook number and details of his share and loan transactions with the credit union, including the balance of shares credited to him, or loan for which he is a debtor, also memorandum information about the due dates of his loan payments or other loans for which he is responsible as a co-

maker or guarantor. Information shown on this ledger comes from the Cash Received Vouchers and the Cash Payment Vouchers. It is identical to the information shown on the Member's Passbook.

Member's Passbook--as its name implies, this is the record given to the member showing his transactions with the credit union. Passbooks are issued in numerical order; the number is assigned permanently to the member. The passbook is the personal property of the member and often regarded as the "key" to his account, since most credit union bylaws require the member to present his passbook whenever he pays money into the credit union or receives money from the credit union. The entries in the passbook should be identical to those in the Individual Shares and Loan Ledger, so that these two records may be periodically checked against each other when audits are made.

When a member applies for a loan, two additional forms are of great importance:

Application for Loan--on which the member supplies information needed by the credit committee to determine whether or not he should be granted a loan. An approved application is authorization for the treasurer to disburse the loan. This form is a permanent record of the credit union, retained as a record of every loan for which application has been made, including those not approved.

Promissory Note--the legal document suitable to the locality where it is used, which contains the promise of the member to repay his loan and, in addition to his signature, the signatures of his co-makers or guarantors who promise to pay if he should fail. When the loan is fully repaid, the Promissory Note is returned to the member or to his co-makers if they paid the loan for him.

As we come to the end of Part I in this paper, we realize that an understanding of the bookkeeping system adds to our ability to understand the financial statement of a credit union. Knowing something about assets and liabilities, and income and expense, prepares us to strip the mystery from the financial statement and to observe what it has to tell us about the financial health or weakness of the credit union. We are not prepared at this point to keep the books of a credit union--more specific instructions are needed and can be found in any number of accounting manuals and treasurer's guides--but we have an idea of how the transactions of the credit union appear on the bookkeeping records and eventually on the financial statement. We have been looking at the financial workings of the credit union from the inside. Now it is time to take a look--a searching and critical look--from the outside.

FINANCIAL AND STATISTICAL REPORT  
BEFORE CLOSING

FOR PERIOD ENDED DECEMBER 31, 19\_\_

CHARTER NO. \_\_\_\_\_

## MAYBEE CREDIT UNION

ADDRESS \_\_\_\_\_

Street and Number

City

State

BALANCE SHEET				STATEMENT OF INCOME AND EXPENSE			
ACCT. NO.	ASSETS		END OF THIS MONTH	ACCT. NO.	INCOME	THIS MONTH	FROM TO DATE
101	LOANS	NUMBER	UNPAID BALANCES	401	Interest on Loans	1,120.45	11,930.44
(a)	Delinquent 2 mos to 6 mos	10	4,734.01	405	Income from Investments	92.05	1,118.00
(b)	6 mos-12 mos	2	967.07	406	Gain on sale of bonds		
(c)	12 mos & over	1	152.12	409	Other Income	5.00	59.48
	Subtotal	13	5,853.20				
(d)	Current & less than 2 mos delinquent	188	114,650.20				
(e)	Total Loans	201	120,503.40				
				202-1	Expenses Treasurers Salary	150.00	1,800.00
104,105	Cash on Hand & in Banks		13,553.02	202-2	Other Salaries	40.00	398.00
				202-3	Borrowers' Insurance	60.01	600.11
				202-4	Life Savings Insurance	72.40	650.09
107	U.S. Government Obligations		1,067.00	202-5	League Dues	22.65	272.02
108	Savings and Loan Shares		25,504.00	202-6	Bond Premium	10.34	124.10
109	Loans to Other Credit Unions		1,248.00	202-7	Examination Fees	24.01	288.13
112	Furniture, Fixtures & Equipment		413.00	202-8	Supervision Fee		
113	Unamortized Organization Cost			202-9	Interest on Borrowed Money	100.45	193.00
114	Prepaid Insurance			202-10	Stationery and Supplies	32.55	230.05
115	Other Assets			202-11	Cost of Space Occupied	37.75	453.00
				202-12	Educational Expense	5.11	60.92
				202-13	Collection Expense		
				202-14	Depreciation	3.75	45.00
				202-15	Social Security Taxes	6.84	79.13
	TOTAL ASSETS		162,288.42	202-16	Other Insurance		
				202-17	Recording Fees	7.00	68.00

BALANCE SHEET			STATEMENT OF INCOME AND EXPENSE			
ACCT. NO.	ASSETS	END OF THIS MONTH UNPAID BALANCES	ACCT. NO.	INCOME	THIS MONTH	FROM TO DATE
	Liabilities and Capital		202-18	Communications	1.33	40.00
301	Accounts Payable	344.01	202-19	Losses on Sales of Books		
302	Notes Payable	4,130.00	202-20	Cash over and Short		
304	Withholding Taxes Payable		202-21	Other Losses		
305	Social Security Taxes Payable		202-22	Bank Service Charge	1.75	24.10
333	Unemployment Compensation Tax Payable		202-23	Unemployment Compensation Tax	1.33	17.17
			202-24	Annual Meeting		200.00
310	Shares	142,101.22				
311	Regular Reserve	6,108.08				
316	Special Reserve for Delinquent Loans					
318	Reserve for Contingencies	655.00	202-30	Miscellaneous General Expense		
312	Undivided Earnings	1,385.01		Total Expenses	577.27	5,542.82
313	Gain or Loss	7,365.10		Net Earnings	640.23	7,565.10
	Total Liabilities and Capital	162,288.42		Net Loss		

## STATISTICAL INFORMATION

ITEM	NO.	AMOUNT	ITEM	AMOUNT	
1	No. of accounts at end of period	401	5	Loans charged off since organization	4,417.14
2	No. of potential members	760	6	Recoveries on loans charged off since organization	714.02
3	Loans made year to date	263			
4	Loans made since organization	3,102			
		1,196,614.43			

Certified Correct by

\_\_\_\_\_  
Treasurer

## PART II

Financial Statement

As an essential control for supervisory purposes, government regulations are likely to require the use of a specific form for financial statements that must be submitted to the government; otherwise each credit union is free to use the form best suited to its purposes, in most localities, provided that it contains the essential information. The type of business organization we have in the credit union determines what is needed essentially: a statement of income and expense; a balance sheet; and statistical data to help interpret the preceding financial facts. Many possibilities exist for adding still more information, but let us keep in mind that we want every member to read the financial statement and to understand what he is reading. So in the interests of simplicity, our choice of a financial statement will be one that shows only the essential facts in an easily understandable form.

Our choice is the Financial and Statistical Report (Form FCU 109 Rev 6 62). This report is used by many thousands of credit unions and, with some improvements in the statistical information, it could well become a world-wide favorite in many countries.

MAYBEE CREDIT UNION

To provide all the background information needed for our "specimen" credit union would require a chapter in itself. While the data shown on the Financial and Statistical Report of the Maybee Credit Union are taken from published statistics, using averages from the reports of many thousands of credit unions, we know that there is no such thing as an "average" credit union. Therefore the name "Maybee Credit Union."

Here are a few facts about it. Organized under state charter by employees of the Maybee Manufacturing Company in the United States on October 9, 1957, the credit union has a field of membership that includes employees of the company, members of their immediate families, and organizations of such persons. The average weekly wage of the employees is \$110 and employment has been fairly steady for the past five years. The company does not provide payroll deductions for payments to the credit union. For the past seven years the credit union has paid an annual dividend of not less than 4%; this year the directors favor payment of a 10% interest refund; the amount of the dividend on 1965 shares has not yet been declared, but the Undivided Earnings are sufficient to pay a 5 percent dividend also. Although it has the legal right to accept deposits from its members, only share accounts have been accepted since the credit union first started.

The financial and statistical report is an indicator of the objectives, if any, which have been set by the board of directors of this credit

## IV. COOPERATIVE FORMS OF GROUP CREDIT

union and of the success the credit union has had in reaching its objectives. Since we are not able to see the minutes of the annual membership meetings, or the board minutes, we must let the report speak for itself. However, since most credit unions have the same basic purposes and operate under very similar laws and bylaws, we might set the general direction of our analysis by recalling the principles set out at the beginning of this work:

- Membership that takes in as many potential members as possible
- Savings service that is convenient
- Ownership that goes with savings
- Loans tailored to the needs of the borrowers, granted with sympathy and understanding, and collected with firmness
- Interest charged at the maximum legal rates until experience shows the wisdom of reductions, by type of loan, or overall, by interest refunds
- Dividends paid at reasonable rates
- Efficient operations
- Association with others in a credit union league or federation

How does the Maybee Credit Union measure up to these objectives?

### Making an Analysis of the Financial Statement

#### Membership That Takes in as Many Potential Members as Possible

According to Statistical Information Item 1, there are 401 accounts, and the potential membership according to Item 2 is 760, indicating that at best the credit union has enrolled only 53% of its potential members. That is far from a good record after over nine years of operation. It may be even less favorable depending on whether some members have more than one account, and on whether the families--wives, sons, daughters--of the Maybee employees who are also within the field of membership are included in the number of potential members. Normally they are not added to the number of company employees in arriving at

the number of potential members. If some of these persons are members of the credit union, included in the 401 members reported, then the credit union has reached even less than 53% of its basic potential membership.

Perhaps if we search deeper into the financial and statistical report we can discover some of the reasons for this weakness. Is the credit union service adequate and is it convenient? Does the credit union work at the job of getting new members? Does it communicate on a regular basis with all members and potential members to get their ideas on improvements that would attract those who have decided not to join?

Looking at Items 3 and 4, it is evident that loans are being made on a reasonably active basis and \$637, the size of the average loan made in 1965 ( $\$167,727 - 263 = \$637$ ) was large enough to meet some of the consumer loan needs of a worker making \$110 per week. In previous years the loans were obviously much smaller because the average size of all loans made since organization was only \$385. Perhaps in its earlier years the credit union was not able to grant loans large enough to help many of the employees, consequently, even though it is now in a position to make larger loans and does make them, it has to overcome a mistaken concept or "image" that was created years ago. This is partly a problem in communications.

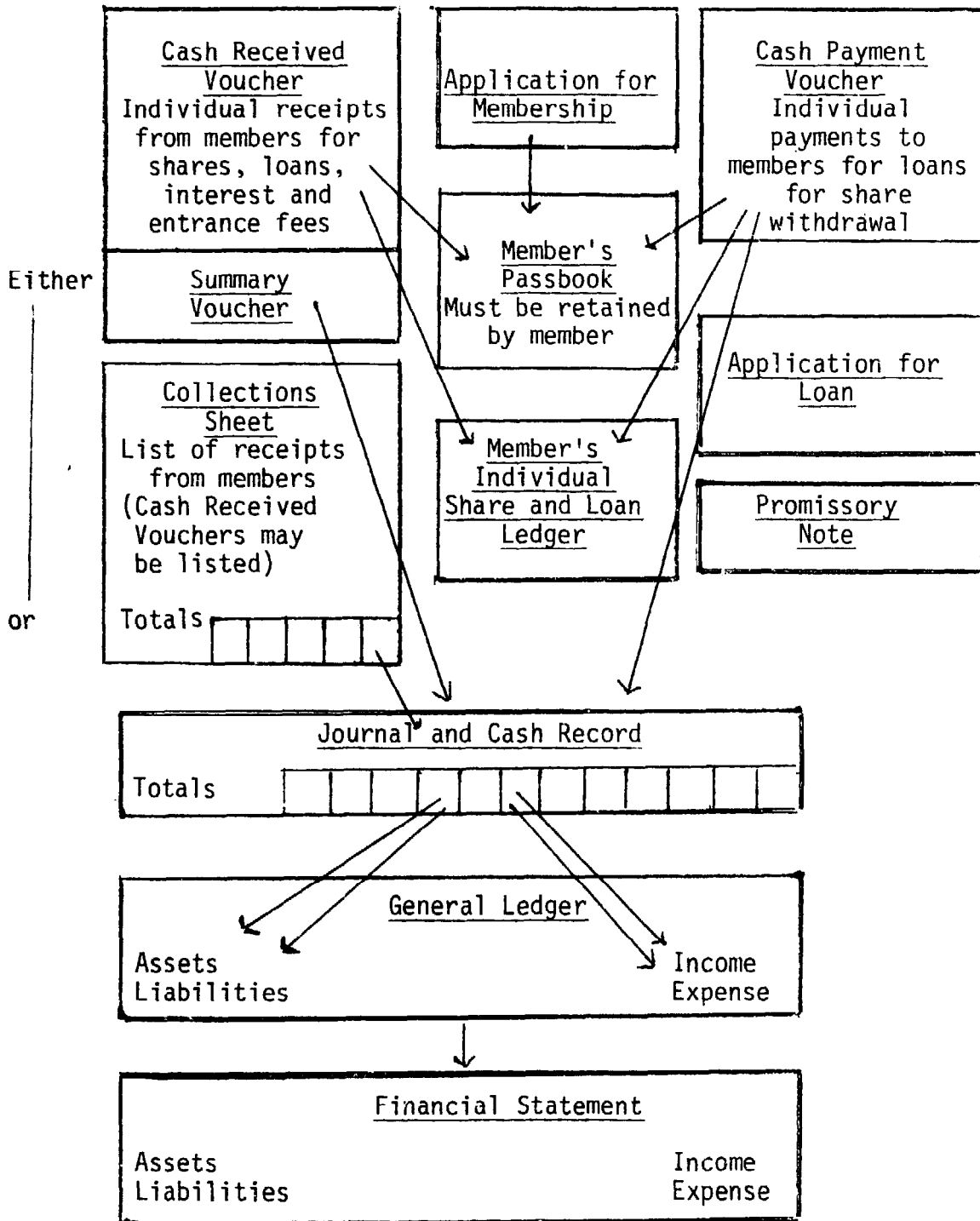
Does the credit union communicate? Let's turn to the statement of income and expense and look at the expenses that may give us a clue. The treasurer's salary at \$1,800 and other salaries, \$398, disclose that at United States annual wage scales it is obvious that the credit union is not paying any one person enough to hire a full-time employee. Cost of space occupied, \$453, is probably enough to pay rent for modest office space, maybe on the company premises, but communications, \$40, would possibly be just barely enough to pay for a telephone in the office. More likely the \$1.33 communications expense for this month (December 1965) indicates that the credit union does not have its own telephone, but may share the cost with someone else in the office. The credit union office should be a place where potential members and members may transact their savings and loan business and discuss their problems with the treasurer, either in person or by telephone, and in reasonable privacy. But a better office would cost more money, and where would that money come from? The answer will appear later in our analysis.

There are other ways to communicate than in person or by telephone. Mailings of promotional and educational material on a regular schedule can be very effective in building membership. In the item for stationery and supplies expense of \$230.05 there may be included some of these materials, or more likely they are included in the educational expense total of \$60.92 for the entire year. Is this enough to do the job right,

#### IV. COOPERATIVE FORMS OF GROUP CREDIT

FLOW OF INFORMATION

Through Credit Union Bookkeeping Records





or does it indicate sporadic attempts to publicize the credit union now and again in bursts of activity?

The \$200 in miscellaneous general expense for the annual meeting is a hopeful sign that the elected officials are determined to encourage good attendance at this important meeting. If the meeting is well planned and if the members will voice their opinions freely, the credit union leaders may find the answers to this problem of communications and membership. Perhaps they will learn that the members want more services, a better office--even their own building--and they are willing to support a program that will build the credit union to its full potential.

#### Ownership That Goes With Savings

It is not enough to point out that all of the shareholders who have the 401 accounts are owners of the credit union. They--the shareholders--must understand that they are owners of a credit union with total assets of \$162,288.42; with unlimited potential for helping themselves and their families to make their savings productive not only in the form of loans, but also in building their own organization where a total range of financial services and financial counselling is within their reach. This kind of understanding comes with time, but it does not come unless a continuous educational program is carried on to tell the members what they can accomplish with more effort. It is surprising to find how many credit union members lack any understanding of the cooperative structure of their organization, how many of them, especially in employee groups, think of the credit union as merely a personnel service provided by the employer.

#### Loans Tailored to the Needs of the Borrowers, Granted with Sympathy and Understanding, and Collected with Firmness

The Balance Sheet shows in the Assets section that there are 201 loans outstanding on December 31, 1965, with total unpaid balances of \$120,503.40. Thus, almost exactly half of the share accounts have a loan. As we have noted, the average loan in 1965 was made for about \$637. Not bad for a small-loan service. But is it good? Today's wage earner usually buys his auto and his household furnishings on the installment plan, in other words he borrows to pay for these expensive acquisitions. And he borrows to meet medical expenses, educational expenses, even recreational expenses. His debts with other lending or financing agencies are almost certain to cost him more interest than they would at his credit union. Loans for any of these purposes today are sizable. In fact, the average size of all loans made by federal credit unions in the United States in 1964 was \$805.

It is questionable to say the least whether the Maybee Credit Union is granting loans that are tailored to the needs of its borrowing

#### IV. COOPERATIVE FORMS OF GROUP CREDIT

members. Perhaps the members do not think of approaching the credit union for all of their loan needs, even though they have always been treated with sympathy and understanding.

The Delinquent Loans as shown on the Balance Sheet number only 13 and amount to \$5,853, of which the greatest number and amount (10 with unpaid balances of \$4,734.00) are two months to 6 months delinquent. The Regular Reserve has \$7,621.10 to meet any losses from uncollectible loans. After 9 years of operation the total amount of loans charged off as uncollectible (Statistical Information, Items 5 and 6) is \$4,417.14, of which \$714.02 has been recovered. The net loss of \$3,703.12 is 31/100 of one percent of the total loaned since organization (\$3,703 - \$1,196,614), very close to the industry average for all credit unions and a very good record indeed, reflecting a firm collection policy that achieved good results without the help of payroll deductions. We are not being unduly critical, however, to ask whether a more liberal lending policy that answers more closely to the needs of the members is now desirable even though it may increase the losses that are charged to the reserve. After all, the reserve is established specifically for the purpose of covering losses on uncollectible loans.

Interest Charges at Maximum Legal Rates until Experience Shows Wisdom of Reductions, by Type of Loan, or Overall by Interest Refunds

Here the answer is clear. We know that the credit union charges the maximum legal rate of interest--1% on the unpaid balance--on all loans, and judging from the Income-Interest on Loans in the Statement of Income and Expense--it appears that the credit union is collecting interest currently with loan collections. The Interest on Loans of \$1,120.45 this month indicates that the outstanding loan balances at the end of the previous month were in the neighborhood of \$112,000 (1% of \$112,045.00 = \$1,120.45), and the total Interest for the entire year \$11,930.44, indicates that the outstanding loans averaged \$99,420 for the year (\$11,930.40 = 12% of \$99,420.00). Loans have been increasing since the first of the year, apparently, along with shares.

The decision to pay an interest refund of ten percent is pertinent, because it shows that the board of directors is trying to find the answer to the problem of surplus funds. A higher dividend than 4 percent could be paid, but the pressures at this time are all on the side of encouraging more loans, not more savings. Does this justify the use of the interest refund for loan-promotion purposes alone? Not at all. In fact the board of directors may be puzzled next year when savings come in at a faster rate than ever before, induced in part by the announcement that the credit union has paid its first interest refund. Success in any of its activities is a spur to more membership participation in the credit union, more savings, and also more borrowing.

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The advantage of the interest refund at this particular time is that it fits in with the principle of returning all earnings to the members, it reduces the earnings for 1965, thus reducing the amount added to the reserve that is already more than adequate; and it can be the "opening gun" in a campaign to put the credit union on a full-service program.

#### Dividends Paid at Reasonable Rates

Any credit union that has paid dividends consistently since its second full year of operations, always at the rate of 4% or better, is doing as well as the majority of all credit unions everywhere and that is commendation enough. We know that the Maybee Credit Union also provides two forms of life insurance for the benefit of its members, Loan Protection Insurance and Life Savings Insurance. The Statement of Income and Expense shows these as Expenses respectively in the yearly amounts of \$600.11 and \$650.09, which total to \$1,250.20. This is probably equivalent to at least a 1% dividend on the average shares owned by the members during the entire year.

With imagination and skillful management, the credit union members could probably provide other benefits for themselves that might outweigh the amounts they receive as dividends. With fulltime operation and participation in the services and programs offered by the league to which it pays dues, the credit union might provide a financial counselling service that would save members substantial money on their most important purchases, show them how to budget their income to make each dollar go further, and raise their sights to the challenge of other cooperative activities that would benefit the entire community.

#### Efficient Operations

The Statement of Income and Expense tells much about the various strengths and weaknesses of credit union management as we have observed. Now we find the crucial ratio of operating efficiency: Total Expenses as a percent of Total Income. If the acid test of management of a financial institution is its ability to pay a dividend on the capital, this expense ratio is a reliable indicator of whether management in a particular credit union can meet the test. Data are now published by CUNA International, Inc., a number of credit union leagues, and the Bureau of Federal Credit Unions that include operating ratios and averages for credit unions of various size groups, age groups, or field-of-membership groups. These data permit analyses that disclose why some credit unions have lower expense ratios than others.

The Maybee Credit Union has an expense ratio of 42% (Total Expenses \$5,542 - Total Income \$13,107). In the experience of most credit unions,

a 50% expense ratio is essential for adequate services and safety of operations, but credit unions can be fully self-supporting and provide more than average service while maintaining an expense ratio of less than 50%. The 42% expense ratio and the business-like accounting for proportionate parts of most expenses each month show that the examination fees paid each year (\$288.13 for 1965) were well spent. No doubt the advice and guidance given by the government examiner have been helpful to the credit union.

There is more to efficient operations, however, than achieving a favorable relation between income and expense. Usually a credit union is efficient if it is a full-service credit union, one which reaches out for every member, every savings dollar, every loan that can be made, and tries to render every service which the members want and which can be provided under the provisions of its charter. To build a full-service credit union the members and particularly the leaders must grow with the changing times. They must literally stretch their minds to think of all that the members can do for themselves through their credit union. Procedural or legal obstacles may inhibit such thinking. An understanding of the benefits at stake should help the members decide whether or not it is worth the effort to build a full-service credit union.

The Maybee Credit Union has Total Assets of \$162,288.42, of which \$120,503.40 or 74% of the Total Assets is working directly for the members in Loans. Surplus funds invested in Savings and Loan Shares alone amount to \$25,504.00 or 15% of Total Assets. These funds invested in loans to members would bring 12% per year; the credit union probably receives 4½%--more or less--on this money. Cash on Hand and in Banks amounts to \$13,533.02 or 8% of Total Assets, earning nothing and in fact probably subject to Bank Service Charges as shown by the Expense item of \$24.10 under this heading, on the Statement of Income and Expense. Some of the cash could and probably will be used to pay off the Liability of Notes Payable, \$4,130.00, at the opportune time for the credit union, after the heavy demand for cash passes following the Christmas and New Year Holidays.

With so much surplus money employed at less than full efficiency the question arises: How to put this surplus to work for the credit union? One solution is implied in all of our preceding discussion--set new goals for a full-service credit union, with fulltime operations, an attractive office, new services that recognize all the needs of today's wage earner, the courage to experiment and a willingness to learn from the experience of others.

#### Association with Others in Credit Union League or Federation

League dues of \$272.02 for 1965 appear among the Expenses on the Statement of Income and Expense. The Balance Sheet items Loans to

#### IV. COOPERATIVE FORMS OF GROUP CREDIT

Other Credit Unions, \$1,067.00, and Notes Payable, \$4,130.00, suggest interlending activities possibly helped by the league. These are healthy signs of the willingness to associate with other credit unions, but they do not necessarily mean that the elected officials have the willingness to learn from others. Unless the leaders of the credit union take part in league activities, and use its services, they are not getting full value for the dues paid. Does the league offer consulting services, management surveys, promotional advice? Has a representative of the league ever been invited to meet with the board of directors and discuss the concepts of a full-service program? Or has any member of the elected management attended one of the meetings sponsored by the league where other credit union leaders are present, friendly people who will consider it a privilege to help another credit union? There are no trade secrets among the credit unions. Belonging to the league implies participation in the community of credit unions, giving and receiving help that is possible only within that community. Such participation usually leads to more involvement in the entire community of business and civic organizations, bringing better understanding on all sides.

. . . . .

We have barely touched upon the most obvious points involved in the analysis of a credit union financial statement. Experience will indicate where more attention should be given to the tell-tale signs of weakness in a particular credit union. The Maybee Credit Union is a good credit union as compared with many others, but pertinent criticisms coming from its own members might help make it a better credit union. As the members learn more about the social and economic theory, and about the practice of credit union operations, they will be better prepared to offer helpful criticism.

It is essential for credit union officers and other elected officials to understand their own credit union's financial statement. Skill in the analysis of credit union financial statements should be a prerequisite for anyone aspiring to the higher levels of credit union management or government supervisory responsibility.

IV. COOPERATIVE FORMS OF GROUP CREDIT

## V. THE PEACE CORPS EXPERIENCE IN CONSUMER COOPERATIVES

(excerpts from Peace Corps Volunteer reports)

The co-op has a small consumer store at Punto Soldado. The average sales of the store are about 100-110.00 pesos per day, or about 3,000.00 pesos per month. We could have larger sales, but there are about six other smaller stores on the island that cut into our sales, even though most of our prices are lower. When I arrived, the inventory was much too large, and we have been trying to cut it down in the last few months. I feel that we can continue to keep our volume of sales if we concentrate more on selling only the necessities.

PC/Colombia

As you can see from the Balance Sheet, we've been making money at a pretty good rate. The last few weeks we've been diversifying. I've talked to some of the "ricos" (rich people) in this area, and it looks like we'll be able to do all their buying.

Yesterday we sold 5 tons of 14-14-14 (fertilizer) to a rich Hacienda. We really cut the price on this stuff (made only \$200.00) but we've used this method to get them buying here. I'll talk to him in the future and see if we can also buy the weed killers, fertilizer, etc.

Also been talking to some chicken raisers to see if we can do their feed-buying. Aukner, the fertilizer distributor, will have to come through with a discount. So far, I've lined up prospects for 10-12 tons monthly. Also made a deal with Interamericano Shenly--we are now buying chicks for these people--first deal yesterday, only 100 chicks, but a deal of 2,000 is coming up. We've also gotten into veterinary products on which we can do quite a bit of price cutting.

PC/Colombia

The manager left on his first buying trip to Neiva with a little over 1,000 pesos and came back with 2,300 pesos of merchandise. In an evasive manner he said a friend of the cooperative loaned him 1,000 pesos or so. As it turned out, it was the manager himself who put in

the extra money for the purchase of ten sacks of rice from IUA--two of which were for himself and a friend. I immediately told him that such purchases were out of the question as it was against the law. He fully understood, and I don't think he will do it again.

PC/Colombia

## VI. MERCHANDISING COOPERATIVES

### A. INTRODUCTION

Cooperatives that are involved in merchandising all have one characteristic in common: their ultimate purpose is the sale of goods directly to the consumer. Merchandising cooperatives include consumer's cooperatives which exist solely to supply their members with food, clothing, and other basic necessities through a retail outlet, and marketing cooperatives that run a supply service for cooperative members as a supplement to their normal activities.

The prime objective of a consumer society is to promote savings among its members by selling goods at reasonable prices and giving members a refund, or a "savings return" at the end of the fiscal year. This refund represents a percent of the net profit of the cooperative that is returned to members in cash.

In addition to the promotion of savings among members, other responsibilities of a merchandising cooperative should include:

- The sale of products that are of top quality
- The use of exact measurements and weights in making sales
- The use of direct channels of distribution in buying stock for the cooperative, to eliminate as many middlemen as possible
- The ordering of products in bulk to take advantage of quantity discounts
- The counseling of the consumer in proper buying habits through "product education" programs
- The limited extension of credit to cooperative members

### B. DETERMINING THE FEASIBILITY OF A CONSUMER COOPERATIVE

(Reprinted, in part, from the Pine Log, Vol. 2, No. 3, July-August 1967, The Cooperative League of the U.S.A., p. 4)

The following is an outline of basic questions that should be considered when setting up a consumer-oriented cooperative society:

## VI. MERCHANDISING COOPERATIVES



1. Name of the proposed cooperative \_\_\_\_\_
2. Address \_\_\_\_\_
3. Number of inhabitants living in the area to be served by the proposed cooperative \_\_\_\_\_  
 Average monthly family expenditure on consumer goods \_\_\_\_\_  
 Average grocery expenses per month \_\_\_\_\_  
 Number of families \_\_\_\_\_  
 The lowest monthly income per family \_\_\_\_\_  
 The average monthly income per family \_\_\_\_\_
4. What specific types of work do people do in the area that is to be served by the cooperative? \_\_\_\_\_
5. How many families are interested in forming a consumer's cooperative? \_\_\_\_\_
6. How many families have participated in initial organizational meetings? \_\_\_\_\_
7. Has cooperative education been started? \_\_\_\_\_  
 Has an education committee been organized? \_\_\_\_\_  
 Specify what the education committee is doing, or has done already \_\_\_\_\_  
 Have education meetings been organized? \_\_\_\_\_  
 How many? \_\_\_\_\_  
 Have any kind of meetings been organized? \_\_\_\_\_  
 In your opinion, are the future members well enough informed on cooperatives to support and operate a consumer's cooperative in an efficient manner? \_\_\_\_\_ Specify \_\_\_\_\_

## VI. MERCHANDISING COOPERATIVES

How many persons could work as directors in the Provisional Board of Directors? \_\_\_\_\_

8. What is the opinion of local governmental and church authorities in the organization of a consumer's cooperative? \_\_\_\_\_

9. Competition:

How many local stores deal in the same line of products that the cooperative is planning on stocking? \_\_\_\_\_

How many of these stores sell on credit? \_\_\_\_\_

Are there any other consumer's cooperatives in the same area? \_\_\_\_\_

Are they open to the general public? \_\_\_\_\_

10. What is the primary reason for starting a consumer's cooperative in the area? \_\_\_\_\_

11. Financing:

How much capital can the average family invest in the cooperative? \_\_\_\_\_

Have shares been subscribed? \_\_\_\_\_ How much? \_\_\_\_\_

Is there any paid-in capital? \_\_\_\_\_ How much? \_\_\_\_\_

Are there any plans to obtain financial aid from other sources? \_\_\_\_\_ Explain \_\_\_\_\_

How much capital is necessary to start operations? \_\_\_\_\_

12. Make a list of articles that are to be sold during the first year of operation and their suppliers.

13. Taking question #3 of this outline as a base, make an estimate of the monthly sales during the first year of operation.

## VI. MERCHANDISING COOPERATIVES

Utilize these figures to prepare a budget for the first year.

What sales volume is estimated for the first year of operation? \_\_\_\_\_

14. Have contacts been made with local cooperative associations and assistance organizations to obtain their help in setting up the cooperative? \_\_\_\_\_

Have any promised to help? \_\_\_\_\_

15. If the consumer operations are to be combined with a marketing cooperative:

Will credit sales be deducted from the member's cash receipts at the moment he sells his crop to the cooperative? \_\_\_\_\_

Will the cooperative employ enough qualified agents to supervise this procedure? \_\_\_\_\_ How many? \_\_\_\_\_

Is it necessary to set up a rural network for the distribution of products? \_\_\_\_\_

Will the cooperative possess enough vehicles to keep rural retail outlets stocked? \_\_\_\_\_

Have vehicle-related expenses been calculated carefully? \_\_\_\_\_

Who will run these retail outlets, members or paid employees? \_\_\_\_\_

Are trustworthy individuals available? \_\_\_\_\_

16. How does the cooperative expect to obtain the services of a qualified manager? \_\_\_\_\_

17. Have any cooperatives failed in the same area? \_\_\_\_\_

Why \_\_\_\_\_

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18. Have any of the individuals who are interested in setting up this cooperative ever visited a successful one? \_\_\_\_\_
19. The Cooperative Store:
- Is a lot available to the group? \_\_\_\_\_
- Do they have a building? \_\_\_\_\_
- Will they have to buy or rent the building? \_\_\_\_\_

## C. SETTING UP SHOP

### Picking a Location

The cooperative store should be located at a convenient site to permit easy accessibility for members. New customers will be attracted more readily if the shop is situated in a highly visible and handy building.

Corner locations at the intersection of several main roads are ideal for a commercial venture such as the cooperative store. The area with the greatest concentration of population should be picked. A site on a dead-end street should be avoided, if at all possible.

### The Building

The shop should be at least 1,000 sq. ft. (93 square meters) in area, with an adjacent storage area of 500 sq. ft. (46 square meters); a larger storage area will be necessary if the cooperative is to deal in bulky items such as building materials, fertilizer, insecticides, and farm implements.

Ventilation must be adequate (fans or roof ducts should be installed) and illumination from windows and electric lights should be carefully planned. A ceiling height of eleven feet will leave enough room for air to circulate when the shop is crowded.

A fresh coat of paint should be applied to both the interior and the exterior of the building to insure a clean, attractive appearance.

Shelves should be built around the wall of the shop. These shelves should be at least one foot (0.3 meters) in depth and in a self-service shop they should not extend above five feet (1.5 meters) in height.

### Equipment Needed for the Store

Here is a list of some of the standard items that will be needed for the operation of the store:

- Strong locks for the doors
- Metric scales for weighing rice, nails, etc.
- Metal cash box, or drawers under the counter with

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different sections

- Brooms, a bucket, and a mop
- Bottles and measure for the sale of kerosene and cooking oil
- Paper or plastic bags for selling commodities such as rice and flour
- Marking pens and cardboard for putting up signs and prices
- Receipt books
- Cash books, and exercise books for doing rough figuring and taking down special orders
- An inexpensive electronic calculator would not be a bad investment, especially if wood is being sold in cubic measures
- A "ready reckoner," listing the price per unit weight or volume of basic commodities that are being sold
- Copy of local government price regulations

(Trade Stores in Papua, New Guinea, Office of Business Development, Port Moresby, Papua, New Guinea, 1976, and A Guide to the Setting Up of an Urban Trade Store, Samuel Tam, Papua, New Guinea Chinese Association, Port Moresby, Papua, New Guinea, were used as guides in the preparation of the preceding segment.)

D. SHOP LAYOUT AND DISPLAY

(Reprinted, with permission, from Consultancy for Small Businesses, Malcolm Harper, Intermediate Technology Publications Ltd., London, 1976)

Once a business has its equipment and shelving, it is time to lay out the products. A business is easier to operate if it is well laid out; the shopkeeper and the customers will know where everything is kept.

Products must be placed so that they are easily seen and easy to reach. Group similar items together in the same place so that the customer will feel at home in the shop. It will provide a sense of order and neatness which will impress customers.

Example:

		<u>Foods</u>		
Biscuits and Bread	Tea/Coffee and Tinned Milk	Sugar and Flour	Tinned Fruit & Jams	Tinned Fish & Meat
		<u>Non-Foods</u>		
Soaps and Powders	Polishes and Disinfectants	Toothpastes and Medicines	Pots and Pans	Clothing and Blankets

Put the cash box in a secure position and provide maximum visibility throughout the shop for both the customer and owner.

Good Display

Goods should be arranged so that they can easily be seen and closely inspected by the customers.

If customers can easily see and touch what is for sale, they will be encouraged to buy.

But

They may also be tempted to damage or to steal.

How can this be prevented?

--All items that can be damaged by handling should be wrapped or put behind glass doors (e.g. bread, some fruits and vegetables).

## VI. MERCHANDISING COOPERATIVES

Small tempting items should be placed in jars or out of reach of children (e.g. sweets and aspirin).

--Easily portable valuable items should be placed behind glass doors which are locked or under glass counters which can only be reached by the shopkeeper (e.g. watches and jewelry).

--Larger valuable items should be displayed within easy reach of the shopkeeper's normal position by the cash box (e.g. farm tools, seed, etc.)

Shopkeepers may argue that there is no need to expose stocks to customers' view. They may say that customers will ask for what they want and can then find out if it is available or not.

There are two types of purchases:

--'Planned purchases,' the customer has decided what to buy before entering the market.

--'Impulse purchases,' the customer decides to buy something as a result of seeing it on display.

Almost every customer goes shopping with a plan: he or she needs to buy some items.

Most shoppers actually buy more than, or different from their plans.

Neat, attractive display is therefore essential:

--It assists good stock control

--It makes the whole shop attractive

--It encourages 'impulse purchases'

### Labelling

When displaying an item there are certain points to remember:

--Always place a price tag on the item or on the shelf so that customers will know exactly what it costs.

--Labels should always face the customer.

--Damaged and soiled goods should not be mixed with fresh goods.



--Damaged goods should be placed in a 'discount box' and their prices reduced.

### Special Offers

In addition to regular cut-price sales, there may be occasional special offers that feature new items, slow moving or obsolete items. These special offers should be made when customers have money to spend.

A massed effect will make the items more noticeable. They should be piled up neatly where the customers will notice them, and goods should be properly packaged and clearly priced.

### Window Display

A shop should have a window in the front looking out onto the road in which clean and neat displays are visible from outside the shop to passers-by. The window display should be dusted every day and the windows should be kept clean. The window displays are usually the first things a potential customer sees when passing by the shop. The window display should show what type of products are in the shop, at what price and what quality.

The display should never be crowded; it should be as simple as possible. Use only fresh undamaged products and packages. Change the display often to new and fresh ones.

A good window display will give the shopkeeper real benefits:

- Catch the customer's attention
- Make the customer interested enough to come in
- Convince the customer that buying in the shop is a good idea and economical

### Signs

There are two types of signs.

- 1) Signs that are outside and tell people about the business, who owns it, its name and its main products. These signs are as valuable as window displays--they catch a person's attention and arouse curiosity. If they are attractive, people will be interested.

2) Signs that promote particular products or services:

--The business itself

--Suppliers

The shopkeeper will make up signs:

--To advertise special price reductions

--To announce the arrival of new products

--To inform customers about new services such as  
delivery, opening hours, credit, etc.

Suppliers may provide posters, signs and display material with their products. This material can be used:

--Outside the shop (metal posters, and paper ones under cover)

--In the window display

--On shelves and elsewhere in the shop

--Actually to stock and sell from (racks, shelves, etc.)

Suppliers may also be willing to decorate a building and to provide illuminated signs, at little or no expense to the shopkeeper.

Suppliers' material is usually in color and better produced than the shopkeeper's own efforts.

But

Every shopkeeper has the chance to use it so it may not help one shop to stand out

--The supplier is advertising his product first, and the shopkeeper's main interest must be his shop.

### Let the Shop Speak

The shop should 'speak' to the customer in a friendly way and lead him or her to the goods which will give the most benefits. The signs, the layout, the display--all these must tell the customer something interesting about the products and not just the trade names and

## VI. MERCHANDISING COOPERATIVES

price. The more colorful packages and products there are the more color and life the shop will have. Display the most colorful items in a prominent place.

A shopkeeper should try to extend the coverage of his promotion by 'reaching out' to high potential customers at the right time.

A shopkeeper can educate and promote. He should be ready to talk to farmers about fertilizers and to mothers about child care.

## E. STOCK MANAGEMENT

(Reprinted, with permission, from Consultancy for Small Businesses, Malcolm Harper, Intermediate Technology Publications Ltd., London, 1976)

Businesses keep stock for many reasons:

- Customers want to buy goods at any time but supplies can only be bought occasionally.
- Larger quantities can be bought more cheaply.
- Seasonal or other shortages may occur; if stocks are kept, customers can still be satisfied.

### Purpose

The purpose of stock management is to maximize the stock turnover and to minimize the loss of stock in order to maximize business profits.

However, many times stock is used as a sign of prestige, as an investment, or as a way of storing cash.

In fact, stock is cash, but cannot be converted into money until it is sold.

It is useful to think of stock as a liquid, the flow of which must be directed and controlled for maximum advantage.

### Protection

Stock must be protected from a number of hazards. Proper stock protection requires care and planning.

Waste. Certain perishable goods must be sold within a relatively short period of time or they will spoil.

Deterioration. Certain goods deteriorate in quality if they are not sold within a certain period of time.

Fire. Some goods are fire hazards if they are not properly protected and stored.

Fashion changes. Certain goods, particularly clothing, lose their appeal because other styles come into fashion.

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Shop-soiling. All goods can be damaged or made unappealing because they come into contact with other substances.

Theft. All goods can be stolen if they are not secured against theft by customers or employees.

Drawing loss. Sometimes the manager will take stock for personal use. These items should be recorded.

### Arrangement

Good stock arrangement has a number of advantages:

Visibility. It makes items visible to the customers and employees. The customer does not need to search for the item and the employee can tell whether the item is available very quickly.

Protection. Good arrangement can reduce spoilage, theft risk, and other damage or deterioration risks.

Gains attention. It attracts the customer's attention to particular items.

Purchasing. Proper arrangement enables the manager to tell very quickly whether additional quantities of an item are required. Thus the manager can save time and money by not unexpectedly running out of an item.

### Storage

The storage of stock has several advantages and disadvantages:

Advantages. An item is available in times of a general shortage or when the supplier is temporarily out of stock. If the price of an item goes up through inflation, then money may be saved by buying a large quantity prior to the price increase. Some customers may want a large quantity of an item or may prefer shopping at a well-stocked business.

Disadvantages. If protection is inadequate, there may be loss through damage or theft. The space taken to store the stock may be utilized in a better manner such as to increase work space or to increase the variety of items. The money invested in storing slow selling items may be better used in buying faster selling stocks, thus increasing stock turnover.

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### Stock Turnover

Stock turnover is measured by the speed (rate) at which goods are sold or used, measured by the number of times per year the average stock can be sold.

That is, if a store can sell 10 bottles of medicine per month and usually has 5 bottles in stock, the rate of turnover per month is  $2 \frac{10}{5}$  and the yearly rate of turnover is 24 (2 x 12).

Generally, the higher the rate of turnover the better. A policy of small net profits and quick returns (high rate of turnover) may be preferable to big profits and slow returns (slow rate of turnover).

Thus, if a store can sell 10 bottles of medicine a month at a profit of 10¢ per bottle (each bottle costs 90¢ and sells for \$1.00), and keeps an average stock of 5 bottles (worth \$5.00), the profit for the year will be \$12.00 (10¢ x 10 per month x 12 months). Thus \$5.00 of stock investment will result in \$12.00 profit.

However, if the store sells one lamp per month for \$5.00 at a profit of 75¢ per lamp, the profit for the year will be \$9.00 (75¢ x 1 per month x 12 months). Thus a \$5.00 stock investment will result in a \$9.00 a year profit, even though the profit per item is larger than on medicine.

So profit is partially determined by stock turnover and stock turnover is in turn controlled by good stock management.

The manager must determine the types of stocks he needs by estimating what the customers will want and how much they will want. He can then select the right stocks in the right amounts, recognizing that the faster he sells his average stock, the higher his profits will be.

Note: The turnover rate should be determined at either the cost price or selling price. For example, the average stocks should not be measured by cost price, and the sales by selling price. Generally, it is best always to measure the turnover rate by selling price.

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## F. STOCK TAKING

(Reprinted, with permission, from Consultancy for Small Businesses, Malcolm Harper, Intermediate Technology Publications Ltd., London, 1976)

### Purpose

The purpose of stock taking is to determine the total value (at cost price or selling price) of the total stock and each item on hand at a certain date.

### Preparation

Several things should be done before stock taking.

- The stocks of each individual item should be grouped together.
- Damaged or old stocks should be reduced through a pre-stock taking sale.
- The business should be closed on a business day, or the stock taking should be done at a time when the business is normally closed.

### Timing

Stock taking should take place when:

The stocks of most items are at a low level. This saves time because there are not as many items to count.

When it is most convenient for the customers. This normally means at a time when the business is closed anyway.

At the end of the financial year, or financial period. This is necessary for taxes, and the compilation of certain accounting records such as the Balance Sheet and Profit and Loss Statement.

### Methods

There are two basic methods of stock taking:

Detailed stock taking. All items are counted and listed by both cost price and selling price. This method is very accurate but takes considerable time. From this count one may obtain the following equation:

$$\begin{aligned} &\text{Beginning Stock} + \text{Purchases} - \text{Ending Stock} = \\ &\text{Value of goods sold (calculated by cost or selling} \\ &\text{price)}. \end{aligned}$$

Short stock taking. The stock is estimated through the following equation:

$$\text{Beginning Stock} + \text{Purchases} - \text{Sales} = \text{Ending Stock}$$

This method is quick and may be obtained without counting each individual item, but it is error prone. For example, if there have been thefts, there may be less stock than this technique accounts for.

### Procedures

There are many procedures for stock taking. One simple method is described below.

- 1) Count from left to right across the shelf.
- 2) Count the top shelf first, then each shelf down until reaching the bottom.
- 3) Count all the shelves on each wall, starting with the wall to the left of the entrance and going from left to right.
- 4) Count everything on the ceiling.
- 5) Count everything on the floor.
- 6) Follow the above procedure for each room.

### Errors

There are at least four mistakes that are easily made when counting stock:

Double-counting - An item can be counted twice, thus giving an excessive total (too high).

Missed items - Some items may be missed and not counted at all, thus giving too low a total.

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Cartons - There may be an incorrect number of items within unopened cartons.

Incorrect price - Some items may be priced incorrectly on the label and thus their value is under or over-estimated.

### Benefits

There are several additional benefits of stock taking.

Stock taking reveals hidden or 'lost' items. Certain items behind doors or under counters which were forgotten or thought lost, are discovered.

Stock taking reveals slow selling items.

Stock taking reveals some items which are out-of-stock. Thus the manager will know that more should be ordered, or that the item isn't really necessary.

Stock taking reveals incorrect pricing. If some of the same items are marked differently than others, the manager will be able to determine the proper price and make corrections.

Stock taking forces the business owner to arrange the stocks neatly, which helps sales.

### Stock Taking Form

This form serves as a stock taking form as well as a record of turnover and gross profit on each item and all items. It enables the manager to determine the quantities to purchase of each item and/or what items should not be purchased.

Column 1 - 'End stock' - The quantity of each item on hand on the day of stock taking.

Column 2 - 'Unit Cost' - The cost to the business of each individual item.

Column 3 - 'Total Value' - The total value of items (Column 1 x Column 2).

Column 4 - 'Begin Stock' - The amount of each item on hand at the previous stock taking.

Column 5 - 'Amount Purchased' - The total quantity of each item purchased between the last stock taking and the present stock taking.

- Column 6 - 'Unit Selling Price' - The selling price of each item.
- Column 7 - 'Quantity Time' - The total quantity of each item sold between the last stock taking and the present stock taking (Column 4 + Column 5 - Column 1).
- Column 8 - 'Total Cost' - The total cost value of each item sold in the period (Column 2 x Column 7).
- Column 9 - 'Total Sales' - The total selling value of each item sold in the period (Column 6 x Column 7).
- Column 10 - 'Gross Profit' - The gross profit on the total of each item sold during the period (Column 9 - Column 8).

If this form is used at least once a month or even more frequently, the business owner can analyze which items are selling, how fast they are selling, the profit margin, and the total profit on each item compared to the average amount of each on hand. (Stock turnover and return on stock).

If there have been any cut-price sales or giveaways of any items, they should be adjusted for, by noting the gross profit column with the actual rather than the standard profit.

## STOCK TAKING AND SALES RECORD

	1	2	3	4	5	6	7	8	9	10
Item	End Stock	Unit Cost	Total Value	Begin Stock	Amount Pur- chased	Unit Selling Price	Qty. Time	Total Cost	Total Sales	Gross Profit

### G. DISTRIBUTION AND PRICING

(Reprinted, with permission, from Consultancy for Small Businesses, Malcolm Harper, Intermediate Technology Publications Ltd., London, 1976)

It is important for business people to have a clear picture of how goods of different kinds are distributed, sold, transported, delivered and serviced. Once a shopkeeper realizes what steps a product goes through from a manufacturer to a retailer, he will recognize that distributors and wholesalers perform a valuable service. There are many advantages in having several competitive distributors. The shopkeeper can choose the one that gives the best price discount, credit and service in a friendly manner.

Shopkeepers may try to 'bypass' wholesale distributors, and attempt to obtain lower prices by buying direct from producers. They usually find that the extra costs involved mean that there is little saved, and their time and capital are diverted from direct services to their customers.

The choice of supplier depends not only on the prices offered; suppliers provide other services, so that the cheapest price may in fact be more expensive than a higher price which includes more services.

Example: Which is the cheaper service for identical packs of 20 cigarettes?

1. Price \$2 per carton of 10 packs  
 Terms: cash on delivery  
 Minimum quantity: 100 cartons  
 Delivery: charged extra at cost
2. Price \$2.10 per carton of 10 packs  
 Terms: 60 days credit  
 Minimum quantity: 1 pack  
 Delivery: delivered free with other goods

Apart from price, suppliers offer different services in other ways:

- Transportation
- Credit
- Reasonable minimum quantities

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- Security of supply in times of shortage
- Advice on what to sell and how to sell it

All these must be taken into account before deciding on a supplier.

### Setting Prices

There are several ways of determining prices. One person may add 20% over the cost of the goods to himself. This is called 'cost plus' pricing (cost plus profit).

Another sets the price individually for each sale according to the volume of goods sold and the relationship and persistence of the buyer. This is called flexible pricing or bargaining.

It is generally best for shopkeepers to use cost-plus pricing where a percentage mark-up is used which will cover administrative and selling expenses and leave a profit. This mark-up percentage may be initially based on the average quantity of goods expected to be sold.

Example: A shopkeeper has the following regular expenses each month:

Rent	\$ 50
Wages	\$ 40
Lighting, wrapping material, etc.	\$ 10
	<u>\$100</u>

The shopkeeper expects to sell each month goods to the total value, at cost price to himself, of \$1,000. What percentage mark-up must be added on to cover costs?

If expectations are lowered with the thought that only \$500 worth will be sold per month, what mark-up must be added?

In most cases the actual percentage will not be the same for every product sold.

A shopkeeper may set a mark-up of 20% on a product that costs \$1.00 and is expected to sell at a rate of 30 per week.

He may use a mark-up of 40% for a product that costs \$1.00 and has average sales of 15 per week.

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$$20¢ \times 30 = \$6.00$$
$$40¢ \times 15 = \$6.00$$

The average mark-up must be enough to cover all regular expenses, and earn a profit.

### Stock Turnover

Fast stock turnover is vital to the success of a business.

Slow moving stocks should not be hidden. They should be displayed prominently. Such stocks should only be bought if customers demand them and the profit mark-up justifies the cost of holding the stocks.

Regular stocks are the items that sell constantly and give steady profits. These should be kept in stock at all times because the customers expect to find them in the shop.

Some stocks must be sold quickly or they will become unsaleable.

Other stocks may not deteriorate physically but if they are not sold by a certain date they may remain unsold for a year.

Other stocks may become unsaleable through fashion changes.

All stocks tie up money; the business owner must always be sure that a particular item is the best available investment before putting it into stock. This includes raw materials for manufacturers as well as goods for resale in a shop.

A shopkeeper should continually experiment with small amounts of new goods, particularly those which are not sold by competitors. They may become successful and important additions to sales, and they will in any case make the shop more interesting to customers, who will want to see what is new.

It is useful to keep a 'want book' to note down customers' own requests for items which are not in stock. This will show customers that the shopkeeper is genuinely interested in satisfying their needs.

## H. PROMOTION

(Reprinted, with permission, from Consultancy for Small Businesses, Malcolm Harper, Intermediate Technology Publications Ltd., London, 1976)

Promotion is how the shopkeeper talks to the customer. The shopkeeper must inform regular customers, potential customers, or perhaps the whole marketplace, that he has a new and interesting product for sale. He is saying 'Come and get it!'

A product can be:

- Advertised in a newspaper
- Advertised in the cinema or on the radio
- Announced by a poster outside the shop
- Displayed in a shop window
- Announced by shouting over a loudspeaker

Promotion is an extremely important sales tool. For example, a shop might advertise a weekly or monthly sale, with a different item at a special price every week. Customers will look in regularly to see what the special is this week, and perhaps make other purchases also.

The best form of promotion is a reputation for good products, friendly service, fair prices and good management. Word-of-mouth promotion by satisfied customers is the best form of communication, but a business must supplement this by promotion and advertising.

### Cut Price Sales

Many people associate good promotion with cut-price sales. Sales are an important part of a promotion campaign. There are certain rules to follow when having a sale of damaged goods:

- If goods are damaged the customer should be told they are damaged.
- Generally, the earlier the damaged item is marked down, the less necessary it will be to lose money on the sale.

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There are general rules to follow when having a sale of regular, undamaged goods:

- The discount should be enough to encourage additional customers to buy the product.
- There should be a deadline when the offer expires.
- A profit making item should be associated with the sale.
- Try various techniques to promote a sale.

---

SALE

5¢ off ½ Kg. TEA

was 40¢  
now 35¢

with 1 kg. of SUGAR at  
NORMAL PRICE

HURRY! Offer  
expires 25th April

---

It is possible to make higher total profits from a sale. See the following example:

Tea	Regular Price	=	40¢
	Sale Price	=	35¢
	Cost to business	=	30¢

If ten packs of tea are sold weekly with a 10¢ mark-up price then the profit =

10¢ x 10                      = \$1.00

However, if forty packs are sold during a one-week sale at a 5¢ mark-up then profit =

5¢ x 40                         = \$2.00

So a 5¢ reduction in price may lead to a double profit. This does not include the profit on a higher sales of sugar or other items which were bought because of the attraction of 5¢ off ½ kg. of tea.

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## VII. HANDICRAFT MARKETING COOPERATIVES

### A. INTRODUCTION

Handicraft marketing cooperatives are, as the name implies, producer-controlled organizations that are set up to facilitate the selling of village crafts on a national and an international level.

Handicrafts can provide an important source of income for the village dweller. They can be produced in the individual's spare time, after the crops have been sprayed and the evening meal has been served.

Handicraft production relies heavily on local labor resources and raw materials. Appropriate manufacturing techniques, based upon existing knowledge and local tradition, are important in craft making. Little initial financial investment is necessary in promoting the development of a handicraft industry.

The production of crafts increases the individual's sense of pride in his cultural heritage and provides a solid start for the expansion of small industry on the village level.

Despite the obvious advantages that can be realized from the promotion of local handicraft organizations, few successful marketing cooperatives appear to exist. Many attempts at organizing the marketing of crafts fail. The following reasons for the failure of these societies should be noted:

- Inability to fill existing orders
- Poor quality product
- Poor product selection
- Range of products too varied
- Failure of organizer to train a counterpart
- Poor shipping arrangements
- Failure of the mark-up on the product to cover costs
- Changing patterns of demand

## B. SOME POINTS TO CONSIDER

(Many of the suggestions that are presented below are courtesy of ex-PCV Henry Homeyer, who, together with his wife Gretchen, organized a successful handicraft marketing cooperative in the Northwest province of Cameroon in the mid-1970s)

### Product Selection

The first step in organizing a handicraft producers' cooperative is making a survey of locally available raw materials and examining the uses which the village people have found for these goods. Among the materials which are successfully used in the production of handicrafts are clay, leather, cotton, wool, straw, grass, animal bones and horns, ivory, wood, bamboo, metal, stones, shells, and seeds.

The ideal handicraft is attractive and can be put to practical use. Cleanness of design is important. Straw baskets are one example of an object that is as useful to the African village dweller as it is to the North American consumer, and normally results from attractive and functional design.

Once a few potential products have been found, it is wise to trim the list down to one or two items that can be produced in relatively high volume. Distributors are not normally interested in dealing with producers who manufacture a variety of crafts in small quantities. In order to be assured of realizing a profit, the importer likes to handle a large volume of similar items which can be priced easily and liquidated quickly.

### Identifying the Market

Hopefully, the individual who has taken on the task of organizing the cooperative has some prior experience in selling handicrafts in the North American or European market. He must be able to tell what will interest distributors and what won't.

Once a potential product has been selected, samples must be sent to gift shops and other groups who sell handicrafts in the larger cities of the country where the goods are being produced. Attempts should be made to sell the crafts to tourists on a local basis to see if they attract interest.

The most reliable market for crafts on the international level are the "alternative marketing organizations" which are non-profit religious and assistance groups such as CARE, OXFAM, and UNICEF which promote the development of Third and Fourth World handicraft industries as a means of self-help and educating their constituencies about

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development. These organizations should be sent samples, as well as large commercial importers in North America and Europe.

A list of potential contacts will follow this section.

#### Further Promotion of the Product

In addition to sending out samples, the cooperative organizer should try to set up displays of his region's handicrafts in larger cities. Places such as the U.S. Information Service, embassies, and the government tourist board often have display areas which are suitable for showing regional handicrafts. It may be possible to bring in several of the producers themselves to put on demonstrations of how they make the product to run in conjunction with the display.

A local shop should be set up for the sale of crafts to town people and passers-through.

#### Quality of the Product

Careful attention must be paid to product quality at all times. The producer will probably try to skimp on quality as much as possible, once he feels that he has a sure market.

When the first examples of the product are collected from the village to be sent to potential distributors as samples, it is likely that the cooperative organizer will be picking up items that the villager had actually produced for his own use, and are therefore of high quality. The second time around, though, when a few orders have been received and the cooperative organizer stops in to pick up the new products, he will often notice a decline in quality. The producer feels that the organizer (i.e., an outsider) can't distinguish between the qualities of the workmanship, so why bother putting in the extra time to do a careful job?

Quality must be consistent if the cooperative hopes to get repeat orders. If the cooperative organizer isn't entirely familiar with the materials and techniques that are used in the manufacture of the craft, he should get a reliable local person to help him in examining the goods before they are shipped to the distributor.

#### Supply Schedule

In order to receive orders, the cooperative must be able to guarantee delivery of a given number of items on a fixed date. If the first order is not received by the specified date, it is unlikely that

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any repeat orders will be forthcoming. Imagine the disenchantment of the distributor when he receives the shipment of leather bags he expected to sell like hotcakes during the Christmas rush, in the middle of February. Christmas orders should be shipped by September 15 (via air freight).

The use of a large wall calendar, where different deadlines can be clearly marked, is recommended.

### Pricing

The cooperative will probably need to mark up the price of the crafts that it sells to the distributor by between 50 and 100% in order to cover costs and allow some capital for expansion of the enterprise. Discounts for bulk orders should be allowed, but the selling price should never fall below 150% of the cost of the item to the cooperative. These mark-ups may sound exorbitant, but they are not when you consider that handicrafts are normally sold on the North American retail market for seven to ten times the price that the producer received for the item (the importer must pay all freight charges, import duties, handling, warehousing, and still realize a profit for himself).

### Labeling

Merchandise that is exported to the U.S. must be labeled in English as to the country of origin. A little sales flavor may be added by using a label such as this one for a sweater or a blanket:

HANDKNIT OF HANDSPUN  
100% VIRGIN SHEEP WOOL  
BY (NAME OF ARTISAN)  
COUNTRY

The name and address of the cooperative should never be put on the label, since importers are competitive and don't like to disclose their sources.

### Packaging and Shipping

Every attempt should be made to find used packing materials, which normally would have been discarded, to be rebuilt and reused in shipping handicrafts. Once a good source of used packing materials has been found, it will probably be necessary to adapt the size of the craft slightly to fit the available containers. Packing methods should be experimented with to find the most efficient technique. For

example, in shipping baskets it will be desirable to ship them in sets which nest inside of each other to minimize the bulkiness of the package.

Airfreight is the recommended means of shipping handicrafts. It is reliable, fast, and reasonably price . All IATA-member airlines have an economical rate for shipping commodities such as crafts. The freight charges should be picked up by the importer.

Shipments that are sent by sea will have to be packed in much more rugged containers. Unless the port of departure and the port of entry are joined by direct shipping lines, it is likely that the warehousing charges at intermediate ports will actually make sea freight more expensive than airfreight.

The cooperative should expect a 50% down payment on the total cost of the shipment from the distributor before anything is sent out.

#### Some Marketing Contacts

Aid and Trade Center-International  
International Program for Human Resource Development, Inc.  
P.O. Box 30216  
Bethesda, MD 20014 (Dr. Varghese Keerikatte)

SERRV Program  
Church World Service Center  
Box 188  
New Windsor, MD 21776 (Mr. William Nyce)

Union of Third World Shoppes  
428 E. Berry St.  
Ft. Wayne, IN 46802 (Mr. Jim Goetsch)

OXFAM - Canada  
219 Murray St.  
Ottawa, Ont. K1N 5M9 (Mr. Jacques Jobin - Director)

ABAL Foundation  
Huygenspark 37  
Den Haag, Holland (Mr. Bob Waisfitz)

For other suggestions, try contacting:

David Dichter and Associates  
7 rue de Vermont  
1202 Geneva, Switzerland

#### VII. HANDICRAFT MARKETING COOPERATIVES

### C. A CASE HISTORY (NIGERIA)

(Reprinted, with permission, from "Nigerian Experience in Promoting Handicrafts through Cooperatives" by Dr. M. O. Ijere, Cooperative Information, Vol. 2/76, International Labor Organization, Geneva, 1976, pp. 31-39)

#### The Amawbia-Awka Cooperative Carvers' Industry Limited

Amawbia-Awka is a town on the Onitsha-Enugu Trunk A road. It has a historical tradition of wood-carving, in which a small but influential number (about one percent) of the population is involved in the trade as a main occupation. Over the decades they have acquired competence and mastery of the art of carving, and their products are well-known and sought after in Nigeria and abroad.

The earliest attempt at cooperative organization of the craft was made by a colonial District Officer, Mr. P. V. Mayne, who in 1939 organized the woodcarvers cooperative society. It was registered in 1946 and the union was located in a house along Onitsha-Enugu road. The Chief of Awka donated the land on which the industry was sited, though the society pays an annual kola rent of 4.00 nairas.\*

#### Objectives of the Society

The Amawbia-Awka Cooperative Society had the following objectives:

- to organize the collective production of articles by its members
- to help carvers find markets for their products
- to provide employment for members
- to maintain and preserve the culture of the people

The society, as of May 1974, had 30 member shareholders, 29 of whom were actively engaged in the workshop production. New members were admitted after careful screening and interview, to prevent the infiltration of undesirable persons into the rather closely-guarded secrets of the carving and carpentry trade. New members, on admission, were subjected to a rigorous training in the society's patterns and work designs.

\*1 naira = \$1.66      1 kobo = .01 naira (Ed.)

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Another category of membership is that of associate members mainly constituted of craftsmen, who do not participate in collective production but bring their own finished articles for collective marketing. The associate membership is open to all carvers in the Awka district. Job orders may be forwarded to the associate members through the cooperative society. The advantage of associate membership is the freedom to engage in other activities which are not connected with carving.

### Management of the Society

The management committee, made up of the president, the secretary, the treasurer and seven other members, is entrusted by the society's bylaws with the following responsibilities:

- consideration of all applications for loans made to the society and recommendation for approval by the general assembly
- representation on behalf of the society in all public relations
- enforcement of the bylaws of the society
- keeping a proper account of the business of the society, and the record of its assets and liabilities
- general supervision of the society's projects
- implementation of the decisions taken by the general assembly

At the beginning, unlike many honorary officers, the secretary earned a fixed salary. This was designed to make him efficient and regular in his services. Now, instead of fixed salary, he receives commissions on the sales of products, which vary with the quantity of items marketed. The only permanent employee of the society is the clerk, who acts as salesman, receptionist and bookkeeper.

The cooperative society has an Advisory Committee of eight persons, made up of four representatives of government Ministries of Trade and Industry, the District (Divisional) Administration, Agriculture and Information; the remaining four are members of the society itself. This body is elected annually, and its deliberations are subject to the sanction of the general assembly.

### Organization and Production Processes

With the exception of the secretary, all the shareholders are engaged in the carving and carpentry business. The main production processes include carving, carpentry and cabinet work. The carving is made either on planks, or on logs of wood, depending on the item to be produced. Intricate designs are first pencil-marked on the wood and the impression is etched on it. Patterns are traditional forms as chosen by the carvers, although in some cases customers can suggest their preferences.

Symbolically, the patterns reflect the natural local background --leaves, trees, bark features of trees, animals and birds. It is significant to mention that most of the designs are unique, and the design can only be made on certain products, which consequently has an effect on the price charged.

Wood, the major raw material, is graded, and specific grades are used for specific jobs. Walnut, cedar, mahogany, iroko and ebony are the commonest types of wood used by carvers and carpenters. Purchases are receipted on the basis of fixed prices, and where not possible, valued at the ruling market price. All sales are made at the workshop. This was intended to obviate transport costs for producers. In the same way, no advertising costs are incurred as the society carries out no advertising campaign, relying on the quality and popularity of its products and the system of producing on order.

There is also a system of agency by which certain itinerant businesses purchase consignments from the society's workshop and retail at their own prices. But there is an understanding that such agents do not sell the products at exorbitant prices, as such an action might injure the business reputation of the cooperative society.

Three main factors influence the price of articles sold: the size of the product, the intricacy of the carving, and the labor input. A 'Chi' stool (a wooden stool depicting the main god), for example, of the size 17" x 7" x 16", and taking eight days to complete, is sold at 16 nairas 80 kobo. To calculate the productive wage, one has to deduct the cost of wood (4 nairas), the depreciation value, (24 kobo), the cost of other accessories (50 kobo) and a margin of 20 percent for the society (3.34 nairas). In the given case, it will then be 16.80 nairas minus 8.10 nairas or 8.70 nairas. Calculated on the basis of the eight days spent on the job, the producer receives approximately 1.09 nairas per day.

This sum may appear too small as remuneration for each worker, but it should be mentioned that the level of producer wage is also

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affected by the working capacity of the cooperator. Also, the rate of depreciation for the craft's equipment fluctuates every financial year. If the industry's tools are used, the percentage tool depreciation goes to the industry. If, on the other hand, a member uses his own tools, the value for tool depreciation goes to him. This applies also to the raw materials. Thus, if a member supplies the raw materials, and uses his own tools, then he takes three-quarters of the sales and gives the other quarter to the society. Cooperators, therefore, who supply raw materials, use their own tools, and work at a faster and more efficient rate, earn larger incomes. They also earn an addition income arising from the shared profits of the cumulative sales of cooperative products.

In addition to the above finances, the cooperative society raises a share capital of 20.00 nairas per member, although no member is allowed to buy more than one-fifth of the total shares. The society was able, through share capital, to raise 808 nairas 42 kobo as of February 28, 1973. Another source of revenue is thrift savings. At the monthly meetings of the society, each member pays the sum of 50 kobo. From the savings, members are entitled to borrow up to twenty times their contributions at a time.

As an indication of the financial position of the industry, the following calculation was made as of March 20, 1973:

Financial position, March 20, 1973

No.	Current Assets	Naira/Kobo	No.	Current Liabilities	Naira/Kobo
1.	Raw Materials	612.01	1.	Sundry creditors and Rent	22.30
2.	Consignment	89.15	2.	Order advances	104.00
3.	Cash in hand	122.53	3.	Special savings	224.00
4.	Stock of finished goods	686.98	4.	Others	325.00
					675.30
					835.37
	Total	1.510.67			1.510.67

The above table shows a net worth for the industry of 835.37 nairas, which is profit or savings after sundry expenses have been met.

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The business activities of the society between 1962 and 1973 indicate a rather fluctuating performance, which poses a problem for the future.

Financial Year	Turnover	Increase
1962/63	4,971.00 nairas	-
1963/64	7,882.00	2,911 nairas
1964/65	9,336.00	1,454
1965/66	13,224.00	3,888
1970/71 (four months)	568.00	-
1971/72	4,377.00	3,809
1972/73	4,785.00	408

Source: East Central State Cooperative Newsletter, Vol. 1  
No. 5, March 1973, p. 11.

According to a Ministry report, the industry at the outbreak of the civil war was worth 40,000 nairas in cash and kind. As a result of the civil war, this figure was considerably reduced. As B. O. Achu said: "It (civil war) drank the cup and all. The buildings which exhibited beautifully carved pillars; the machines which had been introduced to improve on the carpentry work, the specially designed wood drying shed; and above all, the sweat and hopes of many years--all tumbled and shattered under the weight of devastating warfare."

As a mark of its faith in the industry, the East Central State Government provided a grant of 1,000 nairas. In addition, the Cooperative Division of the Ministry supplied its staff for the reactivation and rehabilitation of the cooperative industry.

By way of summary, the following achievements have been attributed to the Amawbia-Awka Cooperative Society:

- the establishment of the cooperative has provided an economic enterprise, offering employment to craftsmen and enabling them to earn a living thereby
- by means of the cooperative, individual craftsmen have the opportunity of collective and ready use of equipment and tools
- the inclusion of loan and thrift sections has enabled the society to meet the credit needs of the members

## VII. HANDICRAFT MARKETING COOPERATIVES

- the industry has provided a permanent and concentrated pattern of work for the craftsmen, and has reduced the delay in the performance of the art, which occurs when handled individually in people's homes
- the industry strives to preserve the culture of the people, thus extending the historical Nok culture, which ranks second only to Benin and Ife accomplishments
- today, the Amawbia-Awka Cooperative Society has become a tourist attraction, drawing visitors and customers from Nigeria and abroad. As Achu aptly put it: "Demand for its products came from distant Europe (before the civil war); it thundered and reverberated in all cooperative and business circles throughout Africa and Western Europe. At a trade fair in New York in 1965 a carved table from the industry was sold at 900 nairas."

On the other hand, the society is in perennial financial stringency to meet its many commitments. For reasons of poor marketing and pricing policy, it does not bring in enough revenue, having relied on the government rather than on its members. This is no doubt an inheritance from the past, when the organizers, instead of insisting on viability and economic independence, gave the cooperators the assurance of government assistance at all times. The fact that the cooperative has no significant competitors is another contributory factor to its stagnation or lack of dynamism. Had there been similar association, the Amawbia-Awka carvers' society would have no alternative than to straighten up for a war of survival.

#### Lessons of Handicrafts Promotion through Cooperatives

The promotion of cooperatives in Nigeria has been seen as an integral part of government efforts to raise the living standards of the people. Owing to their assumed superior advantages over other economic organizations, one finds that Nigerian handicrafts have also been brought into the cooperative form of association.

What lessons and guidelines for the future growth and development of these handicrafts can we gather from our discussions so far?

Policy-implications from our analysis can be discussed according to a few criteria, namely, coverage, markets, viability and government patronage.

A cooperative for handicrafts should satisfy the criterion of coverage; that is, it should regroup as many of the population interested

## VII. HANDICRAFT MARKETING COOPERATIVES

in the particular trade as possible. The Amawbia-Awka Industrial Cooperative is limited to 10 members, which constitutes an insignificant part of the total wood-carvers in the town. In another way, there are no corresponding associations of guilds of craftsmen equally supported by the state as the above. The impact of the cooperative is therefore limited.

Also, there is no evidence that Strickland's advice to set up an industrial school in the neighbourhood from which to draw its members has been implemented. Perhaps this is not a necessary condition in a community where labour is always available. Again, as long as the cooperative society is limited in its scope of activity and is lacking in funds, the question of setting up an industrial school can be ruled out. The alternative is for the local or central government to set up the school. Within the period under study, the trend in the country has been for literary education. Commercial or technical education was regarded with contempt, if not neglected. With the Woodcarvers Cooperative remaining a private concern of a few artisans, there was no likelihood of setting up such an institute. Even if that were possible, there would be the problem of whether the trainees would be willing to take up wood-carving, since, according to the societal value systems, few if any parents would encourage their children to embrace the trade.

It is doubtful, therefore, that a handicraft cooperative is the only answer to the acquisition of skill, and to local employment creation. An alternative would lie in the support of craft guilds as well as individuals carrying out similar activities.

The above consideration leads to the question of the status of non-cooperative societies. As we have seen, although there was a continuous survey and recording of Nigerian arts and crafts, there was no enthusiasm displayed in supporting them. Rather, a sharp line of distinction was drawn between the truly traditional handicrafts and the others. The result is that a large number of small-scale industries of a modern type do not receive government patronage.

The experience in advanced countries where cooperatives sprang from and developed does not support this policy. As Koll has observed, "it was not cooperatives that made industrial societies what they are, but small enterprise and large companies. This is not to say," he continued, "that cooperatives should be abandoned; only, they should not be overrated."

To achieve flexibility in the economy, it is suggested that it should offer a wide range of models for business organizations rather than be limited to one or two types.

One of the handicaps of cooperative producers is the lack of market outlets. Cooperative pioneers were quite aware of this danger, and as a result built into the framework a system of product display, agency and pricing.

Using the Amawbia-Awka cooperative society as an example, we would be interested in knowing to what extent the marketing arrangements affect the level of turnover of the society.

If the industry does not undertake outside sales of its products, and all sales are made within its premises, the reasonable conclusion is that its market is definitely limited. It might be retorted that job orders are important due to the fact that the society enjoys historical fame and good physical location. There is no gain-saying the fact, however, that the volume of sales would increase if the market were extended by advertisement.

In another way, if the cooperative could produce "en masse" rather than on orders as is now the case, it could cater for a wider market. The tendency to limit production to job orders or sales in the workshop appears short-sighted.

As regards profits, it was noted that the prices of the products are generally low compared to the labour input and the prices of similar products elsewhere. In the cost structure of the large "Chi" stool sold at 16.80 nairas, the daily wage of the producer was calculated to be 1 naira. If this is compared with what an average labourer receives (between 50 kobo and 1 naira per day), the cooperator is not worse off. But compared to another artisan, the 1 naira would be regarded as a low wage. For example, a private carver could sell a similar product for 22.00 nairas or more. It follows that the wage remuneration of the cooperator-worker would be higher, and higher the price of the article. A cooperator, no doubt, enjoys other benefits from his cooperative than the sale and revenue of his product. This aspect is important. Yet an increase in the price level to correspond with prevailing market rates appears to be in the interest of the society and its workers.

For such an industry to succeed, therefore, it needs an extension of market in and beyond its location, and a price structure in line with the prevailing market rate. Neglect of these practical measures will make the cooperative perpetually dependent on the state for grants and loans.

The viability of cooperatives is advocated in order to make them as self-reliant as possible, and to be able to forge ahead and meet their commitments. Cooperatives which show no tendency to viability end up depending entirely on government action programs only to crash when these are removed.

## VII. HANDICRAFT MARKETING COOPERATIVES

Our survey exemplifies the fact that many, if not all, handicraft cooperatives would not have survived today but for the sustenance of the state. The Awka Cooperative Society was reported to be in this plight in 1951, and its situation has not changed since then.

The same applies to the Ikot-Ekpene Raffia Cooperative Society and other societies producing for local and external markets.

If, despite the apparent good organization of the handicraft cooperatives under government support, they still suffer from limited finances and volume of business, one wonders what their fate will be when they have to stand on their own feet. In sum, as long as handicraft cooperatives are part of the free market mechanism, they cannot but compete with other organizations, and as a result must endeavor to be as economically viable as possible.

## VIII. WOMEN AND COOPERATIVES

### A. INTRODUCTION

There is no need to go into a detailed discussion of the reasons for the less than privileged status of women in most countries of the Third and Fourth Worlds. It should be sufficient to say that because of a variety of social and cultural influences, there is usually a distinction between the role of men and the role of women in these societies which will be evident to the individual who is involved in cooperatives work. Most cooperatives, whether they be marketing, consumer, or savings organizations, are run by men. The woman may harvest the cocoa and haul it to the marketplace on her back, but when payment time comes around, the male of the family is there to pick up the cash and disperse it. At election time, it is almost invariably the husband who casts the vote in the selection of local cooperative officers. Most cooperative Boards of Directors are male.

Efforts at integrating the female into the cooperative structure are most successful when the principal activity of the cooperative is one that traditionally falls within the woman's domain. These are usually secondary family activities such as handicraft production or the marketing of local foodstuffs. Women have also been integrated into consumer cooperatives (primarily when these cooperatives sell cooking necessities) and credit unions (see the following article) with some measure of success.

### B. WHAT CAN BE DONE?

#### 1. Form Cooperatives That Promote Traditional Women's Activities

Efforts should be made at encouraging the development of more cooperative societies that deal primarily with a woman's traditional activities:

- A women's savings society
- Vegetable marketing

## VIII. WOMEN AND COOPERATIVES

- Poultry marketing
- Food storage
- Child-care (i.g. a cooperative kindergarten)
- Doing of laundry
- Baking and flour milling
- Crafts
- The making of clothing
- The brewing of locally-produced beverages

2. Form Pre-Cooperatives to Introduce the Idea of Communal Undertakings to Women

In order to introduce the idea of cooperating to achieve specific goals, it may be beneficial to promote the formation of groups of village women into informal communal societies such as sewing clubs or health-care clinics. If these organizations catch on, they can provide the ideal forum before which to present introductory talks on the fundamentals of cooperative principles and management. They will also give the cooperative organizer a chance to identify potential leaders among the women and to make a realistic assessment of the feasibility of setting up a functional cooperative society.

3. Women Officials Should be Involved in National, Regional, and Local Cooperative Planning

Almost every developing country has a small class of educated women who hold responsible positions in governmental and political affairs. Efforts should be made to gain their sympathy and to solicit their advice and support in increasing the participation of village women in cooperative societies.

On the local level, prosperous women merchants and the wives of government officials should be rallied to the cause. Hopefully, these women will be willing to give informal talks to groups of women cooperators which deal in part with the potential for economic growth which lies in communal undertakings.



#### 4. Family Membership in Cooperatives

Where women already play a significant, but silent, role in the economic activities of local cooperatives, the idea of "family membership" should be promoted. Women should be encouraged to attend cooperative meetings and to vote in elections when their husbands are unable to be present. Single women and widows should be recruited as cooperative members and responsible women should be considered for elective positions when it is time to cast ballots.

Whenever possible, women should be integrated into existing cooperative organizations as participating members. The formation of separate cooperatives to develop women's activities should occur only when this action is economically justifiable.

#### 5. Amending Cooperative Bylaws

Cooperative bylaws may contain constraints on membership which are discriminatory to women. The most evident constraint is one that would specifically limit membership to male citizens. Another example is the land-ownership clause which may be contained in cooperative bylaws. These constraints should be eliminated and new clauses, which explicitly encourage the participation of members of both sexes in the running of the cooperative, inserted in their place.

#### 6. Education and Training Programs

The conducting of education and training programs for women cooperative members and employees is an important facet of any process which is aimed at increasing their role in the society's affairs. A Women's Committee may be set up to coordinate these activities. Women should be taught the rights, duties, and benefits of cooperative membership. Cooperative colleges should actively recruit female students. The cooperative should give women employees equal consideration when staff members are being chosen to be sent away for training.

#### C. ONE EXAMPLE - WOMEN'S PARTICIPATION IN SAVINGS AND CREDIT COOPERATIVES IN SIERRA LEONE

In Sierra Leone, Women's Thrift and Credit Cooperative Societies have come to be regarded as the most fertile ground for the progressive growth of the cooperative movement. This is borne out by the fact that out of some seven hundred Thrift and Credit Cooperative Societies in the country, it is only this type of society that has not suffered from serious setbacks.

We find in our Societies generally that women make a greater success than men of what they set themselves to do. Not only this, but they regard failure as not befitting their womankind. They consider disgrace alien to their upbringing, and this is why most of them hesitate to go to the money-lenders to raise loans, fearing that, as money matters are always a risky business, they may not be in a position to pay back these loans when the time comes for repayment. Usually, if they are forced to obtain such loans, they go all out to see that they are wisely and productively used so that when the time comes for repayment they can do so easily without waiting to bear the humiliating consequences of the non-payment of one's debts.

These excellent traits of character of our women in Sierra Leone have relevance to Thrift and Credit Cooperative Societies' work in the country. The first essential for development of a Thrift and Credit Cooperative Society is "Thrift." Whereas men are traditionally more extravagant in their spending, women on the other hand exercise more economy as they carry the burden of making ends meet in their homes. In Women's Thrift and Credit Societies in this country, the percentage of members' savings is always very high. The deposits here are always low--the majority being only 20 cents per month--but these are paid regularly by the majority of the members.

The second essential for Thrift and Credit Cooperative work is "Credit." Women members in these societies make the best use of the money which the society lends out to them. Because of their diligence, hard work and trustworthiness, delinquent loans in their societies are almost negligible. For this reason, the interest of members in their society's affairs is always kept alive as evidenced by the regular meetings they hold in their villages every month, at which very lively discussions always take place.

The third essential is the dissemination of cooperative education and information among the members of Thrift and Credit Cooperative Societies. Our women are very receptive to cooperative training. They learn quickly and usually make practical use of their training in a remarkable manner.

Another essential of Thrift and Credit development is the building of a member's character. Thrift and Credit Cooperative Societies are more likely to succeed in areas and places where a sound foundation of character training has been laid. In Sierra Leone one needs only to go among the women to prove this. The charismatic culture in them, which is of great significance in character training, places them at a better advantage in their Thrift and Credit Cooperative Societies. Sobriety, diligence, hard work, trustworthiness, service without remuneration are all handed down in the Cooperative.

Women members of Societies generally have high regard for discipline at meetings and this is why their meetings are always well run. At these meetings, every member promptly pays her monthly savings--ranging from 20 cents to 1 e.1.00 per month. Loans are issued for such purposes as paying children's school fees, buying household utensils, petty trading in fish, palm oil, rice, etc., vegetable gardening, garra work, and buying corrugated iron sheets and cement to improve their dwelling-houses. The industry of the women members is responsible for the prompt repayment of the loans when the time is due for their recovery. Many homes in the country today have been able to raise their standard of living because of active participation of women in Thrift and Credit Cooperative Societies.

It is important to note that Cooperative work has helped greatly in bringing the women of this country together. Through the movement, they have come to know and understand one another better. This has increased their love and concern for one another. Many women have come to realize that the training which they get through their active participation in the affairs of these societies has given them added advantage in the sphere of national activities. Where previously women were shy in facing and addressing large audiences, they participate with confidence and dignity. Thrift and Credit Cooperative Societies are becoming more important every day in national life, but could be much more so if sufficient numbers of our educated women were available in the societies to form a sound base for further accelerated Cooperative development.

(The preceding is the text of a presentation made by Mary Tholley, Treasurer of the Mabothrane Women's Thrift and Credit Society in Sierra Leone at The Third International Conference on Cooperative Thrift and Credit, London, June 1974. It is reprinted, with permission, from The Report of the Third International Conference on Cooperative Thrift and Credit, International Cooperative Alliance, London, 1975, pp. 129-131)

# SECTION SEVEN

## RESOURCES

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A Handbook  
for Cooperative Fieldworkers  
in Developing Nations

Information Collection & Exchange  
Resource Packet Number 5

# I. ORGANIZATIONS WHICH ARE INVOLVED IN COOPERATIVE WORK IN DEVELOPING COUNTRIES

Agricultural Cooperative Development International  
1430 K Street, N.W., Suite 1200  
Washington, DC 20005

ACDI is a non-profit assistance organization that has provided consulting services to agricultural cooperative organizations in some 60 developing countries around the world. ACDI assistance normally takes the form of feasibility studies, short and long-term technical assistance, consulting liaison arrangements, and observational and on-the-job training.

ACDI is financed primarily by AID, although support also comes from membership organizations which include a number of U.S. regional cooperatives and national cooperative organizations.

Committee for the Promotion of Aid to Agricultural  
Cooperatives  
c/o FAO  
Via delle Terme di Caracalla  
00100 Rome, Italy

COPAC is a liaison body that was set up to coordinate the efforts of member institutions (including the FAO, ICA, ILO, and WOCCU) in their promotion of, and assistance to, cooperatives. COPAC does not actually provide funds or assistance itself, but seeks to encourage effective collaboration between organizations that do furnish these types of aid. COPAC publishes several documents that may be of interest to PCVs, including a regular bulletin, a guide for the preparation of cooperative projects, and a directory of agencies which assist cooperatives in developing countries.

Cooperative League of the U.S.A.  
1828 L Street, N.W.  
Washington, DC 20036

CLUSA is a federation of different types of U.S. cooperatives, with a primary emphasis on purchasing and supply organizations. CLUSA has

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maintained an active role in providing assistance to cooperatives in developing countries since the early 1950s. In the mid-sixties, CLUSA was responsible for training and coordinating the activities of PCVs that were involved in cooperatives work in India, Kenya, and several Latin American countries.

CLUSA publishes a number of manuals on cooperative organization, management, and education which should be of special interest to PCVs who are working with consumer-oriented societies. Volunteers may write for a publications list. In addition, CLUSA has produced several films on cooperatives projects in developing countries, and the League has a fairly extensive reference library at its Washington headquarters.

Credit Union National Association  
1617 Sherman Avenue  
P.O. Box 431  
Madison, Wisconsin 53701

CUNA Global Project Division  
1120 19th St., N.W., Suite 404  
Washington, DC 20036

CUNA is a national federation of U.S. credit unions that has wide-ranging activities in the fields of organization, management, financial support, education, public relations, and research. Of interest to PCVs will be the CUNA Supply Corporation (at the Madison, Wisconsin address), which furnishes a variety of standardized accounting forms, educational manuals, and promotional materials for U.S. credit unions. A publications list is available.

CUNA Global Projects office coordinates CUNA contracts for short and long-term technical assistance to group credit schemes in developing countries by a staff of credit union development specialists.

Economics, Statistics, and Cooperatives Service\*  
U.S. Department of Agriculture  
Washington, DC 20250

The ESCS has a staff of agricultural economists and cooperative specialists who provide a wide variety of services to organizations which are involved in cooperatives work. The Cooperative Services

\*formerly the Farmer Cooperative Service

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Branch concentrates most of its efforts in providing technical services to U.S. cooperatives, although it also participates in projects on the international level. The ESCS publishes a wide variety of books and pamphlets on cooperative organization, management, and education. The PCV is encouraged to write to them for their publications list (all ESCS publications are available free of charge).

International Cooperative Alliance  
11 Upper Grosvenor St.  
London, England W1X 9PA

ICA Regional Office for South-East Asia  
"Bonow House"  
P.O. Box 3312  
43 Friends Colony  
New Delhi 110-0114, India

ICA Regional Office for East and Central Africa  
P.O. Box 946  
Moshi, Tanzania

The ICA is an international organization of national and regional cooperatives from Europe, Africa, Asia, and Latin America. The primary objective of the ICA is the promotion of the world cooperative movement.

The ICA publishes a number of excellent instructional manuals on cooperative management, accounting, and education. The Cooperative Education Materials Advisory Service (CEMAS), at the London headquarters of the ICA, acts as a clearing house for information on cooperative education and techniques, and as a production center for manuals and other forms of teaching aids. The Volunteer is encouraged to write to CEMAS, with a clear description of his informational needs, and to contact the nearest ICA regional office for its publications list.

International Labor Organization  
CH 1211  
Geneva 22, Switzerland

The ILO, founded under the Treaty of Versailles in 1919, is an organization that is involved with developing economic and social programs on national and international levels to meet the needs of the world's workers.

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The ILO recognizes that cooperatives are an important instrument in promoting economic and social progress for workers. With this in mind, it provides funding and technical assistance for a number of cooperative projects in developing areas. The ILO publishes several important documents that are of relevance to PCVs, including the excellent book, Cooperative Management and Administration.

Organization of Cooperatives of America  
Calle Baltazar La Torre #1056  
Lima, Peru

The OCA is comprised of a large number of member cooperatives which are located throughout Latin America. This organization's chief functions are to provide financial and technical assistance to cooperatives and to aid in the implementation of educational programs through the sponsoring of management training courses for cooperative employees and the translation of basic publications from English into Spanish.

The Plunkett Foundation for Cooperative Studies  
31 St. Giles  
Oxford, U.K. OX13LF

The Plunkett Foundation is primarily a research and education institution. It includes among its membership a number of organizations and individuals who share a common interest in the promotion of cooperatives. The Foundation conducts a number of training courses in cooperative law, management, administration, bookkeeping, and economics for British and overseas students. In addition to this basic function, the Plunkett Foundation also conducts research into questions related to cooperative development, sponsors international conferences, and produces a good yearbook, Agricultural Cooperation.

United Nations Food and Agriculture Organization  
Via delle Terme di Caracalla  
0100 Rome, Italy

The FAO has, since its inception in 1946, recognized the importance of cooperatives in solving the world's food problems. The FAO programs its research efforts towards practical problems which confront cooperatives. Occasionally, the FAO provides funding for technical assistance for cooperative programs in developing countries.

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The FAO publishes a series of books on cooperatives and crop production which are of interest to PCVs. Many of these books are relatively unique in the emphasis that is put on educational programming, rather than on the commercial aspects of running a cooperative. One extremely useful FAO publication is Audio-Visual Aids to Cooperative Education and Training.

Volunteer Development Corps  
1629 K Street, N.W.  
Washington, DC 20006

The VDC is a non-profit organization that was founded by a group of U.S. national cooperative organizations to supply a specialized form of assistance to cooperatives in developing countries. The VDC's sole function is to provide short-term consultants who have considerable professional experience in organizing or managing U.S. cooperatives (i.e. a middle-level manager in a large U.S. regional cooperative) to deserving cooperatives in developing areas of the world. Salary, transportation, and living expenses are absorbed by the consultant's home cooperative and the VDC. When necessary, a translator and office space are provided by the host-country organization.

PCVs who have identified a specific problem area in their cooperative (i.e. inefficient bookkeeping) that could be solved through the input of a short-term consultant are encouraged to contact the VDC's President, David Angevine, with a description of the type of assistance that is necessary.

World Council of Credit Unions  
P.O. Box 431  
Madison, Wisconsin 53701

WOCCU is a non-profit, non-governmental association which provides technical, educational, advisory and financial services to its affiliates. The member organizations of the WOCCU include the national credit union associations of Australia, Canada, and the United States, and the regional confederations of Africa, Asia, the Caribbean, and Latin America. The WOCCU directs most of its programs towards strengthening the communication and financial ties of the credit union movement and coordinating technical assistance and educational efforts in developing countries. (CUNA and its Global Projects office are linked to WOCCU).

#### I. ORGANIZATIONS WHICH ARE INVOLVED IN COOPERATIVE WORK IN DEVELOPING COUNTRIES

## II. SOME MAJOR INTERNATIONAL COOPERATIVE TRAINING INSTITUTIONS

Centre d'Etudes en Economie Cooperative  
Universite de Sherbrooke  
Sherbrooke, Quebec JIK ZRI  
Canada  
(courses in French)

Centro de Estudios Cooperativos  
Universidad Catolica  
Casilla 114-0  
Santiago, Chile  
(courses in Spanish)

Centrosoyus  
Ilyinka  
B. Tcherkassy Pereulok 15/17  
Moscow, USSR  
(courses in English, French, Spanish,  
Russian, and Arabic)

Coady International Institute  
St. Francis Xavier University  
Antigonish, Nova Scotia B0H 1B0  
Canada  
(courses in English and Spanish)

College Cooperatif  
7 Avenue Franco-Russe  
75007 Paris, France  
(courses in French)

Institute for Cooperation in Developing Countries  
Phillips University  
Am Plan 2  
355 Marburg, Federal Republic of Germany  
(courses in German)

Institute for the Development of Agricultural  
Cooperation in Asia  
6-24-9, Funabashi  
Setagaya  
Tokyo, Japan  
(courses primarily in English)

International Centre for Advanced Vocational and  
Technical Training  
via Ventimiglia Zol  
Turin, Italy  
(courses in English, French, Spanish, Italian,  
Arabic, or Persian)

International Cooperative Training Centre  
Cooperative College  
Loughborough, Leicestershire  
U.K.  
(courses in English)

International Institute for Development,  
Cooperation, and Labour Studies  
P.O. Box 16201  
Tel-Aviv, Israel  
(courses in English and French)

University Center for Cooperatives  
The University of Wisconsin  
Lowell Hall  
610 Langdon Street  
Madison, Wisconsin 53706  
(courses in English)

(Source: Calendar of Technical Assistance for Cooperatives  
1977, International Cooperative Alliance, London, 1977)

III. OTHER INTERNATIONAL ORGANIZATIONS WHICH HAVE  
PROVIDED FINANCIAL OR TECHNICAL ASSISTANCE  
TO COOPERATIVES IN DEVELOPING COUNTRIES

Africare  
1424 16th St., N.W.  
Washington, DC 20036

Afro-Asian Rural Reconstruction Organization  
C 117/118 Defence Colony  
New Delhi 3, India

Australian Council for Overseas Aid  
P.O. Box 1562  
Canberra, Australia

Canadian Catholic Organization for Development  
and Peace  
1452 Drummond St.  
Montreal, Quebec  
Canada

Canadian International Development Agency  
122 Bank St.  
Ottawa, Ont. KIA 964  
Canada

CARE  
600 First Ave.  
New York, NY 10016  
USA

Catholic Relief Services  
350 Fifth Ave.  
New York, NY 10001

Christian Aid  
P.O. Box 1  
London SW1 W9BW  
England

III. OTHER INTERNATIONAL ORGANIZATIONS WHICH HAVE PROVIDED FINANCIAL  
OR TECHNICAL ASSISTANCE TO COOPERATIVES IN DEVELOPING COUNTRIES

Church World Service  
475 Riverside Dr.  
New York, NY 10027

Danish International Development Agency  
Amaliegade 7  
1256 Copenhagen  
Denmark

Directie Financieel-Economische  
Ontwikkelingssamenwerking  
Ministerie Van Buitenlandse Zaken  
Plein 23, S-Gravenhage  
Netherlands

FDB Jubilee Fund  
65, Roskildevej  
DK 2620  
Albertslund  
Denmark

Funds Europeens de Developpement  
Direction des Programmes et des Projets de FED  
Commission des Communautés Europeenes  
Rue de la Loi 2000  
B-1040 Bruxelles  
Belgium

The Foundation for the Peoples of the South Pacific  
Carnegie Hall  
158 W. 57th St.  
New York, NY 10019

Friedrich-Ebert Foundation  
Kolner Strasse 149  
52 Bonn-Bad Godesberg 1  
West Germany

International Cooperative Housing Development  
Administration  
1012 14th St., N.W., Suite 1007  
Washington, DC 20005

Konrad Adenauer Foundation  
Platanenweg 39, Postfach 510 540  
53 Bonn - Beuel 1  
West Germany

III. OTHER INTERNATIONAL ORGANIZATIONS WHICH HAVE PROVIDED  
FINANCIAL OR TECHNICAL ASSISTANCE TO COOPERATIVES  
IN DEVELOPING COUNTRIES

Maryknoll Fathers  
Mission Research and Planning Dept.  
Maryknoll, NY 10545

Mennonite Central Committee  
Overseas Services  
21 South 12th St.  
Akron, PA 17501

Near East Foundation  
54 E. 64th St.  
New York, NY 10021

Netherlands Organization for International  
Development Cooperation (NOBIB)  
6 Van Blankerstraat  
The Hague  
Netherlands

Overseas Development Ministry  
Foreign and Commonwealth Office  
Eland House, Stag Place  
London SW 1  
England

OXFAM  
274 Banbury Rd.  
Oxford OX2 7DX  
England

OXFAM-Canada  
219 Murray St.  
Ottawa, Ont. K1W 5M9  
Canada

Pan American Development Fund  
1725 K Street, N.W., Suite 1409  
Washington, DC 20006

Primate's World Relief Fund  
Anglican Church of Canada  
600 Jarvis Street  
Toronto, Ont. M4Y 2S6  
Canada

III. OTHER INTERNATIONAL ORGANIZATIONS WHICH HAVE PROVIDED FINANCIAL  
OR TECHNICAL ASSISTANCE TO COOPERATIVES IN DEVELOPING COUNTRIES

Private Agencies Collaborating Together (PACT)  
777 United Nations Plaza  
New York, NY 10017

Save the Children Federation  
Boston Post Road  
Norwalk, CT 06852

United Nations Development Program  
866 United Nations Plaza  
New York, NY 10017

United Nations Educational, Scientific, and Cultural  
Organization (UNESCO)  
Place de Fontenoy  
75007 Paris  
France

Swedish Cooperative Centre  
Katarinavagen 15  
Fack S - 104 65  
Stockholm 15  
Sweden

Swedish International Development Agency  
S-105 25  
Stockholm  
Sweden

World Council of Churches  
150 Rue de Ferney  
CH 1211  
Geneva 20  
Switzerland

(Source: Directory of Agencies Assisting Cooperatives in Developing Countries, COPAC Secretariat, FAO, Rome 1975 and A Listing of U.S. Non-Profit Organizations in Food Production and Agricultural Assistance Abroad, TAICH, New York, 1974)

III. OTHER INTERNATIONAL ORGANIZATIONS WHICH HAVE PROVIDED FINANCIAL OR TECHNICAL ASSISTANCE TO COOPERATIVES IN DEVELOPING COUNTRIES

## IV. APPROPRIATE TECHNOLOGY CENTERS WORLDWIDE

### NORTH AMERICA AND EUROPE

The Brace Research Institute  
 P.O. Box 400  
 MacDonald College of McGill University  
 Ste. Anne de Bellevue, Quebec HOA 1C0  
 Canada  
 T. A. Lawand, Director  
 (energy-related technology)

Canadian Hunger Foundation  
 75 Sparks St.  
 Ottawa, Ont. K1P 5A5  
 Canada  
 (food preservation and processing)

Institute of Cultural Affairs  
 4740 Sheridan Rd.  
 Chicago, IL  
 (general community-development activities in agriculture,  
 health, housing, and village industry)

Intermediate Technology Development Group (ITDG)  
 9 King St.  
 Covent Gardens  
 London WC2E 8HN  
 England  
 (agriculture, building, food, cooperatives, health,  
 transport, power, industry)

Swedish Agency for Research Cooperation (SAREC)  
 SIDA  
 105 25 Stockholm  
 Sweden  
 (general research and development of appropriate  
 development technologies)

Technical Assistance Information Clearing House (TAICH)  
 200 Park Ave., South  
 New York, NY 10003  
 Contact: Jane Meskill  
 (clearinghouse on information concerning various  
 development programs)



## NORTH AMERICA AND EUROPE - continued

Technische Hogeschool Eindhoven  
Micro Projects Division  
Postbus 513  
Eindhoven, Girorekening 1076326  
The Netherlands  
(specializes in advising overseas volunteers on  
specific uses of appropriate technology at village level)

Technoserve  
36 Old King's Highway South  
Darien, CT 06820  
(appropriate technology applied to agriculture and  
village industry)

TOOL  
Postbus 525  
Eindhoven  
Netherlands  
(packages information to meet the needs of any  
particular appropriate technology project)

Volunteers in Technical Assistance (VITA)  
3706 Rhode Island Ave.  
Mt. Rainier, MD 20822  
(clearinghouse for information on many specific  
development-related problems)

AFRICA

Arusha Appropriate Technology Pilot Project  
Box 764  
Arusha  
Tanzania  
contact: Richard Stanley  
(Promotion of village level technologies involving water  
use, housing, and energy)

Botswana Enterprise Development Unit  
P.O. Box 438  
Gaborone  
Botswana  
(promotion of village level technology)

## AFRICA - continued

International Audio Visual Consultants  
P.O. Box 512  
Mbabane  
Swaziland  
contact: Michael Lynott  
(coordination between government, industry, and rural  
dwellers; a major project has concentrated on rural  
savings and credit)

International Institute of Tropical Agriculture (IITA)  
PMB 5320  
Ibadan  
Nigeria  
contact: Ray Wijewardene  
(research and development of agricultural planting and  
storage techniques, and development of simplified  
farm implements)

Pelagano Village Industries  
P.O. Box 464  
Gaborone  
Botswana  
contact: Frank W. Taylor  
(specializes in production and marketing techniques  
for small-scale industry)

Small Industries Development Organization (SIDO)  
Shirika La Kuhudumia  
Uwanda, Vidogo  
P.O. Box 2476  
Dar es Salaam  
Tanzania  
(promotion of varied techniques appropriate to small  
industry)

Technology Consultancy Centre  
University of Science and Technology  
University Post Office  
Kumasi  
Ghana  
contact: J. W. Powell, Director  
(development and promotion of techniques relevant to the  
village-level production and marketing of handicrafts,  
and necessities such as soap)

## IV. APPROPRIATE TECHNOLOGY CENTERS WORLDWIDE

## AFRICA - continued

Village Technology Unit  
 c/o UNICEF  
 P.O. Box 44145  
 Nairobi  
 Kenya  
 (education and promotion of various locally-appropriate techniques and implements)

ASIA

Appropriate Technology Development Organization  
 P.O. Box 1036  
 Government of Pakistan  
 1-B, F-7/1 St. N. 47  
 Islamabad  
 Pakistan  
 (research and development of farm implements, planting techniques, housing, and energy-related matters)

Appropriate Technology Development Organization Planning  
 and Development Division  
 Government of Pakistan  
 17-B Satellite Town  
 Rawalpindi  
 Pakistan  
 contact: Chulam Kiboria, Director  
 (extensive work in the development and promotion of new products from locally-available resources)

Appropriate Technology Group  
 c/o Chemical Industries Ltd.  
 P.O. Box 352  
 Colombo 5  
 Sri Lanka  
 contact: C. S. de Saram, Secretary  
 (specializes in identifying the needs of, and up-grading the techniques of, local village craftsmen)

BUTSI  
 (Indonesian Board for Voluntary Service)  
 Jalan Halimun 4  
 Jakarta  
 Indonesia  
 contact: Village Technology Unit, Dr. W. P. Napitupulu,  
 Secretary  
 (publishes and disseminates information on techniques and implements relevant to local agricultural production)

## ASIA - continued

CECOCO  
 Chuo Boeki Goshi Kaisha  
 P.O. Box 8  
 Ibaraki City  
 Osaka  
 Japan  
 (concentrates on the development of techniques and  
 implements for food production in developing countries)

Educational Systems Development Corporation  
 7th floor, Merchant Bank Building  
 313 Buendia Ave., Makati  
 Rizals D-711  
 Philippines  
 (supplies audio-visual materials for extension workers  
 in agriculture, health, family planning, etc.)

Gandhian Institute of Studies  
 Appropriate Technology Development Unit  
 P.O. Box 116  
 Rajghat  
 Varanasi 221001, Uttar Pradesh  
 India  
 (modelled after the ITDG in U.K., publishes and disseminates  
 information on processes and tools for rural development)

International Rice Research Institute  
 P.O. Box 583  
 Manila  
 Philippines  
 (development of equipment and techniques appropriate to  
 small-scale rice production)

LATIN AMERICA

Centro de Desarrollo Inegradado e Investigaciones  
 Tropicales "Las Gaviotas"  
 Bogota  
 Colombia  
 contact: Jorge Zapp  
 (specializes in development of small-scale industry)

## IV. APPROPRIATE TECHNOLOGY CENTERS WORLDWIDE

## LATIN AMERICA - continued

Christian Action for Development in the Caribbean (CADEC)  
 P.O. Box 616  
 Bridgetown  
 Barbados, W.I.  
 contact: G. A. Hatch  
 (concentrates on training in communication techniques; one major project has involved a small-scale agricultural cooperative)

Corporacion Industrial para el Desarrollo Metropolitano  
 Merced 136, Depto. 31, 3 en piso  
 Santiago  
 Chile  
 contact: Gonzalo Diaz Albonico  
 (development of projects which help the urban poor, such as handicraft production and marketing)

National Community Development Service  
 Government Offices  
 La Paz  
 Bolivia  
 (concentrates on appropriate technology as applied to community self-help projects)

Servicio de Informacion Tecnica  
 P.O. Box 7198  
 Guayaquil  
 Ecuador  
 contact: Victor Martinez  
 (information collection and dissemination center dealing primarily with small and medium-scale industry)

Servicio Nacional de Aprendizaje  
 Apartado Aero 9801  
 Bogota  
 Colombia  
 contact: Raul Gomez  
 (identification, collection, and dissemination of appropriate technology information relating to rural self-help and small-scale industry projects)

(Sources: Tranet, a quarterly newsletter published by the Transnational Network for Appropriate/Alternative Technologies, Rangeley, Maine; and A Handbook on Appropriate Technology, Canadian Hunger Foundation, Ottawa, 1976)

## IV. APPROPRIATE TECHNOLOGY CENTERS WORLDWIDE