



NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF BUSINESS AND HUMAN MANAGEMENT

COURSE CODE:COOP 411

COURSE TITLE:CONSUMER COOPERATIVE

COURE GUIDE

**COURSE: COOP 411
CONSUMER COOPERATIVE
(2 UNITS)**

Course Leader: Dr. O. J. Onwe

Course Coordinator: Mrs. Caroline Aturu-Aghedo

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INTRODUCTION

A word should be said in conclusion, about the relations between producers' and consumers' co-operatives. It may well be that in the economy of a given country one-third or even more of the retail trade in some commodity say milk or bread may take place through consumers' co-operatives, while perhaps an even larger proportion of the national output of milk or wheat is co-operatively marketed. The same may even be true in the international market. It would seem obvious that in such case the commodity should be held directly by producers co-operative to consumers' co-operative, or at least by national federation to national wholesale society. This does indeed take place in a number of cases, especially of course, when there is near monopoly on one side or the other. There are also instances of joint federal organisation of producers' and consumers' organisations, local, national or international engaged in this kind of direct trade. By no means all co-operative trade is, however, handled in this way. For one thing, the producers' co-operatives generally have a larger quantity of produce for sale than the consumers' co-operatives can absorb. They sometimes handle commodities which consumers' co-operatives do not want (e.g. industrial oils or luxury articles). Sometimes the consumers have been first in the field and have built up their own purchasing organisation. Beyond this, it must be recognised that the interests of producers and consumers, even when both are organised on co-operative lines, are not the same. Producers want to earn as much as possible for their produce, consumers to serve as much as possible on their purchases. It may not always be best that these differences should be fought out within a single organisation, or even by direct negotiation between two similarly organized bodies. The first experiment may well bring unsatisfactory results. It may be better -and it is often thought better-that both should buy and sell on the open market, dealing now with one another, now with private suppliers or customers, each seeking the terms most advantageous to its own members.

The term "merchandising co-operatives" is used to cover a group of rather different activities earned on by different types of co-operatives. What all these types have in common is that their ultimate purpose is the sale of goods direct to the consumer. They include:

1. consumers' co-operatives providing their members with food, clothing and other domestic needs;
2. marketing co-operatives which run retail shops:

3. agricultural co-operatives which, either as their sole activity or in combination with something else, supply their members with farm requirements, such as seed. fertilizers. animal feeding stuffs, implements or fuel;
4. craftsmen's or other traders' co-operatives, which supply their members with raw materials and stock-in-trade: and
5. co-operatives which sell both domestic necessities and farm implements.

WHAT YOU WILL LEARN IN THE COURSE

During this course, you will be learning about:

1. Consumer and Producer Cooperative
2. Management of wholesale societies
3. Distribution of consumer goods
4. Co-operative structure and scale of operations
5. Merchandising co-operatives means of production
6. Co-operative federalism versus co-operative individualism
7. Co-operative capital production and trading societies
8. Co-operative capital: credit societies and banks
9. Co-operative Accounting
10. Public control
11. Inspection, supervision and other control measures
12. Legal responsibilities of co-operatives
13. Co-operatives, common tax and laws
14. Relations with members and the public and
15. Education, training and development

COURSE AIM AND OBJECTIVES

This course aims at:

- 16.Explain Consumer and Producer Cooperative
- 17.Plan Management of wholesale societies
- 18.Discuss Distribution of consumer goods
- 19.Organise Co-operative structure and scale of operations
20. Articulate Merchandising co-operatives means of production
21. Effect Co-operative federalism versus co-operative individualism
22. Analyze Co-operative capital production and trading societies
23. Use Co-operative capital: credit societies and banks
24. Discuss Co-operative Accounting
25. Effect Public control
26. Install Inspection, supervision and other control measures
27. Enforce Legal responsibilities of co-operatives
28. Explain Co-operatives, common tax and laws
- 29.Coordinate Relations with members and the public and
- 30.Impact Education, training and development

When all the above aims are considered, we can conclude that the major aim of the course is to expose you to various areas of managing the consumer cooperative so as to enhance the effective performance among members, employees, suppliers, buyers and other stakeholders.

WORKING THROUGH THIS COURSE

For you to complete this course successfully, you are required to read the study units, reference books, and other resources that are related to the unit. Each unit of the course contains Tutor Marked Assignment.

The Tutor Marked Assignment (TMA) is to be done immediately and submitted to your tutorial lecturer/course facilitator for assessment.

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The medium to be used and the time to submit the TMA will be specified to you later. This course is a 2-credit course. As such you are expected to spend a minimum of two hours every week studying the course. You are expected to complete the entire course outline within a period of 18-25 weeks.

COURSE EVALUATION

As stated before every unit of this course has an assignment attached to it. You are required to keep an assignment file. After every unit the assignment should be done. At the end of the course, the evaluation shall be as follows:

Assignment – 30 %

Examination – 70%

Total =100%

Out of all the assignment you will do, each one shall be marked and converted to 3%. At the end of the best 10 shall be selected so as to make up to 30%. The examination at the end of the course shall cover all aspect of the course.

COURSE UNITS

In this course, we have discussed the topic of the course content titled Consumer Cooperatives under different topics. Based on this, the following units have been designed for the course.

UNIT	TITLE
1.	CONSUMER AND PRODUCER COOPERATIVE
2.	MANAGEMENT OF WHOLESALE SOCIETIES
3.	DISTRIBUTION OF CONSUMER GOODS
4.	CO-OPERATIVE STRUCTURE AND SCALE OF OPERATIONS
5.	MERCHANDISING CO-OPERATIVES MEANS OF PRODUCTION
6.	CO-OPERATIVE FEDERALISM VERSUS CO-OPERATIVE INDIVIDUALISM
7.	CO-OPERATIVE CAPITAL PRODUCTION AND TRADING SOCIETIES
8.	CO-OPERATIVE CAPITAL: CREDIT SOCIETIES AND BANKS
9.	CO-OPERATIVE ACCOUNTING

10. PUBLIC CONTROL

11. INSPECTION, SUPERVISION AND OTHER CONTROL MEASURES

12. LEGAL RESPONSIBILITIES OF CO-OPERATIVES

13. CO-OPERATIVES, COMMON TAX AND LAWS

14. RELATIONS WITH MEMBERS AND THE PUBLIC AND

15. EDUCATION, TRAINING AND DEVELOPMENT

These units must be treated sequentially; as a logical link exists in the arrangement. Every previous unit lays a foundation for subsequent ones. A maximum period of one week is required for every unit.

REFERENCE MATERIAL AND OTHER SOURCES

As was earlier mentioned, materials relevant to the course include not only the ones below but also others that you can lay your hand on. But for now, the following references are recommended.

1. Dean. S. *Women in cooperatives*. Rome, COPAC (Committee for the Promotion of Aid to Co-operatives). 1986; mimeographed.
2. Dublin. J.: Dublin. S. M. Credit union in a changing world: The Tanzania-Kenya experience. Detroit, Wayne State University Page. 13.
3. Food and Agriculture Organisation. Agricultural credit training manuals. A pack of 18 Rome. 1980.
4. Financial management, A trainer's manual by Malcolm Harper, with outline and for a ten-day course. Geneva. ILO. 4th impression 1986.
5. Icz A. Savings and credit co-operative Co-operative Bookkeeping Series. London. CEMAS ICA. 1977.
6. ICA. *Field education development*. A training pack. Geneva. CEMASdCA. 1983.

7. ILO, "ILO Women's participation in co-operatives", in *Women at Work* (Geneva), No. I, 1987, also available in French.
8. MAICOM. Two booklets for use in special programmes by women, prepared in collaboration with Susan Dean, COPAC.
A handicraft co-operative: Formation. Geneva. ILO. 1987. 1 national *co-operative: Management.* Geneva, ILO, 1987
9. Risk Management. A trainer's manual with outline and material for a five-day course. Geneva. ILO, 2nd impression. 1986.

PRESENTATION SCHEDULE

Specific dates for particular activities, such as submission of assignment, tutorial schedules and examination dates shall be made available to you on a later date. This will enable you plan your activities in the same line. The method of submitting your assignment and receiving other course materials shall be agreed upon on a later date. You should endeavour not to be falling behind the schedule whenever it is given.

CONCLUSION

By the time you exhaust this course, you will find it useful to join or be a promoter or be a consultant of any consumer cooperative in your environment and society at large.

COURSE : COP 411

**CONSUMER COOPERATIVE
(2 UNITS)**

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UNIT ONE: CONSUMER AND PRODUCER COOPERATIVE

1.0 Introduction

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should buy and sell on the open market, dealing now with one another, now with private suppliers or customers, each seeking the terms most advantageous to its own members.

The term “merchandising co-operatives” is used to cover a group of rather different activities earned on by different types of co-operatives. What all these types have in common is that their ultimate purpose is the sale of goods direct to the consumer. They include:

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- craftsmen’s or other traders’ co-operatives, which supply their members with raw materials and stock-in-trade: and
- co-operatives which sell both domestic necessities and farm implements.

2.0 Objectives:

At the end of this unit students will be able to:

- State the problems of consumer’s co-operative
- Explain membership and capital
- Discuss choice of site
- Analyze choice of stocks
- Explain layout of shops
- Enumerate competition between cooperatives
- Use price and quality

3.0 Main Content:

3.1 Problems of Consumers' Co-operatives

Consumers' co-operation was the first form of co-operative development. Over the years it has built up organisations of great size, strength and complexity, enjoying all the prestige of successful pioneering. It does, however, raise difficult practical problems. and there have probably been at least as many failure as successes. There are even cases where the entire consumers' movement in a country has collapsed while the agricultural credit or marketing movement has continued to make progress. There are a number of reasons for this. In the first place the business itself is complicated. The kinds of articles sold by even the simplest village consumers society may run into hundreds, while a large urban society will sell many thousands. All these must be chosen with an eye to local tastes. They must, moreover, be purchased in the right quantities so that they can be sold within a reasonable time, and at least before they begin to deteriorate. Some, especially foodstuffs, deteriorate very quickly. They have to be displayed in a hygienic and attractive way or safely stored. Apart from spoilage, allowance must be made for "leakage" in weighing out. All goods have to be paid for, which means a considerable capital outlay. They have to be sold and payments received and recorded. Stocks have to be replenished before they run out. A quite complicated system of accountancy has to be adopted and kept up to date. All this is much more difficult than, for instance, the marketing of a single agricultural crop.

Apart from operational difficulties, which it shares with private traders, a consumers' store offers certain temptations to behave in a way contrary to co-operative ethics. Members may fail to pay cash. to settle their accounts promptly, or sometimes even to settle them at all. There may be pilfering, either by members

or by the staff It is not that the members and staff of consumers' societies are more dishonest than those of other co-operatives, but simply that sandals or sweet biscuits are more attractive and less easily traced than fertilisers or baled cotton. Another difficulty is that consumers' co-operatives face intense competition from other traders. Even if these do not engage in a price war, they can still be very formidable competitors, especially when they have no paid staff, and run their businesses with the help of their families. Thus, unlike the co-operative, they may not be bound by regulations on hours and conditions of work. A consumers' co-operative in its early stages may also be dependent on private wholesalers for its supplies, and though such wholesalers should have no motive for trying to put the co-operative out of business, they may well drive a very hard bargain. In spite of all these difficulties, consumers' co-operation has been a success, not only in highly industrialized, fully literate countries. The rules for achieving success may become clearer if the different business problems are examined separately.

3.2 Membership and capital

In the first place a calculation will have to be made as to the minimum number of members for whom it would be worth while opening a shop. This will depend on what their weekly or yearly purchases are likely to be. Unless the difference between the wholesale and retail price of the goods sold even week is enough to pay the wages of the shopkeeper and any other staff employed, as well as the rent of the store (or depreciation if it belongs to the co-operative), and leave something over, it will be necessary to wait until more members come forward, How much the "something over" is will depend partly on what other regular expenses there will be (heating and lighting, for instance), partly on the credit habits of the members, partly on the need to build up reserves. The co-operative should start

with enough capital to buy a shop (or pay the first quarter's rent on it) and stock it with goods. It may be necessary to delay formation of the society until enough capital has been collected, perhaps carrying on a buying club in the meantime. If all the members pay cash over the counter, the co-operative is in a position to pay for a fresh consignment of goods as stocks begin to run out. If members expect several months' or weeks' credit, the co-operative may well find itself with no resources from which to pay for further supplies. It will either see its shelves and bins emptying, or it will become indebted to its suppliers. Even if members pay regularly once a fortnight, on the day they receive their wages (a not unreasonable arrangement, and one in which employers will sometimes collaborate), the co-operative will still have to keep in hand a sum equal to something like $\frac{1}{26}$ th of its annual sales, in order to cover the gap between selling and repayment. It is easy to see why the Rochdale Pioneers insisted on cash payments and why this was so essential to their success.

The financial difficulties of consumers' co-operatives are likely to come at the beginning, since most of the members will probably be wage earners who are able to put by only small sums for investment in shares. On the other hand, membership can be extended to include anyone who lives in the area served by the store and is therefore likely to be larger than that of an agricultural or craftsmen's society, in which all members must follow one occupation. Later on, if the society is prudently managed, it should be able to accumulate resources. For one thing, stocks should be turned over fairly rapidly, and there should not be time for any great fluctuations in price such as those which, in marketing for instance, can mean that a crop sold six months after harvest fetches less than the price paid to the producer on delivery. Normally, of course the price rises but co-operatives have been ruined in the past by a sudden drop in world market prices. If the margin

between what the co-operative pays for its stocks and what it charges to its members is fair is steady the co-operative can and should allow for a steady annual contribution to reserves. In addition, it will pay a dividend on purchase to members, many of whom may be persuaded to add it to their share account. In countries where share capital is transferable but not withdrawable, it is one of the most stable forms of financing. It is often the basis on which loans can be obtained from a co-operative bank. If, as in other countries, it is freely withdrawable, it must not be wholly tied up in buildings or even stocks, since sooner or later its members will want to withdraw it possibly not at the most convenient moment for the co-operative.

The proportion of "overheads" (e.g. wages, taxes, postage, light and heat) to turnover will tend to grow less as sales grow larger. The co-operative will therefore try to increase the number of its customers. This raises one or two interesting points. Should members all be heads of households or should husbands and wives and grown up sons and daughters living at home all be invited to become members? There is much to be said for such an arrangement. The additional members will all bring in more share capital and they may be more interested in buying from a society of which they are actually members. The idea of non-members profiting by trading with members would certainly be against the aims and principles of co-operation: in some countries it is even illegal. There is however, something to be said for a fairly flexible approach: perhaps non-members may be allowed to make a few purchases in the society before they are pressed to become members. The dividend which would normally fall due to such purchases can be set aside, and the non-member may be invited to convert it into share capital.

3.3 Choice of site

This is important to choose a good location for a co-operative store. Many of the early stores were in back streets or on the outskirts of villages. This may have been because these sites were the cheapest or the only ones available, or the first members lived or worked in such areas. It may still, be necessary for the same reasons, for new societies to begin on sites of this kind but it must be recognised that a bad site is likely to hamper the society in its subsequent growth, and that a move may at some point become necessary. The pioneers put up with inconvenient buildings and unattractive surroundings in order to support their society, but other people, and in particular the second generation, will look for an attractive shop in an established shopping area not too far from their homes.

3.4 Choice of stocks

Question of what goods to stock requires careful thought. The easiest and least risky commercially are basic non-perishable- or not too perishable-foodstuffs, such as flour, rice, tea. Sugar, salt, and other basic household items as paraffin, matches and soap. These things people buy week by week, so that stocks can be kept moving regularly. Some packaged and canned foods can be added. These do not deteriorate quickly but they tend to be minor luxuries which demand is irregular; moreover, people often have marked brand preferences. As a result, tins may sit for a long time on the shelves of the co-operative, taking up space and tying up capital. This problem will arise if the society is to supply all its members' wants, but the board and manager will have to recognise that the turnover for some kinds of goods will always be slower than for others, and that it will require more capital to cover them. A constant watch must be kept against goods staying too long on the shelves, and means must be found to dispose of them before they get too old. The sale of perishable foodstuffs butter, meat, fish, fruit and vegetables-does not tie up capital,

as members have to buy them daily, or at least several times a week, but losses on unsold goods which go bad and have to be thrown away can be 'cry heavy. Some of this can be avoided if the co-operative installs a refrigerator or cold storage room.

The sale of all 'dry goods'—clothing footwear hardware and household furnishings generally involves the problem of a slow turnover, as people buy such infrequently, perhaps only once in a year or, as in the case of furniture only once in a time. They are expensive and take up a good deal of storage space, Clothing in particular is affected by changes in Fashion. It is safe to say that if a co-operative wants to make a success of a clothing or furnishing department, it will need a very much larger membership than would be necessary to make a success of a food store. It is also true, however, that people will travel much further in order to buy a suit of clothes or a bed than they will to buy tea or sugar. Many co-operatives, as they begin to feel more confident, will open several branch food stores in suburbs or villages where their members live, and a single clothing and furniture store at a central point. The same result will be achieved if the dry-goods store is managed by a regional wholesaler. This is not to say that a few items such as working clothes and boots, which do not go out of fashion and for which there is a regular demand, may not sometimes be sold in a village store.

To become more scientific about which items should be stocked in a retail outlet, secondary co-operatives in some countries conduct extensive research about buying preferences. Where sufficient data have been collected, they can advise the primary co-operatives about which products will move most quickly, which lines are most profitable, how much space should be given to each class of products which ones are least in demand. Often this information has been refined so that even sizes and brands can be specified. Some co-operatives establish special

committees of members to scrutinize the selection of products being carried in the store and then provide board and manager with their views. At another level, managers' committees are formed in some countries to advise the secondary society on this and other matters.

3.5 Layout of shops

The way in which shops are set out depends on the kind of goods sold and on general shop keeping standards within the country. Co-operatives should be at least up to the best standard for the same kind of shop in the same or comparable districts, and should, as soon as possible, try to improve on this level. Even the simplest co-operative store should set a standard of cleanliness and order. As a regular routine, the goods in bins and on shelves should be kept well set out and visible to the customers; the walls and ceilings white- or colour-washed, the floor washed and swept: there should be no loose packing materials lying about, nor should there be dead flies in the window or live ones on the food; the ground outside the shop should be swept and sprinkled to keep down the dust. Employees, too, should be neat and clean in their persons and habits, as well as courteous to the customer. Equipment should be kept in good order. Every shop will need a weighing machine if it is to deal in bulk foodstuffs and, as soon as possible, a cash register so that the accounts can be kept in order. A safe will be required unless there is a bank nearby with a night safe where money can be banked as soon as the shop closes each day.

In a small village store the whole stock-in-trade may have to be sold from one room, but such a practice should not be allowed to go on for too long. In some countries it is illegal to sell dairy produce, which is easily contaminated, in the same place as strong-smelling groceries or paraffin. People do not really enjoy buying

clothes in the middle at a food shop, and in any case they usually take a long time to make their choice, and so hold up busy people who want to buy a kilo of rice and get back to their kitchens. A set of small specialised shops next door to one another used to be the answer to his problem but other patterns have superseded this arrangement for a number of reasons: having separate small shops tends to increase cost and can be unprofitable to operate. Improving the layout of a shop may be a better answer.

In towns and places where modern ideas on retail trade are beginning to spread, co-operatives may have to consider much greater departures from old methods. Many co-operatives are now organised for “self-service” with all the goods done up in packages of different weights, with the weight, contents and price clearly marked, and with the packages arranged on shelves or tables in such a way that the members can choose for themselves. They leave their own baskets at the entrance and borrow a basket to collect their purchases. The shop is so arranged that they cannot leave without passing the cash desk, at which their purchases are checked, paid for and transferred from the borrowed to their own. This has certain advantages. It is quick, because customers select the goods themselves and do not have to wait for an assistant to do so. Furthermore, there is no waiting while goods are weighed and wrapped, as all this has already been done in the store room. Packaging also makes for cleanliness, goods are neither handled nor exposed to dust and flies. It often increases sales because, in walking about customers are attracted by items which they might not have thought of buying.

The main disadvantage is that it makes the pilfering of small articles easier than it would otherwise be. Although it was once thought that self-service might not be a success where the majority of members were illiterate, this has been disproved.

The illiterate member responds with enthusiasm and may, in fact, a rudimentary literacy through having a choice of labels to examine. Labelling and wrapping add to costs but there are also economies in time and labour. If shop assistants in a town store are difficult to hire and their wages high, it may be cheaper to have an expensive packaging machine run by one operator three or four assistants engaged in weighing and wrapping, who might be occupied only part of the time. In a village shop on the other hand, the purchase of such a machine would almost certainly be out of place.

Self-service seems to be suitable for an infinite variety of goods, and while co-operatives have been slow to adapt to it, others have been leaders in this field. Consumer items such as food, clothing, household articles, petrol. Garden and pet supplies and health and beauty goods are being retailed through self-service in many stores with good results. The use of self-service is not limited any particular size of store or to any area of the globe. It is currently used in very small shops, bazaars of modest size, supermarkets, large shopping centres and mammoth hypermarkets in many countries. However, if clothes and furniture are at the central premises of a fairly large society or by a regional wholesaler. the layout still usually remains that of a department store. The idea is no different from that of the row of two or three small special shops which arty large village co-operative might set up but the scale is larger and the different goods furniture. Shoes, men's, women's and children's clothing may well be sold on different floors of one building. Problems can arise, however, in operating a department store the difficulty of moving customers to various floor or levels, the high cost of serving customers, the inconvenience of paying for a number of articles in separate departments. Such questions must be taken into account when laying out a store.

As co-operative shop keeping becomes more complicated and specialised, shop assistants have to be more carefully trained, both as a team and as individuals. They must have a real knowledge not only of the commodities they are handling but also of display and sales techniques. Many co-operative schools and colleges have model shops for different branches of trade, in which students can practise alternative ways of setting out and handling goods.

3.6 Competition between co-operatives

It has been assumed that successful co-operatives are likely to grow 'and establish branches. This is a healthy development, but it may happen that, as societies expand, they begin to compete for members with societies in neighbouring villages or other parts of the same city. In some countries secondary wholesale societies have opened retail outlets in direct competition with primaries in the same area. This raises difficulties, particularly as one of the aims of co-operatives is to do away with competition. In some countries the boundaries of a society's area of operations must be strictly defined in by-laws before it can open a shop. Yet, a society giving good service is blocked in its development by established rules or by an agreement with another society which is badly managed or unenterprising, the movement as a whole will suffer. The situation in each country must be carefully considered, but on the whole, rigid boundary agreements are probably a mistake. On the other hand, a federal co-operative using tact and authority can help to prevent clashes. One solution to the problem of competition among primary societies is to amalgamate several small societies into one large organisation. Since competition would seriously threaten the viability of some and might bring them to the point of closure, amalgamation can offer safety for member equity, continued service and democratic control.

3.7 Price and quality

The aim of a consumers' co-operative is not to make profits but to supply its members at the lowest possible price. This might suggest that the proper policy is to disregard the prices charged by other traders and sell to members at cost price plus something to cover the actual overheads. This has been tried, but has been found to be very risky. For one thing, it is impossible to know until the accounts have been audited at the end of the year exactly what the running costs of the society were, and a mistaken guess may by that time have led to heavy losses. For another, it will be regarded by private traders as a form of aggressive price-cutting and a price may result which the co-operative may not be strong enough to win. A variation on the system which avoids this risk of counter-attack by traders is the "direct charge" co-operative. Under this system all goods on the shelves are priced at the net cost and the member pays a weekly service charge to cover the costs of operating. Only members have access to a direct charge store. It is still, however, the usual co-operative practice to sell at a competitive price and then return any surplus at the end of the year to members by way of a dividend on purchases, either in cash or as a credit to their share account.

Determining the "competitive" price is not quite as simple as it sounds because the competition will be made up of many private traders, large and small, charging different prices. Which price should the co-operative match? Commonly, the co-operative sets a pricing policy stating that it will, on average be competitive but will also take into account the following:

- What gross margin must be achieved to offset expenses as indicated in the budget?
- What range of goods will match the price expectations of the average member?

- What effect will individual prices within this range of goods have on sales and support?
- What savings are needed for future growth?

After considering all these questions, the manager can decide on the price for each item, although that price may change from one day to the next. Frequently, a special price which is lower than normal is offered on several items per week to keep members coming to the co-operative, particularly where such a practice is common among other traders. If the co-operative fails to do this, it will suffer loss of member support. In some countries co-operatives have led the way in developing sales programmes with daily and weekly “specials” that not only help retain member loyalty but also have the healthy influence of lowering prices generally in the community. Adopting and publicising the policy that honest weights and measures will be given, that adulterated goods will not be handled, that goods will be clearly identified as to grade and variety, that any unclean goods will be labeled as such and that all laws concerning these matters will be strictly adhered to is also very important. When members are aware that such a policy exists and find it evident in practice, the co-operative gains their confidence, especially if they also know that the manager is required to abide by it absolutely. This policy of basic attention to quality combined with a policy of charging competitive prices defined in terms broad enough to permit flexibility seems to be the one most suitable for co-operatives.

4.0 CONCLUSION

In the course of this discussion, we mentioned various problems of consumers' cooperative and it may be necessary to delay formation of the society until enough capital has been collected. Also there is need for a good choice of location or site as well as the stocks in order to enhance sales. Co-operatives should be at least up

to the best standard for the same kind of shop in the same or comparable districts, and finally, members must have access to both lower price and good quality of the products being sold by the consumer cooperative society.

5.0 SUMMARY

In summary, this unit stated the problems of consumer's co-operative, explained membership and capital, discussed choice of site, analyzed choice of stocks, explained layout of shops, enumerated competition between cooperatives and finally, used price and quality as an added advantage to members of consumer cooperative.

6.0 REFERENCES

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7.0 TUTOR MARKED ASSIGNMENT

1. Differentiate between choice of site and shop layout?

2. Explain competition between cooperative?

UNIT TWO: MANAGEMENT OF WHOLESALE SOCIETIES

1.0 Introduction

The management of co-operative wholesale societies are more complex than that of most primary societies however large. This is because of the great variety of activities carried on and the way in which they must be arranged if the organisation is to be run without loss and give the best service to the primary societies. All that has been said about management in general the logical division of responsibilities, devolution of authority, planning and control-applies with even greater force to wholesale societies. So do the principles of office organisation, personnel management and the sitting and layout of premises. These are all technical problems, which are essentially the same for co-operatives as for private business of comparable size. If this is not recognised, if modern managerial methods are not studied and members to run the wholesale society as though it were a village store, the organisation may not be equal to the strain. Such recognition is important for the practising manager but also for the directors who must review their manager's performance. Perhaps most important of all, educators and trainers need to realise that managers have been catapulted into an era of professionalism and they rely on their trainers to teach them the skills that will meet present-day needs.

2.0 Objectives:

At the end of this unit students will be able to:

- Understand Bookkeeping and stock control
- Examine purchasing and sources of supply
- Analyze democratic structure of wholesale cooperatives
- Discuss relation between wholesale and retail society

3.0 Main Content:

3.1 Bookkeeping and stock control

A consumers' co-operative needs at all times to keep strict control of its money and its stocks. This is not easy because of the large number of small transactions and small items involved. A cash register is a great help in recording sales, but it must be backed by a sound system of bookkeeping under which accounts can be kept strictly up to date. A clear record of the movement of money, however, is only half the battle. It does not tell the board much about the state of the society unless they also know the state of stocks. The fact that the cash account balances is not really satisfactory if the shelves are empty and there is no money with which to restock them. Nor is a balance sheet to be trusted which shows, under assets, goods still at the value at which they were bought a year ago. Inventory in many small co-operatives is taken only once a year, often by members of the board who have little expert knowledge and are not good at judging either the quantities or the condition of stocks, much less their future saleability. Often they rely on the manager who may well have made mistakes, either in buying or in failing to buy, which he or she is not anxious to see come to light.

Any co-operative which wants to be efficient should adopt a system of continuous stock control under which a record is kept of the quantities of each article received, daily or weekly withdrawals from stock, and replacements. Advanced systems of stock control have been worked out which can be used in businesses of any

character and any size, and these should be studied and applied as appropriate. The simplest form is the locked warehouse and the stock register showing goods received and goods issued (usually once a week) to the manager of retail branches. Issues are only made when stocks in the branches are below a given level and a satisfactory record of sales can be produced. It soon becomes apparent how quickly each type of article can be expected to sell and, consequently, how quickly each consignment of stocks will be exhausted. (For a new society the experience of other societies or of a district union should be made available). The length of time it takes a repeat order to reach the wholesaler and the goods to be delivered should also be known. This will show how many days or weeks it is necessary to leave before sending off a fresh order. Some goods especially basic foodstuffs, will of course sell so steadily that the co-operative can place a standing order for so many sacks or cases to be delivered every week. Even so there may be seasonal variation. Some workers may migrate in certain months of the year or farmers may take their cattle to hill pastures leaving only old people in the village. On the other hand, stock control will also show which goods are failing to sell and should not be ordered again, at least in large quantities, and also which goods have become unsaleable through deterioration or contamination. The value of these goods must be ruthlessly written off or, if they can still be disposed of at cut rates written down. All this, of course applies not only to consumers' co-operatives but to agricultural supply co-operatives, and indeed to any which have to hold goods in stock.

One point should not be forgotten when relating stocks to sales, and both to money values. This is the loss which occurs. For instance, through reduction of weight when moisture evaporates, or through the impossibility of weighing out a hundred separate pounds of potatoes from a 100 pound sack. The rules for estimating such

losses iii the case of different commodities are well known, and a co-operative accountant or auditor should have no difficulty in finding the information.

3.2 Purchasing and sources of supply

It remains to be considered from what source the co-operative is to get its supplies, Should purchases, especially of foodstuffs, be made direct from centres of production, and, if so, at what season of the year? Has the co-operative the expert knowledge to judge qualities and make sound purchases Should forward contracts be made with merchants, or, better, with producers' co-operatives, or purchases be made as required through the agency of expert intermediaries? Broadly speaking, there are three possible sources of supply: a producers' co-operative, marketing or processing society or federation; private manufacturers or wholesalers; or a consumers' co-operative wholesale secondary society in many cases these wholesale secondary societies have themselves become manufacturers, buying raw materials and processing them into finished goods recent years co-operative wholesalers in some countries have found it possible to contract with private factories for the production of "house brand" (co-op labelled) goods at a much cheaper rate than that achieved by producing these goods for sale under the co-op label in factories of their own. Because the mark is registered, the goods can be sold only in co-operative retail stores. The retail co-operatives usually follow a policy of selling co-op label goods at slightly lower prices than those placed on goods of a similar quality bearing leading brand name. This practice is, of course, an inducement to consumer members to support their retail co-operative, since it gives a substantial saving and indicates that their store is meeting competition successfully. Control over quality can be rigorously maintained by strict specifications in the contracts by regular checks and tests in the wholesaler's own test kitchens and laboratories. It has been mentioned that a board of directors

should have a purchasing or procurement policy . Its warrants further comment here. The policy should be unambiguous in stating that the first source of supply shall be the co-operative wholesaler

or, failing that, another co-operative source: that private suppliers shall be used when they have been approved by the board: and that any gifts, bonus or “free” goods that may be offered to the manager or buyer as incentives to order shall not be considered to be the property of the individual involved but part of the stock of the co-operative, to be sold in the normal manner. Suppliers are known to offer incentives to employees or directors in defiance of this policy should be disqualified as approved suppliers. The board of directors should not become involved in buying, as has already been indicated. It is the manager who should be responsible for buying, within the boundaries of the policy which is designed in accordance with the principle of co-operating with co-operatives. The principle is not empty rhetoric. The wholesale co-operative helps the retail stores to keep their prices competitive, its survival and usefulness depends entirely on the profits it can make from sales to its member societies.

3.3 Democratic structure of wholesale co-operatives

A wholesale co-operative will require a governing body which must be elected by the member societies either at an annual general meeting or, in some countries, by postal ballot. The directors of a wholesaler must be prepared to devote a great deal of time to their duties as members of such a body and it may not be easy to find persons from among the boards of local societies who have the necessary business experience to direct so large an undertaking. It may become necessary at some point to adopt a more indirect form of democratic control. One method is to divide the entire area served by the wholesale society into a number of electoral districts. Once a year each electoral district holds an annual meeting at which delegates from

member primaries elect a small number of director candidates who in turn attend the annual meeting of the secondary society where they elect a board of directors to review policy and operations. Each director on the board is assigned a district for which he or she is responsible. To that district the director must report on all activities of the wholesaler, just as the chairperson of a primary society would report to the membership at the local level. As in the primaries, the board of directors of the wholesale society appoints a professional general manager who is responsible for the operations of the society.

Another method is for the general meeting of the focal societies to elect a fairly large council, which gathers several times a year, to review the progress of the wholesaler and take broad policy decisions. The council will in turn elect or appoint a small executive committee or board of full-time managing directors, each responsible for the day-to-day running of a department or group of departments in the organisation. This arrangement raises questions regarding the demarcation, between their role in directing and in managing.

A question of some interest is the method of voting by local co-operatives in the general meeting of the wholesale co-operative. The principle of “one person, one vote” is fundamental in the co-operative movement. If local societies are all about the same size, this may be translated into “one society, one vote” at the meetings of the wholesale or other federal organisation. But what is to be done when some societies have a few hundred members and others several thousand? The usual answer is to give each society a voting strength in proportion to the number of its individual members, sometimes even with extra votes depending on the value of goods purchased from the wholesaler.

3.4 Relations between wholesale and retail societies

Production for use and not for profit” is an old co-operative watchword. It is often assumed to mean (among other things) that a wholesale society should only produce what its members, expressing themselves through their local societies, wish to have. This principle, however, raises many difficulties in practice. Members may live in a remote village and may not know what is available. Or they may live in a city where advertisements influence them to want things which are either not the co-operative brand or can only be produced economically for a much larger market than the co-operative movement as a whole can provide. What happens in practice is that local co-operatives entrust the stocking of their shops either to the manager or to paid buyers on the staff. These have their own tastes and a general idea of the tastes of the members, but they know nothing of and may not agree with, the tastes of the buyers from other local societies. The orders which eventually go into the wholesale society do not in practice afford very much guidance as to what should be produced outside the range of simple bulk Commodities such as flour and sugar. If the wholesale society feels itself bound in principle to meet every demand made by a member society, it may find itself engaged in a great number of small lines, none of them profitable. Again, when local societies become large, they become much less dependent on the services of the wholesale society for bulk buying, storage and bulk breaking. If the wholesaler is not prepared to give them more favourable terms for large purchases, they will be tempted to make their own bargains with private manufacturers.

The special relationship between co-operative wholesalers and their member societies gives rise to these and other special problems that the private wholesaler does not need to face, yet there are many issues common to both methods of business. The need for mutual support among small retail stores and a wholesale society is one of these and it is instructive to observe one pattern private trade has

developed to cope with this need. In some countries private wholesalers organize their clients into an identifiable group of retailers. They obtain the right to display in common logo or sign so long as they are prepared to abide by certain common rules and conditions and to share in promotional programs which serve the interests of both retailer and wholesaler. Under firm contract the retailer is committed to buying all goods regularly from the wholesaler, having conditions in the store inspected regularly and accepting the wholesaler's advice on making improvements, carrying out advertising as suggested by the wholesaler, paying the account on a specified date each month, pricing goods according to a common scale and sending financial statements to the wholesaler. The wholesaler is committed to supplying the retailer with decorating, promotional and advertising material, arranging a continuous programme of sales events, delivering goods on schedule as arranged and promoting special brands. The wholesaler also undertakes to be competitive in price, provide an advisory service to the retailer on such things as store design and layout, and prepare an analysis of the retailer's financial statements.

Private wholesalers have learned from experience that it is difficult if not impossible to operate effectively without assurance of support from a group of stores. The stores recognise that combined buying power enables them to obtain better prices and services than they, each standing alone, could get. The pattern of integrated merchandising they follow is obviously applicable to the co-operative sector and in some countries co-operatives have been leaders in developing such patterns on a large scale. Among co-operatives the integration is more often achieved without a contractual arrangement, by means of consultation, persuasion, demonstration and a large measure of co-operation on the part of both wholesale and retail managers and boards of directors.

In some countries pressure has been exerted on the relevant government department to legislate in favour of support for wholesale co-operatives, forcing primaries to buy from the secondary society. But where unsatisfactory relations between wholesale and retail co-operatives exist, such legislation will not resolve the underlying problems. The lack of purchasing support is a symptom of a condition that requires careful diagnosis. Why do some retail societies support their wholesale co-operative with 100 per cent of their purchases while others buy only 10 per cent of their goods there? When questioned, the local manager may seek to excuse the lack of support by saying that the wholesale manager is arrogant or incompetent: that the wholesale society carries a poor selection of goods; that the delivery service is unreliable: that too many mistakes are made on invoices and monthly statements: that the wholesaler is too slow in settling claims: that its prices are too high: and that goods are too often out of stock. The answers from the wholesaler may be that the manager of the primary is biased against the wholesale society; that the board does not get on well with the board of the wholesaler: that the primary manager gets special gifts and bonuses from private suppliers for personal use: that the manager and the directors of the primary have special friends in private business whom they favour: or that the manager and the board are not true co-operators. The whole truth probably includes a fair proportion of each side's complaint.

The essence of it all is that a co-operative wholesale society matures and becomes large and complex, it cannot depend wholly on the automatic loyalty of its member societies. It must justify, loyalty by efficiency at least as great as that of its private competitors and must offer goods of a quality, style, price and variety that the member societies will want to buy from the co-operative source. Relations, however, are not a one-sided affair, and to make them as good as possible the retail

society must do all it can to ensure that the individual self-interest of the manager or of members of the board of directors does not stand in the way of the society's responsibility to its membership. Members deserve to gain all the advantages that a strong, effective wholesale society can pass on by means of its power in the marketplace. How can both retail and wholesale societies communicate their needs and desires, doubts and regrets, aspirations and beliefs to each other? How can this communication be turned into programmes of reform? One forum that has worked well in some areas is the management advisory committee made up of retail managers and wholesale management staff. In order to set up such a committee, an area served by a wholesale society is divided into operational districts. In each district the managers of the primary retail societies meet three or four times a year with representatives from the wholesale co-operative to discuss mutual problems. As an extension of this arrangement, each district elects one manager to serve on the management advisory committee which meets management personnel at the wholesale society to follow up on the discussions at the district meetings. Together the members of this group discuss operational strategies product selection, merchandising and credit programmes-in short, all aspects of their business relationship that influence the level of support given by the retail society to the wholesale. Managers on the advisory committee are expected to report back to their districts on the ideas and explanations behind the operational policies they have worked out with their wholesale colleagues on the committee.

In some countries the government's co-operative department has the sole authority to call managers meetings. In others, none are ever held and a valuable opportunity for communication between levels of the co-operative movement is lost. No improved system of communication, of course rules out formal education and training. Both are essential for improving relations between wholesale and retail societies.

4.0 CONCLUSION

The wholesaler is committed to supplying the retailer with decorating, promotional and advertising material, arranging a continuous programme of sales events, delivering goods on schedule as arranged and promoting special brands. The wholesaler also undertakes to be competitive in price provide an advisory service to the retailer on such things as store design and layout, and prepare an analysis of the retailer's financial statements.

6.0 SUMMARY

In summary, the following were discussed in the course of this unit: Bookkeeping and stock control, purchasing and sources of supply, democratic structure of wholesale cooperatives, and finally, relation between wholesale and retail society.

6.0 REFERENCES

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7.0 TUTOR MARKED ASSIGNMENT

1. Discuss purchasing and source of supply?
2. Explain the relation between wholesale and retail cooperative?

UNIT THREE: DISTRIBUTION OF CONSUMER GOODS

1.0 Introduction

In the field of distribution the main co-operative achievement has been the creation of consumers' co-operatives, sometimes rather misleadingly called 'industrial' societies. These are responsible for running a single shop, a chain of stores, supermarkets, bazaars, stopping centres and hypermarkets. Members can buy foodstuffs, clothing, household and farm supplies, drugs and medicines, petrol and motor vehicle surplus-virtually every possible article of domestic and farm use of guaranteed quality and at a competitive price or better. In some countries co-operatives carry out a special co-operative image programme to identify themselves more uniformly throughout the geographical area in which they operate. Goods of all descriptions sold under the co-operative label are either manufactured by co-operative system or are contracted for from the outside and sold to members at preferential prices.

Not infrequently consumers societies also provide services such as laundries, restaurants or kindergartens. Some of the consumer' co-operatives in the industrialized nations accept "thrift deposits" and act as bankers for their members besides insuring their lives and property. In the developing world, where the consumers' movement has not yet spread so widely co-operative do not combine banking with trading, in case members borrow to make their purchases and fail to repay their loans. They adhere for the most part to the principle of sales for cash only. But in some countries societies composed of regularly paid workers are allowed to sell to their members on credit up to a proportion of their monthly income provided they agree to deduction of their debts from their pay packets by the employer.

Consumers' co-operatives grow up first among industrial workers such as the weavers, miners and shipbuilders of north Western Europe. They were soon followed by farmers in Scandinavia, Switzerland and elsewhere, and there are still many consumers' co-operatives whose members are all country people most of them farmers. Such societies are likely to combine the provision of agricultural implements and supplies with the sale of groceries and household goods. Consumers' societies now operating in almost every corner of the globe range in size from small village shops employing a single part-time worker to mammoth centres such as supermarkets, with hundreds of employees located in large cities where they serve both farmers and city members.

2.0 Objectives:

At the end of this unit students will be able to:

- Understand cooperative among fishermen
- Examine handicraft and industries cooperative
- Analyze credit, banking and insurance cooperative
- Enumerate cooperative among other services.

3.0 Main Content:

3.1 Fisheries

Co-operation among fishermen flourishes best where the industry is carried on by individuals or family groups rather than by large companies. Activities may include the ownership of boats, thrift and credit the supply of fishing gear, the insurance of fishing vessels, on the marketing and processing of fish. It is in fact very much like co-operation among farmers. It is well developed in Canada and in western Europe, but not to the same extent elsewhere.

3.2 Handcrafts and Industries

Co-operative among craftsmen has an interesting history and has come to mean rather different things in different countries. It began in the earlier stage of industrialization in Western Europe with groups of skilled workers who wished to set up their own factories. Some succeeded especially in trades such as printing, shoemaking and light metal work where at least in earlier years, capital for equipment was less important than skill, but the movement never became of national importance.

Elsewhere in Europe craftsmen tended to set up their own small but technically modern businesses, and thereafter to join together to form co-operative banks from which they could borrow working capital, or co-operative trading societies for the supply of raw material.

In Asia and in parts of Africa the producers of crafts have so far continued to work by hand in the traditional way. Co-operations were first used to supply them with loans, raw materials or a market, or to purchase equipment for common use. Although large-scale organization of the kind, with the financial backing of governments, has been able to keep thousands of manual workers from total unemployment, it remains doubtful how long they can continue to compete with the machine and the well-organized factory, unless the co-operatives go on to introduce far-reaching technical changes.

During the world wide recession of recent times many small and large scale industries have been driven to closure. To avoid the loss of their jobs, workers in some of these factories, which range in size from small bicycle plants to heavy steel production units, have attempted to take them over and operate them as workers' co-operatives. Some cases are success stories; others face an uncertain fate.

Forestry co-operatives may be akin to agricultural co-operative if the members are farmers who own woodlands, either as individual or as a group and who have formed to co-operative for the improved management of their resources, or they may be a form of craftsmen's co-operation if the member are tree-fellers and woodworkers who undertake to explicit standing timber.

Housing co-operative exist in growing numbers in several countries and are two sided. The members of a housing or building co-operative are probably people who want to have house built for themselves or to borrow money for that purpose. They may however, be building workers who are ready to build houses in contract. In other variation the members may own and operate large condominiums and housing estates in which units are other for lease or for sale to member who occupy them. In some instance ownership rests with individual members who may dispose of their unit as desired; in others owners are obliged to sell their units back to the co-operative which then resells them to new members. In all cases, ownership and relationship to the co-operative body are clearly set out in the by-laws. In some countries co-operative housing has been very successful in meeting the needs of its members but stories of failure are unfortunately also common.

3.3 Credit, banking and insurance

As has been seen, many forms of co-operation include promotion of some form of thrift, provision of working capital loans and other banking services, and facilities for personal or property insurance. Banks, credit unions and insurance organizations are among the most widespread, powerful and effective forms of co-operative. In some cases they are associated with an agricultural, industrial, consumers' or fishermen's co-operative and draw their membership from a given vocational group. In other cases, such as the credit union organization in North America, which is not tied to any other kind of co-operative organization, the

membership is based on consumers of every vocation within a given trading area. Credit unions of this kind attract a large percentage of the population. Such organizations have gained considerable financial power and influence in the banking industry. In some countries, too, co-operative banks are the channel through which state aid passes to farmers and other groups whom it is the policy of the government to help.

3.4 Other Services

Public service co-operatives need to brief mention. They may supply drinking water to a village electricity or telephones, a ferry, bus or taxi service, or a co-operative vocational training school, or they may run a health centre. Good work has been done in all these fields and there may be more opportunity in the future, especially in developing countries, but unquestionably the trend is for the state to take over and organize such services on a uniform national basis.

4.0 CONCLUSION

Having examined various areas of consumer cooperatives: fisheries, handicrafts and industries, credit banking, insurance and other services, we therefore conclude that the foregoing are necessary so as to meet up with the financials, assets and raw materials requirement of the members.

5.0 SUMMARY

In summary, the following were discussed in the course of this unit: cooperative among fishermen, handicraft and industries cooperative, credit, banking and insurance cooperative, and finally cooperative among other services.

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7.0 TUTOR MARKED ASSIGNMENT

1. Discuss handicrafts and industries as a form of consumer cooperative?

2. What do you understand by credit, banking and insurance in consumer cooperative?

UNIT FOUR: CO-OPERATIVE STRUCTURE AND SCALE OF OPERATIONS

1.0 Introduction

It is clear that co-operative activities are varied, can be complex and may take place on a considerable scale. This raises the question of the type and size of business unit by which they are best carried out.

2.0 Objectives:

At the end of this unit students will be able to:

- Understand structure of cooperative
- Examine scale of operations

3.0 Main Content:

3.1 Structure of Cooperative and scale of operations

Sometimes the development of a co-operative may go through a preliminary stage in which an informal group of persons engages in self-help. Such a group may in some countries, acquire legal identify as a “registered group” or as a “pre-co-operative”. Some may never move beyond this stage co-operative. More traditionally, the first stage in the development of any co-operative is the formation of a local or “primary” society. It may have no more than a dozen members, perhaps fewer. Its capital resources may be very small, and it may have to rely on local talent, perhaps on voluntary service, for such business management as it may require. For all these reasons its operation will have to be kept simple. If however, the co-operative is to be of permanent value to its almost certainly one of two things will happen: it will either grow in membership, in resources and in the scale of its operations and it is a business unit capable of holding its own in the economy

of the region, or it will join with other small local co-operative to form “secondary” or federal organizations, which will take over all the more complicated and difficult operations, and run them on business lines.

Both these course of development have been followed with success. The primary society which grows large without ceasing to be primary may owe its success to particularly able direction and management or to a favourable location at a centre of trade. Such societies begin to draw members from beyond their immediate neighbourhood, they may come to include smaller societies through amalgamation they may take on new functions or carry their existing services further. A large primary society has problems of its own keeping in touch with some thousands of members will be one of them- but it can be a very effective business organization, at once free to make its own decisions and commanding a good deal of local loyalty and respect.

In other circumstances primary societies may remain small. If the village is the principal social and economic and, if communication is difficult or of course, if for some technical reason the business of the co-operative can only be carried out on a small scale, then size is likely to be restricted. In such cases there will have to be a division of function between the primary society and the secondary federation, either regional or national. The village consumers’ store may sell bread but will probably not have its own bakery. Instead, it may join with three or four others to run a mechanized jointly owned bakery in the nearest town. The bakery will not mill its own flour mills. The primary society will not hold large stocks of commodities nor will it attempt to import directly from abroad. It will leave these and other tasks to the wholesale society, which has the capital to cover forward purchase, skilled staff trained in the art of buying to the best advantage, and premises in which large stocks can be stored, packaged and if necessary,

processed. In the same way the village bank will receive deposits and make loans, but it will not need to maintain an exact balance between the two, suspending operations at the point when one begins to exceed the other. If members are thrifty and there are more deposits than can be surplus with a district co-operative bank. If agricultural development is taking place within the district and there is a justified demand for loans which cannot be met out of deposits, then the national co-operative bank may be prepared to lend.

The village marketing society, again, may well have neither the premises to handle an agricultural product in any but a very simple way, nor the experience to sell it in the best market. It will, however, do a useful job as a collecting weighing and grading centre, and as an office through which payments can be made to members. Thereafter the product will pass to a properly equipped federal warehouse, cotton ginnery, sugar factory or other processing plant, under a trained manager who is probably in close touch with a district co-operative bank.

The picture of a small village co-operative with only the simplest problems of direction and management is, therefore far from typical of the co-operative movement today, in any country where co-operation has been in progress for any number of years. Co-operative organizations have been growing steadily larger, more intricate more involved with one another and though more successful, more difficult to run. One aspect of this intricacy is the growth of what is called “the multi-purpose society”. The old idea was that each co-operative carried out one operation only. It turned milk into butter, or made loans, or sold groceries or supplied fertilizers, but it did not do more than one of these things. If another service was wanted in the village another co-operative was formed to provide it. There are countries where this system is maintained to this day, with villages where a dozen single purpose co-operative flourish side by side. It is probably that much the same people sit on all their boards of direction and the chairperson of one may well be the secretary or

treasurer of another, but their business affairs are kept firmly separate. Elsewhere however, this system has broken down a successful dairy has begun to handle cattle feeds or groceries, a credit society is taking orders for fertilizers or a consumers society is buying its members' eggs studied by independent inquirers, by research departments in industrial firms and by universities. The profession of management consultancy has come into being and its members are prepared to give advice exactly as would a lawyer, architect or engineer.

In some countries, too, the larger co-operatives or their national organizations have gained many years of experience in professional consultancy, giving guidance to smaller co-operatives. In other countries co-operative consultancy has been more recently introduced, sometimes under ILO technical co-operation projects. In India, for example, a staff of well-trained, co-operative and guidance to hundreds of co-operatives. Co-operative colleges there are elsewhere are including co-operative research and consultancy in their course offerings. In too many co-operatives, none of less, management still depends wholly on the personality of the manager and business procedures are based on old, and not always good, traditions.

4.0 CONCLUSION

In conclusion, there is a need not only for greater awareness of the theory and practice of private enterprise. That is of course essential, since perhaps four fifths of the problems are the same for a sort of enterprise. But there is also a need for resolving the problems which centre upon the democratic control of co-operatives and the special relation between members, member committees, boards of directors, management and staff.

5.0 SUMMARY

In summary, the following were discussed in the course of this unit:
cooperative structure and scale of operations.

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7.0 TUTOR MARKED ASSIGNMENT

1. Briefly discuss cooperative structure and scale of operation?

UNIT FIVE:

MERCHANDISING CO-OPERATIVES MEANS OF PRODUCTION

1.0 Introduction

Co-operatives which have as their purpose the supply of means of production-including raw materials, implements, machinery and fuel-have some features in common with consumers' co-operatives, but in other respects they are quite different and raise different problems. This form of co-operation has developed mainly in the field of farm production, where it serves a dual purpose: to reduce production costs by meeting the farmers' production needs cheaply (either at prices lower than the usual market price or at prevailing prices with a dividend at the end of the year: and to ensure that only the best and most reliable materials are supplied. The latter has often been the primary purpose for which co-operative supply societies were founded. For instance, at a time when artificial fertilisers and selected seeds were first put on the market, there were many cases of fraud: these could only be detected by chemical and biological tests which the individual farmer was unable to apply. A third aim may be to liberate farmers from dependence on a merchant to whom they are indebted, and so make it possible not only to buy where they like but also to sell their produce through a co-operative marketing society if they so desire. In some countries the co-operative distribution of farm implements and supplies has been used as a way of encouraging farmers with a primitive standard of farming to adopt more modern methods, increase the fertility of the soil, feed their animals better, or protect both animals and crops from pests and diseases.

2.0 Objectives:

At the end of this unit students will be able to:

- Examine Single and multi -purpose co-operatives
- Analyze commodities handle fertilizers
- Apply Animals feed
- Use seed
- Discuss cash and credit
- Explain plant, premises and transport
- Understand Fishermen's and craftsmen's supply co-operatives

3.0 Main Content:

3.1 Single and multi -purpose co-operatives

In some countries the co-operative supply of farm production necessities is earned on at the primary, village level by a co-operative already formed for some other purpose. The dairy marketing society, for instance, may put through a wholesale order for cattle food or grassland fertiliser and distribute the product among its members.. The write--making society may order copper sulphate to be sprayed on is members' wines In neither: case does the co-operative take any great commercial risk. It can provide temporary storage space. In due course it will pay members for their milk or their grapes arid can deduct from the payment what they owe for supplies. Else where the members of a village credit .society which makes a number of small loans about the same time of the year for fertilisers or seeds may realise that if they were to put through a joint order they could get better terms from suppliers and transport companies. In such a transaction the risks of the credit society are again strictly limited. It orders the 4quantity which members have actually agreed to take, but assumes no responsibility for storage, nor is it liable for any consequences resulting from price fluctuations. Another possibility is that an independent co-operative of a very simple character may be formed in each village with the sole object of putting through orders of this kind. Finally, the village co-operative may be planned on a multi-purpose basis from the start. None of these

systems of co-operative supply-except, perhaps the last-can give more than rather limited service to the farmer, The economies in buying wholesale will not be very large. Farmers will probably have to fetch their own fertiliser or seeds from the railway station, perhaps at a time when they should be busy doing something else, and they may still have to go to the merchant for a number of small items, such as tools, harness or wire, which the co-operative does not supply. Finally, except in the case of a marketing society handling supplies, there will be some difficulty in finding suitable staff for a society which is merely an agent ordering supplies two or three times a year. A manager with a fairly businesslike approach will be required on these occasions, but at other times there will be little or nothing to do, and both the manager and the members will tend to lose interest.

There are two solutions to this problem. One is to link the village supply agencies to one or more district federations which not only sell wholesale but store, test, manufacture and take full commercial responsibility for all the materials they handle. The other is to develop the local society to the point where it has a full-time staff, premises of its own and a full range of farm supplies in stock. Most countries have worked out some combination of these two systems involving both local co-operatives and district or national federations. The federations may handle either a single commodity, such as fertilisers or a wide range of goods. They may also perform some other function such as marketing.

To some extent the system adopted will depend on the way farmers live. If they live in a village and do all their business there, they will want their supply co-operative to be in the village too, even if the membership is too small to justify anything more than an office and a warehouse and if some of the more costly items have to be ordered from a regional federation. In a number of Asian countries the

village multi-purpose society handles credit as its primary function, and deals with supply and marketing as secondary functions, on an agency basis. Such societies are federated in a district bank, from which they draw funds, and in a marketing society in the nearest market town, from which they obtain farm supplies and through which they market the produce of their members. These marketing societies may in their turn be affiliated to a district or state marketing federation.

The combination of supply and marketing in the local society is reproduced at the federal level, but the federal trading organisations do not provide credit for their affiliated societies, a service which is left to the central co-operative banks. In order to avoid the risks of handling credit and trading in the same organisation at village level, the multi-purpose society is not itself expected to take agricultural supplies such as seeds, fertilisers and implements. These are held by the marketing society for which the multi-purpose societies act as agents. Distribution may take place in any one of three ways. Members needing supplies may be given a delivery order by the village society, on production of which the marketing society releases goods to the member. This is a convenient system when the member has just delivered produce and has an empty cart which can be loaded for the return journey. Or the village society may collect orders from its members, fetch the goods from the marketing society and distribute them among its members. Finally, just before the sowing season, the village society may estimate the needs of the village, procure seeds from the marketing society, store them for a couple of weeks and distribute them to members. In all these cases distribution will be for cash. If members need credit, they will apply for a formal loan from the credit department of the society, and the seeds, fertilisers or implements which they buy will be debited to their Loan accounts.

If farmers live on scattered farms, as they do in many European countries, their business centres will not be the village but the neighbouring town, and they may prefer to build up a larger society, serving a radius of 10 to 20 kilometres in all directions. and with enough capital to carry not only a large and varied stock of goods but also to do at least part of its own processing and manufacturing. Such societies do not as a rule provide credit facilities, though they may arrange for an interlocking of activities with the regional co-operative bank in the same place. They sometimes have subsidiary marketing departments and they often offer their members a number of other services.

3.2 Commodities handled Fertilizers

The range of materials handled and their importance depends on the kind of farming carried on. In countries where land cultivation is the main form of agricultural activity fertilisers are probably the main item of supply which the farmer has to buy from outside. The fertiliser requirements of different crops in different soils arid climates is a matter for expert knowledge. If too much, or too little, or the wrong mixture of the three main chemicals-nitrates phosphates and potash - is applied, the farmer will have wasted money and may actually have damaged the crops and the land, co-operative should therefore be in a position to advise members on the proper use of fertiliser in their own fields and for each crop they may wish to grow, or should be able to draw upon the services of a government expert for securing such advice. In many countries co-operative supply society train their own soil-testing expert who can take a sample of the soil from any field on an' member's farm and give advice on what it lacks iii the way of plant food, how the deficiency can be made good and what blend of fertiliser to use.

The production of chemical fertilisers than that of lime and potash, which can be fairly simple, is an elaborate and costly factory process which heavy capital investment and can only be profitable on a large scale. Some co-operative federations do, however, exist for this purpose, set up by farmers' societies either alone or in collaboration with consumers' societies. In some countries the production or import of fertilisers is a national monopoly: in others is in the hands of big private companies. In the latter case co-operatives must use their bargaining power and buy on the best terms they can obtain, they may have to do so even in the case of a government monopoly, but there are countries in which state fertiliser factories or import agencies deliberately use the system as their distributive agency. Sales are made at controlled prices either for cash or on credit to Local societies, which in turn sell to their members. A service which co-operatives, including local societies, can usefully perform, is mix fertilisers according to local requirements or according to the needs of a particular crop, and put them into sacks (jute or paper) for delivery. In some of the more highly mechanised countries, where labour is scarce and dear, co-operatives may even arrange to spread fertilizers directly on their members' fields.

3.3 Animal feed

Feed is a vital commodity, especially in northern countries where livestock is largely kept for milk, meat and eggs. Most of these countries have good natural pastures at some seasons of the year but until recently large numbers of had to be slaughtered for meat when the pasture withered. Today they are kept alive and fully productive on diets of specially prepared feed suited to every type of animal at every stage of its life. The ingredients may be local farm products, such as barley, oats or dried grass. or they may be by-products of the processing agricultural produce-bran and other millers' offal, beet pulp from sugar factories,

dried blood from slaughterhouses or dried skim milk from dairies, for example. Alternatively, products such as groundnut or cotton seed cake, copra or dried fish meal may have to be imported. Often the inclusion of small quantities of minerals or of vitamin-rich oils will contribute much to the health and productivity of the animals for whom the feed is intended. The machinery necessary to mix these specialised feeds and turn them out in a form which can conveniently be stored and handled, though fairly costly, is not beyond the resources of a provincial wholesale or large primary society many of which have a small laboratory where the different elements going into each mixture can be tested for their nutritional value. In countries liable to drought the co-operative provides a special service in building up “fodder banks” of relatively non-perishable feeds or in handling emergency deliveries from areas which the drought has not affected.

As a considerable part of these mixed feeds is made up of locally grown crops especially grain, the co-operative usually buys from its own members. Often a somewhat inferior quality of grain is used for making animal feed. The best wheat goes for flour, the best barley for beer or vinegar. Members, however, may well expect their co-operative to buy not only the second quality grain but the whole crop. In this way agricultural supply co-operatives may add general grain marketing to their activities, though elsewhere this is handled by special grain marketing societies. Any co-operative which wants to sell grain must be prepared to clean it, grade it according to quality and, in some climates, dry it before selling it to the miller or maltster (often a consumers’ co-operative wholesale society). The other ingredient in feed which may be bought from the co-operative’s own members is grass for drying. Some societies have set up special driers, which receive the fresh cut grass, dry it and either return it to the members or buy it from them in order to include it in one of the society’s feed mixtures.

3.4 Seeds

Seeds are another main item of supply. Many farmers continue to use their own seeds year after year. This does not, as a rule, produce the highest yields. Others exchange seeds from time to time with their neighbours, but even this does not help much if the local seed is unimproved, unselected and liberally mixed with weed seeds. A co-operative can do much to raise yields in a district by supplying pure seed of a good variety. Sometimes this can be done by buying seed from the best farmers, cleaning it testing samples to see what proportion can be relied on to germinate, and re-selling to the members as a whole. In some countries a sort of seed bank is operated. Members deposit their seed in a co-operative store at harvest time withdraw it when sowing time comes round and replace it at the next harvest plus 25 per cent “interest” which goes to meet the cost of running the store. Sometimes, however, it is necessary to bring in new strains of seed, and here the co-operative can do valuable work, not only in finding sources of supply at reasonable prices but also in getting the new seed tried out on a small scale, perhaps in the fields of members, perhaps on Land which the co-operative itself owns, in order to make certain that it is suited to local conditions. A co-operative may take over an improved variety of seed from, perhaps, a government farm, and arrange for multiplication of the stock on the farms of members, then clean, bag and seal the seeds before selling them to the membership at large.

3.5 Pesticides, tools, machinery and miscellaneous supplies

The use on the farm of chemicals other than fertilisers varies with the type of farming and local conditions. Such chemicals are mostly intended to protect plant or animals against pests and disease. Some-sheep dip, vine and potato sprays, for

example have been in common use on small farms for generations. Others are relatively new and cushy and are used only by the more up-to-date farmers with substantial resources. Their use is, however, increasing, and is adding steadily to the yield of both crop and livestock. Some co-operatives are prepared to carry out spraying on behalf of farmer-members, thus saving them the purchase of costly apparatus. Others are prepared to give veterinary advice.

The sale of hand tools and animal-drawn farm implements is undertaken by most supply co-operatives which have often been instrumental in introducing, for example, iron ploughs in regions where wooden ploughs were formerly traditional. In some cases they have adapted imported models to local needs. When it comes to power-driven machinery -tractors and the machines that go with them- a rather curious situation has arisen. In many industrialised countries the manufacturers of such machinery are unwilling to sell through co-operatives, and certainly never do so unless the co-operative has a full equipped servicing and repair shop and will stock the full range of spare parts. In Asia and other developing areas manufacturers are much readier to use co-operatives as agents, and less insistent that they should themselves set up a full repair service, in fact, co-operative should take up this branch of trade unless it can provide a really competent repair service and stock the necessary spare parts. Some co-operatives not only sell machinery to their members but also hire it out, together with the skilled operators, to any member who has a job to be done for which machinery is required, but who may not be justified in purchasing a machine for individual use. Deep-ploughing by heavy tractors, ditching and draining, and well-digging with the use of boring sets are examples of these activities. Those which sell power-driven machinery should also sell the fuel and lubricants required for its operation and maintenance. If the co-

operative builds its own storage tank and filling station, these can also be used by the co-operative's own lorries.

There are numerous other items of farm supply about which less need be said. Hardware, work clothing, fencing, drainage and building materials are probably the most important. Some co-operatives will themselves put up farm buildings on for their members, as well as dig wells and lay on water supplies. Some agricultural co-operatives sell domestic consumer goods, and this may be a particularly useful service to outlying farms, far from villages and shops. Elsewhere this is left to separate consumers' co-operatives. An advantage of all kinds of goods in one retail operation is that it improves the co-operative's chances of being able to afford the services of a professional manager.

3.6 Cash and credit

A village consumers' co-operative may find it difficult to insist on cash payment for purchases: an agricultural supply co-operative will usually find it impossible. At the time when farmers buy their seed or fertiliser they are unlikely to have the money with which to pay for it. The best solution is an understanding a co-operative credit society from which members borrow in order to finance purchases from the supply society. Failing this, the supply co-operative will have to face the need for capital to cover what will in effect be loans in kind to the farmer, payment for which will only be made after the harvest.

3.7 Plant, premises and transport

The premises of a supply co-operative begin with a warehouse and an office. Later, room will almost certainly have to be found for grinding, seed-cleaning or other machinery, which may require a specially designed building. Some co-operatives

add a shop in which members can choose miscellaneous small items. The larger and heavier purchases may either be fetched by the farmers themselves or be delivered to their farms by the co-operative. The choice depends on the general economy of the region. If the farmers are not fully occupied on the farm, and if they do not live too far away, they can with advantage fetch their own supplies. Those who live on unpaved roads will often have to do so. If however, the farms of members are a great distance from the co-operative, and the type of farming is such that they are at all seasons fully occupied on their own land, then it may be cheaper in the end for the co-operative to keep one or more lorries and establish a regular round of deliveries. In some countries societies also send out representatives to call on farmers and take their orders for the next delivery.

The co-operative wholesaling of agricultural supplies has many of the same advantages and faces many of the same problems as the wholesaling of domestic goods. Agricultural supplies tend, however, to be bulky in proportion to their value and therefore costly to move about. In large countries it would be uneconomic for a national wholesale co-operative to deliver goods to its member societies from one central point. It would either have depots, most probably at ports, or it would tend to leave the handling of bulk commodities in the hands of a district wholesale society or even of large primary societies.

3.8 Fishermen's and craftsmen's supply co-operatives

Two types of supply co-operative remain to be considered: Fishermen, as well as farmers, have to purchase the tools and raw materials of their industry—nets and gear, paint, tar, hooks, anchors, salt and ice. Like farmers, they are often indebted to merchants who take advantage of them. A number of co-operatives have been set up for the purpose of providing fishing supplies: some of them also market fish. Moreover, as the use of engines in fishing vessels becomes general many such co-

operatives have set up filling stations. They have the same credit problems as agricultural co-operatives but no delivery problems as their members live together at fishing ports. Fishermen's co-operative wholesale societies are at present rare, but a beginning has been made.

4.0 CONCLUSION

Many co-operatives formed by craftsmen, workers in cottage industries or even small owners could have as their object the supply of raw materials and sometimes of machinery to their members. This is usually, though not invariably, combined with the marketing of the product some craftsmen's wholesale supply co-operative have begun to manufacture the product they sell to their members. Yarn, for example, may be spun in the society's mill and sold at less than market price to member societies of hand weavers.

5.0 SUMMARY

This unit discuss the following: Single and multi -purpose co-operatives, commodities handle fertilizers, Animals feed, seed, cash and credit , plant, premises and transport Fishermen's and craftsmen's supply co-operatives

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7.0 TUTOR MARKED ASSIGNMENT

1. Discuss single and multipurpose cooperative

UNIT SIX: CO-OPERATIVE FEDERALISM VERSUS CO-OPERATIVE INDIVIDUALISM

1.0 INTRODUCTION

Cooperative federalism has been one side in the historical debate in Co-operative economics between co-operative federalism and cooperative Individualism. In an Owenite Village of Co-operation or a commune, the residents would be both the producers and consumers of its products. However, for a cooperative, the producers and consumers of its products become two different groups of people, and thus, there are two different sets of people who could be defined as its 'users'. As a result, we can define two different modes of cooperative organisation: consumers' cooperatives, in which the consumers of a cooperatives goods and services are defined as its users (including food cooperatives, credit unions, etc.), and producer cooperatives, in which the producers of a co-operative's goods and services are defined as its users (which includes worker cooperatives, agricultural producer cooperatives, for example), as advocated by cooperative individualism.

In this debate, cooperative federalists are those who support consumers' cooperatives, and those who favor producers co-operatives have been pejoratively labelled 'individualist' cooperativists by the federalists. [\[4\]\[5\]](#)

2.0 OBJECTIVES:

At the end of this unit students will be able to:

- explain cooperative federalism
- analyze cooperative individualism
- Understand consumer cooperative does

3.0 MAIN CONTENT:

3.1 Cooperative federalism

Cooperative federalism is the school of thought favouring consumers' cooperative societies. The cooperative federalists have argued that consumers' cooperatives should form cooperative wholesale societies (by forming cooperatives in which all members are cooperatives, the best historical example being the English CWS) and

that these federal co-operatives should undertake purchasing farms or factories. They argued that profits (or surpluses) from these CWSes should be paid as dividends to the member cooperatives, rather than to their workers.

3.2 What consumers' cooperation does

Consumers' Cooperation is the Economic System necessary to match the Age of Automatic Power Production. It is a democratic economic system based on "cooperation for use" and not "competition for profit." It is the Economy of Abundance instead of Scarcity. These are some of its proven Principles and Practices—which really make "life, liberty and the pursuit of happiness" possible for ALL.

Consumers' Cooperation means Consumers' Ownership and Control. In As much as consumers furnish the market, which is the most essential thing in an economy of abundance, organized consumers must have the ownership and control of the means of production and distribution so that they can regulate production to their needs of consumption, can supply themselves with pure products without adulteration, and do so without competitive wastes in the processes of production and distribution.

Consumers' Cooperation is Economic Democracy. Consumers, who are everybody, become the owners. Voting is by person and not by property -- one person, one vote. Proxy voting is eliminated — members must attend meetings and be active. Membership is open to everyone. We now have management control largely in industry, not even stockholder control. Under a cooperative system consumers control and the management executes their will.

Consumers' Cooperatives Distribute Profits Justly. So-called profits, which in cooperatives are really overcharges or savings, are paid back to the consumer-member-owners on the basis of purchases, as patronage refunds. Those who produce the profits get them in proportion to the contribution they make towards them by their purchases. John T. W. Mitchell, the great leader of the C.W.S. says, "Those who pay the profits should get them back."

Consumers' Cooperation results in Security — not Speculation. Capital is hired at the lowest cost. A minimum rate of interest is paid. There are no excessive earnings for investors so there is no watering of stock to cover them up. Stock cannot be sold at more than par value. Consumers' cooperatives require no governmental stock market security regulation because there is no speculation in cooperative stocks.

Consumers' Cooperation Increases the Income of Every Consumer-Member. A 10% patronage refund on regular retail prices means one ninth more food, goods and services.

Consumers' Cooperatives Pay Fair Salaries. They are large enough to secure trained experts for managing large scale industry, but not excessive, as under the present management control of corporation policies and payrolls.

Consumers' Cooperatives Abolish Secrecy. Whatever cannot survive in the open in a democracy is wrong. Balance Sheets. Profit and Loss Statements and every other figure and fact are open to consumer-member-owners in a cooperative. It is the business of all.

Consumers' Cooperatives Strive for Cash Business, not Credit. Credit was said by one of the men who organized the first Rochdale Cooperative in England to be "The invention of the Devil." The only real reasons for credit business are competition for customers and inequality in the distribution of wealth, both of which cooperation eliminates. Under Consumers' Cooperation the money you invest buys a stock of goods which is carried on hand. The cash you then pay for each purchase enables the inventory to be replenished, ready for you the next time you need it.

Consumers' Cooperation Produces Pure Food and Goods, not shoddy products nor poison for profit. There is no reason for adulteration when consumers own their own business and buy for themselves. Deception is the result of the attempt to make more private profit for a few owners. Under cooperation the truth can be told in advertising and over the counter.

Consumers' Cooperation Prevents Waste and Produces True Economy. Duplicated milk wagons, delivery trucks, and all the wastes of competitive factories and distribution systems organized as a result of the urge for private profits are eliminated under cooperation. These wasted hours of working time can be saved and used for real culture and recreation and not for fighting one another like barbarians—even though today -men use gloved hands to grab the most.

Consumers' Cooperatives Promote Peace. They are the necessary economic foundation to prevent war, which is caused by competition for markets to dispose of the surpluses that capitalism cannot distribute among the workers who produce the food and goods. Cooperatives remove the barriers to trade.

Consumers' Cooperative Ownership and Control of Industry is the Key that we must adopt to open the door of Plenty for All. It will distribute the piled up surpluses which automatic power driven machinery has produced.

Consumers' Cooperative Organization Gives the People Ownership, which Workers' Organizations do not. We have thought of ourselves as producers and organized into occupational groups. "For a century and a half," says Professor Fairchild, who wrote the book "Profits or Prosperity," "we have been trained to

think of ourselves as producers instead of as consumers -- one of the most remarkable instances of inverted logic on a large scale that mankind has ever displayed." Organizing as producers is, as Beatrice Webb says, organizing the servant side of our lives, while organizing as consumers is organizing as masters of our lives. George W. Russell says, that when we organize as producers and not as consumers we are like an army that gives back to the enemy all it has won at the end of each week. Organizing as producers only is "fighting with one hand behind our backs." Organizing as consumers into Cooperatives will give us ownership and real power. The dollar we spend is more powerful than the dollar we get.

4.0 CONCLUSION

Consumers' Cooperative Organization Gives Us Democratic Liberty with Economic Justice which Political State Organizations Do Not. Political State organizations suppress liberty.—they are compulsory. Consumers' Cooperation gives us economic democracy—it is voluntary. While we are getting economic justice we must also have democratic freedom. Consumers' Cooperation will Complete the Struggle for Liberty and Justice for All. we have deceived ourselves into thinking that religious, educational and political liberty were really possible without economic liberty and justice. Now we know they are not. Consumers' Cooperation finally fulfills liberty and justice for ALL. It gives every consumer equality in the control of business. It is democracy in our economic life.

5.0 SUMMARY

This unit discussed cooperative federalism,, cooperative individualism and finally consumer cooperative.

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7.0 TUTOR MARKED ASSSIGNMENT

1. What does consumer cooperative does?

UNIT SEVEN:

CO-OPERATIVE CAPITAL PRODUCTION AND TRADING SOCIETIES

1.0 Introduction

The capital requirements of co-operatives engaged in trade, industry or services are rather different from those of societies concerned only with banking. In the first place, a much larger proportion of fixed capital is required to cover the cost of buildings, machinery and equipment. In the second, working capital is needed not so much to make advances to members, though this may be necessary, as for a wide range of activities carried on by the co-operative itself. These activities may include the purchase of raw materials for manufacture or goods for resale, payment of wages, and the operating costs of machinery and vehicles. Many inexperienced co-operatives ignore or underestimate the waiting period between the opening of business and the moment when payment for goods begins to come in. They sink all their funds into plant and buildings and find they have too little working capital to see them through until income begins to balance or exceed expenditure. This miscalculation may take place when a new co-operative is set up, but it may also happen when a co-operative tries to expand faster than its capital resources will allow.

The distinction between long- and short-term capital, discussed in the preceding chapter, does not usually apply in the case of co-operatives other than credit societies. A more significant distinction in this case is that between “owned capital” and “loan capital”. Owned capital is the share capital contributed by members, together with that part of any past trading surplus which has not been distributed to members but has either been formally transferred to reserve or is held as undistributed profit to be used in financing current business. It is in fact the kind of capital which can be used for long-term investment. Loan capital is capital

borrowed from members or from other sources which the co-operative is bound to repay, either on demand at some definite date in the future. Such loans are in most cases short-term ones and must be used as such.

2.0 OBJECTIVES:

At the end of this unit students will be able to:

- explain own and loan capital
- analyze share capital
- use reserve
- discuss loan capital deposits
- articulate revolving funds
- organize bank loans
- plan government advances
- take trading credit
- make comparison of capital structure

3.0 MAIN CONTENT:

3.1 Share capital

In most cases the owned capital of a co-operative is made up of share capital, with the liability of members limited: the 'value of the shares subscribed. There are countries, however, in which successful co-operatives have been built up share capital, on the basis of loans mutually guaranteed by the members and gradually paid off from accumulated reserves. The success of this method depends on all members being persons of some substance, united by close bonds of mutual confidence. It would be impossible among persons with little property personally unknown to one another. The value of a share is fixed by the rules of each society and it is usual to specify a minimum number to which each member must subscribe. This may be same for all members, or in some agricultural societies it may be in accordance with the number of acres farmed or cows milked. Members

may usually subscribe for more than the minimum, but not for an unlimited number of shares. The limit may be a fixed number or it may be a proportion -10 per cent or 20 per cent total share capital. The purpose of fixing such limits, as noted in Chapter 1, is to prevent financial domination of the society by any one member. Shares may or may not be paid up in full when first acquired by the member. The advantage of partial payment to the member is that there is no need to produce all the money once. The advantage to the co-operative is that, with the right to call on members for further share payments, it has a readily available source of capital, and this will make banks readier to lend to it against subscribed capital. In the co-operative does not have to pay interest on capital it does not need. This system does not afford as wide a margin of safety as unlimited liability, but on the other hand members can only be called upon to accept the consequences of unlimited liability if the society is actually in liquidation, whereas share capital be called up while the society is in full activity and indeed flourishing. Shares may be withdrawable or transferable. Withdrawable shares are a disadvantage to the co-operative, especially one with a small membership, since they mean that share capital has, in effect, become short-term money which may to be repaid at any moment. En actual fact, some consumers' movements with a very large membership have survived this disadvantage without any difficulty, even in times of unemployment or strikes, when high withdrawals might have been. It is more usual, however, to provide that shares may be transferred, but that the transferee must be either a member of the co-operative or acceptable to the board for membership. This prevents the possibility of co-operative shares being bought up by a private trader or passing to someone who would not or could use its services.

It is usual to pay interest on shares, but at a rate which is fixed either absolutely or within narrow limits in the by-laws. In some countries interest on co-operative

shares is a fixed charge and does not rise or fall with the surplus or of any one year. Occasionally it is regarded as a charge on the surplus and though in ii profitable year ii may not exceed the fixed maximum, in a year of loss little or no interest may be paid. Shares do not themselves rise or fall iii value as do those of private companies. New shares are always issued at the same cost to the subscriber. The fact that interest must be paid continuously on all share capital means that it must be kept continuously employed and not allowed to lie idle in the bank, For this reason it is not suitable for covering purely seasonal operations.

One aspect of shareholding is not always clearly faced. Members take up shares, grow old, hand over their Farms or fishing boats to their sons or daughters, leave the district or take up occupations which have nothing to do with the objects of the co-operative society. It may very well happen that, after 30 years, half, or more than half, the members of a co-operative may be old, inactive and doing nothing to increase its business. If they have plenty of time on their hands they may dominate its annual general meeting and elect its committees. This may not contribute much to progress or arouse enthusiasm among younger member. It is as well to foresee this situation and to establish a rule by which the co-operative can, if it wishes, buy back the shares of members who no longer trade with the society. The policy of some co-operatives is automatically to buy back shares of deceased members, members who reach the age of 60 and members who have moved out of the trading area. Any member over the age of 60 who is still doing business with the society has the privilege of retaining one share when his or her equity is being bought back.

3.2 Reserves

Reserves are a most important part of the capital resources of a co-operative, and most societies have a paragraph in their by-laws laying down that a fixed proportion of the surplus must be added to reserves every year. This is a wise provision so long as it is not applied too rigidly. Some types of society have smaller capital requirements than others and members should not be deprived entirely of current benefits from their society. Indeed, it should never be forgotten that the use of surpluses to build reserves always means to some extent benefiting future members at the expense of those from whose current business the profit was derived. It is all very well to build a strong and lasting institution, but one of the aims of any co-operative society is, after all, to put a little more money into the pockets of its members. Both objects are desirable: the problem is to find the right balance between them.

Reserves are the cheapest form of capital since the co-operative pays no interest on them. In some countries, however profits which a co-operative puts to reserve are severely taxed while those distributed to members are not. Some societies as a result, prefer to make a more modest contribution to reserves while paying a fairly handsome dividend to members and then inviting them to add it to their share capital instead of withdrawing it. Sometimes, indeed, the dividend is automatically added to paid-up share capital until it equals the full value for which the member has subscribed.

Sonic co-operatives have "allocated" reserves for special purposes-a bad debts reserve, a building fund or an employees' pension fund - which may only be used for the purpose laid down, although employees' pension funds are available for working capital. Many co-operatives have fairly large sums available as undistributed profits. These can be used in the same way as a reserve, but they can.

also be used to supplement the members' dividend in a year for which profits have been small, a use to which a reserve could not be put.

Many co-operatives create what are called hidden reserves. There is nothing evasive about these and they are perfectly well understood by, for instance, the tax collector. What most frequently happens is that, as explained in Chapter 5, property, especially land and buildings, is depreciated year by year until it stands in the society's balance sheet at a nominal value, while in fact it may be worth as much as (or even more than) it was worth when originally purchased.

There are other methods of achieving a similar result, such as financing as much development as possible out of income; the problem in this case is to find a formula which the revenue authorities are prepared to accept.

3.3 Loan capital Deposits

Loan capital may come from members or non-members. In some countries members place savings deposits with their co-operatives especially with co-operative consumers' societies, and these may amount in the end to very large and form an important element in co-operative capital. Such deposits are usually reinvested by the primary society with a credit union or national co-operative bank or with a co-operative wholesale society having a banking department. as described in the last chapter. In societies which include well-to-do among their members' several of these may be prepared to make comparatively large loans to the co-operative in order to get it started, speed up its development or simply find a convenient local investment for their own savings. Such loans may be useful, but they are also liable to be withdrawn and they give the lender an excuse for trying to influence the management of the society.

3.4 Revolving funds

A rather different device is that of the revolving fund, very popular among co-operatives in North America. It works in one of two ways: either all or part of the dividends on business done which is due to the members is with their consent retained by the co-operative or alternatively a small levy is made on every unit of produce marketed. These sums are credited to each member individually as loan capital repayable at the end of say ten years from the date on which they were received. The following year a further levy is made or some part of bonus due is again held back) and this loan again is repayable in ten years' time. As the scheme matures the co-operatives will every year pay back to members the sums which it borrowed from them ten years earlier, while at the same time making new levies on current business. Meanwhile, a moderate rate of interest is paid to members on their money.

There is a good deal to be said for the revolving fund. It is a comparatively painless way of obtaining capital from members. It gives the co-operative an assurance that certain funds will be available for a definite number of years (which, of course, need not be ten) and also that a large part of the capital of the society is held by members in proportion to the business they do with it. The system has a number of disadvantages, however, in the first place it is difficult to any where members live near the margin of subsistence; in the second place it is somewhat rigid-since, even though it might be more advantageous for the co-operative to pay back in 11 years or in nine, the date of reimbursement could hardly be altered without shaking the members' confidence. Finally, the system does not provide a suitable basis for really long-term investment in plant and buildings. A practice being gradually adopted is to retain, by member consent given in the form of an amendment to the by-laws, all dividends earned. These are credited to each member's share account. Once a year members receive a portion of their share

account as a cash refund based on the amount of capital available to the society. If no capital is available, no cash refunds are made for that year.

3.5 Bank loans

National and district co-operative banks are an important source of loan capital, including both long-term investment and short-term working capital for primary co-operatives. Before lending money for a long-term development plan, however, such a bank will normally want to study and approve the plan. It may insist on examination of a three- to five-year detailed profitability forecast, a scrutiny of the policies of the board, an assessment of the manager's capability and a guarantee that up-to-date financial statements will be presented to the bank monthly, before a loan is granted. A bank may suggest modifications of plans which, in its wider experience, seem wise. It may even insist that a management change be made, or iii at a primary society negotiate a management agreement with the wholesale secondary society or with the bank (see Chapter 15 for further details). It will then lend the money usually on the security of a mortgage. Short-term or trading loans usually take the form of a bank overdraft given while the co-operative is stocking up for a busy season or paying out large sums to its members, either on delivery of their produce or as an advance before delivery (which in some countries is a function of marketing rather than credit societies). A bank overdraft, preferably from a co-operative bank or credit union, is by far the best way of financing these seasonal peaks in the co-operative's credit needs. Unlike share capital, it can be repaid as soon as the peak is past, and interest payments immediately cease. Some co-operatives have been able to obtain the same sort of service on almost the same terms from private banks, which are interested in business and not in ideology and are just as ready to lend to a co-operative as to an ordinary sound concern.

3.6 Government advances

In some countries, as already noted, an important element in co-operative capital is provided by the government, usually acting through a national bank which may either be engaged exclusively in financing co-operatives and their members or have set up a special department for this purpose. Such government assistance sometimes takes the form of loans, sometimes of state participation in share capital. Government advances of this kind have often been of great value in getting co-operatives into operation on an economic scale, chiefly perhaps (but by no means only) in countries where their members would have had great difficulty in building up sufficient savings for wholly independent financing. The disadvantage is that, when state commitments are high, they are likely to carry a strong element of state control (possibly in the guise of bank control), and this, in the long run, is good neither for a democratic organisation nor for a business enterprise. Self-sufficiency for the co-operative, and the ultimate elimination of any state financial interest, should therefore be the constant aim of both parties.

3.7 Trading credits

One form of loan is seldom discussed in co-operative textbooks, but is nevertheless of considerable importance. This is trading credit-credit extended by a co-operative wholesale society or a private wholesaler to allow a primary society to defer payment for goods received by several weeks or even months. If the society is a large one it may in fact constitute a running credit account equal to quite a large sum. Co-operatives are especially likely to take advantage of such a situation if they themselves have difficulty in securing cash or reasonably prompt payments from their own members. In general, the system is not a good one. In the first place, money is being used, and someone is undoubtedly paying for its use. If the credit is given by a private merchant it will be the co-operative which pays - by

being charged higher prices, by becoming increasingly tied to those merchants to whom it is indebted and thus losing bargaining power, and perhaps by being forced to accept inferior goods. If the credit is extended by a co-operative wholesale society, the local society may still have to pay for it though on more favourable terms. If, on the other hand, the wholesale society is itself new and not well established, it may be overstraining its own resources and risking its future by trying to help primary societies. Moreover, the fact that a wholesale firm will often go on extending trading credit long after a bank would have refused any further loan may mean that it is unaware of the position into which it is drifting until it is too late to do much about it. except through a major rescue operative carried out by a national co-operative bank, wholesale society, or even by government.

Since the situation occurs most frequently as a result of members failing to pay their debts to their own society, it should not normally arise wherever there is a good system of local co-operative credit societies. Where these exist, trading co-operatives should insist on cash payment and refer members who really cannot pay to their credit society for a loan. Where there are no credit societies, the problem is more difficult and the degree to which a trading co-operative should self give credit, either as an advance on produce to be marketed or by way of supplies for which payment is deferred, depends on the capital strength of the society itself, the degree of backing which it may expect to receive from a strong central co-operative bank or trading federation and, to some extent, on the general business habits and business morality of the community. If the extension of trading credits is to become a systematic practice, however, the whole question of safety margins as well as of the use to which the credit is being put by the member will have to be studied at least as carefully as it would be by a co-operative bank. It may be necessary, for example, for farmers who want long trading credits from their society to produce budgets of their future operations, and for the society to employ

an expert adviser who will judge not so much the value of each farmer's existing assets in the way of land, crops and stock, as the likelihood that the purchase being proposed will really increase production within the period of the advance. Only if the chances appear favourable should the society tie up its own capital or itself incur a debt on behalf of one of its members.

The decision to extend credit must be left to the manager alone. The manager should, however, assist the board of directors in drafting a policy suitable for the society. In considering a trading policy that would extend credit the following matters must be taken into account:

- the circumstances under which a member would qualify;
- whether only members would qualify;
- how much any individual member would be allowed; what collateral the society would accept;
- how much capital the society would need if giving credit became policy;
- what interest rate would be charged;
- where the society would obtain the money to finance credit sales; what collection system would be used: and whether the society would be prepared to sustain write-offs for bad accounts.

Part of the policy would be a requirement that a detailed analysis of all credit accounts be made available to the board every month. Only after acceptable answers are found to all such policy questions should a society adopt a trading policy that permits the extension of credit.

3.8 Comparison of capital structure

A number of attempts have been made to work out rules for determining the correct proportion of capital requirements which should be met from different sources (i.e.

share capital. reserves or loans or used for different purposes (i.e. investment in building, stock-in-trade or payment of (lady expenses), but none of these rules can be applied indiscriminately in every country or in every type of society. The subject is however, so important that every rational co-operative organisation should make a study of the capital position of the different societies, and especially the stronger ones, which make up as This can be done without revealing the secrets of individual enterprises and will allow illuminating comparisons to be made which may, in some instances, have the added advantage of providing a timely warning. From such studies, carried omit if necessary over a period of years, standards should emerge as to what constitutes the best capital structure and the minimum position which will give a society a fair chance of survival. Knowledge of this kind will enable a national organisation to give societies and also banks, credit unions, or wholesale co-operatives which may be thinking of lending to societies) advice is not merely disinterested but is based on solid evidence. Such information should be disseminated to individual societies not only as emergency advice when they are in trouble but as routine guidance.

4.0 CONCLUSION

In conclusion, it is of particular value when proposals being drafted for the annual general meeting for it is then that decisions are taken regarding distribution of surplus, contributions to reserves and raising of share capital, which may be of critical importance to the future of the society.

5.0 SUMMARY

This unit discussed the following: own and loan capital, share capital, reserve, loan capital deposits, revolving funds, bank loans, government advances, trading credits, and finally comparison of capital structure.

6.0 REFERENCES

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7.0 TUTOR MARKED ASSIGNMENT

31. What do you understand by loan capital deposits?

32. Discuss revolving funds?

UNIT EIGHT

CO-OPERATIVE CAPITAL: CREDIT SOCIETIES AND BANKS

1.0 INTRODUCTION

Capital base of any business serves as bedrock for the production and operations of such businesses. In the same vein, consumer cooperative make use of several sources of capital. In this unit we shall discuss credit societies and banks.

2.0 OBJECTIVES:

At the end of this unit students will be able to:

- differentiate fixed and working capital
- analyze financing a credit cooperative
- explain lending policy of a cooperative
- use district and national banks and credit unions
- discuss Long-term loans and land mortgage banks
- articulate banking for co-operatives
- analyze technology and growth

3.0 MAIN CONTENTS:

3.1 Fixed and working capital

In order to do the work for which any cooperative established there are needs for considerable capital resources. Nothing has yet been said, however, about the different kinds of capital it will need, nor the sources from which they can be obtained. In this connection, a fundamental distinction must be made between fixed capital and working capital.

Fixed capital is money spent on land, buildings and machinery, either by the co-operative itself or by a member to whom it has made a loan. It is fixed because the money cannot be recovered unless the buildings or machinery are sold, which in

itself would probably bring the work of the co-operative to an end or ruin the borrower. Capital which is “sunk” or “locked up” in plant or buildings must be money which the co-operative will not have to repay to a lender at short notice.

Working or “operating” capital covers short-term advances to members. payments for purchases of goods and raw materials which will be resold in the course of the year and the payment of wages and overhead expenses such as power and light. Capital for such purposes may be needed principally in the first stages of a co-operative’s life, or during seasonal peaks of activity. In any case, it is constantly going out and coming in. Never, unless the co-operative has made many unwise loans or finds self with large stocks of unsaleable goods on hand, is it really sunk, locked up or impossible to realise.

For the sake of convenience, the discussion of the subject of financing has been divided into two parts credit societies and banks are covered by the present chapter. while trading and manufacturing societies are considered in Chapter 13.

3.2 Financing a credit co-operative

Co-operative engaged in banking especially village credit societies, require practically no fixed capital but, by comparison, a great deal of operating capital. In principle, this is provided by the members themselves. Such capital is brought into the co-operative in three Forms; namely entrance fees, which are non-repayable and can be used to cover the basic permanent equipment which the co-operative needs; shares which are usually transferable but not withdrawable; and deposits, either from members or non-members. The latter may be repayable on demand: on the depositor’s giving from, three to 12 months’ notice: at a fixed date; after an event such as the death or retirement of the member; or after a fixed amount has been accumulated. Some deposits are made irregularly, whenever the depositor has

money to spare: others are recurrent' sums paid weekly or monthly, sometimes as deductions from the member's pay if he or she is a wage earner.

A credit co-operative has two other sources of capital. Over the years a well-managed society will build up reserves out of the difference between the interest charged to borrowers and that paid to depositors. This margin also covers the running costs of the society and may have to be used to meet bad debts, in which case the process of reserve-building may be quite slow'. In addition, the society may borrow from an outside financial institution, generally perhaps a district co-operative bank, but possibly a governmental or even a private bank. In a primary village co-operative with probably only nominal share capital, all these loans are secured by the unlimited liability of members. Unless the members have resources which can be easily realised, this may not actually constitute very much of a guarantee, but it has a certain moral influence on the members' conduct. It is really suitable, however, only for small societies where members live in the same village. It is not appropriate to large urban societies, the members of which may be quite unknown to one another. In order that societies may not be tempted to go beyond the limits of financial prudence, it is usual in some countries to fix an upper limit to the society's borrowings from all sources, including deposits. This may be expressed either as a multiple of the share capital or (in the case of societies without shares) as a proportion of the members' personal assets, generally the value of their land.

Lending policy of a co-operative

The main aim of a credit society or credit union, it should be remembered, is to encourage thrift by offering a simple form of investment. In urban centres workers may be persuaded to make regular deposits at the credit union on pay days. Where

the members are all employed in the same office or factory such savings may be made in the form of an automatic deduction from the pay cheques of those who can be persuaded to enrol in the credit union savings plan. Among rural workers and farmers where income is sporadic regular deposits are less easily arranged and must be encouraged by other means such as member education programmes. But such societies have another important function, which is to make loans to their members, primarily in order to provide them with the capital needed to run their own farms, workshops or fishing boats. Loans are generally divided into: (a) short-term loans for periods up to one year to cover cultivation and marketing expenses in agriculture, or the cost of raw materials and wages in small-scale industry; (b) medium term loans for periods of one to five years, for the purchase of livestock, implements and machinery or for the repair of machinery or buildings; and (c) long-term five- to 20-year loans for the purchase or improvement of land or the acquisition of buildings and heavy machinery and also, in some cases, for the consolidation and repayment of old debts.

In societies formed by small independent producers, all loans should be for productive purposes and should be used to earn their own repayment, though in practice they are sometimes also granted for expenditure on customary events such as weddings and funerals, for which members would otherwise go to money-lenders. In credit societies of urban wage earners the purpose of loans may not be “productive” but “provident”, say for the purchase of a house, medical care or the education of a child.

Loans by primary societies to their members are made, in principle on the basis of personal security founded on the character of the borrower and the surety of one or more of his neighbours, against whom proceedings can be instituted in case of default. Loans may also be secured on personal property such as crops raw materials, livestock, share certificates, life insurance policies or other values.

(Long-term loans are secured on mortgage of land or buildings, but this is not a form of loan which can ordinarily be supplied by a local society.) Even though a loan may be adequately secured, the last thing that a co-operative society wishes is to seize a defaulting member's property or to take proceedings against one who has acted as surety. If this is to be avoided, the member's capacity to repay must be carefully considered before the loan is granted by the board, which must be satisfied that the crops the member proposes to grow or the articles he or she intends to manufacture will in fact bring in enough to pay off the loan. If the security is agricultural produce, for which prices may easily fall, the loan will not be made for more than 60 to 80 per cent of its assumed value. For longer-term loans, the borrower may have to prepare a complete budget of income and expenditure showing whether or not a margin for the repayment of interest and instalments on the loan can reasonably be expected over the years to come.

The loan may be given as a lump sum, as an order on another co-operative for the supply of raw materials or machinery, or in the form of an overdraft or cash credit on which the borrower can draw as required up to a fixed limit. This last form of credit is only granted after careful inquiry into the character and capacity of the borrower. Loans may be repaid in cash by instalments, or at the end of the term for which they were made. or they may be repaid by a marketing co-Operative through which the bank has arranged For the members products to he sold.

Care should always be taken to ensure that loans do not exceed the real needs of the borrower. The purpose of a credit co-operative is to promote sound economy on the farm, not extravagance. even if it is the well-intentioned extravagance of buying a tractor or a holding too small to employ it fully. In some societies the maximum loan to any one member is used in the rules or through by-law.. Elsewhere borrowers must invest share capital out of their own resources up to a proportion of the sum to be borrowed.

It will be clear that even a small village credit society has to face quite problems of financial management if it is to remain solvent and continue to make the best use, iii the interests of its members, of the money available. This is the responsibility of the board, but in some countries it is usual to delegate power to a supervisory committee, whose principal duty is to see that loans to members are used for the purposes for which they were made, and that repayments are made at the required time. If the loan is misapplied it can be recalled. If repayment is overdue the supervisory committee must decide whether exceptional circumstances justify an extension or whether the case must go to court.

However anxious the board may be to help its members with loans, it should never make the mistake of allowing its resources to become so tied up that depositors cannot withdraw their money and new loans be made. Deposits as well as loans from other institutions, are what bankers refer to as “short-term money”: the credit society may have to return all or part of them within six months or at most one year. They should not, therefore, be used to make long or even medium-term loans to members. A lack of understanding of this point is one of the most frequent causes of failure among credit societies. If some of the depositors want their money back, or a district bank reminds the society that its loan is due for repayment, or a fresh borrower applies for a loan, it may well be that the co-operative cannot meet any of the demands, not because it is insolvent but because all the money has been lent out and the time for repayment has not yet come. Of course, the situation is even worse if the dates for repayment are past and the members have failed to repay because of a bad harvest or mere personal reasons. In either case, however, the initial mistake was to use short-term money for long-term loans.

There are several solutions to this problem. The society may keep fluid reserves in the form of cash at the bank, credits available on demand or securities can be readily cashed, up to a fixed proportion of its own borrowings. It may limit itself strictly to short-term loans, referring all borrowers who want to incur debts which they will obviously be able to pay off in a year to a district credit union or bank. Or again it may insist on transferable rather than withdrawable and it may contribute steadily to reserves even if this means putting off the time when the rate of interest on loans can be reduced.

An old society which holds substantial share capital and reserves as well as deposits, and enjoys the full confidence of the village may know by experience that only a proportion of these deposits are ever withdrawn at any one time and that it may thus be safe to lend some part for longer periods than one year. Even so the board will have to weigh the advantages of benefiting one for three years as against three members for one year each. They will also have to remember that the society must always have a margin of resources to cover old debts as well as new borrowers. Even in the case of strong local societies, it would probably be easier if they reinvested their deposits, as well as their reserves, in a district credit union or bank borrowing from that same source for all purposes other than short-term loans.

3.3 District and national banks and credit unions

In a mature co-operative credit movement there should be a number of credit societies which have built up larger savings deposits than they can use continuously for loans to their own members. It is not satisfactory for such money to lie idle, since that would make it difficult to pay interest on it. On the other hand, if it were invested in some local co-operative trading or processing society there might be a risk that it would not be available when required. Interest and availability can both be secured by transferring such funds to a federal co-operative

bank or credit union, which in a large country will probably be provincial or state-wide in its operations, but in a small one may be national in scope. At the same time there are always new credit societies which have not yet built up their deposits, as well as societies in districts with a special need to borrow. There may also be seasonal needs, especially to cover the marketing of particular crops. In a large country with a number of different crops, these seasonal needs may not all occur at the same time. A well-managed district bank or credit union should be able to keep money circulating so that it is never idle but, at the same time, is available if depositors wish to withdraw their savings. If a bank handles a large number of deposits over a number of years it will gradually become clear what the minimum margin of liquidity ought to be.

The district bank or credit union is in a much better position than the local society to borrow from outside the co-operative movement. In some fortunate countries this is unnecessary, thanks to a strong deposit position. Elsewhere, however, co-operative banking, at least in its early years, has been helped considerably by borrowed capital. Sometimes this has been provided by other co-operatives or private banks, sometimes by the public — either in the form of deposits or through public bond issues — and often out of government funds; in the latter case, loans are made to the co-operative banks, which in turn distribute them to local credit societies, taking into account the needs of the district, the security which borrowers can offer, and the general stability and competence of the society.

The government loan is a well-tried expedient, but it has certain disadvantages. The ordinary member, and even the local board, is inclined to confuse a government loan with a subsidy, and borrowers may make less strenuous efforts to repay than if the loan had come from the members' own deposits. In order to safeguard itself against irresponsible lending and slack repayment

district bank will. As a result, tend to take more and more responsibility from the local society. The traditional co-operative loan, based on the character of the applicant and the local knowledge of the board, tends to be replaced by a loan based on a formal statement of acres of land, numbers of livestock or value of standing crops owned by the applicant. Such loans take much longer to grant, however, and an agricultural loan is often needed very quickly.

In large countries district banks or credit unions are usually federated in their turn to form national institutions. Although many of them are wholly self-supporting and self-governing-some indeed are among the most important banking establishments in their respective countries-elsewhere their main may be as the route via which government funds find their way into co-operative circulation. Where the government has a substantial financial interest it may also expect to wield a measure of influence, if not control. Some national co-operative banks are themselves institutions of a mixed character, with boards representing both co-operatives and government departments. Elsewhere, the government may also hold (or have held) share capital in both national and district co-operative banks. This is a departure from the co-operative tradition of self-help and self-government, but may be justified as a temporary provided a real effort is made to build up members' capital and buy out the government shares. In the meantime, the main management problem is likely to be reconciling a bureaucratic administration (emphasising formality, caution security) with the more flexible policy and swifter decisions required for success in commercial banking.

Where the federal bank or credit union is autonomous, it is governed, like other federal co-operatives, by an annual general meeting which elects a board for or more years, with arrangements for retirement and re-election and for the appointment of a subcommittee or executive board similar to those already discussed in Chapter 2. In some countries, particularly those where business

knowledge and funds for investment are scarce, some district banks or credit admit individuals as shareholders. In such cases the rules for general meetings and elections are framed to provide effective safeguards for the rights of individual members so that they feel sufficiently assured of their position willingly contribute their experience as well as their money: in all cases, however, final control remains with the delegates of local co-operatives. In some countries the elected president of a district bank exercises a good deal of authority over its day-to-day working, and care therefore has to be taken to choose a suitably person. As the organisation matures, however, it is usual to transfer more responsibility to a professional manager chosen for technical qualifications and entrusted with full and direct control over staff. The members of the board will then, as in other large co-operatives, confine themselves to matters of broad policy.

Local credit societies or other co-operatives usually apply for loans direct to the federal or (in a small country) to the national, co-operative bank or credit union which grants or refuses the loan after considering the soundness of the own position. Loans from federal to local societies are made on the security of their general assets or if they are trading societies, on the value of goods in store or of plant and premises.

A device sometimes adopted is that of the “supervising union” formed by representatives of co-operatives which may wish to borrow from the bank. The union takes responsibility for recommending which loans shall be granted and for what amount, and also for collecting them from the borrowing societies when they fall due. The union employs its own supervisors, each of whom is responsible for to 25 borrowing societies, and whose business it is to see that they are efficiently run on co-operative principles, that their accounts are properly kept, and that any loans they have in turn made to their members have been correctly sanctioned and secured and are being regularly repaid. The supervisor also acts as a general co-

operative and technical adviser to the local societies and their members. In some cases the supervising union is autonomous and resembles the audit unions described in Chapter 15. Elsewhere it is controlled by the federal bank or credit union through an executive officer appointed for the purpose. This makes for closer control over the granting and recovery of loans, but also for a strict banker's approach to co-operative development. This may be a good thing if it discourages financial recklessness, either by the societies themselves or by a government anxious to make co-operatives the vehicle for rapid national development. It should not, however, be allowed to become a mechanical and bureaucratic form of restraint.

3.4 Long-term loans and land mortgage banks

Long-term loans are usually secured by mortgage on land or buildings. This, however, is not a suitable use for the capital of local credit societies, since it has the effect of freezing it for far too long a period. Apart from this, the use of land as security raises a number of problems. It tends to exclude tenants, or any land occupiers who have no clear title to their land, from the benefits of co-operative credit. Alternatively, it means that the loan is made to the landlord, and there is no guarantee that the tenant will get a fair share of the benefit. In countries where all (or nearly all) farmers own their land and have written titles, this is not important. There is however, the further difficulty that security based on a pledge of land is not nearly as strong as it looks. A private enterprise may be prepared to evict a defaulting borrower from his or her land, but a village credit society or even a co-operative regional bank will be deeply reluctant to do anything of the kind. Even if it did try to make an example of some persistent defaulter, it is doubtful if

purchasers for the land would be found, and in some countries there have been statutory land settlement schemes which would make such forced sales impossible.

None the Less, for a loan which has as its purpose long-term land improvements-drainage, irrigation or tree planting-or the purchase of land, a mortgage constitutes the only appropriate form of security. Loans of this type, however, should never be attempted but by the strongest regional banks. They tie up far too much capital for too long a time and benefit too few people. They are best handled by special co-operative and mortgage banks, the capital of which is not liable to withdrawal at short notice. Such banks are usually financed through share issues to other co-operatives, and possibly also to individuals, and by the sale of bonds which do not mature, and will not therefore have to be repaid for a stated number of years. Such bonds are secured on the lands mortgaged by borrowers and may carry a form of government guarantee, or the bank may receive long-term government loan especially in its initial stages before it has had time to build up funds from other sources. The government may also, in some cases, subscribe for shares in the bank.

The solvency of a land mortgage bank depends on the wisdom of its lending including a proper examination of the title of the lands mortgaged to it, their value and their freedom from encumbrances. This information may be obtained through local co-operatives, but land mortgage banks often employ appraisers. In any case, they limit advances to a figure well below the total estimated value of the property. In order to be sure of having on hand, at all times, sufficient funds to repay bonds when they fall due, most mortgage banks establish a sinking fund fed by the judgements repaid by borrowers and sometimes by a specially appointed trustee acting on behalf of the bank. Mortgage banks also build their own reserves like

other co-operative banks, out of the margin between the interest paid on shares, bonds and other sources of capital and that charged to borrowers.

3.5 Banking for co-operatives

Special type of co-operative bank which exists in some countries, and is operated in rather the same way as a land mortgage bank, is the district, provincial or national bank established for the purpose of making loans to trading or co-operatives, particularly to assist them in their development. As these are long-term loans, they are usually secured on a mortgage of the co-operative premises and the bank derives its funds from share capital and the sale of bonds rather than from deposits. Such banks may also make short-term to cover, for example, the marketing of a single crop: but in this case the sources of capital will probably also be short-term ones, and the security will be some form of chattel mortgage on the goods in store. Some countries central co-operative banks are closely allied with, or even form part of, consumers' co-operative wholesale societies. They are able to draw on the accumulated resources of local consumers' co-operatives, invested either at short or long term, as well as on the deposits of individuals and of organizations as trade unions, friendly societies or even local government authorities. They use these resources both to finance current trade in the co-operative movement and to make capital investments, local and national, which can only be repaid over a period.

3.6 Technology and growth

Extent to which larger co-operative banks or credit unions, and even local credit societies, can give their members-both individual and other co-operatives a full banking service, including the provision of current (accounts cheque books, depends partly on their capital strength. But it depends equally on whether they do

enough business to justify the appointment of a staff trained in banking methods, and on how far the bank forms part of a national system of co-operative banking with established procedures and provisions for mutual aid audit and supervision. In some countries that stage has been reached by local, provincial and national organizations. The computer has made it possible to provide electronic instant teller services whereby members can make deposits, withdraw cash or obtain information about their balances on account at any hour of the day or night. In some cases drive-in arrangements permit this all to be done through the window of the member's car. A computer located in the offices of a central organization can send monthly print-outs to members of local societies thousands of kilometres away, showing all their transactions on shares, deposits, withdrawals, loans and investments. When spread over a large membership, the cost of such technology is not prohibitive, so its existence encourages growth. Many more members can be served more successfully through its applications, and many credit unions are now "big business". But such growth does not occur without pain. During the inflationary 1970s large loans were made to seemingly responsible business-members for industrial and commercial purposes. In the subsequent recession many business enterprises failed and, although their loans had been secured on property, that property plummeted in value and a number of credit unions suffered serious setbacks. The appearance of growth had led them to adopt the methods of private finance companies and to respond to the lure of quick profits regardless of increased risk. That individual members did not suffer seriously during this period of expansion is due to arrangements for deposit insurance, regular supervision and audit, and the network of support provided by the large number of societies among whom the risk was spread. Improved service to members does indeed require growth, but the fundamental objectives of the co-operative must not be lost while seeking it. Regardless of the size of the whole organization, it is the individual

member, with small or modest means, who is still the cornerstone of the entire structure. Their needs and security must remain the primary consideration.

4.0 CONCLUSION

In conclusion, it is of particular value when proposals being drafted for the annual general meeting for it is then that decisions are taken regarding distribution of surplus, contributions to reserves and raising of share capital, which may be of critical importance to the future of the society.

5. SUMMARY

This unit discussed the following: fixed and working capital, financing a credit cooperative, lending policy of a cooperative, district and national banks and credit unions, long-term loans and land mortgage banks, banking for co-operatives, technology and growth

6.0 REFERENCES

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7.0 TUTOR MARKED ASSIGNMENT

1. Briefly explain long-term loans and land mortgage banks?
2. Discuss cooperative banking?

UNIT NINE : CO-OPERATIVE ACCOUNTING

1.0 INTRODUCTION

In order that the manager and board of even the smallest co-operative may understand whether it is paying its way or not, rectify mistakes before they have gone too far, and plan the future on the basis of ascertained facts, there must be a sound system of accounting. This means a full record, subject to constant checking, of all receipts and payments, together with periodically revised estimates of the value of stocks and fixed property, of debts owed to the co-operative, and of liabilities which it has incurred. These records should be in such a form that manager or board of directors can at any time, and at short notice, obtain a clear picture of the state of the co-operative's affairs. At regular intervals, usually once a year in small societies but more often in large and complicated organisations these records are condensed and set out in the form of a series of accounts and a balance sheet, drawn up and certified by an auditor. It is important that the general manager of a co-operative should not only understand these documents but also be able to explain them clearly to the board, to whom they will often seem mysterious and somewhat forbidding.

The exact way in which accounts are kept and presented will depend on the nature of the society's business. Many national co-operative federations publish bookkeeping manuals and model account books for the use of member societies carrying on different forms of business. Elsewhere, government co-operative departments have published manuals which specify the kind of forms which should be used and the manner in which they should be kept. The prescribed account books and registers may then be printed by co-operative presses for supply to all societies. Where such standard forms are not available, it may be necessary to

borrow a system from the co-operative organizations of another country, and necessary modify it especially after consultation with those who will be acting as auditors.

2.0 OBJECTIVES:

At the end of this unit students will be able to:

- understand trading account
- discuss manufacturing account
- explain profit and loss account
- use balance sheet
- analyze accounts as a management tool
- understand the use of budgets
- discuss the revenue budget
- articulate the capital budget
- Know cost accounting
- Understand the use of statistics

3.0 MAIN CONTENT

3.1 The trading account

A good deal has already been said in Chapter 12 about the financial management of credit co-operatives. For all co-operatives handling actual goods, whether consumers' supply, marketing or producers' societies, the basic account is the "trading account". This shows the total value including both purchase and transport costs) of goods coming into the co-operative in the course of the year. The value of stocks on hand at the beginning of the year is added to total, and the value of stocks

held at fix end of the year is deducted. Total receipts from sales are recorded on the other side of the account, and the difference between the two totals is the gross profit on the year's work. Many co-operatives in their published accounts only show total figures covering all purchases and all In a small co-operative this may be enough. It would obviously be absurd for a village store handling a few dozen lines of foodstuffs to publish separate trading accounts for flour, tea, sugar and every other commodity handled. But if society has a dry goods department, separate trading accounts should be prepared for foodstuffs and clothing. Where a co-operative is engaged in both marketing and supply, there should again be separate trading accounts for the two activities. If the co-operative markets more than one product say eggs and dairy or coffee and hides, they should be accounted for separately. When many similar products are handled (such as different kinds of fruit and vegetables) separate accounts are probably unnecessary, unless there is reason to suspect that losses are occurring on one item and it is felt necessary to have detailed proof of is happening and why.

In addition to the level of gross profit, another critical item of information will emerge from a trading account. This is the number of times that stock is turned in the course of the year which can be calculated quite simply by dividing the total value of sales by the average of the opening and closing value of stocks. This is a useful indication of efficiency, since the aim of every society is to carry as little stock as possible in relation to trade done and so reduce the amount of tied up as well as the risks of deterioration of goods in store. Moreover, each time capital is turned over it should yield a profit. Where a business is large enough to warrant the convenience of computer tabulation in the office and electronic scanning equipment at the sales checkout, it is easy to determine the of individual items as well as for a whole department. Where such equipment cannot be installed, hand-

written records should be kept for as many items as possible so that good productivity can be achieved.

3.2 The manufacturing account

a commodity is processed or manufactured by a co-operative, whether it is thereafter sold to members or to outside buyers, it is important to know not only the cost of the raw material and the price for which the finished article is sold but also the cost of processing: otherwise there will be no means of judging or not processing is efficient and economical. In order to get this information a separate manufacturing account must be prepared. This will show once again, stocks of raw materials on hand at the beginning of the year plus purchases during the year, less stocks on hand at the year-end. Expenses incurred by the manufacturing department during the year- cost of labour (broken down into regular, overtime and part-time wages), transport, power and depreciation of machinery, for example will also appear on this side of the account. The other side will show not actual sales, but the value of finished goods transferred to the co-operative selling department at current market prices. The difference between this figure and the total cost of raw materials and production is the profit or loss of the manufacturing department.

3.3 The profit and loss account

The trading account, as already shown, ends in a figure described as gross profit. This forms the starting-point for another accounting document, known as the "profit and loss account". In this the gross profit is set against all the costs incurred in running the society, with the exception of the costs of manufacture, which have already been shown in the manufacturing account. Some of these costs are straightforward payments. They include:- salaries and wages which are usually by far the biggest item;

- reins, rates and insurance;
- postage and telephones:
- repairs and renewals: and
- transport and travelling expenses.

Other costs which appear in the accounts are:

- deductions and allocations for items such as interest on bank and other loans:
- depreciation of plant and buildings; and
- reserves for bad or doubtful debts.

When all these are set against the gross profit, the difference between the two will be the net profit or the net loss, as the case may be. The society and its auditors have next to decide what they are going to do with the net profit or how they are going to cover the net loss. First, the position existing at the beginning of the year as set out in the “profit and loss appropriation account” is examined. This account shows the balance of profit carried forward from the previous year and how, in accordance with the decision of the last annual general meeting it was used. “Interest on shares”, “allocation to reserves” and “dividend on business done” are the usual headings under which profit is distributed. Sonic societies also pay a bonus to the staff. Most leave something in the society’s account, under the heading “undistributed profit” or “undistributed balance”. If in the next year the society incurs a net loss, this undistributed balance may make it possible to continue paying interest or even a dividend and a bonus to the staff. It should be noted that some countries discourage the holding of undistributed profit, though they may provide for a dividend equalisation fund. If there is a profit, this is added to the balance from the previous year (less any provision which has to be made for payment of taxes) and the total is entered in the balance sheet for the current year. In the meantime the board, with the advice of the auditor, will have worked out a

plan, subject to confirmation by the next annual general meeting for apportioning it between reserves, interest and dividend.

3.4 The balance sheet

The balance sheet, unlike the other accounts, does not show the year's operations. It shows the position of the society at a precise moment, that is, on the last day of the financial year. The "balance" is between the society's assets and its liabilities. These terms are often confusing to non-accountants, and consequently to the majority board members who cannot see why share capital, for instance, from which their society greatly benefits, should be a liability. They are usually ashamed to show their ignorance and therefore keep silent, do not ask for any explanations and, in fact, take decisions based on arguments which they have quite failed to understand. Put in the simplest terms, the assets side of the balance sheet shows what the co-operative owns in the way of property or money or claims for money. It covers land, buildings, plant and machinery, office furniture and motor vehicles. It also covers stocks on hand, the society's investments in, say, a co-operative wholesale society. and the good has distinct from the bad) debts which other people. including members, owe to it. The liabilities side of the account shows, primarily, to whom the money with which the co-operative paid for all these assets is owed. It includes most of the items discussed in the last chapter share capital, loan capital, bank overdrafts, as well as the obligations of the society to its creditors and to the tax collector. It is quite easy to see that the last two are liabilities: they are debts that the society owes. But, in fact, a moment's thought will show that, in certain eventualities, the society is liable to someone or other for nearly all the other items as well. The bank, for instance, is a creditor for overdrafts or loans: and share capital belongs to the members, not the society.

The purpose of setting out in two columns what the society owns and what it owes is to see that what it owns really does cover what it owes. If it does not then a loss will be shown which may have to be met by a deduction from the profit balance of previous years, or perhaps from the reserve fund. In any case it will be a clear warning that all is not well within the society and that a careful examination is called for not only of the balance sheet itself but also of the trading and manufacturing accounts, and finally of the whole conduct of the business, to see how and where the loss has crept in. A balance sheet can clearly be of value only if it is absolutely honest and based on accurate information. A distinction may have to be made between good doubtful and bad debts, and stocks may have to be written down below their purchase value or cost of production. Undue optimism in these matters is of no service to the society.

3.5 Accounts as a management tool

It cannot be said too often that accounts are not kept as a formality or a record of the past. They are kept in order to ensure that the business of the society is conducted on proper lines and is a financial success, and to allow those responsible for running it to keep at all times a critical eye on what is happening in the organization. How high are running costs in different departments? If they are higher in one than in another, is there a good reason? Why is the cost of transport so much greater than last year? Are "overheads" (i.e. the general costs of administering the business, which cannot be allocated to any one department) too high or too low? Is the society using too much borrowed capital? Could the same funds be obtained from some other source at a lower rate of interest? Are the levels of trade credits or trade debts rising or falling? Are buildings and machinery being properly depreciated, and if they had to be repaired or replaced tomorrow, would funds be available for the purpose?

The answers to many of these questions cannot be derived from the balance sheet or the accounts for any one year. At the very least, the manager or board of directors will want a series of accounts over a number of years so that comparisons can be made. But even this will not provide all the facts. The society will probably have been growing and changing, and the levels of wages, prices and interest rates may well have changed too. It is only by comparing the accounts and balance sheets of not one but many societies doing the same kind of business over a period of years that standards can be worked out and danger signals recognised. This is where the co-operative auditing union or the central co-operative federation which receives annual financial reports from its members is in a strong position to distinguish the patterns of capital structure and allocation of expenditure which make for success from those which all too often lead to slow decline or sudden disaster. In countries where the government has initiated and is helping to develop the co-operative movement, which may not yet be ready to gather such data, a government co-operative department may collect information of this kind for use by the movement.

3.6 The use of budgets

Those responsible for managing a co-operative of any size and complexity will need to do rather more than study the annual statements, note that one activity was profitable or that another pleased the members but failed to make ends meet and resolve to modify plans and programmes in the new year accordingly. If proper control is to be exercised over expenditure in the coming year, if plans are to be made for expanding sound line of activity and for the capital expenditure which this will call for it will be necessary, some time before the beginning of the financial year to draw up a budget or rather two: a revenue budget and a capital

budget. They are forecasts of what the co-operative will be doing in the course of the year, what it will save to spend and what it may expect to receive.

3.7 The revenue budget

The revenue budget for the society as a whole may well be based on a series of detailed budgets for each branch or department, from which a general statement is then prepared. The revenue budget is concerned solely with expenditure in the business of the coming year and the way in which it can be covered by the gross trading profit which it is hoped such business will bring in. Some items of expenditure will be well known in advance. Rent and insurance of existing buildings, depreciation of existing buildings and machinery, and heating light (unless a new system is being installed or local charges are rising) are all likely to be predictable costs. Others are more difficult to determine. Wages depend not only on whether the general wage level remains the same or rises but also on the co-operative's own employees are moving to higher wage scales through length of service, and still more on whether the numbers and types of employees are likely to be the same in the new year as in the one just past. This in turn depends on an estimate of what work the co-operative will be called upon to do. Does the trend of the past few years show that the volume of business is steadily rising and, if so, by what amount each year? Has a point been reached when more workers will have to be taken on, and will they be comparatively low-paid packers and clerks, or will provision have to be made for a comparatively high branch manager, engineer or analyst? Rather similar calculations will have to be made about transport and manufacturing costs and about the cost of borrowing money for long or short periods.

Whatever the anticipated cost of running the business, it will all have to be met out of trading profits that is, out of the difference between the price paid for raw materials and other goods and the price at which they are sold. This is by no means a simple calculation to make. Just how much material will the co-operative In an agricultural society for instance, this will not depend solely on the skill of the management and the loyalty of the members: it will also depend on the harvest. If crops are light, there will be less to market and less money in members' pockets to spend on agricultural or household supplies. On the other prices may be higher, and the co-operative may or may not make the same gross profit on-a smaller turnover.

The value of establishing a revenue budget is that, after allowing for all the of guesswork which necessarily enter into it, it does provide a standard against which the manager can measure, month by month or week by week, the actual income and expenditure of the co-operative. If the budget and the reality are fairly close, the figures will show that the plan is sensible and can be carried through. If they diverge, this will be a warning that a miscalculation has been made or that something is getting out of control in the running of the society: or it may be that some calamity which was not foreseen, such as a crop failure or a sudden fall in prices, has struck the whole country. In any case, if there is a budget. The will receive due warning and should still have time to take corrective measures before the damage has gone too far.

3.8 The capital budget

The revenue budget is not enough by itself, it must be accompanied by a capital budget. Capital, as shown in the last chapter, is needed for investment in fixed assets such as plant and buildings, and also for current expenditure on such items

as stock-in-trade, which will only be recovered after a period of weeks or months. The capital budget looks forward to the needs of the society for both these purposes during the year to come. It is an instrument for planning the use of the capital the co-operative commands in a balanced, systematic way. It also provides a means of estimating what new demands for capital are likely to arise in the course of the year- larger quantities of goods to be handled, a new machine or a new lorry-and deciding from what source this capital can be raised. Will members be prepared to increase their share capital? Or to forgo some dividend in order to build up reserves? Will a bank be prepared to lend? If there is, unfortunately, no chance of raising new capital what part of the development plan will have to be postponed? The capital budget will depend largely on the answers to questions such as these.

3.9 Cost accounting

So far this chapter has dealt with straightforward financial accounting procedures, and the uses to which they can be put in planning and controlling the work of the co-operative. Such accounting probably involves as much work with figures as any small co-operative can reasonably be expected to undertake. On the other hand, large organisations such as wholesale societies, marketing federations and large primaries may well find it worth while to carry knowledge of their own business to a higher point of accuracy, especially when this knowledge has to be used as a basis for forecasts and estimates. It is for such purposes that the method known as cost accounting has been devised. This consists of preparing a series of financial statements showing the income and expenditure, and the resulting profit or loss, on particular sections of a business rather than on the business as a whole. In other words, it is a study of the cost of carrying out a particular function, such as the running of a transport department or the manufacture and sale of condensed milk in

a dairy which also sells liquid milk and butter. It involves first of all determining through analysis of all direct expenditure on wages, raw materials, power and other pertinent terms, just how much was spent on transport or condensed milk production and nothing else. To this figure there should be added a reasonable proportion of those items of expenditure which cannot be identified directly with work on any one process or commodity, but which are incurred in running the business as a whole. Such expenditure includes, for instance, rents, postage, stationery and administration costs, and the manager's salary.

The accuracy of a cost account cannot be guaranteed in the same way as that of an ordinary financial account (which can be checked, for example, against a bank statement), owing precisely to the difficulty of apportioning overheads the various departments or processes. What separate rent or depreciation should be charged for the garage? How much of the dairy manager's time is spent on condensed, and how much on liquid milk? The answers will necessarily depend on certain assumptions. However, when such assumptions are based on long experience they should, when added to the ascertainable costs, yield data on each section of the society's business which can form the basis for secure judgement and sound policy decisions. It is not only that cost accounting will reveal whether a particular activity did or did not make a profit. Profit may sometimes accumulate because of outside circumstances, such as price fluctuations, and not directly because of good or bad management. What is more important is that the analysis, properly carried out, will show exactly how and where costs have been incurred, whether these have varied as compared with past years, and the relation between costs and receipts on a particular item, none of which would appear on an ordinary trading account. Costs may even be calculated for a part of the work of a and reduced to a unit figure: thus it is possible to estimate the exact cost of testing and grading 100

eggs. of spreading lime on a hectare ala member's land or of transporting a tonne of grain for a kilometre,

The cost analysis of operations during a previous year will often disclose a for changes in the organisation of a department, or in purchasing or stock control methods. On the basis of the facts revealed, it may be possible to cut out wasteful processes or uneconomic branches of business. If such branches are because they give a service which the co-operative does not wish to deprive its members of. then at least they are being continued in the full knowledge of what they are costing the society. Cost accounts are of particular in budgeting, since they enable an accurate forecast to be made of the cost of future and provide a firm basis for fixing prices, allocating scarce resources and choosing between alternative plans for development. They may, among many other things, make it possible to fix "standard" costs with which actual costs can be compared.

It has already been said that cost accounting is used in large primary, secondary district or national co-operatives. It can also be of particular value in multi-purpose societies, where there is always the danger that unrecognised losses one department may have disastrous effects on the co-operative as a whole, and in industrial production societies, where it can be used to ascertain the comparative costs of producing different types of article and their power to compete in the market. It must be understood, however, that:

- cost accounting should be undertaken by specially trained personnel:
- the results may be misleading unless the system is applied to the whole business of the co-operative, rather than just for the investigation of certain selected items: and

- full value can be derived from it only after it has been in operation For some time, when the particular features of each society's business have become thoroughly familiar to the cost accountant and a series of daily, weekly-monthly and annual statements are available for purposes of comparison, success also depends on the ability and willingness of other employees, including mill hands and lorry drivers, to keep the accurate records which the cost accountant needs and on the cost accountant's ability to give these employees a clear description of the kinds of record required and the reason for keeping them. Cost accounting may seem a laborious exercise, but its usefulness as a tool for management decision-making cannot be overstated. Hence the professional manager will undoubtedly demand such a system. Failure to appreciate the need for cost accounting may well be considered a reflection on a manager's credibility as a professional.

3.9 Use of statistics

The process of forming judgements from recorded facts is carried a little further through the use of statistics. Effective management is only possible when those responsible have before them all, or as many as possible, of the facts about the way in which their business is conducted. Not all of these facts are financial. Many are concerned not with money, but with time, quantities or frequencies. How many eggs can a person grade in an hour, and how many will be broken? If the speed of grading is increased, how many more eggs will be broken? How much higher over the years has the price for scarce early or late fruit been than the price of fruit sold during the period of peak production? Facts and measurements may be obtained through various methods — financial or cost accounting, work study or quality tests. It is essential, however, that all such data be both accurate and objective. [t is

all too easy to select, almost unconsciously. the kind of information which the inquirer would like to receive.

Often such a large number of elements enter into a business decision that it becomes necessary to present them in a way which brings out their relationship with one another and their real significance at a glance. The art of statistics has been built up large over the past 50 years, as a method of expressing facts in numerical terms so that they can be quickly and clearly understood. In particular statistics are an effective way of measuring the different contributions which various causes may have made to a single outcome. A co-operative is marketing twice as many eggs as in the previous year but the cost of handling has gone up. Is this because wages have risen, or because a newly purchased machine is not running to running or because the additional eggs are being picked up in very small lots, from distant farms on bad roads'? The number of co-operatives in a given country has declined but the total trading volume done co-operatively has increased dramatically. Why did some organisations disappear? Did they amalgamate with others? Did they fail? Is their disappearance related to the increase in volume? In what way? only a study and comparison of the relevant statistics will give the answers.

In preparing statistics, factual truth and accuracy are of the first importance. A statistical conclusion is only good as the figures on which it is based. But this does not necessarily mean minute detail refined calculation to many decimal points, nor coverage of what statisticians call very large populations" (in other words the numbers of persons or things having common characteristics). Equally good results may be obtained by using round numbers or studying samples, provided that the samples really are typical. Most marketing co-operatives are with the techniques of

sampling seeds or fibre The preparation of more elaborate statistics may well, however, cost more than it is worth from the point of view of business management. Indeed, before deciding to collect statistics at all, it is always necessary to ask exactly what they are really being collected for. Is this really important? Can it be attained by using figures which are already available? If not, what is the easiest and cheapest way of collecting any new figures which really are indispensable.

Equally as important as the collection of statistics is their presentation. or policy-making officers in co-operatives of any size should be familiar with the different kinds of tables, graphs and charts commonly used in presenting statistical information. It is well also to remember that statistics can be particularly when used by untrained persons-and this may include many co-operative boards. The form of presentation may, in such cases, be faulty and may convey a different meaning from that intended: or the facts, while true in themselves, may have been presented in a way calculated to produce a false often one that is too optimistic. Some knowledge of common “statistical traps” is therefore useful.

One of the principal uses of statistics in business is to illustrate trends over a period of time. Everyone is familiar with the devices used for this purpose — the of figures, the rising line on a graph, or the picture of a farmer getting bigger and bigger by which the progress co-operative membership over the years is symbolised. The same thing can be done with turnover, share capital or any aspect of the society's affairs. A co-operative may find it very helpful to use, though not itself to compile statistics dealing with economic trends at the national or international level, regarding in particular such matters as prices, crop yields, volumes of exports or of trade in general. One way of expressing statistical data to construct index numbers: the figure 100 is used to represent, for example the cost

of living, the level of retail prices, or the volume of national production of some commodity during a given period. Subsequent changes are then shown as a rise or fall of so many percentage points above or below that figure.

Some of the internal uses to which statistical analysis can be put in different types of co-operatives are:

- the interpretation of commodity sampling results, used in many agricultural societies handling bulk commodities:
- the Interpretation of consumer research data collected by consumers' co-operatives with a view to determining. for instance, their members' preferences as between salted and Fresh butter, or between soap and detergents:
- the measurement of rates of production in a co-operative carrying on processing or manufacturing:
 - the calculation of operating ratios such as the number of bad eggs in every hundred) or of efficiency ratios, as revealed, for example, by the number of complaints per 100 purchases,
 - the calculation of the number of kilometres per litre of fuel which a lorry will travel, or the number of hours for which a particular machine can be run without maintenance;
 - the calculation of the monthly number of work-hours lost through breakdown of machines; or
 - the calculation of the amount of overdue accounts as compared with accounts in general.

4.0 CONCLUSION

How much of the information provided by cost accounting and statistical analysis is necessary or can be put to good use will obviously depend on the size and

complexity of the business. But even if it is found that the answers to some questions would cost more than the information is actually worth, it is important that those responsible for co-operative management should at least be aware that such questions exist and that private businesses in competition with the co-operative are eagerly seeking the answers to them, often at considerable expense. If a co-operative persists in leaving management decisions to guesswork, to recollections of what was done Last year or even to a bold desire to grow quickly at any cost, it may well find that it has made some grave and perhaps fatal error, has not succeeded in giving its members the services which it purports to provide or, at the very least, has failed to use its limited resources to the best advantage.

5.0 SUMMARY

In summary, this unit focused on the following areas: trading account, discuss manufacturing account, profit and loss account, balance sheet, accounts as a management tool, the use of budgets, the revenue budget, the capital budget, cost accounting, and finally the use of statistics

6.0 REFERENCE

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7.0 TUTOR MARKED ASSIGNMENT

1. What do you understand by capital budget?
2. Discuss the features and uses and objectives/purpose of cost accounting?

UNIT TEN : PUBLIC CONTROL

1.0 INTRODUCTION

The pioneer co-operatives were formed by local people to meet local needs. Success or failure depended partly on whether or not their objectives had been well chosen, but perhaps even more on the determination and business ability of boards and staffs. Inevitably there were a number of failures, most of which could have been avoided if timely advice had been available and accepted. In many, though not quite all, countries the first attempt to exercise some control over the methods by which co-operative societies conducted their affairs came with the passing of a co-operative law. The primary intention was to improve the performance of the co-operatives themselves and so safeguard the interests of their members, who were assumed to be people of less business experience than those who would normally engage in trading or financial ventures. To a lesser degree, it was intended to safeguard the public, and in particular outside persons who had business dealings with the co-operatives. In either case, a guarantee that the affairs of a co-operative were conducted with a certain degree of order and prudence was looked on as something which should be given in return for the privilege of incorporation and public recognition.

2.0 OBJECTIVES:

At the end of this unit students will be able to:

- discuss character and purpose of audit
- analyze the financial audit
- use the methods audit
- explain auditing agencies
- understand Private agencies

- enumerate central co-operative bodies
- use Government departments
- articulate effective auditing

3.0 MAIN CONTENTS:

3.1 Character and purpose of audit

The principal form of control was, and is, the audit. This is not a particularly co-operative device. It is common commercial prudence that the money transactions of any organisation should be checked at intervals by competent outsiders who have no personal interest in them. Commercial codes and corporation laws as el as co-operative laws normally insist that bodies registered under them should make proper provision for audit. Some countries stipulate in the Co-operative Act that the annual meeting of each society shall be held within four months of the fiscal year-end and that at the meeting an audited statement shall be presented to the members. Some co-operatives make further stipulation in their by-laws that the audit must be completed within six weeks of the fiscal year-end. This is done to enable the board of directors and manager to review the auditor's report before preparing its own annual reports to the meeting. The report will be the most important item to be considered by the members in exercising their democratic control over the organization.

An important feature of audit distinguishes it from other control processes. It is periodic: done regularly, usually once a year. Inspection, on the other hand, occasional; it takes place when something goes wrong in a society. Both are statutory functions, but the difference in their purposes should be kept in mind.

3.2 The financial audit

The basic form of co-operative audit is financial. The co-operative is visited one or more specially qualified persons who proceed to check, item by item every entry and calculation in the society's books, verifying each entry by reference to receipts, wage records, bank statements and other documents. Having satisfied themselves that the books are correct and complete, the auditors will go on to the value of stocks on hand at the beginning and end of the year and, after making standard allowances for deterioration and waste in handling, will see that they tally with the record of goods bought and sold, processed or manufactured the year. They will also check cash on hand and at the bank. If the auditors are satisfied that all these records have been correctly kept and give a true picture of the business which the society has carried on during the year, they will go on to draw up the balance sheet, as described in the preceding chapter. They will check value of the society's assets, making sure that land, buildings and, above all, machinery and vehicles have been properly depreciated; that any investments which the society may have in government stocks or in secondary co-operatives are recorded at their true value; that bad debts are written off, and that stocks are at a prudent figure, taking into account possible deterioration or changes in price. They will examine the society's minute book and its policy manual to assure themselves that the policy decisions of the board are being followed.

The auditors have received all the records and explanations they require and have succeeded in drawing up a statement which satisfies them as a full, clear and truthful record of the year's operations and the present position of the society, they will then make a short declaration to that effect and sign it. If the statement, clear and accurate reveals an unsatisfactory position they may point this out and even indicate the principal source of the trouble too much credit to members, perhaps, or

too much unsold produce on hand. It is more likely, however, that they will reserve such comments for an interview with the manager chief accountant, or perhaps with the board. If, however, they are not satisfied that every part of the statement is securely based on facts and represents the true position of the society, they are in duty bound to put their doubts on record. They

not, they may say, been able to verify the value of stocks: the record of members' debts to the society is incomplete: or the value of premises has not been written (down) since they were built ten years ago. They sign the balance sheet but warn the board and the members that there are matters on which they are not satisfied and with respect to which they expect to find some improvement when the time for audit comes next year. In extreme cases they may decide that the accounts have been so badly kept or are so misleading that they cannot conscientiously sign them. In that case they refuse to sign, and such a refusal usually leads to an inquiry into the affairs of the co-operative.

All co-operatives and their officials should understand from the beginning that auditors, whether they deal with finance or other aspects of the business, are their friends — not enemies. meddlers or hostile critics. The secretary of a small co-operative in liquidation who said, many years ago: "I didn't care for what the auditors said, so I told them to go to the devil. But they didn't go; it was the society that went", was giving a perfect example of the wrong attitude—and of its consequences. All good auditors take an almost maternal interest in the societies whose operations they audit. All delight in being able to prepare clear, unambiguous accounts, with a comfortable balance on the right side. Moreover, the mere fact that they work intimately with a large number of different co-operatives year after year means that they become profoundly knowledgeable as to what state of affairs represents stability or progress or, on the other hand, insecurity or

positive danger. They know what constitutes a safe ratio between owned and borrowed capital between capital and business done, or between turnover and running costs. Their advice is based on a wider experience than that of any single manager or board, and it should always be received with the most serious respect and in the friendly spirit in which it is offered,

3.3 The methods audit

A financial audit, though the most important, is not the only means by which a co-operative can be helped to keep its affairs in order. A newly formed society, or one that has special difficulties — a largely illiterate membership, or a new and unfamiliar kind of business — may be visited at frequent intervals by an “organiser”, “supervisor” or “inspector”, who may or may not have taken an active part in forming the society. This person will attend all annual general meetings and probably all meetings of the committee. He or she will see to it that proper minutes are kept of the business discussed and the decisions taken, and also look through the society’s account books, not perhaps making such a complete check as an auditor, but at least ascertaining that all money transactions are clearly recorded under a system which provides for proper internal checks, and that totals are being correctly added up. The organiser supervisor or inspector will also observe and comment on the general conduct of the business: are there enough staff to do the work, but without idle hangers-on? Are the buildings being kept in good order? Is the shop or office clean and attractive? Are stocks of the goods properly protected and the quantities easy to check? Are vehicles and machines in proper running order?

As co-operatives find their feet and learn to avoid the more obvious mistakes this sort of inspection may gradually be transformed into what, in modern business language is called a method audit”, This means that some competent and impartial

person asks, and tries to find satisfactory answers to, a number of questions such as the following:

- Has the co-operative the right kind of premises-suitably located, not too large or too small. and property maintained?
- Are the senior members of the staff up to their jobs'?
- Is the work well organized?
- Is anything being done which is not really necessary or could be done more easily and cheaply in some other way?
- Is there enough machinery and is the best use being made of it?

The report of the methods auditor is intended primarily for the secretary or manager of the society. if it is tactfully worded a reasonable manager will probably try to make any necessary changes. If the manager refuses to make the suggested changes the report must go to the committee and perhaps even to the members' meeting.

3.4 Auditing agencies

It remains to consider by whom financial audits may be carried out. In some cases the law merely lays down that co-operatives shall be audited by a properly qualified professional accountant other than one of their own employees. In other cases audit is entrusted to a central co-operative body. Finally, in some countries the law provides that the auditor shall be a government official or that government-appointed auditors must be employed unless and until the co-operatives can satisfy the government that they have been able to set up an auditing system of their own employing professional accountants of the necessary status and qualifications. The

result is that there are, broadly speaking, three systems with a certain amount of overlap between them.

3.5 Private agencies

One method is for (he co-operative to employ a private professional auditor who may specialise in co-operative work but probably also audits other businesses, The disadvantage of this system is that the auditor may not be particularly interested in co-operatives, and though perhaps having considerable experience of auditing co-operatives in the immediate district. may. nevertheless, not have the wider experience which a national co-operative auditing union or department would possess. On the other hand, the experience gained from auditing private businesses will be at the disposal of co-operative clients and, in the case of the larger co-operatives with complicated business interests and activities this may be quite valuable. In some countries, where the smaller primary societies are regularly audited a government department the larger federal trading organisations are advised to employ outside professional auditors, largely for this reason.

3.6 Central co-operative bodies

The second system is for auditing to be placed in the hands of a central co-operative body, It was hit order to avoid audit by government officials that the German co-operatives, at the end of the last century, set up their own auditing unions. These were federations of primary societies formed with the sole purpose of providing themselves than auditing service. This system has been adopted in many other countries. The audit is basically financial, but it generally includes advice on rather wider aspects of the society's business than the professional financial auditor would be likely to give.

Central co-operative auditing is not always carried out by a special auditing union. It may be the function of an auditing section of a general co-operative union, a national co-operative bank or a wholesale society. In the latter two cases an interesting point arises. The relations between auditors and the businesses they audit, whether private firm or co-operative, are generally regarded as confidential, much in the same way as those between lawyer and client or doctor and patient. But it is quite obvious that a co-operative wholesale society which does business with a primary society or a bank which lends money to it has a very direct interest in the financial position of the society and, once in possession of this information, is particularly able to bring influence or even pressure to bear on the society to alter its methods or modify its future policy. The question which arises, therefore is how far the auditor should be allowed to communicate information obtained in the course of the audit to the trading or banking department of the central co-operative. Opinion on this matter differs in different countries. Some regard a confidential relationship between auditor and society as essential. Others argue that the auditing, banking and trading departments are all working to the same end, which is the prosperity and expansion of the local society, and that all information which can help the society to adopt and pursue a wise policy should be freely available to any of them.

3.7 Government departments

The third method is audit by a government department. The justification for giving the department ultimate responsibility for audit lies in the fact that the co-operative movement has usually been introduced and is still in many ways supported by the government much must be regularly informed of its progress and shortcomings. It is immaterial from the legal point of view, whether the actual work is done by departmental or by professional auditors or the staff of authorised co-operative

federation Large secondary co-operatives such as banks and wholesale stores. are often allowed to choose their own auditors 'rout a panel approved by the department, but no action can be taken on audit reports until they' have been officially accepted

In recent times there has been pressure in some countries to transfer responsibility for audit from the co-operative department to oilier agencies such as co-operative unions. Professional auditing firms or even some other government department set up for the purpose. The co-operative auditing union has much to recommend it, provided always that the co-operative movement iii the country is sufficiently mature. The problem with the other methods is that they may all too easily exercise control without any real knowledge of co-operative organisations and their needs.

3.8 Effective auditing

The performance of an audit serves a purpose beyond that of satisfying the legal requirements. The audit is the instrument by which public control is exerted to protect that part of the public which is the membership of a co-operative society. It is also a valuable source of advice-to the manager, the board of and the membership-for remedial action, if necessary How effectively an audit serves this wider (and mast important) purpose does not depend on which of the three systems described above is being used, but upon how it is done and when it is completed. A good audit is one that is thorough and which results in report that presents facts in a clear and concise manner. Producing such a report is the work of a professional person. A sloppy audit will be recognised by the government co-operative department which must intervene when this happens.

Assuming that the audit has been professionally done, the time factor may undermine its effectiveness. Its usefulness is largely determined by how soon after the fiscal year-end it can be completed so that action can be taken to correct any weaknesses it may reveal. Obviously, an audit completed six months after the is much less valuable than one that is done within six weeks. In six months' time a problem that is in any way serious may grow to be almost irreversible. Consider then the usefulness of an audit that is a year — or in some cases, much more than a year — in arrears. Can it serve any purpose at all? Why such delays occur? How can they be avoided? Whose responsibility is it to see that they do not happen? The reasons for delayed audits are many. In some countries the year-end for all co-operative societies is set on the same date throughout the land. This means the books of hundreds or thousands of societies should be checked within the same short period thereafter. Clearly, a backlog will develop, especially if other difficulties are encountered. A major difficulty faced by many auditors arriving on doorsteps of small societies is that the books are in a mess. Entries have not been kept up to date, invoices are missing, bank statements have not been reconciled. The accounting system used by the society may not conform to an accepted system that makes for easy checking. Then an audit that should take three months may take three months to complete. Perhaps the auditor is not fully trained and lacks the experience to deal with situations that arise in small villages and require mature judgement. To avoid developing an unmanageable backlog of audits, the government in many countries allows the fiscal year-end for different societies to take place at different times. After all, a business year can be any 12 months of the year. This produces a staggered workload, reduces pressure on the limited number of professional persons available and permits the audit agency to schedule its workload over the whole year. If, in addition to this scheduling, a continuous programme of training keeps on producing qualified auditors to keep up with

growth in the movement, delays can be prevented not only in the present but in the future as well. Supervision and inspection throughout the year should prevent some of the horrifying surprises that await auditors where records must be kept by persons with limited training for the job. Training programmes for such local personnel are, it goes without saying, necessary too.

The question of responsibility for an effective audit system rests ultimately with the government department, since this is the only body with authority to intervene in the affairs of a democratically controlled co-operative. It has been given disciplinary powers, among which the most stringent is to deregister a society, removing its Legal right to exist, Short of that — and department's are understandably very reluctant to take such a drastic step — the department can, where the auditor appointed by the membership is a private agency or an arm of a central secondary co-operative, appoint another auditor to perform the task forthwith and thereby cut short any further delays. Unfortunately, delayed audits occur also where government departments have been responsible for the audit in the first place.

For many reasons, including a commendable desire to promote co-operative development, government departments have taken on much broader roles than merely acting as the public watchdog over co-operative societies. In addition to the statutory functions of audit and inspection, they frequently undertake the task of supervision as well. What this means is that quite often, while the roles of supervisor, inspector and auditor are distinct, the same person may be employed to fulfill all of them simultaneously. From this arises a very difficult question: how does one discipline oneself? The situation becomes equivalent to “setting the fox to guard the chickens”.

4.0 CONCLUSION

Cooperative audit distinguishes itself from other control processes. It is periodic: done regularly, usually once a year. Inspection, on the other hand, occasional; it takes place when something goes wrong in a society. Both are statutory functions, but the difference in their purposes should be kept in mind.

5.0 SUMMARY

In summary, this unit discussed the following: character and purpose of audit, the financial audit, the methods audit, auditing agencies, private agencies, central co-operative bodies, government departments and finally, effective auditing.

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7.0 TUTOR MARKED ASSIGNMENT

1. Discuss character and purpose of audit?
2. What do you understand by effective auditing?

UNIT ELEVEN: INSPECTION, SUPERVISION AND OTHER CONTROL MEASURES

1.0 INTRODUCTION

In the countries of north- western Europe, where co-operation first grew up, the movement was spontaneous and governments intervened merely to see that spurious co-operatives did not receive the benefits of incorporation and that those which were legitimately incorporated conducted their affairs in an orderly manner. Professional auditors were available and could easily be employed. Moreover, if societies wished to form their own national or other secondary organisations either for auditing or for any other purpose they had the necessary experience and the freedom to do so. The position has been the same in America both North and South. The achievements of the co-operative movement in Europe impressed the governments of a number of African and Asian countries, where the traditional economy was changing and integrating while at the same time farmers and peasant farmers hardly equipped to cope with the conditions of a modern market economy, the first step was to introduce co-operative laws modelled on those of Europe. This happened both in countries enjoying full sovereignty, such as Japan and in others which were not at all self-governing, such as India. It was soon found, however, that co-operation as a modern economic technique would neither grow spontaneously from the tillage life of these countries, nor could it be expected to be fully self-regulating. Standards of business experience were not sufficiently advanced and available reserves, not only of cash but also of organizing ability were generally too low to make possible any early development of secondary co-operatives on a voluntary basis.

As a result, the government departments responsible for co-operative societies very soon found themselves assuming much broader responsibilities than merely

deciding whether co-operatives were, or continued to be deserving of incorporation. This is the historical background to the blurring of roles that bedevils the auditing system in many countries. To sort out the confusion, inspection and supervision need to be distinguished from each other as well as from the financial auditing already described.

2.0 OBJECTIVES:

At the end of this unit students will be able to:

- discuss inspection
- analyze supervision
- explain loan conditions
- control staff appointment

3.0 MAIN CONTENTS:

3.1 Inspection

While an annual audit is the principal instrument by which control is exerted on behalf of the membership of a co-operative, inspection is the means by which a government department assures itself about the health of societies at other times than the fiscal year-end. The duties of an inspector of co-operatives are statutory and are usually carried out by departmental officers specially trained for the purpose. As has already been said, inspection usually takes place when something goes wrong in a society. That raises the question: how does an inspector discover that something has gone wrong? In some countries co-operatives are required by legislation to submit regularly (often quarterly) copies of their financial statements to the department of co-operation which examines them for signs of trouble. In

some cases copies of the minutes of monthly board meetings are also sent to the inspector of co-operatives. From these an experienced person can detect the early warning signs of difficulties ahead. In addition, visits of inspection made Apparently at random can prevent the records fairy society from falling into such a state of disorder that the auditor finds them impossible to sort out. The inspector does not make a complete audit, but by being qualified and experienced is prepared to make a quick check on key indicators which reveal poor accounting habits and other undesirable operational practices. Finally, a request from creditors or from individual members can institute an inquiry if any evidence supports their concern about the affairs of the co-operative. Usually if conditions warrant drastic intervention, the inspector is empowered to replace the board of directors temporarily, and appoint a public administrator or liquidate the society.

3.2 Supervision

Supervision, unlike audit and inspection, is a continuous, year-round process carried out by agencies which visit the societies frequently, check their accounts aid policy manuals, look into their business methods, rectify defects, suggest improvements and develop activities. While audit and inspection are statutory duties of the government department concerned, supervision is a non-statutory function. Although supervision is often exercised by the department, it is more often the responsibility of voluntary supervising unions, secondary co-operatives and district federations csf co-operatives or, in the case of primary credit societies, the co-operative bank or central credit union. Supervision of secondary and tertiary organisations remains with the department.

As co-operatives at the secondary and tertiary levels have accepted increasing responsibility for supervising primaries, the professional co-operative consultant has come into being. Persons fulfilling this role have usually grown out of the

ranks of management personnel at the primary or secondary levels. They come with experience reinforced by training. This makes them competent to find satisfactory answers to many of the technical and managerial problems which co-operatives are likely to come up against. The report of the supervisor (consultant) is intended primarily for the manager of the society. If it is tactfully worded, the manager will probably make any necessary changes. If no action is taken, the report must go to the board and perhaps even to the members' meeting.

3.3 Loan conditions

Audit, inspection and supervision are not the only means by which co-operatives can be controlled and their development influenced. Another method is the giving or withholding of loan capital. Primary societies are often dependent for either investment or working capital (sometimes for both) on some outside source. If this is a private bank, it is unlikely to expect more than that the business of the co-operative be sound and that it have sufficient assets to cover the value of the loan. In other words, the bank will be solely guarding its own interests -their than being concerned with the welfare of the society as such. If however, the loan comes from a co-operative bank or wholesale society or possibly from a government bank formed to promote co-operative development, or from an international source such as the International Fund for Agricultural Development (IFAD) the World Bank a regional development bank or through bilateral assistance the attitude may be rather different. A co-operative lender will, of course want to be assured that the borrowing society runs a sound business and has sufficient assets. It will be likely also to want assurances on other points. Is the society well managed? If not, could changes be made which would ensure efficient management in the future? This may well be the condition for granting loan. In some cases where the loan is not so much for new development as to help the borrow co-operative out of past

difficulties, the co-operative bank may require that one of its representatives be allowed to sit on the board temporarily.

In the case of development loans the lender may also want some proof that the development plan is a sound one. Are there enough members or potential members in the neighbourhood to make it certain that the new store or warehouse will be fully used? Do the advantages of processing rather than simply marketing members' produce really outweigh the risks? The rigour of this scrutiny will depend to some extent on the resources at the lender's disposal. A co-operative bank or credit union relying on its own funds alone, that is on the shares and deposits of its members together with its reserves, is likely to look carefully at any request for a loan to make sure that it will not lead to unsound development and possible loss. It may also be obliged to make a choice between different development plans put forward by different primary and sometimes secondary co-operatives. The question will then be not only whether the particular plan considered is a sound one, but how many development loans have gone to this district or this type of society before, and whether or not it would lead to more balanced development if others were helped to reach the same point, rather than that a few successful co-operatives should be encouraged to go ahead still further.

If the lender is a government bank, its resources may be greater and this sort of choice may not be necessary. Indeed, it sometimes happens that the government is so anxious to promote a particular phase of economic development in the general interest of the country that it will actually consider setting up new co-operatives and lending them money to get the project launched. The establishment of a network of large grain warehouses in France, of sugar factories in India, or of a network of retail shops in Botswana are instances of such practice. In some cases

the offer of a loan on reasonable terms is all that is needed to stimulate local responsibility. and call forth local talent quite adequate for the management of the newly formed enterprises. Elsewhere, the response will be more hesitant and local business experience less dependable. In such cases it may be a condition of government investment in a project (which may take the form of share ownership as well as, or instead of, a loan) that the co-operative accept a certain number of government representatives on its board.

3.4 Control of staff and appointments

Another matter with regard to which a central body can exercise control over local co-operatives is the appointment of senior staff. It is very desirable that the general standard of co-operative management should reach a high level in any country. Co-operative training schemes are designed for this purpose and many co-operative colleges award diplomas which guarantee that the holder has the necessary qualifications to act as a co-operative manager, secretary or accountant. As a rule, this guarantee is highly appreciated by local societies making new appointments. At the same time, most societies cling firmly to their right to make an independent choice and to appoint the person whom the board prefers without outside interference. There are countries however in which national co-operative organisations exercise a much stronger influence over local choice. This is done mainly by keeping a central register of all senior co-operative employees, including their qualifications, experience and readiness to exchange their jobs. A society with a vacancy is expected to select candidates for interview from this list. The advantage of the system is that fewer bad appointments are made and that the co-operative movement offers much wider advancement opportunities than would be available if avenues of promotion were limited to individual societies. This in turn may be expected to attract able persons. The disadvantage is that the method

involves considerable interference with local responsibility, and may cause resentment both in the society which is forced to accept an able person from the outside — 'hen it would have preferred to promote someone already on the staff and in the society which has been obliged to give up a capable and popular manager who is seeking better career opportunities in a larger organization.

A variation of this system is practiced in regional federations, especially in North America. These federations are sometimes built up from one co-operative which has flourished, grown and then taken on wholesaling and manufacturing functions in combination with a number of small village societies which have never of beyond buying and selling goods in relatively small quantities. On entering the federation these village societies act as agencies or even branches of the large federal society, but they retain their own capital structure and their own boards of directors. The federal society may well find that it is doing business through a considerable number of local co-operative agencies with varying levels of efficiency and this is unsatisfactory from many points of view. The solution may be to invite the local board to enter into a contract with the federal organization for the professional management of the local society. Thereafter the manager and, indeed, all the staff will be federal employees, and if they do not give satisfaction the local board cannot control them directly but must take the matter up with the federal organization. Such a system may seem far removed from ideal co-operative democracy but it may still be more democratic than a large secondary or tertiary society working through branches with no committees or boards of their own.

A more democratic form of management agreement, also originating in North America has been introduced in some developing countries through ILO technical assistance programmer. Under this kind of art agreement between a wholesale

society and a fully autonomous primary, the board of directors of the local society undertakes: to accept the advice of the wholesaler in revising its policies. The wholesale society takes on responsibility for management of the society by placing the incumbent manager or his replacement on its own payroll. While the wholesale society commits itself to providing a qualified manager he or she will be appointed only if the board of directors of the primary finds the candidate acceptable and the appointee agrees to report to and take direction from the board in the normal way. All other employees remain as staff of the primary. The wholesale society is committed by the terms of the agreement to providing the board with policy recommendation and to seeing that when such policies have been adopted the manager and board adhere to them. It also undertakes to recommend any other steps necessary for running the co-operative profitably.

An important component of such a management agreement is its term of duration. Given a required number of days of notice, the agreement can be cancelled by either party. Provided that any indebtedness to the wholesale society is renegotiated on mutually satisfactory terms. The focus of the management agreement is on guiding the board towards a more effective fulfilment of its directing function. Since good direction depends on sound policies, the wholesale society's approach is through policy improvement. Experience over many years indicates that primaries 'will often choose to remain a management agreement even after they have reached a sound condition and are at liberty to terminate it. Over a period of time a region in which a number of such agreements are in force gradually exhibits uniformity in policies and in procedures enabling more meaningful performance comparisons to be made, building a tolerance among local societies for the exchange of capable managers, permitting the transfer of managers' pensions and thus also the sharing

of one of the movement's most valuable resources: its stock of professional managers.

Another form of control over staff and appointments can be found in some parts of the world. Where co-operatives have been formed as part of a government programme of economic development and the membership is considered unready to assume full control of a society's affairs for a number of reasons (including illiteracy), the department of co-operatives may appoint both the directors and the manager. Such a co-operative is sometimes called a 'pre-cooperative' and is frequently one in which the government has invested a significant amount of the capital required to get it started. Occasionally also, as has been indicated in the discussion of government inspection, when a co-operative's affairs have been seriously mismanaged and misdirected the inspector may call for the removal of the board and the manager and subsequently replace them with a government officer to put things right. When a society falls deeply into debt and needs to be rescued with funding from government, such moneys may come only with government control over upper-level appointments and/or a majority of the seats on the board of directors. Cases such as these remove the democratic control that is a fundamental feature of co-operatives as defined by the ILO's Recommendation concerning the role of co-operatives in the economic and social development of developing countries. 1966 (No. 127) (see Appendix L3). They become "para-cooperatives" and their existence is frequently viewed with concern. This is especially so if these near-cooperatives fail to show appreciable signs of gaining or regaining full status as genuine co-operatives after the passage of some time.

4.0 CONCLUSION

In conclusion we confirmed that It is difficult to argue against the circumstances that produce this subspecies of co-operatives but a convincing argument can be made that in all these cases governments should be responsible for adopting strong policies and programmes to assist them toward a fully independent condition. Such policy requires firm political will; such programmes must be established within a clearly defined time frame so that the underdevelopment of these “para-cooperatives is not permitted to continue indefinitely.

5.0 SUMMARY

In this unit the following areas of consumer cooperatives were discussed: inspection, supervision, loan conditions, and finally, control staff appointment.

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7.0 TUTOR MARKED ASSIGNMENT

1. Differentiate between inspection and supervision in consumer cooperative?
2. Discuss loan conditions in consumer cooperative?.

UNIT 12: LEGAL RESPONSIBILITIES OF CO-OPERATIVES

1.0 INTRODUCTION

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

2.0 OBJECTIVES:

At the end of this unit students will be able to:

- discuss by-laws
- analyze admission of members
- explain internal control
- use share, loan and reserved capital
- trade with non members
- articulate duties and privileges of cooperatives

3.0 MAIN CONTENTS:

3.1 By - laws

The by-laws usually contain, in addition to the statement of the co-operatives objectives is the equivalent of a constitution. They slate the name of the society the location in which it will operate, how members can be received, the value of each share, when the fiscal wear-end shall be, how the annual meeting is to be conducted, what business is to be conducted at board meetings how the board shall be formed, that an auditor shall be appointed at the annual meeting. by what procedures the by-laws may be changed and other rules by which the society shall govern itself. They state in broad terms the limits within which the co-operative is empowered to conduct its business and the basic procedures it shall follow in doing so.

3.2 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 co-operative 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 stipulated that they must live in the same geographic area 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. Further, when members withdraw, the capital of a society automatically diminishes.

If members are free to enter a co-operative, are they free to stay out of it and are they also free to leave? As a rule the answer, in both cases, is yes, although members must sometimes give notice of their intention to resign and may be liable for the possible losses of the co-operative 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 co-operatives for the joint USC of land. It may also happen in co-operatives which exercise the sort of powers normally conferred on marketing boards, or in co-operatives for irrigation and drainage, where an essential service can only be carried on if all landholders participate. In such a case membership in the co-operative goes with the ownership or tenancy of land, and the decision to form a co-operative, once it has been made by a majority of those concerned, becomes binding on all.

3.3 Internal control

The law usually specifies how a co-operative is to be governed, though this is sometimes left for the by-laws of each society to determine. In most countries the law stipulates that the highest authority shall be the annual general meeting which must be called once a year and at which each researcher shall have not more than one vote. Occasionally additional voles are allowed based on the amount of business which the member does with the society. This is unusual; but when one society is a member of a larger organization such as a federation or wholesale society, 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 boards 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 a management committee. Some countries include in the law and others in supplementary rules the procedures by which the by-laws can be amended, or the co-operative voluntarily dissolved or amalgamated with some other co-operative, or converted from a co-operative into some other kind of legally recognised body.

3.4 Share, loan and reserve capital

The law also settles how the co-operative is to be financed. There are usually two alternatives. The co-operative 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 to 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 for thrift and credit co-operatives of small farmers and others who may have difficulty in putting up share capital. In some countries where co-operative 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 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 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 person having too large an interest in the society and dominating it financially even though that person may have 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 withdrawn at any time on due notice. Under others they may only be transferred to other members with the consent of the board 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 co-operative to repay share compulsorily. This may be desirable if the member has ceased to do business with the co-operative, or (occasionally) when the co-operative has more share capital than it needs.

There is at least one type of co-operative in which there is no share capital even though liability is not unlimited. In the non-stock co-operative associations of the United States members pay an entrance fee on admission and pledge themselves to do all their business with the 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 sometime the sale of bonds or preferred stock to the public.

Either the law or, in some cases, the supplementary rules provide for the formation of reserves. This is usually done 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 co-operative. This is to ensure that members will not be tempted to dissolve a society merely in order to share substantial legal reserves among themselves.

Nearly all co-operative 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 co-operative 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.

3.5 Trade with non-members

The law varies from one country to another on two other important points-whether a co-operative must do business only with members and whether members must do business only with their co-operative. The argument in favour of restricting business to members is that it prevents the co-operative from degenerating into a small closed corporation making money out of trade and 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 co-operative 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 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' co-operative 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 co-operative may well accept loans or deposits from outsiders.

The argument in favour of obliging members to trade only with their co-operative is probably strongest in the case of agricultural processing and marketing societies. If a co-operative has invested in plant and buildings to handle a given volume of milk, 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 co-operative 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 co-operative may be embodied in the rules or in a separate contract. And 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 or her contract to supply. In other countries, however, the law is on principle hostile to binding contracts and does nothing to encourage co-operative members to enter into them, or co-operatives to enforce them.

3.6 Duties and privileges of co-operatives

Most co-operative laws make provision for voluntary or compulsory arbitration in cases of dispute between members or between members and boards or directors, usually specifying the procedure. Most specify what records a co-operative must keep and who shall have access to them. Most insist that a co-operative should have a fixed address and a 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 co-operatives 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 “co-operative”.

The members, the board of directors and the manager of a co-operative must make themselves familiar with the by-laws of the society and with the co-operative law of the country. It is the board’s responsibility to see that the by-laws are earned out and that the law is not broken. They must make sure that:

- the members are all of full age and that none of them has more than the maximum shareholding;
- the annual general meeting has been properly summoned and any change in the by-laws has been carried by the prescribed majority;
- the accounts are audited at the proper interval and the reports forwarded to the proper authorities:
- taxes are paid: and
- the co-operative does not engage in business which is not specified among its objectives, nor allocate surplus to purpose not permitted by the law.

4.0 CONCLUSION

In the course of this unit we have concluded that bye laws should be enacted by the cooperatives society so as to guide the behavior of members and the conduct of the society. Also, this study concluded that admissions of member must be based on the fact that the capital of a society shall be variable — that is, fresh shares will always be issued if new members seek admission.

5.0 SUMMARY

In this unit we were able to discuss the following areas: bye-laws, admission of members, internal control, share, loan and reserved capital, trade with non members and finally duties and privileges of cooperatives. Meanwhile, share loan and reserved capital, co-operative 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. It is obvious that a consumers' co-operative 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 co-operative may well accept loans or deposits from outsiders. And finally, all cooperative members are to be diligently carries out their duties.

6.0 REFERENCES

1. Food and Agriculture Organisation. Agricultural credit training manuals. A pack of 18 Rome. 1980.
2. MATCOM. Rural savings and credit schemes. A trainer's manual with outline and material for a 23-day course. Geneva, ILO. 3rd Impression. 1983.

3. Financial management, A trainer's manual by Malcolm Harper, with outline and
for a ten-day course. Geneva. ILO. 4th impression 1986.
4. Risk Management. A trainer's manual with outline and material for a five-day course. Geneva. ILO, 2nd impression. 1986.

7.0 TUTOR MARKED ASSIGNMENT

1. Discuss the trade with non members of consumer cooperative?
2. Explain bye-laws in consumer cooperative?

UNIT 13: CO-OPERATIVES, COMMON TAX AND LAWS

1.0 INTRODUCTION

The board or manager of a society of any size is likely to be confronted with a number of responsibilities and restrictions arising from the common law in countries which have taken their legal system from civil, commercial or criminal codes or from special law and regulations. In all these cases the co-operative is in the same position as any other corporate body. If it becomes involved in a law unit, or if there is doubt as to its legal right on any matter on which a decision must be taken (especially where common law is concerned), professional advice will have to be sought. For this reason many large co-operative organizations have their own legal departments, which are prepared to give advice to member societies. Boards and managers should, however, be aware of those aspects of the daily activities of a co-operative 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 will be read in countries with differing legal systems. A few indications may, however, show how broad the field is.

2.0 OBJECTIVES:

At the end of this unit students will be able to:

- discuss cooperative and common tax
- analyze cooperative contracts
- explain co-operatives and property laws
- use liabilities for injuries

3.1 Co-operative and Common Tax

Co-operative societies by the nature of their activities come under one or probably more than one specific law. Consumers' co-operatives, for example, come under the law 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 licence for that purpose. Co-operatives 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 the employment of women and young persons.

Co-operatives 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 co-operative engaged in banking business will be subject to the law on banks. Co-operatives 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. Co-operatives supplying their members with farm supplies or domestic goods will have to observe the law against adulteration or false description. Co-operatives selling toxic substances-such as drugs or pesticides-will have to observe the relevant legal provisions. Any co-operative engaged in foreign trade will have to comply with import and export regulations, including customs, duties, quotas, restriction on the movement of materials capable of carrying plant and animal disease and currency and exchange controls.

3.2 Co-operative contracts

Co-operatives 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 with members;
- undertakings to deliver by a certain day;
- bank overdrafts guaranteed by members of the board;
- contracts for the hire of transport from private haulage firms or contracts to undertake work for members with machinery owned by the co-operative, and
- contracts with employees fixing their condition 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 general manager of a large society will all 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 co-operative will have to be careful not to bind itself so tightly that the contract may become damaging to its interests some time in the future—for example, a contract with a co-operative manager which makes it impossible for the society to dismiss him or her unless something criminal

has been done. If the matter is important, it is usually less expensive in the end to consult a lawyer.

Many agreements are not normally in writing. Contracts for the engagement of junior staff and undertakings to buy members' produce are often made orally; purchase are often made over the telephone (though these will generally be confirmed in writing) and instructions for lorries to be overhauled or have whatever repairs may be necessary carried out are left at the garages of private repair firms. Such verbal contracts are none the less 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 a contract on behalf of the co-operative. For some important contracts it may be the board, but for others it will be the manager, while for small matters it may well be a quite junior employee.

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 a 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, for instance, may have contracted to build and equip a ginnery by the beginning of the next cotton season, and fail to do so either because of a quite exceptional flood or because of a strike among its own employees. The ginnery is not completed until nearly the end of the co-operative 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 co-operative itself may fail to meet

some condition on a contract. The board 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 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 part may hold a have different view, and again there may have to be arbitration or court proceedings.

Informal groups and pre-cooperatives are a special case. Where they are permitted to register and this assume a legal identify, their contractual arrangements will not differ substantially from those of any other co-operative registered and incorporated under the law of the land. Where such registration is not provided for in legislation, it will be important to seek professional advice before entering into any contracts so that the individual member may be protected.

3.3 Co-operatives and property laws

All co-operatives 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 cheques, bills of exchange and share certificates. Property laws deal with many matters, not all of which are of concern to co-operatives. From the point of view of a co-operative, 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 the intention to do so been made perfectly clear? A co-operative 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 co-operative buys land, say for the purpose of building its headquarters, from someone who does not have what lawyers call “clear title” to it. In this case

another claimant may come along; or the land may turn out 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 figure, perhaps the president of the society, the board may sometimes feel embarrassed if it has to press for such a statement. A rather different but equally awkward situation will occur 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 co-operative, other problems are likely to arise on the death of a member. The member may have considerable interests in the society-share capital, deposits, unpaid dividends, perhaps credit for produce delivered for which the co-operative has not yet paid. The co-operative will have to whom such interests are to be transferred. If the member has one son or daughter who is carrying on the farm, the decision will probably be simple. If there are no heirs, or if there are several and the land is to be divided between them, it may be more difficult.

Another problem which a co-operative 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 where it is working, for example, or a member livestock entrusted to the co-operative for a few hours before being put up for sale at auction. The problem 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 co-operative may be faced with a heavy loss. Often the legal position is governed by a contract which the co-operative 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 taking out an insurance.

Some forms of property are neither goods nor money nor title to money. Examples of these are trade marks, trade names, patents and designs. A new co-operative must choose a name which cannot easily be confused with that of any other co-operative other co-operative or company. Once the name has been registered, the co-operative will enjoy protection against others who may wish to use a similar name. Co-operative engaged in manufacture often also register a trade mark for their product, in order to make it sound attractive and to make it distinctive and easily remembered by the consumer. The name may have nothing to do with the name of the co-operative but must not bear too close a resemblance to the name of any similar product; it must also be distinctive not something that describes anyone else's product equally well. "Adam's Tea" might pass, but "Mountain Tea" would not. It may not happen very often for a co-operative to want to register a patent or design, but sometimes co-operatives have invented or greatly improved a piece of machinery, and have found it worthwhile protecting their invention from being copied by other manufacturers.

3.4 Liability for injuries

It may be that a co-operative is unfortunate enough to have its premises broken into by burglars, or that it may be obliged to prosecute an employee for misappropriation of money. These are fairly straightforward cases, even if the accusation 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 relations it desires to have, not only with its members but with the various other "publics" that may affect its welfare. Such policies need to define the priorities among groups such as members, the general public from which new members may be drawn, youth groups, and regional and national bodies of government. The level of finance to be devoted to public relations programmes should also be determined. Finally,

what are the aims and what measures-member support, increase in new members, attendance at the annual meeting-will be used to evaluate the success of such programmes.

4.0 CONCLUSION

In conclusion, we confirm that any co-operative engaged in foreign trade will have to comply with import and export regulations, including customs, duties, quotas, restriction on the movement of materials capable of carrying plant and animal disease and currency and exchange controls.

7.1 SUMMARY

This unit discussed the following areas: cooperative and common tax , cooperative contracts, co-operatives and property laws and finally, liabilities for injuries.

6.0 REFERENCES

1. Food and Agriculture Organisation. Agricultural credit training manuals. A pack of 18 Rome. 1980.
2. MATCOM. Rural savings and credit schemes. A trainer's manual with outline and material for a 23-day course. Geneva, ILO. 3rd Impression. 1983.
3. Financial management, A trainer's manual by Malcolm Harper, with outline and
for a ten-day course. Geneva. ILO. 4th impression 1986.

4. Risk Management. A trainer's manual with outline and material for a five-day course. Geneva. ILO, 2nd impression. 1986.

7.0 TUTOR MARKED ASSIGNMENT

1. Discuss cooperative and common tax?
2. Briefly explain cooperative contracts?

UNIT FOURTEEN: RELATIONS WITH MEMBERS AND THE PUBLIC

1.0 INTRODUCTION

In the first years after a co-operative has been formed, membership relations do not as a rule present any particular problem. The co-operative will doubtless want to attract new members, if only to ensure that it will do enough business to keep the staff and premises fully employed. The campaign for support which began before the society was registered will be carried on for some time after it has begun work. It will also be necessary to use that members are doing all or as much as possible of their business with their own society. In the first few months novelty, curiosity and hopes of advantages to come all make for a lively interest in the co-operative. After that, it is largely a matter of showing results good prices, good quality, fair-weights and a surplus at the end of the year. Members will attend the first annual general meeting with eagerness, both to hear what has happened and as a new experience. The first board to be elected may be inexperienced, but it will probably be keen.

The exception to this state of affairs is when, as sometimes happens in developing countries, the prospective members of a co-operative are so inexperienced and conservative that it would never have occurred to them to form a co-operative if a government department had not stepped in and organized them into one. If they are farmers and have nowhere else to go for credit or fertilizers, they may go to the new organization for these purposes, but without much enthusiasm. Many, however, will prefer to continue selling their produce to the merchant they already know. If the principal object of a new society is marketing, it may well be that the most crucial phase in membership relations will come even before the society is registered, when the organizers are trying to build up interest and make sure of

sufficient deliveries to give the society a sound economic basis. Even after the society is in action, it may be necessary to link it very closely with the co-operative which supplies credit and so confers a well understood benefit on the members.

A co-operative as it becomes established, should attract loyalty and support. If it has been able to save members from a situation in which they felt they were being exploited, loyalty and support will probably be assured. If it has been set up by respected individuals in order to carry out some new venture or establish some new industry, pride of achievement may be the prevailing feeling. Loyalty will inevitably be weaker if the co-operative is not showing results. Few people take really long-term views, and many admit failure much too quickly. If the co-operative is to be rescued at this stage, it will probably be by a determined minority who are prepared to give their time, make sacrifices and bring a great deal of personal influence to bear on their fellow members.

2.0 OBJECTIVES:

At the end of this unit students will be able to:

- discuss membership and the mature society
- analyze attendance at the meeting
- Explain classes, visits and exhibitions
- Articulate women and co-operatives
- Use approaching the young
- Effect visits by co-operative representatives

3.0 MAIN CONTENTS:

3.1 Membership and the mature society

The problem of membership relations, with which this chapter deals, belong to a rather later stage in co-operative development, though one which has now been

reached by co-operative in a very large number of countries. A co-operative may have been running for 20 or more years. It is carrying on much the same business from year to year, gradually expanding, no doubt and perhaps setting up new branches or developing new sidelines, but not doing anything to cause wonder or excitement. The membership by this time has probably become too large and too scattered for many of the members to know one another personally much too large, at any rate, for all to take part in an annual general meeting unless it is held out of doors. In fact, the capacity of the meeting hall may never be put to the test, for by this time only a small minority may take the trouble to come at all. The rest are not dissatisfied. They may be very well satisfied, but they feel that their attendance at the meeting will be a waste of time and that the direction of the society is no business of theirs. A small society, which, instead of taking a good deal of local initiative, is content to link itself to a distinct organization in which all the interesting developments are concentrated.

It is importance to remember that by the time this stage is reached many of the original members-those who went through the struggles and enjoyed the triumphs of the pioneer days-will have died or retired. Co-operatives, especially agricultural ones, are not as a rule founded by very young people. The membership of a nature co-operative will consist partly of the sons and daughters of the founders and partly of newcomers who have joined because they like the service or simply because the co-operative is the nearest business of its kind to their homes or farms. They may know little of co-operative principles. They may not even be aware that they are dealing with a co-operative, or that a co-operative belongs to its members and ought to be controlled by them. To the new generation it is often just another local facility, like the post office.

All this, though far from being uncommon, is unsatisfactory from several points of view. The problem of democratic control has already been discussed. Without an

active membership, there is no check on the action of board and management, who may become bureaucratic and inert or perhaps more interested in running or successful business than in meeting the full needs of the members. In such cases, boards tend to become self-perpetuating. The annual general meeting is robbed even of the mild excitement of a contested election. No individuals with a liking for public responsibilities put themselves forward, and the board members become older and older.

The difficulty goes rather deeper, however, because an indifferent membership means the loss of one great advantage which a co-operative should enjoy over private undertakings. It should be able to count not only on the energy and devotion of board, management and staff (which a good private business will also enjoy) but also on the willing and active collaboration of all the members. A co-operative whose members use its service consistently and to the full, invest in its capital, abide by standard of quality in produce delivered and work alone, and contribute new ideas and constructive criticism, will have used this advantage to the maximum.

Finally, if the membership is inert, the social value of co-operation as a training ground for democratic responsibility and business practice, or as a means of achieving a more friendly and mutually helpful spirit among neighbours, or as a catalyst for individual progress in making and evaluating decisions about their own condition, is largely lost. Co-operation may not be the only way to bring about these desirable results, but it exerts a sufficiently strong influence in the right direction for its absence to be felt.

3.2 Attendance at meetings

The unfortunate situation outlined above is not in any way inevitable. In most advanced co-operative movements a great deal of thought and experimentation has

been devoted to membership relations in the mature or second generation co-operative. One obvious point of attack is the annual general meeting. In a large scattered society the difficulty is both physical and psychological. Members may have work to do on their farms; attendance at the meeting may involve a long ride on a bicycle or in the rain; or the bus service may not fit in. Many members when they get to the meeting may find no one they know and feel out of place; although the secretary may explain the balance sheet, they may be afraid that they will not understand the explanation. Some of the ways of overcoming these difficulties have already been discussed in Chapter 2;

- distinct meeting and delegate meetings;
- social and educational activities;
- contested elections;
- a really good and easily understood description of the year's work, with an explanation of the trading account and balance sheet and
- convenient transport arrangement;

The general meeting, however, need not be the only point of contact between the ordinary member and those responsible for running the society. It is becoming usual in large co-operatives to hold informal distinct meetings not in order to take decision, but to give the chairperson, members of the board or senior staff and opportunity to meet the members. This enables the officers to explain what the society is doing, give an account of any new developments, and then invite questions or criticism. The aim is to arouse the interest of members while giving the leaders a chance to know what members really think and want. Meetings may also be arranged which are not primarily concerned with the society's own work. They may be called in conjunction with the celebration of a national holiday or a local festival or other ceremony at which traditional dress is worn. The main

feature may be an educational film or even a concert, but members are brought together and something is added to the prestige of the society.

3.3 Classes, visits and exhibitions

Some co-operatives, especially perhaps consumers' societies, spend considerable sums on the education of members through evening classes, short conference and weekend schools. These may be limited to co-operative subjects or may include elementary economics, citizenship and general cultural subjects. The success of such efforts depends on how eager members are to be educated and what other opportunities are open to them. The system of member education devised in India, and adopted in other Asian countries, falls into three parts, meeting respectively the needs of rank-and-file members, members of committees, and co-operative office-holders. The ordinary members take part in three day schools-the maximum period for which they are likely to be able to leave home; the committee members are given instruction at a rather higher level for a week; and the office-holders, who may be full-time or part-time workers, attend courses lasting six weeks. These are usually conducted by the government co-operative department at a centre accessible to a group of societies, or at the headquarters of a single large society. This work can equally well be carried out by a non-government co-operative union or federation. As all the students are adults who really have some practical experience, the method is to mix formal lectures with discussion group and work syndicates, so leading the students to take an active part in their own training.

Members may be more impressed by what they see than by what they hear in a classroom. These who belong to consumers' societies are familiar enough with their own shops, but societies, whether agricultural or industrial, which have factories or processing plants are received a day or several days on which organized parties of members are received and taken through the works,

accompanied by a guide who can give the necessary explanation. Sometimes members of the board are there to act as hosts, especially to members coming from their own districts. Some societies, in particular national co-operative wholesales or federation arrange exhibitions or take a stand in a general industrial exhibition or a local agricultural, show. Even if the exhibit is a modest one, the stand is a rallying point for the society's members visiting the show and does something to bring its existence to the notice of the general public.

Some co-operative take pains to build up subsidiary members' organizations, such as shop or branch committees, which have no power to control the society but are there to keep a watch on local interests, bring in new members and stimulate the interest of any existing members who may not be using the facilities provided to the full. Such committees may be selected and appointed by the board directors of the society, or they may be elected at a district meeting. There may also be quite separate, self-governing organisations, such as the well-known women's co-operative guilds, the prime object of which is to support co-operation but which may pursue other objects as well, such as education, social welfare, or the relaxation and amusement of their members.

3.4 Women and co-operatives

The question of the place of women in the co-operative movement has often been discussed. It is probable that in countries where women do all or most of the shopping, they will be the main support of the consumers' movement, whether or not they are shareholding members. On the question of women's membership, practice differs. In countries which allow only one member for each household, the male member is often the male breadwinner and women members tend to be widows or spinsters. Elsewhere, husband and wife may both be members, and often the wife is the more interested and active of the two. Most credit societies admit

women members, though in some countries social custom insists that women should form separate societies of their own. Elsewhere, however, women predominate in small credit societies, social workers' and handicraft co-operatives. Workers' productive societies often have both men and women as members, if the industry is one which employs both sexes. In agricultural societies it is usual to have an almost exclusively male membership, except in the comparatively rare case of a widow running a farm for her infant son. Recently, however co-operative boards have begun to realise the value of trying to encourage the participation of women even in such agricultural societies, since in many cultures women do most of the farm work. In countries where farm bookkeeping is usual, it is often the farmer's wife or daughter who keeps the books and renews the orders for feed or fertiliser. She may have more time than the farmer to read papers and advertisements. She may have some part of the farm-perhaps the poultry or the dairy cattle under her own care. A farmer's wife may also take a dislike to co-operation if she is left alone when her husband goes to a general meeting or to visit a co-operative plant. For all of these reasons it is worth having the farmers' wives and daughters on the side of the co-operative. This can be achieved by inviting them to inflections and demonstrations or by getting them to take part in competitions selecting the best bird reared on co-operative feed, for instance or by asking their help in preparing the social meal which will wind up the annual meeting. Women's social committees and women's auxiliary organisations can also be helpful. In some countries women's auxiliaries have conducted testing programmes organised by consumers' co-operative secondary-societies for introducing Co-op label products to the market. They have served as an arm of the public relations department by distributing information pamphlets and product samples in shopping malls and bazaar such programmes, in addition to special

educational campaigns, can do much to assist women towards full and equal membership in any kind of co-operative organisation.

In countries where wives are being recognised in law as equal partners in any family farm, some of these suggestions will, no doubt, be viewed as evidence of a paternalistic attitude on the part of the men who have traditional, dominated co-operative. These women will expect, or should be encouraged to expect, their participation in the co-operative to mean more than simply enlarging the arena in which they perform their domestic chores.

Even though the democratic structure of a co-operative appears to allow for the equal participation of all members, this is not automatically the practice as far as women are concerned. It should be specified in the law that women are entitled to equal membership, and access to services and benefits of co-operative societies. Such provisions could create awareness among women regarding their right to become co-operators.

In terms of running the co-operative on a democratic basis, women need to be integrated in the decision-making process. As women members in mixed co-operatives are generally not elected to the board, legislation specifying that a certain number of seats on the executive board be reserved proportionally for women members would enable women to participate more effectively in co-operative activity, including decision-making.

Certainly, as the laws exist today, provisions openly discriminating against women in favour of men are rather rare. But legal provisions announcing equality between men and women are one thing, and legal practices and facts are another. In agricultural co-operatives only persons owning land may become members. In this case women who do not own land are practically excluded from agricultural co-operative membership. So, even though the law does not explicitly discriminate

against women, it has the same effect. What is needed in the law are specific provisions in favour of women in co-operatives, so that women's unequal situation, which has been prevailing for centuries, can be reversed.

ILO co-operative activities beneficial to women include research work and studies, technical assistance activities, advisory services in the field of co-operative legislation, and the provision of documentation and information. In recent years, the ILO Co-operative Programme has been paying particular attention to the special economic needs of women and to those activities in which they play a dominant role. It has provided support to women's groups which are seeking to establish or operate their own co-operatives, and has studied the needs of the rural and urban poor and of less formally organised "co-operative-type" associations.

A study entitled *Participation des femmes aux sociétés et groupements co-opératifs* (Participation of women in co-operative societies and groups) was prepared in 1983 on the basis of material collected from national co-operatives in over 90 countries. It contains first-hand data on the status of women and on the difficulties encountered by them in co-operative societies and groups. A similar study is under way on the involvement of young women in credit and savings co-operative in selected Asian countries.

In accordance with the ILO Plan of Action on Equality of Opportunity and Treatment of Men and Women in Employment, presently under discussion, future activities in the field of co-operatives will concentrate on:

- creating equality between men and women by establishing new legislative texts and providing adequate advisory services;
- improving women's managerial skills; and

- increasing women's participation in co-operatives with a view to the creation of employment and income-generating activities, better living conditions and better access to credit and banking facilities.

3.5 Approaching the young

Approaches to the young have a slightly different purpose and are concerned particularly with the future. They are aimed at making sure that the present members are replaced by their sons or daughters and that the incumbent board, in particular, gives place to keen and well-informed successors. Some consumer movements and a few agricultural co-operatives run youth movements of their own. In agriculture the more usual method is to approach existing organisations of young farmers and farmers' sons and daughters or students in agricultural schools and colleges. The co-operative arranges for a talk, probably accompanied by a film, illustrating the purpose and achievements of the co-operative movement. In some countries prizes are offered for essays or speeches on co-operation, and the people may take the form of attendance at a national conference or a short tour of co-operative premises in a neighbouring country. The device of a "shadow" board of young farmers has already been described in Chapter 2. In some countries school co-operatives, formed and managed by the pupils, either for purposes of thrift or for the supply of pencils, stationery or other needs, are of considerable importance. Their aim is to develop an interest in and an understanding of the operation of a co-operative while at the same time saving their members money on school supplies.

3.6 Visits by co-operative representatives

The importance of personal visits to members' houses as a means of keeping their interest in the co-operative alive varies from country to country.

Sometimes hoard members take it as a duty to visit a certain number of members every year or perhaps visit persons who are not members but may be persuaded to join. Some co-operatives organise crash personal contact programmes in which every resident in the district is visited within, perhaps, the space of a week. Elsewhere, members receive regular visits from co-operative employees. In some countries certain goods, or domestic consumption, especially bread and milk, are delivered to the member's house, and the driver can do a great deal either to improve or to mar membership relations. Co-operative insurance agents collect MIL' weekly or monthly payments on life insurance policies often do much to keep the co-operative family together, they hear a good deal of spontaneous comment, receive many inquiries, and are thus in a position to understand how co-operation is regarded by the ordinary member. Some of these comments, if intelligently reported, may help to shape future co-operative policy. In some countries where farms are scattered, it is usual for a representative of any co-operative selling farm supplies to call at regular intervals to see what the farmer needs and probably collect payment for what was bought the month before. Much of the co-operative's success may depend on good relations between the representative and the farmer being visited.

4.0 CONCLUSION

In conclusion, there is need for any member of cooperative society to relate effectively with other members and the public as a whole. Thus, this will enhance good performances in areas of: profitability, viability and productivity.

5.0 SUMMARY

In summary, we were able to discuss the following in this unit: membership and the mature society, attendance at the meeting, classes, visits and exhibitions, women and co-operatives, approaching the young, visits by co-operative representatives as a means of achieving relationship with members and the public.

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7.0 TUTOR MARKED ASSIGNMENT

1. How can attendance at the meeting will influence member relationships?
2. Discuss women and cooperatives?.

UNIT FIFTEEN: EDUCATION, TRAINING AND DEVELOPMENT

1.0 INTRODUCTION

Education and training have been considered an essential part of co-operative activities from the time the first society was founded. One of the principles laid down by the International Co-operative Alliance is that co-operatives should make provision for the education of their members, officers, employees and the general public. In many countries setting aside part of the net surplus for education has become a statutory obligation. This money is unfortunately, not always used as productively as it might be. Furthermore, there are times when a co-operative can, and should, spend more than the fixed allotment. But whatever the situation, the education and training programme should be considered with as much seriousness as is any other programme to extend business operations. While the general principle of providing educational programmes may be readily accepted, what is important is how to translate the principle into constructive action. Who is to be trained for what? Who is to do the training? How is the training to be done?' In considering these questions, it is-veil to remember too, that learning need not take place only in the formal classroom; it may equally take place very effectively in situations quite unlike the traditional lecture hall.

2.0 OBJECTIVES:

At the end of this unit students will be able to:

- discuss training programmes and techniques
- organize International training programmes
- use co-operative training materials
- build co-operative development centres
- explain other resources

- conduct evaluation
- articulate training for members
- plan education of directors
- coordinate training for managers
- effect training for supervisors and consultants

2.0 MAIN CONTENTS

3.1 Training programmes and techniques

The need for education and training so thoroughly pervades the entire system but it might be termed global. Certainly no single programme or approach is likely to be the answer in every situation but a few generalisations can be drawn from educational research, and the experience of various institutions. Among universities a noteworthy change has begun to appear in recent years. The lecture method that has been the mainstay in these traditional institutions of learning is in some cases being modified drastically to provide for a degree of integration between instruction and the real world of practical problems the student must face upon graduation. In business management programmes, for example, students alternate terms of theoretical instruction with terms of work experience in actual businesses. Education programmes have for many years included "practice teaching" in the regular school system. Even medical schools are now requiring students to find answers to diagnostic and treatment questions posed by "patients" who are professional actors simulating symptoms fledgling doctors are likely to encounter in their practices. These examples are variations of what is sometimes called the "hands on" approach in education.

The innovators behind these changes may not be aware of it, but they are adopting certain features of a very early form of co-operative education. In Europe (in Denmark particularly) the "folk school" was developed as an effective technique for member education. Such a "school" was not a place but an occasion and a process in which country folk were gathered together by leaders of the co-operative movement. At these schools general information on topics related to the training and homemaking of their everyday lives was combined with discussion about how co-operation as an economic form of organisation could answer some of their very real problems. Folk schools were an innovation in their time because they reached out towards the adult population rather than attending to the young or waiting for learners to come to them. They focused on real problems and aimed at practical solutions rather than merely propounding theory, the courses were all short term and intensive to suit the lives of those who took part, and the teaching method relied on participation to arrive at possible answers. They functioned on the self-help principle and thus embodied the basic idea of the co-operative philosophy which the whole exercise was designed to convey.

The "folk school" concept spread to other countries around the middle of this century and, though the term itself is no longer in wide use the techniques are still in evidence in many co-operative education programmes today. Although the silliest of these schools met wherever and whenever a bit of space could be found their success soon made the acquisition of physical property both desirable and necessary, and so the co-operative colleges now functioning in many countries came into being. Those that grew in this fashion still retain the style of the original, although they have much enlarged programmes of structured courses conducted by full-time staff on a year-round basis. Most are residential but the courses are in the main still short term, intensive and participatory, with a minimum of lecturing.

Where co-operative development in general has been undertaken by governments in a hurry to realise its advantages, the colleges are more likely to operate on the model of traditional universities and employ the method of the mediaeval lecture hall. This method originated at a time when readers were few and books extremely rare. It remains a means of providing a great deal of information in a short period of time. Whether it is the best technique for situations where learning must be translated into action is highly doubtful. The ancient Chinese proverb that says, "I see and I forget: I touch . . . and I remember: I do . . . and I understand", is one that educators might do well to keep in mind. Those who sit through lectures and pass examinations successfully very often return to their workplace and behave just as they did before they went away for training. Some managers return from lengthy training courses at co-operative institutions still unwilling to participate in the larger co-operative system of which their society is a part. Other managers who have been sent abroad for three- or four-year university courses in business management return and allow their societies to drift into deeper and deeper trouble while they wait for an untrained board of directors to make decisions about operational matters that are properly part of their own area of decision-making. In such cases both board and manager exhibit a tragic confusion about the way democratic control and professional management coexist in well-run co-operative societies. When this happens the question arises - what has gone wrong? Was the training programme poorly designed or poorly executed? Is the problem one of substance or method? Where the failed programme was a product of a public university or college, almost certainly the co-operative substance will have been lacking. Where the programme was taken at a co-operative college, that excuse will not be the answer.

During a course for managers of co-operatives in Africa, the instructor began a session by reading from the textbook. One of the students raised a hand to

intervene. "Sir", he said. "We know how to read. What we want to know is what to do and how to do it." That student was expressing a need felt by managers, directors and supervisors at every level and in every area of the globe. Every centre for co-operative education seeks in its own way to respond to that need whether it is a provincial, national, regional or international institution. Each has undoubtedly achieved a degree of success in aiding those who come to it for instruction to serve more effectively in the co-operative workplace. Because various ILO technical co-operation projects have been involved with national co-operative education and training efforts in developing countries in Africa. Asia. Latin America and the Caribbean, this wide experience makes it possible to recommend some approaches over others. A willingness to depart from traditional lecture methods in which students obediently sit in fixed rows to hear words of wisdom from a podium comprises the first step in improving an existing system of training or establishing one that will contribute effectively towards greater efficiency in the management of co-operatives. Full involvement and participation in a self-help learning process seems to produce the kind of behavioural change that can be of use in the practical business world.

3.2 International training programmes

Since the mid-1960s a great number of training programmes have been organised through collaboration between newly independent countries and those industrialised nations in which co-operative training programmes and institutions have a longer history. Most of these have been developed with the same intention not only to tell students what to do but also to help them discover how to do it, not only to propagate theories but also to develop self-reliance.

While it is not possible in this book to take note of all such projects, a few representative examples may be cited.

The ACOPAM (co-operative Support to World Food Programme Assisted Development Activities) project in the Sahel region of Africa is one in which food aid and co-operative development have been effectively combined. Training of field staff and co-operative leaders, one aspect of this wide-ranging project, merits mention here for its method of direct collaboration with the local population in each of the six countries of its operations (Burkina Faso, Cape Verde, Mali, Mauritania, Niger, Senegal) and its "learning by doing" practical approach at the local level. The training has been directed towards improving food aid efficiency, encouraging food self-sufficiency, and promoting and strengthening village co-operatives and self-managed groups amongst poor communities.

Another project (in the People's Democratic Republic of Yemen) has trained co-operative leaders and members, as well as farm-machine operators and the extension officers of government departments, with the aim of increasing agricultural production and improving farm incomes and standards of living of the rural population. Specifically, it has sought to overcome the managerial and other constraints of the co-operative sector. The International Fund for Agricultural Development (IFAD) has provided agricultural components in the form of equipment and seeds, while the ILO has collaborated with the Government in streamlining existing institutions to provide an improved extension service to farmers, better management of co-operatives and a more efficient utilisation of agricultural inputs.

In Asia a project financed under ILO Norway multi-bilateral arrangements has organised workshops, meetings and surveys on the topic of co-operative training.

High-level policy-makers representing governments and co-operative type apex organisations in ten Asian countries who attended its first symposium agreed upon various recommendations for the improvement of national co-operative movements with special emphasis on training policies. A major recommendation suggested that each participating country should conduct a manpower survey and projection for its co-operative sector to ascertain training need and to form the basis of realistic planning for co-operative training. Another recommendation suggested that the governments concerned should adopt a time bound programme for the transfer of functions related to training from government institutions to the co-operative movement. Subsequent follow-up assistance to national authorities resulted in detailed redefinitions of training objectives, revisions of training curricula, identification of improved training methods and materials, and the elaboration of programmes for the training and upgrading of trainers in national training systems. The establishment of co-operative training policies and standards, the primary objectives of the project has had a considerable effect in the countries involved.

3.3 Co-operative training materials

The development of co-operative training materials has undertaken as part of many internationally assisted project and by national training institutions of most countries. One ILO project MATCOM (Material and Techniques for Co-operative Management Development), is devoted exclusively to improving both substance and method in co-operative training. It aims to serve the world co-operative movement by designing, adapting and producing training materials for co-operative management and by teaching trainers to use the material effectively. In the overall design of the MATCOM project, elements of co-operative education and training are developed as individual

modules, each one treating a specific skill or technique as a whole in itself which, when combined with other elements, builds towards a comprehensive programme of training for managers. (A list of MATCOM "learning elements" is included in the Bibliography.)

The essence of the MATCOM approach is to combine theory with practice. The approach is job-oriented and aimed at supporting training courses for middle and low-level co-operative managers and boards of directors. The "learning elements" are produced in collaboration with training centres at various levels, local trainers and the staff of co-operative societies. Training trainers of co-operative centres and institutes in the effective use of the materials is undertaken so that these trainers may, in their turn, teach trainees drawn from lower and middle management levels of agricultural, consumer and industrial co-operatives. The training material includes lesson plans based on clearly stated objectives with exercises and discussion topics that build toward these objectives. Finally, evaluation procedures measure to what degree the objectives have been accomplished. Trainers learn to support the educational material with modern teaching aids and to arrange their classrooms for group workshop sessions to produce a favourable climate for learning by discovery. All components in the teaching learning process are integrated in accordance with what educational research has shown to be the most effective pedagogical methods.

Perhaps the most significant feature of the MATCOM material is its adaptability. Because it is based on fundamentals and is expressed in simple language, it can readily be translated and adapted for use anywhere in the world. This permits an economy of scale both in immediate production cost and in the effort required of those who conduct co-operative training courses. "Learning elements" for teaching many of the skills referred to in this book have already been developed and more material is constantly being produced to fill in the gaps so that

complete programmes may ultimately be built entirely from MATCOM materials. MATCOM is not designed to educate the beneficiaries of its materials' directly, but works through national co-operative colleges and international learning institutes such as the ILO's International Centre for Advanced Technical and Vocational training in Turin. It collaborates closely with other international organisations and agencies, such as the international co-operative Alliance (ICA), the Danish International Development Agency (DANIDA), the Food and Agriculture Organisation of the United Nations (FAO), the World Bank and the European Economic Community (EEC), with various Nordic projects and with others. Gradually more and more advisers, organisations and government departments are discovering how useful and effective such materials are as tools in the education and training of directors and managerial staff at various levels.

3.4 Co-operative development centres

Other ILO projects reach beneficiaries more directly. Since 1966 the ILO has assisted, with financial aid from the United Nations Development Programme (UNDP), in setting up "co-operative enterprise development centres" in which training, research, advisory services and plans for co-operative development are co-ordinated. The first of these were established in Cameroon, Cote d'Ivoire and Tunisia. Since then others have been established in several other countries-all with the purpose of securing the best possible results through comprehensive action in every sector of the national co-operative movement. The aims of these centres are integrated with those of the national plans of the countries in which they operate and they are usually supervised by a co-ordinating advisory board appointed by the government. They combine the promotional and supervisory functions usually exercised by a government department or official institute with the technical

guidance and training functions carried out in various industrialised countries by specialised bodies established by co-operative organisations. They provide the primary co-operatives and their unions or federations with the basic services and facilities that experience has shown to be essential to the development to co-operative institutions. The provision of co-operative education and training to those who are involved at various levels with the development process has been found to be one of the most important activities of these centres, since some notable failures in the past can be attributed to the omission of such preparation. Training people to deal with the increasingly complex problems of direction and management is also a major component of their educational activities.

As in most co-operative projects, training activities are job-oriented and aim to produce economic results. Most courses are short and designed for small groups of participants. Initially, the centres have relied on the assistance of ILO experts and experts from other United Nations agencies. The intention in every case is that this assistance will become redundant when education and training have created an indigenous staff of researchers, consultants and trainers capable of operating the centres when external aid is withdrawn.

Much of the development that has taken place under the auspices of the centres has been in the agricultural sector in each country since it usually represents the largest number of disadvantaged, low-income families in the population. Elementary instruction in improved farming methods is given in addition to co-operative education. In some areas pre-cooperatives or para-cooperatives and other informal groups based on traditional or tribal customs, as well as conventional co-operatives, have been developed to provide access to credit, basic agricultural requirement, supplies and marketing facilities. Frequently this has meant taking education to potential members who are because of their state of deprivation, too ill-informed to seek it. It has also meant adapting and simplifying training

programmes and techniques by such means is audio-visual aids and demonstrations. Special attention has been given to the education and training of women because they are particularly vulnerable in almost every society. Some success has been achieved among women's group in promoting co-operative and co-operative-type organization for income-producing activities such as beekeeping, honey-making, weaving, mat-making and other crafts. In urban areas consumer co-operatives have been developed to extend the benefits of the movement to a whole cross-section of the community, including workers and their families.

What has been demonstrated in every national project is that establishing a viable system of co-operatives capable of maintaining and monitoring its own activities and fostering its further growth takes much longer than governments often allow for in their development plans. Reasons for this are not hard to find. Since co-operatives are self-help organisations formed to improve the condition of the part of any population in greatest need, vast numbers of persons with little or no education or business experience must learn a host of new skills before the system can grow spontaneously. Organising a programme takes time, in itself: putting it into effect takes even more.

3.5 Other resources

The basic training of staff in primary societies can and should be undertaken on the job by the manager or department manager as part of their managerial duties. The manager's own training, however, requires outside resources. Where are these to be found? Not every country has had the benefit of international guidance and funding for the establishment of "co-operative enterprise development centres" such as the ones that have been described. Many countries have established national and regional training centres where their own citizens can be trained in managerial skills. Such institutions may be products of governmental funding or they may

have been instituted by secondary, central or apex co-operative societies, frequently providing educational training for foreign nationals of neighbouring countries as well as their own citizens. The International Co-operative Alliance offers correspondence courses and publishes other educational material through the Co-operative Education Material Advisors. Services (CEMAS). and operates a number of training centres as well.

In places where the indigenous training does not go beyond a very basic level of instruction, fellowships for study abroad have been made available, partly through government aid, sometimes with international assistance as well. In some instances however, when trainees have been sent abroad for extended periods of study they find employment outside the co-operative movement when they return. Co-operatives which consider giving their employees long periods of leave for study sometimes assure themselves of some return benefits in the form of a bond or written undertaking for a fixed period of service after the leave is over. Unfortunately, some fellow ship candidates have been government appointees who have no personal commitment to becoming part of an autonomous co-operative movement when their training is over. Such experiences point to the hazards involved in selecting candidates for such an expensive form of training and reinforce the argument in favour of strengthening the indigenous co-operative training resources. They also raise other issues that demand serious thought Training is an investment and every means should be taken to assure a return on that investment.

3.6 Evaluation

A feature of education and training that seems to have been neglected is the evaluation of results:

- How much better do managers perform when they have attended training courses? If they have made no progress, are they and should they be eligible for further investment of time, money and effort'?
- How well do directors fulfil their function after attending a programme of director education?
- Are directors making long-term plans for their co-operative? Has a programme for member education been set in motion? Do they conduct meetings according to an agenda and require regular reports from their manager? Are they controlling the co-operative by means of policies and clear objectives? If the training has made no difference in their behaviour why has it not been effective'?
- When government or secondary-level supervisors have been sent for advanced co-operative education, are the co-operatives under their supervision after they return operating better and moving towards the full autonomy that warrants their label as co-operatives? If not, has the training merely been self-indulgence at the expense of the disadvantaged of the population these trainees are supposed to serve?

To make co-operatives fully competitive in the market-place, programmes of education need to incorporate the latest research in business techniques. They also need to use the latest techniques in business education. How do the various materials and programmes now in existence reflect what is known about how adults learn? How well do they reflect, both in substance and in method, what is known about human communication and the fostering of human relations? Who will do the evaluation that seeks answers to hard questions such as these? What measure are the directors and managers of educational institutions and learning centres using to judge their performance'¹ Just as the management of co-operative businesses requires a system of control, so any education and

training programmes deserve careful and continuing scrutiny if they are to produce the kind of development worthy of their financial support.

3.7 Training for members

Because of the democratic nature of co-operatives, they thrive only when their members are committed to furthering their welfare. During the process of founding a society, a nucleus of persons who are informed about what co-operatives are and how they differ from other kinds of business usually persuades others through various means to join in the enterprise. At the point when the certificate of registration is first obtained, the level of membership education may be higher than it will ever be again, unless steps are taken to counteract that most human frailty-the tendency to forget.

But failing to remember is not the only reason that information about the nature and function of the co-operative must be continually reinforced. Only in rare cases is the membership of a society static. New members and should be constantly added and they need to understand the organisation and their role in it. Members of long standing also need to be informed about the progress of [heir society if they are to remain enthusiastic supporters who are willing to commit equity funding for further development. Each member should know, how to exercise the function of control that goes with being a member and how to relate-to other persons or positions in the organisational structure. Awareness, too of how the immediate society should interact with other co-operatives will enhance the vigour with which the society can fulfill its obligation to meet the needs of its members.

A table illustrating how co-operatives differ from investor-owned enterprises, a diagram illustrating the structure of co-operatives to clarify the system of communication and control, and a "job description" for the co-operative member

are given in .Appendices 1-3. Unless members fully understand these fundamentals, they cannot validly exercise the controlling function provided for in the by-laws. A few individuals may learn these things by themselves, but to have a well-informed general membership, a programme of training will be needed. On the basis of ILO experience in many countries of the world, it can be said that, without a "grass roots" education programme for members and for those who will be delegated by the membership to direct its affairs, the chances to failure are high. One example is that of Cameroon, where several co-operatives were rushed into existence without such preparation. None succeeded. Co-operative department officers recognising the underlying reason for these failures, developed a programme (assisted by an ILO technical co-operation project) which reached out to the potential members and leaders in a number of ways. A well-developed system of successfully functioning co-operatives was the gratifying result of this second programme.

3.8 Education of directors

The education of directors was introduced in the discussion of their duties in Chapter 2 and those duties are summarised in the "too description ' in Appendix 4, It goes without saying that this is the minimum that individual directors need to learn. One concept set forth in the summary but not included in the earlier discussion is that of joint action. When elected to the board, a director participates in the responsibility for making decisions along with fellow board members. Between meetings, a director's field of action is not much greater than that of any other member. As a director, he or she participates in the election of the president (or chairperson), other officers and committees. The president acts as the society's chief elected officer for as long as he or she holds office. The president is delegated to exercise the authority of the

board between meetings of that body and the manager reports to the president during the interval between board meetings. Thus the duties of the president are an addition to and are to some degree distinct from, those of other directors on the board. Because the board must function as an entity, all directors should appreciate this distinction.

To carry out the special functions of the position well, a president needs special training (see Appendix 5). He or she must know what management is, and how it differs from directing, and must be able to detect when the manager is not performing in order to advise the directors accordingly. The president must know how to conduct a meeting so that all items of essential business are taken care of efficiently and all members are given the opportunity to exercise their democratic rights. He or she must also learn the techniques by which especially talkative persons can be prevented from robbing less verbal members of the chance to express themselves, and must learn how effective relationships with other co-operatives can be established. Because the president has the power to initiate actions of the board, this role is especially significant for the control of the whole society. The notion of accountability - not only on the part of the president but also on the part of the whole board and on the part of the manager through whom board directives are carried out - is therefore, an essential part of the course in leadership which every president should take.

How the board of directors interacts with the manager has become one of the most critical areas in the running of co-operative societies. This issue affects private enterprises just as much as co-operatives. Management theorists have adopted particular vocabulary to help them clarify the boundaries between directors' and manager's responsibilities. The first of these basic terms, "aims and objectives" describes, describes the broadest scope of the society's intentions. They are often so broad ("to meet the members' needs...." for example) that they can

never be completely fulfilled. The next term, "goals", is limited to aims and objectives attainable over a long period of time, such as five to seven years; "programmes" take the society towards its long-range goals; "plans" are the short-term steps in longer programmes; and "policies" provide the framework within which goals are set. programmes designed, plans carried out and ultimately, objectives achieved. A diagram in Appendix 1) attempts to express the progressive stages of action, decision and control that the terms signify. Viewed alongside the illustration for the structure of a co-operative (Appendix 2), the diagram indicates how structural positions function in the process in running the society. The members determine the objectives; the directors in conjunction with the manager set the policies that form the framework of the operation, the manager in collaboration with the board of directors defines goals and formulates and plans for approval by the board of directors. This is what needs to be taught in a policy-making course for directors and managers.

The words are easy to learn; acting according to the word is far from easy. The table of contrasting decisions in Appendix 12 contains examples that differentiate between decisions that are the prerogative of the board and those that should be taken by the manager. Such a theoretical explanation might form an introduction to a training session on the topic, but the theory must be turned into practice. Participatory sessions, such as workshops in which those present are asked to formulate policies on questions arising out of their own experience and then to set out programmes and plans that might be developed from the policies, are much more useful than merely reading or hearing words. The test of the success of such training is whether it results in a professional working relationship. The board of directors needs to provide the society with a professional manager. They will never have a professional if they do not demand that their appointee act in a professionally responsible way.

The concept of self-evaluation is also a worth-while feature of an educational programme for directors. It can be incorporated in a course on any particular topic. Like the performance review of the manager, a self-evaluation session for the board of directors needs a place in the regular schedule of a co-operative's affairs. Where the duties of a director are set forth in a clear "job description" and the plans, programmes, goals and policies have been clearly formulated, the board is prepared for self-evaluation of their progress towards achieving the society's larger objectives. In many co-operatives the co-operative consultant is invited to participate in these evaluation sessions.

3.9 Training for managers

The manager of a co-operative must be trained to co-operate with all the interlocking parts that comprise the whole structure. The qualities of the ideal manager were discussed in Chapter 3. A management trainee should already have demonstrated a considerable amount of native ability before being considered for training as a general manager. Basic educational qualifications, which will vary from country to country, are one indication of possible success in the profession. Advanced education in business management or equivalent practical experience should improve a candidate's chances considerably - provided such a person does not think he or she already knows all there is to know. Studies tell us that the managers in many smaller co-operatives begin, however, at the opposite extreme, with minimal qualifications. What is worse they get little further training, are poorly paid and poorly motivated because they have few opportunities for career advancement, and have but a slender understanding of the co-operative principles that their activity is supposed to exemplify. They are frequently confused about how their role is distinct from that of other participants in the co-operative.

Co-operatives require professional management in order to grow, and professionalism demands a foundation of competence in management techniques. When a manager demonstrates weakness in some of the basic skills (e.g. drawing up a budget or taking an inventory) the deficiency can be overcome by means of the appropriate formal course in the subject. But if the manager has few weaknesses there is no need for an extended management course covering all aspect of the job. As for the broader problems of relationships within the co-operative structure, the difficulties are not the manager's alone and any programme to improve qualifications of this kind demands specialised training which is not part of traditional business management courses. Private business does not operate by democratic control. The directors of corporations are usually appointed because of their considerable business experience. The manager of a co-operative, on the other hand, must accept direction from a board elected from members who have only a lay knowledge of commerce, industry and finance. The manager is responsible to the board and subject to its control, but must nevertheless frequently advise the board on what course of action is most likely to prove beneficial to the co-operative. The study of this complex interaction is fundamental to any other kind of education and training for both directors and managers. A short course on the subject will be needed periodically in every society, if it is to develop fully and maintain a professional standard of co-operative management.

How the manager and board interact in making decisions is illustrated in the table of contrasting decisions (see Appendix 12). This shows, in part, that the manager must accept responsibility for operational success and the board must conduct itself so that the directors can hold the manager accountable for the performance of the business. Unless the areas in which board and manager make decisions are clearly defined, accountability is lost in the confusion and this is almost always detrimental to the welfare of the society. The clear definition of the role of

management, then, is an important component of a manager's education and training.

Managers also need to learn continually to question their own professional. One indicator of that self-assessment is the annual performance review. While the responsibility for conducting such a review is one of the duties of the board of directors (see Appendix 12), a full) competent manager will make sure that it happens. Conducting a review and receiving the results will be more productive of improved performance if both parties to it have had some training in the skills it involves. This does not require an extensive course: a one-day session in the first instance, with refresher courses when board or management changes occur, can satisfy this important need.

In addition to the performance review a manager should frequently assess various indicators of his or her own competence, such as the regularly and promptness of reports to the board, whether he or she has allowed the board to rule on staff members' discipline problems rather than dealing with them personally according to policy, whether the accounts are in such a condition that an audit can be completed quickly enough to be of use. The bottom line in the financial statement is not the only measure of competence. Long before it turns to red there will usually have been signs of managerial weakness. The manager will retain professional status if he or she can recognize these warning signs before others do. The recognition of these key indicators should form part of management training

Unfortunately, too many managers consider that attendance at further management training courses to repair any areas of weakness revealed by self-assessment or performance review reflects adversely on their competence, outweighing the advantages to be gained. This in itself is evidence of professional

shortcomings few techniques are constantly being developed and are being developed by the best among managers. Fully professional managers are up to date on the latest developments in their field and are indeed, among those who innovate to meet the changing times. Management courses should aim to convey this idea more forcefully. To keep up with new trends the manager may have to attend trade conferences or seminars on new approaches, subscribe to journals related to the society's type of business, or undertake training on the management of change, or some other technique.

3.10 Training supervisors and consultants

The consultant or supervisor must have a sound background of managerial training and experience in order to advise others on improving performance. Where supervision is carried out by government departments, supervisor? Frequently lack experience in managing co-operatives or do not understand the difference between co-operatives and other agencies for social improvement administered by the government. Quite often, when a co-operative is forced to accept government appointees as the majority of the directors on its board, government supervisors demonstrate an inability to perceive any violation of the nature of co-operatives. That such an action, which disregards the definition of a co-operative as set forth in the ILO's Recommendation concerning the role of co-operatives in the economic and social development of developing countries. 1966 (No. 127) should ever be of small concern to representatives of a government department established to assist co-operatives points to a significant gap in their co-operative education. How such a lack of basic understanding can be remedied is rather difficult to say because any education in the subject will have to be undertaken on the initiative of the government department at the highest level.

As for co-operative consultants who grow from within the movement, their chief need, in addition to their command of management techniques, is for further development of their skill in communication and human relations. Their authority among those whom they would advise is an earned authority, resting largely upon their past record of performance. It still requires knowledge of the techniques of persuasion to bring about and change in the behaviour of the directors and managers under their consultancy. These techniques can be learned and should, therefore be part of the education and training of supervisors and consultants.

Because one of the consultant's duties is to recommend training for officers and managers of co-operatives within the area, an acquaintance with the resources for education and training must be acquired. Like the professional manager, a consultant's learning never finishes; constant updating and upgrading should be looked upon as an essential part of the work schedule. Conferences seminars and workshops, in addition to formal courses, are likely to be appropriate for further professional development. Any assessment of a consultant's performance development will be based on questions about the operational efficiency of the co-operative being supervised. How well are the managers in the area participating in programmes put forward by the secondary and federated co-operative organisations in the region? How successful has the consultant in introducing training programmes for improved performance where needed? Is his or her advice and guidance being accepted and acted upon in the field? If not, why not? Obviously, it is the responsibility of the consultant's immediate superior to conduct a thorough review regularly and to decide whether, any shortcoming can be remedied.

4.0 CONCLUSION

Regardless of how much has already been achieved in providing the -: education and training on which development depends, the need to educate and to train is not likely to decrease within the foreseeable future. As population continues to expand, and interest in co-operative enterprise grows in response to its increasing success, facilities for furthering the professional growth essential for the economically beneficial operation of co-operatives must also be expanded. What is most to be hoped for is that this development will be directed toward greater autonomy as well as greater efficiency.

The co-operative movement has always appealed to persons with a sense of social responsibility, but even in its initial stages its success will depend on the ability to attract that type of mind and personality which is characterized by technical skill and managerial judgement. This becomes even more necessary as the movement gains in strength and complexity and the satisfaction of contributing to a worthwhile social objective is reinforced by that of participating in the conduct of an enterprise which is a leader in its own field.

5.0 SUMMARY

This unit focused on the following areas: training programmes and techniques, International training programmes, co-operative training material, co-operative development centres, other resources, evaluation, training for members, education of directors, training for managers, and finally training for supervisors and consultants.

6.0 REFERENCE

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7.0 TUTOR MARKED ASSIGNMENT

1. What do you understand by training programmes and techniques in consumer cooperatives?
2. Discuss international training programmes as related to consumer cooperative?,