

COOPERATIVES



By late last year over 60 percent of the members of Multi Purpose Co-operatives had lost considerable interest in the running of their societies. The main reason attributed to this tendency was the disregard displayed by officials towards the views of members of these societies. This was established in a recent People's Bank research study as one of the main causes for the inefficiency of the co-operatives serving consumers. In a selected sample of 1,187 members as many as 705 maintained that the views expressed by them regarding the affairs of their societies were disregarded by officials. Still others maintained that both the directors and committees of societies do not listen to the views of members or do not afford them an opportunity of making any representations. More than one third of the mem-

bers of the Multi Purpose Co-operatives were also of the view that there was a lack of interest on the part of members to prevent abuse and frauds, while about 25 per cent complained of the inadequacy of co-operation from members. That such a situation prevailed was no surprise, particularly as members had little or no say in the affairs of their own societies. That there should be a breakdown was inevitable for no co-operative could possibly maintain the efficiency of its society if its members were unenthusiastic about its affairs. The bureaucratic element which ultimately pervaded the entire co-operative movement in Sri Lanka was perhaps a foremost factor that led to the deterioration of the co-operative spirit in Sri Lanka's Co-operative Movement. Large sections of

members also blamed external influences and interference, probably by politicians, as a cause for the loss of efficiency in the Co-operative Societies.

Further, Sri Lanka's case has turned out, to be an outstanding example of how so-called "co-operative principles", despite their loftiness, have often proved an obstacle to the effective growth and working of the Co-operative Organisation. It has been proved that in social conditions such as those prevailing in developing economies like ours attempts at introducing Co-operatives based on formal adherence to classical principles result more frequently than not in further strengthening the status and power of traditional leaders and established power groupings. In certain cases it has also contributed to the weakening of traditional solidarity and to an increased feeling of insecurity among the weaker sections of the community.

The formal principles which distinguish co-operative enterprises from private capitalism or a state capitalism are the voluntary and duals, democratic management, payment of modest returns on capital and the distribution of profits in proportion to member's contribution of labour and patronage. The co-operative system also differs from the other two systems in that it strives to uphold neutrality at the political and other social levels and to educate its members. But though these principles invest the system with distinct idealism, they have in many instances served as a brake on its progress, particularly in the developing world. A major reason is that the developing rural areas are dependent rural appendages of dependent economies with the result that combined with traditional feudal structures it is often impossible to organise co-operatives on a voluntary as well as democratic basis. The voluntary membership of the co-operatives has in such cases hindered rather than facilitated the preservation of its co-operative character. Open membership enables the societies to widen the social basis of their economic operations, but this has often proved a weakness since it provided an opening for vested interests.

Numerous examples of co-operatives in the developing world have shown that generally the societies were governed by an elected mana-

gement committee, but here the struggle for ascendancy to preserve sectoral class interests had become a major obsession among the more active elements in the membership. Such elements tended to interfere in the day to day working of the enterprise, to the detriment of the wider membership.

In the case of the movement in Sri Lanka this was a major factor accounting for the loss of efficiency of the co-operatives. More important, however, has been some of the negative aspects of government's involvement in the local Movement when gradually, particularly in recent years, politicians began to use the movement for dispensing patronage and soon were in almost absolute control of most of the activities of societies. The result was that non parochial political initiative and leadership has been pushed further and further into the background. Consequently a greater degree of indifference and lethargy has built up on the part of those co-operators who had no political interests. The end result was that the voluntary and participatory aspects were stifled and the very spirit of co-operation itself was diminished. Yet, an overwhelming majority of members, especially in the rural areas have endorsed the co-operative movement very positively. In order to find out why and to have a better perspective of what the co-operative spirit really meant and to gain a better insight into the principles and character of the movement itself it is necessary to trace very briefly the origins of the movement and its development over the last 60 years in this country.

BEGINNINGS OF THE MOVEMENT

Co-operation in the wider meaning of the word has been practised by man from his very earliest days. Even in times of the early tribal societies the hunters of the tribe realised that they had a better chance of cornering their prey if they co-operated as a group. Co-operation within the group grew more closely knit with the nomadic herdsmen and the early farming communities that followed. For instance, the agricultural life of our country and nearly all its social and religious functions were dependent on co-operative action by the community as they still are today.

In paddy cultivation the "Aththam" system where each man or family helps their neighbours in the various operations such as ploughing and harvesting and threshing has been practised from time immemorial. Even in the rotation systems of cultivation such as Thattumaru and Kattimaru one sees the co-operative spirit at work. Water management in the tank-based villages demanded a high degree of co-operative activity within the community using water from the same tank. But one should note that this co-operation in ancient Sri Lanka was not on the basis of equality but within an unequal stratified feudal one.

Religious and cultural activities among villagers such as Pinkamas, Ball, Thovil and Gam-Madu or pilgrimages to Sri Pada are all instances of informal and spontaneous co-operation which has always characterised village life in Sri Lanka.

Even in the sphere of traditional village sports such as Ankele and Porakelle and social occasions such as weddings and funerals the various activities were performed on a co-operative basis. The expectation of reciprocal help motivated each member of the group to contribute his labour voluntarily and freely.

A remarkable feature of some of these co-operative activities is that the leadership was determined by the expertise or know-how required for the respective activities. Although permanent social relationships were based on feudal and caste considerations on some of the occasions referred to here the "professional expert" assumed functional leadership and the authority necessary for specific tasks.

Before the changes introduced with the advent of the western colonial powers many of the economic and social institutions in the country were based on self help and self reliance. The Portuguese, Dutch and finally British rule in the island resulted in the transformation from a self contained economy to a cash economy which also introduced new values into a traditional society. The period of foreign domination therefore witnessed a steady deterioration of the institutions and forces that supported the rural economy.

It was in this socio-economic environment that the Co-operative Society Movement was introduced

to (one could even say imposed on) Sri Lanka by the British at the beginning of the twentieth century. No serious consideration was given at this stage to the development of local institutions which had long traditions based on self help and self reliance and were very much in accord with the true co-operative spirit. The Co-operative Society based on the German model (which had grown up in a socio-political, cultural and economic milieu different from Sri Lanka's) was introduced by the British rulers in the hope of alleviating the difficulties of the rural farmers.

The word "Co-operative", as stated earlier, literally means working together, but as applied to the Co-operative Society its sense is far more restricted and relates to a group having certain fundamental objects and adhering to certain principles in achieving these objectives. The objectives, principles and ideals of Co-operative Organisations, in the restricted sense, have varied with time and place; but in examining the beginnings of the organised Co-operative Movement there emerges a pattern in the models that were transformed and adopted in various parts of the world. The Co-operative Movement, as it is known, had its origins in the early 19th century during a period of great changes in the social and economic order and at times when the atmosphere was charged with revolutionary sentiment. Because of its inherent attractiveness and increasing practical orientation, the doctrine of Co-operation became a focal point of social movements in the 19th century. For instance the working class of early 19th century Britain saw in 'Co-operation' an effective means to secure salvation from the oppressive conditions they were subjected to by the industrial revolution. The idea of co-operation implanted and nursed by social reformers such as Robert Owen and also the Rochdale pioneers gave a considerable impetus to the growth of mutual societies which were basically thrift and welfare societies intended to meet the needs of their members.

"The work of the Rochdale Pioneers led to the building of a complete system of consumer co-operatives in Britain and gave the modern cooperative movement its characteristic form."

The Rochdale Society of Equitable Pioneers is generally regarded as the first successful attempt at organised co-operation. In 1844, in an industrial town of Rochdale north of England 28 men founded a "Society..... to form arrangements for pecuniary benefit, and the improvement of the social and domestic condition of its members". Most of these "Rochdale Pioneers" were flannel weavers — members of an occupation being displaced by the new power-driven looms. These origins are representative of those of the whole movement, they were a response to the new problems and conditions presented by the industrial and agricultural revolutions to the people of Europe in the 19th century. What was distinctive about this particular response was that in these co-operative associations control was to be by the people and not by capital. The basis for decision making and the distribution of the enterprises net income was to be simple involvement in it — membership and use — and not the ownership of capital. One reason for the success of the Rochdale Society was therefore attributed to its adherence to a unique set of rules and practices, some of which, more than 90 years later came to be known as the Rochdale Principles.

The Movement also spread to continental Europe where in Germany, for instance, it made its mark in the field of co-operative credit. In the 1840s in Westphalia in Germany F. W. Raiffaisen laid the foundation for the Co-operative Credit Society. In 1848 he collected a small amount of money and established a Co-operative Bakery. This bakery enabled the village folk to buy their bread at half the current price. The next step was the formation of a Co-operative Cattle Purchasing shop. In 1849 he went a step further collecting a small fund of £300 and set up his first village bank and invited the peasantry to subscribe to its rules on the promise of supplying them money for their needs. The progress of this system of banking was slow at the start but within a period of 40 years it had spread with such astonishing rapidity that there were 885 such banks by 1891. The Raiffaisen Co-operative Credit Movement proved that they could do more by assistance to cultivators through self help than could the State with the backing of all its funds and machinery.

The Raiffaisen Movement certainly helped the farmers of Germany; so did the Rochdale Pioneers movement for co-operators in England, but it has taken many decades to realise that the same such system has not helped the farmers and co-operators of Sri Lanka whose problems are of a more fundamental nature, emanating from the era of colonial domination when traditional systems and practices were completely swept aside.

From Europe the message of "Co-operation" was carried across to the colonies in America and Asia, though the original ideological impulse had much diminished. In its early form, however, the Movement recorded steady progress in England, France, Germany and some of the Scandinavian countries and proliferated into many fields of activity — especially retail and wholesale trade, and in agricultural marketing, processing and input supply. This progress was stalled, however, in the early part of the 20th century, first with the military rivalries leading to the World War I and then the economic depression that spread in its aftermath.

In the meantime the Movement which was introduced into Asia was gaining in force in several of these countries, particularly in the fields of agricultural and credit co-operation. By the end of 1938 the primary co-operatives in the Asian member countries of the International Co-operative Alliance (ICA) numbered 187,365 of which a major part were in India. Conditions in these countries were such that the state began to entrust some of the responsibilities, particularly in the spheres of credit and distribution of consumer commodities, to the Co-operative Societies in order to meet the needs of small producers and consumers. Progress of the movement was held up in most countries with the outbreak of the World War II, though during the war some Asian countries, such as Sri Lanka, found in the Co-operative Movement an ideal vehicle to prevent a break down in consumer supplies. The movement gained momentum in the post war period, with the emergence of several independent nations who sought to realise their newly won freedom by encouraging co-operation as a means of developing their social and economic potential; and increasing equity and popular participation, especially of the rural poor. By

The Co-operatives poor harvest

WHY FOREIGN MODELS HELD SO MUCH PROMISE

There was a general notion that co-operatives had an important role to play in social and economic development; in particular as a means for increasing equity and popular participation, especially of the rural poor. Raymond Apthorpe answers the question here why the co-operative models developed in Europe held so much promise for the Third World.

Firstly, there were some very important underlying notions. Policy makers, often with little or no firsthand experience of co-operatives, typically presumed that cooperatives in the West had been "a success", without qualification. The earnest idealistic connotation of cooperatives and their general aura of welfare was, for many people, a sufficient recommendation. In some undefined sense their middle and upper class promoters simply felt that cooperatives were "good", and were for "the poor" in particular. The actual experience in the West had not been carefully studied. It had indeed been hardly considered.

Secondly, cooperatives were thought of as particularly appropriate development tools. They would mobilize local energies leaving the State to concentrate on supplying overall direction. Further it was held that economic growth in under-developed countries faced important social and cultural obstacles. Find a solvent for these and economic development would follow. Cooperatives were to be vehicles for education and experience for peasants thought to be deficient, in economic motivation and acumen. And the promotion of co-operatives by the State was to bring equality and mutual aid into otherwise unequal and hierarchical societies.

Finally, cooperatives had a great ideological attraction as a form into which the aspirations of new nations could flow that was neither capitalist nor communist but a source of national identity. They were the hoped-for roads to "socialism" in Africa and Asia, where, in addition, it was often held that cooperation was somehow natural to pre-colonial society.

The actual record of cooperatives in developing countries had,

after the very high expectations, been a matter of much disappointment — to many members of the societies, to governmental and non-governmental promoters and to aid donors. There have been many recent expressions of this, including inquiries carried out at highest governmental level.

Generalization is difficult over many countries, each with its own history, and over many types of cooperatives, from production to marketing, agriculture to industry. To overgeneralize would be to make the same mistake as those who hastily lighted on a single and simple cure for all ills. There are many successful cooperatives. But at the same time there is a common pattern of overall poor performance, as assessed by reference to the cooperatives' own proclaimed goals.

Cooperatives' performance in, for instance, furthering agricultural innovation and productivity, is hard to measure against that of alternative types of organisation. They have certainly produced some benefits for members but often only at high cost. Agricultural marketing cooperatives are too frequently inefficient, and rural credit cooperatives have a sad record of low and late payments. If privileges, monopolies or subsidies granted to cooperatives by governments were to be withdrawn, many societies would be unlikely even to survive.

Cooperatives usually have disproportionately benefited a minority of members—those already better off. Poorer groups have often been in effect — or blatantly — excluded from membership. Local "big men" tend to dominate the cooperatives through their wealth, power and status. They have the collateral, the substantial farms and the influence to obtain the major share of a limited supply

of credit and inputs. Often they simply relend at higher rates of interest to others who have been excluded from access. Independent cooperatives of the poorest peasants when they do exist may be little more than token institutions. If they ever threaten existing interests they are liable to serious attack and may be forced out of operation altogether.

A general evaluation of cooperatives, as of any very widespread institution having many possible forms, is fraught with dilemmas. One must remember that even where cooperatives — and indeed other institutions — have succeeded in the past, they may have a different experience in the present. One century is not the same as another (as British retail cooperatives have had to learn). And what may have worked in the West may have very different prospects in the Third World.

To understand the record it is important first to remember the different ways cooperatives were introduced in the Third World and the different sorts of societies into which they were introduced. In Europe and America cooperatives grew gradually — succeeding here, failing there — by the unsubsidized establishment of economic associations by small groups aiming to better their position in already-established market-dominated societies. In contrast the Third World cooperatives were largely introduced from above, not from below; and into local communities dominated by deeply instituted non-market relationships of dependence, caste, kin and clan.

Sometimes they have been established at the local level by dictate and thus are closer to being "coercitives" than "cooperatives". Often use of them is in effect obligatory. The staff who advise or administer such agricultural cooperatives are seldom themselves members of them, or dependent on agriculture for their income except, as it is seen by the local farmers, as a new parasitic rural class.

The aims of the state here may be related more to "state-building" than to "nation-building", and may include the wish for instance to replace the receipt of aid and charity, and "the politics of charity", with regular and

instituted governmental provision — "the charity of politics".

Secondly, if there is one generalization that studies have established it is that where co-operatives are introduced into situations already marked by strong inequalities, these inequalities will tend to be reinforced rather than reformed by the operations of co-operatives. We saw above that it is those already better-off who have reaped most of the gains. It is, however, also true that the introduction of other kinds of organisations has had many of the same effects.

Finally, cooperatives, as rather special sorts of business associations, make rather special demands both on ordinary members and the major decision-makers. The skills, experience and outside structures of support and supervision that may be necessary, take time, trial and error to establish in the Third World, as in the West.

What general conclusions can be drawn about the role for co-operatives in developing countries? To repeat, it must be remembered that cooperatives are businesses, even if of a special sort. Unless they succeed as businesses they are unlikely to be of much benefit to their members or anyone else in the long run. And in fact there is good reason to believe it is economic advance which may be the most effective path to the sort of social and attitudinal changes that policy makers were so concerned with, and not the other way around.

The main trouble with the cooperative policies is that they have been regarded by many as panaceas, problem-shooting "magic bullets" and the like, which will deliver "the definitive answer", for the rural poorest and for others. Such they certainly are not. And neither is any other form of organisation. Just where cooperatives will be appropriate and sensibly used, and can make worthwhile contributions, depends of course to some extent on a society's aims. But, even in countries such as Tanzania and Guyana which have set themselves the long run goal of "the cooperative commonwealth", cooperatives are very far from presenting a sweeping answer for the present.

the end of 1948 the number of primary co-operatives registered with the ICA amounted to 343,315 of which 203,638 were in Asia. After the second world war co-operators and politicians were attempting to involve social organisations such as co-operatives in their programmes of national reconstruction. Together with this ideal many countries in the less developed world were beginning to realise the benefits which co-operatives could confer on small farmers in rural areas, and to families with low incomes in urban areas. The various models of the co-operatives in Europe held out much promise for the newly emerging nations of the Third World. Some of the reasons why are listed in the adjoining box from a recent article by Raymond Apthorpe on "The Co-operatives' Poor Harvest."

THE MOVEMENT IN SRI LANKA The First Phase

The Co-operative Movement in Sri Lanka appears to have grown out of the need to meet the problems of rural indebtedness. The first phase of the Co-operative Movement in Sri Lanka which extended from 1911 to 1942 is thus regarded as the Credit Phase of the movement. In 1906 a committee was appointed by the British government to study the question of rural indebtedness and to make proposals to rectify the situation. One of the results of the work of this committee was the enactment of the Co-operative Credit Societies Ordinance in 1911. There are two basic issues in this development

- (i) A Co-operative law preceded the organization of co-operative societies. The need for the establishment of such societies as a probable institutional solution to a local problem did not arise voluntarily from the people.
- (ii) A Co-operative Registrar's office was created to register, control and supervise the co-operative societies. The right of interference in the affairs of a society and to be the final arbiter on disputes was given to the Registrar.

It was not the intention of the colonial rulers to promote complete self-reliance amongst the people. This view-point is reflected in all other institutions at that

time. Hence, heavy reliance on the Registrar was built into the system. All broad policy decisions had to be taken not by the membership of a co-operative, but by the Registrar who represented the Government. Section 6 (2) of the 1911 Ordinance shows clearly that the registration of a society is a subjective decision of the Registrar; so was its dissolution.

During this early period the Registrar satisfied himself personally regarding the qualifications for membership before he permitted a society to be registered. Only persons who could read and understand the by-laws of the society could have formed co-operative societies under such a system. This had the unfortunate result of the early co-operative societies benefiting only a section of the community. During the early stages therefore it was by no means a popular movement. The slow progress in the establishment of co-operative societies during this period is evident from the record of their growth between 1926 and 1942. See Table I on page 8.

In this early phase co-operatives were primarily a means of helping the poor sections to improve their economic conditions by providing them with credit. The Credit Society was the village bank which was intended to cater to the needs of its members and had to observe all the principles of banking in its day to day business. This, however, was not possible. Like many other aspects of the Movement in its early phase the powers vested with the registrar were contrary to the ideal of self help and voluntary participation.

The registrar was assigned the triple role of creation, protection and destruction of societies and when he assumed these powers they identified with the registrar who also appeared to be its leader and spokesman. The result was a steady growth of officialdom which overshadowed the Co-operatives even today.

This phase also saw the beginnings of consumer and agricultural marketing societies following an amendment in 1926 to the Co-operative Credit Societies Ordinance of 1911. The 1926 amendment enabled other types of co-operative societies to gain registration. This phase also saw the establishment of banking and supervising unions, and the setting up of the Co-oper-

ative Department as a separate Department, on October 1, 1930. From 1911 to 1942 the main emphasis, however, was on the credit societies which were of two types — those of unlimited liability based on the Raiffeisen model in the rural sector; and limited liability "urban banks" in the towns. During this early phase as many as 1,622 out of a total of 2,036 were credit societies though a number of other types had also been formed. Among the others were Marketing Co-operatives, Estate Co-operative Stores, Coconut Producers and Dairy Societies, Labour Societies and School Co-operatives. These were more or less experimental and it was not the policy at the time to organise these on a large scale. They were started in what was considered as more promising areas where the credit societies had done well. The thinking at that time was that the credit society was the most suitable for local conditions and that it would help to alleviate rural indebtedness.

essential food stuffs and other scarce commodities when the existing system had broken down after the Japanese air raid on Colombo in April 1942. The consumer Co-operative Movement in Sri Lanka was then a product of the war. During the period 1942 to 1945 the number of consumer societies increased from 38 to 4,004 and the membership increased from 17,500 to 101,570.

The success of the co-operatives in food distribution gave the government greater confidence in the co-operative system. With the cutting off of supplies and growing food scarcities during the war much emphasis came to be placed on agricultural production. The problems of the farmers were mainly those of obtaining credit on time and the lack of a marketing organisation which could protect them from exploitation by private traders. In 1947 a scheme to establish Co-operative Agricultural Production and Sales Societies was formulated to cater to these require-

broad framework of policy decisions made by the central government. To this extent their development as independent co-operative organisations were restricted. Problems were seen as issues to be brought to the attention of government authorities and not needing solutions by the members themselves through a co-operative democratic process.

The emphasis on national development after political independence in 1948 made the co-operative department a key government department. In 1945 a separate Department of Co-operatives was set up under a Commissioner of Co-operative Development but in 1949 the two posts of Commissioner of Co-operative Development and Registrar of Co-operative Development were combined. The influence of government was then seen in every co-operative activity except perhaps in the Co-operative Credit Movement.

The primary co-operative societies, however, recorded rapid expansion after the war, exceeding 6,000 by 1947 and reaching 10,500 by 1957. Table 3 above indicates this expansion more clearly.

The Third Phase

The next phase came in 1957 following a Government policy decision and a directive from the Ministry in charge to establish one Multipurpose Co-operative Society in every village.

The Minister declared in 1957 that if the Co-operative Movement was to fulfill its legitimate role, it should "rid itself of the antiquated conception that its task is done when it had catered to the parochial interests of selected groups of people. Its role today, particularly in the less developed countries, is a very much more important one; it is one of being an active partner of the State in the task of national development."

The target was 17,000 Multipurpose Co-operative Societies (MPCS) and a campaign was launched to register these. No serious thought apparently was given to their economic viability or the non-availability of trained personnel to manage them. The lessons of the failure of the Stores Societies had still not been taken seriously. A further mistake made was in raising the share value of the new MPCS to Rs. 50/- (payable in instalments). The share of the Stores Society was Rs. 10/- and

TABLE No. 1 PROGRESS OF THE MOVEMENT 1926—1942

Year	No. of Credit Societies Unlimited	No. of Credit Societies Limited	No. of Thrift and Savings Societies	Total No. of Credit & Thrift Societies 2 + 3 + 4	Total No. of Soos. including other types	Total membership	Total working capital Rs. '000
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1926	288	27	N.A.	315	315	41,164	N.A.
1934	281	22	N.A.	303	303	35,112	N.A.
1927	338	22	N.A.	360	360	33,057	N.A.
1928	366	17	N.A.	383	383	27,970	N.A.
1929	423	36	N.A.	459	459	22,416	N.A.
1930	513	28	18	559	600	24,068	1,859.1
1931	589	19	22	630	655	24,415	2,175.7
1932	689	23	29	732	779	26,719	2,213.8
1933	735	29	48	812	897	30,277	2,307.3
1935	854	27	60	941	1,005	35,358	2,814.1
1936	847	27	71	945	1,008	39,055	3,236.9
1937	930	41	70	1,041	1,117	46,040	4,035.7
1938	1,051	58	96	1,205	1,299	55,726	4,519.6
1939	1,201	78	104	1,383	1,512	66,397	4,738.6
1940	1,302	93	119	1,514	1,659	71,929	5,158.0
1941	1,431	97	149	1,677	1,852	80,743	6,087.8
1942	1,519	103	164	1,786	2,036	91,988	6,988.8

Source: Report of the Co-operative Commission 1970

The Second Phase

The second phase of the Movement begins after the commencement of the World War II. In contrast to the earlier phase there was a rapid growth between the years 1942 and 1945 when as many as 4,000 Co-operative Stores Societies were set up. This campaign was started to meet an emergency need — that of distribution of es-

ments. The progress of this scheme over the next ten years is evident in Table 2 above on page 9.

Between 1945 and 1947 the Government sponsored other types of societies. The most important of these were the Fisheries Co-operative Society, the Industrial Co-operative Society and the School's Co-operatives Society. All these co-operative societies worked within the

TABLE 2 GROWTH OF CAPS SOCIETIES

Year	No. of Societies	No. of members	Working Capital Rs. '000	Loans Granted Rs. '000	Annual sales Rs. '000
1948	47	13,525	—	—	5,522.4
1953	709	169,074	18,161.0	6,059.0	19,694.0
1957	955	246,776	31,440.0	11,084.0	140,496.0

Source: Report of the Co-operative Commission 1970

even at this level there were many share-defaulters who were not eligible to vote at General Meetings. The MPCSSs, were to find themselves in the same situation whereby their control rested with a few affluent members often in league with the Manager, as the large majority had not paid their full Rs. 50/- share.

By 1959 when the campaign came to an abrupt halt as a result of changes in the Ministry, over 5,000 societies had been set up, about half of them by "convert-

total turnover in consumer goods, agricultural credit and marketing went up from Rs. 429.7 million in 1957 to Rs. 985.3 million in 1968. The membership of these societies was also rapidly increasing though the Minister's ideal of one MPCSS for each village was not achieved. At the district level, unions were formed for wholesaling functions, but there was hardly any integrated development policy initiated by these unions to improve the services and managerial skills of the member societies. There was no

(ii) The Co-operative Banking structure was reorganised with the establishment of the People's Bank and the merger of the eleven Co-operative Banks, including the Co-operative Federal Bank.

(iii) The C.W.E. was transformed into a state trading organisation though it continued to serve the Co-operative Movement as well.

(iv) A number of national level business organisations were formed though their usefulness or effectiveness had not been fully proved.

(v) The Co-operative Federation of Ceylon and the District Unions with somewhat marginal activities in the sphere of co-operative education and publicity both continued to exist.

(vi) There had been some development in the systematic training of employees of Multi Purpose Co-operative Societies; changes in the general personnel policies of the Co-operative Department; and a continued expansion of the movement in various forms of economic activity but without significant developments in the ideological and managerial aspects.

TABLE 3 GROWTH OF PRIMARY SOCIETIES 1942—1957

Year	No. of Societies	Membership	Share Capital Rs. '000	Working capital Rs. '000	Turnover Rs. '000
1947	1,970	89,536	N.A.	5,632.9	N.A.
1942	6,283	11,148,165	10,913.3	25,112.7	109,502.2
1951	7,005	1,173,066	12,732.2	41,569.0	198,749.0
1957	10,539	1,315,555	24,074.7	95,853.0	368,000.0

Source: Report of the Co-operative Commission 1970

ing" the old Stores and CAPS societies and the balance by registering new ones. The effect of the formation of MPCSS societies on consumer and CAPS societies is seen below in Table 4.

The failure of the MPCSSs, is also attributed to the Minister not being able to complete his three point programme which also involved the setting up of Cultivation Committees under the Paddy Lands Act and the establishment of a Co-operative Development Bank. Failure to institute the necessary co-ordination of the three vital organisations — the MPCSS the Cultivation Committee and the Co-operative Development Bank was at least in part responsible for the failure of the MPCSS, the Cultivation Committee and the dearth of trained personnel as well as the false hopes engendered in the members all accounted for the debacle.

These changes, however resulted in a considerable expansion of the business of the MPCSS. There

appreciable change in policies regarding the other types of Co-operative Societies.

The main changes that had taken place in the movement in the years between 1957 and 1967 may be summarised as follows:

- (i) The Multi Purpose Co-operative Society was introduced as the principal type of Society, with the conversion of the Co-operative Stores societies and CAPS societies into Multi Purpose Societies.

The Co-operative Movement over the years came to be associated in the minds of the general public with that of the consumer co-operative or retail co-operative outlets controlled by the Multi-Purpose Co-operative Society.

Multi-purpose Societies

We have seen that CAPS societies were established in order that a single society could provide credit and marketing services and promote agricultural production. The MPCSS was considered to be a natural development of this. It was maintained that the multi-purpose form by combining credit,

TABLE 4 EFFECT OF FORMATION OF MPCSS SOCIETIES ON CONSUMER AND CAPS SOCIETIES

	1957	1958	1959	1960	1961	1962	1963	1964	1965
No. of MPCSS	68	3897	4631	4741	4824	4889	4950	5101	5053
No. of stores Societies	2569	1260	1043	964	918	889	838	786	755
No. of CAPS Societies	2126	1667	1702	474	486	583	603	585	589

Source: Report of the Co-operative Commission 1970

marketing, provision of consumer goods and other services was more suitable to the village than the single purpose form of co-operatives. The principal emphasis in this organisation was that the co-operative movement would not, in Sri Lanka conditions, grow out of its own resources; but State intervention had to actively nurture its development. The MPCS reorganisation had also a wide variety of aims. The MPCS was to operate as a village bank providing credit and mobilising savings, as a development unit undertaking village development and so forth.

The People's Bank

The establishment of the People's Bank in 1961 was an integral part of the reorganisation effected by government in 1957. For the realisation of the objectives of the reorganisation a strong development-oriented bank to finance the Movement was deemed necessary. The then existing co-operative banking structure consisting of the Apex co-operative Federal Bank and the Co-operative Banks at provincial and district levels were considered inadequate. Their constitution as separate unit banks and the restriction of their banking business to co-operatives were held, inter alia, to be factors which inhibited them. The aim, therefore, was to set up a bank specialised to serve the co-operatives but possessed at the same time of a structure strong enough to supply the movement with adequate finances and absorb the risks that its lending operations would entail. The People's Bank replaced the Co-operative Federal Bank while the District Co-operative Banks were also gradually merged over a period with the People's Bank. The establishment in 1964 of rural banks by the People's Bank in the more successful Multi-purpose Co-operative Societies was a significant development. It brought a range of banking services to the rural sector for the first time.

In the 60's, three national level organisations were established by the Co-operative Department. The Ceylon Agricultural Producers' Union, mainly to wholesale vegetables; the Ceylon Co-operative Industrial Union mainly for setting up a finishing and calendering plant for textiles; and the Ceylon Consumers' Co-operative Union for the distribution of milk foods. Also a Northern Division

Agricultural Producers' Co-operative Union was formed in the North. None of these organisations, however, were strong enough to withstand governmental intervention. In many instances decisions regarding them were taken by government departments without any consultation with the Co-operative Movement. The apex structure was weak and these national organisations never became spokesmen for the co-operative sector.

In the meantime, though great responsibilities had been placed on the MPCS they had much difficulty in securing the necessary staff and adequate finances. The employees were being paid extremely low salaries and many were demoralised. They were handicapped by lack of trained personnel, suitable buildings and most of all dynamic leadership. They also suffered from the lack of involvement and participation on the part of their members who generally regarded the society as a State Organisation. This belief was buttressed by the new MPCS societies being managed by boards consisting of a majority of nominated Directors.

Royal Commission

This situation compelled the government to appoint a Royal Commission in 1968, to examine and suggest measures for strengthening and improving the entire Co-operative Movement. The view of the commissioners regarding future changes, as well as the state of the Movement, is well summarised in this statement from their report which was published in 1970.

"We certainly do not advocate a return to pre-war concepts of a small, slow movement made up of select groups catering to their own needs rather than the needs of the community and the nation. We are confident that, with the movement drawing its power from a mainspring of voluntary action but operating within broad guidelines of national planning, co-operative societies can perform two functions simultaneously, they can serve the needs of their members and at the same time make a massive contribution to national development.

But we must underline our conviction that minor changes in the present system will not be enough to effect the new perspective. The Co-operative Movement in this country needs something more than a slight adjust-

ment here and a shift of emphasis there. Increasing the dose of aspirin will not do when surgery is called for. Our task has not been to recommend what brand of aspirin should be taken but to decide whether or not surgery should be done. That is why we recommend several times that nothing should be tolerated simply because it was started long ago, and nothing should be continued for the mere reason that it worked so passably well in the past. A new perspective must start from fundamental changes, not superficial modifications."

DEVELOPMENTS SINCE 1971

One of the major recommendations of the Royal Commission of 1968 was the creation of more viable co-operative organizations by a process of amalgamation. In the restructuring of the co-operatives that ensued in 1971, following the recommendations, 5,818 societies were involved. Details regarding these societies are given below:

TABLE 5 The 5,818 societies involved in the 1971 reorganisation

MPCS engaged in two or more functions	2,829
" " " consumer functions only	987
" " " agricultural functions only	493
" " " other single purposes	5
MPCS now defunct	760
Co-operative Stores societies now active	475
Co-operative Stores societies now defunct	154
Co-operative Agricultural Production & Sales societies now active	46
Co-operative Agricultural Production & Sales societies now defunct	69
	<u>5,818</u>

Source: *Co-operative Management Services Centre.*

Of these 983 or 16.8 percent were defunct societies and 2,884 or nearly 49.3 percent were loss makers. Hence, a major restructuring was considered necessary to revitalise the co-operative societies. A special law was passed in 1970, to give statutory powers to the Commissioner of Co-operative Development for the restructuring. In the process the Commissioner cancelled the registration of nearly 1,000 uneconomic and defunct co-operative societies and amalgamated the balance to form 372 large

Multi-Purpose Co-operative Societies. The independent small societies became branches of the large primary. To increase the membership and achieve greater participation the share of each member was reduced to one rupee from fifty rupees. The older members gained automatic membership in the new society and the original shares were converted to one rupee shares.

The new societies are said to have had the following strengthened features as compared to the MPCS they replaced;

- (i) greater viability in financial terms,
- (ii) better purchasing power due to the pooling of resources,
- (iii) capacity to recruit better managers,
- (iv) better planning units as larger.

Hence these societies were said to be more oriented towards the development role they were expected to play in the rural economy.

After these changes, there was an appreciable increase in turnover and in membership of the multi purpose co-operative societies, as the statistics given in table show.

The broad structure of the movement, comprising nearly 8,000 societies by the end of 1976, is dealt with in the box on page 13.

However, from the inception, the societies had to face certain problems. Due to the specific role these societies were expected to play, the government decided to have a nominated majority on the Board of Directors. Accordingly, of the 15 members of a Board, nine were nominated and five were elected. The employees director was the fifteenth member. This peculiar composition of the Board led to conflicting objectives and allegiances among the board members. Many of the Boards did not possess the leadership that could place the corporate objective of the society above parochial demands. The societies also lacked skilled and experienced managers with the know how to manage a large business enterprise. Even after a salary revision, the scales were low compared to the salaries paid for similar jobs in the corporation and the private sectors.

Looking back at the history of the Co-operative Movement in Sri Lanka a fact that comes into sharp focus is that the government which started, through necessity, as the trustee and guardian of the movement had ended up in firm control over what was intended to be a voluntary movement. Co-operation had thus become the handmaid of the state and Co-operative Societies virtually agencies for carrying out government policies. It was no wonder, therefore, that active participation of members, which is so essential to the development of any co-operative movement, was not so freely forthcoming. It was expected that

tion successfully. Some of the ways in which this knowledge could be their organisation if it is to be obtained is by participating in general meetings, or committee meetings or holding office and having discussions with officers whose work is related to co-operatives. The Bank's survey found, however, that many members had little or no knowledge of the state of affairs of their societies. In the table 7 below is reflected the views of members on whether their societies were a success or a failure.

What is more significant here is that nearly 79 percent did not reply to this question at all; which

TABLE 6 Changes in turnover and membership of MPCS after the reorganisation

Year	No. of Societies	Membership	Share capital Rs. '000	Working Capital Rs. '000	Rs. '000 Turnover
1970	5,818	913,700	24,700,000	213,800,000	998,400,000
1973	6,365	958,709	27,079,634	—	2,338,200,000

Source: *Co-operative Management Services Centre*

after the re-organisation in 1971 membership would increase. This objective was in fact achieved; but the increase in membership has not given rise to a comparable increase in the achievement of the other objectives of the 1971 reorganisation. Members came to play a less active role in the affairs of the societies. The recent People's Bank survey has shown that committees consisting solely of members who were to administer the Co-operative Society were replaced by a government appointed directorate consisting of government officials and nominees selected on a political patronage basis. The relatively low percentage of members holding office in co-operatives in recent years was undoubtedly the result of this.

A co-operative society is a social organisation of co-operating members and it is essential that they have a sound knowledge of the principles and activities of

indicated their lack of interest or lack of knowledge or both. This finding was certainly a strong indictment on the present nature of the co-operatives. Over 60 percent of the members of societies interviewed during the Bank's survey knew nothing of the objectives of the reorganisation in 1971. It is quite clear that the main reason for the ignorance of the members about the success or failure of their societies and the aims of objectives of the reorganisation was the result of their being almost completely divorced from the activities of their societies. A co-operative society is generally established for the economic and social benefit and development of those residing in that particular area. A proper inter-relationship between such organisations and its members is therefore vital for the functioning of the co-operatives. The duties and responsibilities of members is a

TABLE 7 Members who stated that their Co-operative society was a success/ not a success

Reply	Number of members	Percentage
Success	255	13.6
Not a success	145	7.7
No response	1,449	78.7
	1,848	100.0

Source: *People's Bank Research Department*

significant aspect of this relationship. As the table 8 below shows, however, members appeared more conscious of what they would expect from the co-operatives rather than what they could contribute in making the co-operative a success.

The increased sales of produce to co-operatives gets the most prominent place among what members thought were their duties. The deposit of money, purchase of shares and the repayment of loans in that order were some of the others mentioned by the members.

There certainly was no doubt that members had lost considerable interest in the running of their societies. Participation was at a low level as the frequency of meetings

TABLE 8 Number and percentage of members who listed accord the duties of members regarding the Co-op. Society

Duty	Number of Members	Percentage
1. Sale of increased quantity of produce to Co-operatives	874	34.7
2. Deposit of larger sums of money in Rural Banks	542	21.5
3. Purchase of more shares of the Co-operative Society	524	20.8
4. Repayment of cultivation loans in time	418	16.6
5. All duties mentioned above	62	2.4
6. Others	100	4.0

Source: *People's Bank Research Department*

clearly indicated. The People's Bank in the course of its study of the Co-operatives in the latter half of 1977, found that according to the co-operative by-laws each primary society should have held at least five meetings between the reorganisation in 1971 and January 1977 but less than 50 percent had held four or more meetings in this period. Nearly 10 percent of the societies had not held meetings at all. It was clear that participation had not reached the desired levels. Moreover, members had not had the opportunity of knowing the exact position of their societies and the state of administration in them as very often annual statements of accounts of societies were not presented at annual general meetings. Of those societies contacted in the survey only 54.8 percent had submitted five or more statements of accounts at their annual general meetings; while nearly 10 percent had not submitted more than one statement.

Boards of Directors

One of the important changes that emerged after the reorganisation in 1971 was that very often while only five members were elected to the board of a society by secret ballot nine members were nominated by the co-operative department and another member was nominated to represent the members. This arrangement continued despite the stated objective in the reorganisation that only six members should be nominated and nine elected. The rationale behind the appointment of the nine nominated members after 1971 was that government policy would thereby be better implemented, particularly as economic activities in a deve-

Bank's survey revealed that nearly 87 percent of the members who were subjected to the survey had no knowledge as to how the board of directors were appointed. Yet, 54 percent of all these members declared that they preferred that the appointment of directors by election through secret ballot. As many as 61 percent of the general managers interviewed in the survey did not approve of the existing method of nominating members to the boards of directors. Nearly 50 percent of them were of the view that the existing scheme for appointment of directors appeared to be based on parochial political factors and influence and this was their main objection to the continuation of the existing scheme of appointment. Also, 42 percent of the general managers were against the existing scheme because they felt that persons appointed to boards were not qualified. The view of others, subjected to the survey, with regard to the appointment of directors to boards of co-operatives are reflected in the table 9, below which gives the views of eight different groups on how directors should be appointed.

The above response shows that the government's action to have some members elected by secret ballot and others nominated by the department was overwhelmingly supported by the employees and other officials connected with the Co-operative Movement. But the majority of members supported the contrary position, namely that the directors be elected by secret ballot. These views, however, do not necessarily indicate that the decision to have members officially appointed for induced development was wrong. However, other factors such as the manner in which members were tied to patronage politics and consequent tendencies to-

loping country such as ours have to be induced by the government.

In fact however, the appointed members become largely a tool of local parochial patronage in politics and not the instrument of broad development policy. More often these nominated members were appointed by the local M.Ps of the area without consideration of the broad principles and objectives of government policy. The

TABLE 9 Views on how directors should be appointed

	All by Secret Ballot	All nominated by the Department	By Secret Ballot & by nomination by the Dept.
Members	54.2	10.8	7.5
Employees	26.9	11.5	61.6
Managers of Pradeshikas	31.5	7.2	61.3
General Managers	19.3	9.7	71.0
People's Bank Managers	18.5	7.4	74.1
Development Assistants	5.3	7.9	86.8
Co-op. Inspectors	15.8	5.2	79.0
Asst. Commissioners of Co-op. Development	12.5	5.2	87.5

Source: *People's Bank Research Department*

The Institutional Structure

The Institutional Structure of the Co-operative Movement in Sri Lanka stands at three broad levels: primary societies at village or local levels, various middle-tier organisations at a higher level usually district; and apex organisations at the national level. Sri Lanka's Co-operative Movement is comparatively strong, for with a total population of 14 million there are nearly 8,000 societies.

The Multipurpose Societies are grouped as large primary and other MPCs and totalled 310 at the end of 1976. Of these there were 275 primaries which were usually wholesale organisations for the supply of consumer goods serving a wide net work of retail depots.

During the period 1971-1975 the number of Co-operative retail shops controlled by the Multipurpose Co-operative Societies almost doubled. By 1977 there were over 7,000 co-operative retail shops through which were distributed the weekly and monthly rations of rice, sugar and other essential food items to about 85 percent of the population. The balance 15 percent were served by private authorised dealers who in turn obtained their supplies from the wholesale stores maintained by the Multi Purpose Co-operative Societies. Due to the very close link these co-operatives have with such essential facets in the life of the nation as food and clothing the co-operatives have always been in the public eye. By number, according to the Co-operative Department, the largest number of societies at the end of 1976 were the credit and thrift societies which exceeded 3,000 of which 2,748 were credit unlimited, 376 credit limited and 254 thrift and welfare. The various forms of Co-operative Agricultural Societies totalled 754 and industrial societies 700; while the miscellaneous primaries particularly those registered and recognised as school's societies numbered 2,748. The situation, however, is not as healthy as these statistics indicate as nearly 25 percent have been found to be either defunct or in a serious state of decline. Even among the credit societies of unlimited liability a

large number were found to be inactive and not much had been done to encourage this type of society in recent years.

Whatever the situation at the primary level, the situation at the secondary or upper level of the movement has not been very satisfactory. The existence of strong secondary and apex organisations is said to be a sign of maturity in the system of co-operation but this is what the movement in Sri Lanka lacked, though there were well established organisations serving the movement at national level.

The oldest co-operative organisations at the national level are the Sri Lanka Coconut Producers' Union, registered in 1942; the Co-operative Fish Sales Union, registered in 1952; and the Rubber Small Producers' Union registered in 1957. The scope of activities of these three unions remained very limited. In 1973 the Sri Lanka Co-operative Marketing Federation was registered as one of the national organisations of the newly restructured Multi-Purpose Co-operative Societies through the merger of the activities of the Co-operative Consumer's Union, the Agricultural Producers' Union and the Northern Division Agricultural Co-operative Union. The Northern Division apex union is regarded as one of the strongest national level business co-operative organisations in the country with an annual turn over of Rs. 200 million.

In industries a new Co-operative Industrial Union was registered in 1974 as a successor to the earlier industrial union, but there has been no expansion in its activity apart from the three factories the union has been running from the sixties. A Light Engineering Co-operative Union was registered in 1975 as the apex of the Light Engineering Co-operatives established under the DDC Programme, but the fortunes of this union have been as hazardous as the record of the light engineering co-operative itself.

The ideological apex of the co-operatives is a National Co-operative Council of Sri Lanka registered in 1972 as successor to

the Co-operative Federation of Ceylon. The Co-operative Federation was not able to provide the leadership and articulate co-operative policy positively enough; and it was hoped that the Co-operative Council, with its main responsibilities being member education and spokesman on all co-operative matters, would fulfill this need.

Besides these national level organisations there are also government sponsored apex organisations which are mainly supporting agencies of the Co-operative Movement. There are the Department of Co-operative Development, the People's Bank and the Co-operative Wholesale Establishment which though not actually co-operative were designed to serve the movement. All attempts to restructure the CWE as a co-operative consumer apex have not been successful. There are also the more recently established supporting agencies such as the Co-operative Employees' Commission set up in 1972 and the Co-operative Management Service Centre set up in 1973. The apex unions in Sri Lanka, however, have a long way to go in providing a dynamism and innovative leadership for the movement comparable to their counterparts in those countries where cooperatives are working successfully.

Classification of Co-operative Societies by type as at 31.12.76

Type of Society	Total No.
M. P. C. SS	310
Credit Unlimited	2,448
Thrift and Welfare	254
Co-operative Stores	101
Co-operative Agricultural	754
Animal Husbandry	69
Fisheries	52
Textile	30
Industrial	700
Miscellaneous	
Primaries:	
(Schools)	2,537
(Others)	211
Secondary and All Island Unions	56
Total	7,898

Source: Department of Co-operative Development, Statistical Bulletin.

wards nepotism and corruption and arbitrariness has had a detrimental effect on the movement.

Co-operatives have fundamentally economic goals with a social output. These societies are expected to be business organisations as well as socially and democratically responsible to their members. The achievement of the business goals of these societies are basically through a chain of command through the Board of Directors, through the General Manager, and the Branch Manager on to the consumer as well as on a feedback along this chain. The participatory goals are expected to be achieved through the General Meetings — at the Primary level — and Committee Meetings — at Pradeshika level.

The Bank's survey indicated that there was a strong interaction between the Board of Directors and General Manager, arising largely from the fact that the General Manager has to be present at every Board Meeting, and is further in touch with the Chairman on virtually a day to day basis. However, the next key link in the management chain, namely between the General Manager and the Branch Manager seems to be relatively weak. The key communication link between general management and Branch Manager seems to be largely limited to written instructions and feedback in the form of letters and circulars, with the extremely important channel of face-to-face contact appearing to be used only infrequently. Thus of the Branch Managers who responded to the Bank's survey nearly 40 percent had not met either the General Manager or the Accountant in a given three month period. Further, during the same period 70 percent of those who responded had not met officials of the Co-operative Department, (these officials are expected to perform a key supervisory function).

The relationship between the branch and the membership seems to be also tenuous as suggested by such key indicators as 79 percent of members being unable to say whether the society was a success or not and 80 percent being unable to state the reasons for re-organisation in 1971. Members who responded to a question eliciting reasons for possible lack of efficiency stated that disregard by officials of members views was the

major one, further indicating the tenuous nature of the branch — member interaction.

With respect to the second organisational goal, namely participation, figures have been Members felt that loan facilities obtained indicating that both general meetings, as well as committee meetings, as well as committee meetings, have been held very infrequently; indicating strongly that a primary goal of co-operative societies, namely, participation, has not been effectively achieved.

Of the various types of service rendered by the multi-purpose co-operatives the distribution of rationed items seemed to be the most important for members, according to their views. The supply of agricultural inputs occupies the second place; whilst, the supply of off-ration consumer

goods occupies the the third place. The managers of branches too felt that the primary purposes of the co-operative in making available essential and scarce consumer goods (45 percent thinking so); with purchasing of products of the area taking second place (with 21 percent of managers saying so).

An analysis of the complaints of members also indicates that over 78 percent of complaints relate to consumer affairs; particularly to the manner in which consumer goods are distributed or factors such as short weight. Co-operative employees also felt, by a very large majority, that inadequacy of goods available for distribution was the major obstacle facing co-operatives.

The supply of agricultural inputs is tied to the credit function. Members felt that loan facilities

A PROFILE OF MEMBERS

In 1970 the Royal Commission on the Co-operative Movement placed a greater share of the blame for the defects in the co-operatives on the members themselves. In their view it was "by and large a movement of old people" and they emphasised that "co-operative societies in this country need a massive blood transfusion of youth". The People's Bank study of the Multi-purpose Co-operatives found in 1977 that all the eligible age groups (membership is open only to those over 18) 20 — 29, 30 — 39, 40 — 49 and 50 — 59 were virtually equally represented comprising 21.5 percent, 22.3 percent, 21.4 percent and 18.5 percent respectively of the total. This significantly alters the position of the movement in 1969. However, because of the particular population profile of Sri Lanka where youth form a large percentage, youth in the co-operatives are relatively under-represented, although in the movement itself, as shown above various age groups are equally represented.

The People's Bank study also found that of those in the movement 46% were engaged in agriculture, and 12% described themselves as labourers, whilst 17.2% were unemployed. Other vocational categories were represented on a much smaller scale. The predominance of agricultural pursuits was stronger in the dry zone with 69% being engaged in agriculture compared with 38% in the wet zone.

The average co-operative member is also more educated than the general population in the country. For example, the figures for co-operative members with no education, with primary education, and secondary education respectively are 8.6%, 33.8%, 50.9% compared with the national figures of 17.5%, 44.6%, and 37.9%.

TABLE 3.3. Age Structure of Members of Co-operative Societies and age structure of those over 18 throughout the island

Age Group	Numbers of members	Membership in Co-operative Societies (Percentage)	Population the Island (Percentage)
18 — 29	434	23.21	34
30 — 49	818	43.74	42
50 and over	618	33.05	24
Total	1870	100.00	100

Source: People's Bank Research Department

and the supply of agricultural inputs was the second most important function of Co-operative societies. They also felt that of the difficulties experienced by members in this activity delays in releasing loans was the most important.

The marketing of the produce is an important function of Co-operative Societies and according to members, delays in payment and short weight were the difficulties most often met by

felt that the scheme was a success.

The overwhelming majority of the members, specially in rural areas, endorsed the Co-operative Movement very positively. The answer to the question — "which village level institution provides the best service" gave the following ratios of the members views.

There is overwhelming support for the multi-purpose category of the Co-operatives, according to the

mic relations were quite different from today. In the early days of the movement in this country the concept of the public sector, national economic planning and social welfare, and development programmes of more recent times were not thought of. Sri Lanka's Co-operative Movement has existed and grown to its present state within a larger framework of national economic policies, and more recent economic and social conditions. The dilemma of cooperatives in developing countries like Sri Lanka is basically that without government's support they cannot develop and maintain themselves sufficiently to be of use either to their members or to the economy; and with too much official control on the other hand they lose their true spirit of co-operation and their popular character. The answer is obviously one of evolving an avoidance too little help and too much regulation.

An attempt was made with the reorganisation of 1971 to strike a balance. The reorganisation, as we saw, met some of its major objectives: turnover and profits had increased, membership and service had enlarged and the service position of employees has stabilised to a certain degree. A large percentage of those involved in the movement have also endorsed the reorganisation. However, very strong structural and procedural deficiencies exist in the structure of management as well as, in the participatory aspects of the movement. The movement has to an extent been adopting to the twin forces of volunteerism on the one hand and government induced development activity (which is a *sine qua non* in a developing country) on the other. The latter force of government induced development has been strongly influenced by the socio-political developments within the country and these have 'distorted' the movement into a unique instrument dispensing both services and goods on the one hand, as well as, at times narrow patronage and corruption on the other. Despite the many attempts at reform the impact of the co-operative movement on economic and social life still remains an untapped potential. The unsatisfactory aspects in the performance of co-operatives has now once again called for a reassessment of their place and roles in the social and economic development of Sri Lanka.

Institutions	Co-operative	Agricultural Productivity Committee	Private	Total
Services				
Agricultural inputs	59.45	9.90	30.66	100
Agricultural credits	75.52	11.74	12.94	100
Marketing	46	2.0	51.08	100
Distribution of consumer goods	55.28	1.23	43.15	100

Source: *People's Bank Research Department.*

members. In this respect it is significant to note that non-purchase and not purchasing on time were not considered significant difficulties by the members.

Figures obtained from the Co-operative Department for the movement as a whole indicates that profits had been rising after reorganisation. The period of reorganisation was also parallel with an extension of the co-operative movement's functions by giving it added functions, consequently the increase in profitability is a measure of the increased turnover resulting from added functions. According to the same figures, losses too have increased during this period.

The General Managers were of the view that the primary cause for losses is shortage of consumer goods, whilst the transport problem, irregularities, and political interference come a close second, each of the latter contributing equally. Analysis of the audit reports of these societies indicated also that wastage was the aspect most often commented upon by auditors, whilst failure to repay loans was a close second. However, as audit comments generally do not by their nature look at the overall efficiency criteria this does not necessarily contradict the General Managers' views. The incentive scheme introduced to facilitate management had been adopted by nearly half the sample surveyed by the Bank and nearly 60 percent of the Managers who adopted the incentive scheme

Bank's survey. As many as 72.7 percent of the members were of this view, in addition to 98 percent of Bank Managers and 7.8 percent of Development Assistants. This overwhelming mandate to the Multi-purpose Co-operative Societies movement is an indication that Multi-purpose Co-operative Societies should be further strengthened.

The key managerial personnel, namely the General Managers, do not seem to have a sufficient awareness of development problems and a concrete developmental perspective for their societies. Questioned on what future development strategies should be, the majority of them gave the general answer that it should be a continuation of multi-purpose co-operative activities. Only a few could narrow this general answer to such concrete activities as industries based on local raw materials, co-operative farms etc. The majority of members, however, felt that the first preference of any future expansion activities should be to have a vegetable and sales division, followed by services related to agriculture.

Viewed in retrospect, however, it appears that the dilemma faced by the movement in Sri Lanka was one of being a voluntary movement and still looking to government for substantial aid and assistance. The first co-operatives developed in this country, at the beginning of the country, were started when political concepts and social philosophy and econo-