

THE ROLE OF CO-OPERATIVE SOCIETIES UNDER THE JANASAVIYA PROGRAMME

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Before examining the role of co-operatives in the Jana Saviya Programme it is necessary to understand what a co-operative society is and the values on which it is based. The principle of co-operatives is helping each other, "Each for all and all for each" is the theme of this Movement. Mutual help is one of the aims of the Co-operators.

The Jana Saviya Programme is expected to help eliminate poverty with people helping each other. It is therefore clear that there is a very close relationship between the objectives of Jana Saviya and those of the Co-operative Movement.

The Co-operative Societies in this country could be classified broadly into two categories, namely those societies that handle the distribution of essential food items and those societies engaged in production activities. Although there are other types of societies these two are the types closest to the people.

Let us first examine the societies handling the distribution of essential food items. These societies not only handle distribution, but are also engaged in the purchase of these items. In addition, they provide loan facilities to their members for starting agricultural and industrial projects, and also provide equipment and other supplies for agricultural production.

The policy of the Jana Saviya Programme is to give the poor people the confidence to come up in life through self reliance. The Food Basket distributed under this programme will be supplied to them through the Multi-Purpose Co-operative Societies. The 285 Multi-Purpose Co-operative Societies distributed through out the island have about 9,000 branches. The Co-operatives already serving the Food Stamp holders will continue to provide this service by supplying the necessary food items under the Jana Saviya Programme. This is a more responsible role.

The reason is that a family will be getting a benefit of about three times that of Food Stamps. It could be questioned

whether the MPCs could handle this volume of work. Most of these societies have the storage facilities as well as transport facilities and the labour force.

It is true that most societies have financial problems. The reason is that the Co-operatives are not profit earning institutions. They supply essential items to people while keeping a small margin of profit or no profit at all. Therefore some of these societies find it difficult to even pay their employees. Although such societies could face financial difficulties in implementing the Jana Saviya Programme, there will not be any problems as the Government will give them the necessary assistance; so that there is no reason why the Multi-Purpose Co-operative Societies should not be able to serve the gradually increasing beneficiaries under the Jana Saviya Programme.

The Food Basket will contain locally produced cereals, and the societies will have to purchase these items either from the local producers or from the CWE or similar institutions. When the Co-operatives start purchasing it will be an incentive for local agricultural production; and those farmers who had no interest earlier will also now start growing these items.

Let us consider rice production. When more and more rice is needed for sale, societies will be forced to purchase rice in larger quantities. This will benefit the rice millers. This will also eliminate the middlemen and bring about better trade relations. Needless to say, with Jana Saviya per capita consumption of rice will increase. In addition to food items they will also get agricultural implements and other necessary agricultural inputs. This will induce them to get into cultivation or start some other income generating projects. Thus it will be seen that MPCs will indirectly contribute to the growth of national wealth. It will also help to uplift the living standards of the farmer.

It is essential that the beneficiaries are encouraged to save the additional allowance of Rs. 458 without using it for consumption.* Here the Co-operative Rural Banks will be called upon to play

a special rôle in saving is for future benefit. The money saved for two years could be used by them for starting a viable project. The Society could assist them. The deposits of Rural Banks have exceeded Rs.1,800 million, but only about 40 percent of these funds have been used for the development of the rural sector. The rest has been used in investments away from the rural people. It will be possible to grant bigger loans to members under the Jana Saviya Programme as they will now have "Security". The Co-operative Societies could assist the Jana Saviya beneficiaries by granting them loans to start projects without waiting for the two year period. The loan given in installments may not exceed the Rs. 20,000 limit. The educational division of the Society could help them firstly to identify locally available resources, and then help in use of these materials and their marketing. Thus they should be able to use these funds profitably.

Just as Jana Saviya beneficiaries will be assisted by the Society, they will also in turn help the Society. Since the income of these societies is expected to increase the employees will be able to get better salaries, and their living standards should also improve. It has been estimated that the turnover of a Co-operative Branch will go up by Rs.37,850 with the implementation of the Jana Saviya Programme, while the monthly sales of an MPCs will go up by about Rs.105,000/-.

Production Co-operatives will also have a rôle to play in the Jana Saviya Programme. Another objective of Jana Saviya will be to assist the local producers. The service that could be rendered by the Agricultural Co-operatives is im-

* Each family will receive Rs.2,500/- per month, over a period of 24 months. Of the monthly allowance Rs.1,042/- will be invested on behalf of the recipient; and the balance Rs.1,458/- will be the consumption component, of which Rs. 1,000/- may be spent on the food parcel and the other Rs.458/- could be spent according to the preferences of the recipient. This balance Rs.458/- could be spent on more goods or invested in savings.

mense. For instance, the Co-operatives in the Mahaweli 'H' Zone could encourage their farmers to grow more chillies and other subsidiary food crops. Therefore, the Co-operative Societies while helping the farmers to increase their incomes could also contribute to the economic development of the country. The Co-operatives should provide the institutional facilities; loans and other incentives, the marketing and necessary guidance. A major ILO declaration, as far back as June 1966, has accepted the Co-operative System as the best way to improve the living standards of poor villagers in developing countries:

The other Co-operative Societies also could play a role in the Jana Saviya Programme. The Handloom Co-operatives that found it very difficult to sell the products of their members, since the Jana Saviya basket will have textiles as well. The unemployed village girls can now produce handlooms and sell their products to the Co-operatives.

The policy statement of the new Government declares that "Poor families will be encouraged to be independent and manage their economic upliftment by being provided credit facilities and avenues for savings. Organising them will be the responsibility of the Co-operative Credit Society. This is one of the development activities they should undertake "

In this sphere the Women's Committees of the primary societies could also help. They could educate the rural women in the use of resources, markets etc.

Mother is the unofficial leader of the family. Her leadership is the base for the success of this institution called the Family. Therefore, the Women's Committees of the Credit Society can guide the beneficiaries. The building up of the mental condition needed to get these poor people to have confidence in themselves, could be brought about through the training programmes of the Co-operative Credit Societies.

In this programme of Poverty Alleviation the co-operative organisations should be an important force, encouraging people to engage in development work and also be a force in development activities. In this context the Co-operative Societies should be clear about the role they are expected to play.

PEOPLE'S BANK INVESTMENT SUPPORT FOR JANASAVIYA PROGRAMME

A major focus of the Janasaviya Programme will be on people-based production by setting up of Small Production Units at village level. The object is to make the poorer people efficient producers and to organise them on viable productive endeavours in the environments in which they live. This programme is therefore expected to transform half the country's population, now living on Food Stamps, into people with some means and capability.

Under the Janasaviya Programme each poor family will receive Rs.2,500 a month, over a period of two years, of which each month Rs.1,458 will be allocated for consumption, while the balance Rs.1,042 will be invested on behalf of the recipient. Together with the interest earned from this investment over two years, each family should be in a position to find a source of sustainable and durable employment with a saving of Rs.25,000 accumulated by the end of this period. But the guidance and inducements for investment are also necessary. In implementing this investment aspect the state banks have launched a scheme of cheap and readily accessible credit for small scale entrepreneurs with viable projects, which are production oriented and income-generating.

The People's Bank is playing a leading role in this endeavour. It has introduced several special loan schemes geared towards assisting each poor family in utilizing their investment component of the Janasaviya Programme to start a worthwhile enterprise. The Bank's intention is to direct these families to some suitable form of trades, or small industry, or cultivation or other type of self-employment in order that they are ultimately ensured of an independent existence. Among the new schemes already launched in this regard by the Bank are the Praja Naya Niyamaka or 'Agency Banks' scheme, a 'start-up' loans scheme, of which the most recent was the loan scheme for purchase of Three Wheel scooters; and the Sub-Contracting loan scheme.

Praja Naya Niyamaka Scheme

The Praja Naya Niyamaka (PNN) scheme is one of the Bank's major contributions to President Premadasa's Janasaviya

Programme, which aims at the alleviation of poverty. Under this scheme the two state banks will ultimately appoint 7,000 PNN's each, to cover all the Grama Seveka Divisions in the country. The People's Bank has targetted the setting up of 7,000 such Agency Bank's by the end of 1989. By the end of March this year over 2,000 units had been identified and about 1,000 PNNs appointed; the largest number being in the Western and Southern provinces where population concentration is highest. The main objectives of the PNN scheme are:

- (1) to devise a mechanism with a view to providing credit to small borrowers on easy terms,
- (2) to extend banking facilities to areas which are inaccessible to formalised institutions; and
- (3) to provide credit at a comparatively low cost, much lower than the existing rates in the informal money market.

In the informal money market, money lenders often charged as much as 20 to 30 percent monthly interest, thus placing a heavy debt burden on the borrower, and often discouraging potential investors from undertaking a viable income-generating project. The programme is intended to be implemented through:

- (a) Co-operative Rural Banks
- (b) Acceptable Organizations, and
- (c) Individuals

The eligibility criteria for selection of a PNN are that he should have no past due commitments as a borrower or guarantor to the Bank or any other financial organisation, and that his financial standing should be sound; that he should be capable of contributing 15%-20% of the amount advanced by the Bank as his equity contribution to the on-lending programme.

The lending of this scheme will be disbursed through a Fund. A Fund would be created for on-lending for each PNN unit with the Bank's advance and the PNNs equity contribution. It would be necessary for each PNN operating this loan scheme to open a Current Account. The Bank will advance Rs.100,000/- initially and increase this sum upto Rs.



The first Agency Bank, opened by the People's Bank, at Wattala, was inaugurated by President Premadasa late last year. The picture shows Hon. R. Premadasa lighting the oil lamp at the inauguration ceremony. Also in the picture are Mr. John Amaraturunge then MP for Wattala and Deputy Minister of Finance and Mr. Lakshman Watawala Chairman of People's Bank.

200,000/- after reviewing the progress achieved. The maximum advance given will be limited to Rs.5,000/- for each applicant; and loans will be granted for a short period not exceeding 12 months. The PNN has also to be capable of undertaking certain activities which can contribute to the success of this loan scheme. The PNN should arrange to lend monies to sub-borrowers from the Fund maintained for that purpose. It would be necessary for the PNN to maintain records of this account according to instructions given by the Bank, and the Bank will inspect records maintained by the PNNs. The PNNs are expected to display their conditions of lending (in particular the interest rate charged by them), approval of the People's Bank, etc. prominently at the respective premises.

The Bank will obtain immovable property as security for this loan scheme from the PNNs where land mortgages are not possible; or balances on fixed deposits or any other acceptable security. The PNNs in turn will have a right to obtain security considered by them to be adequate. The application and demand pro-note is the type of security normally available to PNNs. The PNN is to be a link between formal and informal

Praja Naya Niyamaka Scheme - Number of Units by Province as at and March 1989

Province	No. Identified	No. Appointed
North Central	300	145
Eastern	97	61
Uva	50	149
Western	377	227
Southern	285	242
Northern	42	08
North Western	351	99
Central	356	194
Sabaragamuwa	230	188
	2,088	1,313
	=====	=====

money markets, and therefore his operation should narrow down to a bare minimum inconvenience and social disabilities caused to the poorest of the poor. The Bank has given much priority and prominence to this scheme as it is an integral part of the Poverty Alleviation Programme of the Government. The People's Bank is already operating 65 PNN units in the Anuradhapura district and 40 units in the Kegalle district; while by end March 2,088 PNNs had been identified and 1,313 PNNs had been appointed. The Bank's strategy is to open all 7,000 PNNs before the end of 1989.

Start up Enterprise Loans Scheme

Another significant scheme supporting the Janasaviya Programme is the People's Bank's new project oriented credit scheme named the "Start up Enterprise Loan Scheme." It is intended to assist youth who due to lack of financial resources have not been able to commence any enterprise, to establish themselves in various lines of economic activity. Financial facilities are available under this scheme upto a maximum of Rs.30,000. The assistance provided in the form of loans is mainly for the purchase of machinery, equipment and a small working capital component; and also for electrification where required.

This scheme is directed at school leavers and young people between the ages of 18 and 35, who had an opportunity to follow on-the-job training programmes or vocational training at recognised and acceptable training institutions. Only those persons not already engaged in any other enterprise are eligible for this assistance; including those who have not already borrowed for business or other economic activity from any bank or financial institution. Joint applications, within the maximum of Rs. 30,000/- from two eligible applicants are also being entertained. The types of

projects for which finance is being provided to commence such small business/service units include: Tailoring and Dress Making; Tyre Repair Shop; Masonry; Barber Saloon; Carpentry; House Electrical Wiring; Motor Car Repairs; Shoe Making and Leather Work; Light Engineering and Welding Shop; Spray Painting (Vehicles and other equipments); Motor/Push Cycle Repair Shop; Brick Making; Coir Products; Plumbing; Trading (Working Capital and Basic Implements); Pottery; Cane Work and Reed Ware. The trade could include Pingo Carriers, Push Carters and Cycle-pedlars and others.

A further facility being offered in this scheme will be the identifying of particular projects suitable for specific areas. A list of seventy such projects have been identified so far and project profiles are being prepared for those who may have an interest in any of these areas. The subjects of the profiles include: Semi-precious Stone Cutting; Radio/TV repairing; Brass utensils; Paper bags; Washing soap; Artificial flowers; Mushroom cultivation; Mosquito coils; Writing chalk; Candles; Fast foods; Compost fertilizer packeting; Herbal porridge; Firewood stoves; Hand bags and purses; Iron grills and racks, Hollow blocks; Envelopes; Instant Fruit Drinks, (Cordials); Papadam and Yoghurt.

Loans upto Rs.10,000/- will be allowed a maximum repayment period of five years; while loans over Rs.10,000/- will have a maximum repayment period of seven years.

Loans upto Rs.10,000/- would not require equity contributions, and a borrower's skills or labour could be considered his contribution; while for loans over Rs.10,000/- a 20 percent minimum equity is necessary. Equity contribution could consist of cash or any other asset of the project, including property where the project is located.

For loans upto Rs.10,000/- the guarantee of parents or members of the family or other acceptable guarantors would be required as security; while for loans of over Rs.10,000/- the mortgage of moveable assets of the Unit, the guarantee of parents or earning members of the family or any other acceptable guarantors, or the mortgage of properties owned by parent or the applicant will be accepted. In order to motivate borrowers on the project and encourage regular repayments a 3 percent rebate is being allowed on interest.

By the end of January this year the Bank had approved around 170 projects valued at nearly Rs. 2 million; while loans had been released for 52 of these projects. The largest number were in the Kurunegala Region where 73 projects were approved and loans released to 24. In the Colombo Outer Region there were 39 such projects approved. The other Regions where there was interest in this scheme were Ratnapura, Nuwara Eliya, Matale, Galle, Kalutara, Kandy and Anuradhapura.

Start-up Enterprise Loan Scheme Position as at 28.2.89

1. No. of Approvals Requested	1,879
2. Value of Approvals Requested	26,000,000
3. No. of Approvals	349
4. Value of No. Approved	4,500,000

Three Wheel Scooter Loan Scheme

Another self-employment loan scheme designed by the People's Bank and linked to the Janasaviya Programme is the Bajaj Three Wheeler Scooter Loan Scheme launched this year. This is an employment generating project for the urban youth who would have some equity and driving licences. The Bank has planned to promote this programme as a joint enterprise with a leading Company who are agents for Bajaj three wheeler scooters in Sri Lanka. Under this programme the Bank will contribute 60 percent of the project cost or cost of the vehicle, while the borrower will contribute 40 percent. The maximum repayment period for such loans is 48 months while the rate of interest will be 20 percent. The Company would collect the borrowers daily income and remit the repayment for the loan to the Bank.

The basis of security on these loans will be : where the loan amount is less than 50 percent of the purchase price, the mortgage of the vehicle with the assignment of the Comprehensive Insurance Policy; where the loan amount is more than 50 percent of the Purchase Price (but less than 60 percent) in addition to the mortgage of the vehicle, Assignment of the Comprehensive Insurance Policy, Two guarantors acceptable to the Bank, and any other securities the applicants/prospective borrowers could



The first scooters, under the Three Wheel Scooter Loan Scheme, were handed over by President R. Premadasa at the Gangaramaya Hanupitiya on Sunday March 19th. This picture shows President Premadasa and Ven. Galboda Gnanissara, Viharadipathi of the Gangaramaya Hanupitiya taking a ride in a three-wheeler. This is one of the three-wheel scooter-taxis presented to twenty youths trained and sponsored by the Sri Jinaratana Ayatana Palaka Sabha (SJAPS) and the National Youth Services Council. This new enterprise scheme for self-employment has been launched by the People's Bank and Bank of Ceylon under the "Janasaviya Programme".

provide.

Sub-Contracting Loan Scheme

The Minister of Finance emphasised in his Budget Speech that "small production units will provide the valuable link between large industries and our agriculture, adding value to the produce of the farmer. This will not only bring additional income to the people in the villages, but will also provide a sound indigenous base to our industry. This marriage between the big investors and the small producers will increase production, cut down on overheads, reduce inflation and will generate sustainable employment for the vast majority of our rural poor. It will also be the surest way to accelerate the development of our remote and backward areas."

The most feasible methods by which small production units could be linked to larger units has been found to be through the system of sub-contracting. The Bank's Sub-Contracting Loan Scheme is intended to fulfill this vital requirement. More details and a full discussion of this Sub-Contracting Loan Scheme are contained in the accompanying article by the Bank's Chairman Mr. Lakshman R. Watawala.

Solar Power Panels Loan Scheme

The Minister of Finance in his Budget Speech drew attention to the fact that the generation of electricity from sunlight is an alternative source of energy for the future and to encourage use of Solar Power Panels System in Sri Lanka he proposed to reduce turnover tax on the manufacture of these items from 12½ percent to 3 percent.

Meanwhile, the People's Bank has formulated a special scheme to encourage this venture. This loan scheme is intended to help in reduction in household expenditure on kerosene; be an alternative source of power for domestic heating as well for operation of T.V. sets and even water pumps; have the capacity to increase the voltage of electricity produced at a given installation by merely increasing the number of panels; to be having lower capital costs when compared to the costs involved in obtaining a connection from the National Grid and is of Convenience and lower operation costs. The maximum loan amount will be Rs.20,000 for purchase of a solar power panel system consisting of all essential components; and owners and co-owners of the house for which solar power panels are required will be eligible for such loans; being given at a rate of interest of 17 percent per annum.