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Co-operatives and the Poor: A Comparative Perspective

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Summary. – Co-operatives have a universal appeal as an instrument of poverty alleviation and yet their record has been less than exemplary. This paper highlights dilemmas faced in co-operative development between the objectives of growth and distribution, and those between decentralization and equity. The paper identifies the various internal and external prerequisites for a successful co-operative movement. By examining the evidence with regard to marketing, credit and production co-operatives it argues that in the absence of such prerequisites, alternative forms of institutional arrangements may be as, or more effective than co-operative institutions. In any case a healthy movement which reaches the poor calls for institutional competition.

1. INTRODUCTION

Traditionally, co-operatives have been expected to serve a broad set of socio-political and economic objectives ranging from self-help and grassroot participation to welfare and distribution, including exploitation of economies of scale and social control over resource allocation and mobilization. However, these various objectives are not mutually consistent. Because there is a substantial trade-off in the realization of many of these, it is necessary to weigh their relative importance in the needs and priorities of the individual country at any given point in time if performance of co-operatives is to be evaluated in an appropriate context. An attempt to fulfil a range of these conflicting objectives simultaneously has led to a broadbased disenchantment with the co-operative movement.

This paper highlights two sets of issues with respect to co-operative development. First it discusses the dilemmas faced in the short run between the objectives of growth and distribution and those between decentralization and equity. The growth–distribution dilemma involves an inherent contradiction between the goal of local resource mobilization and the subsidies needed to reach the poor. The decentralization equity dilemma similarly results in a contradiction between the objective of grassroot participation and the paternalism frequently essential to achieve the welfare objective. This paper illustrates that these dilemmas and contradictions are far more significant in explaining the limitations of co-operatives than is the concept of co-operation.

This paper further points out the various external prerequisites in the form of physical infrastructure, market information, regulatory institutions, technology, pricing policies towards commodities and capital, that an effective co-operative movement entails, in addition to the normally recognized internal one of proper management. In the absence of these varied prerequisities and especially due to the lack of recognition of the need for external provisions, co-operatives tend to be inefficient relative to other forms of traditional institutions even after receiving subsidies and other types of assistance, thus neither achieving efficiency nor equity.

By analysing the three areas of agricultural marketing, credit and production in which the co-operative movement has traditionally been most active, this paper illustrates the various dilemmas and contraditions, and the preconconditions necessary for co-operatives to reach the poor effectively. Finally, the paper points out the implications of the past experience for the future role of the co-operative movement.

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(a) *The growth–equity dilemma*

For a variety of reasons discussed in this paper, in situations of asset and income disparities the cost of providing services to the poor is greater than that of reaching the relatively rich. The greater the disparities in distribution, the greater are these differences in costs, and, therefore, the greater can be the tendency in the short run to concentrate on growth, thus accentuating the existing disparities. Latin American countries that suffer from skewed asset distribution provide by far the most dramatic examples of the growth–equity dilemma. A faster rate of growth in the short run, however, does not necessarily imply a more rapid growth rate in the long run, as the savings constraint to growth in the short run may over time be replaced by an effective demand constraint, if domestic income disparities worsen with growth, and if international trade prospects are not adequate to absorb increases in a country's domestic output. Once again countries such as Brazil, Mexico and Columbia illustrate the pressure to explore export markets arising out of limited domestic demand to sustain growth. Apart from increasing effective demand in the long run, a more broadly based strategy may also lead to a more effective use of the totality of resources, particularly if such a strategy involves education and training of the masses of the poor and, therefore, leads to their effective participation in institutional development and productive activities as exemplified by Taiwan and Japan. There is, therefore, often a conflict between the objectives of growth in the short-run vs that of growth with distribution and participation in the long run.

To resolve the growth–distribution conflict, it is essential either that there be structural change and redistribution of assets of the type that occurred in China and Cuba or to a lesser extent through a paternalistic land reform in Japan and Taiwan. Alternatively or concurrently, the greater cost of reaching the poor has to be met by subsidies as is being attempted in Sri Lanka and Tanzania. Both these approaches, however, assume the national will to alleviate the problems of the poor as the greater resources required must in the final analysis come from the rich, assuming that they are not provided through international transfers. Evidence indicates that despite the rhetoric, the commitment for domestic transfers is relatively weak in most countries.[1]

Further, even if politically feasible, the tax-subsidy programme must be devised carefully, as frequently generalized subsidies only reinforce the allocation of resources away from the poor, as would be illustrated later. On the other hand, subsidies targeted specifically towards the poor are often easy to evade, particularly if income inequalities are not acute. Targeting programmes towards the poor is also administratively demanding. And most important, subsidies frequently hamper self-help and local resource mobilization thus paving the way for perpetual dependence on external assistance.[2]

(b) *The decentralization–equity dilemma*

Ownership of land is frequently closely associated with social status and political power. In situations of asset disparities, emphasis on rural self-help and grassroot participation, therefore, frequently leads to the control of local organizations by the rural political elite, resulting in a disproportionate allocation of the scarce development resources in their favour. Thus although decentralization may shift the centres of political power and responsibilities for developmental functions from the urban to the rural sector, it frequently results in the perpetuation, if not worsening, of socio-political differentiation, especially as improvement in the welfare of the rural poor is much more directly in conflict with the interests of the rural élite than those of the urban élite. To the extent that it was viable the Panchayati Raj experience in many states in India leads one to this conclusion. Where such socio-political differentiation is significant in rural areas there would either be need for change that would redistribute political power and social status as has happened in Mainland China or alternatively equity would call for centralization and/or paternalism. The importance of paternalism to avoid the inequitous effects of local political participation in management is illustrated by the successful Anand Dairy Co-operative phenomenon in India. Japan and Taiwan provided such a cushion through a strong central leadership during critical periods of their own development. For paternalism/centralization to be effective in alleviating the problems of the poor and in generating self-reliance and participation at the grassroots, a variety of prerequisites must exist.

First, there must be adequate knowledge of the constraints which come in the way of improving living standards of the poor. This is critical particularly as there is considerable variability in the relative importance of the specific problems faced by the poor in individual situations. The perception of these constraints is frequently based on stereotypes that considerably distort the reality, leading to misdirection of interventions and reducing their effectiveness, as would be illustrated later. Once the constraints are correctly identified there must be a critical examination as to whether co-operative institutions are necessarily the best suited for removing them, and to ascertain the ways of ensuring the various internal and external preconditions needed for the effectiveness of co-operative organizations. Such an examination may frequently suggest that these preconditions cannot materialize, and that, therefore, alternative institutions may be relatively more efficient in reaching the poor. To present the analysis of marketing, credit and production co-operatives in this context, and the reasons for their ineffectiveness, it is essential, however, first to understand the nature of the poverty problem, and the concept of co-operation.

2. THE NATURE OF THE POVERTY PROBLEM

A major part of the poverty problem originates in the asset distribution and productivity levels in the rural sector, both of which have very considerable implications for interclass and interpersonal relations, and, therefore, for the effectiveness of co-operative organizations. The rural poor may be classified into three categories: the landless, the marginal farmers and the small farmers. Incomes of the landless are low because of limited employment opportunities, and low productivity of labour. Whether labour- or capital-intensive technology is used in cultivation is therefore as important in determining income distribution as is distribution of land. Marginal farmers may be defined as those with land too inadequate to make an acceptable level of living from cultivation, either because of the small size of the holding or the poor resource base. Small farmers may be classified into those that are at a subsistence level of income and others who earn considerable income from sale of their marketed surpluses. The relationship of the resource base with incomes is important as frequently the more privileged middle-level peasants in many developing countries cultivate farms which are not significantly larger than those cultivated by subsistence farmers. The disparities in incomes arise from differences in the productive potential of their land, allowing introduction of new, more profitable enterprises.

The more privileged rural classes frequently also belong to socio-politically more dominant classes, tribes or castes. The Kikuyus in Kenya, the Marathas and the Jats in western and northwestern India respectively are examples of the dominant class, tribe (or caste) correspondence phenomenon. When higher social status and political power are combined with ownership of productive services, middle-level peasants can acquire access to technical know-how, inputs and capital that is frequently far in excess of their initial share of cultivable land or of the total income generated from it.

The small initial disparities in the incomes of the privileged and those not so privileged, therefore, often increase over time, first from the initial differences in access to services, and subsequently from the increased savings and investment that the productivity of initial services makes possible. In countries where land market prevails, the income disparities may also lead to disparities in asset ownership, if increased investment takes the form of expansion of cultivated land by eviction of tenants, purchase or acquisition of land from other small and marginal farmers, and adoption of land-improving measures such as irrigation or soil conservation on such expanded holdings.

The size and distribution of landholdings owned and operated by individual farmers and the relative disparities in incomes and wealth of course vary considerably among countries as do absolute levels of poverty.[3] Where a majority of the country's cultivable land is controlled by a relatively small population of large landowners, as in many parts of Latin America, the proportion of the landless and the marginal farmers tends to be high. Rural poverty is also most acute in areas of high population density and land pressure as in parts of South Asia. A great deal of such populations may move into cities in search of employment and better living standards, rather than face the problems of asset disparities and differential opportunities in rural areas, thus weakening the basis for organizing effective participation in institutions for the poor.

This is so especially as the rural poor have little or no political power and few means of organizing themselves to achieve economic benefits without threatening the viability of the social structure, which frequently depends on their own socio-economic status. Being at the margin of subsistence, the economic risks of socio-political disruption are also greater for the poor although the ultimate benefits may appear to be more attractive, provided that such disruption is viewed as leading to an improvement in their status.[4] The poor usually have little or no access to education, and, therefore, have a disproportionately high share of illiteracy, affecting their ability to participate meaningfully in organizations dealing with complex developmental functions such as management of marketing and financial institutions. Their ability to participate actively is frequently also hampered by ill health and susceptibility to diseases.

The implications of these various characteristics of the poor for achieving grassroot participation and equity need to be examined carefully particularly in view of the appeal of Owenism among the political leaders of developing countries.[5] This attraction has often been combined with the view that there exist in traditional societies, spontaneous tendencies and well-developed mechanisms to co-operate for mutual benefit, and that such traditional forms of co-operation can be an effective means of broadening participation in development. The Ujamaa policy in Tanzania or the Panchayats in India are illustrations of the attempts by national leaders to mould traditional organizations into means of modernization and change, without regard to the real socio-political differentiation such as that outlined earlier.[6]

This attempt by political leaders is perhaps prompted by the realization, albeit implicitly, that the greatest impact on the levels of living of the poor has to come from a more equitable use of assets and increases in the productivity and employment in the agricultural sector. If broadly distributed, such income increases can also provide a further impetus to growth through linkages with the manufacturing and the service sector as goods and services demanded by lower-income classes in developing countries provide considerable scope for development of the relatively more labour-intensive small- and medium-scale industry in comparison with the large organized industry that tends to be capital-intensive and requires a more organized capital mobilization.[7] Without increase in the incomes of lower-income classes, lack of adequate effective demand causes a major constraint to increasing employment in the small-scale manufacturing and the service sector. The discussion in this paper is, therefore, largely confined to agricultural co-operatives, although many of the observations also apply to co-operatives related to small-scale manufacturing

3. THE CONCEPT OF CO-OPERATION

Given that poverty is as much a socio-political and technological problem as it is economic, what prerequisites have to exist for co-operatives to be successful? If some or none of these prerequisites exist, how broadly should the coccept of co-operation be interpreted to internalize these prerequisites and thus for co-operatives to be effective? And what particular segments of the rural poor can be reached by what type of co-operation? Such analysis is essential, especially in view of the recent attempts to re-examine the historical European origins of the co-operation concept. What has been described as 'the pragmatic European view' by Munker (1976) perceives co-operatives as entirely voluntary organizations formulated with a view to deriving economic benefits for its members through a common enterprise on the basis of two important criteria: mutual co-operation and self-help.[8] According to this concept, benefits arising from undertaking a co-operative enterprise are to be distributed in proportion to the contributions of individual members, without in any way aiming to bring about equity in income distribution through co-operative organizations. Exponents of this view conclude that, unlike European co-operatives, those in developing countries are frequently expected to cope with far too many constraints, and that this is one of the main reasons why co-operatives are often ineffective in benefiting the poor.[9] If this is a correct assessment, under what circumstances should one discard co-operative organizations and explore alternative forms of institutions?

The broader concept of co-operation, on the other hand, acknowledges the interaction between economic and socio-political power and, therefore, recognizes the frequent need either for structural change or for political mobilization for co-operatives to be able to benefit the poor. According to the broader view even with such change or innovation, but particularly in the absence of either, parternalism and external assistance in the form of leadership, management and finances are inevitable as a step towards more voluntary and self-reliant co-operatives in the long run. The performance of marketing, credit and production co-operatives is therefore viewed in the context of these various considerations.

4. CHOICE OF MARKETING INSTITUTIONS FOR REACHING THE POOR[10]

(a) *Prevailing views about traditional markets*

The appeal of co-operatives has been the greatest in the removal of perceived exploitation in the marketing of agricultural produce. It is generally believed that collusive tendencies and price fixing are rampant in traditional rural markets as there are only a few intermediaries at each level of marketing. Marketing costs are also believed to be high as there usually is a long chain of intermediaries from the producer to the consumer. Small farmers are seen to be the greatest victims of marketing inefficiencies because of their meagre marketed surpluses and poor bargaining position. Introduction of marketing co-operatives is, therefore, considered to be an effective way of reducing market margins and improving the prices received and paid by farmers. A guaranteed co-operative marketing channel is also seen to be an effective way of facilitating an increase in the production for the market.

(b) *Performance of traditional markets and factors affecting performance*

(i) *Market structure*

Despite differences among countries both with regard to the stages of market development and to availability of documentation, considerable evidence has accumulated in countries as different as India, Bangladesh, Nigeria, Indonesia and Kenya with regard to the working of traditional markets dispelling the stereotypes such as those earlier about the degree of oligopolistic tendencies and spatial and seasonal price differences.[11] Lele's studies in India and similar studies in former East Pakistan and West Africa indicate that entry in traditional trade is usually free and that generally there is overcrowding and significant competition at each level of marketing. Unlike in the case of most co-operative organizations and marketing corporations, rural traders have low overhead costs. They work on low margins and earn a meagre income. This is an important factor in determining relative efficiency of traders in comparison with the more organized marketing institutions, particularly as both the size of the market and size of individual transactions tend to be small in the case of low-income farmers and the unit costs of handling tend to be high.

Few traders are nevertheless seen to handle a large share of the marketed surplus in many markets. Again, studies indicate overwhelmingly however — most notably in India — that large traders are not able to influence prices through collusive action if transport facilities and exchange of market intelligence among producing markets and between producing and consuming markets are effective, the implication being that it is the provision of transport facilities and market intelligence which are more important policy instruments than introduction of co-operatives in removal of exploitation.

(ii) *Intermarket price differences*

Because of poor transport facilities, contrary to the general view, differences in the prices received by small and large farmers are frequently far less significant than those between markets with or without good transport connections.[12]

Excessive price differences among markets arise because of:

(a) poor dissemination of price information and poor communication facilities which do not allow transmittal of the knowledge of price disparities effectively among markets — and reduce the incentive for the producers to take their produce for sale in the other nearby markets;
(b) inadequate and unreliable transport facilities that often result in accumulation of surpluses in producing areas and shortages in consuming centres, especially when production is seasonal:
(c) poor handling facilities that result in losses in the quantity and quality of produce during movement of the produce;
(d) lack of implementation of standard weights, measures and/or marketing charges that allow scope for cheating, and
(e) lack of enforcement of an open bidding system.

Lele's studies on India show why markets seem more inefficient than they actually are. Some of the reasons are:

(a) price differences among varieties and grades of produce which lead to the impression of monopolistic elements in trade if price data in the two markets being compared do not refer to the same grade or variety;
(b) movement restrictions imposed by the government that increase rather than reduce price disparities;
(c) speculative tendencies that are caused by frequent overall shortages, and often exacerbated by sudden imposition and withdrawal of government restrictions on trade; and
(d) inadequate storage facilities at various stages of marketing which lead to forced sales particularly in the case of perishable produce.

These factors suggest that the solution to monopolistic practices is not necessarily to replace private trade with other organizations such as co-operatives, but rather through governmental action to remove the conditions which lead to monopolistic practices, irrespective of whether the monopoly consists of the private, the co-operative or the public sector. Lele's field investigations of government and co-operative marketing institutions in India, Ethiopia, Kenya and Tanzania have indicated that employees of marketing co-operatives and government boards frequently indulge in malpractices in grading, weighing and pricing similar to those attributed to private traders, especially when these institutions operate in a monopoly situation. Discouragement or abolition of traditional trade or its replacement by a co-operative or a public-sector organization often only exacerbates inefficiencies, by reducing the number of alternative marketing channels open to cultivators and thus by increasing opportunities for monopolistic practices.[13] Because of the lack of competition, co-operative cotton processing monopolies in Uganda were able to continue operating regardless of the services they provided, or the costs they incurred. Attempts by Government to regulate the co-operatives by restricting profit margins failed because the inefficient ginneries shut down rather than increase efficiency. Because of the lack of alternative markets the Government was forced to rescind control. The abolition of traditional marketing co-operatives by the Tanzanian Government in the mid-1970s was clearly explained in terms of their servicing a small class of commercial farmers. On the other hand, if co-operatives are encouraged to operate simultaneously with traditional traders, they can play an important role in increasing competition, provided: (i) the size of the market is large, (ii) co-operatives are operated efficiently, and (iii) they at least offer a service that is comparable with that offered by traders. The Anand Dairy Co-operative in India has decidedly established its superiority over the private trade on the basis of the services offered to milk producers.

Traders frequently provide a number of important services that cannot be replaced by government or co-operative agencies, without incurring substantially greater financial costs in administrative manpower and finances.[14] For instance in the Chilalo Agricultural Development Unit in Ethiopia, the cost (excluding overheads to the project management) of marketing wheat between Asella and Addis Ababa were more than twice as much as those incurred by private traders. Many other agricultural projects in Africa have encountered problems due to undertaking similar high-cost market interventions. They function in the least accessible areas, where government or co-operative machinery frequently does not reach. They meet an important credit need for the small producers, including the need for consumption credit. This is one of the reasons why the management of the Walamo Agricultural Development Unit in Ethiopia began to provide consumption credit to farmers.[15] Government agencies are unable to lend credit in small amounts, particularly for consumption, without incurring substantial administrative costs and defaults. Case studies of a number of African projects carried out in the World Bank indicated that the timely availability of the much needed credit is an important reason why farmers are often seen to turn to private traders, even if co-operative marketing channels are available.[16] Also, contrary to the general view, farmers are often paid more promptly by traders than by co-operatives, as the payment procedures used by traders are frequently simpler. The same case studies also showed that prices paid by co-operatives may also not be higher as the promises of second payments often do not materialize, either because of mismanagement and consequently high operating costs, or because of poor judgement related to future price movements.[17] Apart from the fact that the first payments made by co-operatives are frequently lower than the prices paid by traders, a non-working multiple payments system reduces the trust in the ability of co-operative to fulfil promises made with regard to prices. A well-conceived pricing policy involving guaranteed minimum prices is, therefore, essential for marketing co-operatives to operate effectively. Until the 1973–1974 food crisis many developing countries, however, lacked any conscious pricing policy, particularly in the case of food crops which constitute an important part of the marketed surpluses sold by low-income farmers. On the contrary, the case studies of African projects indicated that objectives of governments frequently have been at odds with those of farmers in the case of food marketing. As food has usually been in short supply and the pressure to meet urban demand at low prices is considerable, governments have been eager to acquire control over the maximum share of the marketed surpluses at low statutory prices, whereas farmers have aimed to maximize their income by selling their produce at high open-market prices. This conflict in objectives frequently leads to a tendency among producers to sell their surpluses to private traders.[18] Although this phenomenon is observed most strongly in the case of food crops, similar tendencies are often noted with regard to export crops, particularly as selling surpluses to private traders can also facilitate evasion of the repayment of credit borrowed from co-operatives, again as shown by the World Bank African case studies.

(iii) *Marketing of inputs*

Co-operatives may nevertheless be effective in selling inputs as market margins for fertilizers and seed are often fixed through government policy.[19] Even if pricing poses fewer problems for co-operatives in the case of inputs, their effectiveness in getting inputs to small farmers nevertheless depends on timeliness of imports, the extent to which small farmers can make use of inputs effectively once these are sold, and the effectiveness of the system for distribution. The author's observation of donor-assisted projects in Africa indicates that there is often considerable difficulty in ensuring timeliness of the right type of input supply to farmers even when inputs are distributed through co-operatives. This is because the technological package is often not well specified, and, therefore, the wrong inputs are ordered or errors are made in specifying needs when input requirements are identified and communicated to major suppliers, imports are not made by governments on time and the domestic delivery system is not well organized to get inputs to village co-operatives even if the imports arrive on time. As a result of these various factors, even though introduction of co-operative distribution frequently reduces the problem of adulteration of inputs, encountered in their sale by traders, the delays and inappropriateness in distribution reduces return to input use and creates difficulties in further promotion of new technology. Even with more trained manpower, the Indian experience with input distribution through co-operatives has been better only in degree over that of African countries.

On the other hand, if the demand for modern inputs is low, the private sector is usually reluctant to get involved in input distribution, as costs of distribution tend to be high in relation to the prices that can be charged. In such situations co-operatives can play an important role in the promotion of input use, provided that such use is demonstrated to be profitable, and small farmers have access to credit, although there are difficulties in ensuring them credit as outlined in Section 5.[20] Of course, under such circumstances, input distribution would require subsidies until the market is developed sufficiently to reduce costs. However, for the reasons discussed later in Section 5, once general subsidies are introduced to cover costs of distribution, it is difficult to ensure either efficiency in distribution or equitable allocation of inputs, particularly if the supply is limited. It is also difficult to abolish subsidies once they are introduced. More carefully devised subsidies are, therefore, necessary. To the extent possible, it is also important to promote competition between private, public and co-operative marketing channels rather than establishing a monopoly of co-operatives if the objective is to reach poor farmers without sacrificing efficiency.

(iv) *Seasonal price differences*

The other usual allegation about the private trade is that farmers sell their surpluses in the immediate post harvest period when prices are low because of: (i) their heavy indebtedness to the village traders and money-lenders, (ii) their need for cash for paying taxes and debts, and (iii) inadequate storage facilities at their disposal. Off-seasonal prices, on the other hand, are said to rise significantly higher than costs of storage and normal profit, allowing traders to make excessive profits.

The evidence cited is once again much less supportive both in Asia and Africa. It indicates that there is considerable variability in the pattern of seasonal price movements of various agricultural produce and that this pattern is usually difficult to predict, leading to considerable risks in storage until the off season. The study of India's grain markets (Lele, 1971a) shows that the profits of traditional private traders when averaged over a number of years are not excessive, as high profits in some years are compensated by low profits (or even losses) in other years. It is because of such seasonal price patterns that transferring the storage function from traders to farmers through formation of producers' marketing co-operatives does not result in farmers earning a significantly higher price, unless there is an overall price policy that reduces risks, and guarantees an incentive price, as pointed out earlier in the discussion of second payments. Also frequently it is not so much the low price received by farmers, as the lack of choice open to them as to when during the course of the season to sell, which has been the unacceptable feature of traditional trade. With the increase in incomes and the consequent improvement in staying power and awareness of markets, the pattern of sales in the immediate post-harvest period has already begun to change significantly among the middle-level peasants particularly in the case of food crops. For example, in India the late arrivals of marketings arising from speculative tendencies of farmers have frequently become a problem in making assessments with regard to the probable size of the agricultural production in the recent years.[21] More surpluses are often withheld for sale in the past harvest season when prices are high. Again the Indian experience with cold storage in the eastern states suggests that where storage facilities are introduced to reduce perishability, seasonal fluctuations in potato prices have declined and marketed output has increased considerably. Increasing productivity and incomes, and improving storage possibilities through construction of stores and credit advances to meet post-harvest cash needs are therefore the most effective ways of increasing the bargaining power of the low-income producers. A number of additional steps of the type discussed later in this paper also need to be taken by governments to further improve bargaining power of the farmers. None of these, however, involve a hasty introduction of co-operative marketing organizations or discouragement or abolition of traditional trading channels, as is often the case in many countries.

(v) *Marketing co-operatives*

Experience both in Asia and Africa suggests that there have been substantial disparities in the performance of co-operatives with regard to the export and food crops.[22] Nevertheless promotion of food marketing co-operatives continues to receive enthusiastic support from a very broad range of interests. It is therefore important to understand the reasons for the differences as these indicate that developing marketing co-operatives for subsistence crops is a difficult task and that it must be handled gradually and carefully. Case studies cited in note 21 indicate that it is counterproductive to push co-operative development too rapidly as it usually backfires, frequently making co-operatives the haven of government subsidies and a barometer of inefficiency, in which the more efficient private trade can survive relatively easily. Such co-operative performance also defeats the purpose of augmenting competition among channels of marketing, and of improving welfare and incomes of the subsistence producers.

Because many export crops require further processing, unlike food crops, these often cannot be used in domestic consumption or sold easily in rural markets. A centralized marketing facility is, therefore, relatively easier to organize in the case of such export crops than for most subsistence-related productive activities.

The perishability of many of the subsistence products also makes centralized marketing more difficult as an assured market is necessary for expeditious disposal of the surpluses at incentive prices. However, as the Anand Milk Co-operative illustrates, if such an assured market exists, and if an efficient marketing system is developed, co-operatives dealing with perishables have an even greater potential to be successful than those related to food crops, as private markets are less organized and less competitive in the case of perishables.[23]

Where centralized marketing can be organized it is also easy to integrate provision of credit with marketing, as credit can be recovered relatively easily through proceeds of the marketed output. On the other hand, for some of the reasons discussed in Section 5(a), institutional credit has been much less easy to organize in the case of food crops, leading to considerable scope for competition from moneylenders and private traders.

Crops that require processing provide scope for economies of scale.[24] The value added in the case of such crops is usually also substantial. Co-operatives can therefore be viable as processing entities, even if their marketing activity is poorly organized. Besides in the case of export crops, the price of the final product is usually sufficiently high to reflect the value added. When there is no scope for easy centralization of marketing, and international prices are not high, even cash crop co-operatives flounder because of the inefficiency in their operations.

Most case studies cited in this paper indicate that the inefficiencies arise partly from administrative mismanagement resulting from the poor quality, the inadequate training and the little practical management experience of the personnel usually employed by co-operatives. Often even adequate record keeping is a problem in many co-operatives. Financial abuse and corruption by political elite that often control co-operatives is also observed widely particularly as the management tends to be poor. Co-operatives that deal with subsistence crops and farmers have experienced a greater share of these problems as the emphasis on training and management has been lower than normal. Further, there is both greater scope and greater incentive for quality control in the marketing of export crops as the return is higher. On the other hand, in the case of many food crops, co-operatives are frequently unable to exercise control on the quality of the produce they purchase, as a result of which losses from purchases of low-grade or wet produce at high prices are at times substantial. In the case of Taya Ajula Farming Group Co-operatives in Madya Pradesh, India, the Government pressured the co-operative into buying ammonia sulfate, even though the co-operative had no use for it. A large quantity of ammonia sulfate had been purchased at a discount and the Government had been unable to sell all of it.[25] Many villages in Tanzania faced a similar situation under the National Maize Programme through Government zealousness in the indiscriminate promotion of fertilizer.

(vi) *Preconditions for an effective marketing system*

A successful marketing strategy requires more than creation of co-operative marketing institutions. A far more broad based and positive role is required of the public sector than currently followed by most governments. Because a large part of the pricing and marketing problem arises from inadequate infrastructure, shortages of production and irregular government pricing policies, investment in roads, storage facilities, technology development and improved market intelligence systems are required. The more essential commodities such as cereals, oil seeds or milk may need much greater government involvement in pricing, distribution and market intelligence than would commodities such as fruits and vegetables. Greater government regulation of marketing practices is also necessary as evidence indicates that standardization of weights and measures, fixation of marketing charges and traders' commissions, open auctions, standard methods of payment and grading and improved market intelligence add considerably to the effectiveness of the traditional marketing systems.[26] The relative emphasis on the various components of the market improvement package will of course vary depending on the stage of development of the country. For instance, in the Indian subcontinent where private trade has always been very active, the emphasis would have to be more on its regulation than on promotion. In many East African countries where private trade has in the past been operated mostly by Asians, promotion of a local trading community that is beginning to emerge would be necessary. There would also be much greater need for infrastructural development in many African countries than in the Asian subcontinent, although the benefit–cost ratio of such investments is generally more favourable in the latter.

For the reasons outlined earlier, development of marketing co-operatives that deal with the subsistence activities of small farmers has to be gradual and combined with assurance of the various prerequisites necessary for their success. Especially in countries where private trade is active and efficient, i.e. in most Asian and West African countries, initially, co-operation may best be confined to relatively short-term activies that are more commensurate with traditional forms of cooperation such as the participation of farmers in: (i) the establishment and use of standard weights and measures by private traders, (ii) dissemination of information on prices prevailing in other producing and consuming centres, and (iii) construction of storage facilities where farmers may wish to store their produce for later sale, particularly if such storage facilities are combined with facilities for advanced credit on a portion of the value of the produce. Such a storage policy would, however, imply sharing of risks as well as benefits. Purchase and sale of surpluses on account of co-operatives may come later, once a more effective pricing system has been formulated, and co-operative managers are trained and gain experience in marketing management and in trading. Few small farmers possess such skills initially. In the absence of such a gradual approach, co-operatives frequently become a marketing alternative in slogan rather than in practice. Where private trade is not as active – as in parts of East Africa – the need to develop full-fledged co-operatives quickly is more strongly felt. However, even in those countries, ideological and racial factors frequently result in much less use being made of the existing traditional marketing systems than would seem justified if the objective is to improve the lot of the small producers.

5. AGRICULTURAL CREDIT

(a) *Factors affecting small-farmer productivity and credit repayment*

Experience indicates that small farmers have greater need for borrowed funds in adopting new innovations than do larger farmers. However, considerable evidence has also accumulated that small farmers have much less access to institutional credit.[27] This applies as much to credit co-operatives as to commercial banks and government finance corporations, although existing evidence is not fully consistent with the premise that productivity on large farms is always higher. Under traditional technology, where labour input is much more important than capital, small farms often have higher yields per acre than do large farms. On the other hand, once new technology is introduced, productivity differences may frequently shift in favour of large farms. To a considerable extent, the reversal results from differential access to capital and technical know-how, and the mutually reinforcing effect of these two factors on productivity. For instance, the extension services in most countries work largely with middle and large farmers, as a result of which large farmers acquire better knowledge of new management practices.[28] Even if the political and financial considerations that influence credit distribution (discussed later in this section) are not taken into account, because of their greater access to technical know-how large farmers are more able to qualify for institutional credit. Their better technical knowledge also reduces uncertainty in the cultivation of new varieties, whereas the financial staying power and, therefore, their ability to undertake risk is often considerably greater in the case of large farmers.

Lower productivity on small farms should result in a lower repayment rate of credit. Because of their higher propensity to consume, small farmers are also believed to divert credit to consumption far more than large farmers, with a consequent poor ability to repay loans. Evidence across a range of countries is, however, contrary to the view that small farmers are greater defaulters.[29] The author's review of evidence indicates that although diversion of credit is widespread, it is by no means greater in the case of small farmers; only the purposes for which it is diverted are different, with larger farmers using borrowed funds for industrial investments, real-estate enterprises and conspicuous consumption. Often small farmers also repay credit more promptly because of their lesser ability to get away with overdues compared to large farmers who wield substantial political influence.[30] And, of course, the higher repayment rate on small farms frequently reflects the potential to use credit for improving productivity and incomes of such farms, provided that credit is accompanied by a profitable technological package, timely supply of inputs and properly working output markets. Even consumption credit lent to small farmers has elicited a good response when these prerequisites have been met. Given the illustration of favourable performance by small farmers, what explains the unequal distribution of credit? What implications do these explanations have for the role that the co-operative movement can play in benefiting the poor through credit programmes?

(b) *Factors affecting credit distribution*

The politically dominant role of large farmers in co-operative management and its influence on allocation of benefits mainly to large farmers have been well documented.[31] It is reflected in their preponderant representation on boards of directors, and their frequent overt role in the approval or promotion of credit applications of individuals with whom they have kinship or political affiliations. Case studies of co-operatives listed at the end of this paper indicate consistently that the ability of large farmers to exercise such control is explained by their greater political involvement, higher level of education and greater commercial acumen, resulting in their greater understanding of the management issues and the means of its control. These same case studies show that most small farmers on the other hand frequently cannot even read the credit applications that they have to fill in. They are seen to attend few if any meetings of the co-operative societies. The needs of the more commercial farmers in terms of the types of services they require also tend to be different from those of the subsistence farmers, creating conflicts of interests. There are, however, a number of important financial and economic considerations that reinforce these tendencies towards unequal access to resources.

Because of the small size of individual loans, unit cost of lending to small farmers is greater, particularly as the constraint on the trained manpower to administer credit in most developing countries is usually severe. Credit institutions, whether co-operative or otherwise, therefore have a tendency to minimize demands on administrative manpower by making large loans as often as possible.

Co-operatives usually have little or no control over technology development, market prices and timeliness of input supply, all of which are influenced by government policies outside the co-operative system. The actual repayment rate on small farms is therefore frequently much below the potential, thus increasing the unit cost of recovering credit from small farmers, in addition to the high costs of distribution.

On the other hand, major portions of the funds loanable to credit institutions are usually provided by the central banking organizations and not generated internally. The organizations expanding credit most rapidly are therefore often the greatest beneficiaries of the supply of loanable funds, although the repayment record is not necessarily better by lending to large farmers.

The nature of the subsidies provided to credit institutions reinforces the large farmer bias. The higher unit cost of making small loans is often the justification for subsidizing institutional credit. However, it is feared that subsidies directly linked to the cost of lending to small farmers may reduce the incentive for credit organizations to minimize their costs of such lending or to improve repayment on small farmer loans. Subsidies are, therefore, provided to support overall budgets of credit organizations, as for instance through interest rate structures. The cheapening of credit that results from such policies leads to an even greater interest among large farmers to control its allocation in their favour, given that institutional credit is already attractive to large farmers because of capital scarcity.[32]

(c) *Preconditions for an effective credit system*

Given these various constraints, it is unlikely that co-operative credit organizations would lend to lower-income, small farmers unless one or several of the factors listed later are operative. For instance, if there are positive financial incentives, through selective subsidies geared directly to costs of lending to small farmers, there would be a greater incentive to make small loans. The Kenyan co-operative movement has requested precisely such subsidies from Government before it would move extensively to lend to low-income farmers in the Western and Myanza provinces. Such incentives may even be combined with punitive measures if credit institutions do not allocate a certain share of their resources to small farmers. The Indian Government has followed this policy since the nationalization of banks. However, these steps require a national commitment to reaching the poor and involve policy decisions that lie outside the scope of co-operatives. They also go far beyond the pragmatic European concept of co-operation based on self-help and mutual benefit, discussed earlier. Nor are such measures administratively easy to implement, as target groups have to be carefully identified and benefits to them have to be monitored on a routine basis if there are to be no abuses of the system for the benefit of the rich. Both these tasks are highly demanding of administrative manpower and political goodwill even if commitment exists at the top. Besides, if selective subsidies are not combined with other related steps, such as technology development and price incentives, small farmers may not borrow credit. Or even if they borrow credit, credit programmes may become yet another, though rather inefficient, way of subsidizing the consumption of the poor as investments would not yield much return. Subsidies are also difficult to withdraw politically, particularly if they have not been effective in improving incomes.

Change in the land tenure structures, which reduces disparities among farm sizes, as occurred in China and Cuba and earlier in Taiwan and Japan, would in itself encourage a more broadbased distribution of services as it would reduce the differences in the costs of lending among farms, as well as reducing the status and other benefits that go with assisting large farmers in situations of inequalities. Of course the smaller the initial disparities in farm sizes, the smaller are the cost effectiveness and the various social and political rewards involved in reaching large farmers, and, therefore, the lesser would be the need for a land reform. In any case a policy of land redistribution also lies beyond the scope of the co-operative movement.

Credit institutions also have to reduce costs of lending to small farmers by simplifying lending procedures. Co-operative institutions are not only geared to individual gain, but also oriented to highly individualistic principles of creditworthiness and ability to repay, albeit paradoxically. The requirements of downpayment and proof of an individual's land rights to ownership or to tenancy which are used to ensure repayment are at best administratively demanding and, at worst, impossible for many small farmers and tenants to meet, particularly as these requirements seem to be less important in determining farmers' motivation to repay than are factors such as political power to get away without payment and profitability of investment.

As the experience of the Wolamo Agricultural Development Unit in Ethiopia indicated, this is one of the many reasons why group responsibility for screening applications and ensuring repayment has at times been considered a better alternative than individual criteria of creditworthiness.[33] If properly developed, group lending can permit savings in credit administration, while at the same time providing scope for active grassroot participation and delegation of responsibility to low-income farmers. The extent to which the group approach is successful would, however, depend on the social cohesion and economic homogeneity of the groups. Co-operatives with open membership do not enjoy these advantages. And yet open-membership co-operatives constitute an important element in the co-operative movement for a variety of reasons. These include the top-down nature of the movement and the consequent tendency of governments to form organizations without much regard to factors that are likely to influence a group's motivation to co-operate, the emphasis both of governments and donors on quantitative growth of co-operatives rather than on their qualitative performance, the political pressure against targeting programmes towards the poor and the administrative requirements of such an approach.[34] To ensure that these various limitations of the conventional co-operatives are not repeated under the group approach, balance between two conflicting considerations is necessary. Groups have to be small enough for them to be cohesive and to work actively in exercising the necessary mutual pressure to make the organizations viable. On the other hand they have to be large enough to take advantage of the cost reductions that occur from scale.

It is not easy to form effective groups as the traditional forms of mutual exchange as reflected in working on each other's fields, constructing roads and health clinics are different in character than those needed to operate developmental institutions.[35] The former involve co-operation over relatively brief time spurts, require little financial management and are usually geared to improving welfare or reducing drudgery. The latter, on the other hand, are directed to augmenting productivity and incomes over the long run. Therefore even if membership in groups is based on traditional patterns of participation, entirely new concepts of financial management and technical and administrative effectiveness have to be imparted to villagers if the group approach is to be successful.

Traditional forms of mutual exchange may also be based on more hierarchical relationships than is usually recognized. Consequently even if there is considerable apparent social cohesion in a traditional society, interventions made to facilitate development may frequently exacerbate traditional patterns of obligations, exchanges and behaviour in a manner that results in greater inequity and exploitation by the élite.[36] This is illustrated by the fact that in African countries formation of credit groups involving tribal chiefs has often resulted in the credit going largely to the various members of the chiefs' clans, and relatively little to small farmers.

Where socio-economic differentiation in traditional societies is acute as in parts of Ethiopia prior to the political change in 1974, or in parts of Latin America, group approach is often not even feasible, as it is viewed as a threat to the local socio-economic structure. Even if groups are formed with external assistance, experience both in Latin America and Africa shows that they do not work effectively or last long.[37] For the group approach to be successful in such situations, redistribution of socio-political power often has to be the first step, with substantial emphasis on development of technology, physical infrastructure, effective pricing and marketing policies and establishment of efficient management systems as the next steps.

It is also important to recognize that even if the group approach is effective in reducing equity in one sense, it implies inequity in a different form. For instance, if some members of the group are not good farm managers, obtain poor crops and, therefore, cannot repay their loans, the more enterprising, better managers are disqualified for further assistance. This is one of the reasons for the general lack of spontaneity in the formation of groups.[38]

Difficulties are also encountered in the continuation of a group approach once differentiation begins to occur, as the needs of more commercial farmers begin to differ from those of the subsistence farmers, resulting in conflicts in the use of resources over time.[39]

For these various reasons external initiative is necessary to promote grassroot participation, a point emphasized most strongly by the management of the Anand Dairy Co-operative. If paternalism is combined with an understanding of the various factors that are essential to achieve effective local participation, and if institutions are protected from local political influences of the type discussed earlier, viable grassroot institutions may be developed over time to benefit the poor. However, this is a slow process. Nor is its replicability ensured on a large scale as the necessary preconditions frequently vary. One of the weaknesses of the co-operative movement has been the difficulty in reproducing qualified leadership on a large scale for this very demanding task, as a result of which even after several years of operations there is usually little element of self-help either in administrative or financial terms in most co-operative organizations. And even though co-operatives are frequently no more than another governmental bureaucracy, their operations are substantially influenced by the political interests. A more central, autonomous agency may on the other hand be free of such political influences, if there is adequate national commitment to reaching the poor, although it would not necessarily be endowed with better leadership or more effective management. Unlike the co-operative movement, such an agency may also be sufficiently large to have an integrated approach with respect to the related constraints faced by small farmers, including land availability, technology development, credit and input supply and pricing policies. To the extent possible, the field operations of such an agency may be supported by a highly flexible group approach that is geared to the specific socio-economic and technical needs and potentials of the particular groups. It would be desirable not to formalize these groups into co-operatives until they have the ability to tackle problems of lower-income groups effectively.

6. PRODUCTION CO-OPERATIVES

(a) *Factors influencing promotion of production co-operatives*

Agricultural marketing or credit organizations directly benefit only those who cultivate land and have a marketed surplus. Their benefits to the landless are marginal, only to the extent that provision of services to the cultivating classes leads to increases in productivity and employment of the landless. Production co-operatives are, on the other hand, frequently associated with allocation of land to the landless through reclamation or settlement schemes or involving appropriations from large landowners in the course of a land reform frequently to maximize the use of existing physical infrastructure that is geared to large-scale farming. There are also situations in which production co-operatives are introduced following land consolidation and related investments in land development, and in areas of communal landownership in which cultivators are persuaded to move into group farms.[40] Although ideological concerns for equity and grassroot participation frequently lead to promotion of production co-operatives there are also a number of pragmatic considerations that explain the attraction of production co-operatives to policy-makers, including savings arising from the delivery of services to groups rather than to individual farm families, more rapid dissemination of new agricultural technologies through group interaction, exploitation of economies in the use of lumpy technology such as irrigation facilities or farm mechanization, more effective use of underemployed labour, increased production and greater social control over marketed output.

(b) *Factors affecting performance of production co-operatives*

Not all these objectives are always mutually consistent. For instance, agricultural mechanization and increase in the use of underemployed labour can be achieved simultaneously only if labour displacement in individual production tasks is more than compensated by the additional employment that may be generated either through increased yields of the various crops grown or through additional cropping that may be facilitated by mechanization.[41] Although mechanization frequently leads to increased labour use on private holdings, on group farms it is often labour-displacing because of poorer management and less intensive resource use. Participation in decision-making is also not always consistent with the use of lumpy technology as mechanized or irrigated farming may often be centralized in management.[42]

As small-scale, individually cultivated farms can be highly productive, as illustrated in Japan and Taiwan, overall saving of resources through co-operative farming is possible only to the extent that savings arising from group delivery of services are not accompanied by a reduction in the efficiency of the resources used in group production. With less efficient production, the objective of generating greater marketed surpluses may also not be realized, although that of equity may be achieved.

The extent to which productivity on co-operative farms compares favourably with that on individual holdings is a function of incentives, management efficiency and availability of profitable technology. Arriving at an effective incentive system is almost always a problem on co-operative farms as the motivation to provide the labour necessary for high productivity requires that wage payments be commensurate with the quality and quantity of the labour input. On the other hand, emphasis on reward to individual enterprise when carried to an extreme can create income disparities even if none initially existed, thus defeating the equity objective. Mainland China seems to be one of the few countries where an adequate work point system appears to have evolved after a prolonged period of trial and error. In China a combination of equity and incentive considerations seem to have led to minimum wage payments along with an additional share in the surplus according to the quantity and quality of an individual's labour contribution. The apparent substantial flow of labour into communal farms in China seems to be encouraged by a combination of three additional factors: use of political means oriented to meeting national objectives to mobilize labour, the associated social recognition enjoyed by individual communes, and the decentralization in decision-making that has encouraged participation of peasants in working out work-point systems suited to their own specific communal needs. There also seems to be a greater willingness in China than is generally acknowledged to accept intercommunal and interregional disparities so as to retain surpluses with producers and thus to provide incentives.[43] There thus appears to be a greater tendency to transfer resources into the agricultural sector through input and output pricing and distribution than is apparent in other developing countries. Although the lack of data on China makes it difficult to make more meaningful comparisons, most other countries seem to have failed in providing an effective combination of such prerequisities. In the absence of both economic and socio-political rewards, constraints on individuals to earn their income potential is one of the major factors why in most developing countries, among all types of co-operatives, production co-operatives usually receive the least voluntary support from farmers.[44] This reluctance is usually also reinforced by the fact that in most developing countries co-operative farms operate side by side with private farms, in which situation the choice of individual land cultivation seems more attractive.

In organizing production co-operatives, if land and other productive assets are individually held and if asset ownership among members is unequal either in quality or quantity, this poses additional problems in developing an incentive system and in management and control of the co-operative. Pooling of different types of individual holdings has various advantages including spreading the risks of crop failures and enabling production of a greater range of crops. Determining returns to the various assets and their different shares owned by members, however, poses problems leading to conflicts between the objectives of equity and incentives. Differential ownership of assets also creates management problems and problems related to broadening participation in decision-making, as the members who own most of the capital usually attempt to acquire political control, whereas those who mainly contribute labour can be reduced to a role of no more than paid labourers. In such situations, the day to day management of group farms, involving decisions as what to produce, when and what steps are essential to ensure high productivity, is either neglected or gets relegated to external government-appointed managers with little member participation. It is these sets of concerns which have discouraged smallholders in Tanzania from joining co-operative farming in Ujamaa villages.[45]

If group farms involve landless labourers, or low-income subsistence farmers, their receptivity to the concept of co-operative farming may be greater because of the access to land and other welfare services that such participation often promises. On the other hand, unlike the more successful individual landholders, landless labourers and subsistence farmers using traditional technology usually bring few managerial skills to group farms.[46]

The degree of government assistance also affects efficiency of resource use, choice of technology and effectiveness of management. Group farms often tend to overcapitalize both in comparison with similar privately-owned farms and from the point of view of efficient resource use. Much of the capital is often provided from outside, whereas the incentive to allocate an adequate share of the surplus to investment is frequently limited both because of low productivity of group farms and because of the motivation to acquire the maximum share of the surplus for immediate personal consumption. A high degree of capitalization frequently becomes a substitute for good management or improved varieties of crops that respond well to fertilizers.

Despite the substantial injection of external resources, the repayments of credit or contributions to marketed surpluses may often be poorer on group farms, particularly if the production activities consist largely of traditional subsistence crops, involving labour-intensive techniques, and decentralized management, in comparison with situations of high-value cash crops with demonstrated profitable technology, using modern methods of cultivation and centralized management.

7. SUMMARY AND IMPLICATIONS FOR FUTURE ROLE OF CO-OPERATIVES

Despite differences in the stages of development, evidence from Asia, Africa and Latin

America indicates that the limitations of co-operatives in reaching the poor arise from a rather consistent set of factors. This means that the principles of co-operative development have to be equally consistent across the developing world, although the relative importance of individual factors would depend on the specific circumstances of individual countries. For instance, for the reasons discussed in this paper, the principle of differential unit cost of providing services to the poor in comparison with the rich applies universally. The greater the disparities in the distribution of income and wealth, the greater are these differences in costs. The extent to which co-operatives can benefit the poor, without a redistribution of assets, therefore depends on the extent to which these greater costs are met by direct subsidies for this purpose, assuming that political forces do not come in the way of reaching the poor. Also for the reasons discussed in this paper, the principle applies universally that generalized subsidies geared to reaching all social classes including the poor, by and large reinforce the allocation of resources away from the poor. However, equally similarly where income inequalities are not acute, targeting programmes towards the poor is also politically difficult and administratively demanding.

The cost of reaching the poor is minimized and the conflict between growth and equity is resolved, only to the extent that the resources directed to the programmes for the poor are used effectively and increase their productivity. Further, the effectiveness of the resource use depends on the various internal and external factors that affect the performance of the co-operative movement. Co-operatives are frequently based on an inadequate knowledge both of the actual constraints faced by the poor and of the steps needed to alleviate these constraints. As a result, there is rarely a critical examination as to whether co-operatives are the most appropriate institutions to tackle these constraints and, if so, the prerequisites necessary for their success. Leadership, management, experience and technical know-how – all of which are crucial for co-operative organizations to be effective – receive relatively little emphasis in co-operative development, in comparison with a rather amorphous and misdirected concept of existing grassroot organizations and of their potential for promoting participation and democracy.

There is often an inadequate appreciation of the external factors which have a profound impact on the extent to which institutions – whether in the private, public or the co-operative sector – can function effectively, particularly in reaching the poor. These include government policies with regard to agricultural pricing, input distribution, technology, infrastructure development and regulatory functions. The lack of prerequisites in these various areas is combined with an inadequate understanding of the way emphasis on decentralization and grassroot participation can defeat the equity objective by vesting power in the hands of the rural political elite. The greater the inequalities, the greater are these conflicts. In such situations it would appear that a more centralized, paternalistic approach may be more effective than traditional co-operatives, provided that it is more sharply focused on identifying the internal and the external constraints of the type listed earlier as happened in the early stages of Taiwanese development. In following this approach, the emphasis would have to be on small groups, relatively simple forms of co-operative activities and particularly on substantial training of the rural people to actually carry out planning and implementation of programmes, with the necessary external support to make these programmes productive. In this context the very high literacy rate in Taiwan in the early stages of development, compared to most current developing countries, may have been a particularly important contribution to co-operative development.

NOTES

1. See Michael Lipton (1977) for an analysis of the urban bias as it perpetuates poverty in developing countries.

2. For a discussion of the relationship between decentralization and subsidies in the Ujamaa policy in Tanzania see Lele (1975), Chap. 9, pp. 151–161. For some case studies outlining the dependence of co-operatives on Government subsidies see Government of India (1976), especially the discussion on the Keselkelti Group Co-operative in Bombay and the Taya Akule Farming Group Co-operative in Madya Pradesh. Also see Redcliff (1976) for an analysis of subsidies in Ecuador.

3. See World Bank Sector Policy Paper (1975) for a discussion of absolute and relative poverty as well as for data on poverty levels in selected countries. Also see Chenery *et al.* (1975) for further discussion on poverty and income distribution.

4. In Andhra Pradesh and Tamil Nadu states in India,

for instance, there have been several incidences of violence, as well as importation of migrant labour, and mechanization of farming in reaction to increased wage demands by local landless labouring communities.

5. See Owen (1963).

6. See Lele (1975a), Chap. 9; Cliffe and Saul (1972) and Hyden (1971) for an analysis of the nature of the class conflict in the context of decentralized development in Tanzania.

7. For further discussion of the first-round effect of technological change on income distribution, and subsequent effects of income distribution on patterns of effective demand, the structure of manufacturing, and further on employment and income distribution see Mellor and Lele (1973).

8. See Munker (1976) for an analysis of the European concept of co-operation and its implications towards co-operatives in developing countries.

9. For examples of the effects of various constraints on co-operative development see Apthorpe (1970, 1972), especially the former, and the discussion of two cases of cotton co-operatives in Kenya, pp. 157–220.

10. For detailed documentation of many of the arguments in this section see Lele (1975a, b) and USAID (1976).

11. See Lele (1975a, b) for a review of the literature.

12. See note 11.

13. See Lele (1971a, 1975a).

14. See O'kereke in Widstrand (1970), pp. 153–177. Also see Lele (1971b) for a discussion of inefficiencies in the co-operative modern rice mill in India.

15. See Lele (1975a), Chap. 6, for a discussion of these issues.

16. See Lele (1975a), Chaps 5 and 6.

17. See Lele (1975a). Red-tape and delays in obtaining loans are common problems encountered in co-operative credit societies. This is often due to unqualified management or complicated lending procedures. See Dao (1975) and Ahmed (1974). For an analysis of the reasons for underutilization of co-operative credit by small farmers see Williams (n.d.).

18. For further discussion see Lele (1975a), Chap. 5.

19. For further discussion see Lele (1975b).

20. This does not mean, however, that the pricing of inputs is easier than that of agricultural produce as frequently complex questions related to levels and timing of subsidies are involved. See Lele (1975a), Chap. 4, for a discussion of issues related to input subsidies.

21. For a discussion of the distribution of technological benefits during the Green Revolution in India see Nicholson (1976); Lele (1975a), Chaps 2–4, for a discussion of the factors that influence dissemination of technology among different classes of farmers in Africa.

22. See Lele (1975b) for documentation.

23. For case studies of the performance of marketing co-operatives see Apthorpe (1970), Baviskar (n.d.), Cooperative League of the United States (1969), Inayatullah (1972), Kahn (1974), Pakistan Academy (1966), UNRISD (1974) and Widstrand (1970).

24. See World Bank *Report* (1977).

25. See Government of India (1976).

26. For further discussion see Lele (1971a).

27. For detailed documentation of many of the arguments in this section see Lele (1974).

28. See Lele (1975a), Chap. 4.

29. See Lele (1974).

30. See Lele (1974).

31. For the nature of the influence exercised by large farmers in co-operative organizations see Apthorpe (1970), Borda (1969), Inayatullah (1970) and UNRISD (1974).

32. See Ahmed (1974), pp. 28–30, for a discussion of the way local élites influence allocation of credit in co-operatives.

33. See Lele (1975a), Chap. 5.

34. For a discussion of the problems arising from quantitative rather than qualitative growth see Hyden (1970, 1971) and Widstrand (1970), and especially Hyden and McAusten, pp. 61–120. Also Lele (1975a), Chaps 4 and 8.

35. See Migot Adholla in Widstrand (1970), pp. 17–37, for an analysis of the viability of traditional co-operation and co-operative organizations in modern co-operatives. Also see Apthorpe (1970) for an analysis of old and new co-operatives in Bassa Region, Cameroon.

36. See Hyden in Widstrand (1970) pp. 61–81, for an analysis of the effect of local culture on the implementation of co-operatives.

37. See Borda (1969) for an analysis of the interclass conflicts and their effects on co-operative development in Latin America. Also see Apthorpe (1970) for examples of the effects of economic, political and ideological pressures on co-operatives in Africa.

38. The conflict between the middle-class peasants

and poor farmers was a major problem in China in the initial period subsequent to the revolution. To counter these conflicts the government specified the enterprises and established a system of rewards into which the interests of the more prosperous peasants could be channelled. See Shue (1976) for an anlaysis of this system.

39. Small farmers are unable to utilize modern farm equipment or processing plants to their advantage. Therefore, they try to prevent the expenditure of valuable resources on such items. On the other hand, larger farmers can benefit from such facilities and thus have an interest in diversification of co-operative activities in these directions. See Borda (1969) pp. 30–34; and Apthorpe (1970), pp. 207–360.

40. For an analysis of different types of production co-operatives see Dorner (1977).

41. For a discussion of mechanization and its implications for employment see Lele (1975a), Chap. 3.

42. For a comparative analysis of the organizational aspects of co-operatives with different degrees of mechanization see Apthorpe (1970), pp. 287–360.

43. For a discussion on the Chinese co-operative system see Stavis (1975a).

44. See McAusten in Widstrand (1970), pp. 81–120, for an interesting analysis of co-operative law and attempts by co-operative organizations to satisfy the peasants' desire for land while at the same time aiming to exploit the economies of scale from pooling of land.

45. For further discussion see Lele (1975a), Chap. 9.

46. For consequences of co-operatives formed around landless labourers with little technical know-how see Government of India (1976) especially the Keselketti Group Co-operative and the Vihad Rehabilitation Collective Farming Colony. Also see Cooperative League of the United States (1969).

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