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MALAYAN QUESTIONS

A SERIES OF REVIEWS
WRITTEN FROM WITHIN

THE CO-OPERATIVE MOVEMENT IN MALAYA

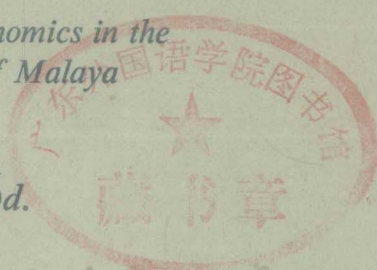


BY

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THE CO-OPERATIVE MOVEMENT IN MALAYA

What are the types of co-operative society in Malaya?

The co-operative movement in Malaya has developed almost exclusively as a credit movement. There are a few consumers' and marketing societies, but the predominant co-operative organizations are credit societies.

As in India and Ceylon, the co-operative credit movement in Malaya began with the object of attacking the problem of indebtedness, which was widespread, especially among peasants. Indebtedness among the peasants of Malaya resembles that among Indian and Sinhalese peasants, and its effects are similar. Nor are urban clerical and industrial workers free from the scourge. Reliable figures are not available to show the extent of indebtedness in Malaya, but in India, where the co-operative method was introduced at the beginning of the present century to deal with the problem, it could be gauged from the Report of the Famine Commission of 1901, which showed that at least four-fifths of the cultivators in the Bombay Presidency were in debt.

In India the problem was the more serious because of the predominantly agricultural character of the Indian economy. More than 70 % of the Indian population is dependent on agriculture. For this reason, co-operation in India is essentially an agricultural credit movement. The lop-sided development in India is clearly shown by the statistics of Indian co-operative societies. Of those registered in 1942-43, about 86 % were agricultural societies, mostly for credit.

From the co-operative credit movement in India, Malaya drew its inspiration. In several respects the organization of

co-operation in Malaya is similar to that of the Indian movement. Thus the Co-operative Societies Ordinance in Malaya is modelled on the Indian Co-operative Societies Act. Like India, Malaya has a Co-operative Societies Department, charged with the task of developing the movement and administering the Co-operative Societies Ordinance.

The Co-operative Societies Department has no parallel in Europe, where the movement has grown spontaneously. In Malaya and other under-developed colonial territories, responsibility for developing co-operative activities rests with the Government, because peasants and workers with a low standard of education and lack of experience in democratic organization cannot be expected to assume the initiative of developing a movement which requires for its success a high standard of business organization and administrative competence.

How did the movement in Malaya progress before the war?

Although the object, origin and legal framework of co-operative societies in Malaya are similar to those in India, there have been differences in development. In Malaya, urban thrift and loan societies have progressed much more rapidly than rural credit societies. On the other hand, non-credit co-operative activities have hardly gone beyond the experimental stage.

The movement in Malaya dates from 1922, when six rural credit societies and three thrift and loan societies were established after the introduction of the Co-operative Societies Ordinance in the Federated Malay States. The former had a total membership of 182 and a working capital of about \$2,000. The latter began with 547 members and a capital of about \$14,000. While the former consisted of Malay peasants in the padi-growing areas, the latter drew their members from clerks in Government service and mercantile firms.

The movement was launched in the Straits Settlements in 1924 when the Co-operative Societies Ordinance was passed. The direction of co-operation in the Federated Malay States and the Straits Settlements was then placed under a Joint Co-operative Societies Department. Co-operative activities were extended in 1926 to Indian estate labourers. Their co-operative societies were mainly thrift and credit societies, the prototype of what came to be known as 'labourers' co-operative credit societies'.

The development of these three types of co-operative credit society up to 1939 may be surveyed in two stages. During the period 1922-29, the urban salary earners' societies showed most rapid progress. By mid-1929, the total number of societies in the Federated Malay States and the Straits Settlements was 167, with a membership of nearly 30,000 and a working capital of about \$3 million. Urban thrift and loan societies accounted for two-thirds of the total membership and over 90 % of the working capital. Rural credit societies had only about 3,000 members and a working capital of \$147,000.

There were no other forms of co-operative activities. Attempts to start a consumers' movement met with failure. Two co-operative stores opened in the Federated Malay States in 1922, had only a brief life.

In the decade, 1930-39, the policy of the Department was directed towards consolidating rather than expanding the movement. However, the general progress of the movement up to 1939 continued to be steady. At the end of that year there were 687 societies with a membership of 111,000 and a paid-up capital of over \$9 million.

An outstanding feature in the development of the movement after 1929 was the rapid progress of the Indian labourers' credit societies. While in 1929 there were only 33 Indian

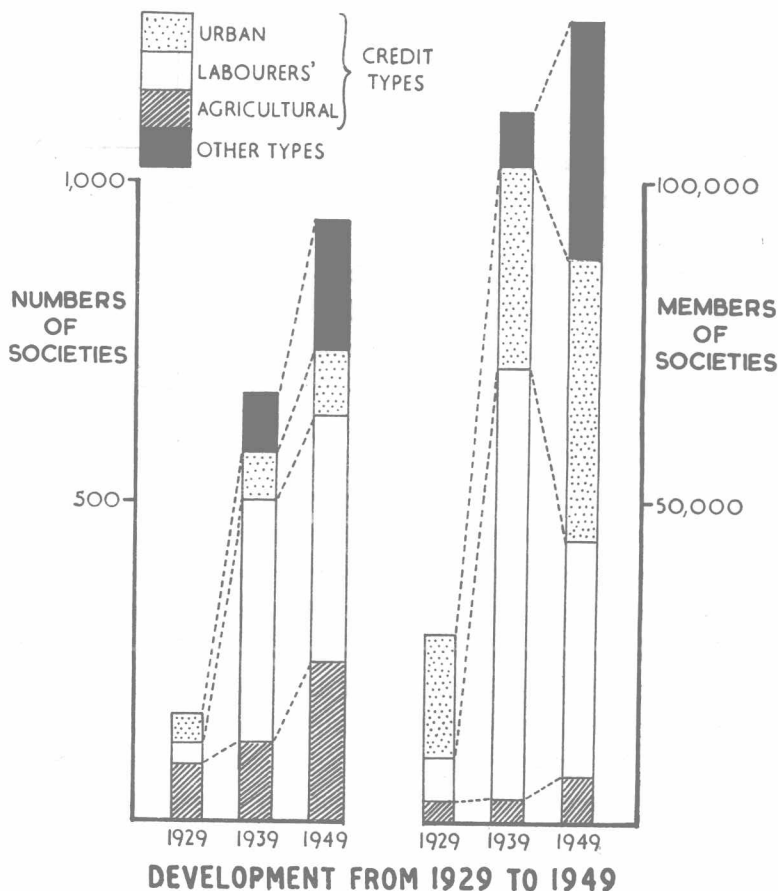
labourers' societies, by 1939 they numbered 375. The membership had grown from about 7,000 to about 68,000. The urban thrift and loan societies which had dominated the growth of the movement in the 1920's expanded less rapidly, the number of societies increasing from 41 to 79, and the membership from about 20,000 to about 31,000. In 1929, two-thirds of the members belonged to urban thrift and loan societies. In 1939 the proportion had fallen to less than one-third. On the other hand, Indian labourers' societies formed more than half the total membership. Practically no progress was made by the rural credit societies, their number being no more than 86 at the end of 1939.

The year 1933 saw the beginning of co-operative marketing and the formation of the first 'better-living' and 'general purpose' societies. In 1936 the first seasonal credit societies were established. In the same year, a co-operative stores society was registered in the Federation.

The function of seasonal credit societies is to provide short-term loans to peasants engaged in padi-growing to enable them to live during the interval between sowing and harvesting. Such loans are needed not only by padi-growers but also by those engaged in fishing. For peasants who are dependent on rubber and coconuts, there is no need to provide seasonal credit. The income of smallholders dependent on the yield of rubber and coconut is regular, and hence they do not require any seasonal credit. Once their mortgage debts are cleared, they should be able to accumulate savings to meet foreseeable expenditures which arise in connexion with marriages, births, repairs to houses and purchases of new land. For the promotion of thrift and forethought, it is necessary for co-operative organizations not only to provide facilities for savings but also to discourage extravagant expenditure on ceremonies.

It was partly with this latter object in view that 'better-living' societies were formed among Malay peasants in 1933. In the same year, 'general purpose' societies were also

MALAYAN CO-OPERATIVE SOCIETIES



formed. These are primarily thrift societies, yet they also aim at encouraging the co-operation of members in improving the health facilities and amenities of village life; for example,

co-operation in anti-malarial measures, in the destruction of rats and in improving roads and drainage.

What is the present position of the movement?

This was roughly the position shortly after the outbreak of the Second World War. During the Japanese Occupation, co-operative activities were suspended, except in Selangor, Kedah and Perlis. The most serious effect of the Occupation from the point of view of the movement was the loss of books and trained personnel, which to a great extent retarded the reconstruction of the societies in the immediate post-war years.

In spite of these difficulties, many of the pre-war societies had begun to function again by the end of 1947. The official figures for 1949 show that the total number of societies in the Federation and Singapore was 937 with a membership of about 126,000 and a working capital of over \$10 million. The total number of rural credit societies was 169, the highest so far recorded. The membership and working capital of these societies were also higher than for any one year since the beginning of rural co-operation in Malaya.

One feature in the post-war development of co-operative activities is the great interest shown in co-operative stores and co-operative housing societies. At the end of 1949 there were sixteen co-operative stores as against two before the war, while the first co-operative wholesale society was registered during that year. Two housing societies were registered for the first time, one in Singapore in 1948 and the other in Kuala Lumpur in 1949.

Thus both the scale and scope of the movement in Malaya are very limited. Though solid achievements have been made by the co-operative credit societies, their progress, viewed in the light of nearly thirty years of history, has been compara-

tively slow. The total membership of 126,000 constitutes only 2 % of the total population.

Again, the range of activities has been narrow. This is shown by the few types of society in existence. Most of the societies are thrift and loan societies. Rural credit societies, which have been in existence since the inception of the movement, have progressed slowly. Co-operative processing and marketing and consumers' co-operation have only begun. In spite of the achievements of the thrift and loan societies, their facilities have been confined to granting loans to their members mainly for unproductive expenditure. It is true they have succeeded in accumulating considerable funds, but these have been invested in gilt-edged securities instead of being devoted to the extension of co-operative enterprise. There is no central co-operative banking institution in which the surplus funds of the credit societies may be pooled for the provision of banking and loan facilities to members and for investment in co-operative enterprises.

How does the movement compare with that in Ceylon?

What can be achieved by a strong movement engaged in a wide range of activities is clearly illustrated by the development of co-operation in Ceylon. Ceylon's co-operative movement is about ten years older than Malaya's. It also began as a co-operative credit movement to solve the problems of the debt-ridden peasantry, but it developed much more rapidly and has reached a larger number of people. Progress has been particularly rapid since 1935, when there were scarcely 1,000 societies with a total membership of only about 30,000. By 1948 there were more than 6,500 societies with a total membership of over a million (one-sixth of Ceylon's population) and a total working capital of over \$23 million.

The rural credit movement in Ceylon, which made rapid progress during the war, is far ahead of that in Malaya. In April, 1948, there were 1,837 rural credit societies with a membership of 59,000 as against 218 societies with a membership of less than 7,000 in Malaya.

A characteristic of the movement in Ceylon is the tendency towards independence in the administration of the co-operative societies. The movement has developed its own supervising unions, which maintain an unofficial staff of sub-inspectors to supplement the staff of the Government Co-operative Department in supervising the working of the individual societies.

Again, the range of the co-operative activities is much wider than in Malaya. There are Central Banking Unions of which the credit societies are members. These Banking Unions have now been federated into a Co-operative Federal Bank to complete the structure of the co-operative banking system.

Co-operative production and marketing are more developed than in Malaya. In 1948 there were 193 producers' societies with a membership of a little over 23,000. Their sales amounted to over \$5 million. Among the commodities handled were rice, tobacco, vegetables, onions and chillies. Other societies include fishermen's societies, co-operative dairies, societies of handloom weavers, a small rubber-growers' society and a village factory for the manufacture of coir products.

Perhaps the most remarkable development during the war has been that of the consumers' movement. The results achieved during the space of five years have been spectacular. In 1942 there were scarcely 50 consumers' societies out of a total number of 2,000 co-operative societies. By 1946 there were more than 4,000 of them with a membership of over one million and serving nearly four million consumers, or two-thirds of the total population.

There has been a reduction in the number of consumers' societies since then, owing partly to the amalgamation of some of the units with their stronger neighbours and partly to the closing down of a few of the weaker units. The total number of societies in 1948 was 3,887, and their total sales amounted to more than \$108 million.

Need co-operative activities be extended in Malaya?

It is unfortunate that the movement in Malaya has been retarded in its development by nearly four years of Japanese Occupation. This has necessitated a period of reconstruction, during which little expansion has been possible. Reconstruction is now practically complete, and the question arises: What is to be the future of the movement? Is progress to proceed along the traditional lines of slowly developing the thrift and credit societies? Should active encouragement be given to the development of other forms of co-operation?

Although the policy of concentrating on the development of co-operative thrift and credit societies as a method of attack on the problem of indebtedness has given the movement a sound foundation, only a small part of the problem has been dealt with. Unless the problem is tackled on a much larger scale, the standard of living of peasants and labourers will continue to be depressed. Moreover, it is difficult to separate co-operative marketing, purchasing and housing from the credit movement, as they are complementary methods of attacking the same problem of indebtedness. Thrift societies teach the peasant and labourer the advantage of thrift as a means of avoiding debt. Co-operative marketing enables the peasant producer to obtain a better price for his product, and by raising his income helps him to increase his savings. Co-operative purchasing enables him to spend his income wisely, and to practise economy while spending.

The need for an active policy of developing other types of co-operative activities has been emphasized by those concerned with the economic problems of colonial countries. In its report on 'Co-operation in the Colonies', the Fabian Colonial Bureau lays great emphasis on the importance of developing co-operative organizations among colonial peoples. It points out that the poverty of peasants in the colonies is, in particular, acute and that no schemes for the removal of the worst features of such poverty could be expected to succeed if they do not give a central place to co-operative organizations.

What has co-operation done in other countries?

It is, however, reasonable to ask why so much stress should be laid on the need for developing a movement which has hitherto made relatively slow progress in Malaya. To answer this question, it is necessary to consider what co-operation has done for the people in other countries.

The modern co-operative movement is a little over a hundred years old. It originated in 1844 with the establishment of the famous Equitable Pioneers' Co-operative Society in Rochdale, England. Though the Rochdale Society was established on a small scale, it was from the first a success because its foundations were sound. This example was soon followed by other societies which sprang up thickly among the mining villages and the cotton and woollen towns in Lancashire and Yorkshire. To-day, there are over 1,000 co-operative retail societies in Britain with a membership of over ten million. The total sales of the co-operative retail trade amount to more than \$3,400 million annually.

Nor is this all; the movement embraces wholesale trade, production, housing, printing, insurance and banking. The progress of the co-operative wholesale societies in the United

Kingdom has been just as remarkable as that of the retail societies. The combined sales of the English and Scottish Co-operative Wholesale Societies in 1946 amounted to more than \$2,000 million. Co-operative production including clothing, footwear, printing and metal work is carried on by the retail and wholesale societies as well as by the producers' societies. The total value of co-operative production in 1944 was about \$1,000 million.

In considering the benefits which the British working classes derive from co-operation, we must bear in mind not only the savings enjoyed by the members in the form of annual dividends on purchases but also the employment and the social services provided by the movement. More than 350,000 men and women have found employment in the various co-operative organizations, which also provide for their members a wide range of social services such as education, health insurance and youth work. The British movement has its own co-operative college, men's and women's guilds and youth clubs.

The co-operative movement is now world-wide in scope and is particularly important in the economic life of Europe, where more than one-quarter of the population in 1939 were members of co-operative societies.

Has the co-operative method been applied to agriculture?

The co-operative method has also been applied with success to agriculture. The classical example of agricultural co-operation is in Denmark, where agriculture has progressed rapidly through the scientific and intensive development of animal husbandry. In this remarkable progress a leading role was played by the co-operative movement.

The co-operative principle is applied to almost every branch of agricultural activity in Denmark. A feature of the



movement is the well-developed system of co-operative marketing. The chief commodities handled are butter, bacon and eggs. There are co-operative export associations which handle about 50 % of the total export of butter. About one-third of the export trade in bacon is handled by the Danish Co-operative Bacon Agency and 90 % of the butter and 82 % of the bacon are produced in co-operative creameries and bacon factories. The grading of eggs is done by co-operative societies.

Because of the benefits which co-operation has conferred in such cases, much emphasis is laid on the importance of developing co-operative activities in those countries where co-operation does not exist or where its progress has been slow. Thus the United Nations Conference on Food and Agriculture at Hotsprings, Virginia, 1943, pointed out the very great importance of the co-operative movement 'both to urban and rural populations, especially in agricultural districts where farming is based on small units, and in urban areas of low income families', and stressed the belief that 'the proper functioning of co-operative societies may facilitate adjustments of agricultural production and distribution, as members have confidence in the recommendations and guidance of their own co-operative organizations, which they know operate in the interests of their members and of society in general'. Finally, it recognized that 'the democratic control and educational programmes, which are the features of the co-operative movement, can play a vital part in the training of good democratic citizens, and assist in inducing a sound conception of economic matters'.

Can it improve the economic condition of Malayan peasants?

The part which co-operation can play in improving the productivity of agriculture is particularly important in

Malaya, where nearly 60 % of the acreage under cultivation is in the hands of smallholders. It was, in fact, with the object of assisting these peasant smallholders to solve their economic problems that rural co-operative societies were first organized in this country.

The most important problem confronting these smallholders is that of raising the general level of productivity. This is essentially a problem of improving the technique of agriculture, and is beyond the capacity of the individual peasant, whose illiteracy, conservatism and general poverty preclude him from initiating any reforms. Moreover, agricultural improvement involves research into the use of better varieties of seeds and fertilizers, the control of pests and diseases and expensive schemes of irrigation and drainage. It is, therefore, not possible for the peasant to increase productivity without the assistance of the State.

The importance of State assistance in improving the productivity of agriculture has been recognized in Malaya, where the task of agricultural research is in the hands of the Department of Agriculture and the Rubber Research Institute. For the purpose of teaching improved methods of cultivation, the Department of Agriculture maintains a staff of Asian Agricultural Assistants. Similar duties are performed by the Asian Rubber Instructors attached to the Rubber Research Institute. Though the role of these Asian agricultural officers is considered to be of central importance in the programme of agricultural education, it has always been recognized that the collaboration of the Co-operative Societies Department is also valuable. Indeed, though the staff of Asian Agricultural Assistants and Rubber Instructors has been considerably increased during the past twenty-five years, it is inadequate to tackle effectively the task of educating the mass of the peasants unless the latter are organized.

It is here that the co-operative movement has an important function to perform. Rural co-operative societies provide a platform for those peasants who have acquired the new technique to instruct their fellow peasants. They enable the use of apparatus to be pooled and make the adoption and enforcement of the new methods a communal responsibility. In short, they enable the peasants themselves to participate actively in the application of improved technical methods, and thereby foster a clearer appreciation of efficiency in production.

Why provide credit facilities for peasants?

An aspect of the rural problem on which the co-operative movement has concentrated is the organization of credit facilities for the peasants. The initial outlay required for the improvement of agriculture is often beyond the means of the ordinary peasant smallholders, whose low income leaves them only a very small margin for saving. The absence of credit facilities is often one of the greatest obstacles to agricultural improvement.

The credit requirements of the peasants are varied. Credit may be required for long term, medium term or short term. Long-term credit for a period of twenty years or more is required for the purchase of land and houses or the improvement and drainage of existing holdings. Medium-term credit for a period of about five years is needed for the purchase of livestock, machinery and equipment, while short-term credit for a few months is required for the purchase of seed, to pay wages or cover other expenses of cultivation. Among the fishermen, long- or medium-term credit is needed for the purchase of boats, tackle, nets and other equipment, while short-term or seasonal credit is required to tide them over the slack season.