

**THE KOTWALI THANA CENTRAL COOPERATIVE  
ASSOCIATION (KTCCA): A STUDY ON  
SUSTAINABILITY OF TWO-TIER COOPERATIVE  
SYSTEM**

**By**

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ID No: 05272008**

**Submitted to**

**Center for Governance Studies  
BRAC University,  
Dhaka, Bangladesh**

**Dissertation Submitted for Partial Fulfilling the Requirements for the  
Degree of MA in Governance and Development Programme 2005-2006 at  
Centre for Governance Studies, BRAC University, Dhaka, Bangladesh.**

**September, 2006**



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## Foreword

This is a Master's Dissertation submitted for partially fulfilling the requirements for the Degree of M A in Governance and Development Programme 2005-2006 at Centre for Governance Studies, BRAC University, Dhaka, Bangladesh. This dissertation is based on a study on sustainability of Two-Tier Cooperative system with the performance evaluation of KTCCA, Comilla which is recognized as the laboratory of the Comilla Model of cooperatives.

Two-Tier Cooperative system was developed by Dr. Akhter Hamid Khan with a view to providing effective support services to the distressed small farmers through introducing mechanized agricultural farming to protect them from high cost of credit and low productivity. This system did well in the initial years under the leadership of Dr. Khan. It was then replicated as a national programme recognizing its structural innovation and strength. Over the years, its effectiveness was, however, questioned by many because the initial success could not be sustained and several perceptible weaknesses crept into the system.

The KTCCA has been incurring huge loss from the independence till today. Quality and volume of the training, which was the principal task of this organization to build institutions as well as the welfare of the members of the societies, have deteriorated over the years. This system is also partially liable as the primary societies were the distributional points for modern agricultural inputs for creating environmental hazards by excessive use of fertilizers and insecticide, and overextracting underground water for irrigation.

This prevailing situation in this system is created due to lack of strong leadership, absence of democratic values, improper guidelines, corrupt practices and using the cooperatives as the elevator to earn social reputation and status. All these issues bred problems that stood on the sustaining of the system.

The study made an inventory in its concluding remarks compiling the findings focusing its strengths and weaknesses. It's my hope and desire that this study will help for further research to discover the unfolded issues of Two-Tier cooperative system.



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### **List of Abbreviations**

AGM	: Annual General Meeting
BARD	: Bangladesh Academy For Rural Development
BRDB	: Bangladesh Rural Development Board
B.C	: Before Christ
BRAC	: Bangladesh Rural Advancement Committee
CDIRDP	: Comilla District Integrated Rural Development Programme
CVDP	: Comprehensive Village Development Programme
DTW	: Deep Tube Well
ERR	: Economic Rate of Return
HYV	: High Yielding Variety
IRDP	: Integrated Rural Development Programme
IBA	: Institute Of Business Administration
JICA	: Japan International Co-operation Agency
KTCCA	: Kotwali Thana Central Cooperative Association
KSS	: Krishi Samabaya Samity
NGO	: Non-Government Organization
OED	: Operation Evaluation Department
PARD	: Pakistan Academy For Rural Development
PKSF	: Palli Karma Shohayak Foundation
RWP	: Rural Works Programme
STW	: Shallow Tube Well
TTDC	: Thana Training and Development Centre
TIP	: Thana Irrigation Programme
UN	: United Nations
UCCA	: Upazilla Central Cooperative Association
V-AID	: Village Agricultural Industrial Development



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### **Note on Access to Contents**

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**Md. Mahbub-ul-Alam**  
**Researcher**



## **Executive Summary**

This dissertation prepared for partial fulfillment of Master's Degree requirement examines empirically the managerial, financial and ecological sustainability of two-tier cooperative system with particular reference to Kotwali Thana Central Cooperative Society (KTCCA), Comilla which is recognized as the laboratory area of the Comilla Model. Empirical studies were conducted through three types of questionnaires. Moreover, an opinion survey of the management and employees of KTCCA have been incorporated to understand their feelings and interpretation on the issues.

Bangladesh has long and rich experiences in rural development since early 20th century. In order to speed up the socio-economic development of the country, Bangladesh Academy for Rural Development (BARD), Comilla was established in May 1959. Dr. Akhter Hamid Khan was appointed as the Director of the Comilla Academy in 1960 and he started a pilot experiment immediately after his appointment in the nearby villages to test the solutions to the problems prescribed by him in a previous research. The two-tier cooperative system is the outcome of his research for economic emancipation of the rural people. KTCCA was established as the laboratory to test the efficacy of the model through providing effective support services to primary societies. In the early seventies the model was replicated to other areas of the country.

The study found that the organization did well in the initial years, but democratic tradition of the society was not built in the Association: it never had a chance to take roots. The society was, however, running at a profit due to strong leadership of Dr. Akhter Hameed Khan and his dedicated colleagues. When Dr. Khan left the KTCCA immediate after the independence it started incurring loss over the years. The cumulative loss of this organization is huge: Tk 83, 46,056 taka. KTCCA could not distribute any dividend for a long time. The sustainability of the organization is questioned because a system cannot sustain with losses for indefinite period.



The study observed that a number of the primary societies remained inactive for a long period indicating its weakness in motivational capacity to create a center of attention for the rural people.

The study found that out of 433 primary societies affiliated with the KTCCA; only 308 societies were functioning actively. This position of the primary societies is due to lack of proper supervision by the managing committee and ineffective guidelines to motivate members of the primary societies.

The study found that the accumulation of capital is a source of strength for a cooperative organization, but the rate of capital accumulation at KTCCA's level is low considering a large number of primary societies affiliated to it.

The study found that the primary societies have defaulted badly in the repayment of their loans from KTCCA. In the absence of the recycling fund, the Association is facing extreme difficulties to operate its credit programmes.

Training is an important service through which members of the cooperative societies can enhance their skills, knowledge and change the attitude. The study found the quality and volume of the training arranged by this central organization deteriorated over the years. Only 10 members from each society got the training annually in the previous five years.

The study found the support services to the primary societies have been reduced to the point that some of the active societies would not hesitate to leave the KTCCA if facilities are made available to them by other organizations.

The Comilla Model of cooperative system is often perceived as responsible for the arsenic contamination and creating environmental hazards because of the introduction of the Shallow and Deep Tube Well, popularization of use of fertilizers and insecticides in the country. The study finds, regarding the environmental impact of this programme, that arsenic problem was not detected first in the study area. Arsenic contamination of ground waters was first detected in Bangladesh in 1993 by the DPHE in Chapai Nawabgonj in the far west of Bangladesh in a region adjacent to an area of West Bengal which has been



found to be extensively contaminated in 1988. So, the arsenic contamination in ground water is not the effect of cooperative system.

The study found that quality of soil structure and fish farming in the command area of KTCCA have suffered owing to over use of fertilizers and insecticides. It was observed in the study that cooperative system played a pioneering role in the green revolution of Bangladesh in the sixties introducing HYV crops, irrigation, fertilizer and insecticides, but these intensive production systems exerted excessive pressures on agricultural soil due to high cropping intensity.

The study observed that two-tier cooperative system has made significant contribution to farm modernization in the societies and had helped the BARD to test its model and provided some social services. It has also made significant contribution to introduction of supervised credit through primary cooperatives at village level, training of local farmers and leaders for managerial and technical skills, introduction of mechanized cultivation and promotion of improved practices.

But as a central cooperative society, it has a poor record both in terms of management indicators or economic viability. The KTCCA does not stimulate hope for other Upazila Central Cooperative Associations (UCCA) which is allowed to ignore principles envisaged in the cooperatives act and rules to develop it as self reliant organization based on sound business model.



## **Chapter One**

### **Introductory Statement**

#### **1.1 Statement of the Issue**

Bangladesh won its independence through a bloody war of liberation aiming at social and economic emancipation of its citizens. The hopes of independent, new state of Bangladesh were embodied in its constitution.

Article 14 of the constitution spells out that one of the basic goals of the state is: "The emancipation of the toiling masses - the peasants and workers and backward sections of the people from all forms of exploitation". Article 16 declares as constitutional responsibilities to narrow economic disparity between rural and urban areas describing "effective measures to bring about radical transformation in the rural areas". Article 19 directs to adopt effective measures "to remove social and economic inequality between man and man".

An institutional base at grassroots level is the most important tool for developing countries like Bangladesh to carry efforts for rural development for several reasons. First, irrigation is the most effective engine of growth in agricultural sector. In minifundist agriculture like Bangladesh where the small plots are scattered, modern irrigation involves the close cooperation of a number of farmers. Secondly, it is not sufficient to commission irrigation equipment. It has to be properly operated and maintained. This cannot be done without effective grass-root institutions. Thirdly, rural development organization should be self-sustaining. They cannot count on indefinite flow of resources from outside. So, promotion of cooperatives and grass roots organizations has been recognized by the state as an effective means to augment agricultural production and in turn citizen's welfare.

A sustainable cooperative system was in place for development at local level in this subcontinent since its inception when the Co-operative Credit Societies Act was enacted in 1904 in the light of Famine Commission Report of 1901 and got a separate entity after the passing of the Bengal Cooperative Societies Act in 1940. Till today a cooperative is a distinct form of development institution, especially for rural areas. This system can ensure participation of the poor in the income generating activities. It can also change the attitude of the rural people and create sense of ownership among them.

Sustainability is very important and has become a burning issue in developing planning, especially in the planning of rural development and poverty alleviation. Not



enough research has been done so far to clarify the concept of sustainability in the context of cooperative system.

Bangladesh Academy for Rural Development, Comilla was established in May 1959 to train government and semi governmental personnel at all levels concerned with rural development. When Dr. Akhter Hamid Khan was appointed as the Director of the Academy, he started a pilot experiment in the nearby villages aiming at alleviating of the problems identified by earlier research in the rural areas. In 1960, the government gave the Academy permission to use Comilla Kotwali Thana as a laboratory to test the model for rural development as developed by Dr. Akhter Hamid Khan. Ford Foundation helped the Academy with financial grants and the pilot experiment. Subsequently, the project was included in the government's Five-Year plan.

Comilla Kotwali Thana Central Cooperative Association (KTCCA) was nucleus organization formed to promote a two-tier cooperative system: the Primary Agricultural Societies (KSS) and their supportive central cooperative society (UCCA).

## **1.2 Rationale of the Study**

For over 45 years, Comilla Kotwali Thana Central Cooperative Association (KTCCA Ltd.) has been working among the rural people of Comilla Adarsha Sadar and part of Burichong Upazilla (Recently Sadar Upazilla have been divided into two Upazilla named Adarsha sadar and Adarsha Sadar(South). The objective of this organization is to provide support services to primary co-operative societies for their sound development as economic institutions. It is relevant and appropriate to study the sustainability of KTCCA from managerial, financial and environmental /ecological point of view.

## **1.3 Objectives of the Study**

The major objectives of this study are:

- (a) Clarify the concepts and indicators of sustainability and assess the sustainability of two-tier cooperative with special reference to KTCCA's performance.
- (b) Observe and analyze the contribution to social change of this programme.
- (c) Examine the assets, experiences, skills and others capabilities earned through this organization.
- (d) Identify the strengths and weaknesses of two-tier cooperative system.



## **1.4 Scope of the Study**

Analyses and evaluations of the Comilla experimental phase of two-tier cooperative system by different organizations and many individuals were reviewed in the study. The other part of the study was conducted in the field at KTCCA. The primary societies affiliated to KTCCA were selected on the basis of excellent, good and weak performances. Financial strength, managerial capability and ecological impact of the programmes initiated by this system were considered as the indicators to measure the sustainability.

## **1.5 Limitations**

- a) The study area is situated at Comilla, which is about 100 km far from the campus of Centre for Governance Studies (CGS), Dhaka. It was somewhat difficult to collect data and other information within a short time allotted for this purpose.
- b) Collection of data of "C" category (Criteria of categories is shown in Appendix 07) societies was not available by reason of poor maintenance of records and registers of the societies. I had to consult and verify the collected data from primary societies with central body, which was time consuming.
- c) The Managers of the surveyed Cooperative Societies played dominant role during discussion with other members of the societies.
- d) Quality of data was affected by respondents' preference, motivation and comprehension capacity.

## **1.6 Organization of the Paper**

It is divided into six chapters. The first chapter describes objectives of the study, and its scopes and limitations. Chapter two delineates in brief history of cooperatives and its evolution in the sub continent and cooperative movement in Bangladesh. Chapter three describes about the previous studies on two-tier cooperatives. The chapter four narrates the methodology of the research. The fifth chapter describes results and discussions of the studies. The chapter six summarizes the findings of the study.



## **Chapter Two**

### **A Brief History of Cooperatives and Its Evolution**

#### **2.1 Concept of Cooperatives**

By cooperative we usually understand working together to achieve certain interest. Cooperation is defined by Calvert (1916) as "a form of organization in which persons voluntarily associate together as human beings on the basis of equality for the promotion of economic interest of themselves".

Obaidullah (1996) stated that since cooperation aims at efficient business, it is an enterprise. It combines good points of capitalist as well as socialist forms of organization. Calvert (1916) also stated that "a cooperative society enables the members to put in their best to attain a higher standard of living for themselves without, in any way, exploiting others, it honors human values and also provides incentives. In a cooperative set-up none of the factors of production is allowed to get an upper hand over the other. Surplus, if any, is distributed among all the factors of production in fair proportion. In a cooperative society, we find a complete amalgamation of interests of workers and their employers and of consumers and producers. This harmonization of interests leads to mutually beneficial policies in a cooperative; capital does not play a deciding role in management. Each member, irrespective of his investment in business, possesses an equal voice in management".

If we analyze the concept of cooperative mentioned above, we can say that among all economic concepts based on commercial thinking or on consideration of social welfare and equality of opportunity, cooperative system operates as a moderating system.

#### **2.2 Genesis of Cooperative Movement in the Sub-Continent**

Reports of three Famine Commissions (1880, 1898 and 1901) brought the problems of the growing unrest among the peasants of British-Bengal against the exploitation of money lenders, frequent floods and famines to the surface. Other contemporary study reports, prepared by Sir Frederick Nicholson, a civil servant of Madras Presidency in 1885, and 1897, suggested organizing credit societies of Raiffeisen type of cooperatives, which flourished in 19th century in Germany, in order to solve the problems of rural indebtedness and poverty. Even before the Nicholson report was published, the work on rural institution building like



"Rural Cooperatives" had started. The first Raiffeisen type credit co-operative society was set up in Madras in 1892. (Obaidullah, 1996).

### **2.3 Features of the Credit Co-operatives**

The main feature of the credit co-operatives that started to grow up since 1892 were:

- a) The co-operatives were agricultural credit society
- b) They were village based
- c) Raised funds through sale of shares to their members and deposits from both members and non-members
- d) Provided credit to members in need.

Khan (1989, p.7.) stated that the genesis of Rural Works Programme (RWP) may be traced back to Chanakya's Artha Shastra in the 3rd century B.C. The system of state-run agricultural credit is old as the Mohasthangar inspiration of 2nd century B.C.

### **2.4 Characteristics of Cooperatives in Bangladesh**

A cooperative is a democratically disciplined economic organization with social mission. It is different from private enterprises in two aspects; the first is teleological and the second relates to management style.

Husain (1987) stated, "Cooperatives are small profit organization. They are not designed only to serve social purpose at any cost. Cooperatives cannot run depending on the government subsidy for indefinite period. They have to be self reliant and sufficient earning profit and create assets and resources".

However, the management style of cooperatives is different than that of private enterprises. Here the focus is on the person, not on his purse. The management is the joint responsibility of the members in the managing committee. Rigid accountability is the essence of management style in the cooperatives. The shareholders have far greater sense of participation in cooperatives than in the private sector organization.

Cooperatives are autonomous units. The shareholders voluntarily unite to form their cooperatives. They decide about the objectives, chose their area of operation and frame their own by-laws. There is no legal obligation for them to seek affiliation from any higher



authority. The basic organization is, therefore, the primary society. The activities of the cooperatives are expected to centre on the primary societies.

## **2.5 Nature of the Organization**

The tradition of self-sustaining cooperatives continues in most of the industrially developed countries of Europe. On the other hand, cooperative movement in Bangladesh is, therefore, a movement of the government.

Husain (1987) observed, "In this part of the world government is the biggest, the most powerful and the resourceful organization. The cooperative leaders elected to benefit from interaction with this organization. Such interaction brought power, prestige and resources for them. It did have its costs as well; the leaders had to pay in terms of their autonomy. Government's interactions often meant government intervention. And that is the crux of the autonomy controversy in the cooperative sector".

## **2.6 Size of the cooperatives**

The size of the group is important; it has implications for the group interaction, motivation, management style and economic viability. For cooperatives the minimum size is prescribed but no limit has been set on maximum size. According to the Section 8 (A) of the Cooperative Act of 2001 (amended in 2002), 20(twenty) or more adult individuals can voluntarily join to form a cooperative society and Section 8 (B) of same Act permits to constitute a Central Society with minimum 10 (ten) societies to provide help with promotional activities and coordinating among them. Husain (1987) observed that "But it is justified to say that any attempt to prescribe the standard size of cooperatives either in terms of membership or volume of transaction is at least irrelevant, if not counter productive. The size of the society should depend on the felt need of the society. The burden of the argument is that societies have to be economically viable and administratively manageable within the framework of cooperative principles".

Hye (1983) stated that "in respect of the size of the cooperative groups, the consultant recommended that stress should be more on quality than on quantity. The rural primary units should, therefore, be small units on the basis of one society for one village or a compact group representing a lesser or a bigger area".



## **2.7 Hierarchy of the cooperatives**

There are seven types of hierarchical organizations of the cooperative societies in Bangladesh. Primary societies are common in six out of seven structures. Ten or more societies, in order to facilitate their work, may form a central society. It is not, however, necessary for the primary societies to form a central society. Similarly central societies are under no obligation to affiliate them with any national society. The Ordinance is silent about the minimum number of central society require to establish a national society; the rule prescribes minimum number to be ten.

## **2.8 Evolution of Two-Tier Co-operative system**

### **2.8.1 Background**

Bangladesh Academy for Rural Development (BARD) was established in 1957 (then it was known as Pakistan Academy for Rural Development (PARD) and started working in full swing in May 1959. Dr. Akhter Hamid Khan was appointed as first Director of the Academy. When Dr. Akhter Hameed Khan was appointed as the Director of the Academy, he accepted the Directorship of this institution as a challenge to bring the change to this society. He started a pilot experiment in nearby villages to test solutions to the problems identified by his previous research in rural areas and to relate his teaching to practice.

### **2.8.2 Problems Identified by the Survey**

Problems identified by the BARD survey team as follows:

- (a) The villagers were affected and suffered from floods, followed by sporadic cyclones, tornadoes and hailstorms as well as draughts.
- (b) Loss of the spring rice crop and severe damage to the autumn crop were common.
- (c) In less than a century, population growth had decreased the average family holding from five to less than two acres, usually in separated fragments of land.
- (d) Deeply indebted, most farmers owed one half of crops to moneylenders.
- (e) The society was bound by feudal tradition.
- (f) Most village women were restricted to their home compound in "pordha".
- (g) Each year the great silt laden Ganges and Brahmaputra rivers enriched the soil, but the poor grew poorer.



(h)

iving on scattered hillocks in some 400 villages of surveyed area, one kinship group was usually separated from another in the same village during the flood season.

(i) Lack of road communications and distrust of neighbors in competition for land discouraged looking outward.

(j) Four- fifths of the villagers were illiterate.

(k) Isolation and ignorance led to withdrawal, each group thinking its hardships were distinctive and beyond hope of resolution. ("Ramon Magsaysay Awardees for Government Service- Akhter Hameed Khan", 1963). Dr. Khan brought these detected problems to the notice of the Government and submitted a plan to solve these problems.

### **2.8.3 Acceptance of Proposal by the Government**

When the Academy for the Rural Development at Comilla started functioning in 1959, the first Five-Year Plan of Pakistan was drawing to a close. The second Five- Year Plan was published in 1960 pointed out the disappointing failures in the key sector of agriculture and stressed the need to attach higher priority to increasing agricultural production (Planning Commission, 1960). There was considerable debate over the appropriate institutional framework and social organization to achieve the goal of increased agricultural production. Various proposals were studied and discussed at the Comilla Academy. Between August 1959 and January 1960 many experts to solicit input from the villagers about the ways to address the problems visited many villages in the Comilla area. There was a strong feeling that experimentation would be necessary to discover a viable institutional form. It was realized that the objectives of the experiment would be to promote the formation of small cooperative groups of farmers who would adopt improved method of farming, implements and machines. The small group cooperative would aim at becoming self sustained. Khan (1961) stated, "The members would learn to save and collect their own capital and invest in better farming. A co-operative group would overcome handicap of small holdings. It would be possible for members to use implement and machines which they could not own individually and on this basis it may be possible to build a bigger structure of co-operative credit and marketing".



In April 1960, a consultant from the Co-operative Department examined the area around Comilla, the various schemes of the Academy for institutional development and proposed a pilot project to achieve the objective which was described in the First Annual Report of PARD (1961): "to carry out an intensive programme of cooperative among the villagers in the first instance and then to impart proper training to representatives of small homogeneous groups who would have organized themselves for carrying joint economic activities as a result of the cooperative education received".

It was then recommended to move away from the Union Cooperative Multi Purpose Societies, which were brought into being five years back (1956) in the Village-AID unit in Comilla. The consultant also recommended that a central federation of village-based primary co-operatives should be formed separately from the Comilla Central Cooperative Bank, as the Bank could not serve the purpose. It has recommended that a Thana Central Society be established with multiple objectives, as a federation of all the different types of primary units that will come into being under the pilot project.

It was recommended that the central society should carry out the following activities:

- (a) Supply credit and distribute supplies (fertilizer, seed etc.)
- (b) Provide services (training use of tractors, machines)
- (c) Market agricultural products
- (d) Provide co-operative education and training and
- (e) Help with promotional activities for cooperatives.

#### **2.8.4 Experimental Phase of this System**

The Academy evolved out of a series of experimental projects designed and executed by The Academy in its Laboratory area- the Comilla Kotwali Thana. The four basic projects that were designed, experimented and replicated throughout the country as national programs whose inter- relationship is very much important to achieve the desired results are commonly known as Comilla model. Husain (1987) described those programmes: "The model designed by the Academy had four components, namely, Thana Training and Development Centre (TTDC), Rural Works Programme (RWP), Thana Irrigation Programme (TIP) and Cooperative. These comprised three critical areas of development-administrative



infrastructure and socio-economic infrastructure. It was a testable mode. The Academy embarked on an action programme to test the model in Comilla Sadar Upazilla (the Kotwali Thana) which was declared the laboratory is of the Academy".

The Comilla model didn't undermine the existing government institutions. The architects of the model appreciated that in a developing country like Bangladesh government was the biggest, the most powerful and the most resourceful organization. Their support strengthened the programmes. Ignoring government agencies would mean depriving people of their legitimate share in governmental resources-money, power and organizational strength.

## **2.9 Functions of the Two-Tier Cooperatives**

The two-tier cooperative system is being regulated on the basis of clear-cut functions and interrelationships between the primary societies and central body.

### **2.9.1 Major Activities of Primary Societies**

The major activities of the primary cooperatives are:

(1) Capital formation through savings (2) Learning and adoption of improved methods of agricultural production (3) Joint planning (4) Ownership of co-operative machines and equipment (5) Members' education (6) Joint use of machines and equipments (7) Joint use of water, power and other facilities. (Hye, 1993.p.5)

### **2.9.2 Responsibilities of Central Body**

The functions of the Central Association are:

(1) banking and credit functions (2) marketing (3) machine and service facilities (4) maintaining liaison with different development societies (5) training and extension services (6) irrigation and electrification (7) planning and implementation of programme (8) initiating and promoting plans and activities for local development. (Hye,1993.p.5)

### **2.9.3 Principles for the Primary Societies**

Each village co-operative, before the affiliation to the Central Association, has to abide by the following principles:



(1) Organize itself and become a registered co-operative society (b) hold weekly meetings with compulsory attendance of all members (c) select a trusted man from the group and send him to the Academy every week for training as organizer and trainer for the group (d) keep proper and complete accounts (e) use supervised village production credit (f) prepare joint production plans (g) adopt improved agricultural practices and skills (h) make regular savings deposits in cash and kind (i) join the Central Co-operative Federation and (j) hold regular member education discussions.

The two-tier co-operative was organized first in the Comilla Sadar Kotwali Thana and, to further test the model, it was expanded first to three thanas outside Comilla District. Then in 1965, under the Comilla District Integrated Rural Development Programme (CDIRDP), it was expanded to seven thanas (now it is renamed as upazilla) in Comilla and finally in 1968, the remaining thanas of Comilla District were also brought under the co-operative programme.

## **2.10 Information about KTCCA Ltd: the Laboratory Organization of Two-Tier Cooperatives**

### **2.10.1 Basic Information About KTCCA**

The KTCCA is a central cooperative society registered under the Cooperative Act of 1940, which was supplemented by the Cooperative Rules of 1942. The society was registered in 1962 with 50 primary agricultural and 6 non-agricultural type societies. It was established as a part of the scheme called "Introduction to Mechanized farming on Co-operative basis in Comilla". The objective has been defined as follows as described by Fairchild & Husain (1962):

"The scheme is an experiment in methods to increase agricultural production by intensive farming through modern farming technique and use of machinery. The approach is expected to demonstrate the importance of co-operatives in solving problems of small holding and in providing supplies and services to those cultivators whose lands are not sufficiently extensive to justify the individual purchase of power units. The scheme also aims at providing a model demonstration area for other cooperatives and to arrange for their training and a laboratory area for research and collection of data on cooperation and mechanization".

The Bye-laws of KTCCA had the following two major objectives:

- (a) Promotion, servicing and providing support for the sound development of member cooperatives
- (b) Serving as a research and demonstration laboratory in cooperative development and rural development



The project got into momentum with the attempt of Bangladesh Academy for Rural Development (BARD) at bringing about a change in the rural economy. The Academy's experimentation on rural development started with institutional innovations with the objective of introducing technological and other changes in the rural activities. The KTCCA has been the experimental and research laboratory of the Academy.

### **2.10.2 Organization of KTCCA**

Though KTCCA started as a supporting organization for the village level primary agricultural and non-agricultural societies conforming to the two-tier model of the new cooperatives, it ultimately has become an 'association of associations'. Before 1983, it was the supporting confederation for two federations and others members societies. The background of constituting the confederation was that during 1964-65 some organizational re-arrangement was made at the Central Association level when the non-agricultural primary societies were federated separately into Special Co-operatives Federation (SCSF) and in 1965-66 a new Central Association was created for the primary societies named Agricultural Cooperative Federation (ACF). With this development KTCCA assumed a new role as a greater Central Association and became sort of a confederation of SCSF and the ACF. The KTCCA thus became a supporting confederation for these two new federations and others members societies.

KTCCA's status was not clearly defined in terms of Cooperative Act while forming these federations. There was some anomaly in this arrangement, as the co-operative Act did not envisage any coordinating forms for two central societies. KTCCA could perform this task only it was registered as national society. This created some management problems, which were ultimately corrected by dismantling the federations and were amalgamated back into the KTCCA in 1983.

### **2.10.3 Functions of KTCCA**

The KTCCA started carrying out as a core body to support the primary cooperative societies both in agricultural and non-agricultural fields. The support has been primarily through the banking services to the cooperatives. The KTCCA borrowed from the national financial institutions and then distributed to the affiliated federations and primary societies. It also provided agricultural equipment, training, research, and extension services to the agricultural cooperatives. But the most considerable contribution of KTCCA in the field of



agriculture has been through the introduction of tractors and other agricultural implements along with water supply to the field through the sinking of tube wells. The acceptance of the concept of underground water for irrigation in this country has been the result of experiments and efforts of KTCCA since its inception. The tube well sinking and research activity of KTCCA started as early as 1962 while the Bangladesh Agricultural Development Corporation started its tube well division in 1968.

Since its inception, the efforts of KTCCA have been the development of rural economy. In order to provide opportunities for development, KTCCA undertook activities, which were expected to bring further benefits to the rural cooperators. It was felt that rural health would be maintained with poultry and dairy facilities; better income would be ensured with paddy processing plant in a large scale.

Thus in addition to its loan activities with the member federations and other member societies, the KTCCA has developed the following units/sections under its direct control.

The works of KTCCA:

1. Modern Rice Mill.
2. Mechanical Cultivation Section.
  - (a) Movement Unit.
  - (b) Maintenance Workshop
  - (c) Central Store
  - (d) Trucking Unit
03. Tube Well Sinking.
04. Tube Well Research.
05. Agricultural Farm.
06. Poultry Farm.
07. Dairy Farm.
08. Beef Fattening and Meat Processing.
09. Feed and Atta Mill.
10. Agricultural Research.



11. Sonaichari Irrigation Project.
12. Cooperative Press
13. Cooperative Press: purchase and sales.
- 1 4. Fertilizer Business
15. Abhoy Ashram Cafeteria.
16. Potato Business.
17. Banking, Import and Marketing Unit.

(Source: A Study on KTCCA by IBA, Dhaka University (1976)).

The organization recently rearranged its divisions to carry out its activities punctually.

The divisions are:

(1) Administration (2) Development and Research (3) PKSF (4) Marketing (5) Field Services (6) Training, Press and Publication (6) Credit and Law (8) Deep Tubewell, Sonaichari Project and Survey (9) Agricultural Extension (10) Rural Development. (Source: 30th Annual Report, 2005).



### **Chapter Three**

#### **Review of the Literature: Study of Two-Tier Cooperative**

The Two-Tier Cooperatives experimented in Comilla and now a national programme is the longest running example of this structural innovation. It opened a new world of cooperative capitalism and has a subject to critique. Many studies were conducted analyzing the strengths and weaknesses of two-tier cooperative system.

Hye (1993) stated the Two-Tier Cooperative as one of the most successful programme initiated by Dr. Akhter Hamid Khan. He observed this system as an exiting saga of rural development in Bangladesh that has been unfolding over the past 45 years. He did a comprehensive study of this system analyzing the Comilla experimental phase, the IRDP replication and latest BRDB phase. He concluded his study as follows:

(A) The Two-Tier Cooperatives promoted and nurtured in Comilla Kotwali Thana in the early sixties survive today having gone through different phases that saw changes in management and in the scope of work. Initiated as a pilot project by the Comilla Academy for accelerated agricultural production, it was replicated as a national programme by a project authority (IRDP) and is now involved in both promoting agricultural production and poverty alleviation under an autonomous organization (BRDB). In the process the two -tier cooperative system has proved its versatility both for agricultural and non agricultural activities the potential for which were revealed as early as the Comilla phase in the sixties.

(B) The most important success and the lasting contribution of the two-tier cooperative has been its dissemination of the modern irrigation technology among a large number of farmers having small and fragmented farm holdings. It is doubtful if the HYV-based rice technology could spread as fast and as widely as it did in the late sixties and seventies in the absence of the organizational framework of the two-tier cooperatives. The failure of Grameen Bank to successfully operate the deep tube wells in the northern part of the country in 1990 boro season demonstrated the superiority of the two two-tier cooperatives in respect of irrigation management.

(C) One of the continual criticisms of the two-tier system has been their domination by large farmers. What has been revealed in the most of the analytical studies on Comilla cooperatives is domination by middle farmers who succeeded in controlling management as Hye (1993) observed that "these studies have shown that far from kept beyond the pale of power, small farmers have also benefited from the co-operatives in terms of loans, irrigation



water etc. Since promotion of agricultural production was the primary consideration, large land owners inevitably received benefits disproportionate to their number. The two-tier cooperatives have also been criticized for being expensive and heavily subsidized with the implication that since investment of such a magnitude cannot be repeated on a large scale the model is not replicable".

Dr. Akhter Hameed Khan evaluated Two-Tier Cooperatives through his long practical experiences with this system which was described in the book "The Works of Akhter Hameed Khan: Rural Development Approaches and The Comilla Model (1993)" and concludes as follows:

(A) The Two-Tier cooperative system is a combination of conventional and development administration. This system rejects the conflict between the law and order and development administration. It is found on the assumption that, despite the inherent weaknesses of traditional law and order administration, it will be counterproductive to bypass it. It, therefore, attempts to integrate law and order administration, local government and development activities.

(B) This concept is not the comparable department, which undermines or tries to bypass the general administration rather it is an associated organization to support the government's programmes. It is recognized that in the colonial countries, the most prestigious institution is the general administration. It has been like that for possibly the last 300 years or more, and it cannot be changed overnight.

(C) The main feature of Two-Tier Cooperative system is the shifting from multipurpose external change agent to single purpose internal change agent. The Comilla model departs from the orthodox community development and agricultural extension approaches which recommend the deputation of trained outsiders as change agents. Such outsiders have no sense of belonging to the community.

(D) Although the cooperative system is still active, the system is showing signs of decay. Loans and savings have shrunk dangerously. Prospects of self-supporting cooperative banking, marketing and processing are fading away. Weekly training conferences at the Centre, and weekly group discussion meetings in the villages which were mainsprings of a cooperative movement, are irregular or perfunctory.



Dr. Akbar Ali Khan (1989) observed the Two-tier Cooperative concept in his article "Decentralization for Rural Development" as successful means for decentralization and pointed out some strengths and weaknesses of this system as follows:

(a) This system stressed on integration of various components of rural development. The reason was that the relation between Rural Works and Irrigation Programmes and the cooperatives is very close and vital. The first two develop the production capacity of land and increase the farmer's income. The cooperatives safeguard them from money lenders and enable them to modernize their farming methods. If the Works Programme falters or the irrigation programme weakens, the cooperatives also wither away.

(B) There is a major defect of two-tier system that the programme did not offered any direct relief for the landless except the trickle-down effects of RWP and increased agricultural production. Thus the implementation of this model intensified inequality in the rural areas. As Dr.Khan (1983) pointed out that: "better drainage, link roads and irrigation substantially enhanced the value of land and its rent. The unearned increment of the landowners was a hundred times more than the wages earned by the laborers".

(C) The belief that villagers can solve their problems. The model is based on the assumption that villagers are experienced to undertake drainage, flood control, irrigation and road projects. The implementation of such schemes through government agencies would increase the cost and neglect the operation and maintenance of the project.

(D) Emphasis on training. The success of Two-Tier Cooperatives depends on continuous training.

(E) The flow of resources from outside. Though the model emphasized thrift deposits by small farmers for resource mobilization, it recognizes that the resources for infrastructure and other facilities can not be mobilized from the locality - the resources will have to be provided from above.

Obaidullah (1993, p.113-114) conducted a joint study on Rural Development Experiment in collaboration with BARD and Japan International Cooperation Agency (JICA). In the study he discussed about cooperative movement, cooperative concepts and Comilla Experiment of Cooperatives. His findings about the two-Tier Cooperatives as follows:



- (a) Several elements were combined and steps involved in the evolution of what is now known as Comilla Approach or Comilla Model.
- (b) The first step in setting up the pilot projects was the establishment of a training and research institution, - the Academy
- (c) The second step involved was the affiliation of a laboratory area, a whole Thana to this institution. The purpose of the laboratory was to carry on survey research and organize action research or pilot projects.
- (d) The third step was thorough study of laboratory area and intensive consultation with the villagers regarding their problems and their views about the solution of those problems.
- (e) The forth step was close collaboration with the national planning commission which made and evaluated policies and prescribed priorities in respect of plan and projects.
- (f) The fifth was continuous evaluation and documentation of the pilot projects not only to determine their progress but also to discover their weakness and revise them as and wherever necessary.
- (g) The important step was assisting the Government agencies in the multiplication of the models.

Khan, A.A, et.al. (1988, p.33-47) conducted a study on 'Sustainability of Rural Development Projects' with reference to RD-1 project. In the study, they evaluated the impact of Two-Tier Cooperatives, which was one of the important components of RD-1 project. The findings were as below:

- (a) The main strength of the Comilla type of Two-Tier Cooperative lies in its success in motivating the members to make small but regular thrift deposits. This also approach of Raifeisen cooperatives, which flourished in the 19th century in Germany. The UCCAs in RD1 have succeeded in mobilizing big amount of fund from the members in share and deposits.
- (b) One of the main functions of the two-tier cooperatives was to ensure the smooth and regular flow of short-term agricultural credit to small farmers for purchase of modern inputs in the crop season. Though there was a significant expansion of short term credit but recovery rate was very poor. This may be attributed to two



factors. First, credit is very often overdue with the large farmers and elites who dominate the managing committees of the cooperatives. Moreover, in some cases unscrupulous UCCA employees issued loans to fictitious persons.

- (c) The sustainability of two-tier cooperatives depends on its success in enlisting the participation of the rural poor. Development cannot be imposed from above. Development is not for the few- the elite and the best. It is for the many, the rural majority.

It was discussed in the article. "Ramón Magsaysay Awardees for Government Service- Akhter Hameed Khan" (1963, p. 6.) about the life sketch of Dr. Akhter Hamid Khan following the evolution of Two-Tier Cooperative System and concluded as:

(a) Unlike so many other community development efforts, the villagers in Comilla have not been reached last and least; attention has been centered upon them. Intimations of the new dimensions are already appearing in increased agricultural production and in savings accumulated by the societies.

(b) More important than these physical improvements, in Akhter Hameed Khan's view, are the means by which they were achieved. Village leadership and group involvement will determine whether the gains are cumulative and can be maintained and whether the methods are applicable to other areas.



## **Chapter Four**

### **Concept of Sustainability and the Research Methodology to Assess KTCCA's Sustainability**

#### **4.1 Sustainability: Concept and Relationship with Cooperatives**

##### **4.1.1 Concept of Sustainability**

Literally sustainability denotes "the ability to maintain adequate levels of production in the future" (World Bank, 1985, p.1).

The most commonly used definition of sustainability can be traced to a 1987 UN conference. It defined sustainable developments as those that "meet present needs without compromising the ability of future generations to meet their needs" (WECD, 1987).

Early (1998) defined "sustainability integrates natural systems with human patterns and celebrates continuity uniqueness and place making".

In review of these definitions, one notes that the environmental context is an important variable to most working definition of sustainability.

A somewhat holistic definition of sustainability was presented by Slovak ecologist Mikulas Huba in an interview with the "Live and Let Live" publication that "Sustainability entails a lifestyle which does not undermine the existence of others, of future generations and of Nature-- in both living and non-living forms. On the contrary, within the framework of existing possibilities, it makes an effort to be of direct benefit. As such it presupposes love and tolerance towards not only one's kin but also non-human forms of life, in fact the whole Earth--". ("The Elusive "Sustainability" and the way of the Cherokee".)

##### **4.1.2 Measuring Sustainability**

There are many ideas about the measurement of sustainability of a programme like KTCCA which have been working for the betterment of the rural people for over 45 years.

. The following two approaches may be used to measure sustainability though both of them have some limitations:

##### **4.1.3 Measuring Sustainability by ERR Approach**

According to Operation Evaluation Department (OED) of the World Bank, A project is considered to be sustainable if the Economic Rate of Return (ERR) at impact



evaluation is an acceptable level "equal to or greater than the assumed opportunity cost of 10%". (World Bank 1985, p ii.)

The indicator given by the World Bank has some limitations. The ERR tool is appropriate for evaluating the economic efficiency of a programme not for all aspects. Because a rural development programme like KTCCA should be evaluated also from managerial and ecological point of view.

#### **4.1.4 Measuring by Approach of Attaining objectives**

Sustainability of a programme can also be measured in terms of its ability to attain its objectives.

Khan, et.al (1988) observed that there are, however, three weaknesses of this approach. First, a programme usually does not attain all its objectives. It is difficult to determine the cut-off level of achievement for sustainability. Secondly, very often all objectives are not specified in quantifiable terms. Thus sustainability cannot always be measured in terms of success in attaining the objectives.

It is realized from the above-mentioned two approaches that the criteria for sustainability should vary from sector to sector and no single criteria may be satisfactory for all types of programmes or projects.

According to the indicators suggested by the Honadle and Vansant (1985,p.2.) the following criteria for measuring the degree of sustainability of rural development programme like two-tier cooperative system may be considered:

- 1). the continuation of local action stimulated by the programme
- 2). the generation of successors services and initiatives as a result of programme-built local capacity.

#### **4.2 Measuring Sustainability of Cooperatives as Rural Development Programme**

The concept of cooperatives concentrates for the most part on the rural people to protect them from all kinds of social, economic and political exploitations. The World Bank (1976, p.3.) defines Rural Development programme as a strategy designed to improve the economic and social life of a specific group of people - the rural people.



In the same element, Lele (1975, p.20.) defined rural development as "improving living standards of the low-income population residing in the rural areas and making the process of their development self-sustaining".

Thus cooperative system can be considered to be sustainable unless it succeeds in delivering the benefits of economic development to the rural people as sustainability represents an approach to development which addresses the fundamental concerns of poverty, environment, equality, and democracy (UNCED, Rio de Janeiro, 1992).

The objectives of cooperatives are multidimensional. No single indicator can satisfactorily assess the sustainability of this approach taking into account the characteristics of rural development institution. Sustainable Two-Tier Cooperatives must, therefore, be economically efficient, people centric and self-sustaining. The ultimate test of the sustainability of cooperative system is its ability to deliver the benefit for growth to rural people.

The following three types of indicators, considering the all approaches, will be used in this study for assessing the sustainability of KTCCA taking it as the model UCCA:

- A). Managerial point of views which includes institutional development and management**
- B). Financial point view analyzing profit- loss and, income- expenditure and the related issues.**
- C). Environmental point of view assessing impact of programmes taken by KTCCA**

#### **4.3 Strategy of Data Collection**

The sustainability of the two-tier cooperatives was assessed through performance of KTCCA in terms of the objectives of an apex body and particularly those described in its by-laws. Its viability was assessed considering the growth of primary societies, quality of leadership, volume of training, profit and loss statements, the balance sheets (assets and liabilities), and distribution of dividends among the primary societies. Special attention was given to the rate of loan recovery and repayment of loan by the KTCCA to financial institutions and other agencies. Particular attention was also given to the study of obligations imposed on the primary societies by the KTCCA and also the management style adopted by



this organization. Emphasis was also given to evaluate the ecological impact of this programme.

Financial data were collected from the annual reports and records of KTCCA. The primary data were collected from the client group who assessed the performance of KTCCA as beneficiaries of the programme. To survey the opinion regarding the obligations of KTCCA to the primary societies, fifteen respondents' (members and managers of the managing committees) were selected from active and non-active societies.

Structured and semi-structured questionnaire (Appendix-1) and opinion survey were used to collect the necessary data and information from the primary and central society of KTCCA. Guided discussions were held with the management and staffs of KTCCA.

Three sets of questionnaires were used for collecting data from the primary and central society.

(1) Through the first set of questionnaire, information regarding the profile and involvement of the respondents in the management of the cooperative society was collected. The profile included age, occupation, education, land holding, family size, annual income and expenditure. Information relating to services and supplies (training, credit, agricultural inputs, etc.) received by the primary societies during past five years (2001-2005) from KTCCA were also collected. Attempts were made to know the position of capital formation, credit operation, interest and dividend paid by the societies. Moreover, an opinion survey was carried out to ascertain the affinity of the respondents with the KTCCA, the intensity of their commitment to retain the traditional relation with the KTCCA, withdrawal of share capital from KTCCA, the willingness to bypass KTCCA in order to get direct credit from other agencies etc. Finally, the respondents were asked to identify the causes of existing problems and suggest possible remedies for them.

(2) The second set of questionnaire was used to gather information about the management style of KTCCA. It covered recruitment rules, monitoring, and evaluation and coordination aspects. Attempts were made to know about the provision of incentives and the disciplinary measures taken for misappropriation, defalcation or major lapses.



(3) The third set of questionnaire was used to solicit opinions of the employees of KTCCA. Attempts were made to collect the information about the job satisfaction, job security, job loyalty and manpower utilization of KTCCA.

In addition to the surveys, research and other publications related to the activities of KTCCA were consulted. Discussion about this organization was also held to identify the nature, philosophy and broad objectives for which KTCCA was established.

**Figure 4.1** represents the data collection design for collecting information through field study.

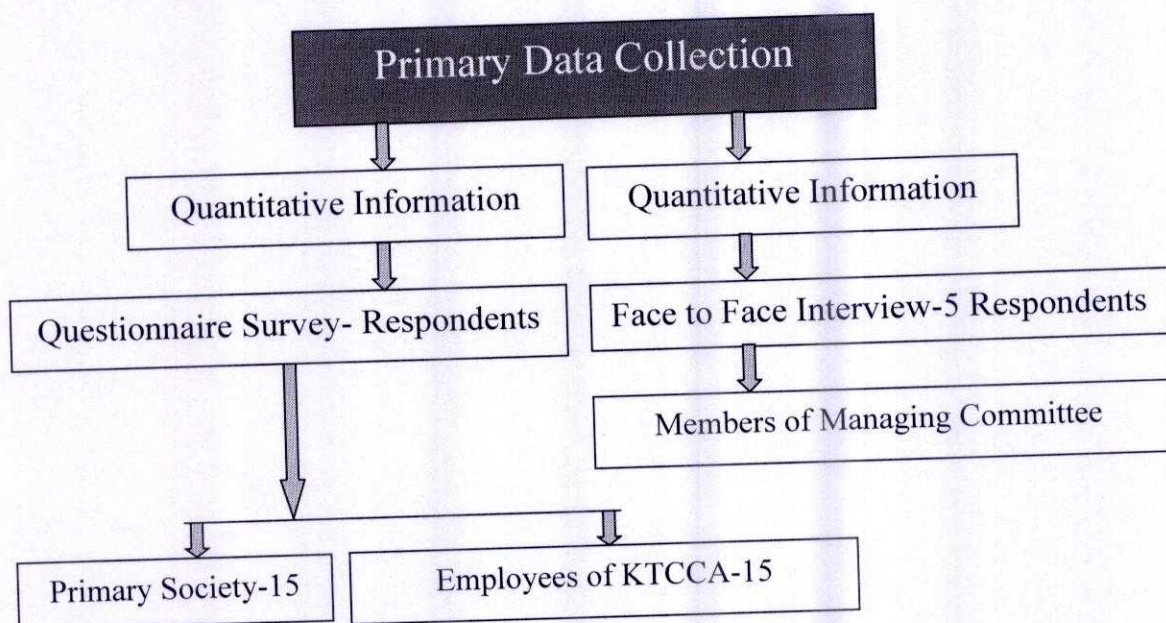


Figure- 4.1 Data Collection Design

#### 4.4 Study Area

Area of coverage of this study is Comilla Adarsha sadar, Comilla Adarsha Sadar (South), and part of Burichong Upazila as it is the laboratory area of Two-Tier Cooperative System.

#### 4.5 Sampling Method

I followed the Systematic Random Sampling to collect the information and data of KTCCA Ltd. Because a complete list was available of my desired population from which sample was drawn.



#### 4.6 Research Process at a Glance

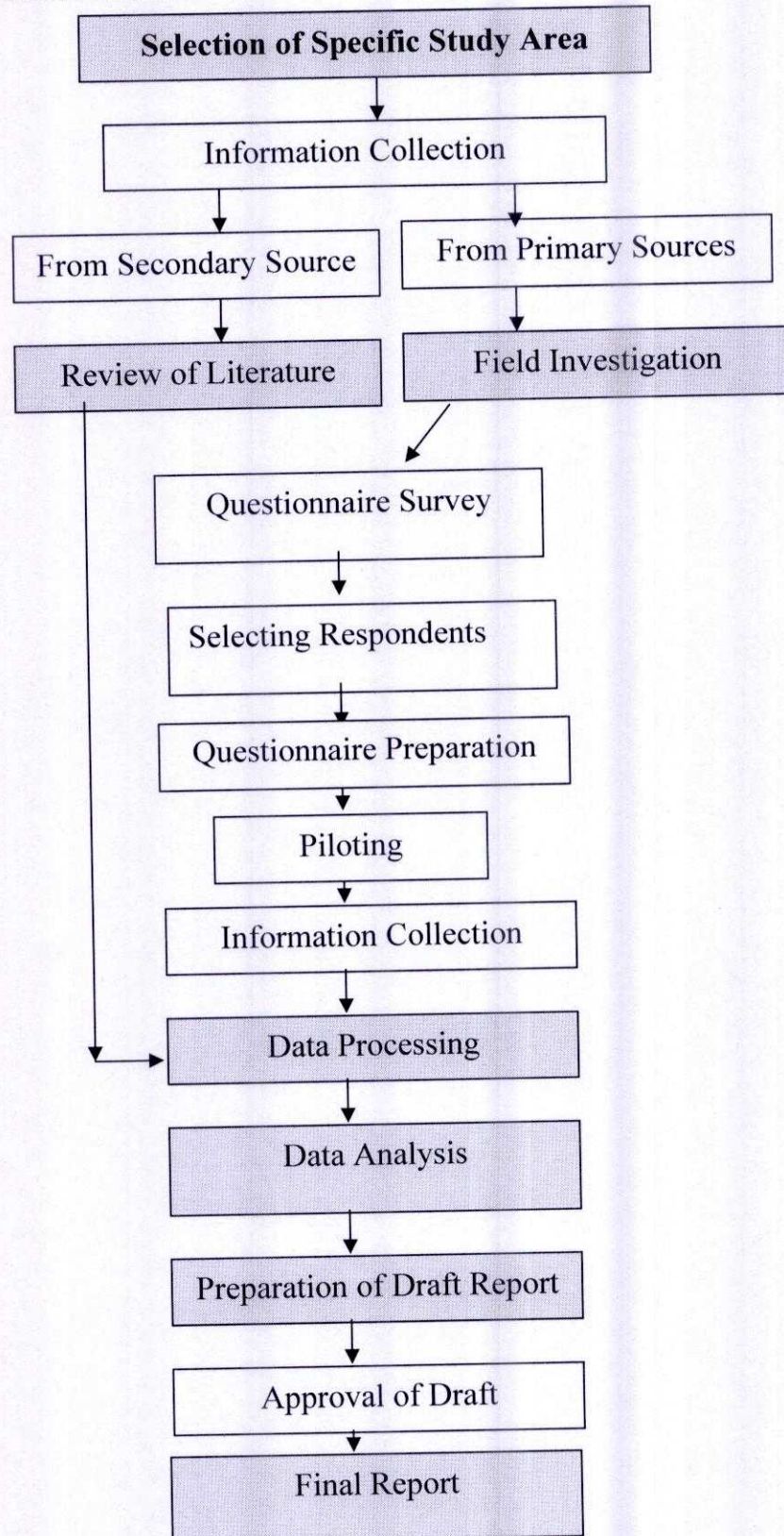


Figure -4.2 depicts the design of the research process.



## Chapter Five

### Results and Discussions

#### 5.1 Sustainability of Two-Tier Cooperatives from Managerial Point of View

##### 5.1.1 Leadership

Leadership is an ability to influence a group towards the achievement of goals in a given situation. According to Davis and Newstrom (1985) "leadership is the process of encouraging and helping others to work enthusiastically toward achieving objectives. It is human factor that binds a group together and motivates it towards goal".

Since the inception of KTCCA, the management of this organization was under the direct control of the government. The government did not take risk to hand over the management of this organization at early stage to the elected committee due to lack of experience to handle such giant organization. As notated by Chowdhury et.al. (1988, p.68) "It was not desirable at this stage to hand over the entire control of this organization to the elected representatives who did have sufficient experience".

Management and control of KTCCA to the elected representatives took place through a gradual process.

**Table 01**

Table shows the nature of the managing committees and their tenures:

Sl.No.	Status of the Chairman of the Managing Committee	Total Number	Period
01	Nominated by the Government	11	26-01-62 to 30-03-79, 02-11-82 to 03-05-85 and 05-05-86 to 04-05-88
02	Elected	11	31-03-79 to 01-01-82, 04-05-84 to 04-05-86, 05-05-88 to till date of data collection( 05-08-06)

Source: Data collected through survey, (Detailed list is shown in Appendix-02)



Table shows that the since the inception of KTCCA, the managing Committees of the KTCCA were headed by the Governments' nominated Adhoc committees. The first two consecutive Managing Committees were headed by Dr. Akhter Hameed Khan, the Director of the Academy as the Chairman. After that, the administration of KTCCA was headed by a Project Director deputed by the government. It indicates the failure of the Association to emerge as a self-managed and self-financed organization for a long time. It was handed over the control of the management to a elected committee in 1979.

Another important issue to note regarding the leadership of KTCCA is that when Dr. Khan left Bangladesh in 1972 (as shown in Appendix 04), the subsequent management could not contribute to uphold the image of KTCCA. The position is shown in the table 02:

**Table 02**

Table shows the Income-Expenditure and Profit-Loss Accounts of KTCCA (1961 to1987)

Year	Total Income	Total Expenditure	Net Profit/ Loss for the year	Cumulative net Profit /Loss
1961-62	96730	109722	-12992	-12992
1962-63	580743	567608	+19135	+6144
1963-64	1949901	1806158	+143743	+149007
1964-65	2029783	2736948	+92835	+242722
1965-66	3819612	3779009	+40513	+283235
1966-67	4155103	4027236	+127867	+411102
1967-68	7961728	7776741	+184987	+596089
1968-69	8088932	7830983	+257949	+854038
1969-70	6011636	6358908	-347272	+506766
1970-71	3050940	3340457	-289517	+217249
1971-72	1003540	1134253	-130713	+86536
1972-73	3405672	3839424	-433752	-347216
1973-74	7020128	7403275	-383147	-730363



1974-75	6106999	6844472	-737473	-1467836
1975-76	3984275	4802162	-817887	-2285723
1976-77	4599301	4544996	+84305	-2201418
1977-78	3911881	3741213	+170668	-2030750
1978-79	4140814	3980763	+160051	-1870699
1979-80	4730296	4628923	+101373	-1769326
1980-81	5699489	5564771	+134718	-1634608
1981-82	6094378	5642309	+552069	-1082539
1982-83	7327710	6854936	+472774	-4175514
1983-84	9418334	9548794	-130460	-4305974
1984-85	8865887	9762733	-896846	-5202820
1985-86	9207149	10265609	-1058460	-6251280
1986-87	9551331	10038790	-487459	-3,30,725

(Source: Husain, S. & Kashem, M.M.1989, p.13.)

The table shows that KTCCA earned profit since its inception to 1968-69 for consecutive seven years. The losses incurred by this organization started from 1969-70 to 1975-76 and 1983-84 to 1986-87. The losses incurred by KTCCA from 1969-70 to 1971-72 may be due to political turmoil prior to liberation and organizational problems during and after liberation. But immediate after liberation, when Dr. Khan left the organization, the following managing committees could not offset the incurred losses, which indicate their incapability to run the organization efficiently. This is evident also that the effectiveness of the system has suffered from the vacuum of strong leadership.



### 5.1.2 Status of the MC Members of the Primary Societies and KTCCA

#### 5.1.2.a. Economic Status of MC Members of Primary Societies:

**Table 03**

Table shows the Economic Status of the MC members of the Primary Societies affiliated to KTCCA

No	Income Group on the Basis of Annual Income from Agricultural outputs.	Number	Percentage of Surveyed Primary Societies (sample size 15)
1	Less than Tk. 25000 p.a.	0	00%
2	Between Tk. 25000 & 39999	2	13.33%
3	Between Tk. 40000 & 59999	4	26.66%
4	Between TK. 60000 & 79999	4	26.66%
5	Between TK. 80000 & 99999	2	13.33%
6	Above TK. 100000	3	20%

Source: Data collected by the author. (A sample of 15 Managers/ Members of primary societies).

**Table 04**

Table shows the length of Membership in MCs of Primary Societies

No	Length of Period	Number	% of Interviewed Managers/ Members (Sample Size 15)
01	Less than 3 years	01	6.6%
02	More than 3 years but less than 5 years	02	13.3%
03	More than 5 years but less than seven years	03	20%
04	More than seven years but less than 10 years	06	40%
05	Over ten years	03	20%

Source: Data collected by me.



#### **5.1.2.b. Profession of the Members of the Management of KTCCA**

The Managing Committee of KTCCA consists of 12 members. Eight members are elected as the representative of primary societies and the government nominates rest four members. A face-to-face survey was conducted to ascertain the profession and attitude of the elected MC members. Five MC members were interviewed in the study. The elected members of the present managing committee are all from the business community. Agriculture is not their main occupation. They have been involved with the KTCCA for about 20 to 30 years. Their average monthly income is about fifty thousand taka. .

It is a majority opinion of the interviewed persons about the provision of government nominated members in the society that there should not be any nominated members by the government in the managing committee.

Table 03 presents the economic status of managers/members of the managing committees of the primary societies of KTCCA. It states that out of 15 surveyed managers/members of MC the primary societies, annual income of eight respondents is within the range of taka 40,000 to 79,999 which indicates its domination by the middle farmers and well to-do village elites. Agriculture is not only source of these middle farmers. They have other non-agricultural occupations and in most cases they have strong relationship with the centers of power in local areas. A study of Managing Committee members in 1969 found that none of these members held more than 9 acres of land, which indicates that all members are from middle farmer categories (Mannan 1972). Hye (1993 p.16.) observed that " the social status and economic power of the really big farmers are such that they would not be interested to become members of cooperatives and bother to be in the managing committees".

Table 04 indicates that the existing power structure of the cooperative is strongly fixed. The democratic process virtually does not work in two-tier cooperative system. In most cases shown in the table about the length of managership/membership of MCs of the primary societies have been in power for more than five years where there is little scope to change the leadership to bring new ideas and initiatives in the organization. As a result the existing leadership has no inherent sympathy for the small farmers.

At the same time, out of 8 elected members, 5 interviewed MC members having average monthly income about two lacs. It indicates that the well-off businessman and farmers who are the elites of the society are dominating the management of this central body.



So, it is observed from the study that the main obstacle to the revival of cooperative spirit is the existing cooperative leadership.

### 5.1.3 Support and Services to Primary Societies

#### 5.1.3.a Training Programme of KTCCA

Training is considered one of the important services through which members of the cooperative societies can enhance their skills and knowledge and change their attitudes. In order to assess the performance of the KTCCA as a central organization, the researcher tried to get response from the primary societies about the training facilities provided by the KTCCA. Members of the Primary Societies who received training facilities during last five years are shown below:

**Table 05**

Table showing average number of the members of the primary societies who obtained training from KTCCA during last five years

Year	2001	2002	2003	2004	2005	Total	Average
Number	12	20	43	38	41	154	10 persons per year

Source: Data Collection (a sample of 15 primary societies)

**Table 06**

Table shows the volume of training provided by KTCCA during last five years for the managers, members and model framers:

year	weekly training received (in 52 weeks)	weekly Average presence	special training provided	Total (2+4)	Cost of Training	% of Total expenditure*
------	--	-------------------------	---------------------------	-------------	------------------	-------------------------



1	2	3	4	5	6	7
2001	5720	110	22	5742	3,39,214	6.47%
2002	5460	105	36	5496	3,35,526	1.14%
2003	6440	120	75	6515	4,39,700	.45%
2004	6048	117	13	6061	4,23,878	.55%
2005	6448	124	120	6568	4,99,107	1.65%
Total	30116	115	266	30382	15,87,425	2.05%

Source: Annual Report of KTCCA (2001-2005).

(\* Income-Expenditure statement is shown in table---)

The table shows (table: 04) that out of 74, only 10 members from each affiliated society got the training facilities during previous five years which. It indicates that KTCCA has no proper planning about the training programme to the cooperators. It shows in the table 5 that out of 308 primary societies, average presence in the weekly training classes is 115 while 193 managers remained absent from the regular training classes.

The quality of the training is also questionable. Chowdhury et.al (1988) mentioned that the purported trainees - the managers of the primary societies - have been shown present in the attendance register even though they did not attend the classes physically. This was done to help the managers to draw traveling allowances.

### **5.1.3.b Services Received by the Primary Societies from KTCCA**

Feedback from 15 primary societies about the support services of the KTCCA was collected during the field survey. Four types of services have been considered during my survey: Credit facilities, Training, Agriculture inputs and Supervision. The results of the survey are given below:



**Table 07**

Table shows the services provided by KTCCA to primary societies from 1981 to 2005.

Services	Number of Societies		Total	Percentage of Sample Size (15)
	Agricultural	Non-Agricultural		
Loan	10	3	13	87%
Training	8	2	10	67%
Agricultural Inputs	6	2	8	53%
Supervision	4	3	7	47%

Sauce: Data Collected during the study.

The figure shows that very limited services are now being provided by KTCCA to the primary societies, which in turn failed to attract individual members to continue their relationship with this organization. This data also shows that KTCCA's service has been reduced to supervision facilities what affected the quality of the primary societies as shown in table 08. The primary societies are not maintaining the standards prescribed through rules and regulations due to lack of proper supervision from the KTCCA.

During last five years primary societies mostly received from KTCCA fertilizer, pesticide and seeds as agricultural inputs. KTCCA is not providing mechanized agricultural equipment any more. The management of KTCCA argues that the main objective of the KTCCA is to transfer the modern technology among the farmers. As these technologies are available in the open market and cost is reasonable, it is not feasible to supply them by KTCCA. It is not cost effective to maintain these units by the organization.

Reduction in the support services has enabled the primary societies not hesitate to leave the KTCCA if the facilities will be available to them by other organizations.

Seventy five percent of the respondents of the primary societies expressed their interest to get loan directly from the government or other organization without intermediation by the KTCCA. This can shed some light on the spirit of joining a central society. It is possible that



such attitude of the primary societies may imply a crisis of communication and commitment between KTCCA and its affinities. Ideally, the primary societies in a federated structure should rely on their central societies for support services including credit facilities.

Most of the respondents were not, however, interested to break their links with the KTCCA. A sizable number of them felt that KTCCA was built up with their money and they would prefer to link themselves continuously with this organization. This is in line with the spirit of Two-Tier Cooperatives; this is a strong point which the KTCCA may utilize to strengthen its activities.

#### **5.1.4 Growth of primary Societies**

##### **5.1.4.a Growth of the Primary Societies of KTCCA**

One of the principle tasks of two-tier cooperatives is organizing village based primary societies and federates them into KTCCA, the apex organization of this system.

Table showing the growth of primary societies during last five years:

**Table 08**

Table shows the growth of the primary societies

Year	Number of Primary Societies	Included	Cancelled	Cumulative number	Number of members	Average Member Per Society
2001	288	--	01	287	19,803	69
2002	287	02	--	289	19,923	70
2003	289	--	05	284	19,598	69
2004	284	--	--	284	19,598	69
2005	284	24	-	308	22,792	74

Source: Field Services Division, KTCCA.



The first thing to note is that according to the annual report of KTCCA (2005), out of 433 primary societies registered with the KTCCA (as shown in Appendix 06), number of the active societies (categories of the primary societies is shown in Appendix 06) are 308, while the registration of 125 societies have been cancelled for not fulfilling the criteria fixed for them in Bye-laws. The amount of the share and savings of the cancelled societies is 21,48,106 taka which is 16.24% percent of total deposits.

The growth in the number of the societies and the enrolment of members as seen in the Table 7 does not show an increasing trend, somewhat it has decreased. The number of the primary societies was 328 in 1970-71 and average member enrollment was 34 (Hye 1993, p.12.). In 1986-87, the number of primary societies was 537 and average membership per society was 42. Total number of the members was 22500 (Husain & Kashem 1989,p.9.). Though the size of the primary societies in terms of membership has increased, the total number of the primary societies decreased.

It may indicate that no year wise target was fixed by KTCCA either for organizing societies or enrolment of members. The present position of primary societies is due to lack of proper supervision of the Managing Committee and ineffective guidelines to motivate the members of the primary societies.

#### **5.1.4.b Maintaining Prescribed Standards by the Primary Societies**

**Table 09**

Table shows the formalities observed by the primary societies

Year	Election held	AGM held	Audit completed
2001	12	99	265
2002	15	98	245
2003	79	133	220
2004	48	108	190
2005	26	90	169

Source: Annual Reports of KTCCA (2001-2005).



The data indicates that the quality of primary societies is not satisfactory in terms of fulfilling the criteria fixed for them in bye-laws. It indicates the failure of KTCCA to frame a strategic plan for supervision of the primary societies.

#### **5.1.5. Job Satisfaction of the Employees of KTCCA**

In the opinion survey, conducted among 15 employees of the KTCCA, eighty percent of the interviewed employees said that they would not leave the job in KTCCA even if they get alternative job with similar benefits and facilities. Twenty percent of interviewed employees said that they will leave the job if alternative employment is available with job security, because they don't feel their jobs secure in KTCCA. However, majority of the people (about 70 percent) seem to be satisfied with their immediate supervisors. Ten percent expressed their dissatisfaction and twenty percent didn't pass any comments about their immediate superiors.

This study suggests that most of the employees of KTCCA expressed their satisfaction about the working environment of this organization.

#### **5.1.6. Conclusion**

KTCCA has suffered much from the vacuum of leadership after the departure of Dr. Hammed khan. As a result it incurred huge loss over the years. The managing committees of the primary societies as well as apex body (KTCCA) are dominated by well to-do village elites which is contrary to the spirit of cooperatives. Support services by KTCCA have been reduced to such an extent that some of the societies lost their confidence over the management and they feel themselves alienated. As a result, growth of the primary societies seriously hampered.

### **5.2. Sustainability from Financial Point of View**

#### **5.2.1 Capital Accumulation: Share and Savings Deposit**

Accumulation of capital through savings has been a major objective of two-tier cooperatives. Capital accumulation through shares and savings is encouraged through combination of laws and incentives. This system emphasizes the significance of savings by small farmers and other people of limited means; unless the small farmers saved they could



not invest or become creditworthy, their dependence on private money lenders would perpetuate. Under the Two-Tier Cooperatives, there are two ways of savings: making weekly thrift deposits and buying of shares of the cooperative.

The rate of capital accumulation at KTCCA's level, therefore, is low considering the large number of primary societies affiliated to it and the volume of loan disbursed by the Association. In the last 5 years the KTCCA has accumulated a share capital amounting to taka 6, 20,310.

Year wise trend of share purchase and savings deposit, and per capita accumulation is given below in the table 09 and 10 respectively:

**Table 10**

Table showing the trend of share deposit of the primary societies

Year	Share Deposit	Withdrawal	Cumulative deposit (Since inception).	Per capita share accumulation
2001	21,750	7190	3176770	99.75
2002	92300	3000	3266070	102.55
2003	102600	20,060	3348610	105.15
2004	243860	--	3592470	112.80
2005	129800	--	37,22,270	116.88
Total	620310	30250	<b>37,22,270</b>	116.88

Source: Annual report of KTCCA,



**Table 11**

Table showing the trend of Savings deposit of the primary societies

Year	Savings Deposit	Savings Return	Distribution of Interest	Cumulative deposit (Since inception)	Per capita Savings accumulation
2001	380750	218758	178310	84,73315	266.00
2002	406956	418314	179058	86,41014	271.33
2003	470348	334033	178000	89,55330	281.20
2004	411830	300000	179000	89,66834	281.56
2005	590118	258752	180000	<b>95,02,617</b>	<b>289.39</b>

Source: Annual Report of KTCCA

The primary societies belong to KTCCA has played significant role to build-up a percentage of total assets of this organization. The accumulation of share capital and savings of the primary societies is 1, 32, 24,887 taka which is 23.38% of total assets of KTCCA (5.65 crore).

Table 9 and 10 show that though the total amount accumulated went up, the annual accumulation is inconsistent considering the number of the members involved with the primary societies. This lends some belief to the observation of Bose (1974) that "the requirement of weekly savings deposits with the cooperatives and purchase of shares by members had largely become a ritual of nominal importance rather than a serious effort for thrift and accumulation".

Although the accumulated money from shares and savings is supposed to be deposited in the KTCCA, the study finds that not all the societies properly observe this discipline. Major part of money was retained by the primary societies for use at their level. Some of the societies did not purchase share of the KTCCA every year; some societies did not at all purchase any share of the Central Association after the initial years.



### 5.2.2 Profit and loss Statement of KTCCA

The profit and loss statement of an organization indicates its financial health. Since its inception the KTCCA Ltd earned profit for 14 years: from 1962-63 to 1968-69 and again from 1976-77 to 1982-83. Although KTCCA earned profit in different years, it also incurred loss for 12 years in three intervals: 1961-62, 1969-70 to 1975-76 and 1983-84 to 1986-87. The total amount of loss incurred in these period was 57, 25,978 (Hussain & Kashem 1989).

KTCCA has received lump sum grants from government and other sources on many occasions. The amount of lump grants received from the governments, donors and other sources is 97, 42,509.62 taka (Annual Report of KTCCA 2005). Grants have been a regular source of finance for it. In addition, it has been receiving annual recurring grants for training and research, the use of these funds does not involve any cost for the organization. Income-expenditure and profit-loss statement of KTCCA for five years (from 2001 to 2005) is shown in the table below:

**Table 12**

**Table** showing the comparative statement of net profit-loss of KTCCA and government contribution

Year	Total income	Total Expenditure	Net profit/(loss) for the year	Government Contribution	Cumulative net profit/(loss) since inception
2001	53,84,607	52,37,220	1,47,387	10,000,000	(11295548.15)
2002	2,93,83,146	2,92,59,047	1,24,099	11,00,000	(11248260.57)
2003	9,78,36,142	9,73,77,143	4,58,999	13,00,000	(11209307.41)
2004	7,75,34,060	7,67,54,248	7,79,812	16,10,000	(8478636.26)
2005	3,09,10,482	3,00,82,418	8,28,064	15,00,000	(8346056.99)
Total	24,1048437	23,8710076	23,38,361	65,10,000	-(8346056.99)

Source: Annual report, KTCCA.



The figure shows that the net cumulative loss of this organization is 83, 46,056.99 taka. In this period KTCCA earned profit amounting taka 23,38,361.00. At the same time this organization has received government's grant amounting taka 65, 10,000 which proved its dependency on the government's contribution. Minimizing loss and earning profit have been possible due to the grants made available by the government and borrowing from government, commercial banks, other financial institutions and different other sources. The building up of assets with these funds has not been worth mentoring over the years for which the earning power of these investments has been either very lower or even negative. At the end of 2005, the book value of total assets of KTCCA stood at over taka 5.65 crore with a net loss of about 83.00,000 taka. To build up these assets, KTCCA has received a total capital and revenue grant of over taka one crore twenty-three lakh which has now formed the capital of KTCCA. The biggest liabilities are now the loans taken from the government, Jatiya Samabaya Bank, Bangladesh Krishi Bank, Bangladesh Shilpa Bank and other Commercial Banks.

### **5.2.3 Credit Operation of KTCCA**

Administration of credit constitutes an important task of the cooperative societies. Accumulation of capital through share purchases and savings deposits served as the basis for receiving loans from National Cooperative Bank and other financing institutions.

The KTCCA is acting as the credit organization for the primary societies. The loan contracted by the KTCCA from the financial institutions is disbursed to the primary societies affiliated with the association. Credit operation is also an important source of income for the KTCCA which receives loan at a lower rate than it charges the primary societies. KTCCA has used all the money received from share capital, grants, loans and other sources for different purpose i.e. for loans to the member cooperatives, loans to its own sections for fixed assets acquisition and working capital requirements. The primary cooperative societies have



taken a big share of this money as loans, part of which is remaining overdue for long. The volume of borrowed capital of KTCCA is still very high and it is facing difficulties in negotiating new loans owing to huge overdue loans with the financiers. In the absence of recycling fund the Association is facing extreme difficulties to operate its credit progresses.

Successful credit operation is an important task for the viability of a central society. In assessing the performance of the KTCCA one has to consider the loan receiving and repayment by the organization. The following table gives an idea in this regard.

**Table 13**

Table is showing the loan received and repaid from different agencies during last five years (2001-2005).

Year	Loan received	Loan Repaid (including interest)	Cumulative loan Outstanding from its inception to be repaid (including Interest)	Increasing rate
2001	15,58,719	17,11,310	2,80,60,827	
2002	39,41,754	29,53,639	29048942	3.52%
2003	27,43,489	16,53,580	30138851	3.75%
2004	65,43,807	39,17,909	32764749	8.71%
2005	55,78,298	42,60,545	<b>3,40,82,502</b>	4.02%

Source: Annual report, KTCCA,

The table shows that loan repaid has been consistently less than loan received by KTCCA except for the year 2001. As a result outstanding is steadily increasing. The amount of outstanding loan of KTCCA was 1,63,70,000 taka as on 1986-87 which was pointed out in a study (Husain & Kashem 1989). Over the years, the amount has increased to Taka



3,25,53,805 (Annual Report of KTCCA 2005). Thus for the declining level of loan repayment KTCCA has to bear the major responsibility rather than default arising at the primary level on a large scale.

#### 5.2.4 Loan Disbursement and Realization

**Table 14**

Table shows the disbursement and realization of loan during last five years (2001-2005).

year	loan disbursed( taka)	loan realized	% of realization	Cumulative outstanding loan
2001	12,65,000	17,23,359		3,5365237
2002	4853000	2881484		3,7336753
2003	7333000	7090940		37578813
2004	10388000	8836035		39130778
2005	12138000	11291009		<b>3,99,77,769</b>

Source: Annual report, KTCCA (2001-2005)

This figure shows that that indebtedness of KTCCA has been increasing over the year which indicates its poor performance regarding debt management. Primary societies have defaulted badly in the repayment of their loan from KTCCA. The poor recovery rate of short term credit may be attributed to two factors. First, credit is very often overdue with the large farmers who dominate the managing committees of the primary societies (as seen table 03). Moreover poor supervision is one of the reasons for poor recovery of credit.

#### 5.2.5 Conclusion

Accumulated capital is the source of strength for a cooperative organization which depends on the proper financial management, guideline and discipline. As a means of strengthening the cooperatives economically, the KTCCA introduced the system of purchasing share and savings by each individual member regularly and invest those funds



with a reasonable service charge among the members of the primary societies to procure agricultural inputs and for marketing.

Although the accumulated money from shares and savings is supposed to be deposited in the KTCCA, the study finds that not all the societies properly observe this discipline. In the good primary societies, the individual members accumulated shares and savings well. In other societies, the purchase of share and savings by members is irregular and inadequate. KTCCA failed to emerge as a self financed organization. The size of borrowed capital for credit operation is many times high than the amount accumulated through shares and savings.

### **5.3 Sustainability from Ecological Point of View**

Sustainable agricultural and ecological farming have become growing concerns in developing countries especially in Bangladesh where the natural resources are threatened by mismanagement and over exploitation. It is recognized that mechanized agricultural farming has been disseminated throughout Bangladesh by two-tier cooperative system which also created some environmental problems. Khan, T. A., et.al. (1996, p.1.) stated that soil fertility and its sustainability for crop production mostly depend on the organic matter of the soil. In Bangladesh, due to intensive and continuous cultivation of crops, soil organic matter is gradually depleting.

Impacts of the programmes of two-tier cooperatives on ecology have been assessed during the study on the basis of the actions undertaken by primary societies of KTCCA as the distributional points of modern agricultural inputs among the farmers of the command area. Three issues have been pointed out during my survey regarding the ecological effect of two-tier cooperative system:

#### **5.3.1 Arsenic Contamination in Groundwater**

There is clearly a very serious problem of arsenic contamination in Bangladesh. In last 20-30 years that groundwater has been extensively used for drinking and irrigation in the rural areas. There are about four million tube wells in Bangladesh. The development of tube wells has been responsible for the achievement of food grains self sufficient through ground water irrigation. It is estimated that 85% achievement of food grain self sufficiency is through ground water irrigation and 95% or more of Bangladeshi inhabitants now use ground water for drinking water. ("Groundwater studies for arsenic contamination in Bangladesh", 2004}.



Though the arsenic contamination in groundwater is a sensitive issue for Bangladesh, but it was not detected first in the study area according to the British Geological Survey, the pioneer agency worked with arsenic problem of Bangladesh at early stage. Arsenic contamination was detected first in Bangladesh in 1993 by the DPHE in Chapai Nawabgonj in the far west of Bangladesh in a region adjacent to an area of West Bengal which has been found to be extensively contaminated in 1988. ("Groundwater Studies for Arsenic Contamination in Bangladesh", 2004}.

In my study I tried to get the feedback from the respondents about the arsenic contamination in the groundwater. Members of the primary societies are fully aware about the arsenic problem. It is a common notion among the respondents that over pumping of groundwater for irrigation is responsible for contamination of arsenic in drinking water. But, the data collected from the National Arsenic Mitigation Centre (NAMIC) does not support the apprehension of the respondents of the study area.

**Table 15**

Table shows Upazila wise figure of arsenic contamination ratio in ground water of Comilla District:

Sl	Upazila	% of Contamination
01	Comilla Adarsha sadar	0.030 mg/l
02	Barura	71.65 mg/l
03	Brahmanpara	66.10 mg/l
04	Burichong	21.19 mg/l
05	Chandina	90.36 mg/l
06	Chauddagam	21.73 mg/l
07	Daudkandi	87.27 mg/l
08	Dbidwar	77.44 mg/l
09	Homna	68.88 mg/l
10	Laksam	79.42 mg/l
11	Meghna	47.08 mg/l
12	Muradnagar	93.25 mg/l
13	Nagalkot	41.03 mg/l

Source: National Arsenic Mitigation Centre (NAMIC), DPHE Bhaban, Dhaka.



**Table 16**

Table shows the figure of the top 10 contaminated Districts and Upazilas:

Sl	District	Contamination (%)	Upazila	Contamination (%)
01	Chandpur	93.00	Shahrasti, Chandpur	98.62*
02	Munshigonj	82.38	Faridgonj, Chandpur	98.53
03	Brahamanbaria	81.36	Hajigonj, Chandpur	98.25
04	Gopalganj	71.41	Kachua, Chandpur	97.93
05	Noakhali	70.75	Kalaroa, Satkhira	94.77
06	Lakshmipur	67.44	Gopalganj Sadar, Gopalganj	93.72
07	Barisal	64.54	Muradnagar, Comilla	93.25
08	Comilla	63.60	Lohajong, Munshigonj	90.94
09	Madaripur	62.80	Bhanga, Faridpur	90.87
10	Bagerhat	61.11	Begomgonj, Noakhali	90.37

Source: National Arsenic Mitigation Centre (NAMIC), DPHE Bhaban, Dhaka.

\* (a) WHO recommended drinking water value: 0.010 mg/l

\* (b) the Bangladesh Drinking Water Standard : 0.050 mg/l

The figure shows in the table 14 that the lowest percentage of arsenic contamination was found at Comilla Adarsha Sadar and then Burichong Upazila both of which were the laboratory area of KTCCA. Table 15 shows that the rank of Comilla district is eighth among top ten contaminated districts.

The British Geological Survey conducted a study on the basis of idea '*whether or not pumping of ground water for irrigation is either creating or exacerbating the problem of arsenic in drinking water*'. To test the idea, they looked for a spatial correlation between the areas of most intense arsenic contamination and distribution of ground water abstraction and also deepest groundwater levels. No correlation with either heavy abstraction or deep ground water could be found. Their conclusion was that the areas of greatest contamination never coincide with either the deepest water levels or the most intensive abstraction. ("Groundwater Studies for Arsenic Contamination in Bangladesh", 2004, p.8.}.

So, the study finds that the arsenic contamination in ground water is not effect of two-tier cooperative system.



### 5.3.2 Deterioration of Soil Structure and Creation of Other Hazards

During the survey, the Managers and Members of the surveyed primary societies seemed to be concerned about deterioration of soil condition. Their opinions are that using increasing doses of fertilizer for keeping output of crops gradually deteriorated soil fertility.

A survey was conducted by Khan, T.A., et.al. (1996, p.32-33.) regarding the impact of over use of fertilizers and pesticides among the members and managers of the cooperative societies at Joypur village of Comilla Kotwali Thana. The findings were as follows:

- (a) Members of the managing committee of cooperative societies are aware of ecological farming. They feel that increased use of fertilizers for crop production deteriorates soil fertility.
- (b) Production of vegetables is not possible without using insecticides. More use of insecticides gives better quality yields of vegetables. But sometimes-residual effects of insecticides remain with harvested vegetables, which may create health hazard disease.
- (c) Farmers are aware of the importance of using manures and composts. But they can not use sufficient amount due to its inadequate availability.

Upazila Agriculture Officer, Comilla Adarsha Sadar also confirmed the using of overdose fertilizers in his Jurisdiction.

**Table 17**

Table shows an example of use of overdose fertilizers in potato cultivation at Comilla Sadar Upazila.

Name of Fertilizer	Dose use by Farmers (Kg/ha)	Economic dose suggested by Agricultural Dept. (Kg/ha)
Urea	412	165
TSP	825	165
MP	206	124
Jypsum	-	84

Source: Upazila Agriculture Office, Comilla Adarsha sadar.

It was observed in my study that cooperators feel that increasing use of fertilizer is weakening soil structure of land. They feel that cowdung is important for agricultural



land. But the amount of cowdung needed for agricultural land of a village is not sufficient to meet the demand. They opined that about 92 Kg cowdung is needed to replace 1 Kg of urea.

### 5.3.3 Effect on Fish Farming

During the survey the members of the primary societies said that the production capabilities of fish decreased due to excessive use of fertilizer in the agricultural field which drains to nearby water bodies. They feel that the one of reasons for less production of fish is using insecticides by farmers for catching fishes. It is one of the major impacts of the over KTCCA.

### 5.3.4 Measures Taken by KTCCA to Combat the Situation

**Table 18**

Table shows the measures taken by KTCCA last five years for creating awareness among the members about the ecological aspect

No	Programme	Training Received
01	Training for Compost making	82
02	Training for Crops Diversification Programme	102

Source: Training Division, KTCCA

This shows that KTCCA has no plan or intensive programme to combat the environmental hazards. But some scattered efforts have been taken about compost making, green manuring etc. to retain and develop soil quality. This observed also by Khan,T.A., et.al.(1996,p.26.) as "farmers are aware of the importance of ecological farming. But it was observed that '**Khude Cooperators**' were not aware of the importance of the same".

### 5.3.5 Conclusion:

The two-tier cooperative system, which is known as Comilla Model of cooperatives, helped in transforming the agricultural sector of Bangladesh through various phases during a period spanning over four decades. When this system started functioning in the sixties, the environmental issues were not considered as important factors to protect the natural resources and soil fertility. It became growing concerns during nineties in developing countries like Bangladesh where the natural resources are threatened by intensive crops cultivation, and over use of fertilizers and pesticides.



The study detected some ecological problems created by unplanned use of modern agricultural inputs which were disseminated through the members of cooperators as the distributional points.

#### **5.4 A Look into the Performance of KTCCA as the Model of Two-Tier Cooperatives**

The achievement and failures of Comilla cooperatives are not simply summation of the performance of primary societies but depend largely on the activities of KTCCA. The major objective of two-tier cooperatives was to make TCCAs (now it is called UCCA) self supporting and sustainable organization as the central body to provide support services to the primary societies. With this end in view, KTCCA was established as the laboratory of the Comilla Model of Cooperatives and physical facilities were provided at the initial stages by the government and donors to make it self reliant and viable organization. It has many achievements, which cannot be overemphasized, nor its failure ignored. The achievements of this organization are as follows:

(a) KTCCA succeeded to create an institutional mechanism or institutional framework of cooperatives in the field of irrigation as Khan (1979) pointed out "irrigation and related programmes elsewhere in Bangladesh had been going on without the framework of Comilla type of cooperation".

It had superiority over other organizations because basic problems relating to reduction of cost of tube wells, assuring the continuous operation and repair of tube wells pumps and engines and assuring payment for the well lent themselves to solution through the cooperative management.

(b) KTCCA has been a pioneer in the field of agricultural mechanization and modernization in the country including the supply of water for irrigation through deep tube well sinking.

© One of the notable achievements of this organization that it could organize the small farmers to access the inputs freed them from the exploitative relation with the money lenders and traders.



(d) KTCCA is still continuing its experimental phase, as it was not integrated into the national programme in 1971. The continuity of a particular type of rural development organization is itself an achievement.

It had many reasons for its achievements at the initial stages. The government and the donors continued their assistance and it had received special attention as the frontal organization of the Bangladesh Academy for Rural Development (BARD) for testing the model in the field. This small area (Kotwali Thana) was concentrated with research and administrative skills and large amount of money spent to provide credit and subsidized credit among the cooperators at the experimental phase of two-tier cooperative system. Dr Akhter Hammed Khan, the founder Director of the Academy, himself was the chairman of KTCCA since the inception till 1972. Such support from the government and the Academy in financial and managerial field made the organization viable and effective.

In the pre-liberation days, KTCCA management developed centering one individual- the founder Chairman. His departure in 1972 brought vacuum that managing committees of the past years have not been able to bridge effectively. Thus biggest problem of KTCCA is the 'management crisis' as it has been pointed out in a study by Hosain & Kashem (1989 p.25) that "The organization did well in the initial years, but soon it splashed. The democratic tradition of the society was not built in the Association to start with. It never had a chance to take roots. The society was, however, running at a profit due to strong leadership of Dr. Akhter Hameed Khan and his hard working fellow colleagues. Activities of the organization expanded too fast which only a chairman with outstanding managerial capability could match the demand of the organization. When he left the organization, the successive leadership found themselves inadequate for the KTCCA". For the absence of sufficient policy guidelines from the managing committees, the day-to-day administration of KTCCA has suffered badly.

The KTCCA incurred a huge loss over the years. The supervision has seriously declined; it is negligible at present. The training programme has degenerated into routine work. In relation to its shareholders, KTCCA has the problem of maintaining a harmonious relationship when KTCCA cannot provide so much loan and services as required by its members. There are overdue loans which cannot be collected easily from the primary societies. KTCCA cannot meet the demand unless the previous loans are realized



The problems have been prevailing in KTTCA for a long period due to lack of sense of ownership among the shareholders of the Association. They do not feel concerned about this mismanagement of the organization as stated by Husain & Khan (1989) that “most of them consider the KTCCA at par with such government financed autonomous organization like Bangladesh Agricultural Development Corporation (BADC), Bangladesh Rural Development Board (BRDB) or Bangladesh Academy for Rural Development (BARD) and sincerely feel that KTCCA was created to support the primary societies with government subvention”.

KTCCA failed to emerge as self managed and self financed organization. In management there has been direct participation by government nominated officers. Elected Managing Committees alternated with adhoc committees with appointed chairman (see appendix- 04).

It was not allowed to grow as a real self financed Central Association, rather it was treated as the experimental field of BARD, and it stunted over years and failed to grow as a sustainable organization, either from managerial or from the financial point of view.



## **Chapter Six**

### **Concluding Remarks**

The KTCCA was established in the early sixties and it was nurtured as the laboratory of two-tier cooperative system with means to provide effective support services to the primary societies for accelerating agricultural production. When it succeeded during its experimental phase in the sixties, the system was replicated as a national programme by IRDP and is now used in promoting agricultural production and poverty alleviation under BRDB's umbrella. In the process, the two-tier cooperative system has proved its adaptability.

Though the two-tier cooperative system was replicated throughout the country realizing its institutional achievements, the organizers later could not uphold the image of this system. They did not emphasize on motivation of the cooperatives and discipline among the members of the primary societies. The promoters of the cooperatives did the painstaking motivational works in Comilla Kotwali phase in the initial years; it has degenerated gradually into routine activities. While the number of cooperatives at the village level rose rapidly without much preparation and motivational activities, the commitments of cooperative members to the organization faded. Figures in the growth of Primary Societies of KTCCA prove that out of 433 societies 125 societies remain inactive for long period. Capital accumulation through weekly deposits of savings and share has declined. This decline in capital accumulation is a serious barrier not only on the attainment of self reliance of two-tier cooperative system, but it is also an obstacle on negotiating to have increasing volume of loan from the financial institutions because of reduced asset base needed for additional loan.

Default in repayment became a culture among the members of the primary societies, which is the main impediment to improve the debt-equity ratio of this system. The situation of credit operation became worse due to improper utilization of loans received by the members and inadequate supervision of loans used by large number of borrowers. As a result, a huge number of primary societies became disqualified for further loans for not fulfilling the set standards of the central societies. The disqualified societies made arrangement to get financial facilities from the Banks, NGOs or other financial institutions, which is completely contrary to the spirit of cooperative movement.



During the Comilla phase the training programme was developed as a participatory and inexpensive programme. It was need based and extremely useful. But over the years, quality of training has deteriorated and failed to motivate the members of the societies.

However, the two-tier cooperative system has contributed in many ways to bring the social change and economic development.

The accumulation of capital by this system as a whole is quite impressive and is an example of the possibility of local resource mobilization. Credit operation through the two-tier cooperative system has articulated the demand for agricultural credit among poor peasants and saved them from exploitation by the money lenders. The lasting contribution of two-tier cooperatives has been its dissemination of the modern irrigation technology among a large number of farmers. The HYV- based rice technology could not spread as fast and as widely as it did in the late sixties and seventies without the organization frame of the two-tier cooperative.

The major goal of the two-tier cooperative system is the attainment of self-reliance and autonomous organization including the recruiting the staffs, controlling them and taking decision in negotiating the funds. An institution cannot run with proper responsibility without exercising proper authority.

KTCCA did not emerge as a model UCCA as it was perceived to have done. It was both donor and government assisted organization. It, however, had some spillover effects, which were conducive to increased agricultural production and community-based programmes at the rural level.



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## Appendices

### Appendix 01

#### Survey Questionnaire, Set-01

Center for Governance Studies  
BRAC University, Dhaka.

Topic: *The Kotwali Thana Central Cooperative Society, (KTCCA Ltd.) Comilla: A Case Study on Sustainability of Two Tier Cooperative System*

(A Master level thesis: All information will be used in academic purpose}

Questionnaire for the Members of the Managing Committee/ Managers of Primary Societies

#### A). General Information about the Respondent:

01. Name of the Respondent:

02. Fathers' Name:

03. Position in the committee:

04. Village:

05. Union:

06. Age:

07. Educational Qualification:

08. Occupation: a). Main:

b). Subsidiary:

09. Respondent Status:

☐

Paid employee

Elected Honorary Manager

☐

Elected Paid manager

☐

10. Total area of land (acre):

category	Cultivable	Non-Cultivable
Ownership		
Own		
Mortgage in		
Lease in		
Total		



11. Approximate annual income and expenditure.

A). Annual Income:

b). Annual Expenditure:

12. From which year you are involved in the management of this society?

13. From which year you are working as manager of KTCCA?

**B). General Information about the society:**

01. Name of the Society:

02. Type of the society:

Agri

Non agri

03. Category:

A

B

C

D

04. Union:

05. Upazila:

06. Year of registration:

07. Total number of members:

08. Date of last AGM:

09. Date of last meeting of MC:

10. Status of Present Committee Adhoc:

Elected

11. If the society has an Adhoc committee, please mention the reasons for its formation:

**C). Information about the sustainability of the society:**

01. What is your opinion about the present condition of your society from?

A). Financial point of view:

b). managerial point of view:

c). Environmental:

**D). Information about monitoring, finance, economy and training:**

01. What is the ways to meet the members of your society by the managing committee frequently?

A). Weekly meeting

b). Fortnightly meeting

c). any other (please specify):

d). Monthly meeting



02. Please mention the number of the persons from your society and their subjects, who received training from KTCCA during the last five years.

year	Number of the participants	Subjects
Total		

03. Please mention the name of production inputs received by your society from the KTCCA during the last five years.

year	Facilities/ production inputs

04. Mention the causes why your society could not receive production input from KTCCA.

05. Mention the amount of loan received by your society from KTCCA in the period mentioned below.

Year	Head of loan	Amount of loan	Number of persons to whom loan is disbursed.
Total			



06. Is there any financial liability of your society to KTCCA?

Yes/ No

07. If yes, please mention in the following table:

Year	Amount of the loan to be paid along with interest
Total	

08. What measures taken by the KTCCA for the collection of various loans?

09. What is the amount of savings and share of your society to the KTCCA?

Share:

Savings:

Total:

10. Dividend on the share and savings received by your society from KTCCA.

Year	Amount of dividend
Total	

11. Will you leave the KTCCA if government or other organizations provide loan and other production inputs to your society?

Yes/ No

If no, why?

12. Please give an account about financial condition of your society:

Cash in hand

Cash in bank

Total



13. Please give an account of profit/loss of your society for the last five years:

Year	profit earned	Loss incurred
Total		

14. Please give an account about the values of the assets of your society:

Type of asset	value
Movable	
Immovable	
Total	

15. Please indicate if you feel that your society is the real owner of the KTCCA?

Yes/ No

If yes, why?

If no, why?

16. Did you enquire with the officials of the KTCCA, if your society did not get any dividend from the KTCCA?

Yes/ No

17. If yes, what did you enquire about?

18. If your society had not received any dividend from KTCCA, do you intend to withdraw the savings and the share from the KTCCA to invest elsewhere?

Yes/ No

If yes, why?

19. In your opinion, what are the problems of your society?



20. What steps should be taken to overcome the present situation

Data collector:

Md. Mahbub-ul-Alam  
Student,  
M.A in Governance and Development  
CGS  
BRAC University, Dhaka.

Date..



**Survey Questionnaire, Set-02**

Center for Governance Studies  
BRAC University, Dhaka.

Topic: *The Kotwali Thana Central Cooperative Society, (KTCCA Ltd. Comilla: A Case Study on Sustainability of Two Tier Cooperative System*

(A Master level research work, All information will be used in academic purpose}

Questionnaire for the Management of the KTCCA

**A). General Information about Respondent:**

01. Name of the respondent:
02. Position in the Committee:
03. Educational qualification;
04. Occupation: a) Main: b). Subsidiary:
05. A) Year from which you are involved in the management of KTCCA?  
b) Year from which you are in the managing committee of KTCCA?
06. Annual Income & Expenditure  
A). Income: b). Expenditure:

**B) General Information about KTCCA**

01. Number of Members of MC:
02. Date of Last AGM: 03. Date of last meeting of MC:
04. Status of present MC a). Elected b). Adhoc:
05. If the society has an Adhoc committee, the reasons for its formation:

**C). Information about the recruitment system of the KTCCA**

01. What is your opinion about the existing manpower of KTCCA:  
Right size / Surplus/ Understaffed
02. Is there any recruitment rule for KTCCA?  
  
Yes/ No  
  
If yes, it is being followed properly?
03. Before recruitment whether arrangement is made for proper advertisement?  
  
Yes/ No



04. If yes, what is your recruitment system?

A). open competition examination

b). by reference

c). walk in interview

**D) Information about monitoring and coordination system of KTCCA**

01. How many employees have been discharged from their services for misappropriation of fund/ defalcation and inefficiency?

Year	Status	Number	Causes

02. Are any weekly review/ monthly review/ evaluation of the activities held in the KTCCA?

03. Please mention the number of weekly meeting held last month and last year

Last month

last year

04. How are coordination and monitoring done?

A). through discussion

b). by weekly meeting

c).by monthly meeting

d). by inspection

e). any other (please specify)

05. Is there any system for imposing individual liability against institutional loss?

Yes/not

06. If yes, please mention the number of the cases

Year

Number of cases

amount received

07. Are there any incentive /remuneration for better performance?

Yes/ No

08. Please mention the number of the employees those who got it in the last financial year:



**E) Information about the sustainability of KTCCA**

01. Please tell me your opinion about present condition of KTCCA from;

i). Financial point of view:

ii) Managerial point of view:

iii). Environmental point of view:

**F). Miscellaneous**

01. Please tell me some of your ideas about the cooperative model of Dr. Akhter Hamid Khan.

02. Do you think that KTCCA is following the model of Dr. Akhter Hamid Khan strictly or it has deviated from it for immediate gains?

03. Is there any problem in KTCCA?

04. If any problem exists, what steps should be taken to overcome the present situation?

Data collector:

Md. Mahbub-ul-Alam  
Student,  
M.A in Governance and Development.  
CGS  
BRAC University, Dhaka.



**Survey Questionnaire, Set-03**

Center for Governance Studies  
BRAC University, Dhaka.

Topic: *The Kotwali Thana Central Cooperative Society, (KTCCA Ltd. Comilla: A Case Study on Sustainability of Two Tier Cooperative System*

(A Master level research work, All information will be used in academic purpose}

Questionnaire for the Employee of the KTCCA

01. Name of the employee:
02. Designation:
03. Educational qualification;
04. Date of entry in the service:
05. Salary scale.....
06. Do you draw your salary regularly?  
Yes/ no
07. Whether your salary structure is similar to the government pay scale?  
Yes/ No.
08. Whether you will accept alternative employment?  
Yes/No
09. If yes, why?
- .10. What do you think about your immediate supervisor?
11. Have you any comment about the organization, if any?

Data collector:

Md. Mahbub-ul-Alam  
Student,  
M.A in Governance and Development.  
CGS  
BRAC University, Dhaka.  
Date.



# Appendix-04

## Name of the Chairmen of the KTCCA and their Tenures

Sl No.	Name and Designation	Tenure		Status*
		From	To	
01	Dr. Akhter Hamid Khan D.G. BARD, Comilla	26-01-62	29-04-72	Founder Chairman
02	Dr. Abdul Mueed Director, BARD, Comilla	30-04-72	16-06-74	Nominated by the government
03.	Md. Yeasin Dider Cooperative Society	17-06-74	06-06-74	In Charge
04.	Porf. Khorshed Alam M.P.	07-10-74	11-12-75	Adhoc Committee
05.	Porf. Khorshed Alam M.P.	12-12-75	03-02-76	Adhoc Committee
06.	Ashfaqur Rahman A.D.C. (Dev). Comilla	04-02-76	20-07-76	Adhoc Committee
07.	Mahbub Kabir A.D.C (Dev), Comilla	21-07-76	14-02-77	Adhoc Committee
08.	Md. Nasim A.D.C (dev), Comilla	15-02-77	25-08-78	Adhoc Committee
09.	Majibur Rahman Chowdhury A.D.C (Dev), Comilla	26-08-78	30-03-79	Adhoc Committee
10.	Md. Yeasin (Takdir) Dider Cooperative Society	31-03-79	01-11-82	Elected
11.	Md. Zakir Hossian Director, BARD, Comilla	02-11-82	03-05-85	Adhoc Committee
12.	Md. Yeasin (Takdir) Dider Cooperative Society	04-05-84	04-05-86	Elected
13.	Mohibur Rahman Deputy Director, BARD, Comilla	05-05-86	04-05-88	Adhoc Committee
14.	Prof. Kazi Abul Bashar	05-05-88	04-05-90	Elected
15.	Prof. Kazi Abul Bashar	05-05-90	05-05-93	Elected



16.	Saifuddin Ahmed Selim	05-05-93	20-04-96	Elected
17.	Prof. Kazi Abul Bashar	21-04-96	10-01-97	Elected
18.	Shajahan Siraj	11-01-97	04-05-97	In charge
19.	Prof. Kazi Abul Bashar	05--05-99	18-08-99	Elected
20.	Md. Sirajul Hoque	18-08-99	15-04-02	Elected
21.	Md. Sirajul Hoque	15-04-02	14-04-05	Elected
22.	Farid Ahmed Chowdhury	14-04-05	15-12-05	Elected
23.	Khondoker Zahirul Islam Shawpan	16-12-05	08-02-06	In charge
24.	Farid Ahmed Chowdhury	09-02-06		

Source:List collected from the honor board in the room of the Chairman of MC.

### Appendix 05

Constituency and Union Wise Number of the Primary Societies and Members:

Name of the constituency	Name of Upazilla and pourashva	Name of Unions	Number of primary societies	Number of members
Comilla-08	Comilla Adarsha Sadar	01 no kalir bazar	33	1575
		02 no North Durgapur	15	716
		03 no South Durgapur	15	1995
		04 no Amratoli	18	944
		05 no Panchthubi	14	1868
		06 no jagannathpur	30	1288
		Comilla Pourashva	32	1313
Comilla-09	Comilla Adarsha sadar (South)	07 no Galiara Union	30	2681
		08 no Choara Union	41	3376
		09 no Bijoypur Union	42	4782
		10 no barpara Union	53	3511



		11 no Jorkanon Union(W)	22	1580
		12 no Jorkanon Union(E)	23	1808
Comilla-05	Burisong	Varella	20	875
		Moynamoti	21	1033
		Mokams	24	2501
Total			433	31846

Source: Annual report, 2005

### Appendix 06

Category of the Primary Societies of KTCCA and their Share and Savings deposit:

Sl no.	Type of the societies	number of the society	share capital(Taka)	savings deposit (Taka)
A).	Active Societies(Registered)			
01.	Agricultural Cooperative Society	150	16,41,150	50,73,002
02.	Non-Agri	26	4,53,350	6,00,221
03.	CVDP	26	4,10,200	11,06,684
04	Asset less Cooperative Society	04	77,500	1,43,995
05	Asset less Women Cooperative Society	04	73,700	1,14,195
	<b>Total</b>	<b>210</b>	<b>26,55,895</b>	<b>70,38,097</b>
B	Registered(Suspended)			
1.	Agricultural Cooperative Society	22	2,19,310	5,11,001
02	Non-Agri	02	7,130	27,188
03	CVDP	01	4,970	24,562
	<b>Total</b>	<b>25</b>	<b>2,31,410</b>	<b>5,62,751</b>
C	Registered(Liquidation)			



01	Agricultural Cooperative Society	07	31,910	1,72,132
02	Non-Agri	01	3490	24,016
	<b>Total</b>	<b>08</b>	<b>35,400</b>	<b>1,96,148</b>
D.	Non-Registered Societies			
01.	Agricultural Cooperative Society	11	2550	50,314
02	Non-Agri	10	7890	27401
03	Asset less Cooperatives	04	2000	32366
04	Asset less Women Cooperatives	11	7600	175935
	<b>Total</b>	<b>36</b>	<b>20040</b>	<b>286019</b>
E	New Societies	29	--	51020
F	Cancelled Societies	<b>125</b>	779525	1368581
	<b>Grand Total</b>	<b>433</b>	<b>37,22,270</b>	<b>95,02,616</b>

Source: Annual report, 2005.

## Appendix 07

### Criteria of the Primary Society's Classification

No	Subject	Total marks	Achievable Marks		
			"A"	"B"	"C"
01	Loan Repayment	35	70>	50-69	<50
02	Capital Formation	10			
03	Financial Condition	15			
04	Accounting	10			
05	AGM	10			
6	Training at KTCCA	10			
07	Weekly Meetings	10			
	Total	100			