

**SUSTAINABILITY OF TWO-TIER CO-OPERATIVES IN BANGLADESH:
A STUDY ON CO-OPERATIVES UNDER RURAL DEVELOPMENT- I PROJECT IN
BOGRA DISTRICT**

A DISSERTATION

BY

MD. MUSHFIQUR RAHMAN
BU ID NO-05272011

**SUBMITTED TO THE
CENTER FOR GOVERNANCE STUDIES
BRAC UNIVERSITY, DHAKA, BANGLADESH**

**In partial fulfillment of the
requirement for the degree of
MA in Governance and Development**

**CENTER FOR GOVERNANCE STUDIES
BRAC UNIVERSITY, DHAKA, BANGLADESH
SEPTEMBER, 2006**

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Md. Mushfiqur Rahman
BU ID NO-05272011

Approved as to style and content by



Dr. Saadat Husain
Chairman, Bangladesh NGO Foundation
(Former Cabinet Secretary)

Center for Governance Studies
BRAC University, Dhaka, Bangladesh
September, 2006

Preface

Bangladesh is one of the least developed and densely populated countries in the world. About 80 percent of its population still live in rural areas. Poverty is widespread in Bangladesh; it is particularly severe in rural areas. For the development of the country as a whole, reduction of rural poverty is a must. Since independence of the country, the government of Bangladesh with the help of donor agency has implemented so many programmes for the rural development and reduction of rural poverty. Replication of two-tier co-operatives (Comilla Model) which aimed at increasing agricultural production through building and strengthening of rural institutions was one of such programme. Despite growth and overall progress of co-operative movement during three and half decades of its existence, the result is not very impressive. It is therefore necessary to know the sustainability of this movement. The main objective of this research is to study the sustainability of two-tier co-operative system in Bangladesh. In the process the study also made an effort to assess the efficacy of foreign aid for the development of rural institutions. This study was conducted as a part of the course, MA in Governance and Development, under the Center for Governance Studies, BRAC University, Dhaka, Bangladesh. It is intended that the research findings will be helpful for the planners of the government in the preparation of strategic plan for rural development in Bangladesh and also will be supportive for the academicians for further research.

Acknowledgement

The author deems it a proud privilege to express his deepest sense of gratitude and indebtedness to Dr, Saadat Husain, for his supervision and scholastic guidance in planning and execution of this research work and preparation of the thesis.

The author expresses his much regard to Dr, Akbar Ali Khan for selection of this topic and his valuable advice and encouragement during the entire period of work. The author would also like to convey his deepest gratitude to Dr. Matiur Rahman, Co-coordinator, Center for Development Studies for his guidance and encouragement throughout the study period. The author is grateful to BRAC University for financing of the study.

The author expresses his thanks and indebtedness to Mr, Barun Kumar Debnath, Deputy Director, BRDB and Mr, Sirajul Islam, Deputy Project Director, BRDB, Bogra, and their colleagues for kind co-operation during field survey of this study. Thanks and gratitude are also due to Mr Prodip Kumar, Librarian, BRDB, Polly Bhaban, Dhaka, for supply of reading material and cordial help in the collection of data.

The author likes to register his special appreciation to his friends, colleagues and well-wishers for their continuous encouragement during the study period.

Finally, the author feels proud and would remain ever grateful to his mother, wife, brothers, sisters and relatives for their sincere sacrifice, support and constant inspiration for completing the study.

Abstract

Sustainability is an interesting topic among the policy makers, planners, professionals and researchers working in the field of rural development. The two-tier co-operative is one of the oldest rural institutions in Bangladesh. Since independence, it has been playing a significant role in rural development. The main objective of this study was to assess the sustainability of two-tier co-operative system in Bangladesh. Sustainability of two-tier co-operatives under RD I project was analyzed from managerial, financial and environmental point of view. All the Upazila Central Co-operative Associations and 28 Krishak Samabya Samities in study area were examined. Government officials involved in co-operative movement in the study area were also interviewed. Data and relevant information were collected from BRDB head quarter, Dhaka. Having analyzed the data and other information, the study concluded that from financial and managerial point of view, two-tier co-operatives in the study area were not sustainable. The managing committees of the primary and central societies are not strictly following co-operative rules and regulations for the financial and other management of the societies. The study observed no distinct negative impacts of two-tier co-operatives on environment in the study area. Rural development project had no positive impact on capacity building of two-tier co-operatives to make them sustainable. This study also intended to analyze the problems and prospects of two-tier co-operative in Bangladesh. The two-tier co-operatives have inherent potential in tackling the problems of poverty alleviation, food security and employment generation. This study focuses on several pitfalls and shortcomings of two-tier co-operatives in Bangladesh like: lack of quality management, over-dependence on government, dormant membership, not holding elections, lack of sufficient fund for training etc. This study formulates some compelling recommendations to overcome the existing weaknesses and for boosting growth of the two-tier co-operatives in Bangladesh.

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List of abbreviation and acronyms used

AGM	Annual General Meeting
BARD	Bangladesh Academy for Rural Development
BRDB	Bangladesh Rural Development Board
BSS	Bittaheen Samabya Samity
DTW	Deep tube well
FAO	Food and Agriculture Organization
GOB	Government of Bangladesh
HTW	Hand Tube Well
IRDP	Integrated Rural Development Programme
KSS	Krishak Samabya Samity (Farmers co-operative society)
LLP	Low lift pump
MC	Managing committee
MSS	Mohila Samabya Samity
MT	Medium Term
PARD	Pakistan Academy for Rural Development
PP	Project Proforma
RD I	Rural Development Project I
RWP	Rural Works Programme
SAR	Staff Appraisal Report
ST	State Loan
STW	Shallow Tube Well

TCCA	Thana Central Co-operative Association
Thana	Administrative unit (now upazila)
TIP	Thana Irrigation Programme
Tk	Taka
TTDC	Thana Training and Development Centre
UCCA	Upazila Central Co-operative Association
Upazila	Sub-district (upgraded former thana)

Chapter One: Introduction

1. Statement of the issue:

The issue of sustainability is an important current topic in development policy and aid reform. Since 1980s, sustainability is listed as one of the indicators by which development interventions are evaluated. Sustainability means to endure, to last and to keep in being. Sustainability is a systemic concept, relating to the continuity of economic, social, institutional and environmental aspects of human society. Perhaps the most popular definition of sustainability is drawn from the 1987 report of the “World Commission on Environment and Development (also known as the Brundtland Commission)” which defined it as “meeting the needs of the present without compromising the ability of future generations to meet their own needs” (USAID, 1994). According to Food and Agriculture Organization (FAO), sustainable development is the management and conservation of the natural resources base and the orientation of technological and institutional change in such a manner as to ensure the attainment and continued satisfaction of human needs for present and future generations. In simple terms, development sustainability is the continuation of benefits after major assistance from the donor has come to an end. In the field of development, FAO has identified three types of sustainability:

1. **Institutional sustainability:** Institutional sustainability is measured as the ability of an institutional structure continues to deliver its results of the technical co-operation to the ultimate end-users. Institutional sustainability can also be linked to the concept of social sustainability.
2. **Economical and financial sustainability:** Economical and financial sustainability of development activities can be measured as the ability to flow an economic benefit after the technical co-operation is withdrawn. For example, economic

sustainability may be at risk, if the end-users continue to depend on heavily subsidized activities and inputs.

3. **Environmental sustainability:** In any development activities, it is essential to consider environmental sustainability. It can be measured as whether the benefits to be generated by the technical co-operation likely to lead to deterioration in the physical environment (thus indirectly contributing to a fall in production) or well-being of the groups targeted and their society (Wikipedia, 2006).

The issue of sustainability for the rural development activities in developing countries has become a subject of much interest among the policy makers, planners, professionals and researchers. Rural organizations (like, agricultural and other co-operatives, rural workers associations, agriculture producer associations and other self help groups) have a significant role in rural development. In Bangladesh, since its independence, among the oldest rural organizations, the two-tier co-operatives have been playing a considerable role in rural development.

1.2 Background of the study:

Bangladesh is one of the least developed and densely populated (913 per sq. Km) countries of the world with a per capita GDP of \$ 418 (in 2004). It covers an area of 147,570 sq. Km. and vast majority of the population live in the rural areas. About 80% of its people still live in the rural areas (BBS, 2006). Economic and social conditions of most of the rural people are extremely difficult. In fact, poverty is widespread in Bangladesh and more so in the rural areas. So, for socio-economic development of the country as a whole, reduction of rural poverty is a must. Since 1970s, for the rural development and reduction of rural poverty, the government of Bangladesh with the help of donor agencies has implemented so many programmes. Rural Development I (RDI) project which aimed at increasing agricultural production through building and strengthening of rural institutions through replication of two-tier co-operative (Comilla model) system was one of them. In fact, in

1960s, the Comilla approach (two-tier co-operatives) was the first systemic opportunity for the small and marginal farmers to participate in the process of promoting agriculture revolution in this country.

A two-tier co-operative system (with the primary societies at village level and central association at thana level) was an attempt to organize small farmers through resource mobilization by way of thrift and help them to improve their production potential by promoting managerial and technical skill through continuous training. Thus, the ultimate aim of such attempt was to bring the poorer farmer population out of the clutches of moneylenders and introduce the spirit of self-financing and self-management among them (Kashem, 1995).

1.3 Rationale of the study:

In Bangladesh, for rural development, Integrated Rural Development Programme (IRDP) was started in the early seventies based on the two-tier co-operatives model of the UCCA-KSS. In 1976, IRDP took Rural Development Project I (RD-I) covering 4 upazilas in Bogra District (Bogra Sadar, Sherpur, Gabtoli and Sariakandi) and 3 upazilas (Muktagacha, Trishal and Gaffargaon) in Mymensingh districts. The project had 9 components (detailed component and physical progress report of RD I project are shown in appendix-5). Among all the components, to strengthen UCCA-KSS operation through equitable input and credit distribution, training and supervision was the most important one. It was expected that through this project, the primary co-operatives (Krishak Samabya Samity) and Central co-operatives (Upazila Central Co-operative Associations) would become self-financing rural institutions.

After liberation, for the rural development, the government of Bangladesh has implemented so many programmes like RD I project. But the expected progress on rural development is still open to discussion. During last several decades rural development was given much

importance in our national planning and it is true that there are quite a few success stories. However, Bangladesh has been flooded with various studies, ideas, concepts, exploration and experiments. The models are so many in number and some of them look so alike while others vary so widely from each that they are bound to confuse the planners, researchers, practitioners and the ultimate beneficiaries who mainly consist of the simple villagers.

Though there are evaluations during implementation and just after completion of a development programme, systematic studies are not carried out to assess the sustainability of those development activities. Same comments are perhaps applicable for two-tier co-operatives under RD I project. In this context this study was undertaken for the following reasons:

1. The research is intended to study the sustainability of two-tier co-operatives system in Bangladesh. The RDI project is one of the oldest among the completed project in the co-operative sub-sector in Bangladesh. The main objective of the project was to strengthen two-tier co-operatives for the development of rural areas. The project started in August 1976 and was completed in June 1984 by IRDP (from 1982, Bangladesh Rural Development Board, BRDB). So, this is the high time for sustainability study of two-tier co-operatives in the study area.
2. The RDI project was a foreign aided project. The research findings will therefore, offer an opportunity to examine the impact of foreign aided project on rural institutions, like co-operatives.

1.4 Research objectives:

This research aims to evaluate the effectiveness and sustainability of two-tier co-operatives as an institution of rural development in Bangladesh. This research is intended to describe some instruments which will be helpful for the policy maker to make strategies for more efficient, effective and sustainable co-operative system in Bangladesh. This study would

also pay attention on both qualitative and quantitative achievement of the RDI project on the study area. The specific objectives of the research are:

1. To assess the sustainability of UCCAs and KSS (two-tier co-operative system) of selected areas from managerial, financial and environmental point of view.
2. To assess the role of rural development project on rural institutions to make it sustainable.
3. To identify problems with regard to sustainability and suggest possible ways (if relevant at this stage) to overcome them. This may be helpful in formulating future programmes for development of co-operatives in Bangladesh.

1.5. Scopes and Limitations:

This research aims to evaluate the effectiveness and sustainability of two-tier co-operative in Bangladesh. It is intended that this research programme will give some ideas to the policy makers about the performance and sustainability of two-tier co-operative movement. The research is also intended to describe some instruments, which will be helpful for the government to make strategies for more efficient and sustainable co-operative movement in Bangladesh.

Measurement of sustainability of a programme is very difficult because there are no clear-cut indicators of sustainability of a programme. Moreover, this study has the following limitations:

1. RD I project was implemented in 7 upazilas under two districts, 4 in Bogra and 3 in Mymensingh with the assistance of IDA (Credit no 631 BD). But due to time and resource constraints this study was conducted only in 4 upazilas (now 6 upazilas: Bogra Sadar, Sherpur, Sahjahanpur, Sariakandi, Gabtoli and Sonatola) of Bogra districts.

2. Study period for this research is only one financial year. On the basis of one-year's information, it is not safe to generalize from the results obtained and make robust conclusion.
3. Memory bias of the respondents and general tendency to overestimate the efficiency of their co-operative society might have adverse effect on the quality of data.
4. Only operative co-operatives have been selected for sampling and number of sample may not represent the total number of co-operatives in the country.
5. This study was based on both primary and secondary data. But some secondary data were not available in concerned office like separate statement of share and savings of the co-operatives which were essential for making some important inference.

1.6 Organization of the paper:

The paper is divided into six chapters. The introductory chapter deals with the overall objectives, background, scope and limitation of the study. The second chapter briefly reviews the history of co-operative movement, structure and functions of two-tier co-operative and concept of sustainability. The third chapter is entirely concentrated to literature review related to two-tier co-operative movement in Bangladesh. The fourth chapter describes the methodology of the study. The fifth Chapter describes research findings and their analysis. Finally, the sixth chapter attempts to draw conclusions and a few compelling recommendations based on the findings of the research.

Chapter Two

Co-operatives and concept of sustainability

2.1 Co-operative values and principles:

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Co-operative is based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others. The co-operative principles are guidelines by which co-operatives put their values into practice. Following are the principles of co-operatives:

1. **Voluntary and Open Membership:** Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.
2. **Democratic Member Control:** Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Women and men serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights [one member, one vote] and co-operatives at other levels are also organized in a democratic manner. This is the basic difference between co-operative and private sector Company. In private sector Company, individuals or groups with large shares have greater votes commensurate with the number of shares they own.

3. **Economic Participation:** Members contribute equitably and democratically control the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members may allocate surpluses for the purposes of developing their co-operative.
4. **Autonomy and Independence:** Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensures democratic control by their members and maintain their co-operative autonomy.
5. **Education, Training and Information:** Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.
6. **Co-operation among Co-operatives:** Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international co-operatives.
7. **Concern for Community:** Co-operatives work for the sustainable development of their communities through policies approved by their members (CDS, 2005).

2.2. Brief history of global co-operative movement:

Co-operative movement, a series of organized activities that began in the 19th century in Great Britain and later spread to most countries of the world, whereby people organize themselves around a common goal, usually economic. The term co-operatives usually refer

more specifically to the formation of nonprofit economic enterprises for the benefit of those using their services. The origin of co-operative philosophy is found in the writings and activities of Robert Owen (1771-1858), Louis Blanc, Charles Fourier, and others. Its early character was revolutionary, but under the impact of such movements as Christian Socialism this aspect diminished. The co-operative movement has since had considerable growth throughout Great Britain and the Commonwealth, where local co-operatives have been federated into national wholesale and retail distributive enterprises and where a large proportion of the population has membership. Various examples of co-operative organization are also found in the Scandinavian countries, Israel, the People's Republic of China, Russia, and France. In the United States the co-operative movement began in the 19th century, first among workers and then among farmers. An international alliance for the dissemination of co-operative information was founded in 1895. Today the major types of co-operatives include those of farmers, wholesalers, and consumers, as well as insurance, banking and credit, and rural electrification co-operatives etc (C.E.E, 2006).

2.3 Brief history of the co-operative movement in Bangladesh:

Co-operatives were introduced in the sub-continent in the wake of the famine Commission report of 1901. The then government began the organization of co-operative credit societies in 1904 under the Co-operative Credit Societies Act to facilitate farmers' access to institutional credit and thereby reduce their dependence on traditional money lenders. Between the years 1901 and 1940, the government strengthened and expanded the co-operative network introduced at least three legislations. Since inception, the co-operative movement in the subcontinent was thus guided by the government and also received substantial support for its primary function like, disbursement of agricultural credit (Hye, H.A, 1993). Since co-operatives were the only institutional source for obtaining rural credit there was rapid expansion in their number to meet the need for credit. To review the working of the movement that was rapidly expanding on weak foundation and suggest measures for improvement, several bodies were constituted from time to time. The most important among them were the Committee on Co-operation (1914) Known as Maclagan

Committee, Royal Commission on Agriculture (1926-1927), Agricultural Finance Sub-Committee (1944) known as Gadgil Committee and Co-operative Planning Committee (1945) known as Saraiya Committee. These bodies made valuable recommendations for removing the weakness of the movement and reorganize it on proper lines. In Bengal, however, an effort was made through passing of the Bengal Co-operative societies Act of 1940 to adopt co-operative movement. But this had very little to do with the management and financial position of the co-operatives.

In 1947, at the time of independence from British colonial rule, Bangladesh (former East Pakistan) inherited 32000 primary co-operatives most of which were agricultural credit societies. These were found to be too small to be able to mobilize the managerial and financial resources (Hye, H.A, 1993).

It has been observed that in spite of all the government efforts co-operative movement failed to achieve any break-through in improving the lot of the broad masses. In this background, in early sixties, the then Pakistan Academy for Rural Development (PARA) now known as Bangladesh Academy for Rural Development (BARD) at Comilla under the dynamic leadership of Dr. Akhter Hameed Khan, made an experiment to evolve a co-operatives based of model for rural development which would be suitable to the socio-economic conditions of the then Pakistan. There were four major components of the programme, which can be summarized as follows:

1. Two- tier co-operative system: Under this system farmers are organized at the village level into co-operative societies called Krishak Samabya Samity (KSS). To provide support and ensures supply and services, all the village based primary societies are federated into the Thana Central Co-operative Association (TCCA), now known as Upazila Central Co-operative Association (UCCA) at the upazila level. The main functions of the UCCA were to provide service facilities like planning, training, credit of agricultural inputs etc. to KSS. Each farmer under KSS is entitled to borrow certain amount of money depending on the

number of shares purchased in the samity to invest in income generation pursuits in order to make regular savings with society and build up its capital. This system is capped with the UCCA. There is no other higher forum in this system (Husain,S. 1987).

2. Thana Training and Development Centre (TTDC): The TTDC forms the essential institutional support for the progress and is responsible for coordination of training of the managers of co-operatives. The TTDC has close link with UCCA but is not the part of it.

3. Thana Irrigation Programme (TIP): TIP was launched in late sixties. The main task of the progress was to organize farmers into groups by local leaders and to supply easy credit and subsidize equipment for ensuring irrigation to facilitate mainly installation of tube well and Low lift pump.

4. Rural Works Programme (RWP): RWP started in 1963-64 as a nationwide rural development programme in order to generate employment for the unemployed in the lean period. It was designated to build up physical infrastructure, like, roads, bridges, culverts, irrigation channels etc. in rural areas (Rahman, M.M, 1994).

Most of the essential ingredients of the Comilla model were not, however, new. The genesis of Rural Works Programme may be traced back to Chanakya's Artha Shastra. The system of state run agricultural credit is as old as the Mahasthangar inscription of 2nd century B.C. the model was also influenced by the Raifeisen Co-operatives for small farmers, which flourished in 19th century in Germany, the training approach of the Danish folk school of 19th century and Japanese methods of agricultural extension. According to Khan, A.A (1989), the main reasons of the shift from multipurpose multi-tier co-operative societies to single purpose two-tier co-operatives are two fold. First, the traditional multipurpose co-operative societies recruited members from 10 to 15 villages, which contain 10 to 15 thousand people. Group cohesion in such society used to be very weak.

Secondly, the multipurpose society was based on the assumption of social harmony where various groups with different purposes can co-operate with each other. However, rural economy in Bangladesh is characterized by chaotic economic conflict (Khan, A.A, 1989).

In 1970s, the two-tier co-operative system was the main vehicle for rural development. This new system of co-operatives was expanded all over the country. To carry out this expansion programme of the new approach to rural development and the new system of co-operatives, Integrated Rural Development Programme (IRDP) was created.

The IRDP was launched in early 70's with a view to countrywide replication of the two-tier Co-operative system. This programme was transformed into a national organization named Bangladesh Rural Development Board (BRDB) in 1982 by an ordinance of the Government. Since the formation of BRDB, this organization is engaged in various activities for socio-economic development of the rural people by organizing them into co-operative institutions (BRDB, 1991). In 1982, the IRDP was reconstituted as BRDB, which continued and strengthened its initiatives to organize marginal and landless farmers and poor women in formal and informal co-operatives for their empowerment, through micro credit intervention (Ahmed and Hakim, 2004).

2.4 Structure and functions of two-tier co-operative System:

Integrated Rural Development Programme (IRDP) was approved by the ECNEC of the erstwhile government of Pakistan in the later part 1970. After liberation, IRDP was adopted as a national programme. The main features of the programme were:

1. To organize farmers into cohesive village-based co-operative societies i.e. Krishak Samabya Samity (KSS); and
2. Unification of the village co-operatives (KSS) into federation at the upazila level (UCCA).

3. No rooms for any other national or apex body. UCCAs are supposed to be self-sustaining. The world of hierarchy ends there.

Village-based primary farmer's co-operatives or the KSS composed of individual members for joint production, planning and resource use, though each member is allowed to own and cultivate his own land. Each village co-operative, before it was affiliated to the central association had to abide by the following principle:

1. Organize itself and become a registered co-operative society;
2. Hold weekly meetings with compulsory attendance of all members.
3. Keep proper and complete accounts.
4. Prepare joint production plans and adopt improved agricultural practices and skills.
5. Make regular savings deposit in cash and kind.

Central co-operative association at the upazila level called Upazila Central Co-operative Association (UCCA) is the federation of the village primary co-operative or the KSS. The main functions of UCCAs are to provide supplies and services to the primary co-operatives in collaboration with other development agencies operating in upazila level. General functions of UCCA and KSS are described below:

a. Functions of UCCAs:

It was recommended that the UCCAs should carry out the following support facilities to the KSS:

1. Supply credit and distribute agricultural input like, fertilizer, and seed.
2. Provide services, like training, use of tractors, machine etc.
3. Storage and marketing facilities of agricultural products.
4. Provide co-operative education and training to the members of primary co-operatives.
5. Maintaining liaison with different development agencies and procuring services and supplies for member societies.

6. Planning and implementation of different development activities such as woman's programme.
7. Initiating and promoting plans and activities for local development.

b. Functions of the primary co-operatives (KSS):

1. To provide institutional services to the members;
2. To arrange weekly meetings of the members;
3. To prepare joint production plan for the members and to utilize the institutional facilities, such as credit and other inputs;
4. To procure inputs and credit from UCCA for the members;
5. To supervise the use of inputs and credit and be responsible for repayment of credit in time;
6. To build up societies own capital through individual savings of the members and a share capital;
7. To provide marketing facilities to the members for a fair price for their produce; and
8. To undertake other social welfare activities for the society and the members.

The members of the KSS as individuals and KSS as a group have to follow some defined principles and discipline of co-operation in all spheres of their functions.

2.5 Concept of sustainability and its indicators:

2.5.a. Concept of Sustainability: Conceptually as a word, the history of sustainability is much shorter. It originates from the 18th century. Initially, the concept of sustainability was introduced for the purposes of forest and wildlife management almost three hundred years ago. For the purposes of fishing, it was developed in the first half of the 20th century as adopted from forestry or independently. Especially, the soil degradation and its prevention appeared prominently in the discussion on sustainable cultivation methods in agriculture in the 1930's. Over the last three decades, global concerns about poverty, increasing

inequality, environmental problems, depleting natural resources and other related problems have been increasing. The concept of sustainability was reintroduced in this new context. The most recent initiatives to extend and elaborate the concept of sustainability have been made by the report of the World Commission on Environment and Development (WCED) or the Brundtland Report also known as Our Common Future. It manifested sustainability explicitly as a three-dimensional concept: economic, environmental and social. According to the Brundtland Report, sustainability is: "Meeting the needs of the present generation without compromising the ability of future generations to meet their needs." This definition obliges the present generation to anticipate and consider the effects of its actions on the life of future generations. The United Nations Conference on Environment and Development 1992 in Rio de Janeiro, Brazil adopted the term "sustainable development". The 1995 World Summit on Social Development further defined sustainability as "the framework for our efforts to achieve a higher quality of life for all people," in which "economic development, social development and environmental protection are interdependent and mutually reinforcing components" (Vehkamaki, S., 2005). According to FAO, sustainable development is the management and conservation of the natural resources base and the orientation of technological and institutional change in such a manner as to ensure the attainment and continued satisfaction of human needs for present and future generations . In the field of development FAO has identified three types of sustainability: financial, institutional and environmental.

The history of sustainability is related to the well-being of human societies, sufficiency of natural resources, and preservation of ecosystems. Because sustainability refers to continuity, the renewable natural resources have been central objects in its conceptual development. Scarcity of resources is the central incentive for aiming at sustainability. Principles of sustainability are intended for guiding human activities towards a secure future, for controlling dynamic, living systems.

Sustainability is relevant to development projects also. Development sustainability is the continuation of benefits after major assistance from the donor has been completed. So all development assistance, apart from temporary emergency and humanitarian relief efforts, should be designed and implemented with the aim of achieving sustainable benefits.

2.5.b. Indicators for measuring sustainability: Brown D, R (1998) has described following views on what constitutes sustainability:

1. Sustainability as longevity: Longevity or survival is considered to be a sign of sustainability. If an institution survives over the long term, one might conclude that it has become sustainable. Alternatively institutional survival is regarded as evidence of sustainability. Mere longevity or survival on its own is therefore a questionable indicator of sustainability.

2. Sustainability as continued benefit flows: The degree of sustainability of a project could be measured in terms of percentage of project initiated goods and services still being delivered and maintained five years past the termination of donor resources. From an evaluation point of view, using continued benefit flows as an indicator of sustainability automatically implies that sustainability can only be evaluated ex-post.

3. Sustainability as the ability to meet recurrent costs: Meeting recurrent costs after donor funding is exhausted, particularly where this means self-financing, is most often equated with sustainability. The recurrent costs of an operation include overheads, administrative costs, wages and salaries, as well as the cost of equipment, materials and consumables. Without these, there is neither programme nor institution.

Continued benefit flows; longevity and survival are all related to self-financing or financial self-sufficiency. It is clear that there are desirable development activities, which will never

become sustainable in this sense, as their capacity for revenue generation is minimal or non-existent.

4. Sustainability as institutional capacity: Self-reliance of an organization should include not only financial self-reliance, but also self-reliance in decision-making, resource management and policy making. These all points to sustainability as primary a capacity issue and not a purely financial one. Indeed, sustainability is about the capacity of an institution to generate a minimum level and quality-valued outputs over the long term. It is about continued effectiveness, about creating and maintaining an acceptable level of capacity, and then about converting that capacity into actual performance.

Brown, D.R (1998) also described. learning is an essential part of institutional capacity, or rather, learning is an essential institutional capacity. Improving the learning process is important because it contributes to improve performance two ways. First, it helps to reduce the repetition of error. Secondly, it equips the organization to achieve change relatively smooth rather than through periodic major crisis by detecting changes in its operating environment.

1. Financially sustainability is an organization's capacity to obtain revenues (grants or otherwise) in order to sustain productive processes (projects) at a steady or growing rate in order to produce results (accomplish the mission, goals, or objectives). According to Leon, P (2001), financial sustainability of an organization depends on its financial and strategic planning, income diversification, sound administration and own income generation activities.

Honadle and Vansant (1985) described the following three criteria for measuring the degree of sustainability of integrated rural development project:

1. The percentage of project initiated goods and services that is still delivered and maintained five years past the termination of donor resources.

2. The continuation of local action stimulated by the project.
3. The generation of successor services and initiatives as a result of project –built local capacity.

Following three sets of indicators of sustainability have been suggested by Leon, P (2001) to measure financial sustainability:

1. **Indicators of strategic vision and leadership:** It covers the performance of strategic and financial planning and management effectiveness of an organization.
2. **Indicators of income generating capability:** It measures the ability of an organization in fund raising, diversification of sources and generation of unrestricted income.
3. **Indicators of financial administration capability:** By these indicators it is possible to measure an organization's cost recovery rate, accounting system, external and internal financial reporting, audit performance and cash flows.

According to Khan et al (1988), as objectives of rural development projects are complex and multidimensional so, no single indicator can satisfactorily assess the sustainability of the projects in this sub sector. Khan et al (1988) uses the following three types of indicators for judging sustainability of rural development project:

1. **Indicators of economic efficiency:** Sustainable rural development project must be economically efficient.
2. **Indicators of institutional development:** The development of appropriate institution is a precondition not only for increased production but also for the equitable distribution of the benefits of growth. Institutions should be people-centered, self-supporting and efficient.
3. **Indicators of economic equity:** Ability to equitable deliver the benefit of growth to the people.

According to USAID (1994), a rural institute may consider as sustainable if it have the following criteria:

1. The ability of the institute to flow of benefits at desirable level.
2. There must be prerequisite participating activities to maintain the benefit stream.
3. Institute should have adequate resources.
4. The benefit stream should continue for a sufficiently long period of time.

From the above discussion it can be stated that the measurement of sustainability in development activities is very difficult as there are no specific indicators for measuring it. To achieve the objectives of this study the following three sets of operational indicators were used:

1. Financial;
2. Organizational or managerial; and
3. Environmental

It can be argued that the three indicators subsume the other indicators mentioned in the preceding paragraph.

Chapter Three

Literature Review: Studies on Co-operatives

According to Khan, A.A (2005), Bangladesh experienced dysfunction not only of large local governments but also of co-operative organizations. For a long time Bangladesh experienced with union multipurpose co-operative societies which recruited members from 10 to 15 villages with a population of ten to fifteen thousand people. This organization signally failed for two reasons; first, group cohesion in such societies was very weak. There was little relationship among the membership itself, it was too scattered. There was no social cohesion, no solidarity. Secondly, large organizations like union multipurpose co-operative societies were based on the assumption of social harmony among various groups with different purpose.

An evaluation study on two-tier co-operative conducted by Hye H, A in the year 1993 and concluded that:

1. The two-tier co-operative system has proved its versatility both for agricultural and non-agricultural activities in the sixties.
2. The performance of two-tier co-operatives in Comilla Kotowalli phase gradually degenerated into routine activities geared to top down decision making. While the number of co-operatives at the village level rose rapidly without much preparation and motivational activities.
3. Default in loan repayment has plagued the two-tier co-operatives right from the beginning. It becomes worse during the BRDB phase on account of medium term loan for irrigation, which was not properly utilized, and inadequate supervision of large number of borrowers.
4. The most important success and the lasting contribution of the two-tier co-operative has been its dissemination of the modern irrigation technology among large number

of farmers having small and fragmented farm holdings. It is doubtful if the HYV based rice technology could spread on fast and as widely in the late sixties and seventies in the absence of the organizational framework of the two-tier co-operatives.

5. The expansion of irrigation through the two-tier co-operatives also increases use of HYV seeds, chemical fertilizer and pesticides. It has also impact on use of modern irrigation technology and adaptation of on farm and post harvest technologies in weeding and harvestings.
6. One of the persistent criticisms of the UCCA-KSS system has been their domination by large farmers.
7. One of the important goals of the two-tier co-operative system was the attainment of self-reliance. It inspired reduction of dependence on financial and managerial resources coming from outside. Attainment of the goal was stressed all through but has remained elusive to date.
8. Two-tier co-operative deprived of real democratic management have continued to remain as an appendage of government agency.
9. Elected members of the UCCA managing committee have had limited powers in taking major decision particularly involving fund. Lack of authority has often resulted in lack of responsibility and commitment.

For the replication of Comilla model RD I project was undertaken with the assistance of IDA. The project has been evaluated both by the government as well as by the donor agency. In addition, some social scientists also have evaluated the different components of the project in different time.

As a pilot project, the government as well as the donor agency has extensively reviewed the experience of RD1 project. On the basis of an evaluation report, in the third five year plan of the government of Bangladesh concluded that project shows "no discernible impact and

the management of the project area co-operative is found to be dominated by relatively well-off rural household" (GOB, 1985).

The lessons learnt by the donor agency are similar. The SAR of RD II project listed following three major weakness of the RD I project:

1. The principal objective of the project is to create an institution to provide farmers and in small farmers with the means to adopt new technology which not directly relevant to the basic programme, in this case establishing viable TCCA-KSS.
2. The concentration of the project on a relatively few upazila was considered to be unsatisfactory.
3. The concentration of the project on a relatively few upazila was considered to be unsatisfactory. Because, the simultaneous operation of two programmes, project and non-project, causes confusion to district official.

It was observed that institutional development couldn't take place in the absence of an assured supply of inputs and service to farmers. It was reported that the strong initial farmers response to RDI turned into antagonism as the government failed to commission irrigation equipment in time (World Bank, 1983).

The author of SAR of RDI stated that the TCCA is a co-operative system with healthy concept, well suited to the social structure of Bangladesh and with a record of success during the Comilla days, but is now at a crossroads of either going downhill to join the traditional co-operative or being revived to become a truly viable rural institution of Bangladesh (World Bank, 1976).

Khan, A.A (1989) concluded that the economic performance of KSS members under RD I project was not significantly different from that of non-members. All the area development projects were handicapped by lack of coordination. More over, the various components of integrated project could not be implemented in logical sequence. For example, credit and

fertilizer were distributed long before water for irrigation could be provided. Despite its initial promises, the two-tier co-operative system in Bangladesh today faces three fundamental maladies. First, large farmers now dominate the UCCA-KSS system, which was designed to organize small farmers. The KSSs in many places have degenerated into closed clubs of Kulaks. In the year 1980, it was found that at least 44 percent members of the managing committee of the UCCAs are large farmers. Secondly, the discipline of co-operative societies such as regular thrift deposits, weekly meetings and audit has gradually eroded. This may be attributed to too rapid replication of Comilla model, inadequate supervision and usurpation of leadership by the rural elites. The recovery rate of credit in these societies is also poor. Finally, the two-tier co-operative societies are hopelessly dependent on the government for survival. Most of the co-operative societies could not attain financial self-sufficiency despite government's liberal patronage during last two decades (Khan, A.A, 1989).

Just after completion, RD I project was evaluated by Centre for Development Science, Bangladesh Unnayan Parishad (CDS-BUP). The study was carried out for Bangladesh Rural Development Board. Following observation on UCCA-KSS were made by the evaluation study:

1. The RD I management succeeded in created more societies but failed to attract new members, further more, most of the dynamism in society formation was in earlier years and could not be adequately sustained.
2. The programme on strengthening of an information base has largely failed. Credit disbursements have been impressive but not the repayment performance. Attendances at training courses are not satisfactory although those who gained training claim to have acquired much new knowledge. The co-operative management is largely in the hands of the influential persons.
3. The top-down bureaucratic decision making process has not allowed flexibility in operations at local level resulting in uncertain success of particular programme

particularly the voice of the field staff needs to be heard and responded to at the upazila level (CDS-BUP, 1985).

Another case study was conducted by Khan et al in 1988. In this study the performance of RD I project on institutional development were evaluated. Evaluation made following observations:

1. The foundation of the institutional framework of RDI was the two-tier co-operative system, which organizes village, based farmer's co-operatives (KSS) and federates them into Upazila Central Co-operative Association (UCCAs previously styled as TCCA). The following critical functions were assigned to two-tier co-operative:

- a. Expansion of two-tier co-operative membership and enforcement of co-operative discipline among the members. The provision of adequate short Term (ST) credit inputs.
- b. The provision for medium term (MT) credit for procurement of irrigation equipment.
- c. Making the two-tier co-operative financially viable.

There has been a significant expansion of KSSs in the project area since the launching of RDI. In 1975 there were 695 KSSs, in 1986, 2218. The target for KSS in the SAR was 1343 in 1985, where as the actual achievement in 1985 was 2140, about 60% higher than the target. In 1975, there were 18651 members. The target for 1985 in SAR was 150,000. In 1985, there were 110,399 members and actual performance was about 26.4 percent less than the target.

2. There were some major weakness of KSS like, the size of the KSS in terms of membership is small, the non-members were engaged in for running irrigation and the quality of KSS was not sound.

3. One of the major aims of the project was to reinstate in the seven thanas the proven practice adopted in the Comilla model in the prime years such as weekly meeting, training

and thrift deposit. An analysis of RDI co-operatives societies shows that they are co-operative societies without the spirit of cooperation. Weekly meeting and training classes have virtually been discontinued in RDI area.

4. One of the main functions of the two-tier co-operative was to ensure the smooth and regular flow of short-term agriculture credit to small farmer for purchase of modern input in the crop season. Despite the impressive performance in disbursing agriculture credit in the project area, credit recovery rate is declining at an alarming rate. None of the UCCAs were qualified for disbursement of credit in 1986-87 according to standard prescribed by the Bank. Credit is very often overdue with the large farmers who dominate the managing committee of the co-operatives. In some cases loans were used to fictitious person by unscrupulous UCCA employees. Thus poor supervision is one of the reasons for poor recovery credit.

5. One of the major objectives of the project was to make the UCCAs self-supporting. With this end of view, the physical facilities like office building, fertilizer godown and thana workshop were provided for the project. Additional staff was given to the UCCAs and both MT and ST credits were tunneled through the UCCAs who were authorized to collect service chares for credit. Despite the sizeable assistance from the project most of the UCCAs have not yet sustained financial independence.

6. The overall performances of the KSSs seem to be much less satisfactory than the national average. Only 35 percent KSSs in the country as a whole were inactive in 1984-85. The corresponding figures for RD I was 56.2 percent.

7. The main strength of the Comilla type two-tier co-operative lies in its success in motivating the members to make small but irregular thrift deposit. So far, the UCCAs in RD I have succeeded in mobilizing more than TK 12 million from the members in shares and deposits. However, these savings were not voluntary and regular. In most cases, shares

and savings were deducted from loans advanced to the members. The savings per members were in RD I area is less than the national average. In 1983-84, the average savings per KSS member in Bangladesh was tk 139.36; per head saving in RD I UCCAs was tk.112.5 only.

Chapter Four: Methodology

4.1 Selection of the study area and collection of data:

This study is based on both primary and secondary data. The benchmark data and information for this study were collected from previous appraisal/evaluation reports of the RDI project. To compare the performance of co-operatives of selected areas national data were collected from BRDB head quarters. RDI project was implemented in 4 upazilas (Bogra Sadar, Sherpur, Gabtoli and Sariakandi) of Bogra district and 3 upazila of Mymensingh (Muktagacha, Trishal and Gaffargaon) district. Due to time and resource constraints, the study were conducted only in 6 upazilas of Bogra district (Study area is shown in appendix-6) as because the then 4 upazila is now divided into 6 upazilas (Bogra Sadar, Sherpur, Gabtoli, Sariakandi, Sonatola and Sahjahanpur). For the convenience of data analysis, Bogra Sadar and Sahjahanpur (co-operative activities of Sahjahanpur still under Bogra Sadar upazila) have treated as one upazila. Similarly, Gabtoli and Sonatola have treated as one upazila.

To fulfill the objectives of the research, primary data were collected from different sources. Details types of sample and their respective sizes are shown in table:-1. Primary co-operatives (KSS) were selected randomly. From every upazila at least five running KSS (at least one KSS from one Union) were selected (number of selected union from each upazila are shown in Table-2). Upazila level government officials who are working on rural development activities were interviewed. Following sets of questionnaire were used for this study (detailed questionnaire Annexure-1, 2 and 3).

1. Questionnaire for the chairman of UCCAs.
2. Questionnaire for the manager of KSS.

3. Questionnaire for the government officials (Upazila Rural development officer, Upazila co-operative officer, Deputy Director, BRDB etc) who are involved in co-operative movement in the study area.

In spite of collection of data through questionnaire, a series of discussions were made with different stakeholders of co-operative movement in the selected area. The relevant document available in UCCAs and upazila BRDB offices were also examined.

Table 1: Types of samples and their respective sizes

Serial No	Samples	Size in each upazila				Total
		Bogra Sadar and Sahjahanpur	Sherpur	Gabtolli and Sonatola	Sariakandi	
1	Chairman, UCCA	01	01	02	01	05
2	Manager, KSS	10	08	05	05	28
3	Officials	05	02	02	02	11
Total		16	11	09	08	44

Table 2: Number of selected Unions in different upazilas for the collection of data from KSS

Name of District	Name of Upazilas	Number of unions	Number of selected unions
Bogra	1.Bogra Sadar and Sahjahanpur	21	9
	2. Gabtoli and Sonatola	18	05
	3. Sherpur	09	06
	4. Sariakandi	12	05
Total		50	25

Since completion of RD I project at least three evaluations have been conducted. First evaluation was conducted by Centre for Development Science, Bangladesh Unnayan Parishad in the year 1985. This study was carried out for Bangladesh Rural Development Board. Second evaluation study was conducted by donor agency, World Bank in the year 1986. Another case study was conducted by Khan et al in the year 1988. In addition, conducting study of different project World Bank has further made comments on different component of the project. Secondary data from these reports have been used in this study for making inference and recommendation.

4.2 Analysis of data:

The main objective of this study is to find out sustainability of two-tier co-operative system in selected area. To make inference from this study, sustainability of co-operatives were examined from following point of view and accordingly data were analyzed:

1. Study of sustainability from managerial point of view: To study the institutional sustainability, analysis was done to examine following issues:

- i. Ability of the co-operatives to continue flows of benefit to the members without help of government or other external assistance.
- ii. Longevity of the societies.
- iii. Institutional capacity.
- iv. Qualitative performance and office management capacity of societies.

2. Study of sustainability from financial point of view: Analysis was done to examine the following issues:

- i. Financial viability i.e. ability of the co-operatives to meet the recurrent cost.
- ii Financial management like audit performance.
- iii. Loan repayment performance.
- iv. Share and savings deposit performance
- v. Ability of the societies to receive state loan.

3. Study of sustainability from environmental point of view: to study the environmental sustainability of co-operatives, impact of co-operative movement on environment were analyzed.

Economical and management quality of the co-operatives were assessed through comparison with the data collected from BRDB head quarter. To formulate some suggestions for more effective and sustainable co-operative system in Bangladesh data collected through questionnaires and previous study regarding rural development and co-operative movement were consulted.

To asses the impact of Rural Development I Project, contribution of the project in agricultural development (including livestock development) and qualitative performance of UCCA-KSS in the study area were analyzed. To do this, secondary data collected from the study area were compared with the national data.

Chapter Five: Results and Discussion

The purpose of this part of the study is analysis the sustainability of UCCA- KSS system of co-operatives which was set up as a major institutional mechanism of the RD I project in order to promote rural development through equitable distribution of the inputs and credit. This part also analyses the impact of RD I project on two-tier co-operative movement and find out some present problems of two-tier co-operatives in study area. On the basis of field survey, 2006 and data collected from previous study report, following types of sustainability of two-tier co-operatives are examined:

1. Study of sustainability of two-tier co-operatives from managerial point of view;
2. Study of sustainability of two-tier co-operatives from financial management point of view; and
3. Study of sustainability of two-tier co-operatives from environmental point of view.

5.1.1. Study of sustainability of two-tier co-operative from managerial point of view:

On the basis of field survey and previous study the management performance of co-operatives under this study area are described below:

5.1.1.a. Background of the members of managing committee (MC): Comilla model of co-operatives has an explicit objective that the UCCA and KSS managing committee should be the representative of original farmers. It was an observation made by the CDS-BUP that 36.1 percent UCCAs managing committee members are non-farmers it was one of the causes of inefficient management of the societies. Present study also revealed that about 29.2 percent members of MC of UCCAs and 16.3 percent member of KSS are non-farmers (Table 3). Among the non-farmers 15.5 percent and 13.5 percent members of UCCAs are businessman and service holders respectively. In KSS this figures are 13.1 and 1.2 percent.

Table: 3 Occupation of Managing Committee members of KSS and UCCA
(Percentage of respective managing committee members)

Study area	Year 1982-83								Year 2004-2005							
	Farming		Business		Teaching		Other services		Farming		Business		Teaching		Others services	
	UC CA	KSS	UC CA	KSS	UC CA	KSS	UC CA	KSS	UCCA	KSS	UC CA	KSS	UC CA	KSS	UC CA	KSS
Sadar	66.7	95.6	-	-	22.2	-	11.1	4.4	75.5	68.3	16.6	26.5	-	-	8.3	5.0
Sherpur	55.6	92.3	-	2.6	22.2	5.1	22.2	-	66.6	90.0	16.6	10.0	-	-	16.6	-
Gabtoli	66.6	85.4	-	10.4	16.7	-	16.7	4.2	66.6	96.6	16.6	3.3	-	-	16.6	
Sariakandi	66.7	98.2	22.2	-	5.5	-	5.5	1.8	75.0	80.0	12.5	12.6	-	-	12.5	
All Upazila average	63.9	92.8	5.5	3.2	16.6	1.2	13.8	2.6	70.8	83.7	15.5	13.1	-		13.5	1.2

Source: CDS-BUP, 1985 and field Survey, 2006

5.1.1.b. Growth of KSS (quantitative performance): There was a significance expansion of KSS in the RD I project area since the launching of the project. For the total project the target for KSS in the SAR was 1343 in 1985, where as the achievement in 1985 was 2140, about 60 percent higher than the target (Khan et all, 1989). The growth was very impressive. As table-4 shows that the number of KSS increased from 427 in 1975-76 to 929 in 1982-83. The average growth rate was 18 percent. But recent study shows that in lieu of average growth the total number of KSS has been decreased to 923. From the year 1982-83 to 2004-05 the average yearly decrease rate is 0.27 percent. Not only that the number of total membership has also decreased in the year 2004-2005 in comparison with the year 1982-83. Table –4 shows that total membership of co-operative in study area was 51554 in the year 1983-84 and average yearly increase (during project time) was 5404. But after completion of the project number of membership has decreased rather increased. Now the number is 41973 and average decrease is 435.

Table-4: Growth of KSS of different Upazilas under RD I project in Bogra district

Study area (Name of Upazilas)	Number of societies			Average yearly growth (during project time)	Average yearly growth (after completion of the project)
	1975-76	1982-83	2004-05		
Bogra Sadar + Sahjahanpur	110	250	268	20 %	.81% (increase)
Sherpur	129	252	231	18 %	.95%(decrease)
Gabtolli + Sonatola	123	263	314	20 %	2.31%(decrease)
Sariakandi	65	164	110	14 %	2.45%(decrease)
Total	427	929	923	18 %	.27%(decrease)

Source: CDS-BUP, 1985 and field Survey, 2006

**Table-5: Growth of KSS membership of different Upazilas under RD I project in
Bogra district**

Study area (Name of Upazilas)	Number of memberships			Average yearly increase/decrease (during project time)	Average yearly increase/ decrease (after completion of the project)
	1975-76	1982-83	2004-05		
Bogra Sadar +Sahjahanpur	3,961	14,228	14299	1,595 (increase)	3 (increase)
Sherpur	2,690	12,884	5835	1,456(increase)	320 (decrease)
Gabtolli + Sonatola	5,189	16,336	14376	1,600(increase)	89 (decrease)
Sariakandi	1,881	8,106	7463	889(increase)	29(decrease)
Total	13721	51554	41973	5,540(increase)	435(decrease)

Source: CDS-BUP, 1985 and field Survey, 2006

Table-6: Comparison between the number of KSS and their average membership between Bangladesh and Study area.

Year	Bangladesh			Study area		
	Total number of KSS	Total number of membership	Average number of membership	Total number of KSS	Total number of membership	Average number of membership
2004-2005	59959	2104911	35.10	923	41973	45.47

Source: BRDB and field survey, 2006

But comparing with the national figure, average number of membership per society is still higher than the national average. The study shows that (Table-6) average KSS membership of the country is 35.10, where as in study area average number of membership per society is 45.47.

5.1.1.c. Qualitative performance of KSS: In two-tier co-operative system primary co-operatives are the main strength of the total system. Every year primary co-operatives are classified on the basis of their performance criteria. Composite indexes of performance are described in Appendix-4. In the year 1985-86 the percentage of A, B and C class co-operative in the study area were 19.0, 27.9 and 53.0 percent respectively. In the year 2004-2005 this figure has changed. Now the percentage of A, B and C class co-operatives in study area are 17.5, 15.4 and 66.9 percent respectively (table-7). From this analysis it can be stated that in contrast with the project time the qualities of KSS in the study area have deteriorated.

Table-7: Classification of KSS of different Upazilas under RD I project in Bogra district.

Study area (Name of Upazilas)	Number of classes of KSS (with percentage) in 1985-86				Number of classes of KSS (with percentage) in 2004-05			
	A class	B class	C class	Total	A class	B class	C class	Total
Bogra Sadar +Sahjahanpur	59 (17.9%)	127 (38.8%)	142 (43.5%)	328	49 (18.2%)	51 (19.0%)	168 (62.6%)	268
Sherpur	35 (15.4%)	48 (21.1%)	144 (63%)	227	58 (22.1%)	12 (5.1%)	161 (69.6%)	231
Gabtolli + Sonatola	83 (26.2%)	62 (19.6%)	171 (54.1%)	316	20 (6.3%)	60 (19.1%)	234 (74.5%)	314
Sariakandi	16 (15.4%)	46 (32.1%)	81 (56.7%)	143	35 (31.4%)	20 (18.1%)	55 (50.0%)	110
Total	193 (19.0%)	283 (27.9%)	538 (53.0%)	1014 (100%)	162 (17.5%)	143 (15.4%)	618 (69.9%)	923 (100%)

Source: Khan et al, 1988 and field survey, 2006

5.1.1.d. Management of UCCA-KSS: For a sustainable institution proper financial and other management is prerequisite. According to section 17(3) of the Co-operative Societies Act, 2001 “ Every primary co-operative society shall hold annual general meeting on the date specified by the regulations and the general meeting of the other co-operative societies shall be held within 60 days on the completion of each co-operative year” and according to rule 13(1) of Co-operative rules 2004, annual general meeting should be completed within 30 June of every year. In the section 43 of the same act it is stated that “ The accounts of every co-operative society shall, at last once in each co-operative year, be audited by any official of the financial organization which provides loan or grant permission to the society as authorized by the registrar”. But from the recent field survey (table 8), it is found that in study area, in the year 2004-05, average 49.6 percent KSS were able to hold their AGM and only average 27.4 percent were completed their annual audit. In addition in the year 2004-05, only 34.1 percent KSS was qualified for the state loan. Due to irregular general

meeting and inefficiency of the management committee, 56.7 percent KSS is running by ad-hoc committee.

Table-8: Financial and other management status of KSS in the year 2004-05

Study area (Name of Upazilas)	Total number of KSS	Numbers of KSS qualify for receiving state loan (%)	Audit completed (%)	AGM held (%)	No of KSS run by ad- hoc committee (%)
Bogra Sadar +Sahjahanpur	268	58 (21.6%)	21 (7.8%)	52 (19.4)	249 (92.9)
Sherpur	231	115 (49.7%)	93 (40.2)	135 (58.4)	61 (26.4)
Gabtolli + Sonatola	314	120 (38.2%)	74 (23.5)	206 (65.6)	159 (50.6)
Sariakandi	110	22 (20.0%)	15 (59.1)	65 (59.1)	55 (50.0)
Total	923	315 (34.1%)	253 (27.4)	458 (49.6)	524 (56.77)

Source: Field survey, 2006

The main force of primary societies is their weekly meeting. It is the main responsibility and function of primary societies. The main strength of the two-tier co-operatives lies in its success in motivating the members to make small but regular thrift deposits. Recent survey indicates that the performance of KSS in the study area is not impressive on this count. In the year 2004-05 only 10.7 percent KSS (Table-8) were regular in the context of weekly meeting of the societies. In the year 2004-2005 about 46.4 percent KSS did not hold any weekly meeting in their societies. The picture of regular savings and share deposit is more disappointing. In the study area only 17.9 percent KSS were regular in savings and share deposit for the year 2004-2005.

Table-9: Qualitative performance of KSS (on the basis of the year 2004-2005)

Study area (Name of upazilas)	Total no. Of KSS examined	Weekly meeting			Savings deposit	
		Regular (%)	Irregul ar (%)	Not held at all (%)	Regular (%)	Irregular (%)
Bogra Sadar	10	01 (10.0)	04 (40.0)	05 (50.0)	01 (10.0)	09 (90.0)
Sherpur	08	-	05 (62.5)	03 (37.5)	02 (25.5)	06 (75.5)
Gabtolli	05	01 (20.0)	02 (40.0)	02 (40.0)	01 (20.0)	04 (80.0)
Sariakandi	05	01 (20.0)	01 (20.0)	03 (60.0)	01 (20.0)	04 (80.0)
Total	28	03 (10.7)	12 (42.8)	13 (46.4)	05 (17.9)	23 (82.1)

Source: Field survey, 2006

To under take social activities and mutual assistance among the members of the society are also the duties of primary societies. During survey, in the study area it was found that no mutual assistance and social action against exploitation were executed by the societies in the year 2004-2005.

Efficiency of a society can be measured by their proper maintenance of documents and registrar. According to rule 56 of co-operative rules 2004 every society shall preserve and maintain the following register properly.

1. Savings and share Register;
2. General ledger;
3. Meeting resolution register;
4. Cash book;
5. Pass book;
6. Loan ledger; and
7. Member register

Table-10: Maintenance of different register by the KSS

Study area (Name of upazilas)	No. of KSS Examined	Types of register and their proper maintenance											
		Savings and share Reg.		General reg.		Meeting resolution		Cash book		Pass book		Loan ledger	
		Proper (%)	Not prop. (%)	Proper (%)	Not prop. (%)	Proper (%)	Not prop. (%)	Proper (%)	Not prop. (%)	Proper (%)	Not prop. (%)	Proper (%)	Not prop. (%)
Bogra Sadar	10	8	2	-	10	2	8	-	10	-	-	-	10
Sherpur	8	2	6	2	6	2	6	1	7	-	-	1	7
Gabtoli	5	2	3	1	4	2	3	1	4	-	-	3	2
Sariakandi	5	-	5	1	4	-	5	1	4	-	-	1	4
Total	28	12 (42.9)	16 (57.1)	4 (14.3)	24 (85.7)	6 (21.4)	22 (78.6)	3 (10.7)	25 (89.3)	-	-	5 (17.9)	23 (82.1)

Source: Field survey, 2006

During the survey it was found that a huge number of KSS were maintaining (Table10) all types (except pass book) of required registers but none of them were maintaining them properly.

During the survey it was also found that maintenance of societies property by the societies was very poor. In the year 1982-83, total 37 DTWs, 453 LLPs, 2484 STWs and 5407 HTWs were supplied in the study area under the RD I project. After 22 years it is not expected that they would remain in operation. But during survey it was found that the societies had no document regarding this. Only the physical facilities made under RD I project like, UTDC building, twin quarter etc. were maintained by Upazila Nirbahi office.

Table-11: Maintenance of irrigation equipments distributed in different upazilas of Bogra district under RD I project.

Study area	Number of irrigation equipment distributed in 1982-83 (cumulative)					Total number of irrigation equipment in operation in the year 2004-2005.					Comments.
	DTW	LLP	STW	HTW	Total	DTW	LLP	STW	HTW	Total	
Sadar	26	131	668	1850	2675	-	-	-	-	-	No documentary evidence found during survey
Sherpur	1	156	519	1188	1864	-	-	-	-	-	
Gabtolli	-	96	670	1550	2316	-	-	-	-	-	
Sariakandi	10	70	627	819	1526	-	-	-	-	-	
All Upazila	37	453	2484	5407	8381	-	-	-	-	-	

Source: CDS-BUP, 1985 and field Survey, 2006

5.1.1.e Supervision of the societies: Proper supervision is essential for a society for its effective activities and to make it sustainable. But during study it was found that basically no supervision was going on the societies. Table-12 shows that out of 59-sanction post only 6 posts were vacant in the study area. During discussion with the officials of BRDB and UCCAs, it was noticed that due to lack of manpower, no supervision activities were going on over the societies.

Table-12: Present manpower position of UCCA of different upazila under RD I project in Bogra District:

Study area (Name of Upazilas)	No of sanction post	No of existing post	No of vacant post
Bogra Sadar	19	15	4
Sherpur	16	16	-
Gabtolli	15	15	-
Sariakandi	9	7	2
Total	59	53	6

Source: Field survey, 2006

5.1.1.f. Training programme of UCCAs: The main purpose of RD I project was to strengthen UCCA-KSS operation through training the KSS members. From this point of view, TTDC were established in every upazila. It was expected that after completion of the project the UCCAs would be able to continue their training programme through their own funds. But during the survey it was found that none of UCCAs are continuing regular training programme. Only Sherpur upazila UCCA under the study area are continuing training programme limitedly and irregularly for the manager of KSS by their own fund.

From above analysis it can be justifiably concluded that the management quality of co-operatives in the study area is not good enough.

5.1.2. Study of sustainability from financial management point of view:

5.1.2.a. Share and savings of the societies: The main strength of two-tier co-operative system lies in its success in motivating the members to make small but regular thrift deposit. In the year 1983-84, in RD I Project area (in Bogra and Mymensingh) total member of societies was 107200, and per member savings and share was tk 112.50/= . It was tk.27.00/= lower than the national average. Where as in the year 2004-2005 in the study area, total member of the societies were 41973 (under Bogra district) and per member savings and shares was tk.451.37, which was also tk.58.59 lower than the national average.

Table-13: Shares and savings (in taka) per KSS members in Bangladesh and RD I project area in Bogra District.

Year	Bangladesh			RD I		
	Total member (000)	Total Shares and savings (000)	Per member share and savings (in taka)	Total number (000)	Total Shares and savings (000)	Per member share and savings (In taka)
1983-84	2312.3	322500.0	139.50	107.2	12060.0	112.50
2004-2005	2105.0	1073467.0	509.96	41.9	18944.0	451.37

Source: Khan et al, 1988 and field survey, 2006

5.1.2.b. Loan repayment performance: One of the main functions of the two-tier co-operative was to ensure the smooth and regular flow of short-term agriculture credit to small farmer for purchase of modern input in the crop season. Despite the impressive performance in disbursing agriculture credit in the study area, credit recovery rate was not satisfactory and it declined at an alarming rate during and just after completion of the project. None of the UCCAs were qualified for disbursement of credit in 1986-87 according to standard prescribed by the Bank. In the year 2004-2005 only 34.1 percent KSS were qualified for (Table-8) state loan.

Of total credit extended during project years, 66.5 percent so far was outstanding (Table-14). In 2004-05 still the figure is 55.1 percent. In the year 1982-83 average loans taken by the societies was tk. 19,292/, where as in the year 2004-05, it was tk.234025.00. But performance of loan repayment is not satisfactory. In the year 2004-05 out standing loans per society (with interest) was tk.129025.00. As a percentage of loans taken it is 55.1percent.

Table: 14: Loan taken, repaid and due of KSS (Average taka per society in cumulative figure)

Study area (Name of Upazilas)	1982-83				2004-05			
	Loan taken	Loan repaid	Due loan (with interest)	Due loan as % of loan taken	Loan taken	Loan repaid	Due loan (with interest)	Due loan as % of loan taken
Bogra Sadar +Sahjahanpur	6,436	1,732	4,704	73.0	253700	181400	126700	49.9
Sherpur	12,711	4,004	8,707	68.4	379900	322800	83200	21.9
Gabtoli + Sonatola	34,191	11,976	22,215	65.0	135800	98100	88200	64.9
Sariakandi	23,832	8,126	15,706	65.9	166700	109500	218100	130.8
All Upazila average	19,292	6,460	12,833	66.5	234025	177950	129050	55.1

Source: CDS-BUP, 1985 and field Survey, 2006

5.1.2.c. Financial independence of the societies: One of the major objectives of the RD I project was to make the UCCAs self-supporting and self-reliance. With this end of view, the physical facilities like office building, fertilizer godown workshop were provided for the project. Additional staffs were given to the UCCAs and both MT and ST credits were funneled through the UCCAs who were authorized to collect service charges for credit. Despite the sizeable assistance from the project most of the UCCAs have not yet sustained financial independence.

Table-15 shows that in the year 2004-05 all the UCCAs under the study area were continued their normal activities by surplus budget. But this study (Table 16) shows that

most of the UCCAs are meeting their recurrent cost by the interest money earned from micro-credit operation (15%), interest from the bank deposit (57%) and government allocation (21%).

Again, the UCCAs are not following the co-operatives rules regarding investment and distribution of profit. In the section 34 of the Co-operative Societies Act 2001, it is stated, “every co-operative society in every co-operative year shall reserve and manage the sum from the net profit or interest as-

1. Reserve fund, at least 15%;
2. Bad loan or doubted loan fund 10% to manage liabilities or expenditures of loan or bad loan or doubted loan provided by them in regard to the financing co-operative society or land mortgage bank.
3. Subscription of co-operative development fund shall be 3%;
4. Maximum 10% for another purposes as referred in the bi-laws;
5. To distribute the residue profit or interest as profit among the members.”

Table-15: Income and expenditure statement of UCCAs (Taka in Lakh taka)

Year	Bogra Sadar			Sherpur			Gabtoli			Sariakandi		
	In come	Expen diture	S.plus/ Deficit	In come	Expen diture	S.plus/ Deficit	In come	Expen diture	Surplus/ Deficit	In come	Expen diture	Surplus/ Deficit
2000-01	16.16	13.17	+2.99	20.73	17.24	+3.49	14.66	8.44	+6.22	8.25	3.20	+5.04
2001-02	19.04	17.45	+1.59	30.30	16.36	+13.94	13.94	9.30	+4.64	8.82	4.24	+4.58
2002-03	10.01	12.23	-2.22	31.74	17.74	+14.00	3.52	9.84	-6.32	9.22	7.06	+2.16
2003-04	9.09	7.09	+2.00	31.06	14.76	+16.30	21.64	10.03	+11.61	7.00	6.34	+0.66
2004-05	8.59	5.90	+2.69	41.86	21.24	+20.62	15.51	9.54	+5.97	9.13	8.24	+0.89
Total	62.89	55.84	+7.05	155.69	87.34	+68.35	69.27	47.15	+22.12	42.42	29.08	+13.34

(+) Indicates surplus and (-) indicates deficit.

Source: Field survey, 2006.

Table: 16: Sources of income and heads of expenditure of UCCAs in the year 2004-05

UCCAs	Income						Expenditure					Surplus / Deficit
	Bank Interest	Interest of RD I	House rent	Service charge	Govt. grant	Total	Pay & hono rium	Trai ning	intere st on Saving	Con tinge ncy	Total	
BograSadar	6.36	0.23	1.31	0.69	-	8.59	5.18	.01	-	.71	5.90	2.69
Sherpur	15.53	3.41	0.13	8.23	14.56	41.86	15.01	1.21	2.50	2.52	21.24	20.62
Gabtolli	12.03	0.33	-	1.46	1.69	15.51	8.53	-	-	1.01	9.54	5.97
Sariakandi	8.16	0.11	0.07	0.79	-	9.13	6.26	-	.45	1.53	8.24	.89
Total	42.08 (57%)	4.08 (5 %)	1.51 (2%)	11.17 (15%)	16.15 (21%)	75.09	34.98 (78%)	1.22 (3%)	2.95 (6%)	5.77 (14%)	44.92	30.17

Source: Field survey, 2006

But since formation of UCCAs, all the profits of the UCCAs have been spent for maintaining their regular activities and further deposit. No profits have been distributed among the members of the societies. To continue regular training programme by own fund is the main responsibility of UCCA. But during survey it was found that except one UCCA of study area (irregular and limited extent) no UCCAs were continued their training programme.

5.1.2.d. Audit performance and ability of KSS to receive state loan: As stated in table-8, in the year 2004-05 only 27.4 percent KSS completed their audit and 34.1percent KSS were able to receive state loan. On the other hand, all the UCCAs in study area are regular in their audit.

5.1.3 Study of sustainability from environmental point of view:

It is essential to consider environmental sustainability in any development activities. It can be measured as whether the benefits to be generated by the development activities likely to lead to deterioration in the physical environment or well-being of the groups targeted and their society. The main objective of two-tier co-operative is the production-oriented investments aimed at increasing agricultural production through building and strengthening primary co-operative society. The rural credit programmes are generally neutral in their impact on the environment. It involved disbursement of small loans to farmers, whose operations were essentially small scale and did not involve the use of any type of technology that could be damaging to the environment. The exception may be the case of irrigation programme. There may be an unintended adverse impact from irrigation programme due to excessive tapping of underground water. There may be high concentration of chemicals harmful to human beings in the drinking water that is considered to be a direct result of excessive tapping of underground water. The incidence of excessive levels of arsenic in water has now become a health hazard not only concentrated in study area but it is also the problem of other area of the country. According to Bangladesh Arsenic Mitigation Water Supply Project (BAMWSP) under the Department of Public Health and Engineering (DPHE), out of 269 arsenic prone upazila in the country, Sariakandi and Gabtoli Upazila under this study area are arsenic prompt area.

In initial stage, to achieve the goal agricultural inputs specially irrigation equipments were supplied to the primary societies. In fact, RD I project area was the pioneer in northern part of the country for the production of high yielding variety (HYV) crop by the operation of irrigation project. The impacts of irrigation on agriculture are many, like

1. It makes the outcome of the crop more certain than in its absence. Instability of yields should decline with the advent of irrigation;
2. The immediate impact is on crop pattern leading to a shift from less to more enumerative crops;
3. Irrigation is also expected to increase the overall productivity;

4. Irrigation has been important inputs in rural development, not only to augment agricultural production but also to remove/lessen inter regional disparities in the level of development. (Rao, 1987).

Irrigated agriculture depends on supplies from surface water or ground water. The environmental impact of irrigation systems depends on the nature of the water source, the quality of the water, and how water is delivered to the irrigated land. In the study area irrigation was dependent on underground water. Initially at least 10 deep tube well (DTW) and 627 shallow tube well (STW) were supplied to the primary societies under RD I project (Table-11) in the year 1983-84. Excessive use of underground water in irrigation purposes, indiscriminate use of fertilizers, pesticides and organic matter definitely had some negative impact on ecology (Hossain, M, 1993). But it must be compared to the meet of human needs for food. To meet the demand of excessive food for rapid growing population, there were no alternatives rather production of HYV crops.

Environment is a particularly tricky problem. Not many agronomist or environmentalists drew attention to problem and adverse impact of substitutions of HYV grains for the traditional varieties in the sixties or the seventies. Everyone in the country welcomes the technological transformation for cultivation of HYV was expected both to enable the people to consume more grains and also help save foreign exchange through the elimination of the need to import grains from abroad.

During the project time, through enthusiastic training programme two-tier co-operative movement in the study area were able to buildup awareness among the people on different issues including environmental concern. So, training programmes of UCCAs definitely have some positive impact on environment.

5.2 Impact of RD I project on two-tier co-operatives of the study area:

The impact of RD I project on the study area is mixed. The main objective of the project was to strengthen the two-tier co-operative system through training and distribution of loan

and irrigation equipment. During project time, the growth of KSS and other activities of the societies were satisfactory. Table 3 shows that during project time average yearly increase of KSS in the project area was 18 percent. But now it is decreasing. Regarding share and savings deposit still it is lower than the national average (Table-13). From this observation, it can be stated that RD I project had no positive impact on institutional development in the study area. Similar observation was made by Khan et al in the year 1988. They concluded that the performance of co-operative under RD I project was deteriorated because the KSSs were expanded too fast to meet the targets of the project. It was forgotten that institutional development required quality fast not quantity.

Table-17: A comparison of the percentage irrigated and HYV cultivated area to net cultivated area between study area and Bangladesh.

Area	Percentage irrigated area to net cultivated area	Percentage HYV (Aus) area to net cultivated area	Percentage HYV (Aman) area to net cultivated area
Bangladesh	48.31	5.88	25.38
Study area	92.92	7.72	51.49

Source: BBS, 2006.

Agricultural development through irrigation and livestock development in the study area were other objectives of the project. Data shows that percentage of irrigated area and HYV cultivation area to net cultivated area is much higher than the national average (table-17). Similarly, in the study area per capita animal and poultry is higher than the national average (Table-18). But it should not be concluded that the agricultural development in study area is due to the project. Because other factors like environment, soil condition, frequency of natural disaster level of education and communication facilities to be considered.

Table-18: A comparison of the per capita bovine animal, sheep goat and poultry between study area and Bangladesh.

Area	Per capita bovine	Per capita sheep goat	Per capita poultry
Bangladesh	0.18	0.12	1.04
Study area	0.22	0.15	1.35

Source: BBS, 2006.

5.3. Present problems of two-tier co-operative in study area:

To know the present problems of two-tier co-operative total 44 respondents were interviewed and a series of discussion were made with the officials involved in co-operative movement during the study. They have identified at least 11 problems (Table-17). On the basis of discussion and answered given by the respondents present problems of two-tier co-operative are described below:

1. Manipulation and influence of local elite and political leader over the society: The essence of the two-tier co-operative movement is that it gives the farmers the status of shareholders and assures them supply of agricultural inputs and their marketing, The strength of the movement was the involvement of the farmers who were shareholders in the society regardless of the size of their holdings. But over the years, this truly democratic idea got corrupted and non-farmers, local elite and political man controlling the society. As a result, now the co-operatives are not running with the view of its real owner. In the elections to the managing committees of UCCAs, money and political became such a powerful tool that the top posts of chairman/manager usually went to the richest farmers and the person nearest to the political power with small- or medium-sized holdings.

2. Lack of efficiency in managing the societies: The co-operative movement has suffered from inadequacy of trained personnel right from its inception. The functioning of the two-

tier co-operative societies are suffering from several weaknesses. Some of these are, making no adequate provision for the return of loans, unsatisfactory keeping of accounts, factional politics in its management, lack of cooperation among the members, too much dependence on outside sources of finance, lack of adequate auditing. Such weakness have prevented theme from progressing on healthy lines. There are several pitfalls also. Poor infrastructure, lack of quality management, over dependence on government, dormant membership, non-conduct of elections, lack of harmony between the BRDB and the staff of UCCAs are the limiting factors. Lack of effective supervision of UCCAs and KSS is also making the co-operative as a weak organization.

Table-19: Present problems of two-tier co-operative system in study area.

SL. No	Problems	Frequency	%
1	Manipulation and influence of local elite and political leader over the society.	28	63.63
2	Lack of efficiency in managing the societies	26	59.09
3	Absence of training programme due to lack of fund.	25	56.81
4	Complicated rules and regulations	22	50.00
5	Lack of co-ordination between BRDB and co-operative officials	20	45.45
6	Multi dimensional approach for poverty alleviation	20	45.45
7	Discriminate government decision regarding micro-credit	21	47.72
8	Government interference	14	31.81
9	Lack of supervision over the society	14	31.81
10	Lack of awareness among the people about co-operative movement	14	31.81
11	Deviation from original approach of two-tier co-operatives	12	27.27

3. Absence of training programme due to lack of fund: During the seventies, the establishment of TTDCs and UCCAs brought about a change in the education and training of the rural people. These institutions played a significant role for the motivation and organization of the farmers and other groups into co-operatives, introduction of new technology in agriculture, adaptation of new ideas and practices toward modernization of rural life. It also helped in promotion of leadership among the people. This study observed that no regular training programme is conducting by UCCAs. According to the respondents of this study, lack of training programme is one of the main problems of co-operative movement. On discussion with the UCCAs official and BRDB officials, it was noticed that lack of fund is the main reasons for the deterioration of regular training programme.

4. Complicated rules and regulations: About 50 percent respondents viewed that complicated co-operative rules are one of the obstacle for smooth functioning of the co-operatives. Rules for election and audit system is always creating problems for the societies for smooth running.

5. Lack of co-ordination between BRDB and co-operative officials: About 45.45 percent respondents thought that, lack of coordination between BRDB and co-operative officials is a hindrance for co-operative movement. Sometimes, co-operative department took decision against the society without consulting even informing the BRDB officials and UCCAs.

6. Multi dimensional approach for poverty alleviation: Just after liberation, co-operative movement was the main approach for eradication rural poverty and rural development. Now with the demand of international donor agency many programmes are now executing by the government for the rural development. In the seventies, co-operatives were the main source of micro credit. But, now the NGOs are actively playing this role with the easiest way.

7. Discriminate government decision regarding micro-credit: Sometimes government decision regarding interest rate and remission of bad loans write-off of the bad loan were not favourable for the co-operatives. In existing rules there are no provisions for write up of the societies liabilities. As a result, ineffective primary societies become a burden for the central societies and result general members of the co-operatives become frustrated on their organizations.

8. Government Interference: The two-tier co-operative movement in Bangladesh was initiated just after liberation. Right from the beginning the government has adopted an attitude of patronizing the movement. Co-operative institutions were treated as if these were part and parcel of the administrative set up of the government. The government interference thus became essential elements in the working of these institutions. As a result people's enthusiasm for the movement did not grow. The movement's independence and self-reliance existed only on paper and files. Just grew very slowly and that too haphazardly. It was a state driven institution.

9. Lack of supervision over the society: Lack of supervision over the primary society is a problem for inefficient management of the society. On discussion with the UCCA and BRDB officials, it was noticed that lack of manpower is one of major cause of insufficient supervision of the primary societies.

10. Lack of awareness among the people about co-operative movement: General members are not well informed about the objectives of the movement, the rules and regulations of co-operative institutions. Unfortunately, no special efforts have been made in this direction. General members look upon these institutions as means for obtaining facilities and concessions from the government.

11. Deviation from original approach of two-tier co-operatives: In original Comilla approach of two-tier co-operative systems there were four essential ingredients namely, Thana Training and Development Centre (TTDC), Rural Works Programme (RWP), Thana Irrigation Plan (TIP) and UCCA-KSS co-operative system. Now the UCCA-KSSs under BRDB are not getting the lateral or horizontal support from the other three components. In two-tier system, there was no apex body. In UCCA- KSS system of co-operatives, primary societies are organized by BRDB and are thus affiliated by UCCA. Theoretically, hierarchical ends here. But above the UCCA-KSS there is another organization named Bangladesh Jatiya Polli Unnayan Samabya Federation (Federation of UCCA), which is practically controlling and directing the movement. About 59.09 percent respondents thought that deviating from original approach is one of the causes of dysfunction of two-tier co-operative. Existence of two difference brands of co-operative side by side, namely the old tradition co-operative societies and the UCCA-KSS are undermining the image of one another.

Chapter Six

Concluding Remarks

This study was conducted to assess the sustainability of two-tier co-operative system in selected areas from managerial, financial and environmental point of view. Survey results indicate that on management or organizational perspective, the two-tier co-operatives under the study area are not following the spirit or procedure of original model (Comilla model) of two-tier co-operatives. Both Qualitative and quantitative evidences lead one to believe that the RDI co-operatives are worse than the average co-operatives in Bangladesh. In the year 2004-05, 34.1 percent KSS were not qualified for state loan. About 56.77 percent KSS are running by adhoc committee. The only achievement of RD I co-operatives is that it enlisted more members per KSS than the average KSS in the country. The numbers of KSSs under UCCAs are decreasing day by day. Qualitative performances of the KSSs are also declining steadily. In the year 1985-86, "A" class co-operatives under study area were 19 percent. Now it is 17.5 percent. In the year 2004-05, only 49.6 percent primary societies were able to hold their AGM; 46.6 percent KSS did not organize any weekly meeting in their societies.

From financial point of view, the co-operatives under this study are not sustainable. Although, during study it was found that UCCAs were self-reliant in maintaining their recurrent cost but they were not following the co-operative rules in distribution of profit. From the beginning, the central societies failed to distribute their profit to the primary societies. UCCAs are fully dependent for their regular expenditure on government grant; bank interest and service charges earned from different micro credit programmes of the government. The credit recovery of MT credit is awfully low. The share of active co-operative societies in RDI area is lower than that of the national average. About 82.1 percent societies are irregular in their savings deposit.

From environmental point of view, this study concluded that the co-operative movement is based on rural credit programme. The rural credit programmes are generally neutral in their impact on the environment. There were no definite activities or programmes, which were harmful to the environment. On the other hand, to some extent, through training programme, two-tier co-operative movement was able to build up awareness on environmental issues among the members of the societies.

The RD I project had no distinct impact on strengthening the co-operatives under the study area. The main objective of the project was to strengthen the two-tier co-operative system through training and distribution of loan and irrigation equipment. Agricultural development through irrigation and livestock development in the study area was another objective of the project. The RD I Project has failed to strengthen the co-operatives under this study area. Share and savings deposit still is lower than the national average. Loan repayment and other performance of the societies are deplorable. Although in study area, at present the agricultural performance like percentage of irrigated and HYV cultivation area, per capita animal and poultry are higher than the national average, this cannot be attributed to RD I project; other factors for agricultural development have also to be considered in this respect.

Constitutionally, co-operatives constitute the third sector of the economy of Bangladesh. Present study has identified some barriers and problems of co-operatives in study area. It is intended that through elimination of those pitfalls and barriers, there are possibilities to make them sustainable. This study suggested following measures, which may be helpful for development of two-tier co-operatives in Bangladesh:

1. Reorganizing the Primary Societies:

The first and foremost improvement concerns the reorganization of primary societies so that they can function properly. At present there are more than one society in one village and they are inactive. For this reorganization following steps can be taken:

- a. The weak and inefficient societies should be wound up or merged with strong and efficient societies.
- b. Inactive primary societies are the liabilities of central societies, which affect other societies also. Provision for writing off for the genuinely bankrupt co-operative societies may be introduced.

2. Ensure the efficiency of UCCA-KSS:

To ensure efficiency it is necessary to maintain close coordination among the primary and central society and supervision over the primary society. Relations and the coordination between primary and central society should be institutionalized so that they work together, mutually helping instead of dominating one another. There should be strong collaboration and coordination among BRDB, co-operatives and different departments of the government.

3. Continuation of training programme:

Under the globalization regime, to make the co-operative movement more effective and sustainable continuation of regular training programme is a must. In order to make the training programmes more attractive and effective, the training programmes should be problem oriented and participatory. As the UCCAs are financially not able to run the training programmes, initially, government may allocate sufficient fund to continue the programmes.

4. Strengthening the management of the societies:

Activities of the primary co-operatives as well as central co-operatives should be sped up. Byelaws should be enforced properly. Election should never be delayed or postponed. Audit should be completed within specific time schedule. Audit report and annual general meeting report should be printed promptly and it should be distributed to all members of the societies.

5. Government support:

Government participation and support is necessary. But it should not be patronage or interference or domination. It should facilitate co-operative's growth in healthy lines. The co-operative movement should be conceived and developed as a part of the national economy. Along with private and public sector, it should be treated as a separate sector in its own right. Therefore for its growth, more resources should be allocated under the development plan of the government.

6. Monitoring:

There should be research and continuous monitoring and inspection on the problems and prospects of different co-operative societies. It will help overcome the difficulties and proceed further with success. Co-operative movement should be viewed as an important impetus for rapid rural development of the country.

7. Motivation of the people:

It is necessary to spread the movement as people's movement. People should not think it as a part of the government or a department of the government. People should own it and manage it. People should be educated about the advantages of this movement. Educational institutions at various levels, radio, TV, newspapers, poster, and other mass media can be used for this purpose.

8. Reform in managing committee of the society:

Measures should be taken for elimination of the rural elite and political leaders from the management of co-operatives. It can be done through following ways:

- a. At least fifty percent seats in the managing committees may be reserved for very small farmers owning less than one acre of land.
- b. None should be allowed to hold office for more than one term at a stretch.

9. Simplification of co-operative laws and procedure:

It is also essential that the procedures of work of co-operatives should be made simple, straight and convenient. There are many existing rules/circular, like AGM procedure, audit procedure, election procedure and registration procedures which are not conducive for the healthy growth of co-operatives.

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Centre for Governance Studies
BRAC University, Dhaka.

Questionnaire for Chairman/member of UCCA
 (Collected information will be used only for research purposes)

A. General information:

a. Information about respondent:

1. i. Name of the respondent :-----ii. Age -----
 iii. Educational qualification :-----
2. Occupation : Main----- Subsidiary:-----
3. Respondent's status: i. Paid employee ☐ ii. Elected honorary manager ☐
 iii. Paid elected manager ☐
4. Area of land under respondent's control (acr)

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

5. Annual income and expenditure:
 a. income ----- b. expenditure-----
6. From which year are you involved in the society?-----
7. From which year are you working as manager of the society? -----

b. Information about UCCA:

1. (i) Name of the UCCA:----- (ii) Year of Registration:-----
 (iii) Classification of UCCA:-----
2. UCCAs employee:
 i. Sanctioned post:-----ii. Existing post:----- iii. Vacant post:-----

Appendix-1(continued)

3. Total number and types of primary co-operatives under UCCA (cumulative figure in 2004-2005):

i. Total : -----

ii. Types of KSS

- Class A :-----
- Class B :-----
- Class C :-----
- Class D :-----
- Class E :-----

4. Total members in primary associations:-----

5. Occupation of managing committee members:

- a. Farming-----b. Non-farm self employment in (i.) business-----
- b. (ii) Service----- (iii) Production-----
- c. Service in government or other organization:-----

B. Financial Viability/management:

1. Present financial resource of the society:

(i) Cash in hand----- (ii) Cash in Bank:----- (iii) Total-----

2. UCCA's own asset in taka (Cumulative figure in 2004-2005)

- a. Share deposit :-----
- b. Savings Deposit :-----
- c. Other deposit :-----
- d. Value of other asset :-----
- e. Total :-----

Appendix-1(continued)

3. Total income and expenditure of the UCCA (in lakh Tk) :

Year	Income						Expenditure					Surplus Deficit
	Bank Interest	Interest of RD I	House rent	Service charge	Govt. grant	Total	Pay & hono rium	Trai ning	intere st on Saving	Con tinge ncy	Total	
2000-01												
2001-02												
2002-03												
2003-04												
2004-05												
Total												

4. Number of KSS under UCCA qualifies for receiving state loan: -----

5. Loan:

a. Medium Term Loan : (Cumulative figure in 2004-2005)

Types	Total received	To paid	Total interest	Total outstanding
Irrigation				
Fertilizer				
Others				
Total				

b. Short Term Loan : (Cumulative figure in 2004-2005)

Types	Total received	Total recovery	Total interest	Total outstanding
Irrigation				
Fertilizer				
Others				
Total				

c. Sources of loan :

Types	Total received	Total recovery	Total interest	Total outstanding
Bank				
Own fund				
Others				
Total				

Appendix-1 (continued)

6. Date of last audit:-----

C. Office and other management:

1. Training courses held in 2004-2005 :

Name of the courses	Participants	Number Of participants

2. If regular training course not held, what are the main reasons?

3. Status of present management a. Elected ☐ b. Adhoc ☐

4. If the society has an adhoc committee, the reasons for its formation:

5. Date of last three AGM:

i.----- ii.----- iii.-----

6. Number of review / MC meeting held :

i. Last month-----ii. Last three months----- iii. Last year:-----

7. Irrigation equipment:

a. Total No of irrigation equipment received from RD-1:

DTW	STW	LLP	Hand TW	Total

b. Total No of equipment in operation:

Types	No
DTW	
STW	
LLP	
Hand TW	
Total	

Appendix-1 (continued)

D. Management of KSS:

1. Annual General meeting of the KSS held in 2004-2005:

Total no of KSS	AGM Held	AGM due

8. Audit of KSS (in 2004-2005):

Total no of KSS	Audit done	Audit due

9. No of KSS superseded and run by ad hock committees:

Total no of KSS	Run by regular committee	Run by ad-hoc committee

E. Miscellaneous:

1. Your opinion about present condition of your society from:

- a. Financial point of view :
- b. Managerial point of view :
- c. Environmental point of view :

2. In your opinion, at present, what are the main problems of your society?

- i.
- ii.
- iii.

3. In your opinion, what steps should be taken to tide over the present situation?

- i.
- ii.
- iii.

Dated-----

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Centre for Governance Studies
BRAC University, Dhaka.

Questionnaire for the manager of KSS

(Collected information will be used only for research purposes)

A. General information:

a. Information about respondent:

8. i. Name of the respondent :-----ii. Age -----
 iii. Educational qualification :-----
9. Occupation : Main----- Subsidiary:-----
10. Respondent's status: i. Paid employed ☐ ii. Elected honorary manager ☐
 iii. Paid elected manager ☐
11. Area of land under respondent's control(acr)

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

12. Annual income and expenditure:
 a. income ----- b. expenditure-----
13. From which year are you involved in the society?-----
14. From which year are you working as manager of the society? -----

b. Information about co-operative:

2. i. Name of the co-operative:----- ii. Union-----
 iii. Upazila-----
3. Date of formation of the society :-----

Appendix-2 (continued)

4. Number of members of the society:-----
5. i. Date of last AGM :----- ii. Date of last audit-----
- iii. Date of last election of MC: -----
6. Status of present management: i. Elected ☐ ii. Adhoc ☐
7. If the society has an adhoc committee, the reasons for its formation:
8. Occupation of managing committee members:
- a. Farming-----b. Non-farm self employment in (i.) business-----
- b. (ii) Service----- (iii) Production-----
- c. Service in government or other organization:-----

B. Cohesiveness/leadership/management:

1. No of group meetings held in (i) last year:----- (ii) Last three month-----
- (iii) last month-----
2. Attendance in the last weekly group meetings:
- i. Members of last meeting:----- Resolution recorded :Yes/ No
- ii. Members of 2nd last meeting:----- Resolution recorded :Yes/ No
- iii. Members of 3rd last meeting:----- Resolution recorded :Yes/ No
- iv. Members of 4thlast meeting:----- Resolution recorded :Yes/ No
3. Mutual assistance within the KSS in the year 2004-05

Sl No	Type of mutual assistance	No of incidents/events
1		
2		
3		
4		
5		
6		

Appendix-2 (continued)

4. Combined social actions against exploitation, under or illegal pressure and action for legal rights.

Sl No	Type of actions /incidents/ events	No of
1		
2		
3		
4		
5		
6		

5. Maintenance of different Register

Types of register	Maintain by	Properly Maintain	Not properly maintain	Not maintain at all
Savings register				
General ledger				
Meeting resolution				
Cash book				
Saving pass book				
Loan ledger				

6. Level of member's participation in decision making:

a. More or less all ☐ b. About half of the members ☐ c. Only a few. ☐

7. Have you faced any problem in implementing group decision? Yes/ No

8. If the answer of above question is yes, please specify:

D. Finance and economy:

1. Savings deposits in last four weeks:

No of weeks	No. of member deposited	Amount deposited
1	Last week	
2	2 nd last week	
3	3 rd last week	
4	4 th last week	

2. Present financial resource of the society:

(i) Cash in hand----- (ii) Cash in Bank:----- (iii) Total-----

Appendix-2 (continued)

3. Value of society's asset:-----

4. Total income and expenditure of the KSS in 2004-2005 :

Income					Total expenditure	Net deficit	Net surplus
Govt. grant	Interest on deposit	From commercial operation	Miscellaneous	Total			

5. Loan recovery:

Total member of the society	Members received loans	Number of loan defaulter

F. Miscellaneous:

3. Your opinion about present condition of your society from:

a. Financial point of view:

b. Managerial point of view:

c. Environmental point of view:

4. In your opinion, at present, what are the main problems of your society?

i.

ii.

iii.

3. In your opinion , what steps should be taken to tide over the present situation?

i.

ii.

iii.

Dated:-----

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Questionnaire for Officers /employee related with co-operative movement

(Collected information will be used only for research purposes and
 answer may be given in Bengali.)

1. Name:-----
2. Designation:
3. Name of the Upazila-----
4. Date of joining:-----
5. Length of service:-----
6. Please narrate in brief the present provision for maintenance of irrigation equipment /facilities under RD 1 Project (if applicable):
7. Do you think that present condition of UCCA-KSS in your upazila is satisfactory?
 Yes? No
8. Do you think that in your upazila UCCA-KSS (Two-tier co-operatives) are now able to play active role in agricultural and other rural development activities?
 Yes/ No

 If, no, why?
9. Do you think that other government activities on poverty alleviation and rural development are hampering the normal activities of co-operative? Yes/No

 If, yes, how?

Appendix-3 (continued)

10. Do you think that micro-credit programme of non-government organizations are hampering the normal activities of co-operatives? Yes/ No

If Yes, how?

11. In your opinion, what are the major problems of UCCA and co-operatives in your Upazila?

i.

ii

iii.

iv

12. In your opinion, what should be done to improve the activities of UCCA /co-operative movement in this upazila?

i.

ii

iii

iv

13. Comments (if any)

Signature (optional): -----

Dated: -----

KSS Classification Criteria

No	Subject	Condition	Scale(%)	Marks*
1	Loan repayment	Percent repayment of amount due during the year	100 <30	40 0
2	Capital formation	Percent of shares and shavings targeted**	75 <25	10 0
3	Accounting	All annual accounts completed and in order	Yes No	10 0
4	Weekly meetings of KSS/BSS	All due meeting held	>50 <20	10 0
5	Training at TCCA	Percent of programmed classes attended by manager	>50 <15	10 0
6	AGM	Meting held as per co-operative rules	Yes No	10 0
7	Coverage	Percent of eligible village households covered	50 20	10 0
Maximum total marks***				100

* Marks for achievement in between the limits indicated in the table should be proportionally reduced.

** Each KSS member is targeted to save tk 25 per year.

*** For A classification, the minimum requirement would be 60; for B, 50

Source: Khan et al, 1988

Physical progress of RD I project

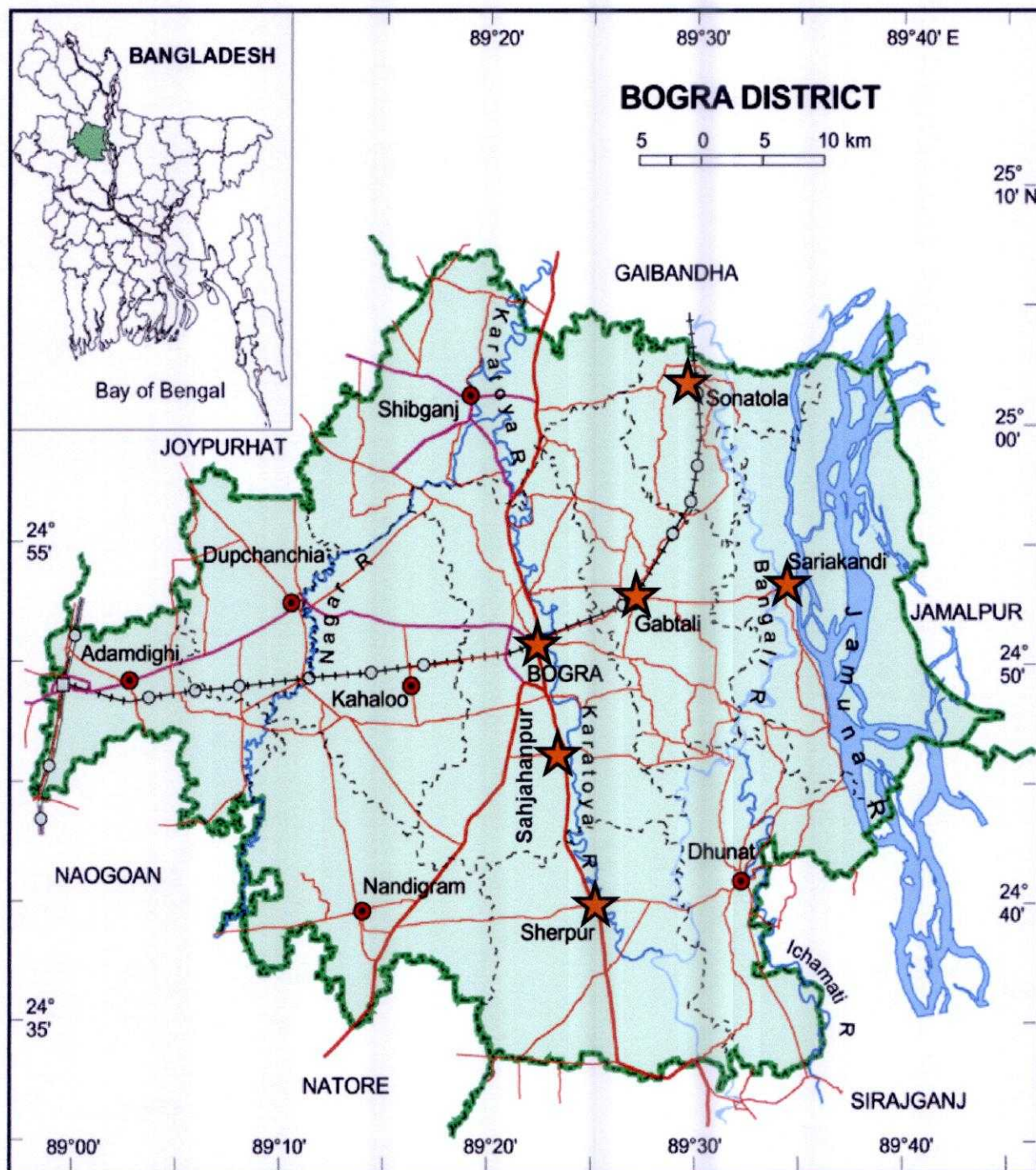
Name of the components	Project target	Cumulative achievement	Percentage
1	2	3	4
A. Rural works programme (RWP)	27.23	27.23	100%
1. Pucca Road (miles)	300.00	300.00	100%
2. Katcha Road (miles)	54.00	52.50	97%
3. Drainage channel (miles)	500.00	347.74	70%
4. Reexcavation of fish ponds (acres)	41	40	98%
5. Rural market (nos)	5	5	100%
6. 400 ton, fertilizer godown (nos)	7	7	100%
7. 200 ton marketing godown (nos)	8	11	138%
8. New twin quarters (nos)	14	13	93%
9. Conversion of old twin quarters (nos)	70,524	70,524	100%
10. UTDC approach road (Rft)	8	8	100%
11. Electrification of irrigation equipment (nos)			
B. Minor Irrigation (Nos)	250	239	96%
1. DTW	2,500	2,458	98%
2. STW	1,400	708	51%
3. LLP	5,000	6,000	120%
4. HTW			
C. Rural credit (lakh Taka)	496.00	603.59	122%
1. S.T Loan issued	1,149.99	552.44	48%
2. M.T Loan issued	496.00	396.54	80%
3. S.T Loan released	1,149.99	73.09	6%
4. M.T Loan released			

Appendix -5 (continued)

Name of the components	Project target	Cumulative achievement	Percentage
1	2	3	4
D. Strengthening of Rural Institution			
	1215	2,015	169%
	1,35,000	1,02,876	76%
1. Formation of KSS (nos)	-	49.09	-
2. Enrollment of member (nos)	-	47.02	-
3. Share deposit (lakh taka)	9,000	9,000	100%
4. Savings deposit (lakh taka)			
5. Distribution of Fertilizer (ton)			
E. Livestock development			
1. Registration of Cattle (nos)	-	2,00,761	-
2. Vaccination of cattle (nos)	-	9,59,078	-
3. Treatment of cattle (nos)	-	1,57,730	-
4. Deworming of cattle (nos)	-	49,126	-
5. Farmer trained (nos)	-	2,110	-
6. Cultivation of fodder (acre)	-	33,217	-
F. Development of horticulture			
1. Development of mango tree (nos)	3,400	6,516	192%
2. Development of flower tree (nos)	11,135	21,335	192%
3. Distribution of vegetable seedling (nos)	9,42,250	5,28,853	56%
4. Distribution of other seedlings (nos)	2,957	1,75,989	5952%
5. Training of co-operatives (nos)	5,704	16,715	293%

Source: Bangladesh Rural Development Board, 1991

Fig: Map showing the study area



★ Indicates Study Area