

A STUDY OF INDICATORS FOR MONITORING AND
EVALUATION OF MALAYSIAN FARMERS' COOPERATIVES

by

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CIRDAP WORKSHOP ON
DEVELOPMENT AND MONITORING AND EVALUATION
MECHANISM FOR IMPACT OF COOPERATIVES

SEPT 12 - 15, 1989

HANOI, VIETNAM

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INTRODUCTION

The cooperative movement in Malaysia was initiated in 1922 by the British Colonial Government in Malaya as a response towards meeting the growing financial needs of the rural farmers and government servants, who were heavily indebted to money lenders and land owners. Since then, the cooperative movement has been regarded as a benevolent institution to alleviate the socio-economic conditions of the under-privileged population.

In 1984, the government revised and enacted the Cooperative Societies Act in order to establish a more consistent, systematic and standardised approach to the development of cooperatives throughout the country. The early cooperatives in Malaysia were mainly involved in unifunctional activities and thus were single-purpose cooperatives specialising in activities such as thrift and loans. However, since 1966 many of these cooperatives diversified their activities, thus evolving into multipurpose cooperatives.

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1. Paper presented at CIRDAP workshop, Hanoi, Vietnam, Sept. 12 - 15, 1989.
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For the cooperatives located in the rural areas and associated with the farmers and their fishermen, new laws were enacted which included the Farmers' Organisation Act 1973 and the Fishermen's Act 1971. These laws made provisions for the establishment of farmers' and fishermen's cooperatives and the supervision of existing agro-based cooperatives. Thus two statutory bodies namely the Farmers' Organisation Authority (FOA) and the Fishery Development Authority (LKIM) were set up to play the role of registrar, controller and developer of these cooperatives.

Currently, the Malaysian cooperatives can be classified into three broad categories they being :

- i) non-agrobased cooperatives which are mainly in the urban areas (supervised and controlled by the Cooperative Development Department, Malaysia);
- ii) agro-based cooperatives and farmers organizations (supervised, controlled and developed by FOA, Malaysia); and
- iii) fishermen's cooperatives (supervised, controlled and developed by the LKIM, Malaysia)

Table I shows the present status of the various categories of cooperatives.

Table I : Basic Data On Cooperatives in Malaysia

Types of Cooperatives	Number of cooperative	Number of members	Total share capital (M\$)
Farmers' organisations	271	455,992	19,541,293
Agro-based societies	788	109,815	15,145,071
Fishermen associations	39	14,308	1,028,296
Non-agrobased societies	2,825	3,089,600	1,482,657,000
Total	3,923	3,669,715	1,518,371,660

Based on the above statistics, the bulk of the cooperative membership stem from the non-agrobased cooperatives. However, in terms of sectors, the non-agrobased cooperatives only represent about 43% of the total potential members within that sector while the farmers organisations and the agrobased cooperatives represent approximately 73% of the total farm families. The farmers' organisations in themselves represent about 65% of the total farm families.

In view of the fact that the farmers' organisations represent two-thirds of the total families in the country this study purposively focussed its attention on these types of cooperatives.

At present, 271 farmers' organisations have been established in Malaysia. They operate on a 3-tier system, having 257 Farmers' Organisations at the area level (AFO), 13 State Farmers' Organisations at the state level and a National Farmers' Organisation (NAFAS).

As at 31st December 1988, the AFOs had a total individual membership of 455,992 farmers. These individual farmers are organised for the purposes of administration and operations into small Farmers' Units which usually cover the organic area of one or two villages. Currently, there are 4,583 farmers' units throughout the country. The 788 agrobased cooperatives are also taken as farmers' units and come under the jurisdiction of the AFOs.

The activities of the AFOs include the following (according to the importance of the activities) :

- i) supplies of agriculture inputs and trading in agribusiness activities;
- ii) farm production projects (assisting members in carrying farm production projects on a commercial basis);
- iii) marketing and processing of members' produce;
- iv) providing credit for agrobased activities to members and encouraging savings;

- v) providing facilities and services such as tractors, harvesting and contract services; and
- vi) providing social activities which include training of members.

The SFOs and NAFAS provide agricultural inputs and services that are not possible to be provided by the AFOs.

THE STUDY IN MALAYSIA

Four AFOs were selected for the study representing an AFO with good performance, another with poor performance and two of average performance. Respondents were drawn from the geographical areas - of these selected AFOs. Data was collected through the use of questionnaires in June - July 1989 and preliminary analysis completed in August 1989.

Objectives of Study

1. To review the existing management information system at grass-root level cooperatives;
2. To obtain information on cooperatives with regards to :
 - i) impact on members,
 - ii) organisation dimension,
 - iii) operations,
 - iv) members participation,

- v) inter-relationship with secondary cooperatives,
- vi) external influences,
- vii) existing and proposed status of training and education,
and
- viii) total impact.

3. To determine possible indicators for developing a monitoring and evaluation mechanism for impact of cooperatives.

Selection of Respondents (Farmers)

A total of 200 respondents were selected from within the operational areas of the 4 AFOs that is :

- i) 40 members from each of the 4 AFOs and
- ii) 10 non-members from each of the 4 AFOs operational areas

The sample of 160 respondents (members) were taken based on the AFOs membership register and relisting of the records according to income that is :

- i) Big farmers (income exceed M\$600 per month)
- ii) Medium-size farmers (income between M\$300 - \$600 per month),
- iii) Small and marginal farmers (income less than M\$300 per month).

The sample of 40 respondents (non-members) were taken randomly based on house lot numbers and using the above segmentation.

SURVEY RESULTS

A total of 39 non-members and 159 members of the FOA in the areas selected were finally interviewed in the survey. The following are the highlights of their responses.

Status of Non-members (N = 39)

Most of the non-members interviewed were male (89.7%) and slightly more than half the number were more than 40 years old. Most of them were functionally literate, having had some formal schooling, with only 10.8% who did not attend any schooling at all.

Most non-members (94%), owned less than 5 acres of land and were either owners (48.77%) or tenants (35.9%). More than half (53.2%) cultivated rice while a substantial number (18.7%) were involved in cocoa and coconut cultivation. Only 32.4% of the non-members were full-time farmers, many of whom had odd-jobs (37.9%) and performed other agricultural activities (27.6%). Sixty percent of the non-members had incomes of less than M\$400 per month from farming, while earning from M\$100 - M\$200 from other sources. Out of this total income, most non-members spent about M\$70 on basic utilities and M\$100 to M\$400 annually on their children's education.

Non-members cited "personal dislikes" (41.0%) and their belief that "the cooperative as non-beneficial" (53.8%) as their

reasons for not joining the Area Farmers' Organization. Slightly more than half (55.3%) mentioned that the distribution of benefits from the cooperatives has not provided any advantage to them and most of them (70.3%) did not have problems acquiring their agricultural supplies or services from other sources. However, most non-members (71.1%) indicated their intention to become members citing reasons of "getting services" (48.3%) and being "attracted to the progress of the cooperative" (20.7%).

Status of Members

Most of the members interviewed (8.8%) were male with 62.3% of them being more than 40 years old. Most of them were functionally literate (94.9%).

More than half (55.2%) owned less than 5 acres of land while (34.4%) owned 6 to 11 acres. Interestingly 10.4% of members owned more than 11 acres. Occupationally similar to the non-members, 45.8% cultivated rice and 25.2% cultivated cocoa and coconut. Unlike the non-members' group, more members (60.5%) were full-time farmers. Only about 47 percent of farmers had incomes of less than M\$400 and a larger number earned substantial incomes from non-farm operations (51% earned M\$200 - M\$400). Most members spent more than M\$200 on food per month and M\$70 on basic utilities and M\$100 to M\$400 annually on their children's education.

Regarding their motivation to join the Farmers' Organization, farmers cited reasons such as to obtain "farm inputs and marketing" (36.1%), followed by "for farm inputs" (18.1%) and "for credit facilities" (15.5%). Most members responded positively that the cooperatives were meeting their needs while being aware and concerned about the running of these cooperatives. They further reported that the AFO's benefits were distributed fairly and that the supplies and services were superior in quality. To the members, discriminatory practices were almost absent and that the managers and office bearers played their roles judiciously.

It is very interesting to note that members felt that they were not able to participate in most managerial functions such as those of decision-making (87%), planning (84.1%) and strategy formulation (89.3%). However, the relationship and communication between members and officials were reported as good. As regards the change process, members felt that they could provide moral support in the change process, which should be directed at "increasing agricultural production" (36%), "changing attitudes" (21.6%) and "enhancement of agricultural economic activities" (12.2%). They reiterated that change could occur with "understanding" (31.5%), "working gradually in stages" (28.3%) and "through the implementation of viable activities" (27.5%). Most members also felt that a process of change has taken place (86.9%) and they contributed by participating in AFO activities.

Members also suggested that higher growth can be procured if there are more concerted efforts to include more members in the process, with proper planning as the provision of necessary inputs.

In managing change, members felt that the AFO agents can provide advisory services (23.4%), supply the agricultural inputs (26.2%) and provide agricultural machinery (27.9%). They further felt that the AFO or the Agriculture Bank could offer them credit protection. Members further felt that the extension education efforts were good (57.5%) and that training should be provided on a continuous basis (68.7%). On a wider perspective, members felt that the role played by secondary organisations and government functionaries have been good and encouraging and that the rural society in general, has been well managed.

Conclusions and Implications

It can be concluded that there are certain specific differences in the predispositions of members and non-members with regard to their socio-economic backgrounds that may have influenced their membership behaviours. However, the survey further elicited that the non-members were not convinced of the benefits of joining the AFO's or that they saw no obvious advantage of being a member. This credibility problem should be a concern that needs attention.

On the other hand, members were quite satisfied with the services and benefits accruing from the AFOs and perhaps this testimony has not been fully capitalized upon in information campaigns directed at non-members. More of the members were full-time farmers and thus had more valid reasons to become members of AFOs.

The lack of effective participation in the management of AFOs that they were members of, was an important concern for the members and this can perhaps be explained by the structure of FOA in the country. This could be an important aspect to be monitored because it can become both a source of disenchantment and a stumbling block for the continued growth of the AFOs. Nevertheless, members felt that there was a general sense of achievement in the work of the AFOs with regard to promoting change in the rural society.

In sum, it can be seen that AFOs can be continually monitored with respect to several of its characteristics. Firstly, is the growth and functioning of the AFOs themselves which can include its range of activities, capital build-up and support from members. Secondly, is with regard to the transformation of control of management and the participation of members in the running of the AFOs. Mismanagement and loss of support could be regressive for the cooperative movement. Thirdly is the evolution of the cooperative-members relationship itself, especially with regards to the benefits, support, protection and the empowerment of the members themselves.