

**YANGON UNIVERSITY OF ECONOMICS  
MASTER OF DEVELOPMENT STUDIES PROGRAMME**

**A STUDY ON THE DEVELOPMENT OF  
CO-OPERATIVE SOCIETIES IN MEIKTILA  
TOWNSHIP, MANDALAY REGION**

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**MASTER OF DEVELOPMENT STUDIES PROGRAMME**

**A STUDY ON THE DEVELOPMENT OF CO-OPERATIVE  
SOCIETIES IN MEIKTILA TOWNSHIP, MANDALAY REGION**

**A thesis submitted in partial fulfilment of the requirements for  
the Master of Development Studies (MDevS) Degree.**

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## **ABSTRACT**

Co-operatives play significant and important roles in economic development in many developing countries; but the experience has been mixed. Myanmar has had a relatively long history of Co-operative development, having marked its century celebration of Co-operatives in January 2005. Credit Co-operatives have therefore played a key role in broadening financial access to rural community. The objectives of the study are to identify the growth of co-operative societies in Meiktila Township and to analyse the performance of co-operative societies in Meiktila Township. Descriptive Method and cluster random sampling were used for studying. The growth was identified on the increasing numbers of co-operative societies, membership and share capitals. The performance of selected co-operative societies was analysed on the ratio of profit on capital, on working capital and on capital plus working capital with the ratio analysis. The growth of the co-operative society was found in increasing number of societies, membership and share capital. The development of co-operative can be found in which the development of the amount of capital, working capital on net profit. The co-operative societies in Meiktila Township had been developing within the study period from 2009-2018.

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## **LIST OF ABBREVIATIONS**

ADS	Agriculture Development Strategy
BOD	Board of Directors
CCS	Central Co-operative Society
FAO	Food and Agricultural Organization of the United Nations
FSWG	Food Security Working Group
GRET	Group for Research and Technology Exchanges
LIFT	Livelihoods and Food Security Fund
SACCO	Savings and Credit Cooperative Organization
UWCC	University of Wisconsin Centre for Co-operatives

# **CHAPTER I**

## **INTRODUCTION**

Co-operatives are autonomous association of person united voluntary to meet their common economics, social, and cultural need and aspiration through a jointly owned and democratically control enterprise. Co-operative must develop and nurture member commitment if they are to form and success. Co-operatives are voluntary organization, 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. Co-operatives are democratic organizations controlled by their member, who actively participates in setting their policies and making decision. Co-operatives provide education and training for their member.

The first co-operative society in the world was formed in 1844 in a village in England by Rochdale Pioneer when was undergoing the industrial revolution. The International Co-operative Alliance defined seven principles for co-operative that are widely accepted in most country. These principles are voluntary and open membership, democratic member control, member economics participation, autonomous and independence, education and training, co-operation among co-operative and concern for community. These principle guide co-operatives to fulfil their member economic and social benefit.

For over 170 years now, co-operatives have been an effective way for people to exert control over their economic livelihoods. They provide a unique tool for achieving one or more economic goals in an increasingly competitive global economy. As governments around the world cut services and withdraw from regulating markets, co-operatives are being considered useful mechanisms to manage risk for members in Agricultural or other similar co-operatives, help salary/wage earners save for the future through a soft-felt monthly contribution that is deducted from source, own what might be difficult for individuals to own by their efforts, strengthen the communities in which they operate through job provision and payment

of local taxes. Co-operatives generally provide an economic boost to the community as well.

Co-operative was firstly introduced into Myanmar in 1904-05 as a Government Sponsorship accordance with the promulgation of the Indian Co-operative Credit Societies Act of 1904. Burma, once a sovereign kingdom, fell entirely under the yoke of British Colonialism in 1885. It was followed by its incorporation into British India on 1 May 1897 as a constituent province governed by a Lieutenant Governor under the Governor General of India. Thus, all legislation enacted in India also become enforceable in Burma. Mr. Fielding Hall was appointed as the first Registrar of Co-operative Societies and his office was opened in Pyin Oo Lwin in December 1904. The first Agricultural Credit Co-operative Society was formed and registered in January 1905 in Myinmu Township, Sagaing Division. So, Co-operative have been fulfilment 100 years in 2005. Now, Co-operative is over 100 years in Myanmar. Co-operative societies are one of the social enterprises.

A co-operative is a non-profit organization owned and operated by its members. Types of co-operative are agriculture co-operative, financial co-operative, trading co-operative, consumers' co-operative, housing co-operative, marketing co-operative, transport co-operative, industrial co-operative, services co-operative, saving and credit co-operative and multi-purpose co-operative.

## **1.1 Rationale of the Study**

Co-operatives are one of important organizations in both developed and less developed economies countries. Especially in underdeveloped countries, co-operatives provide important microcredit services. But in developed countries, these serve to make financial markets more competitive. Co-operatives have been forced to engage in dramatic changes in terms of organization, production and markets over historical time.

Co-operatives in most of the countries face two problems. On the one hand, in most co-operatives the administration is delegated to managers or professional agents. On the other hand, the multiplicity of objectives that member may have means the objectives of the organization are not well defined, and managers' discretion increases, making it more probable that they adopt decisions that benefit themselves to the detriment of members. In addition, as pointed out by Tirole (2001) and Orellana (2002), the multiplicity of objectives makes it much more difficult to establish

incentives and control mechanisms that minimize conflicts between members and managers.

The sector of co-operative societies in Myanmar plays a very important role for members by giving them affordable financial credit and investment advisory services which help largely in improving the business of the members and the economic development of the country. The principle and objective of co-operative society is based on the organize to increase the economic standard of farmer, workers, less capable people, professionals and people with small capital and income with their self-efforts and co-operation.

The Co-operative Department laid down a policy to organize one co-operative in each village under the previous regime. In implementation of this policy, new co-operative societies were formed by a top-down system. It has reached about 40000 numbers of registered co-operatives in June 2018. The loans provided by the department were attractive for the small holder farmers to become co-operative members. As information collected from key informant interviews, such policy may hinder the co-operative societies to initiate the business activities for sustainable development and thus it is tending to restructure the co-operative structures in effective way from quantity to quality concepts.

On that period, the government introduced the loan scheme to co-operative society from China EXIM bank loan. The government also instructed to organize one co-operative per village in order to provide loan to co-operative members. The majority of the increased number of co-operative societies are agriculture production co-operatives, based on their regional livelihood pattern. Most of the rural people is farming on livelihoods. The name of the registered co-operative was given agriculture and general co-operative, mean those co-operatives can do the business activities, especially for saving and credit.

Starting from 2013, the number of co-operative societies are gradually increasing till 2017. And, the Mandalay Union of Co-operatives Syndicate received the excellence award of business in 2014 by the president of the Union of Republic of Myanmar on “A Profit Seeking Outstanding Business Association”.

The co-operative sector in Meiktila Township is one of the highest growing areas in co-operative societies among 28 Townships under Mandalay Region. At the same time, it also demands to study the performance of the co-operative societies together with the growth of the co-operative societies.

The history of Therefore, the rationale of the research focuses on studying the growth and development of the societies in Meiktila Township, Mandalay Region. The research study investigates the ways in which co-operatives can act as agents towards sustainable community development.

## **1.2 Objectives of the Study**

Since 2012, the role of co-operative societies stands in economic development especially in micro-finance activity. In order to study current situation of co-operative societies, the study aims

- to identify the growth of co-operative societies in Meiktila Township
- to analyse the performance of selected co-operative societies in Meiktila Township

## **1.3 Method of Study**

For this research, various 40 primary co-operatives under Meiktila Township, Mandalay Region was selected by using the cluster random sampling method in the study areas, based on the information from Meiktila Township Co-operative Department.

In addition, the secondary data pertaining to in developing of co-operative society, BOD member position, number of members, member share capital, business capital and return on profit facilities of the Mandalay Region for 10 years (2009-2018) were obtained from Regional Co-operative Department. Literatures related to co-operative society roles in economic development of nations from internet websites, unpublished and published materials in the libraries of Universities and other institutions were also intensively reviewed.

To be measured the growth of co-operative societies in Meiktila Township, it analysed the number of co-operative societies, number of members and members share capitals from 2009 to 2018.

To analyse the performance of selected co-operative societies in Meiktila Township, the ratios analysis was carried out on the ratio of profit on capital, the ratio of profit on working capital and the ratio of profit on capital plus working capital. And it also analysed on the BODs and members' opportunity, share dividend. Three types of regression were also analysed on the net profit and capital, the net profit and working capital and net profit and expenses.

#### **1.4 Scope and Limitation of the Study**

The scope of this study is to investigate the growth and development of co-operative societies in Meiktila Township, Mandalay Region. The sample size for the study is 40 co-operative societies among 251 co-operative societies in Meiktila Township. The questions included the items such as net profit, capital, working capital, income expenses and share dividend. Both open ended closed questions are included in the questionnaires to achieve the objectives laid down in the study. The data collected from Regional Co-operative Department, Mandalay Region from 2009 to 2018.

#### **1.5 Organization of the Study**

The study is organized into five chapters. Chapter 1 is introduced with the rationale of the study, objectives of the study, method of study, scope and limitation of the study and organization of the study. Chapter 2 presents theoretical background. Chapter 3 describes the background of Co-operative Movement in Myanmar and Co-operative Sector in Mandalay Region. Chapter 4 is described survey analysis of co-operative societies in Meiktila Township. Chapter 5 is described conclusion with the findings, recommendations and suggestions.

## CHAPTER II

### LITERATURE REVIEW

#### 2.1 Definitions, Values and Principles of Co-operatives

The Co-operatives are member-owned businesses. The simplest way to understand them is that they aggregate the market power of people who on their own could achieve little or nothing, and in so doing they provide ways out of poverty and powerlessness. The representative body for co-operatives, the International Co-operative Alliance (ICA)<sup>1</sup>, defines a co-operative as:

**Co-operative definition:** *"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 values:** Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

**Co-operative principles:** This definition and the ICA set out seven co-operative principles: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; co-operation among co-operatives; and concern for community. Co-operative principles are guidelines by which co-operatives put their values into practice.

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.

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women

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<sup>1</sup> The International Co-operative Alliance (ICA) is a non-governmental organization representing co-operatives and the co-operative movement worldwide. It was founded in 1895 and today represents 272 co-operative federations and organizations (with over a billion members) in 94 countries.



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.

Members contribute equitably to, 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 allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Lawal (1982), sees this organization as an industrial organization where a number of people may combine as consumers to produce a commodity, the proceeds of which are distributed among the participants. Brown (1986), thinks of co-operative society as a business organization in which a group of individuals who have a common interest, mutually agree to join together to establish this business in order to promote their economic activities like production, distribution or marketing of goods and services, and for the provision of welfare benefits to their members. Of all these definitions, it could be argued that the most embracing of them all is that given by the International Labour Organization – ILO which states that, “co-operative is an organization of persons, usually of limited means who have voluntarily joined together to achieve a common economic end through the formation of a democratically controlled business organization making equitable contribution to the capital required, and accepting fair share of the risks and benefits of the undertaking (ILO Workers Manual, 1978).

## **2.2 Origin and Significance of Co-operative Societies**

The first documented co-operative settlement in human history was that started by the Essenes at Qiryat Yotz on the coast of the Dead Sea (Odey, 2009). All of them were free and owned everything in common. In Britain and France, workers, as a result of the impact of the Industrial Revolution spontaneously organized co-operative societies of all sorts, while intellectuals and philanthropists such as Owen in 1858, and his contemporaries initiated carefully planned, ideologically motivated corporative communities.

In England, the idea of establishing co-operative organization was mooted and invigorated by Robert Owen in collaboration with his Rochdale pioneers (Obasse, 2012; Ebi, 2014). This organization began in Road Lane, Rochdale in 1844. This particular group of weavers led by Charles Howath met regularly throughout 1844 to discuss on what could be done to improve their working conditions, and of the less privileged workers, artisans, consumers, traders and farmers who were relegated to the background by the capitalist economic system prevalent during this period and arising from the aftermath of the Industrial Revolution. The Rochdale principles which guided this early co-operative society stipulated the following as its modus operandi: open and voluntary membership; any consumer was free to join, and there were no restrictions to sex, race or social status; democratic control of one man, one vote; political and religious neutrality, limited interest on capital, cash trading at market price, all sales were made at prevailing prices for cash only, patronage dividends proportional to their purchases, and the regular education of their members. Later co-operators added eight more principles which included the first successfully organized co-operative society (Ebi, 2014).

Co-operative societies are formed based on certain principles which distinguished them from other business organizations. Odey (2009) asserts that such principles may be based upon the new models of scientific management of businesses and applied economics. Similarly, Olayide (1975) and Whethman (1968) asserts that there is a great distinction between co-operative societies and non-co-operative businesses. The introduction of co-operative societies, Whethman argues, is to remove the evil effects of the capitalist system of production which did not go down well with the common man's aspiration.

Co-operative societies are known to bring about low prices of goods. Goods are bought directly from manufacturers at factory prices and sold to members at controlled prices thereby making their selling prices to be lower than the operating prices in the open market. Co-operatives are managed along democratic lines. Members, for instance, have equal voting rights, equal opportunity to participate in the management and control of the societies and make inputs to policies (Warbasi, 1947).

This organization is noted for its easy formation because it does not require much capital or costly legal procedures to bring it into existence. It has continuity because the death of a member does not affect the continuity of this business

organization. Advertisement is also not needed in selling the goods and services of the societies since majority of the goods are bought by their members. Education benefits are given to members in areas of production, distribution and buying and selling of goods and services through bulletins. The societies have joint pride of ownership. Thus, they are jointly owned and managed by the members. They take decisions and make policies jointly. This infuses a sense of belonging into the members, propelling them to bring out their best (Draheim, 1952; Ekpere, 1978; Abasiokong, 1994).

A form of high standard of living is encouraged among members unlike some other known business organizations. For example, the societies provide essential commodities to members at appropriate prices thereby enabling them to consume goods they would ordinarily not have been able to consume or acquire. They also encourage members to save and give credit facilities to the needy members. All these helps the standard of living of members to improve considerably. Co-operatives sell their goods at controlled and stabilized prices, and also regulate the quantity of goods needed. These activities help to fight inflation and deflation. There is good cordial interpersonal relationship among members of the society and their employed staff (Omeje, 2003; Digby and Greffon, 1988).

Because of its benefits to the people, in Kenya, groups of farmers on land settlements are encouraged to join co-operatives to undertake purchase, supply, marketing and hulling of such goods and services like cattle, pigs and coffee. In Nigeria, corporative organizations are also engaged in the collection of savings from weekly wage earners in cities and towns, the selling of foodstuffs, and the erection of shops for its members (Ebi, 2014).

Helmberger and Hoos (1962) can be regarded as having developed the first complete mathematical model of behaviour of an agricultural co-operative. Sexton (1995: 92), who provides a brief overview of developments in the economic theory of co-operatives in the US prior to Helmberger and Hoos' paper (LeVay, 1983; Sexton, 1984), considers their paper as "a landmark in the economic theory of co-operatives." Helmberger and Hoos (1962) use the neo-classical theory of the firm to develop short-run and long-run models of a co-operative using traditional marginal analysis. Neo-classical economics is an approach to economics that relates supply and demand to an individual's rationality and his ability to maximize utility or profit. Neo-classical economics also uses mathematical equations to study various aspect of the economy.

This approach was developed in the 19th century and became popular in the early 20<sup>th</sup> century.

According to the Neo-classical theory of the firm, each firm maximizes its profits subject to its costs (i.e., costs of obtaining information about alternatives and costs of negotiating, monitoring and enforcing contracts) are assumed to be zero, as are adjustment costs and resources are privately held and fully allocated among alternative uses purely in response to financial incentives. Criticism of the neoclassical model of the firm was based on the assumption of profit maximization but, more fundamentally, that the model does not explain why these firms exist in the first place, and how the resources within these organizations are employed, allocated, and motivated to achieve maximum profits (Royer, 1999; Sykuta and Chaddad, 1999). Sykuta and Chaddad (1999: 69) contend that criticism of neoclassical economics also extends to the study of markets because it is “ill-suited to answering questions about when, why, and how markets evolve; about the institutional infrastructure required to support market activity; and about the structures of the organizations involved in market activity.” The criticisms of the neoclassical paradigm led to the development of alternative models of the firm based on other assumptions (e.g., maximizing rate of growth, sales, and firm size subject to a profit constraint), focusing on the process of decision-making within the firm (i.e., rejecting maximizing behaviour), and eliminating some of the unrealistic conditions of the model (e.g., by considering utility maximization, positive transaction and information cost, and alternative property rights structures) (Royer, 1999).

### **2.3 Ratio Analysis**

A ratio between two numbers indicates how one quantity relates to another. When two quantities relate via a ratio, they have a directly proportional relationship. Ratios are used in much of our daily life, for example, buying cars based on miles per gallon; evaluating baseball players by earned run and batting averages, basketball players by field goal and foul shooting percentages, and so on. These all are ratios constructed to judge comparative performance. Financial ratios serve a similar purpose, but it must be known what is being measured to construct a ratio and to understand the significance of the resultant number.

Financial ratio analysis involves the calculation and comparison of ratios which are derived from the information given in the company's financial statement.

The historical trends of these ratios can be used to make inferences about the company's financial condition, its operations and its investment attractiveness.

Unlike in the past when security was considered to be sufficient consideration for banks and financial institutions to grant loans and advances, nowadays the entire lending is need-based, and the emphasis is on the financial viability of a proposal and not only on security alone.

$$\text{Profit on capital} = \frac{\text{Net Profit}}{\text{Capital}} \times 100$$

$$\text{Profit on Working Capital} = \frac{\text{Net Profit}}{\text{Working Capital}} \times 100$$

$$\text{Profit on Capital and Working Capital} = \frac{\text{Net Profit}}{\text{Capital} + \text{Working Capital}} \times 100$$

Further all business decision contains an element of risk. The risk is more in the case of decisions relating to credits. Ratio analysis and other quantitative techniques facilitate assessment of this risk.

## **2.4 The Concept of Co-operative Performance**

Performance is defined as an improved product quality, productivity or technical efficiency, service capabilities of a firm, which lead to sustainable profits (Read and Miller, 1990; Clark, 1991; Harrington, 1991). Harrington (1991) in their study, defined co-operative performance in terms of key indicators such as returns on investment, satisfaction of members on goods and services provided by co-operatives and education and training of members and employees.

The review of literature concerning performance of co-operatives shows that in this type of organisation, there still exist an unresolved question of performance measurement. The financial ratios, mostly based upon efficiency measures (profit/financial resources), do not seem adequate to estimate co-operative performances. Due to a specific double commitment of co-operative members, as grower-suppliers and member-owners of their patrons, co-operatives face a problem of dual performance objectives (short term remuneration for the growers, long term value creation for the owners) and find it difficult to establish balanced governance in order to solve this internal conflict of interests called "co-operative dilemma" (Antoine *et al.*, 2011).

Kulandaiswamy and Murugesan (2004) stated that literature on co-operatives

was predominantly narrative. Empirical work using macro level data on co-operatives was conspicuous. Whatever little empirical work is available on co-operatives is based on case studies. While some case studies employed primary data obtained through surveys, others made use of balance sheet information. An attempt to evaluate the performance of a primary agricultural co-operative (PAC) in its various dimensions using a comprehensive yardstick of performance was made by Kulandaiswamy and Murugesan (2004). They studied 30 PACs for a ten-year period using 13 performance parameters in selected development blocks of western Tamil Nadu based on field survey data. They employed a scoring procedure validated by parametric (One-way Analysis of Variance) and non-parametric measures. The PACs were classified into three performance categories; poor, moderate and good. Their study found working capital, total loans outstanding, total business turnover, over dues, net worth and loans to weaker sections as relevant and valid performance indicators for PACs. Based on their study, Kulandaiswamy and Murugesan (2004) advocated measures such as re-capitalization, amalgamation, bringing down over dues and improving the overall efficiency of PACs.

A broad overview of performance indicators for co-operatives was provided by Murugesan (2007) where Performance under each broad indicator category was evaluated using ratio analysis. Chalam and Prasad (2007) used a number of ratios under four broad groups like liquidity, operational, productivity and profitability ratios to study the financial performance of nine selected PACs in West Godavari District of Andhra Pradesh. Chalam and Prasad (2007) indicated that case studies though had their own merits and demerits, the findings could not be generalized across a broad spectrum. However, it was difficult to trace any attempt at the individual researcher level to examine the performance of PACs on a broad arena like across the states. State level ratio analysis of the comparative performance of PACs was attempted by a number of Committees and Commissions that were set up to look into different dimensions of the problem concerning co-operatives. However, parametric estimate of different factors governing the performance of PACs is one area, which has not been explored.

Perceptions of co-operative members regarding the performance of their co-operatives were studied by Dakurah *et al.* (2005) who found that, under the management, performance criteria co-operatives were generally doing well for most of the aspects, except for the provision of technical assistance to members in the

development of business plans, and marketing studies, where respondents expressed ambivalence. Customer service received good performance evaluations and was one of the issues identified by respondents to be the reason for patronizing co-operatives. However, respondents expressed ambivalence on the issues of facilitating networking among members, providing useful websites, and access to technology under this performance criterion. Respondents especially liked the competitive environment created by the presence of co-operatives in their communities. They found the performance of their co-operative under this criterion to be good in all the issues investigated. Similarly, co-operatives were perceived to be doing well on expanding market for new products and services and representing clients' interests. The performance of co-operatives in maintaining member commitment was also evaluated. Respondents expressed ambivalence regarding the performance of their co-operatives in maintaining member commitment, especially in facilitating discussions among members, and offered members education or training. The performance of co-operatives under public interest and involvement was evaluated as doing well with no contradiction. Finally, respondents were directly asked if they considered their current co-operatives successful. The majority (93%) thought their co-operatives were successful (Dakurah *et al.*, 2005).

## **2.5 Performance of Multi-Purpose Co-operatives**

Multipurpose Cooperative Society is one of the types of cooperative that organized by farmers with the objective of providing more than one service to themselves. It promotes integration of economic activities such as mobilizing capital to provide credit and inputs for agricultural production to members. Multi-purpose cooperative-combines 2 or more of the business activities of these different types of cooperatives, e.g. credit lending and production, production and provision of goods and services, etc.

The single purpose cooperatives may be classified according to their business or enterprise of activities: credit cooperative- promotes thrift among its members and creates funds in order to grant loans for productive, consumer cooperative - the primary purpose is to procure and distribute commodities to members and non-members; producer cooperative- undertakes joint production whether agricultural or industrial; marketing cooperative -engages in the supply of production inputs to members, and markets their products; service cooperative- engage in medical and

dental care, hospitalization, transportation, insurance, housing, labor, electric lights and power, communication and other services, and, other services.

Multi-purpose co-operatives are a unique type of private enterprises that embrace both the associative component as well as the business component and are guided by the International Co-operative Alliance (ICA) values and principles of co-operation. The motive is inducing individuals to join existing or to form new co-operatives that can originate in the economic-rational sphere and in the sociological and psychological spheres. Multi-purpose co-operatives are associations of primary producers who have come together to achieve some common commercial objectives more successfully than they could as individuals such as marketing their produce, purchasing farm supplies, purchasing consumer goods for sale, sharing equipment, or supplying services such as storage or transport. More generally, their goal is to enable rural people to improve their social and economic conditions by working together in ways that are more productive than working individually (Australian Agricultural Council, 1998).

Develtere, Pollet and Wanyama, 2008 reported that the declining performance of agricultural co-operatives has seen the income of crop farmers dwindle over the years, a situation that has triggered some of the co-operators to come up with innovative co-operative ventures in this sector. Furthermore, co-operatives are also increasingly venturing into other non-traditional sectors including housing, consumer, livestock and beekeeping. It is also significant to note that co-operatives are increasingly looking beyond their national borders to find markets for their products, which was not possible in the era of state controlled co-operative development. Available information suggests that such opportunities are increasingly being utilized by co-operatives to tap economies of scale to improve the productivity of their members. Such co-operatives are operating as demand-driven and market-oriented business organisations. The result is the increasing improved performance of such co-operatives as evidenced by higher turnover of the co-operatives; improved income to the participating members; and improved co-operatives.

Reports regarding the financial difficulties experienced by agricultural co-operatives in Africa have been much more common recently than news of their successes. Several financial ratios for co-operatives (revenue growth, return on assets and operating margins) were calculated which indicated weak performance in the co-operative sector. This creates doubt about the viability of the co-operative form of



business in agriculture, causing members to question their co-operative's performance and/or become reluctant to proceed in organizing a future venture under the co-operative structure (Gray and Kraenzle, 2002).

Multi-purpose co-operative members provide finance to their co-operative enterprise through equity investments and the co-operative is controlled by the membership through the committee (directors). The committee members hire the manager and establish a policy under which the manager operates (Gray and Kraenzle, 2002). When the co-operative performs well, its business volume and value are expected to grow from year to year so that it will benefit its members as owners, users and controllers of the co-operative business. This might indicate whether the co-operative is performing negatively or positively. In their study, Gray and Kraenzle (2002) found that governance, accountability, transparency, members' participation, education and training were considered to contribute to the performance of co-operatives.

The ability of co-operatives to search for lucrative markets for its members can improve rural farmers' returns in their productive activities. Participating in networks, co-operatives can also provide farmers with information that can improve their skills and knowledge, which may not be accessible to all farmers not participating in the network (Totlund, 2004).

In a democratic organisation like co-operatives, the general membership is the supreme organ and the management committee is elected by membership to look after the business affairs. A sustainable co-operative is defined by Rankin and Russell (2005) as economically successful and hence able to compete with other co-operatives and the private sector. Samson (2010) conducted an evaluation of social and economic performance of co-operatives and found that, multi-purpose co-operatives were facing problems of finance and capitalization. Several characteristics could be distinguished when assessing the performance and loyalty of co-operative members. When measuring the performance of co-operatives, it is important to distinguish between the social and economic performance. There are two measures for social performance, which include loyalty and farmers satisfaction.

Altogether single and multi-purposes co-operatives, their performance was analysed with the ratio analysis on the ratio of profit on capital, the ratio of profit on working capital and the ratio of profit on capital plus working capital. And it was also analysed on the BODs and members' opportunity, share dividend.

## **2.6 Review on Previous Studies**

Since the early 1800's, Co-operatives have made pivotal contributions to the development of economies at strategically important times. In the English-speaking world, the Rochdale Society of Weavers, inspired by ideas of Robert Owen and William King, is considered the first Co-operative documented in 1844 in Rochdale, England (OCDC 2010, 36). Muto Sanji, a cotton spinning business man who was born in 1867 also made a vital contribution to the Co-operatives though the existing government and factories did not co-operate with him while Jose Maria Arizmendiarieta, a catholic priest inspired several of his graduate to establish small industrial Co-operative which grew up quickly with the support of Basque people.

It is a business voluntarily owned and controlled by its member patrons and operated for them and by them on a non-profit or cost basis (UWCC, 2002). It is a business enterprise that aims at complete identity of the component factors of ownership, control and use of service (Laidlaw, 1974). The economic and social foundation of Co-operatives reflects the duality of the Co-operative identity (McKillop, 2005; Valentine2007). According to Hyden (1973), modern economic co-operation presupposes a situation characterized by organic solidarity. Thus, co-operation involves individual efforts converging towards a unifying collective end.

The main functions of agricultural co-operatives were procurement of credit, sale of paddy, milling of rice at co-operative mill, export of rice under the system of public tender. However, since there was political instability, lack of law in the country, and the co-operative members preferred to sell their products to private merchants since they paid higher prices and low transactional cost for their products, co-operative marketing was under performing in the rural economy. Mya Maung (1965) pointed out that the central issue of agricultural co-operatives was not a simple matter of credit support but effective utilization of various support programmes and socio-cultural change.

Osagie (1976) is of the view that the co-operative movement if properly organized can facilitate the distribution of goods to all parts of the country at affordable prices. In Nigeria, he argues that part of the goods imported by the Nigerian National Supply Company (NNSC) is distributed through consumer co-operatives. In addition, the co-operative provides avenue through which the masses may be involved in the production and distribution of goods and services. The participation of the masses in the economy of their country, Osagie argues, should

lead to social peace and harmony. In other words, the involvement of a reasonably large proportion of the Nigerian business cadre in the equitable distribution of goods and services through the agencies of co-operative organizations should go a long way in ensuring hope, trust, confidence, justice and security within the Nigerian populace and society.

Yi Aye, (2015) studied the development of co-operatives in four regions that are Sagaing, Naypyitaw, Mandalay regions and Shan State. In which, it showed the comparison of the co-operatives between four study areas with the status of other countries like Japan, Singapore, England and India. The regression analysis on net profit, capital and working capital were studied to find out the development of the co-operatives. The studied co-operatives were needed to development in term of business activity and member commitment.

Ei War War Swe, (2018) studied the growth of 20 selected co-operative societies among 92 co-operative societies in Loikaw Township, Kayah State. In the study, the exponential growth regression analysis on number of co-operatives, number of members and the number of shares with the years of co-operatives. The result stated that the number of agriculture co-operative society is growing 57.78%, saving and credit co-operative society 14.79% growth rate and trading co-operative society is growing 2.74% from 2010 to 2017. The reasons why the number of co-operative societies were increasing are also mentioned that the government loan scheme started in 2013, and the government acted a policy to form one co-operative society per village.

## **CHAPTER III**

### **BACKGROUND OF CO-OPERATIVE MOVEMENT IN MYANMAR**

#### **3.1 Myanmar Co-operative Sector Movement**

Co-operatives were first introduced to Myanmar in 1904 with the enactment of the Indian Co-operative Societies and the government set up the Co-operative Department in December 1904 (FAO, 2016). Myanmar has had a relatively long history of Co-operative development, having marked its century celebration of Co-operatives in January 2005. At first, co-operatives were used to counter usury lending practices with the 4000 credit co-operatives. The Myanmar Co-operative movement has over four million members (Co-operative Department, 2017). It has been characterized by strong growth in membership and a positive contribution to the country's economic and social development. Credit Co-operatives comprise an important and vibrant segment of the Myanmar Co-operative movement. According to Central Co-operative Society (CCS), they serve an estimated that CCS collected a value of kyats 916.3 million share as at 31.3.2016 from its 445 member societies and disbursed kyats 43.18 million on share dividend to the member societies. Credit Co-operatives have therefore played a key role in broadening financial access to rural community.

Due to liquidity mismanagement, the number of co-operatives was gradually decreased and by 1932 the national apex body of co-operative was dissolved and only 57 of 575 credit co-operatives still existed.

During the socialist era from 1962 to 1988, the co-operative sector played as the second pillar and it served as supportive body to achieve the means and goals of the socialist economy to change the socio-economic status of underdeveloped societies in rural areas of Myanmar. The co-operative movement as a whole was more governmental than private in nature and function. The major activities of co-operatives were to distribute credit and distributive function.

The political leaders in the socialist era paid more attention to agricultural co-operative since agriculture sector played an important role for the development of society and it accounted for around 50% of national GDP. The fluctuation in domestic national product was directly linked to the fluctuation in agricultural output and export of rice. Therefore, agricultural co-operation became the most promising instrument of socio-economic change in building a socialist economy.

The co-operative law, and its rules and regulations were enacted in 1970. Plans for co-operatives that set up in 1970 were very comprehensive and got the full support from the government, however, there were many reasons, such as control of central government, utilization of rights in wrong way, low capacity of official staff, etc., that made the implementation of agricultural co-operative business activities failed. When the country ended the centrally planned socialist economy in 1988, the co-operatives inherited a bad reputation.

Along with the adoption of market economy in Myanmar a new co-operative law was introduced in 1992, aiming to revitalize the co-operative system in Myanmar. However, given the entrance of private companies in the market economy, the state-led co-operatives bodies proved not to be able to compete with the private sector. Producer co-operatives that were financially supported by the government could not compete and as a result, the producer co-operatives dissolved. From 2013 onwards, the government promoted to establish one co-operative in each village, resulting in 40000 co-operatives registered under the 1992 co-operative law.

The 1992 Co-operative Law<sup>2</sup> is currently active in Myanmar. Myanmar became the member of ICA only after the release of this law. In order to practice the law, the Co-operative Society Rules are promulgated in 1998 and then these rules are replaced by the Co-operative Society Rules (2013) which are currently being used for the supervision and regulation of co-operatives in Myanmar.

The Co-operative Department is supporting the co-operative system development policy by providing the training and workshop for capacity development, following auditing, monitoring and evaluation process for sustainable development of co-operative societies. It is observed that the national co-operative apex organisation, Central Co-operative Society (CCS), has linked with some

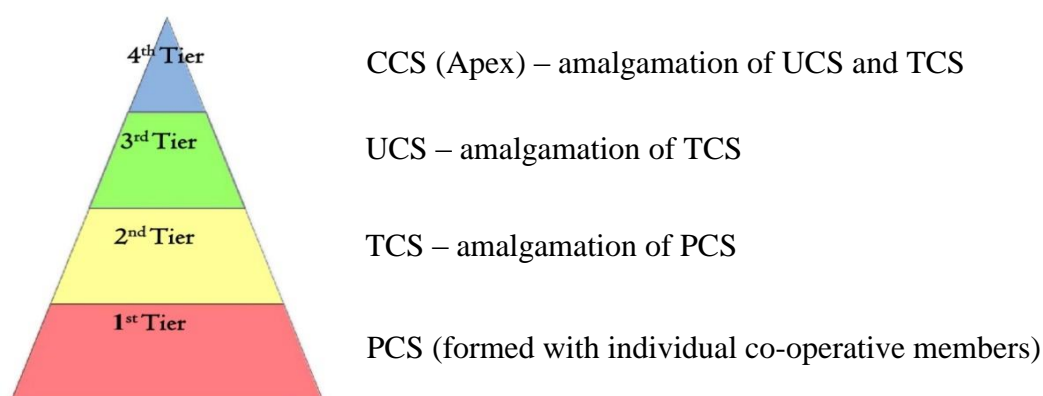
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<sup>2</sup> Information retrieved from <http://www.uwcc.wisc.edu/icic/issues/leg-tax/Co-operative-Law-in-Asia-and-the-Pacific1/Part-II---Review-of-Co-op-Laws-in-Myanmar1.html> in August 2017 indicates that this law is much more democratic.

international organizations and a few co-operative projects are being implemented. In addition, CCS and some co-operative members also have chances to attend co-operative conference and trade fairs in Myanmar as well as abroad.

Myanmar adopted a four-tier co-operative structure (see Figure 3.1) in accordance with the 1992 Co-operative Society Law. It includes Primary Co-operative Society (PCS), Co-operative Society Syndicates (or) Township Co-operative Syndicates (TCS), Union of Co-operative Syndicates (UCS) and Central Co-operative Society (CCS). A Primary Co-operative Society is formed with individual co-operative members. A Township Co-operative Syndicate is formed with selected PCS's representative. Similarly, a Union of Co-operative Syndicate is formed with selected TCS's representatives, and CCS is formed with selected UCS's representatives and TCS's representatives.

Figure 3.1: Four-tier Co-operative Structure



Source: Co-operative Department, Naypyitaw, 2019

Central Co-operative Society (CCS) is an apex institution of co-operatives in Myanmar and the different levels of Co-operative societies can be ranked as follows.

(1)	Central Co-operative Society	(CCS)	national level
(2)	Union of Co-operative Syndicates	(UCS)	state/region level
(3)	Co-operative society syndicates (or) Township Co-operative Syndicates	(TCS)	township level
(4)	Primary Co-operative societies	(PCS)	village/ward level

Table 3.1: Current Situation of Organized Co-operative Societies as of (30.6.2018)

#	Type of Society	Co-operative Society	Member Society*	Co-operative Members
1.	Central Co-operative Society (CCS)	1	467	
2.	Union of Co-operative Syndicates (UCS)	22	515	
3.	Township Co-operative Syndicates (TCS)	464	20865	
4.	Primary Co-operative Society (PCS)	40138	-	4251533
	<b>Total</b>	<b>40625</b>	<b>21847</b>	<b>4251533</b>

Source: Co-operative Department

Note: \* If a society is member of a higher co-operative society, it is called member society.

According to the functioning, co-operative societies can be grouped as follow.

Table 3.2: Registered co-operative societies by types of co-operative

Sector	Type of co-operative Society	Member society
Production	Producers Co-operatives (Agriculture)	27821
	Producers Co-operatives (Livestock)	4340
	Producers Co-operatives (Fishery)	337
	Producers Co-operatives (Forestry Product)	14
	Producers Co-operatives (Industry)	526
Services	Saving and Credit Co-operatives	3982
	Transportation Co-operatives	155
	Health Care Co-operatives	34
	Agricultural Support Services Co-operatives	34
	Other Services Co-operatives	199
Trading	GEC (Educational Staff)	355
	GEC (staff of the civil services)	88
	Gem Co-operatives	108
	Trading Co-operatives	1666
	General Business Co-operatives	966
	<b>Total</b>	<b>40625</b>

Source: Co-operative Department, Naypyitaw, 2019

Most of the well-functioned co-operative societies are mainly involved in the service sector, particularly microfinance business. Only a few co-operative societies that are operating well are engaged in the production sector and trading sector.

### 3.2 Co-operative Sector in Mandalay Region

Mandalay Region is formed with 270 wards and 1416 village-tracts, 28 townships and seven districts – Mandalay, Pyin Oo Lwin, Kyaukse, Myingyan, Nyaung-U, Yamethin, and Meiktila. Mandalay is the capital of the region. The population of Mandalay Region is 6,165,723. The population density of Mandalay Region in March 2014 was 200 persons per square kilometre. This is much higher than the Union level population density of 76 persons per square kilometre, and it means Mandalay is the second most densely populated State/Region in Myanmar, only surpassed by Yangon Region. The 27-township co-operative syndicates represent 4780 primary co-operative societies and 4780 primary co-operative societies represent 624,786 members. The members are receiving production, loan, trading and service enterprise services from the Union of Co-operative Syndicates.

Table 3.3 Number of Co-operative Society in Mandalay Region

Year	Type of Co-operatives			Total
	Production	Service	Trade	
2008	1,280	273	418	1,971
2009	1,272	256	415	1,943
2010	1,259	261	417	1,937
2011	1,259	260	416	1,935
2012	1,260	275	419	1,954
2013	2,972	514	432	3,918
2014	3,130	393	396	3,919
2015	3,805	514	397	4,716
2016	3,819	528	395	4,742
2017	3,844	535	401	4,780

Source: Regional Co-operative Department of Mandalay, 2019



Table 3.3 show the trend of type of primary co-operatives in Mandalay Region. Under the production co-operatives, there includes various types of productions like agriculture products production, seed production, dairy and milk products production, textile production, and livestock co-operatives. In trading co-operatives, there was found selling of handicraft, grocery shop, household store and market where the products can get. Under the service co-operatives, most are giving microfinance service to the members, beside that services are agriculture inputs material, such as fertilizers, pesticides and farm machineries. Mandalay Region has 1971 societies in the year of 2008 and there have 4780 societies in 2017. So, the year of 2017 is the successful year of Co-operative societies in the duration of 2008 and 2017. And the increasement of co-operative societies is at most during 2013. By looking at the given figure, the number of Co-operative societies, all society, production, trading society and Services society have increasing at the later of 2013, but the services society decreased during 2014 in Mandalay Region.

The increasing number of co-operative societies was found in Mandalay region from 2008-2017. The significant number increased almost 50 percent within 2013, (from 1954 in 2012 to 3918 in 2013). On that period, the government introduced the loan scheme to co-operative society from Chin EXIM bank loan. The government also instructed to organize one co-operative per village in order to provide loan to co-operative members. The majority of the increased number of co-operative societies are agriculture production co-operatives, based on their regional livelihood pattern. Most of the rural people is farming on livelihoods. The name of the registered co-operative was given agriculture and general co-operative, mean those co-operatives can do the business activities, especially for saving and credit. Starting from 2013, the number of co-operative societies are gradually increasing till 2017. But trading co-operatives were decreasing during 2014 to 2016, because the type of co-operatives changed into production co-operatives from trading.

Table 3.4 Number of Members, Shares and Capital of Mandalay Region

<b>Year</b>	<b>Number of Member</b>	<b>Member Growth Rate</b>	<b>Capital (Kyat Million)</b>	<b>Capital Growth Rate</b>	<b>Share Value (Kyat Million)</b>	<b>Share Value Growth Rate</b>
2008	382,484	-	2,243.71	-	1,196.28	-
2009	385,969	0.91%	3,295.18	46.86%	1,449.15	21.14%
2010	354,791	-8.08%	8,461.97	156.80%	2,062.43	42.32%
2011	339,353	-4.35%	0.088	-100.00%	0.02	-100.00%
2012	343,304	1.16%	8,156.59	9268747.73%	1,935.08	9675275.00%
2013	503,755	46.74%	28,444.70	248.73%	3,774.09	95.04%
2014	464,489	-7.79%	32,269.35	13.45%	4,480.08	18.71%
2015	577,657	24.36%	32,269.35	0.00%	5,635.22	25.78%
2016	585,692	1.39%	39,755.63	23.20%	5,798.03	2.89%
2017	620,408	5.93%	123,759.82	211.30%	7,369.58	27.11%

Source: Regional Co-operative Department of Mandalay, 2019

Table 3.4 presented that the numbers of capitals have increasing the value in the year by year. The number of members of Co-operative society in Mandalay Region has 382,484 members in 2008 and 620,408 members in 2017. During the year of 2008 and 2017, the numbers of members are at least 339,353 members in the year of 2011 and at most 620,408 members in the year of 2017. The numbers of members have increasing in the later year and according to the principle of voluntary membership, members of Co-operative societies are not stable. The number of shares of Co-operative societies in Mandalay Region has 1196.28 million kyats in 2008 and 7369.58 million kyats in 2017. During the year of 2008 and 2017, the numbers of shares are at least 0.02 million kyats in the year of 2008 and at most 7369.58 million kyats in the year of 2017. The number of shares has increasing the value in the year by year. The number of capitals of Co-operative societies in Mandalay Region has 2,243.71 million kyats in 2008 and 123,759.82 million kyats in 2017. During the year of 2008 and 2017, the numbers of capitals are at least 0.088 million kyats in the year of 2008 and at most 123,759.82 million kyats in the year of 2017.

Based on the table 3.4, the highest percentage of growth rate on society goes to the year of 2013 (100.51%) as a first one, interpreted that was increasing a hug number of society during those year due to the starting of government instruction on loan scheme, and the lowest percent of growth rate on society goes to the year of 2009 (-1.42%) means that was decreasing number of society in those year. The year of 2010 is also found to be the one which has the least growth rate on member (-8.08%). The highest percentage of member growth rate goes to the year of 2013 (46.74%) as a first one. Due to the decreasing of society and member in 2010, the growth rate on share and capital continuously declined in 2011. And also, the factor of increasing number of society and member in 2013, the growth rate on capital and share value are also high in 2013. Co-operative societies in Mandalay Region has increased the number of societies, members, capital and shares. So, Co-operative societies in Mandalay Region has increased in society, members, shares and capital, but least developed in those during 2009-2011.

Table 3.5 Number of Co-operatives, Members, and BOD members in 28 Townships of Mandalay Region

Sr No	Township	Number of Co-operatives				Membership				Number of BOD Member			
		Production	Trading	Service	Total	Production	Trading	Service	Total	Production	Trading	Service	Total
1	Amarapura	89	14	8	<b>111</b>	10,195	2,071	780	<b>13,046</b>	447	82	46	<b>575</b>
2	Aung Myay Thar Zann	10	38	29	<b>77</b>	177	29,154	3,461	<b>32,792</b>	57	207	155	<b>419</b>
3	Chan Aye Thar Zann	14	40	41	<b>95</b>	206	2,941	6,271	<b>9,418</b>	91	261	283	<b>635</b>
4	Chan Mya Tharzi	11	15	34	<b>60</b>	2,712	860	6,649	<b>10,221</b>	76	101	223	<b>400</b>
5	Kyaukpadaung	262	15	9	<b>286</b>	21,842	3,565	2,028	<b>27,435</b>	1,241	83	45	<b>1,369</b>
6	Kyaukse	170	12	17	<b>199</b>	14,274	3,139	2,498	<b>19,911</b>	846	68	94	<b>1,008</b>
7	Mahar Aung Myay	5	48	34	<b>87</b>	27	1,914	3,957	<b>5,898</b>	27	282	198	<b>507</b>
8	Mahlaing	234	5	11	<b>250</b>	20,467	1,440	2,079	<b>23,986</b>	1,170	31	61	<b>1,262</b>
9	Madaya	140	8	5	<b>153</b>	21,842	1,371	2,084	<b>25,297</b>	769	51	39	<b>859</b>
10	Meiktila	182	21	48	<b>251</b>	17,375	3,201	5,760	<b>26,336</b>	909	110	249	<b>1,268</b>
11	Moegoke	67	36	25	<b>128</b>	5,442	2,041	1,991	<b>9,474</b>	308	162	118	<b>588</b>
12	Myingyan	185	23	26	<b>234</b>	22,358	3,011	4,177	<b>29,546</b>	1,295	157	181	<b>1,633</b>
13	Myit Thar	167	13	35	<b>215</b>	15,327	2,505	2,715	<b>20,547</b>	843	69	179	<b>1,091</b>
14	Nyaung-U	228	12	8	<b>248</b>	33,873	2,600	1,066	<b>37,539</b>	1,247	82	50	<b>1,379</b>

Sr No	Township	Number of Co-operatives				Membership				Number of BOD Member			
		Production	Trading	Service	Total	Production	Trading	Service	Total	Production	Trading	Service	Total
15	Ngan Zon	157	8	5	<b>170</b>	11,854	1,312	1,286	<b>14,452</b>	811	49	29	<b>889</b>
16	Nwar Htole Gyi	154	8	26	<b>188</b>	13,847	786	2,284	<b>16,917</b>	726	39	113	<b>878</b>
17	Pathein Gyi	123	6	12	<b>141</b>	22,662	892	3,910	<b>27,464</b>	648	40	78	<b>766</b>
18	Pyawbwe	276	7	11	<b>294</b>	36,959	2,357	3,288	<b>42,604</b>	1,382	43	59	<b>1,484</b>
19	Pyi Gyi Tagon	9	5	16	<b>30</b>	1,722	641	1,001	<b>3,364</b>	66	39	104	<b>209</b>
20	Pyin Oo Lwin	128	11	21	<b>160</b>	10,970	1,867	2,882	<b>15,719</b>	646	68	124	<b>838</b>
21	Sintgaing	131	5	22	<b>158</b>	14,544	1,200	2,396	<b>18,140</b>	762	37	124	<b>923</b>
22	Sint Kuu	116	2	5	<b>123</b>	22,343	1,026	773	<b>24,142</b>	658	16	31	<b>705</b>
23	Tada U	120	5	14	<b>139</b>	12,129	567	1,643	<b>14,339</b>	834	33	93	<b>960</b>
24	Taungtha	213	8	18	<b>239</b>	21,407	3,165	3,902	<b>28,474</b>	1,478	56	2,560	<b>4,094</b>
25	Thapate Kyin	65	6	6	<b>77</b>	4,812	770	590	<b>6,172</b>	390	42	34	<b>466</b>
26	Tharzi	212	10	18	<b>240</b>	24,986	1,426	3,087	<b>29,499</b>	1,354	66	128	<b>1,548</b>
27	Wun Dwin	178	7	12	<b>197</b>	18,177	1,415	614	<b>20,206</b>	1,248	53	84	<b>1,385</b>
28	Yamethin	241	13	17	<b>271</b>	18,885	850	1,731	<b>21,466</b>	1,190	64	86	<b>1,340</b>
	<b>Total</b>	<b>3,887</b>	<b>401</b>	<b>533</b>	<b>4,821</b>	<b>421,414</b>	<b>78,087</b>	<b>74,903</b>	<b>574,404</b>	<b>21,519</b>	<b>2,391</b>	<b>5,568</b>	<b>29,478</b>

Source: Regional Co-operative Department of Mandalay, 2019

Table 3.5 presented the whole figure of primary co-operative societies from 28 Township in Mandalay Region. In term of number of co-operative societies, it indicates that the top ten townships are Pyawbwe, Kyaukpadaung, Yamethin, Meiktila, Mahlaing, Nyaung-U, Tharzi, Taungtha, Myingyan, and Myint Thar. There are more than 200 and less than 300 co-operatives in these townships, the highest number is 294 in Pyawbwe Township and 215 in Myint Thar Township. The least number of Co-operative societies are 30 in Pyi Gyi Tagon Township. In term of membership, top ten townships are Pyawbwe, Nyaung-U, Aung Myay Thar Zann, Myingyan, Tharzi, Taungtha, Patheingyi, Kyaukpadaung, Meiktila and Madaya Townships. Both number of co-operative societies and membership, the top seven townships are Pyawbwe, Kyaukpadaung, Meiktila, Nyaung-U, Tharzi, Taungtha, and Myingyan. The most significant township is Aung Myay Thar Zann Township because there are only 77 co-operative societies, but the membership is 32,792 in the third position among 28 townships in Mandalay region.

The average ratio of BOD members is 5-7 per co-operative societies in each township. The ratio of member per co-operative society is the highest 425 members in Aung Myay Thar Zann Township and the lowest 67 members in Mahar Aung Myay Township. There was observed that the production co-operative societies are the lowest number in the townships, Chan Aye Thar Zann, Chan Mya Tharzi, Aung Myay Thar Zann, Pyi Gyi Tagon and Mahar Aung Myay because these townships are near Mandalay City. Most of the members are not the farmer. There was also observed that the trading co-operative societies are the lowest number in the townships, Mahlaing, Sintgaing, TadaU, Pyi Gyi Tagon and Sint Kuu because the trading is not related in these areas. It was found that there are only 2 trading co-operative societies in Sint Kuu Township.

## **CHAPTER IV**

### **SURVEY ANALYSIS**

#### **4.1 Background of the Study Area**

Meiktila is a city in central Myanmar on the banks of Meiktila Lake in the Mandalay Region at the junctions of the Bagan-Taunggyi, Yangon-Mandalay and Meiktila-Myingyan highways. Because of its strategic position, Meiktila is home to Myanmar Air Force's central command and Meiktila Air Force Base. The country's main aerospace engineering university, Myanmar Aerospace Engineering University is also located in Meiktila.

Meiktila district is the most easterly of the districts in Myanmar's central dry zone. It lies between Wundwun, Myingyan, Yamethin, and touches Shan State on the east. The chief feature of the region Lake Meiktila, an artificial irrigation and water reservoir, 7 miles (11 km) long, 0.5 miles (0.80 km) wide. Mondai dam supplies water to the lake.

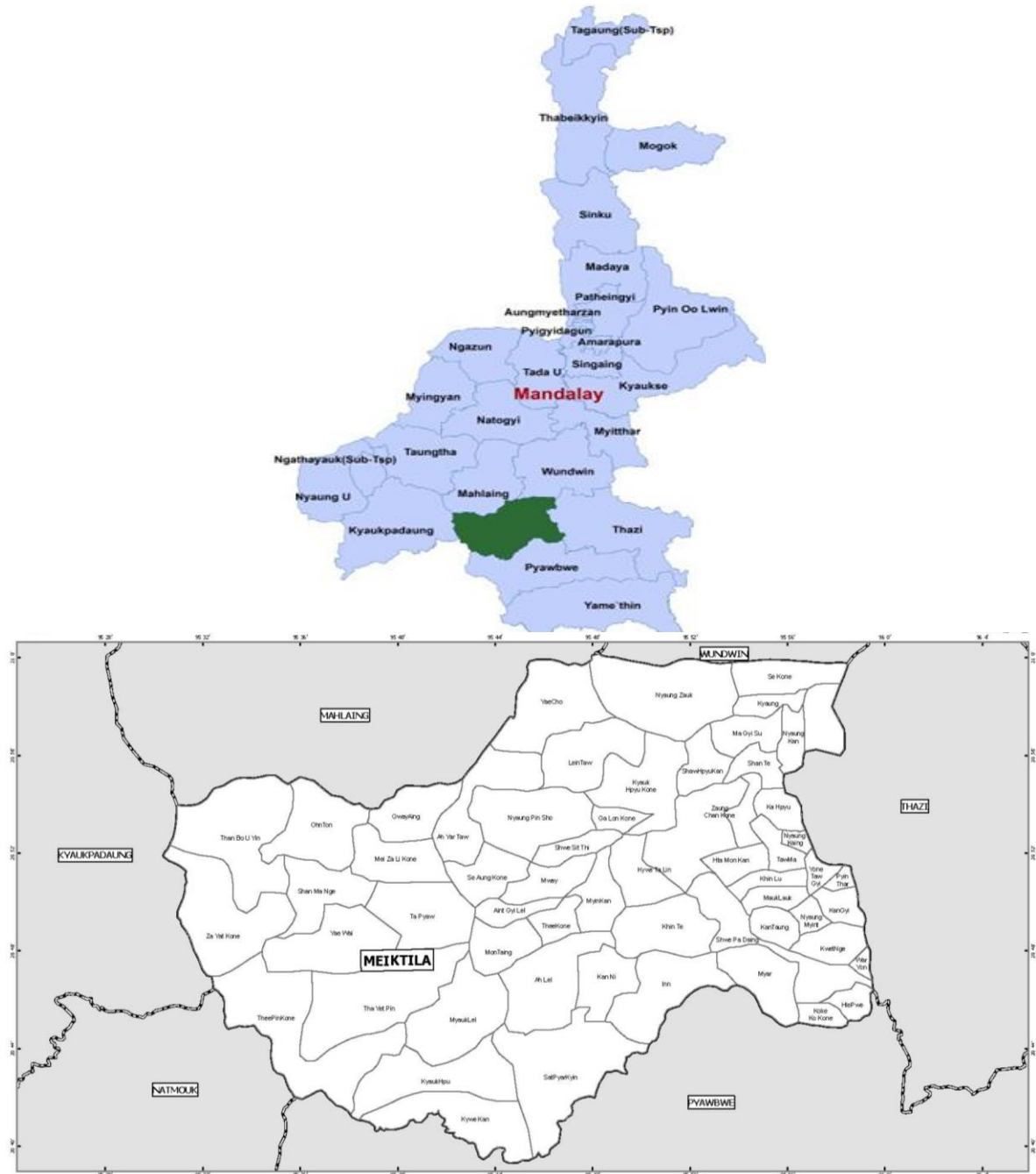
Meiktila township has recently composed of 14 wards and 380 villages under 58 village tracts. The township is bounded by Kyaukpadaung Township in the west, North-west by Mahlaing Township, Wundwun Township in the North, Tharzi Township from the east, and Pyawbwe from the south.

Eastern of Meiktila is closed to Shan hill in the dry zone of Myanmar. During raining season, the heavy rains on the top of mountain make on both effectiveness and affects of farming in the region. Soil fertility of the land is moderate due to the erosion of topsoil of mountainous areas by affected rains. The weather and climate are under tropical and dry zone. Most of the people are living with farming, perennial crops production, seasonal crops production and casual labour. In order to have full irrigation water access for paddy fields, Meiktila Lake has an enough water level for farming and utilization of the people from town.

The population of Meiktila Township is 309,663 in total (Male – 142,787, Female – 166,876). The majority of the people in the Township live in rural areas with only (36.0%) living in urban areas according to the Mandalay regional census of 2014. The population density of Meiktila Township is 251.5 persons per square kilometre.

Labour force participation rate for the population aged 15-64 in Meiktila Township is 63.4 percent. The labour force participation rate of females is 47.6 per cent and is markedly lower than that of their male counterparts which is 82.6 percent. The unemployment rate for those aged 15-64 in Meiktila Township is 4.1 percent. There is equal to males and females with unemployment rate (4.16%).

Figure 4.1: Map of the Study Area of Mandalay Region and Meiktila Township



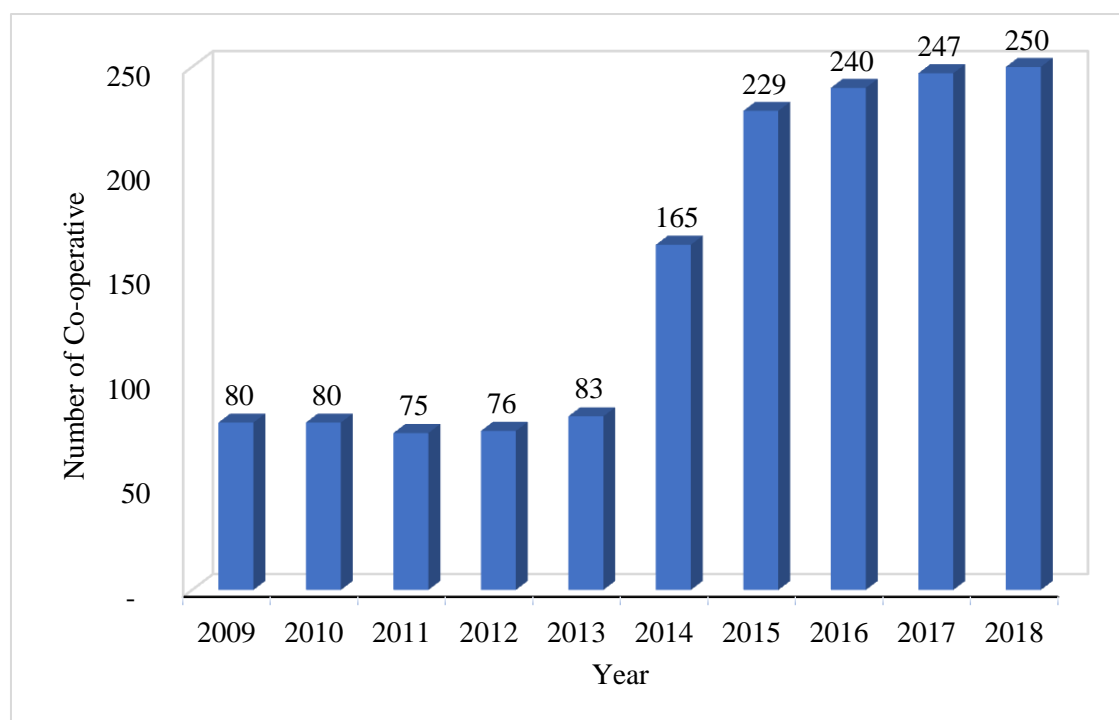
Source: The 2014 Myanmar Population and Housing Census, Meiktila Township Report, October 2017



## 4.2 Growth of Co-operatives in Meiktila Township

According to the information obtained from the Township Co-operative department of Meiktila Township, there are 251 co-operative societies in which 40 societies were selected for studying. They are Kan Thar Agri-Production, Kyauk Phoo Agri-Production, Myauk Lel Agri-Production, Zin Yaw Agri-Production, Myin Kan Agri-Production, Myar Yawai Agri-Production, Tat Thit Sa Agri-Production, Kywal Kan Agri-Production, Kan Ni Agri-General Agri-Production, Shin Than Chin Agri-Production, Kan Taung Agri-General, Tha Yet Pin Agri-General, Yay Wai Agri-General, Mone Tai Agri-General, Khin Te Agri-General, Shan Te Agri-General, Ma Gyee Su Agri-General, Kan Ni Agri-General, Koko Kone Agri-General, Shan Ma Nge Agri-General, Aung Tha Pyay Agri-General, Kaung Htet Thar Agri-General, Aung Zayar Agri-General, Semi Agri-General, Nyaung Kone (N) Agri-General, Kan Oo (Sanpya) Agri-General, Me Za Li Pin Agri-General, Gway Tauk Kone Agri-General, Ngwe La Yaung Agri-General, Co-operative Department Microfinance, Telecommunication Microfinance, Forest Microfinance, Farm Machine Microfinance, Tat Nel Microfinance, Electricity Microfinance, Water Utility Microfinance, Transportation Microfinance, Thiri Yadanar Trading, Pan Deli Trading Thiri Trading.

Figure 4.2: Trend of Primary Co-operatives in Meiktila Township



Source: Meiktila Township Co-operative Department, 2019

Table 4.1: Growth Rate of Co-operatives in Meiktila

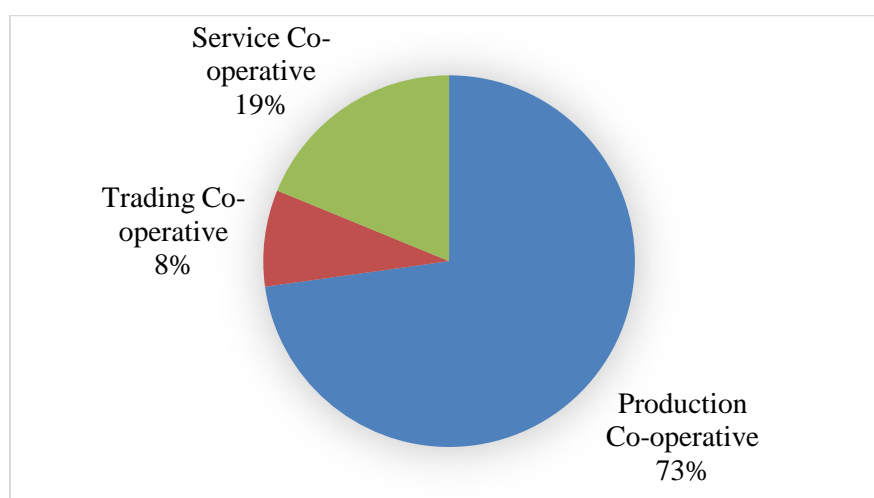
Year	Number of Co-operative				Growth Rate (%)
	Production	Trading	Service	Total	
2009	41	19	20	80	
2010	41	19	20	80	-
2011	36	19	20	75	(6.25)
2012	36	19	21	76	1.33
2013	43	19	21	83	9.21
2014	117	19	29	165	98.80
2015	166	20	43	229	38.79
2016	175	20	45	240	4.80
2017	181	20	46	247	2.92
2018	182	21	47	250	1.21

Source: Meiktila Township Co-operative Department, 2019

For increasing the bargaining power of primary co-operatives, the government has taken initiatives to establish primary co-operatives at every village level in Meiktila Township. The above figure shows the trend of primary co-operatives in Meiktila Township. The primary co-operatives increased from 80 in 2009 to 250 in 2018. It indicates that during the 2009 to 2018, there is a significant growth rate (213%) occurred for ten years, on average 21.3% annually.

The significant between the year from 2013 to 2014 was double increasing numbers of primary co-operatives with 98.80 growth rate. From 2014 to 2015 was still increasing the numbers of primary co-operatives. From 2015 to 2018, the primary co-operatives were gradually high in numbers. The township co-operative department stated that it was really demanded in the organizing and forming of co-operatives during these periods (from 2013 to 2018) because of government loan initiating program.

Figure 4.3: Proportion of primary co-operatives in Meiktila Township



Source: Meiktila Township Co-operative Department, 2019

Based on the figure 4.3 shown, a huge percentage comprises of Production Co-operatives (73%), it indicated that the majority co-operatives are production co-operatives. followed by service co-operatives (19%) and remaining the trading co-operatives are 8%. In the production co-operatives, the co-operatives are like agriculture products production, seed production, and livestock co-operatives. In trading co-operatives, there was found selling of grocery shops, household stores and small markets. The service co-operatives include the most are giving microfinance service to the members, beside that services are agriculture inputs material, such as fertilizers, pesticides and farm machineries.

Table 4.2: Status of co-operatives, membership and Share Capital in Meiktila

Year	Number of Co-operatives		Membership		BoDs	Share Capital	
	Number	Growth Rate	Person	Growth Rate		Amount (Kyat)	Growth Rate
2009	80		11,670		286	9,486,000	
2010	80	0%	13,822	18%	280	30,430,000	221%
2011	75	-6%	13,764	0%	268	30,250,000	-1%
2012	76	1%	15,412	12%	386	56,845,000	88%
2013	83	9%	16,136	5%	425	60,530,000	6%

2014	165	99%	24,322	51%	827	121,501,000	101%
2015	229	39%	24,032	-1%	1,158	150,406,000	24%
2016	240	5%	25,530	6%	1,224	168,378,000	12%
2017	247	3%	25,450	0%	1,266	170,608,000	1%
2018	250	1%	26,336	3%	1,268	221,541,000	30%

Source: Meiktila Township Co-operative Department, 2019

According to bylaws of each primary co-operative, the member must buy a share of capital to be membership in co-operative. The share amount may vary from 5,000 Kyats to 10,000 Kyats as per bylaws. Members share capital in Meiktila Township can be seen from Table 4.2. It was found that the increasing amount of share capital every year. Further, it is evidenced from the current status of the number, membership, and capital shown in Table 4.2 that co-operatives have actually received a huge support from the public and had performed and contributed significantly towards the country's economic growth.

Table 4.3: Trend in Co-operative membership

Type of co-operatives	Co-operative Membership									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Production	1,526	3,215	3,157	4,313	5,037	11,645	16,200	16,774	16,610	17,375
Trading	7,485	7,827	7,827	7,722	7,722	8,381	2,262	2,688	2,940	3,201
Service	2,659	2,780	2,780	3,377	3,377	4,296	5,570	6,068	5,900	5,760

Source: Meiktila Township Co-operative Department, 2019

Table 4.3 presented trend in co-operative membership in Meiktila Township. Table 4.2 shows that the membership in production co-operatives grew from 1,526 in 2009 to 17,3715 in 2018. It depicts that 1093 percent of the growth rate was occurred during the ten years. Membership has been increasing in production co-operatives, due to the reason that co-operatives are engaging in agricultural marketing to proving agricultural inputs, farming loans and procuring agricultural outputs. Membership in Service co-operatives increased from 2,659 in 2009 to 5,760 in 2019, with average growth rate of 11.7 percent per annum. Membership in trading co-operatives decreased

with growth rate of 57 percent per annum. In conclusion, due to cognizance of the importance of co-operatives for economic development and the Government involvement in co-operative development through policy formulation, including a five-year co-operative development plan together with Myanmar Agriculture Development Strategy and many proclamations on co-operatives, membership growth rate is significant in all co-operatives.

#### **4.3 Empirical Analysis on Performance of Sampling Co-operative in Meiktila Township**

The study adopted the descriptive research design approach. According to Andre (2017) a descriptive study is one which tries to summarize data by giving a few numerical measures of where the 'Centre' of the data set and how the rest of the values fall away from the centre. The rationale of using the descriptive study was based on the fact of the growth of Co-operatives in development in Meiktila Township, Mandalay Region. Such a research design is used to obtain information concerning the current state to describe what exists in respect to variables or conditions in a situation. It enables the researcher to obtain information. The approach involves gathering data that describes events and then organizes, tabulates, depicts and describes data. It uses description as a tool to organize data in patterns that emerge during analysis.

A population is defined as a complete set of individuals, cases or objects with some common observable characteristics (Mugenda & Mugenda, 2003). It is the total collection of elements about which the study wishes to make some instances (Cooper and Schindler, 2008). All permanent employees of Stima SACCO in the finance, procurement, ICT, marketing and human resources department composed the study population of interest of this study.

According to (Cooper, 2008) target Population comprises of those people, events, or records that contain the desired information and can answer the measurement questions, thus guiding the study on whether a sample or a census is desired.

According to the information obtained from the Township Co-operative department of Meiktila township, there 251 primary co-operative societies in town. The township has recently composed of one ward and 140 villages under 58 village tracts. The target population was the primary co-operative societies in which are doing business with different types, like production, trading, and service by providing loan service to the members.

**For Target population and Sampling**, the following formula used for the sample size n:

$$n = N \cdot X / (X + N - 1),$$

$$X = Z_{\alpha/2}^2 \cdot p \cdot (1-p) / MOE^2,$$

where,

- n = Required Sample size
- N = the Population size
- $Z_{\alpha/2}$  = critical value of the Normal distribution at  $\alpha/2$  (e.g. for a confidence level of 95%,  $\alpha$  is 0.05 and the critical value is 1.96),
- p = the Sample proportion
- MOE = the margin of error,
- Population size, N = 251
- Confidence level,  $Z_{\alpha/2}$  = 95%, ( $\alpha$  is 0.05 and the critical value is 1.96),
- Margin of error, MOE = 6 % (0.06)
- Sample proportion, p = 95 % (0.95)
- Required Sample size, n = ?

$$n = N \cdot X / (X + N - 1),$$

$$X = Z_{\alpha/2}^2 \cdot p \cdot (1-p) / MOE^2,$$

- **Required Sample size, n = 40**

In order to select sample co-operative societies as a sampling unit, the cluster random sampling was employed. Thus, 40 sample primary co-operative societies from the total 251 primary co-operative societies were selected because the researcher received that there was a systematic list of primary co-operative societies from secondary sources of Meiktila township Co-operative Department. By using cluster random sampling, table 4.4 shows the number of selected sample primary co-operative societies from the total population number of primary co-operative societies.

Table 4.4: Target Population and Sampling frequency

Type of Co-operative	Total Number	frequency	%
Production	182	29	73
Trading	21	3	8
Service	48	8	19
<b>Total</b>	<b>251</b>	<b>40</b>	<b>100</b>

Source: Meiktila Township Co-operative Department, 2019

#### 4.3.1 Profile of Sample Co-operatives

According to the information obtained from the Township Co-operative department of Meiktila Township, there are 251 co-operative societies in which 40 societies were selected for studying. They are Kan Thar Agri-Production, Kyauk Phoo Agri-Production, Myauk Lel Agri-Production, Zin Yaw Agri-Production, Myin Kan Agri-Production, Myar Yawai Agri-Production, Tat Thit Sa Agri-Production, Kywal Kan Agri-Production, Kan Ni Agri-General Agri-Production, Shin Than Chin Agri-Production, Kan Taung Agri-General, Tha Yet Pin Agri-General, Yay Wai Agri-General, Mone Tai Agri-General, Khin Te Agri-General, Shan Te Agri-General, Ma Gyee Su Agri-General, Kan Ni Agri-General, Koko Kone Agri-General, Shan Ma Nge Agri-General, Aung Tha Pyay Agri-General, Kaung Htet Thar Agri-General, Aung Zayar Agri-General, Semi Agri-General, Nyaung Kone (N) Agri-General, Kan Oo (Sanpya) Agri-General, Me Za Li Pin Agri-General, Gway Tauk Kone Agri-General, Ngwe La Yaung Agri-General, Co-operative Department Microfinance, Telecommunication Microfinance, Forest Microfinance, Farm Machine Microfinance, Tat Nel Microfinance, Electricity Microfinance, Water Utility Microfinance, Transportation Microfinance, Thiri Yadanar Trading, Pan Deli Trading Thiri Trading.

In selected sampling primary co-operative societies, 29 are production that includes various types of productions like agriculture products production, seed production, dairy and milk products production, textile production, and livestock co-operatives. Sample three co-operatives are trading co-operatives in which the selling of handicraft, grocery shop, household stores and shops. Under the service co-operatives, most are giving microfinance service to the members, beside that services are agriculture inputs material, such as fertilizers, pesticides and farm machineries.

#### **4.3.2 Performance of Sample Co-operative in Meiktila Township**

In order to analyse the performance of selected co-operative societies in Meiktila Township, the ratios analysis was carried out on the ratio of profit on capital, the ratio of profit on working capital and the ratio of profit on capital plus working capital. The regression model was also analysed on how capital (fixed assets) and working capital have an effect on net profits.

#### **4.3.2.1 Ratio Analysis on Capital, Working Capital and Net Profit**

A complete study has been made to calculate the total expense collected from Co-operative Societies, income, capital, working capital, Net profit, income tax percentage, profit percentage over the working capital, percentage of capital and working capital, and to survey the extent of success of business. The highest percentage of profit on income goes to “Myauk Lel Agriculture and Production Co-operative Society” (84.12%) as a first one; the second Co-operative Society is Kyauk Phoo Agriculture and Production Co-operative Society (70.91%); the third Co-operative Society is Kan Oo (Sanpya) Agriculture and General Co-operative Society (63.66%) out of other Co-operative Societies. “Tat Nel Microfinance Co-operative Society” is found to be the one which has the least profit on income (0.37%). In terms of profit on capital and working capital percentage, “ Thiri Yadanar Trading” Co-operative Society is found to have the highest percentage (96.43%) as a first; Ma Gyee Su Agriculture and General Co-operative Society is the second ( 38.43%) and Kan Ni Agriculture and General co-operative society is the third (Co-operative Society the least percentage (28.57%) respectively. There is an incredible gap between the capital and the ROI (Return of Investment). Therefore; there should be scrutiny regarding return of investment over the capital and working capital.



Table 4.5 Capital, Working Capital and Net Profit of Sample Co-operative societies

<b>Sr. No</b>	<b>Society Name</b>	<b>Capital</b>	<b>Working Capital</b>	<b>Costs</b>	<b>Income</b>	<b>Net Profit</b>	<b>Profit on Income (%)</b>	<b>Profit on working Capital (%)</b>	<b>Profit on Capital &amp; working Capital (%)</b>
1	Kan Thar Agri-Production	45,200,000	80,920,000	348,500	46,020,000	1,242,000	2.7	1.53	0.98
2	Kyauk Phoo Agri-Production	2,343,000	28,285,000	132,000	1,492,000	1,058,000	70.91	3.74	3.45
3	Myauk Lel Agri-Production	2,535,000	32,000,000	156,800	1,599,500	1,345,500	84.12	4.2	3.9
4	Zin Yaw Agri-Production	35,000,000	42,150,000	315,000	14,785,000	1,034,500	7	2.45	1.34
5	Myin Kan Agri-Production	25,650,000	5,955,000	143,500	22,535,500	1,045,700	4.64	17.56	3.31
6	Myar Yawai Agri-Production	25,700,000	32,520,000	214,500	6,575,000	854,500	13	2.63	1.47
7	Tat Thit Sa Agri-Production	24,530,000	28,955,000	199,800	5,323,800	843,200	15.84	2.91	1.58
8	Kywal Kan Agri-Production	35,200,000	42,300,000	285,500	13,350,000	998,500	7.48	2.36	1.29
9	Kan Ni Agri-General Agri-Production	24,200,000	30,000,000	160,000	5,500,000	850,000	15.45	2.83	1.57
10	Shin Than Chin Agri-Production	23,500,000	28,500,000	114,500	4,500,000	805,000	17.89	2.82	1.55
11	Kan Taung Agri-General	25,300,000	31,310,000	210,000	6,500,000	850,000	13.08	2.71	1.5
12	Tha Yet Pin Agri-General	3,314,500	39,850,000	209,800	13,274,500	899,500	6.78	2.26	2.08
13	Yay Wai Agri-General	3,650,000	42,000,000	200,000	14,300,000	980,000	6.85	2.33	2.15
14	Mone Tai Agri-General	2,989,800	32,985,000	234,500	6,965,500	1,199,800	17.22	3.64	3.34
15	Khin Te Agri-General	2,825,300	31,594,000	212,500	5,527,300	1,089,000	19.7	3.45	3.16
16	Shan Te Agri-General	2,800,000	31,350,000	210,000	5,235,000	950,000	18.15	3.03	2.78
17	Ma Gyee Su Agri-General	3,250,000	3,695,000	245,000	6,520,000	1,420,000	21.78	38.43	20.45
18	Kan Ni Agri-General	2,400,000	2,800,000	190,000	5,100,000	800,000	15.69	28.57	15.38
19	Koko Kone Agri-General	31,545,000	55,325,000	158,000	25,389,500	1,455,400	5.73	2.63	1.68
20	Shan Ma Nge Agri-General	29,850,000	53,550,000	179,400	23,896,800	1,289,500	5.4	2.41	1.55

<b>Sr. No</b>	<b>Society Name</b>	<b>Capital</b>	<b>Working Capital</b>	<b>Costs</b>	<b>Income</b>	<b>Net Profit</b>	<b>Profit on Income (%)</b>	<b>Profit on working Capital (%)</b>	<b>Profit on Capital &amp; working Capital (%)</b>
21	Aung Tha Pyay Agri-General	1,650,000	50,100,000	850,000	50,800,000	285,000	0.56	0.57	0.55
22	Kaung Htet Thar Agri-General	2,313,200	8,728,112	403,700	3,218,600	152,000	4.72	1.74	1.38
23	Aung Zayar Agri-General	13,320,000	445,324,321	4,325,500	67,030,792	1,778,915	2.65	0.4	0.39
24	Semi Agri-General	900,400	23,112,520	3,670,500	3,742,000	52,000	1.39	0.22	0.22
25	Nyaung Kone (N) Agri-General	650,000	22,588,050	152,000	3,025,178	403,750	13.35	1.79	1.74
26	Kan Oo (Sanpya) Agri-General	680,000	17,532,582	48,000	630,785	401,529	63.66	2.29	2.2
27	Me Za Li Pin Agri-General	389,000	22,528,805	215,000	3,255,230	74,258	2.28	0.33	0.32
28	Gway Tauk Kone Agri-General	525,000	48,582,565	376,250	4,280,758	148,850	3.48	0.31	0.3
29	Ngwe La Yaung Agri-General	353,000	7,542,352	335,850	7,543,421	170,820	2.26	2.26	2.16
30	Cooperative Department Microfinance	1,772,000	36,795,116	3,400,000	3,700,000	25,911	0.7	0.07	0.07
31	Telecommunication Microfinance	650,000	35,361,585	351,500	3,255,250	198,238	6.09	0.56	0.55
32	Forest Microfinance	338,000	8,826,520	232,450	1,042,953	94,135	9.03	1.07	1.03
33	Farm Machine Microfinance	500,000	38,020,258	215,286	458,085	55,430	12.1	0.15	0.14
34	Tat Nel Microfinance	920,000	54,428,709	3,975,351	39,753,980	146,426	0.37	0.27	0.26
35	Electricity Microfinance	4,051,166	15,460,469	1,384,189	11,694,992	931,598	7.97	6.03	4.77
36	Water Utility Microfinance	560,400	13,018,138	203,500	2,969,083	68,560	2.31	0.53	0.5
37	Transportation Microfinance	44,200,000	12,100,000	2,110,000	12,700,000	630,950	4.97	5.21	1.12
38	Thiri Yadanar Trading	2,000,000	2,800,000	31,500,000	180,000,000	2,700,000	1.5	96.43	56.25
39	Pan Dali Trading	2,700,000	56,800,000	8,100,000	8,600,000	463,369	5.39	0.82	0.78
40	Thiri Trading	1,307,700	72,257,953	330,311	11,358,637	198,463	1.75	0.27	0.27

Source: Survey Data, 2019

#### **4.3.2.2 Board of Directors and Members' Opportunity**

A board of directors in a cooperative function as a policy-making body when it comes to big-picture issues such as financial responsibility, equal employment opportunity issues, compliance with applicable legal guidelines and the co-operative's business dealings with its own members. Cooperatives appoint boards of directors similar to corporations and non-profit organizations, and the duties of cooperative boards are much the same as their counterparts in other organizations. However, a number of distinct characteristics of co-op board duties are worth studying to gain insight into how cooperatives work. Salary, Education and opportunities of Board of Directors in which, the qualification level of the members of board ranges from fourth Grade to graduate level whereas the number of the executives ranges from at least five to seven at most. The BoD member are the leading role of the co-operative and their education level is a crucial part in developing of co-operative. The respondent groups of Co-operative Society did not mention on salary of members of Board of directors.

The members of BOD have the opportunity to lead their co-operative societies in terms of BOD award, authority on business expansion, health benefit, and pension. The decision of getting the bonus money depending on the time of calculating the loss and profit account. However, they are not allowed to get travelling allowance. According to the observation, all groups of Co-operative Society have the BOD award, business expansion and authority. The allocation of pension funds and health benefit were in line with their by-laws respectively.

According to the study of Co-operative Societies, the number of the members varies respectively – Thiri Yadanar Trading Co-operative Society is the first one that has the most number of member; Kan Thar Agri-Production Co-operative Society the second; Aung Zayar Agriculture and General Co-operative Society the third and it is observed that the Co-operative Societies of Kan Oo (Sanpya) and Me Za Li Pin Agriculture and General have at least of the number of member. Most of the Societies have eleven number of Board of Directors. Every member has equal opportunity on low interest rate, share dividend and can receive 10 percent of the interest of saving on the society's net profit.

The amount of capital will become greater when the shares of the members are getting increased. According to the study of Co-operative Societies, the saving amount of the members varies respectively – Thiri Yadanar Trading Co-operative Society is the first one that has the greatest amount of saving; Kan Thar Agri-

Production Co-operative Society the second; Aung Zayar Agriculture and General Co-operative Society the third and it is observed that the Co-operative Societies have to save 10 percent of their loan amount while taking money from co-operative. In terms of the Loans of the studied Co-operative Societies described that Thiri Yadanar Trading Co-operative Society is the first one that offers the greatest amount of loans; Kan Thar Agri-Production is the second Co-operative Society which offers larger amount of loans and Aung Zayar Agri-General Co-operative Society follows as the third one and finally Kan Oo (Sanpya) and Me Za Li Pin Agriculture and General are the Co-operative Societies that offer the least amount of loan. It is observed that all the members have to pay the same interest rate of 1.5% on the loans. Therefore, shares, Loans and savings are directly related to each other's and the amount of each depends on the number of members. Members have equal chance and opportunity.

#### **4.3.2.3 Member Shares Value and return on Dividend**

The shares value to the members of Co-operative Society amount depend on their by-laws that approved by voting of members in Annual General meeting in which the amount of one share may vary from (kyat- 5000/- to 10,000 kyats). The dividend is returned to members once or twice a year depend on co-operative in annual general meeting where the members are paid 10% out of the profit after deducting the expense and 50% out of the profit of Exim Bank loan after deducting the expense. The less or much amount of dividend solely depends on the success of the business of Co-operative society. The Co-operative societies, being getting involved in micro loan enterprises, usually keep their own funds to cover and settle the unforeseen financial loss and risk. Each co-operative return dividend to members every year during the annual general meeting that held within three months after finished fiscal year.

#### 4.3.3 Regression Analysis

In order to analyse how capital (fixed assets) and working capital have an effect on net profits, the following regression model is used in this study.

Linear Regression means the relation of two variables namely dependent variable and independent variable which is described by a straight line. Multiple regression line is called a related line which has more dependent variables and independent variables. Multiple regression line is as follow:

$$Y = b_0 + b_1X_1 + b_2X_2 + \dots + \epsilon$$

Y = Dependent Variable

X<sub>1</sub>, X<sub>2</sub> = Independent variables

b<sub>0</sub> = Constant

b<sub>1</sub>, b<sub>2</sub> = Regression Coefficients

ε = error term

In this study, the regression is as follow.

$$Y = b_0 + b_1X_1 + b_2X_2$$

Y = Net Profit

X<sub>1</sub> = Capital (Fixed Assets)

X<sub>2</sub> = Working Capital

b<sub>0</sub> = Constant

b<sub>1</sub>, b<sub>2</sub> = Regression Coefficients

(Estimated Net Profit)

$$Y = 460092.422^{***} + 0.017X_1^{***} + 0.061X_2^{***}$$

$$t = (4.777) \quad (3.343) \quad (4.237)$$

$$\bar{R} = 0.379, F=12.883^{***}$$

\*\*\* stand for 1% significant level

According to the results,  $\bar{R}$  is equal to 0.379. So, it is found that the increase of the net profit is based on 37.9 % of the increase of capital (fixed assets). The above regression line is found to be a straight line owing to the fact that there is no significant difference for the value of F (12.883) at 1% significant level. It is also observed that (b<sub>1</sub>= 0.017) means that 0.017 unit of net profit will be increased when one unit of capital is increased. It is also found that the increase of the net profit is

based on 37.9 % of the increase of working capital. It is also observed that ( $b_2=0.061$ ) means that 0.061 unit of net profit will be increased when one unit of working capital is increased. The increasing amount working capital also showed the size of business. If the business performance was in a good shape, more working capital makes more profit. In theory, the less expense, the more profit and verse versa. But this profit was found to be increased if the expensed is getting increased and this profit is found to get mixed with the expense, which has considerable correlation. In practical, the larger business, the more expenses and may be more profit. According to the survey data observation, the huge amount of capital, working capital and expenses make more profit. Based on the regression result, it is found that net profit will increase if the capital (fixed assets) increase. It is also found that net profit will rise if the working capital rise. Therefore, it can be said that the literature supports.

## **CHAPTER V**

### **CONCLUSION**

#### **5.1 Findings**

Mandalay Region has 1971 societies in the year of 2008 among them production society is 1280 societies, service society is 273 and trading society is 418 societies. In 2016, Production society is 3844 societies, service society is 535 societies and trading society is 401 societies. Mandalay Region has 4780 societies in 2016. During 2008 and 2017, Production society is at least 1259 societies in 2010-2011, service society is at least 256 societies in 2009 and trading society is at least 415 societies in 2009. And then, the number of societies is at least 1935 societies in the year of 2011. During 2008 and 2017, Production society is at most 3844 societies in the year of 2017, trading society is at most 432 societies in the year of 2013. The Services society and total number of societies are at most 535 societies and 4780 societies in the year of 2017. So, the year of 2017 is the successful year of Co-operative societies in the duration of 2008 and 2017. And the increasement of co-operative societies is at most during 2013. the number of Co-operative societies, all society, production, trading society and Services society have increasing at the later of 2013, but the services society decreased during 2014 in Mandalay Region. The increasing number of co-operative societies was found in Mandalay region from 2009-2017. The significant number increased almost 50 percent within 2013, (from 1954 in 2012 to 3918 in 2013). On that period, the government introduced the loan scheme to co-operative society from Chin EXIM bank loan. The government also instructed to organize one co-operative per village in order to provide loan to co-operative members. The majority of the increased number of co-operative societies are agriculture production co-operatives, based on their regional livelihood pattern. Most of the rural people is farming on livelihoods. The name of the registered co-operative was given agriculture and general co-operative, mean those co-operatives can do the business activities, especially for saving and credit. Starting from 2013, the number of co-operative societies are gradually increasing till 2017.

There are 251 co-operative societies in Meiktila Township in which 40 societies were selected for studying. Education and opportunities of Board of Directors in which most of the BOD members have the graduate level of education and minimum level was fourth grade. The members of BOD have opportunity to lead their co-operative societies in terms of BOD award, authority on business expansion, health benefit, and pension. The decision of getting the bonus money depending on the time of calculating the loss and profit account. However, they are not allowed to get travelling allowance.

Making to calculate the total expense collected from Co-operative Societies, income, capital, working capital, Net profit, income tax percentage, profit percentage over the working capital, percentage of capital and working capital, and to survey the extent of success of business. the highest percentage of profit on income goes to “Myauk Lel Agriculture and General Co-operative Society” (84.12%) as a first one; the second Co-operative Society is Kyauk Phoo Agriculture and Production Co-operative Society (70.91%); the third Co-operative Society is Kan Oo (Sanpya) Agriculture and General Co-operative Society (63.66%) out of other Co-operative Societies. “Tat Nel Microfinance Agriculture and General Co-operative Society” is found to be the one which has the least profit on income (0.37%). In terms of profit on capital and working capital percentage, “Thiri Yadanar Trading” Co-operative Society is found to have the highest percentage (96.43%) as a first; “Ma Gyee Su Agri-General Co-operative Society is the second (38.43%) and “ Kan Ni Agri-General” co-operative society is the third (Co-operative Society the least percentage (28.57%) respectively. There is an incredible gap between the capital and the ROI (Return of Investment). Therefore; there should be scrutiny with regard to return of investment over the capital and working capital.

Most of the Societies have eleven number of Board of Directors. Every member has equal opportunity on low interest rate, share dividend and can receive 10 percent of the interest of saving on the society’s net profit. The amount of capital will become greater when the shares of the members are getting increased. It is observed that all the members have to pay the same interest rate of 1.5% on the loans. Therefore, shares, Loans and savings are directly related to each other’s and the amount of each depends on the number of members. Members have equal chance and opportunity. The shares value to the members of Co-operative Society amount depend on their by-laws that approved by voting of members in Annual General meeting in



which the amount of one share may vary from (kyat- 5000/- to 10,000 kyats). The dividend is returned to members once or twice a year depend on co-operative in annual general meeting where the members are paid 10% out of the profit after deducting the expense and 50% out of the profit of Exim Bank loan after deducting the expense. The less or much amount of dividend solely depends on the success of the business of Co-operative society. The Co-operative societies, being getting involved in micro loan enterprises, usually keep their own funds so as to cover and settle the unforeseen financial loss and risk.

Therefore, the development of co-operative can be found in 37 societies in which the development in comparison of the amount of capital, working capital, profit and number of members are the main factors. The societies have no development in all fields. Therefore, it can be stated that three societies are least developed societies as the amount of capital and the amount of working capital and the number of members. The conclusion is that the co-operative societies in both Meiktila Township and Mandalay Region had been developing within the study period from 2009-2018.

The study established that all respondents were fully aware of existence of Co-operatives role played by saving and credits in regard to business performance and economic development. Basing on their views, they said that the provision of loans to members and entrepreneurs has had a great impact on the businesses performance and economic development as compared to businesses not facilitated by Co-operatives; this partly explains unenthusiastic regard of the management of Co-operatives to their improvements, in the credit terms to their client's entrepreneurs. However, the businessperson appeared to be supportive to the micro-credit scheme, they yarned and claimed for increase of their loans and reduction on the interest rates and requested for entrepreneurship skill training and loan investment workshop as being the major factors that will lead to the improvement of their business performance and improvement of co-operative sector development.

The study did find out the most important cause of poor business performance and collapse as being amongst others is lack of training and entrepreneurial skills and limited amount lent that cannot facilitate reasonable investments. Although there are other factors affecting co-operative development in Myanmar, the above mentioned are paramount regarding the study scopes.

## **5.2 Suggestions**

The recommendations presented in this section have taken into regard the findings and interpretations of this study. Consideration has been given to the role of Co-operatives in economic development. The foregoing findings on economic development in this area and other parts of the city and country at large confirms that the skills associated with entrepreneurship are rare and limited in supply. This means that the abilities of the entrepreneur to cause effective economic development are paramount but not every businessperson can have and exhibit them. However, people can be taught to acquire the abilities that are necessary to make them entrepreneurs but not that everyone can perform the same way another person does.

Furthermore, the researcher recommends that Co-operatives should revise its terms of lending and therefore reduce on the interest rates so as to enable entrepreneurs have room for making profits to enable them service their loans as this will lead to the growth and continuity of their businesses hence economic development.

At a policy side, it is recommended that a Co-operative Master Plan should be developed, reflecting the dynamics of market economy, liberalization policy, and strategic thrusts of the ADS, and aiming to facilitate rural development and poverty reduction.

At the moment, farmers are recommended to form as registered co-operatives if they want to perform business activities collectively. The registered co-operative should be a business driven, farmers only and one sector (e.g. seed sector) focus. Here, it can be considered as an example for the establishment of seed marketing co-operatives.

Lastly the researcher's advice is that entrepreneurs should commit all their efforts and resources to profitable business ventures other than diverting loans for consumption purposes and solving domestic problems if their enterprises are to perform and grow and should endeavour to attend entrepreneurship skills workshops and/or short training programs.

The study has revealed that for a better understanding of Co-operatives and its tenet effect on co-operative development in the growing global economic sector, other emerging business trends need substantial investigation. The suggested areas are, assessment of the links between micro-credit in the crossroad to macro entrepreneurship in Myanmar, factors affecting co-operative development of micro-enterprises in rural and urban business centres and entrepreneurship skills development and business/enterprise development in Myanmar today.

The following need for further studies were recommended to carry out in various variables in order to analysis on increasing of migrants and migrations.

- The role of co-operative societies in the economic development of Myanmar
- Determinants on Increasing numbers of Co-operative Members
- Impacts Analysis on saving and credit activity of co-operative societies
- Member commitment on Co-operative Societies in Myanmar

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## **APPENDICES**

### **APPENDIX I INFORMED CONSENT**



**Yangon University of Economics**  
**Master of Development studies program**

**Informed Consent**

This study aims to identify the growth of co-operative societies and to analyse the performance of selected co-operative societies in Meiktila Township.

The findings from the study will be used in the growth and performance analysis of co-operative societies. The information collected will be kept confidentially and will only be used for Master Thesis research purpose.

The participation of co-operative in this study is completely voluntary. There is no persuasion or threat. The participation is not under duress. You are free to withdraw from the study at any time if you do not wish to participate any more.

If you agree to participate in this research study, you are kindly requested to sign below.

Participant

Signature -----

Name -----

Address -----

Researcher

Signature -----

Name -----

Address -----

**APPENDIX (2)**  
**QUESTIONNAIRES FOR THE GROWTH OF CO-OPERATIVE SOCIETIES**

**Yangon University of Economics**  
**Questionnaires for the growth of co-operative societies**

- (1) Questioner Name - \_\_\_\_\_ Roll No – \_\_\_\_\_
- (2) Respondent Name ----- Position -----
- (3) Name of Society -----
- (4) Location -----
- (5) Beginning Year of Society -----
- Register No -----
- (6) Type of Society -----
- (i) Services -----
- (ii) Trading -----
- (iii) Agriculture -----
- (7) (i) Beginning Year of Society
- (i) Land Area -----
- (ii) Capital -----
- (iii) Working Capital -----
- (iv) Does the society get any loan, Yes/ No -----
- (ii) Present Year of Society
- (i) Land Area -----
- (ii) Capital -----
- (iii) Working Capital -----
- (iv) Do the society get any loan (Yes/ No) -----
- (8) (i) Beginning Year of Society
- (i) Number of Board of director -----
- (ii) Number of member -----
- (ii) Present Year of Society
- (i) Number of Board of director -----
- (ii) Number of member -----
- (9) Education Level of Board of Director
- High Level -----
- Low Level -----

- (10) Rate of Salary of Board of Director at Beginning Year of Society
- High Level of Salary -----
- Low Level of Salary -----
- (11) Rate of Salary of Board of Director at Present Year of Society
- High Level of Salary -----
- Low Level of Salary -----
- (12) Other Opportunities received for Board of Director -----
- Authority -----
- (13) Opportunities received for Members -----
- (14) Member received Income on One Share in Every Year -----
- (15) Type of Business at Beginning Year -----
- Type of Business at Present Year -----
- (16) Study the Business is Commodity Production Business
- (i) Type of Commodity Production Product -----
- (ii) Beginning Year of Commodity Production Business -----
- (iii) Status of Raw Material Receiving
- Local -----
- Foreign -----
- Difficulty of receiving Raw Material -----
- (vi) Status of Energy Using -----
- Electric -----
- Fire Machine -----
- (v) Need/ no need to promote the status of machine and technique of  
        production -----
- (17) Study the Business is Trading Business
- (i) Type of Trading Product -----
- (ii) Beginning Year of Trading Business -----
- (iii) Buying in Local (Yes/ No) -----
- (vi) Buying in Foreign (Yes/ No) -----
- (v) Challenges Facing when selling Product -----
- (vi) The possibility of market to sell product (have/ no have) -----

(18) Study the Business is Service Business

- (i) Type of Service Business -----
- (ii) Beginning Year of Service Business -----
- (iii) Status of using instrument for Service Business -----
- (iv) Status of receiving professional (have/ no have) -----
- (v) The possibility to expand market (have/ no have) -----

(19) (i) The number of labour participate in business -----

The number of manager and staff -----

(ii) The number of labour participate in business at present year -----

The number of manager and staff -----

(20) (i) Rate of salary giving for manager at every month

Low -----

High -----

(ii) Rate of salary giving for manager at present year

Low -----

High -----

(21) (i) Rate of salary giving for labour

Low -----

High -----

(ii) Rate of salary giving for labour at present year

Low -----

High -----

(22) (i) Rate of salary for professional participating in commodity production business

Low -----

High -----

(ii) Rate of salary for professional participating in commodity production `

business at present year

Low -----

High -----

(iii) Rate of salary for professional labour at present year -----

(iv) Rate of salary for general labour at present year-----

- (23) (i) Rate of salary for professional labour
- Low -----
- High -----
- (ii) Rate of salary for general labour
- Low -----
- High -----
- (24) Services for staff
- (i) have/ no have provide home -----
- (ii) have/ no have ferry -----
- (25) Status of receiving other opportunities for staff -----
- (26) (i) Level of education of professional staff/ manager
- Low -----
- High -----
- (ii) Level of education of general staff
- Low -----
- High -----
- (27) (i) Expenses of society at every year
- Low -----
- High -----
- (ii) Expenses of society at present year -----
- (iii) Expenses of society at previous year -----
- (28) (i) Income of society at every year
- Low -----
- High -----
- (ii) Income of society at present year -----
- (iii) Income of society at previous year -----
- (29) Net profit of society at every year
- Low -----
- High -----
- (ii) Net profit of society at present year -----
- (iii) Net profit of society at previous year -----

(30) (i) Net profit of society at beginning year

Low -----

High -----

(ii) Net profit of society at present year

Low -----

High -----

(31) Income divided on one share of member

Low -----

High -----

(32) Need of aid for expand society

(i) Need or no need capitalization/aid -----

(ii) Receive Capitalization, need of input, raw material, instrument Yes/ No

-----

(ii) Need or no need to change technology -----

(iv) When change technology fit or unfit with input, raw material, instrument

-----

(v) Have connect market or not -----

(vi) Have enough land and building or not -----

(33) Need and suggestion in regionally for expand business

-----

(34) Need and suggestion according to business nature for expand business

-----

**APPENDIX (3)**  
**REGRESSION ANALYSIS**



### Appendix (3): Analysis the regression on the net profit, capital (fixed assets) and Working Capital

#### Regression

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.641 <sup>a</sup>	.411	.379	454352.5932	1.310

a. Predictors: (Constant), Working Capital, Capital (Fixed Asset)

b. Dependent Variable: Net Profit

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5319180724840.238	2	2659590362420.119	12.883	.000 <sup>b</sup>
	Residual	7638142320309.660	37	206436278927.288		
	Total	12957323045149.898	39			

a. Dependent Variable: Net Profit

b. Predictors: (Constant), Working Capital, Capital (Fixed Asset)

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	460092.422	96321.250		4.777	.000
	Capital (Fixed Asset)	.017	.005	.426	3.343	.002
	Working Capital	.061	.014	.540	4.237	.000

a. Dependent Variable: Net Profit