

THE DEVELOPMENT OF CO-OPERATIVE SOCIETIES IN BERSERAH.

In the mukim of Berserah, there were two co-operative credit and marketing societies - namely, the Kg. Di-Pantai Co-operative Credit and Marketing Society Ltd. and the Kg. Seberang Che' Let Co-operative Credit and Marketing Society Ltd. The establishment of these two societies was partly the result of the effort of the kampong people themselves in response to deeply felt needs and partly due to the encouragement and assistance given by the Department of Co-operative Development.

One of the major reasons for forming the co-operative societies was the presence of unsatisfactory marketing situations which then prevailed in Berserah. Before the co-operative societies were established there, the fishermen were not getting fair price for their fish from the peraihs, who had created a buyer's market by forming a monopsonistic ring. When the fishermen landed their catch, one member of the ring was sent to do the buying at a price fixed by him, and the fishermen had no other way to dispose of their fish. As he was the only buyer appointed by the peraihs, he set a price which would give greater margin of profit. The whole bulk was then auctioned off among the members of the ring. The peraihs did not buy the fish by weight but by bulk. Usually the fishermen brought in a variety of fish and these were not classified according to its kind. This made it difficult for the fishermen to calculate the price paid to each kind.

As the handliners were small scale operators, they were in constant need of credit for consumption expenditure especially during the monsoons. They needed credit too to cover sickness expenditure or to purchase or to repair their houses. The main sources of credit were the pawnshops, the middle men

who could give only short term loans and the shopkeepers who supplied them with provisions on credit.

The people in Kg. Di-Pantai were encouraged to form a co-operative of their own by the success of the Tanjong Api Fishermen's Co-operative Credit and Marketing Society Ltd. in giving fair price for its members' fish and in granting credit at very low rate of interest.

The initiative in forming a co-operative society in Kg. Di-Pantai was taken by Tok Nebeng¹ who was himself a fisherman and therefore he could appreciate the difficulties of the majority of "anak buah". Being a highly respected man in the village, he was able to get sufficient support of his plan.

Although the Kg. Di-Pantai Co-operative Society was formally registered on 30th October 1949, the activities towards its formation started as far back as October 1948. The reason for this delay was that it did not get sufficient number with the initial share subscription of \$11/- to start with. When it was registered, it had a nucleus of 20 members but by June 1950, there were 40 members whose share capital was \$293.50 cents. The turnover of fish marketed during the same period was \$9,600/- giving a net income to the society of \$523.64 cents.

As this society was formed primarily to combat against the monopsonistic ring of the peraihs by marketing the members' fish directly to Kuantan, it faced severe competition from the peraihs who attempted to weaken the society by the offer of higher prices to both members and non-members. The society found it necessary to enforce the regulation regarding the sale of fish outside the society. Warnings were given to members not to sell their fish outside and consequently, one member was expelled for doing so.

Under the supervision of its chairman, the society made

1. "Head man" of the village.

remarkable progress. Membership increased from 40 in 1950 to 54 in 1952 and the share capital increased to \$915/- while the turnover of fish marketed for the year was \$45,000/- giving a net profit of \$2,035.79 cents. As the society grew, the monopsonistic ring of the peraihs no longer served its purpose because the society not only helped to market the members' fish but also for non-members', subject to the deduction of 10 per cent on the value of the fish sold as a commission to the society. The society also proved to be a cheap and easy source of credit. By 30th June 1953, it had granted \$4,046/- as loans.

The success of the society in getting fair price for members' fish and for the benefits it gave to members, it earned for itself a reputation as a model for other co-operative societies². Unfortunately after 1953, the society could no longer maintain its reputation because the society began suffer heavy financial loss.

The Turning Point In The History Of Kg. Di-Pantai Co-Operative.

The success of the co-operative society inspired its members to expand the society's activities in other directions. So on 25th April 1952 a general meeting was held at which the members unanimously agreed to amend the society's by-laws converting it into an unlimited liability society so as to enable it to get a loan of \$25,000/- from R.I.D.A. on loan bond instead of security on land which the members could not procure. Fortunately, the application for the loan was approved without the need for any amendment of the by-laws. In August 1953 the society took only \$15,000/- instead of

2. "This society is regarded as an extremely good one which should serve as a model for similar societies on the East Coast". Annual Report of the Commissioner For Co-operative Development, Federation of Malaya 1953.

FIGURE 1

YEARLY TURNOVER OF FRESH FISH MARKETED BY THE SOCIETIES.

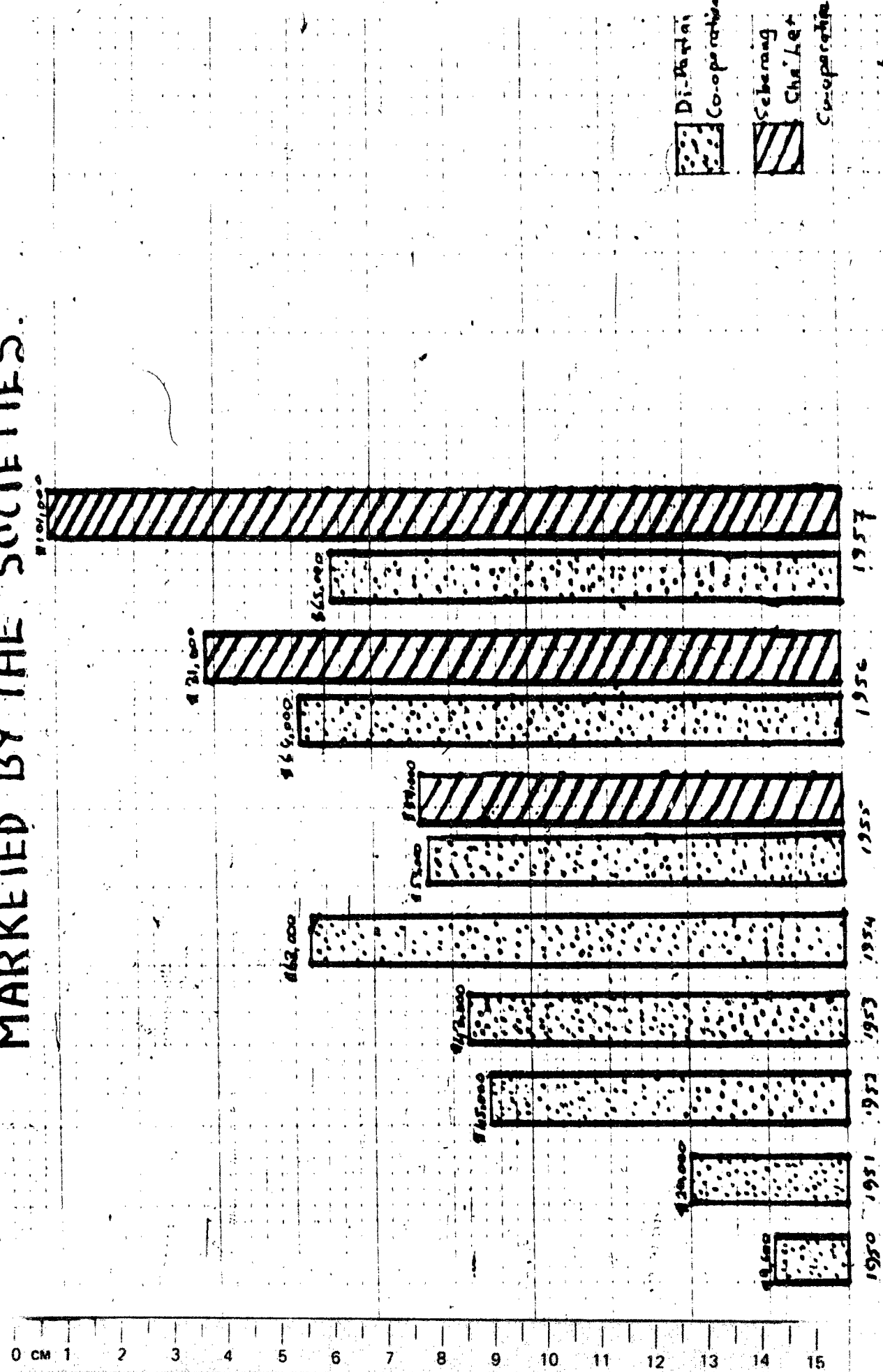


TABLE I THE PROGRESS OF THE KG. DI-PANTAI CO-OPERATIVE AND THE SEBERANG CHE' LET CO-OPERATIVE. 8

	1950		1951		1952		1953		1954		1955		1956		1957	
MEMBERSHIP	40	52	54	55	74	73	78	78	69	72						
SHARE CAPITAL	\$ 294	\$ 549	\$ 895	\$ 3,085	\$ 1,344	\$ 1,344	\$ 439	\$ 1,498	\$ 704	\$ 1,133	\$ 1,514	\$ 1,514	\$ 1,514	\$ 1,514	\$ 1,514	\$ 1,514
TURNOVER IN \$ & CTS.	\$ 9,600	\$ 20,000	\$ 45,500	\$ 48,000	\$ 67,648	\$ 2,877	\$ 5,354	\$ 68,773	\$ 21,003	\$ 64,758	\$ 100,720	\$ 100,720	\$ 100,720	\$ 100,720	\$ 100,720	\$ 100,720
NET INCOME FROM COMMISSION	\$ 524	\$ 816	\$ 2,036	\$ 1,325	\$ 1,632	\$ 1,216	\$ 890	\$ 1,354	\$ 2,009	\$ 1,413	\$ 2,626	\$ 2,626	\$ 2,626	\$ 2,626	\$ 2,626	\$ 2,626
GROSS PROFIT OR LOSS FOR BILLS					\$ 484	\$ 577	\$ 484	\$ -755	\$ 779	\$ 779	\$ 779	\$ 779	\$ 779	\$ 779	\$ 779	\$ 779
NET PROFIT OR LOSS FOR VAN					\$ 1,181	\$ 2,095	\$ 1,181	\$ 1,075	\$ 1,075	\$ 1,075	\$ 1,075	\$ 1,075	\$ 1,075	\$ 1,075	\$ 1,075	\$ 1,075
NET PROFIT OR LOSS	\$ 524	\$ 816	\$ 2,036	\$ 1,325	\$ -3,258	\$ -741	\$ 683	\$ -1,638	\$ 1,379	\$ -593	\$ 2,050	\$ 2,050	\$ 2,050	\$ 2,050	\$ 2,050	\$ 2,050

SOURCE: THE BALANCE SHEETS OF THE SOCIETIES

\$25,000/- at an interest rate of 4 per cent per annum payable over a period of 10 years in 37 instalments of \$400/- and instalments of \$200/-. The loan was secured on Bill of Sale.

To repay the loan, the members agreed to take new shares by instalment, deducting not less than 15 cents from each member per fishing day. This would make \$4/- per member per month³.

The society bought five boats (three of which were for pukat tarek), three pukat tarek nets, two curing sheds, a bull and cart and an Austin A pick-up.

The acceptance of R.I.D.A.'s loan marked the turning point in the history of the society for two reasons. Firstly, the van which was operating on class B haulage permit for the purpose of carrying the society's fish became the society's great income earner, as Table I shows. The society became a significant transport operator in the mukim. Secondly, in contrast to the earlier stage of its history, the society began to undergo heavy financial loss because of (1) mismanagement of the loan and (2) lack of men with the ability to manage the society with its expanded activities.

The properties bought by the co-operative society were second-hand with the exception of the motor van. As a result the society had to bear heavy expenditure on repairs. For the years 1955, 1956 and 1957, expenditures on repairs accounted for 12 per cent, 27 per cent and 33 per cent of gross profits respectively.

The dried fish and bilis business was a financial failure. The society did not employ regular workers who could specialise in fish curing. Instead, it employed workers only whenever bilis was brought in. Considerable time was lost in looking

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for workers before the bilis could be sent for curing. Thus the society incurred not only high cost but also produced low quality cured bilis⁴.

Because there were no proper storage facilities, the society could not keep the bilis for sale in the off-bilis season when the bilis price was higher. Thus in 1954 and 1956 the society incurred a loss of \$484/- and 750/- respectively because the society had to dispose of its bilis stock even though the price was lower than its cost price due to bilis glut in Kuantan.

Considering the volume of haulage and the area of its operation, the society bought a van which involved too high running costs and standing charges. Although the trading accounts for the years 1954 to 1957 - except for the 1954 and 1956 bilis accounts - showed gross profits, these were insufficient to cover the heavy overhead. For the financial year from 1st July 1953 to 30th June 1954, the society incurred a large loss of \$3,258/-. For the same period in 1955 the loss was \$740/-. In 1956 and 1957, the losses suffered by the society were \$1,638/- and \$593/- respectively.

To reduce the running cost of the van⁵, the society in July 1957 traded in the Austin Pick-up, which was still mortgaged to R.I.D.A., and bought a Volkswagen van for which it had to obtain \$4,424/- from the Overseas Assurance Corporation.

4. The Chinese towkays who operate bilis business employ workers who specialise in bilis curing. If any of their boats brings in bilis, it hoists a flag while far off at sea to signal the men on shore to prepare boiling water and to get the buffalo cart on shore for carrying the bilis to the curing sheds. This is to minimise the unnecessary delay, which would affect the quality of the bilis, as determined by the percentage of breakage.

5. The old van was no longer economical to run. By purchasing the new van, which is under 20 cwt., the saving in road tax alone is \$240/- per year.

The new van was pledged to the latter and the society was required to pay the Corporation \$295/- per month for sixteen months plus interest of 6 per cent. This trade - in transaction without the permission of R.I.D.A. was in violation of the terms of the Bill of Sale.

Thus the society had two creditors - namely, the R.I.D.A. to which it had to pay \$400/- per quarter and to the Overseas Assurance Corporation \$295/- excluding interest per month. The society soon found it impossible to pay about \$450/- per month to its two creditors. Therefore it had to defer payment to R.I.D.A. to which it had repaid only \$5,200/- of the \$15,000/- loan.

The van became the society's economic prop and it was from the earnings of the van that the society expected to repay the Corporation. Since the management was never in the habit of putting aside fund for loan instalments and for other regular standing charges, the society found itself in arrears of two instalments for May and June 1957. To make it worse the society had not even the money for the payment of road tax (\$155/- for 6 months) and \$223/- for the insurance fee. Thus the van was immobilised for three weeks until R.I.D.A. came to its rescue with a further loan⁶.

Because of lack of working capital, the society decided to stop dealing in bilis. Its fishing equipments such as boats, curing sheds and pukat were for hire to meet the depreciation cost and repairs. Of these only one curing shed has been rented for \$250/- a year. The others have not been hired partly

6. The Overseas Assurance Corporation sent its final reminder on 7th July that if the society failed to pay the two instalments by 21st July, it would repossess the van. R.I.D.A. being more concerned of redeeming its debt from the society came to its rescue and gave it a further loan of \$1,700/- at 6 per cent interest per annum so that the society could pay the balance to its other creditor and to enable it to pay road tax and insurance fee to run the van again.

because some of the equipments were not so sea-worthy and partly because of personal reasons⁷.

It sounds paradoxical that the society should decline financially after it was given loans to expand its activities. This can be explained by the fact that the society had become too big for one person to run it efficiently. The additional responsibilities resulting from the expansion were shouldered by its chairman, who was a first class community leader because of his soft-heartedness and understanding of his 'anak buah', but a third class manager of such a big business unit.

Kg. Seberang Che' Let Society.

The Seberang Che' Let Co-operative Society had a shorter but equally interesting history. Before the establishment of the Kg. Di-Pantai Co-operative Society, the fishermen in Seberang Che' Let were also at the mercy of the monopsonistic ring of the peraihs. When the Kg. Di-Pantai Co-operative Society was formed, this ring was weakened considerably, and this lessened the urge of the people there to form a co-operative of their own. But the success of Kg. Di-Pantai Co-operative Society in providing cheaper and easier credit inspired the fishermen there to establish a co-operative society similar to its neighbour. The more initiative members of the kampong began to attend as observers at the general and committee meetings of the Kg. Di-Pantai Co-operative as early as January 1954.

The chairman of the Kg. Di-Pantai Co-operative in its early stage helped to supervise the Che' Let Co-operative Society which was established on 7th September, 1954 with only 30 members. Membership grew to 51 by 30th June. At this time the society's turnover was \$53,543/- giving a net income to the society of \$890/-.

⁷ This is discussed in detail in chapter entitled "Personal Relationship".

From then on, the society kept progressing. In 1956 there were 69 members and the turnover increased to ₹81,003/- giving a net profit of ₹2,009/- but the turnover for 1957 reached a record figure of ₹100,720/- and its net income too increased to ₹2,626/-. The membership was 72 - about 77 per cent of the total handliners there - and its share capital was ₹1,133/-. From 1954 to 1956 there was only a little change in the committee. The management of the society was monopolised by a small group. The minute book of the society showed that as the society's management became more and more the monopoly of a certain group, the committee's meetings became less and less frequent. The running of the society ultimately became a family affair and since the society's inception both the secretary and the chairman were brothers. The honesty of this soon became doubtful when it was found that the general secretary had embezzled the society's money in 1956. So in the general election in 1957, new persons took over the posts of chairman and general secretary and the members of the old clique faded into the background. The discovery of the dishonesty was the cause of a social crisis in the society which led to the emergence of a new group led by the present honorary secretary. The persons affected by the discovery then resorted to acts of disloyalty towards the society by selling their fish outside. After repeated warnings, four of them were expelled in June 1958. Some members of the old group resigned from the new committee led by the other clique⁸.

On the whole, the society had been financially successful since its inception. This is because the society's activities were limited to mere marketing of fish and the provision of credit. There were within the capabilities of one man to supervise the society efficiently because, although in theory the society had other appointed officials to shoulder the

8. See Appendix V

responsibilities of the society, in practice all were pushed to one man who was the most initiative and who could spare the time to attend to the society's affairs.

