

Democratic Culture of Thrift and Credit Cooperatives in Thailand

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Abstract— Cooperatives are a small component of a democratic system that is closer to the community. They gradually introduce basic democratic values to members through collective action and the delegation of power. To understand the democratic culture in the Thai cooperatives, this paper focuses on the level of members' participation in the democratic administration of the thrift and credit cooperatives in Thailand. It also explores the effect of cooperatives' sizes on members' participation. The findings indicate that about one-half of the thrift and credit cooperatives in Thailand have less than 50% of members attending in the general assembly and voting in director election. About 40% of societies having contested board elections. The study also found that with increasing size, attendance in general assembly and voting in board election of members tend to decline, whereas the competition for the seats of directors tend to be more.

Keywords- *democrati; participation; cooperative; Thailand.*

I. INTRODUCTION

Cooperatives societies are democratic organizations owned and controlled by their members who participated in policy formulation and decision making. Members exercise control over their cooperatives directly by attending and voting in the general assembly and indirectly through election of the board of directors. By principle of cooperatives, every member has equal rights, one person one vote, regardless of the size of investment or volume of business they have with the cooperative. Through cooperatives, members can learn about the fiscal accountability and transparency as well as the accountability of board of directors and cooperative officers. By interaction and discussion, they also learn about the process of collectively setting priorities and develop techniques to resolve problems democratically.

The cooperative movement in Thailand has a history of nearly a century. The first cooperative was brought to the country by the initiative of the Thai government in 1916 as a tool to help the severely indebted farmers [1]. In 2009, there were 10,400 cooperatives institutions with more than 10 million members or about 15% of the total Thai population, operated with the total capital of 1.13 trillion baht. The total volume of business was 1.26 trillion baht or about 14% of GDP [2].

As a democratic organization, cooperatives in Thailand were also expected to build a democratic culture to their members. Then, it is interesting to ask whether the cooperatives in Thailand adopt the principle of cooperative

democracy. Can the cooperative members learn to voice and exercise their rights through their cooperatives? This paper attempts to explore and answers the issues scientifically.

II. OBJECTIVES AND PROCEDURES

The main objective of the study is to understand the democratic culture in the Thai cooperatives, focus on the thrift and credit cooperatives. The specific objectives of the study are 1) to study the level of member participation in the general assembly and in the election of board of directors, and 2) to study the effect of size of the cooperatives on the level of member participation. The study mainly used primary data obtained by mailed questionnaires to a total of 334 thrift and credit cooperatives in Bangkok during September-December 2009. Of the 334 cooperatives, 145 societies responded to mailed survey, for a response rate of 44%. Analysis of variance (F-test) was conducted to determine variations of members' participation across the three sizes of cooperatives.

III. THE THRIFT AND CREDIT COOPERATIVES

The cooperatives in Thailand are officially categorized into seven types namely: Agricultural Cooperative, Land Settlement Cooperative, Fisheries Cooperative, Consumer Cooperative, Service Cooperative, Thrift and Credit Cooperatives, and Credit Union Cooperative. The first three types of cooperatives are in agricultural sector while the rest are in non-agricultural sector.

The Thrift and Credit cooperative plays an important role in promoting saving and accessing to consumption loan to millions of their members. As of March 2009, there were 1,244 thrift and credit cooperatives with individual members of about 2.5 million, total capital of 963 billion baht. They generated business value of 1,003 billion baht or about 80% of total cooperatives value. Loan business is the most popular business with 73% of their total business value [3].

By province, Bangkok has the largest number of thrift and credit cooperatives and members. As of March 2009, it had a total of 334 thrift and credit cooperative with 1.02 million members. These represented about 25% and 40 % of the total thrift and credit societies and total members respectively.

IV. DESCRIPTION OF THE SAMPLE COOPERATIVES

At the time of the study, the youngest thrift and credit cooperative was 1 year old, while the oldest was 53 years old. The size of their membership varied from 48 to 25,593

members. The total capital varies from 0.6 to 13,517 million baht (table 1).

TABLE I. SAMPLE COOPERATIVES CLASSIFIED BY NUMBER OF YEARS IN OPERATION, NUMBER OF MEMBERS AND VALUE OF TOTAL CAPITAL

Description	Number of societies
- Years in operation	145 (100.0%)
< 10 years	35 (24.1%)
10-30 years	81 (55.9%)
>30 years	29 (20.0%)
Minimum= 1 year, Maximum = 53 years	
- Number of members	145 (100.0%)
<500	46 (31.7%)
500-5,000	80 (55.2%)
>5,000	19 (13.1%)
Minimum= 48 members, Maximum = 26,776 members	
- Total capital value (million baht)	145 (100.0%)
<50	44 (30.3%)
50-450	61 (42.1%)
>450	40 (27.6%)
Minimum=0.6 million baht, Maximum = 13,517 million baht	

V. MEMBERS' PARTICIPATION IN GENERAL ASSEMBLY

The general assembly of members is the supreme body of the cooperative society. Cooperative's policies are established, directors are elected and major issues are discussed in the general assembly. Any decision in the assembly shall be assumed collectively even by members who disagree or absent. The important provisions for the general assembly of the cooperatives in Thailand, as given by the Cooperative Act B.E. 2542, are summarized below:

- A cooperative shall not allow its associate members the right to have their name counted for a quorum of the general assembly (section 41)

- The by-laws and amendment of by-laws of a cooperative shall be made only by resolution of the general assembly (section 44)

- Any cooperative having more than five hundred members may specify in its by-law that the general assembly may consist of the delegate members. But the total number of the delegates shall not be less than one hundred (section 56)

- At a general assembly of a cooperative, the presence of not less than one-half of the total number of members or not less than one hundred members or, in case of a general assembly consisting of the delegates of members, not less than one-half of the total number of the delegates or not less than one hundred delegates shall constitute a quorum (section 57)

- At a general assembly, a member or delegates of members shall not appoint other person his proxy (section 57)

A. A Quorum of general assembly

The results of the study as shown in table 2, indicate that although the cooperatives with more than 500 members are permitted by law to elect their representatives in a general assembly, only 10% of them exercised this authority. Almost all of them (90%) prefer to process their general assembly among their individual members. The study also found that the rate of representation of delegates in the sample cooperatives range from one for 8 to as high as one per 50 members (table 3)

TABLE II. NUMBER AND PERCENTAGE OF SAMPLE COOPERATIVES CLASSIFIED BY SIZE AND QUORUM OF GENERAL ASSEMBLY

A quorum of general assembly	Size of cooperatives		
	< 500	≥ 500	Total
- individual members	46 (100.0%)	89 (89.9%)	135 (93.1%)
- delegate of members	-	10 (10.1%)	10 (6.9%)
Total	46 (100.0%)	99 (100.0%)	145 (100.0%)

TABLE III. REPRESENTATION BY DELEGATE OF SAMPLE COOPERATIVES

Number of members : 1 delegate	Number of societies
50:1	4 (40.0%)
40:1	1 (10.0%)
25:1	1 (10.0%)
15:1	2 (20.0%)
12:1	1 (10.0%)
8:1	1 (10.0%)
Total	10 (100.0%)

B. Attendance and voting in the general assembly

Cooperatives are democracies and as such depend on the active participation of all members. Therefore, the responsibility of cooperative members is to actively participate in the cooperatives. Participation in the cooperatives by attending the general assembly and exercising the right is the important responsibilities of the members in control over their cooperatives. Absenteeism of members in the general assembly may lead to the loss of democratic character of the cooperatives. Hence, the larger the members in the general assembly attendance, the greater the representative in the cooperatives and the responsiveness of the members.

Regarding the participation of members by attendance and voting in the general assembly of the sample cooperatives in 2009, the study found that among 135 cooperatives which a quorum of assembly consist of individual members, only 25 of them (18%) had the high proportion of participating members in the assembly (more than 75% of total members). However, 90% of cooperatives

which a quorum of assembly consist of delegates had the high proportion of participated members in the assembly (table 4).

TABLE IV. THE PARTICIPATION OF INDIVIDUAL MEMBERS AND DELEGATES IN THE

Percent of participating members in the general assembly	A quorum of general assembly	
	Individual members	delegates
≤ 25%	26 (19.3%)	-
26-50%	43 (31.9%)	-
51-75%	41 (30.4%)	1 (10.0%)
>75%	25 (18.5%)	9 (90.0%)
total	135 (100.0%)	10 (100.0%)

general assembly of sample cooperatives in 2009

Unit: number of societies

C. Size effect on attendance and voting in the general assembly

The study found that with increasing size of the cooperative, the participation levels of members in attendance and voting in general assembly tend to decline. Table 5 shows significant differences in participation rate of members in general assemblies between three sizes of cooperatives. While the average percentage of participation is 67.2% in small cooperatives (<500 members), it is 42.4% in medium cooperatives (500-5,000 members) and only 26.3% in large cooperatives (> 5,000 members).

TABLE V. AN ANALYSIS OF MEAN DIFFERENCES IN PARTICIPATION RATE OF MEMBERS IN THREE SIZES OF SAMPLE COOPERATIVES

Size of cooperatives (number of members)	Number of societies ¹	Average percentage of participation	Standard deviation	F-test
<500	49	67.2%	19.153	29.46**
500-5,000	73	42.4%	22.769	
> 5,000	13	26.3%	16.262	
Total	135	49.9%		

Remark: ¹ only societies that a quorum of assembly consists of individual members, ** significant level at 0.01

VI. MEMBERS' PARTICIPATION IN THE ELECTION

Democratic election of the board of directors is vital to democratic member control in any cooperatives. Under the Cooperative Act B.E.2542, the relevant section about the board of directors is section 50. The important provisions are:

Section 50: "A cooperative shall have a board of directors consisting of a chairman and not more than 14 other members of the board of directors who are elected from members in a general meeting of cooperative. A board of directors has a term of office of two years each from the date of election. When one year is complete in the first term of the first office of a board of directors, one-half of the

members of the board shall vacate the office by ballot. Such vacation of office shall be regarded as a complete term of office. Members of a board of directors vacating the office may be re-elected as board members but not more than two consecutive terms of office."

A. Board size

Workable board size and adequate representation are important criteria for setting the number of members of the board of directors of the cooperatives. However, there is no standard for the size of the board of directors. A large board can be slow and costly, while a small board may provide inadequate representation and may have insufficient personnel. Table 6 shows the number of seats on board of directors, sorted by different size of cooperatives. The board size of sample cooperatives varied from 7 to 15 members. The 15-member boards (maximum number permitted by law) are the most popular board size (57% of total cooperatives). Only in the small membership size, less than 500 members, the most common board sizes are 9-member boards (14 out of 46 cooperatives, or 30.4%). As number of members increases, the size of board members-also increases (column 15-member boards, in table 6, shows that when membership size increase from <500 to 500-5,000 and >5,000 members, the frequency of 15-member boards rose from 21.7% to 69.1% and 94.4% respectively).

TABLE VI. SIZE OF BOARD OF DIRECTORS OF SAMPLE COOPERATIVES CLASSIFIED BY SIZE OF COOPERATIVES

Size of co-op	Number of board of directors							societies
	7	9	11	13	15	8,10	12,14	
<500	6.5%	30.4%	8.7%	8.7%	21.7%	17.4%	1.2%	46 (100%)
500-5,000	3.7%	2.5%	8.6%	7.4%	69.1%	1.2%	7.4%	80 (100%)
> 5,000	-	-	-	5.6%	94.4%	-	-	19 (100%)
Total	4.1%	11.0%	7.6%	7.6%	57.2%	6.3%	6.2%	145 (100.0%)

B. Board candidate

For selecting board of directors, it is important to identify board candidates. Candidate nomination is part of the process of getting qualified persons in an election. Candidates are generally nominated by members of cooperatives either directly, or by a nominating committee. Table 7 shows that the most common nomination approach of the sample cooperatives (84.2%) is by members from the plenary in general assembly, only 15.8% nominated by nominating committees. The study also found that as membership size increases, the percentage of cooperatives using nomination from the plenary decreases (when membership size increase from <500 to 500-5,000 and > 5,000 members, the percentage of nomination from the plenary decrease from 95.7% to 70.0% and 63.2% respectively).

TABLE VII. METHODS FOR SELECTING CANDIDATES FOR BOARD OF DIRECTORS

Size of cooperatives (number of members)	Candidate Nomination		Total
	Nomination from plenary	Nominating committee	
<500	44 (95.7%)	2 (4.3%)	46 (100.0%)
500-5,000	56 (70.0%)	24 (30.0%)	80 (100.0%)
> 5,000	12 (63.2%)	7 (36.8%)	19 (100.0%)
Total	122 (84.2%)	23 (15.8%)	145 (100.0%)

C. Voting in the board election

Regarding the participation of members by voting in the board election of the sample cooperatives in 2009, the study found that among 108 societies, about half of them had the low proportion of participated members in the board election (less than 50% of total members). Only 21% of cooperatives had the high proportion of participated members in board election (more than 75% of total members) (table 8). The low level of members' participation in the board election may raise the questions of representative and the extent to which the democratic process gives a mandate to the elected board.

TABLE VIII. THE PARTICIPATION OF MEMBERS IN THE BOARD ELECTION OF SAMPLE COOPERATIVES IN 2009

Percent of participated members in the board election	Number of societies ¹
≤ 25%	24 (22.2%)
26-50%	32 (29.6%)
51-75%	29 (26.9%)
>75%	23 (21.1%)
total	108 (100.0%)

Remark: ¹ data not available 37 societies

D. Competitive board elections

From another point of view, the members' real choice in voting will increase when board seats are contested [4]. The result from the study as in table 9 shows that, in many sample cooperatives (89 out of 145 cooperatives or 61.4%) the elections of the board of directors are not contested. They have only one candidate for each board seat. One of the reasons given for this is the difficulty in finding a sufficient number of candidates. However, board election of 56 sample cooperatives (38.6%) are contested. There are more than one candidate per seat. The maximum is about 6 candidates per seat (44 candidates for 7 seats). The study also found that as the membership size increase, the contested board elections increase too (when membership size increase from <500 to 500-5,000 and > 5,000 members, the percentage of contested board election increase from 28.3% to 40.0% and 61.4% respectively). It can be said that this size effect encourages the democracy of larger societies.

TABLE IX. THE COMPETITIVE BOARD ELECTION OF SAMPLE COOPERATIVES CLASSIFIED BY SIZE OF COOPERATIVES

Size of cooperatives (Number of members)	Board election		Number of societies
	contested	Not-contested	
<500	13 (28.3%)	33 (71.7%)	46 (100.0%)
500-5,000	32 (40.0%)	48 (60.0%)	80 (100.0%)
> 5,000	11 (61.4%)	8 (38.6%)	19 (100.0%)
Total	56 (38.6%)	89 (61.4%)	145(100.0%)

Remark: Contested = more than one candidate per seat.
Not-contested = one candidate per seat.

E. Size effect on voting in the board election

Similar to the participation of members in the general assembly, this study found that with increasing size of cooperatives, the participation levels of members in board election tend to decline. Table 10 shows significant differences in participation rate of members in board election between three sizes of cooperatives. While the average percentage of participation is 65.2% in small cooperatives (<500 members), it drop to 42.8% in medium cooperatives (500-5,000 members) and only 28.6% in large cooperatives (> 5,000 members).

TABLE X. AN ANALYSIS OF MEAN DIFFERENCES IN PARTICIPATION RATE OF MEMBERS IN BOARD ELECTION OF THREE SIZE OF SAMPLE COOPERATIVES

Size of cooperatives (number of members)	Number of societies ¹	Average percentage of participation	Standard deviation	F-test
<500	34	69.5%	16.369	22.01**
500-5,000	59	42.8%	24.604	
> 5,000	15	28.6 %	27.346	
Total	108	49.2%		

Remark: ** significant level at 0.01

F. Board rotations

By law, term of a board of directors is 2 years and the members of the board of directors cannot serve more than two consecutive terms. The main purpose is to provide opportunities to new active and younger members to participate, experience and gain knowledge in the boards, while maintained continuity of the boards.

The results from the study revealed that about 70% of sample cooperatives have new candidates represented on the board in the last election, only 30% of them have no new candidate represented on the board.

VII. CONCLUSION

Cooperative societies are business organizations where the membership is given democratic rights of control over the cooperatives. Members must participate by attending the general assembly and by voting for directors. The study shows that about one-half of the thrift and credit cooperatives in Bangkok have less than 50% of members attending the general assembly and also voting in the board election. The study also found that with increasing size, active membership and democracy tend to decline. There are many factors affecting the absention of members such as convenience, place and willingness to attend or to vote. To prevent the loss of democratic character of cooperatives, every effort shall be developed to encourage members to participate in its democratic process of control. In the large

cooperatives, having more than 500 members, the representation by delegates may be helpful in solving the low participation by individual members in general assembly.

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