

# Sri Lanka

## Highlights of consumer co-ops

- ✓ Facing severe competition with private retailers
- ✓ Vitalizing store operations through Co-op City Project

## 1. Co-operative movement in Sri Lanka

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### Introduction

The activities of the co-operative sector in Sri Lanka have been closely linked up with the daily life of the majority of the population over a half century in the country. Co-operative organizations/enterprises are largely and actively engaged in multiple economic and social activities.

The sectors of the co-operatives vary in fields such as agricultural, consumer retailing, insurance, banking, medical, fishery, garment production, wholesaling, printing, transport and funeral services.

All co-operatives are administered by the Ministry of Co-operative and Internal Trade of Sri Lanka. The operations of co-operatives are regulated by Co-operative Societies Act.

According to the statistics of the Department of Co-operative Development of the Ministry of Co-operative and Internal Trade of Sri Lanka, there are 10,002 co-operative societies with 6,303,306 members in Sri Lanka. Among them, there are 305 multi purpose co-operative societies with 4,033,607 members. Multi-purpose co-operative societies run businesses such as retailing, insurance, medical, banking etc., and belong to the consumer co-operative sector.

National Co-operative Council of Sri Lanka (NCC) is the apex organization of co-operatives of the country. NCC is in charge of education & training, consultation, publication, coordination and international affairs.

## Co-operative movement in Sri Lanka (contd.)

### Strength of the Co-operative Movement of Sri Lanka.

Type of Societies	Number of Societies	Members (1000)
1. National Level Cooperative Unions	14	2.1
2. Multi-purpose Coops	312	3703.9
3. Thrift & Credit	7091	816.1
4. Tea-Rubber-Coconut growers coops	171	38.0
5. Milk Producers Coops	145	46.5
6. Animal Husbandry	50	12.1
7. Agriculture Villages	38	7.6
8. Fisheries Coops	673	80.5
9. Textiles Coops	27	30.0
10. Small & Medium Industries Coops	161	9.8
11. School Coops	761	216.9
12. Hospitals Coops	7	8.4
13. Labour Coops	28	3.5
14. Housing Coops	377	45.9
15. Transport Coops	72	2.0
16. Youth Services	21	425
17. Estate Coops	55	21.8
18. Others	590	131.4
<b>Total</b>	<b>10523</b>	<b>5601.9</b>

## Co-operative movement in Sri Lanka (contd.)

The history of the co-operative movement in Sri Lanka can be traced back to 1904 when the Agriculture Credit Society in Manikinna was started.

The first co-operative society was established as Co-operative Credit Society under the Co-operative Society Act No. 07 of 1911.

Since 1911 the co-operative sector in Sri Lanka has played a major role at various stages, and there have been changes in its organizational structure with relevant legislations.

Before 1983, co-operative societies were registered under the Co-operative Societies Act No. 05 1972 and this was again amended in 1983 and later in 1992 as the Co-operative Societies (Amended) Act No. 11 of 1992.

The management structure of the co-operative societies was established under the Co-

operative Employees Act No. 12 of 1972, and this was amended as Co-operative Employees (Amended) Act No. 51 of 1992.

The co-operative societies have been organized as multipurpose societies.

The co-operative sector in Sri Lanka has been closely linked up with the daily life of the majority of the population over a half of century.

The co-operative organizations are actively engaged in a variety of activities related to economic, social and political significance.

They are involved in distribution of consumer goods, supply of essential consumer services, supply of agricultural inputs, promotion and marketing activities in the fields of agriculture, fisheries and industry, as well as mobilization and allocation of savings in the rural areas with the mutual assistance of the Co-operative Rural Bank.



## 2. Outline of consumer co-ops

The Sri Lanka Consumer Co-operative Societies Federation Ltd. (COOPFED) is the apex organization of consumer co-operatives in Sri Lanka.

COOPFED was registered on 15 September 1989 as the apex federation of the Consumer Co-operative Movement in Sri Lanka.

It commenced its business operations on 7 March 1990. COOPFED was founded to meet the needs of consumer co-operatives for a national organization.

Its main purpose has been to meet the commercial needs of its members who are multi-purpose co-operative societies throughout Sri Lanka.

The COOPFED has gone further by setting up and opening self-service shops in the urban and rural areas as well as opening shops in the government offices and schools.

At present, 270 Multi Purpose Co-operative Societies are members of COOPFED. Multi-

purpose Co-operative Societies play a big role in a variety of fields of Sri Lankan economy such as transport, consumer goods, health, education, and insurance.

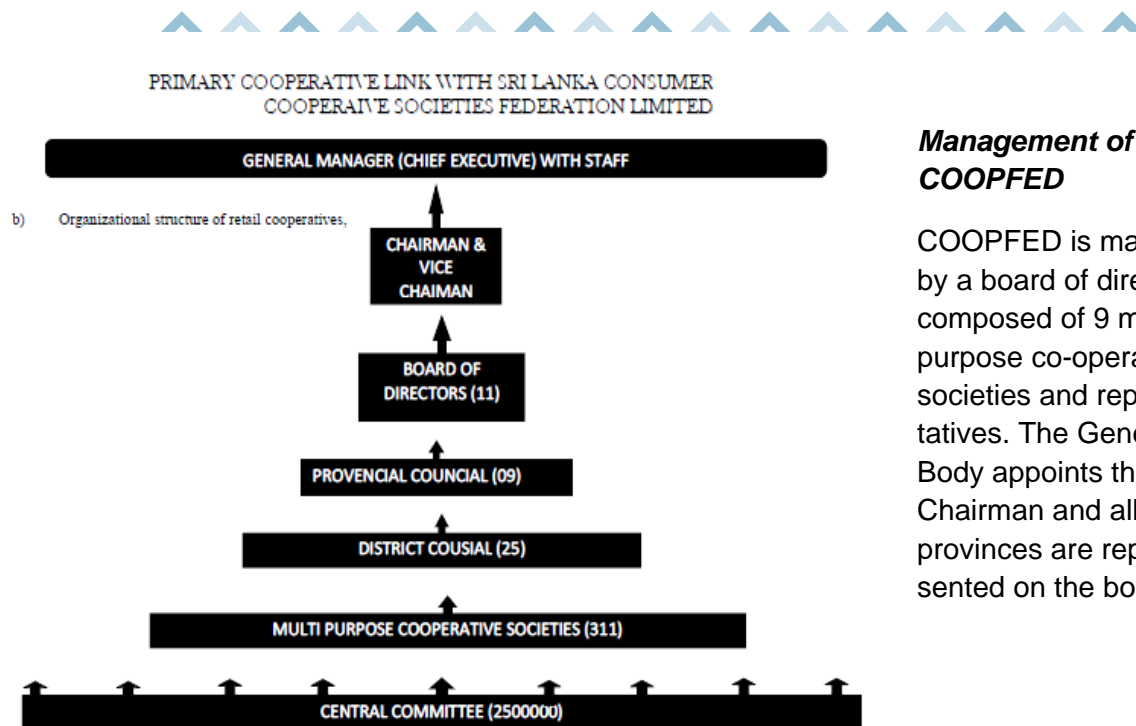
The function of COOPFED is mainly divided in 6 parts:

- 1) wholesale trade,
- 2) retail trade,
- 3) packaging,
- 4) development of co-op brand products,
- 5) travel agency, and
- 6) distribution of products.

In addition, COOPFED has recently established a management training center for its member employees.

The market share of co-op retail trade surpasses 35%. The most popular items in co-op shops are 1) co-op tea, 2) co-op coconut products, 3) clothing, 4) fish, 5) exercise books.

Recently, COOPFED started “Co-op City Project” to strengthen its chain store operation.



### Management of COOPFED

COOPFED is managed by a board of directors composed of 9 multi-purpose co-operative societies and representatives. The General Body appoints the Chairman and all 9 provinces are represented on the board.

## 3. Co-op City Project

Co-op City Project was started in 2007 by COOPFED in collaboration with the Sri Lanka government.

350 million LKR was allocated for this Project. All taxes were exempted from this budget.

Essential food items such as rice, flours, onions, sugar and pulses are sold in Co-op City stores at 10% lower than the private sector stores. Imported foods are also sold at these stores.

This Project was carried on to vitalize Multi-Purpose Co-operative Societies (MPCS) in the

country. When COOPFED started this Project, only 15 MPCS out of the 305 had the cash flow for the viability of the business.

Now the "Coop City" outlets numbering more than 7,000 play an important role in providing essential food items at reasonable prices.

The government considers it important that there should be a fair competition among private, public and co-operative sectors, so that the private sectors would not be able to monopolize the market and the price of products would be stable.



<u>Province</u>	<u>Co-op City</u>	<u>Mini Co-op City</u>	<u>Annual Sale (LKR. Million)</u>
Western	49	135	999
Southern	42	89	334
North-West	54	152	990
Sabaragamu	31	115	292
Central	42	121	318
North-Central	28	106	359
North	47	125	218
Eastern	51	116	220
Uva	31	63	187
<b>Total</b>	<b>375</b>	<b>1022</b>	<b>3917</b>
COOPFED	11	238	

(1 US \$ = 129 LKR approx.)

## Outlook of Sri Lanka retail market



ARPICO Supercenter in Colombo



KEELLS Supermarket in Colombo

Currently, modern supermarket business is growing rapidly in Sri Lanka. The growth is not only in the center of big cities, but also in semi-urban towns. The modern trade business growth reached 30%, while the total retail business growth amounted to 8%. Among the growing retailers, there is a significant growth in drug, beauty, baby product outlets.

The grocery retail channel in Sri Lanka is mainly divided into 4 groups:

- 1) 1,300 whole sellers that includes big volume and big sales outlets,
- 2) 15,000 top end grocers,
- 3) 100,000 small bottom market retailers (medium and low),
- 4) 5,600 multi purpose co-operative stores.

Sri Lanka retail market is still dominant by traditional bottom market. There are many small shops in both big cities and rural areas.

## 4. Problems and Future Visions

### 4.1 Problems of Sri Lanka consumer co-operatives

Problems of consumer co-operatives in Sri Lanka can be summarized in the following 6 points:

1. Lack of Finance
2. The Employees of co-operatives have not indemnified their accountability clearly
3. Lack of knowledge of MPCs employees about the super market system.
4. The Employees of Co-operatives have no enough knowledge about the new business techniques.
5. Severe competition with private retailers
6. Lack of profitability in store business.

## 4.2 Future Visions

The Coopfed Mission is to be the facilitator to promote and strengthen economic condition of consumer movement in Sri Lanka through:

1. Protecting the co-operative identity,
2. Fulfilling the customer/member requirements,
3. Motivating the staff,
4. Application of accepted business ethics.

It was the Co-operative Movement that came forward to help the government to meet exigencies in supplying essential food items.

COOPFED sets as its vision to be the

market leader in Consumer Co-operative Movement in Sri Lanka and gaining excellence in the consumer concept in Sri Lanka.

To fulfill this vision, COOPFED considers crucial to develop the knowledge, skills and aptitude of its staff. Therefore, COOPFED established the Consumer Co-operative Training Institute within its organization. It has started to train coop city managers and sales managers.

COOPFED hopes to train 4000 Managers within 3 years. The training programs include short-term programs, field visits and international training programs.



## 5. Relationship with the Government

Relationship of consumer co-operatives with the government is good in Sri Lanka. The government support co-operatives financially.

In past, co-operative stores helped the government to provide the citizens with essential food items.

Even now, the government recognizes the

co-operative stores as a place to sell “reasonably priced products”.

Therefore, the government tries to support consumer co-operatives by giving loans and special contributions as investments.

The government is also supportive to the Co-op City Project of COOPFED. Budget of the Project is exempt from taxes.



## 6. Basic Information on Sri Lanka

Name	: Democratic Socialist Republic of Sri Lanka
Capital	: Sri Jayawardenapura Kotte
Largest city	: Colombo
Government	: Unitary Republic, Democratic Socialist, Semi-presidential System
Area	: 65,610 km <sup>2</sup>
Population	: 20,277,597 [2012 census]
GDP (PPP)	: US\$ 116.541 billion [2011 estimate]
Currency	: Sri Lankan Rupee (LKR)



*From: Wikipedia*

