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C O U N T R Y P A P E R
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B U S I N E S S P L A N N I N G I N
A G R I C U L T U R A L C O O P E R A T I V E M O V E M E N T I N I N D I A

B Y

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I N D I A

ICA/JA ZENCHU/IDACA REGIONAL SEMINAR ON PERSPECTIVE
PLANNING FOR REGIONAL DEVELOPMENT BY AGRICULTURAL
COOPERATIVES WITH SPECIAL REFERENCE TO JAPANESE
EXPERIENCE, TOKYO (JAPAN)

(8th to 26th November, 1993)

Business Planning in Agricultural Cooperative Movement in India

Agricultural Economy

1.1 India a Sovereign Socialist Secular Democratic Republic with parliamentary system of Government is a union of 26 States and 5 Union Territories with a total land frontier around 15,200 km. India ranks the seventh largest country in the world and is second only to China in terms of population (844 million). It is well endowed with natural resources. Coupled with an adequate supply of natural resources of various kinds, it also has a huge mass of population in the working age group. Growth, equity and self-reliance are three broad objectives of India's economic policy.

1.2 Agriculture is the oldest industry in India and, even today, the largest. The majority of the population of the country probably nearly 80% of the total, are dependent upon for a living. It employs directly about 23% workers and indirectly 61% of the total work force and contributes to about 33% gross domestic product. Indian agriculture, which holds the key to the rapid economic development of the country, is on the march.

1.3 Indian agriculture is characterised by small farmers and high population density, cyclical patterns of peak and troughs. Constraints on extending production are (i) declining size of farms due to continuous process of sub-division of holding, (ii) over-exploitation of water in green revolution areas, and (iii) energy constraints.

1.4 The emphasis has to shift to diversification of agriculture correction of regional imbalance, promotion of more labour intensive technological improvements and improving farm system. Regional specialisation, strong technological development in livestock farm in fisheries, farm forestry, social forestry and horticulture, etc. are required pragmatic approach for edible oils production is required.

1.5 Agriculture will experience larger growth by turn of Century, the agricultural development programme will need to be strongly supported by financial institutions.

1.6 Agricultural production has been increasing at a compound rate of 2.7 per cent per annum. The production of foodgrains has more than trippled since 1951. The strategy for the development of agriculture reveals an integrated approach. Institutional reforms, technological changes as well as changes at the organisational level constitute the main planks of the policy for agricultural growth.

2. Role of Coops in Developing Agriculture

2.1 The cooperative movement in India was launched to develop agriculture sector since its inception. The enactment of the Cooperative Credit Societies Act, 1904 was hailed as a turning point in economic and social history and encouraged the agriculturists, artisans and persons of limited means for the formation of credit societies.

2.2 Cooperative Societies Act, 1912 provided fresh impetus to the growth of non-credit societies and registration of federal cooperatives. In 1915, following

the implementation of the Maclegan Committee Report, the scope of agricultural cooperatives was further enhanced. While referring the role of agricultural cooperatives, the Royal Commission on Agriculture, 1928, commented that "these were the best hope of rural India. If cooperation fails, there will fail the best hope of rural India". Agricultural Finance Sub-Committee (1944) observed that the spread of cooperation would provide the best and the lasting solution for the problems of agricultural credit in particular and those of rural economy in general. Cooperative Planning Committee(1945) recommended the diversification of activities of agricultural cooperatives at the village level and organisation of a large number of functional societies for fruits, animal husbandry, fisheries, land reclamation, marketing and processing, small and subsidiary industry etc.

2.3 The First Five Year Plan recognised the cooperative as an "Instrument of Planned Economic Action in Democracy suiting to the Requirements of the Government for implementing the Development Plans particularly for Agriculturists in the Weaker Sections of the Society". The new era of agricultural cooperative ushered with the implementation of Integrated Programme of Rural Credit visualised by All-India Rural Credit Survey Committee (1954), which envisaged three fundamental principles, (i) state partnership in the cooperatives at different levels, (ii) federal coordination between credit and other economic activities particularly marketing and processing and

(iii) administration through educative, trained and efficient personnel responsive to the needs of the rural population. This Committee stated "Cooperation has failed in India but it must succeed".

2.4 The Second Five Year Plan is evowedly committed to the building up of the cooperative sector and cooperation was assigned an important role to develop agriculture sector - production, marketing and processing, etc. The Third and Fourth Five Year Plans envisaged "greater use of cooperatives for the development of small and marginal farmers and the weaker sections of the community. The Fifth Five Year Plan envisaged four fundamental objectives, one of them was to strengthen the network of agricultural cooperatives (credit, supply, marketing and processing), so as to bring about agricultural development. The Sixth Five Year Plan emphasized for reorientation and consolidation of the role of cooperative federal organisations so that they are able through their constituent organisations to effectively support a rapidly diversifying horticulture, food processing, poultry, dairying, fishery, animal husbandry, sericulture, etc. with credit, supply, marketing and other services.

2.5 The entire strategy of cooperative development during the Seventh Five Year Plan has been to improve the operational efficiency of cooperative societies and to ensure that the main focus of the cooperative institutions is on weaker sections of the community.

2.6 For reforming economic system so as to ensure its vibrant functioning and objectives, the Government has enunciated the new economic policy consisting of (i) Liberalisation of policies pertaining to trade and industry, (ii) Encouraging foreign investment and technology for making Indian product competitive in the world market, (iii) Improving the performance of public sector and promoting private sector. The provisions of new economic policies are not a threat to the cooperative sector particularly agriculture. Infact, they offer a lot of opportunities for the cooperative institutions to grow, strengthen their working, introducing professionalism, developing inter-cooperative relationships and enhancing members participation in the decision making process.

2.7 The Government have drafted a 10-Point Cooperative Policy to give impetus to the cooperative development. The cooperative would have ample opportunities for the promotion of agro-processing and cottage industries and to obtain advance technology from other countries. Although, the Eighth Five Year Plan document does not define the perspective for cooperative development, some of its enunciations provide that there might be sufficient opportunities for cooperatives in different sectors.

3. Agricultural Cooperatives - Present Scenario

3.1 The cooperative movement in India is one of the largest in the world in terms of number (3.53 lakhs) and

membership (160 million). They covered 100% villages and 65% of the rural population. Though there has been a phenomenal expansion of cooperatives signs of their weaknesses are being apparent. These are manifesting in their declining share in agricultural credit, low membership, decline in the percentage of borrowing members nominal growth and deposit, etc. A large number of cooperatives continue to be non-viable with low business turn over and increased state partnership in share capital and excessive state control and interference.

3.2 The agricultural cooperatives may be grouped into four categories:-

A. INPUTS SUPPLY COOPERATIVES

Primary Agricultural Cooperative Societies/Large Sized Multi-Purpose Cooperative Societies and Farmers Service Cooperative Societies operating at the grass-root level, having 84.77 million members. These societies are federal units of District Central Cooperative Banks (35) established at the district level, which in turn are affiliated to State Cooperative Banks (28) operating at state level. National Federation of State Cooperative Banks is the apex promotional institutions of these coops. These coops. are involved in the distribution of production credit. Short and medium term and other agriculture inputs viz. fertiliser, seeds, machinery, etc. The investment credit for agri. purposes is provided by State Coop. Agri./Rural Development

Banks(20) through Primary Cooperative Agricultural/Rural Cooperative Banks (700). Organisation structure of agricultural credit is federal/unitary.

B. MARKETING COOPERATIVES

3.3 The network of cooperative marketing structure comprises with 2636 general purpose marketing societies, 3292 special commodity marketing societies at primary level; 157 regional and central marketing societies covering all the important markets at regional level; 29 general purpose and 26 special commodity/state marketing federations at the state level and National Agricultural Cooperative Marketing Federation of India at the national level. These coops also undertook procurement operations procuring 30% of total wheat, 21% of national procurement of jute and also distributed fertiliser nutrient accounting for 34% of total fertiliser distributed in the country.

C. AGRO-PROCESSING COOPERATIVES

3.4 These cooperatives are also known as value adding cooperatives, which ensure that the producer gets the legitimate share in the final price paid by the consumer. The most vital segments of such cooperatives are cooperative sugar factories, cooperative spinning mills, dairy cooperatives and oil seed cooperatives, etc. There are more than 200 sugar cooperatives in the country producing about 60% of the total sugar production while 112 cooperative spinning mills with a total spindlege of 2.5 million spindles

forming 16.6% country's total spindlege. 64000 dairy cooperatives with a membership of 7.78 million milk producers in the country have established 17.60 million litres per day rural milk processing capacity. Other agro-cooperative processing comprise 113 oil mills, 598 rice mills, 72 pulses processing units, 39 fruits and vegetable units, etc.

D. COOPERATIVE INDUSTRIES SUPPORTING
AGRICULTURAL COOPERATIVES

3.5 The agricultural cooperatives have also set up cooperative industries to produce agricultural inputs and machinery. The significant units are Indian Farmers Fertiliser Cooperative Limited (IFFCO) and Krishak Bharati Cooperative Limited (KRIBHCO) and National Heavy Engineering Cooperative in the area of manufacturing machinery for sugar, dairy and oil seeds cooperatives. IFFCO is the largest producer of fertiliser in India having 13.3% share in the production of nitrogenous fertilisers and nearly 12% share in the production of phosphatic fertilisers.

3.6 Small weaker sections of the rural community and small farmers are the focus of the attention of these cooperatives. Various concessions and preferences have been provided to these sections as per the specific national policy directions. The Government of India provides multi-dimensional support to agricultural cooperatives. A number of schemes have been fomulated to provide financial support in the shape of equity participation, loans, guarantees for finance raised by agricultural cooperatives.

Some specific schemes for providing central finance assistance to strengthen cooperative agricultural credit system have been implemented, a number of national funds have been created. Cooperatives have been actively involved in implementing the scheme of price support and market intervention. National Cooperative Development Corporation is providing variety of assistance to marketing and processing cooperatives.

3.7 With a view to strengthen the promotion role and improving infra-structural facilities of the national cooperative federations in the country, the Government of India has been implementing a Central Sector Scheme. Centrally sponsored scheme for assistance in organisation of cooperative societies exclusively women will be launched during Eighth Plan period. The National Cooperative Bank of India has been registered under Multi-State Cooperative Societies Act, 1984.

3.8 Under the scheme for Human Resource Development, the Government of India is providing financial assistance to the National Cooperative Union of India for Cooperative Education and Training Programme. The cooperative education programmes are implemented and monitored by the National Cooperative Union of India, while training of the personnel is implemented by National Council for Cooperative Training, constituted by National Cooperative Union of India in consultation with the Government of India. Vaikunth Mehta National Institute of Cooperative Management, Pune and 19 Institutes of Cooperative Management are imparting training to the cooperative personnel of senior and middle level

respectively. 93 Junior Cooperative Training Centres are imparting training to cooperative personnel engaged in primary level cooperatives.

3.9 The training units of National Council for Cooperative Training cater to the management development needs of senior and middle level personnel by organising core and sectoral courses and short duration programmes of varied duration. Training needs are properly assessed and varieties of programmes are developed in consultation with the user organisations. These units are also involved in undertaking research studies and providing consultancy to the cooperative institutions. About 400 short duration programmes, providing training to 10 thousand personnel, are organised every year.

4. Strengthening Primary Agricultural Cooperatives through Business Development Planning

4.1 On a recommendation made by the World Bank, the Reserve Bank of India constituted on 1st August, 1986, a Senior Expert Group under the Chairmanship of Dr. A.M. Khusro, later known as the Agricultural Credit Review Committee (ACRC) to make a comprehensive review on the credit system in agriculture.

4.2 The objectives of the Committee were:-

(i) To review the rural financial system in the country and to assess the credit requirements of the agricultural sector during the next decade. (ii) In this context, to determine the role of credit system, (iii) to evaluate major problems and issues currently affecting the agricultural credit system. (iv) to make recommendations for improving

the quality of credit and strengthening its efficiency and effectiveness.

4.3 The ACRC submitted its recommendations in August, 1989. The ACRC diagnosed that cooperatives as an institution and credit cooperatives in particular, were suffering from structural weaknesses created due to politicisation, high level of overdues, poor deposit mobilisation and low profitability due to poor interest margins and unviable operations. It was felt that there is an urgent need to revitalise the existing cooperative structure, if the system is to play an effective role in future. Credit cooperatives specially need to be revamped if they are to regain pre-eminent position as distributors of agricultural credit.

4.4 The Committee has emphasized on the immediate need for strengthening of PACs. Amongst various measures, the Committee has suggested a programme of development for each PAC with emphasis on increasing loan business, enlarging its activities in non-farm, non-credit sector by augmenting the resource base of the societies and reduction in their overdues. The Committee is of the view that development of human resources would be essential to make the process of planning and implementation more effective at the grass-root level. The programme of development of PACs would also require close monitoring and evaluation of the planned development activities. This remarkable recommendation has been accepted by the Government of India and is being implemented through out the country since 1991 as a scheme of Central Government.

4.5 In October, 1990, the Government of India constituted a Committee for implementation of the recommendations made by ACRC under the Chairmanship of Shri J.C. Pant, Secretary (Cooperation), then Additional Secretary, Department of Agriculture & Cooperation. The Group held detailed discussions on the various issues highlighted in the recommendations, with a view to drawing up a plan of action. For strengthening PACs, it was decided that an Action Programme should be drawn up for each Primary Agricultural Credit Society (PACS) to make it viable and all PACs, which have not yet reached a loaning business of Rs.10 lacs, should be taken up for special attention.

5. Action Programme for Business Development Planning in PACs

5.1 According to the above decision, the Action Programme for BDP has been drawn up. The basic aspect of this scheme is to cover all the PACs under Business Development Planning in the Eighth Five Year Plan in a phased manner. Since the District Central Cooperative Banks have close organic link with the PACs, they have been considered the appropriate agencies to shoulder the responsibility for helping to prepare business plans for each PACS affiliated to them. Training of envisaged staff for the programme for District Central Cooperative Banks are expected to be assigned for this task on the ongoing basis. These officers will prepare Business Development Plan in Primary Agricultural Coop. Society in their respective

districts. This job is in addition to their normal work assignments. The District Central Cooperative Banks were directed to create Business Development Planning Cell at Headquarters. In this programme, managers of selected marketing and consumer societies affiliated to NAFED and NCCF will also be associated to achieve functional integration of credit, marketing and consumer cooperatives in the formulation and implementation of the Business Development Plans of primary societies.

5.2 According to Action Programme of Business Development Planning in PACs, it is proposed that during the first year, such societies which have the potential to develop a business of Rs.10 lacs and meet its staff cost may be taken up for business development planning. The societies which are already covered under the World Bank aided godown project of NCDC, need not be selected as this exercise of planning is already under way there.

Preference may be given to such societies for developing business plans, which fall in the area of National Water Shed Development Project for Rainfed Areas, to take advantage of external resources. Atleast one PACS in each community development block in the country be selected for preparing Block Development Plan in the first year.

5.3 According to the training scheme, the training of DCCB and other officers numbering approximately 2500 was scheduled to be conducted during the month of January-February, 1991 in 21 identified Institutes of Cooperative

Management of National Council for Cooperative Training and Agriculture Staff Cooperative Training Institutes of NCDC in three different slots of 9 days duration each. The Bank officers were expected to bring village and society data from one of the selected societies and at the end of the training course, they would be taking back a well discussed, formulated business plan of the society for implementation.

5.4 The course material for the 9-days training was also finalised. This material was also to be translated into local languages in all the States before the commencement of the training of DCCB officers.

5.5 For the purpose of collecting village and society data, a questionnaire was to be circulated to all the banks by the identified College. The proformae were to be made available to the concerned college by National Council for Cooperative Training.

5.6 In this phase managers of selected marketing and consumer societies which are affiliated to NAFED and NCCF respectively would be invited to participate along with DCCB officers so that in the process of training, marketing and consumer functions are well integrated. It would also facilitate in involvement of marketing and consumer societies later with DCCB in the actual preparation of business plans of the primary village societies.

5.7 At the district level, a Committee under the Chairmanship of District Cooperative Officer with

Manager of DCCB as Convenor would be set up to monitor progress in the formulation of Business Development Plan of the PACs. The cooperative officers will also assist the societies in implementing the plans and in overcoming procedural or legal problems.

5.8 At the state level, a Committee under the Chairmanship of Registrar, Cooperative Societies and Managing Director, State Cooperative Bank as Convenor would be set up to review the implementation of Business Plan of PACs and to take suitable corrective measures for their effective implementation.

5.9 The suitable formats were suggested to monitor the progress in preparing Business Development Plan at PACs selected for the programme and to monitor the progress in the implementation of the plans so prepared.

5.10 The tasks involved in Action Programme of Business Development Planning in PACs were (i) Identification of Trainers, Trainees and PACs, (ii) Training of Trainers, (iii) Orientation of RCS/MD/SCB, (iv) Training of DCCBs officials, (v) Bench Mark Survey of PACs, (vi) Analysis and preparation of Draft Plan & Finalisation of BDP, (vii) Approval of Business Plan by Management Committee of PACs, (viii) Implementation of the Plan, (ix) Monitoring, and (x) Data Networking.

6. Procedure for Formulating Business Development Plan

6.1 The Business Development Planning in PACs aims to remove the limitations, which are faced by PACs to help

to achieve their objectives as laid down by its bye-laws. This developmental process assists in bringing changes in economic, environmental and social sphere. The business development planning of PACs in its development process bring about business diversification, improvement in productivity, cost rationalisation, value addition, enhancing members participation and promoting cooperative marketing of village products.

6.2 The Business Development Plan of PACs may consist of many sub-plans for each activity such as credit business, input business, consumer business, marketing business, processing business, godown storage business, deposit business, agro-engineering business. Considering the local needs and potentials, the society may prepare other business plan, that is organising self-help group, farm guidance, transport activities, welfare activities such as medical, health, recreation, education, etc.

6.3 The process to be followed for drafting the BDP is very laborious and demand comprehensive survey and discussions in various forums. Some of the most important steps in this process are as follows:-

I. Initiation - (i) it may include awareness creation pertaining to the need for business planning among members, office-bearers and officials related with cooperative societies.

(ii) Data Collection - it may include two spheres

(a) Area of operation, village/villages profile may be

prepared by using well structured format developed to understand the environment of the area, (b) Performance of PACS Survey - It may be conducted to understand the current status of the society by using well structured format developed for this purpose.

II. Preparation - Under this stage following four elements are included:

(a) Data Analysis - the available data may be analysed to have indepth insight into field situation and to evolve various parameters.

(b) Identification and defining problems - This helps in concretising the direction of the plan.

(c) Setting goals and objectives - After analysing the business activities, the objectives and goals may be set and the requirement of funds and their sources may be assessed.

(d) Preparation of various sub-plans and their integration into total plan - This helps in deciding the priorities of the activities and preparing various sub-plans and integrate the same into total plan.

(e) Preparation of budget and cash flows statement

Annual Budget divided into quarters and cash-in-and out flows may be prepared.

(f) Finalisation of BDP - In consultation with the members, obtaining their acceptance and commitment and revising the activities in the light of discussions, examining the

feasibility of the BDP in the context of capacity of PACS and managerial capability and explaining the elements of BDP to Managing Committee members.

(g) Commencement of Implementation

For effective implementation activity-wise Action Plan may be prepared by phasing targets for various activities, identifying the various agencies for getting necessary support, raising resources, establishing linkages and initiating administrative steps.

(h) Monitoring

For the periodic monitoring of the progress achieved in preparation of Business Development Plan and analysis of the impact of BDP implementation, a feasibility study for a computerised system was conducted by National Informatic Centre of India and the report was submitted in May, 1991. Since then, a computerised Management Information System on Business Development Planning in Primary Agricultural Cooperatives has been developed using SCO Foxbase + operating under XENIX.

A set of seven programmes have been designed to collect information and data from different levels at different points of time.

The parameters in each proforma are selected so carefully and critically that the data obtained under these, when compiled and analysed will be highly useful for

monitoring the programme of BDP and assessing the impact of implementing this programme.

7. Present Status of Business Development Planning in PACs

7.1 In few States, most of the Primary Agricultural Cooperative Societies, have prepared business development plans and, in most of the States, beginning has been made and efforts are on, of course, the mood is not jovial. About 25% PACs are not viable and nearly 30% PACs do not have full time paid Secretaries, hence it is very difficult to bring these PACs under the BDP Scheme. Educational background of a large number of Secretaries/Managers of PACs is very poor ranging between non-matriculate to graduate. They are not trained also. How these managers can appreciate and prepare BDP in their PACs?

7.2 In number of PACs instead of formulating activitywise sub-plans aggregated into corporate plan, they have directly prepared corporate plan with targets for each aspects of activity. It reveals the lack of activity skill in developing the plan.

7.3 Those PACs, who have prepared BDP are not getting full support of higher level institutions and the forward and backward linkages are also not very strong. Horizontal and vertical linkages among various institutions have not adequately developed as ought to be, hence the implementation process has not been geared.

7.4 The officers of District Central Cooperative Bank entrusted with the task of BDP preparation are already burdened with their present assignment. Further, this developmental task requires creativity, imagination, innovation. How far the present officers, most of them are unmotivated and unwilling, will be able to discharge their task is a matter of great concern? The PACs managers in most of the States are employed by cadre authorities managed by cooperative department/district central cooperative bank, hence their loyalty is not with PACs but with the cadre authorities. Under this situation these managers may not do justice with BDP presentation and implementation.

7.5 Most of the Managing Committee members have not sensitised and are not quite aware with the procedure for making such plans, hence they do not appreciate this new developmental scheme. The educational programmes to facilitate clear communication for the members & Managing Committee members are not being organised by the PACs and the District Central Cooperative Banks, hence this innovative scheme has not taken its root at the grass-root level.

7.6 As regards training programmes, the National Council for Cooperative Training at the instance of Government of India has launched a special scheme of training of business development planning for Primary Agricultural Cooperatives and Marketing and Consumer Cooperatives. The Council in collaboration with TOPIC of NCDC has developed training

programmes of appropriate duration as listed below:-

- (i) 9-Days Training Programme for the Officers of District Central Cooperative Banks.
- (ii) 5-Days Trainers Training Programme for the Principal and faculty members of Institutes of Cooperative Management and ACSTIs.
- (iii) A one-Day Orientation Programme for the Registrars, Chief Executives, Managing Directors of State Cooperative Banks.
- (iv) 9-Days Training Programme for the Personnel of Marketing, Consumer and other Promotional Agencies of Higher Level.

7.7 During last four years (1990-91 to 1993-94) about 3000 personnel have been imparted training in business development planning for PACS. As regards the training of the personnel for marketing, consumer business development plans about 2500 people have been provided training.

7.8 The Council with the active support of TOPIC has developed training manuals and other reading material. The manuals have also been translated in 14 languages. They are being used in different programmes, which are being conducted in different parts of the country.

7.9 In the total exercise of BDP, the participation of members, Managing Committee members, concerned federal cooperative enterprises and concerned department is

solicited for achieving anticipated results. This participative venture has been undertaken with the vital segment of need based educational and training components so that everybody may contribute its mite in a befitting manner.

7.10 The programme for strengthening the Primary Agricultural Cooperative Societies, Consumer Cooperatives and Tribal Cooperatives through Business Development Planning process and its implementation has been undertaken. In this process, these cooperatives would also be able to provide required business support to the PACs by establishing business linkages between agricultural, marketing, consumer and tribal cooperative. The progress in this area is not very satisfactory.

The Agricultural Cooperative sector in our country has been in existence almost since the beginning of our country. Despite considerable growth and diversification in the operations, membership and financial resources, etc. over the years, the base and middle level structure is generally weak and the performance is far from satisfactory. Problems inhibiting the growth of these base level coop. institutions and their viability have been gone into and identified by various committees. For strengthening the PACs, the programme of Business Development Planning has been introduced in our country since 1951. The Agriculture Marketing and Consumer Cooperatives have also been included

in this programme. With the active participation, support and sincere efforts of the members, federal Cooperative Institutions and Government, this need based approach of BDP will be successful in its mission.