CHAPTER TEN

CONCLUSIONS

Agriculture is the way of life in Nepal. The predominant niche that agriculture occupies in the Nepalese economy is highlighted by the fact that this sector alone engages about 94 percent of the working population besides contributing 64 percent to the Gross Domestic Product of the country. This sector has to contribute substantially to the development activities and growing demand for food resulting from the rapid population explosion has to be met by it.

Realising the importance of agriculture in national economy the Government has laid considerable emphasis on the development of this sector which is illustrated from the funds allocated to it in the six development plans launched in the country. Emphasis to this end is further reflected in the establishment of various institutions - Government and Semi-Government whose sole objective is to develop agriculture. Among these agencies, Agricultural Inputs Corporation, Agricultural Development Bank, Cooperative societies are notable. Over and above, extension services of the Government have been constantly and continuously endeavouring to enthuse the farmers to use improved farming practices and thereby obtain maximum returns from their farm operations.
Despite cumulative and concentrated efforts of the Government and huge investment sunk in agricultural sector its performance has been quite lack-lustre and has not measured upto national aspirations. In the past increase in food production has not paced with increase in population. In the face of fast population increase in the country, agricultural development has posed a big challenge for the planners and plan-implementors. In fact time is not very far off when the food grain exporting Nepal may have to import foodgrains if the present trend does not abate. Hence an immediate attention to strengthen the efforts at increasing the agricultural production.

Efforts have been made in Nepal to do away gradually with the traditional method of farming and switch on to more scientific and modern methods for increasing agricultural production. The use of improved INPUTS is one of the methods available and applied. An agency presently known as Agricultural Inputs Corporation was established by the Government in 1966 to handle the improved INPUTS - chemical fertilizers, improved seeds, tools and implements, and plant protection materials and distribute the same in the whole country. Even after 15 years of its establishment the agrarian structure of the country has not improved. Several factors including the organization and management of the Corporation has brought it to this strait. This is amply corroborated by the present study. The pages that follow summarise the main findings of the study and suggestions.
These relate to:

1. Organization structure and management pattern of the Corporation.
2. Procurement policy and system.
3. Distribution system.
4. Inventory management.
5. Pricing policies and practices.
6. Personnel management.
7. Financial management.
8. Impact of AIC on agriculture.

10.3 MAIN FINDINGS

10.1.1 ORGANIZATION STRUCTURE AND MANAGEMENT STRUCTURE OF THE CORPORATION

i. Organizational design of the Corporation lacks clear focus on key activity i.e. distribution needed to produce key results. In spite of many 'off-spring organizations' created by the Corporation in different regional, main-branch, branch, and sub-branch offices spread over 60 districts of the country, the distribution function has not been properly integrated in the organizational design. There is no organizational support to attend to the functions of various offices as to devise expedients to promote sales in their respective areas.

ii. While organizing various activities of the Corporation no proper exercise has been done regarding its needs. Instead, theoretical rules, a pattern obtaining in Government departments,
or some other enterprises have been followed. As a result there has been excessive formalisation of organization structure which has contributed in building large number of employees rather than in building performance. In the process the key activity has been subordinated to non-key activity. There are also instances of improper grouping of activities.

iii. Management pattern at the top has revealed that the Board of Directors is composed of all part-time members excepting the chief executive on the principle of interest representation for which there has not been any specific policy. Instances of unsystematic and incoherent congregation of certain interests on the Board of the Corporation are rampant. There is not prescribed qualification for getting Board membership. At present Board members are nominated not because of their proven ability and integrity but because of their ex-officio capacity. There has also been wide variations in the status of people representing on the Board.

iv. No tenure has been fixed for a member as all members on the Board are in their ex-officio capacity. The change in their official capacity has been frequent which has resulted in high turnover of Board members. The average tenure of the members on AIC’s Board has been less than 3 years and that of the chairman has been less than 2 years. In the last 5 years (1975-80) there have been 4 chairmen with an average tenure of 1.25 years. The tenure of the chief executive has averaged 3 years.
v. The positions of Chairman and General Manager continue to be manned by two separate persons inspite of the Government's acceptance of the recommendation of the Corporation Coordination Council to club these two positions under one umbrella.

vi. There has not been any clearcut demarcation of authority, responsibility and accountability among different levels of management. In the absence of such demarcation it has been difficult to hold a particular person accountable for any success or failure in the management of the Corporation. The delegation of authority to various levels of management and field offices has not been in consonance with their responsibility.

vii. Management reporting system either in the head office or in field offices are performed on the basis of customearily established procedure. The Corporation does not maintain the written standard procedures.

10.1.2 PROCUREMENT POLICY AND SYSTEM

i. The Corporation, being a trading concern, procures various inputs to distribute the same to the farmers. Its procurement policy has provided guidelines in the areas of source market, methods of procurement, creating supply sources and encouraging indigenous manufacturer. All the procurement activities are centrally handled.

ii. Chemical fertilizers which constitute the largest volume of business of the Corporation are procured from the
international markets twice in a year on the basis of
global tender. Besides donor countries and agencies also
supply fertilizers to the Corporation; the share of aided
fertilizers in 14 years procurement was 42 percent. Major
types of fertilizers so far procured by the Corporation
include ammonium sulphate, complex, urea, compound and potash.
There are 14 countries and one international agency from
where the Corporation has procured fertilizers, but four
countries – Japan, Germany, West Germany and Kuwait, have
been the major source. Japan has been the main source for
nitrogenous fertilizers like ammonium sulphate and urea and
Germany has been the main source for concentrated type of
fertilizers like complex and compound.

iii. Improved seeds are locally procured from the
Government farms and progressive farmers. The Corporation
runs seed multiplication programme in various parts of the
country through which its seed requirements are met. Tools
and implements are procured locally. Agri-machinery and
plant protection materials are procured from India and
overseas countries.

iv. The procurement of various INPUTS has increased
over time. But the procedure and timing have not been pacing
with the increasing volume of procurement and the system is
fatuous with certain disadvantages which demand the
rescheduling of the timings of procurement. Certain problems
are also faced with regard to railway wagons.
10.1.3 DISTRIBUTION SYSTEM

i. The distribution is the key activity of the Corporation as it is established to maintain supply of agricultural INPUTS throughout the country in accordance with the need for the agricultural sector. The Corporation acts as a wholesaler of INPUTS and retailing is conducted by its dealers.

ii. There are several agencies - internal as well as external involved in the fixation of distribution target. It basically originates at field offices where demands from the dealers are collected and finalised at the National Planning Commission. In the process targets are scrutinized and consolidated at various level of AIC's offices - regional offices, planning division of head office; these are discussed at the Board's level and also at the Ministerial level. The whole exercise is based on personal judgement of the persons involved. No scientific technique for forecasting is used.

iii. As other enterprises in the country, the Corporation has also to face transport bottlenecks. There is no option for choosing alternative means of transportation which could be cheaper; there is no scope for alternative routing either because of the limited road facility. At the moment any saving in transportation cost is possible only by reducing number of handling hands and preventing double transportation for which there is ample scope.
iv. The distribution channel of the Corporation has witnessed several developments. Initially the Corporation had co-operatives and private traders as its dealers and these two were treated at par. Under its changed dealership policy the Corporation has been preferring institutional (co-operatives) to private traders for granting dealership; different commission rates have been fixed for these two types of dealers. Present dealership policy of the Corporation is not based on sound commercial principle. There is no pursuasive justification for the continuation of such non-commercial policy.

v. The Corporation has now included an additional chain such as District Co-operative Union (DCU) in its channel of distribution who acts as an agent between AIC and its retailers (co-operatives). The co-operatives are asked to receive their supplies through DCU which retains certain commission margin. At the moment DCU functions simply as a post-office between co-operatives and the Corporation and serves no other useful purpose; rather its existence has created some anomalies.

vi. The sales performance of AIC has increased overtime: from Rs 652 thousand (1965-66) to Rs 130521 (thousand) (1979-80). It has also endeavoured to reach to the largest segment of the country. However, its major business is still concentrated on limited area; its sales volume has not yet been able to touch the level marked by the national planners. One of the factors responsible for such state of affairs is that the
Corporation's organizational mite has not been diverted to distribution activity. There is little aggressive selling at any stage in its distribution process. The Corporation's activities with regard to sales promotion are negligible.

10.1.4 INVENTORY MANAGEMENT
i. The overall inventory position of AIC has fluctuated from Rs 343 thousands to Rs 15026 thousands. Of all the inputs the share of chemical fertilizers is the largest followed by improved seeds. Inventory position as a percentage of sales volume has ranged in the region of 20 to 18%. Sometimes the Corporation has carried excessive inventory i.e. about 2 years supply (1974-75) and sometimes the inventory position has not been adequate even to meet 2½ months demand (1979-80). The Corporation has so far fixed any inventory levels so essential for inventory control.

ii. In fact the inventory control system is non-existent in the Corporation: non-existent in the sense that the system does not use any tools and techniques, and it lacks the essential core - a objective which is to be achieved and so remains a mere inventory recording system, 'a nervous system without a guiding brain'. With the result the Corporation had faced the twin problems of excesses as well as shortages. The factors found responsible for such state of affairs are - variation in demand forecast and actual consumption, no consideration for inventory and consumption trend at the time of procurement. An important factor responsible for the excess
inventory in AIC had been fertilizers received through multilateral and bilateral aid. The problems were created mainly due to lack of co-ordination between the Finance Ministry and Agriculture Ministry at the time of negotiating aid.

iii. By the end of 1979-80 the Corporation had a total storing capacity of 55400 MT. In aggregate highest number of store houses (38%) with maximum capacity (41%) has been built up in Central Development Region followed by Western Development Region where 25% of total number and 22 percent of total capacity has been built up. The distribution of storehouses in different development and topographical region is not exactly in the proportion of volume of transaction.

iv. The storing capacity of the Corporation is about 139 percent of the yearly average sales volume of INPUTS. Despite such situation its storage congestion has not eased because of unplanned distribution of storage facilities location with the result it had to hire godowns at exhorbitant rents,

10.1.5 PRICING POLICIES AND PRACTICES

i. Prices are determined by the Board of Directors of the Corporation keeping in view the directives issued to it by the Government from time to time.

ii. Initially (1965-66 to 1970-71) the prices were governed by the principle 'cost-plus'. The practice had been to add certain margin (1.7%) in the total costs incurred to arrive
at the selling price. One of the striking features of pricing practice followed at that time was that different prices ruled in different parts of the country. The prices of inputs increased as one went deeper into the hills because of variations in transportation costs. Even among similar topographical regions the distance from railheads to the delivery places had influenced the price of inputs.

iii. A uniform pricing policy for all regions of the country was adopted by the Corporation in 1971-72 under which the weighted transport expenses were included in the cost sheet for pricing purposes with a view to: (a) provide fertilizers to hill farmers at prices lower than those determined by cost considerations, (b) discourage outflow of fertilizers across the border by fixing sales prices in Terai region higher than those across the border in India and (c) minimize operating losses of the Corporation by recovering sales losses in the interior areas of the country by profiting in Terai.

iv. Fertilizer price trend in Nepal has shown an increasing trend. Unprecedented hike in fertilizer prices in the international markets after oil crisis forced upward revision in prices. But the prices have not been revised on the basis of cost consideration alone. The prices of certain fertilizers are still kept below the cost with a view to: (a) fix prices at that level where they are not unremunerative to the farmers, (b) subsidise the prices of fertilizers which have to be promoted and are new ones to the field, and (c) encourage usage of balanced and concentrated type of fertilizers.
v. Fertilizer price subsidy programme in Nepal was initiated by the Government in 1972 and is carried on in two forms - (a) transport subsidy for remote hilly region for which the Government each year provides subsidy amount, and (b) price subsidy for all regions by fixing the prices lower than landed cost. Price subsidy has resulted into millions of rupees as losses to the Corporation. The Government has neither provided subsidy to bear the losses nor has allowed the Corporation to raise its prices. At the present juncture one of the major difficulties confronting AIC is the absence of the Government's clearcut policy on the issue of price subsidy.

vi. Upto 1972-73 there had not been substantial and uniform response of sales to price change, but thereafter the prices have affected the sales volume. While present levels of fertilizer and food grain prices indicate that the prices of fertilizers are not unremunerative to farmers, but the farmers consider that the prices have not been remunerative to them.

vii. Price policy adopted to encourage balanced use of fertilizer by not subsidising nitrogenous fertilizer such as ammonium sulphate, less subsidizing urea, another nitrogenous fertilizer than complex and compound containing nitrogen, phosphorous and potash, has not yielded desired result. The proportion of consumption pattern of NPR has remained at most the same and the consumption of nitrogen has increased and that of potash had decreased. In fact farmers in Nepal
prefer N to P and K, and therefore, the imposition of prescribed ratios and the fixation of nitrogeneous fertilizer at higher rate has seriously affected the growth of sales volume. The sales trend shows the effect of the policy of encouraging usage of concentrated type of fertilizers has been positive as in the last seven years the sale of concentrated type of fertilizer has increased and that of less concentrated as ammonium sulphate has decreased. However, it is not only the price rather other factor such as less availability of ammonium sulphate in the retail outlets of the Corporation has been responsible for decreasing the sale. Even at higher prices farmers are willing to buy more of ammonium sulphate or urea rather than complex and compound. Thus these policies have been detrimental to the growth of sales.

viii. Although the uniform price policy for the whole country has benefitted the farmers in interior part of the country and sales of hill area has also increased, but its severe effect on national economy has not been sufficiently realised by many. Terai has been the most potential area for increasing food grain production. Insufficient and less use of fertilizer in Terai region had and would adversely affect the achieving of national food grain target. Under the prevailing situation there is no proper justification for charging higher prices in Terai than the actual cost. In fact from the present uniform price policy the farmers of much developed region (Kathmandu) have been benefitted at the cost of farmers of less developed region (Terai) which is not only socially not-justifiable but it is also against the national genre of regional development.
10.1.6 Personnel Management

1. Personnel management in the Corporation is handled by the administrative department which assumes diverse responsibilities. In the organizational hierarchy of the Corporation, the place of administrative department is at par with other division of the Corporation but the role of the personnel chief is limited to the performance of day-to-day routine work. The Corporation does not have its personnel policies in black and white. The practice shows that its personnel policy has been basically that of following guidelines and instructions received from various Governmental agencies such as Public Service Commission, Finance Ministry, Agriculture Ministry and National Planning Commission. The policies formulated by various agencies clearly reflect their parochial interests; there is no congruity in their approach.

ii. Manpower planning in its true sense is not applied. For the creation of jobs prior approval of Agricultural Ministry is essential. In the process neither an evaluation of the present human inventory nor detailed work out of the manpower need is done. The whole process is rudimentary. The result has been hazardous.

iii. Recruitment, selection and promotion in the Corporation is done by a Pad Purti Samiti according to the principles provided by the PSC. The PSC has standardized the principles without considering the typical nature of a particular enterprise and such principles have created problems at the Corporation. There has been flight of talent from the Corporation to other places.
iv. The Corporation does not have any training strategy. However, some efforts at imparting training to the employees either inside or outside the organization have been made. There is no sound policy for the nomination of the candidate for training programme with the result there has been no matching of training needs and the nature of programme of employee is to attend; frequently trained personnel do not get placed on the job for which they are trained. Even after training, the cases 'square pegs in round holes and round pegs on the square holes' are numerous.

v. There is uniform criteria for promoting different level of employees which is based on point system. A total of 485 points are distributed over different criteria and weightages assigned to each one of them are: seniority (29%), academic qualification (28%), performance appraisal (25%) and other experiences (18%). The contribution of an individual work performance does not count much in promotion.

vi. Performance appraisal is not carried out systematically and regularly. The appraisal system has been more or less a ritual that is followed at the time when an employee has to apply for promotions as the appraisal results in the Corporation are used only for promotion decisions. There is no transfer policy either.

vii. Salary structure and its revision in the Corporation has been controlled by the Finance Ministry and guided by the civil service salary structure. The Government's policy regarding salary structure in public enterprises has not been uniform. The current policy of salary revision has
affected different level of employees differently. Further, the Corporation has not provided to its lowest level of employees even the minimum wage prescribed by the Government for the workers of Industrial undertakings.

viii. The crop of benefits provided in the Corporation are either an exact transplantation of the concept of welfarism embodied in civil service rules or the copy of string of benefits available to the employees of other enterprises. So far the Corporation has not conducted any survey to find out the likes and needs of employees for extending such benefits.

ix. Employee-management relations issue in the Corporation is not so serious. But the 'present going' is not based on sound footing as certain ingredients of sound employee-management relations such as suggestions system, employee participation in management, grievance redressal system etc. are not existant. There is no proper milieu to do the job and obviously in the absence of such an environment the employees work only for pay's sake and protecting their position; they do not really put in any extra effort.

10.1.7 **FINANCIAL MANAGEMENT**

i. There is a Finance department to look after financial aspect of the Corporation. The department has received similar status as other departments of the Corporation but it has not been fully involved in financial planning. Although from the tasks assigned to the department, it is expected to be pro-active in the financial matter but in practice it has not
been so. Performance budgets, cashflow and fund flow statements which are considered essential tools of financial management, have never been prepared. The delegation of authority to finance chief is very limited.

ii. In Nepal, for public enterprises established under the Corporation Act like AIC, there is no provision for the issue of share capital as in the Company Act. In such cases the Government annually supplies capital in the form of financial investments which are usually allocated in its annual budget. However, there has not been definite policy of the Government regarding equity-loan-mix in the capital structure of the Corporation. The existing owned capital is not adequate and the Corporation has to bank upon borrowings for meeting its capital requirement. Price policy of the Government has resulted into heavy losses to the Corporation and upto 1977 the Corporation had eaten away all its owned capital as the accumulated losses were 85 million as against only 32 million owned capital, losses being 266% of owned capital. Thus proper heed has not been paid towards designing sound capital structure.

iii. The Corporation follows a traditional pattern of budgetary forms and procedure which does not link estimated expenditure to proposed activities and end results. The budgetary exercises lack detailed workout with the result that they can be used only as a base for obtaining funds and as an instrument for controlling expenditure levels.

iv. There is an internal audit division in the Corporation, which is engaged in auditing of accounts to ensure its
conformity with the established policy and procedures and also to ensure against fraud and mistakes. The division at the moment does not appraise actual results in the light of planned results.

10.1.8 IMPACT OF AIC ON AGRICULTURE

i. While there has been a marked increase in the volume of INPUTS distributed by the Corporation its impact on land productivity at national level is not that visible. However, when the national figures are disaggregated into two parts - INPUTS 'concentrated' region and other region, it is discerned that there has been a definite impact of INPUTS on land productivity which is better in INPUTS 'concentrated' region than other region. The farmers responses have revealed that with the use of INPUTS the land yield rate has increased. Why it has not been felt at the national level is largely attributable to the fact that the service of the Corporation has been more rivetted on limited area.

ii. The Corporation has been able to bring more land under chemical fertilizers and improved seeds. But its performance has been very slow as in its 15 years of existence it could bring only 9.2 percent land under chemical fertilizers and 24.2 percent under improved seeds.

iii. On the whole, the adoption of modern INPUTS has resulted in generating more employment opportunities in the agricultural sector. The increased number of employment is not confined only to a particular operation, rather it is distributed over larger number of operations. This has contributed in providing
employment opportunities to the rural people even in slack season which is beneficial both from social as well as economic point of view as in Nepal average rural dweller gets employment only for 117 days in a year.

iv. With the use of Inputs gross revenue per hectare has increased in all crops more than the increase in associated costs with the result return on farming has increased. The farmers share in increased gross revenue ranges from 41 to 66 percent. Among other factors of production the share of Inputs is highest ranging from 19 to 50 percent. The share of human labour in increased income has ranged from 8 to 14 percent. The use of bullock has been reduced by the use of Inputs especially on account of partial use of tractor in land preparation. The negative share of bullock in increased revenue ranges from 1 to 3 percent.

v. Farmers responses regarding Corporation’s care on different aspects have revealed that the Corporation has to tread a long way to come up to the desirable and desired expectation of the entire farming community. There are several farmers who have not shown their satisfaction in the area of supply of required quantity in time, quality of Inputs supplied, packaging, weighting system, prices of fertilizers. Sixty four percent farmers stated that they do not get information about doses and other use of Inputs from the dealer which indicate that the Corporation’s dealer does not adhere to sound selling practice.
vi. Further information elicited from the farmers has revealed that 76.7 percent farmers hold less than 1 hectare land. Majority of the farmers were found using improved INPUTS but the proportion of small farmers using such INPUTS has been less than the medium and large farmers. Some of the farmers had started using INPUTS before the Corporation was set-up but their number has significantly increased in recent years. There are several sources of the farmers' knowledge of INPUTS, major source being relatives/friends and agricultural extension workers. The contribution of AIC office and its dealers in disseminating knowledge about INPUTS has been nominal. While majority of the farmers are aware of the recommended doses of fertilizers but most of them do not use as they consider these doses too expensive to finance.

10.2 **SUGGESTIONS**

Although the present study was confined to the Agricultural Inputs Corporation, it may be appropriate to summarise briefly in the light of the findings of this study, the suggested measures for improving management of agriculture in Nepal in general and Agricultural Inputs Corporation in particular. The areas requiring appropriate action at Governmental level and also at the Corporation level are dwelt below:
10.2.1 **ACTION REQUIRED AT GOVERNMENTAL LEVEL.**

Some of the important issues which have their bearing on agricultural development of the country as well as management of the Corporation and require suitable action are:

I. **Reorganising Board**

II. **Changing Governmental control system**

III. **Bringing better co-ordination among various agencies**

IV. **Acting according to desired price policy**

V. **Providing sufficient capital**

VI. **Establishing a fertilizer factory**

VII. **Minimizing infrastructural barriers to the use of INPUTS.**

I. **REORGANISING BOARD**

The existing pattern of interest representation requires suitable modifications. The Government should prescribe the minimum level of bureaucracy that should be nominated on the Board of a public corporation. The existing 'ex-officio efficient kick-ups from middle level bureaucracy' should be replaced by men who have professional qualification to their credit and are of proven ability and integrity. For this purpose the Government should hunt not only in the 'jungle of bureaucrats' but also raid the professional institutes, other business enterprises and appoint for a fixed period such persons on the Board who could steer the Corporation towards desired goals. The present practice of having two persons as Chairman and General Manager should be discontinued. The CCC's and Pay Committee's right recommendations of clubbing these two functions under one head be implemented.
II. CHANGING GOVERNMENTAL CONTROL SYSTEM

The Government's current thinking should undergo a change and it should allow the public corporations to work on commercial lines. Piecemeal approach of various governmental agencies regarding pricing, finance, personnel matters pursued so far has to be replaced by a general guideline incorporating Government's approach on various facets of the Corporation's activity. Thereafter the Corporation should be permitted to adopt its own strategy and there should not be any further invasion from the Government.

III. BRINGING BETTER CO-ORDINATION AMONG VARIOUS AGENCIES

Some of the problems of the Corporation such as inventory have been created on account of absence of co-ordination among various agencies. Before taking decision on any aspect, the Government should sort out the possible repercussions of its decision on various agencies and their problems should be considered. The import of fertilizers under the aid programme should be finalized at least an year advance the actual despatch from the donor agency. The negotiation should be conducted in consultation with the Corporation so that it will have sufficient time to plan its commercial imports. Further, the prices of aided fertilizers should be negotiated at those levels that do not exceed the ruling prices in the international markets.

IV. ACTING ACCORDING TO DESIRED PRICE POLICY

The Government should authorise the Corporation to fix the prices of INPUTS. At the present juncture one of the major
difficulties encountered by the Corporation is the absence of Government's clearcut policy on the issue of fertilizer's price subsidy. In view of the relatively higher profitability of fertilizer use, it has been rightly felt in the Government quarters that some reduction in prices of fertilizers brought about by subsidizing the same will be instrumental in tempting larger numbers of farmers to use fertilizers and apply them in optimum doses. The idea should be concretised in the form of suitable working arrangement. It is advised that if the Government wants the Corporation to sell these INPUTS below its cost it should provide the difference amount in the form of subsidy. Further the Government should provide sufficient funds for transporting INPUTS to remote areas so that its sale in these areas gets impetus.

V. PROVIDING SUFFICIENT CAPITAL

The Government should provide adequate capital to the Corporation to meet its requirement. Owned capital of the Corporation has already been eaten away and the balance of accumulated losses incurred due to price subsidy is being currently financed by bank-borrowings. Continuation of such financing arrangement is obviously not desirable. To start with the Government should provide the amount equivalent to accumulated loss along with the additional capital requirements.

VI. ESTABLISHING A FERTILIZER FACTORY

While on the one hand the import prices are very high, on the other hand there is pressing need for increased fertilizer use in the country to improve the agricultural
production. In view of this the early establishment of a fertilizer factory in Nepal needs to be considered very seriously. Although the initial costs of setting up of such a plant may be very high, in the long run it is bound to benefit the country.

VII. MINIMISING INFRASTRUCTURAL BARRIERS TO THE USE OF INPUTS

There is an urgent need for all out efforts to dynamic extension activities. In addition to the Government's extension workers, the progressive farmers should also be used for such purposes. Without proper irrigation facility the use of modern INPUTS cannot be promoted and popularised, attention is warranted towards increasing irrigation facility. The agricultural objectives would remain pious wishes if the improved INPUTS do not reach the farmers in every nook and corner of the country. Most of the farmers are economically weak and do not have enough fund to use modern INPUTS; though they may be convinced of its usefulness. Therefore, unless cheap credit is made available to them they will not be able to make use of it. In order to meet their requirements sufficient sources of cheap credit should be established. The use of INPUTS is definitely influenced by the price of farm outputs. The Government should provide support price to farm produce. Inequality in the distribution of land holding is still prevailing in the agriculture. Further step should be taken to reduce this inequality in the distribution of land holdings.
20.2.2 **ACTION REQUIRED AT THE CORPORATION LEVEL**

There are several areas which have remained inadvertently and nebulous out of the domain of the rational thought and understanding of the officers at the Corporation. The important areas requiring Corporation's action subsume:

I. Redesigning organization structure
II. Rescheduling procurement timing
III. Rationalising distribution system
IV. Instituting inventory control methods
V. Reviving pricing practice
VI. Developing enlightened personnel policies
VII. Practicing sound financial management.

I. **REDESIGNING ORGANIZATION STRUCTURE**

There is need for restructuring organizational design. While reconstructing the organization chart enough use of common sense should be made rather than strictly dittoing theoretical rules or adopting other organization's practices. The organizational design must focus on the key activity of the Corporation i.e. distribution. Its objectives in the area of distribution and other functions should be in writing and clearly reflected in the chart. Proper care should be exercised in grouping the activity homogeneously. It should indicate clearly the flow of authority and responsibility in concrete and measurable terms. It has been rightly said 'the better the people are organized the better they will be performing'. It needs to be dawned on the Corporation that
the official can be effective only to the extent that the authority is in consonance with the responsibility assigned. Steps should be initiated to delegate appropriate authority to juniors. The utility of developing operational procedure in print which could help in proper management reporting system needs to be realised.

II. RESCHEDULING PROCUREMENT TIMING

In view of the considerable disadvantages associated with the present procurement system the Corporation should think in terms of rescheduling timings of fertilizers procurement. Monthly sales pattern of the Corporation suggests that instead of procuring twice in a year it could procure four times in a year resulting in huge savings on interest, rent and also avoid obsolescence and quality deterioration. Rescheduling will also provide sufficient time to watch the price situation and dabble in the market and buy when prices are relatively low. With increasing sales of Inputs more and more quantity will have to be procured which highlights the needs for better planning and timing of orders. This is the task which the Corporation should immediately go about.

III. RATIONALIZING DISTRIBUTION SYSTEM

Distribution being the very key activity of the Corporation, it should be the cynosure of the management. The Corporation must indulge in aggressive selling. Although it would not be desirable for it to undertake significant technical promotional effort since this is the role of the
Government's extension service, there is a clear need for commercial support to dealers to encourage greater selling efforts. The Corporation should have a separate organizational arrangement for distribution purposes manned with sales experts who take care of all facets of distribution activity of the Corporation, produce practical promotional materials aimed at imparting training to dealers and give business advice to them. The Corporation's dealers should also be involved in sales promotion. The Corporation should delink DCU from its distribution channel and establish a direct link between its office and its retailers (co-operatives). The criteria for granting dealership should be based only on commercial consideration. There should be no discrimination between co-operatives and private traders in the matter of granting dealership; commission rates for both types of dealers should be the same. Such a policy with suitable safeguards built in would not only encourage effective dealers but also foster healthy competition between institutional and private traders. In order to save transportation costs number of handling hands and 'double transportation' have to be prevented. Instead of concentrating in certain areas greater efforts should be made to spread the increased sales volume in larger part of the country. In order to come up to the national aspirations the Corporation should try to achieve the targets set in the plan documents.

IV. INSTITUTING INVENTORY CONTROL METHODS

In order to increase the operational efficiency it is very important that the Corporation institutes an inventory control system. It should fix essential limits of inventory
levels keeping in view the procurement time and rate of consumption. The diverse aspects of inventory management should be brought under the roof of a senior officer who should also be responsible for controlling of inventories at field offices. Adequate care must be devoted to the location of storage facility in future. It is time now that the Corporation makes fuller utilization of the latest tools and techniques such as Economic Order Quantity, Always Better Control, Value Analysis etc.

V. REVIVING PRICING PRACTICE

The present practice of following uniform price throughout the country irrespective of the transportation cost incurred needs to be dispensed with. The Corporation should revive and retain price differentials among Hills, Kathmandu, Inner Terai and Terai regions. Prices of the later 3 regions should be fixed on actual transportation cost basis. Price subsidisation for the Hills should be made up from separate subsidy fund. Costing procedures of the Corporation should be reviewed periodically and necessary steps should be taken to minimize costs, especially in the areas of internal transportation, handleings and storage costs, where there exists an ample scope, which will help in bringing down the prices.

VI. DEVELOPING ENLIGHTENED PERSONNEL POLICIES

There is certainly a need for developing an enlightened personnel policy in the Corporation. It should adopt newer
and better techniques of personnel management and establish suitably organized and manned personnel department which could formulate and adhere to objectively determined recruitment and selection policies and devise its promotion, transfer, placement and induction policy in the context of organizational planning and development needs of the Corporation. Overstaffing should be controlled and embargo should be placed on the creation of new positions and in case of need these should be based on detailed workout of the requirements. The Corporation must admit the need for the continuous training and must chalk out its training strategy. Efforts should be made for tailoring training programme to the training needs of the employees. Since the jobs and positions in the Corporation are not exactly comparable with the civil service, the current practice of 'pegging' its salary structure with the civil service should be done away with and it should build a pay structure that is attractive enough to snap and ensure the sojourn of the high talent person. The Corporation should also think in terms of introducing some incentive scheme. The nature and quantum of employee benefits should be determined after properly assessing the felt needs of the employees. The Corporation should inaugurate suggestion system, grievance redressal procedure and engender an environment which induces an employee to do his best for the achievement of its objectives. A periodical review of the personnel programme is essential to keep it uptodate.
VII. PRACTICING SOUND FINANCIAL MANAGEMENT

The Finance department should be actively involved in financial planning and decision making. It should be proactive in its area of operation. Traditional system of budgeting needs to be replaced by modern system of performance budgeting. The popular concepts of financial management such as fund flow statements, cash flow statements should be used. There should be a definite policy for reviewing performance in the light of targets. The internal auditor's function should envelop comparing and results with the targets so that the management is made abreast with its strengths and weaknesses leading to timely action.

In quintessence, the Agricultural Inputs Corporation has a great, perpetual and abiding role to play in the national setting. If it becomes serious about its objectives, of course, first priority and equally serious to translate and transmute them adopting modern management practices, it is certainly in for strident improvements taking it to its zenith - substantially contributing towards enhancing agricultural production in Nepal.