Part IV
Chapter 13

SUMMARY OF FINDINGS AND CONCLUSIONS

Co-operatives have emerged distinctly as organisations for promoting the cause of teeming millions of poor landless, and propertyless farmers, artisans, and labourers and protecting them from exploitation by the rich and the vested interests in the developing countries, like India. As such, there has been a phenomenal growth of co-operative organisations in all sectors of economic activity. But as this growth was not preceded by proper planning and policy-making, it has resulted in poor performance at all levels. This has shaken the faith of the people. As a result, now there is a growing feeling that something is wrong with the administration and management of co-operatives.

The present study on "Organisation and Working of the Haryana State Co-operative Supply & Marketing Federation Limited (HAFED)" was undertaken to explore and identify the factors affecting its organisation, administration and working in achieving the resultant output and to suggest remedial measures.

Hafed was set up on November 1, 1966, to perform functions relating to: distribution of inputs and consumer goods, marketing and processing of agricultural produce, and streamlining the working of its constituents. Over a decade (1966-76), Hafed has grown from a simple to a complex organisation. Its membership has increased from 59 to 78, and the strength of its personnel from 50 to 697.
Its administration has been completely decentralized by opening of District Offices, Rail Head Agencies and Wholesale Depots. In addition, 14 agro based processing units have been installed all over the state. In financial terms (1966-78), its share capital, reserves, turn-over, and gross profits have increased from Rs. 23.36, Rs. 7.21, Rs. 92.15, and Rs. 7.17 lakhs to Rs. 376.80, Rs. 332.89, Rs. 336.30, and Rs. 150.76 lakhs respectively, registering an increase by 161, 462, 90, and 210 times respectively.

Before taking up the actual study, the researcher has briefly examined the history, growth and development of the theory and practice of co-operative administration in India, with special reference to Haryana. The growth of Hafed in its historical context was analysed thereafter. In the course of the study, the role of the General Body and the Board of Directors/Committees in policy-making and that of the Chief Executive in the decision-making and implementation process was examined. Due attention was focussed on the broader aspects of personnel administration as personnel constitute the most important factor in the functioning of an organisation. After this, the administrative structure of this complex organisation, including its headquarters and field offices, and their inter-relationship was analysed.

Since projects are the integral constituents of any dynamic organisation, formulation and implementation of the
projects was studied and a case study of Hafed Fertilizers, Taraori, was also made. Lastly, an analysis of Hafed's activities in functional areas, namely marketing, processing, and distribution, including some financial aspects, was done. This chapter presents a brief resume of the major findings and conclusions of the investigation.

**ECOLOGY OF HAFED**

The success of an apex federation depends to a great extent upon the institution of the Registrar, Co-operative Societies; the Registrar has been described as the "Friend, Philosopher and Guide" of the co-operative movement in a State. In Haryana, he represents the generalist class, without having any definite tenure and experience, and has enormous powers under the Co-operative Societies Act.

A critical examination of the functioning of the apex federations, supplemented by an in-depth study of the debates in the State Legislature and reports of the various committees, support the view that their optimum efficiency has been in the doldrums. While the credit co-operatives suffer from mounting overdue, embezzlements and misappropriations, the other federations present a dismal picture due to recurring losses, lack of optimum utilisation of capacity, stiff competition, poor inventory management, and lack of leadership and professionalised management.

The image and credibility of co-operative administration
can be enhanced only if:

(a) the Registrar is appointed from amongst the persons who have worked in Development Departments and is given an assured tenure, i.e., three to five years, to be effective;

(b) independent co-operative legislation is enacted by the State Legislature strictly in conformity with the principles and philosophy of co-operatives;

(c) co-operative councils are set up for counselling services to the State for all important matters to put a check on arbitrary powers of the Registrar;

(d) the apex federations are manned by professionalized management, aided and advised by a dedicated and devoted leadership; and

(e) a close collaboration and co-ordination between apex federations themselves, both at the horizontal and vertical levels, with the active help of the Registrar, is ensured.

ADMINISTRATIVE STRUCTURE

The administrative structure of Hafed has been built and modified from time to time to cope up with the desired functional differentiation. However, the management has failed to conceive and develop the framework in a rational and judicious manner. The analysis of the organisational Chart revealed that the existing span of control by the Chief Executive at the headquarters and that of the District Chief in the field, was too wide. The system of dual command was in vogue. The activity-analysis revealed an element of over-staffing and under-staffing in most of the departments/divisions/field offices. The job description and job specification of the managerial and other staff indicated that most of the officers were inexperienced and unqualified and their role was limited to routine work. Similarly, the lower staff was engaged on various assignments without consideration
of their qualifications, training, work experience, aptitude, etc. Strangely, the staff meant for field offices was working at the head office and vice versa, just to accommodate some favourites.

The field administration of Hafed has been decentralised on the principle of geographic representation in a phased manner after considerable resistance from the elected members. The organisational structure of district offices has the same characteristics and defects as those of the headquarters.

There is no close co-ordination and integration between the headquarters and the field offices. Only downward communication prevails. Decisions taken in the monthly meetings of the district heads do not bring tangible results due to lack of follow-up action. The officers from the head office hardly care to solve problems on the spot. The field officers are generally inert and irregular in complying with the head office's instructions. The budgetary sanctions and internal audit are, however, effective instruments of control by the head office.

Since an effective administrative design is a pre-requisite for the success of an enterprise, over-hauling of the headquarters/field administration is suggested as follows:

(a) New positions of the Deputy Managing Director and the Company Secretary may be created at the head-office. While the Chief Executive continues to be the overall co-ordinator and incharge of the project wing, the Deputy Managing Director would concentrate on two major substantive fields of Marketing and Distribution.

(b) Position of Assistant District Manager be created in each district to look after distribution activities.

(c) Headquarters/field staff may be delegated powers and responsibilities to develop a sense of belonging.

(d) A Management Information Cell be set up at the headquarters
the functioning for controlling and expediting/off field offices.
(e) Headquarters/field staff may be rotated for exchange of knowledge and experience.
(f) Display Charts be prepared for pin-pointing responsibilities of the incumbents in case of negligence.
(g) For close co-ordination between the headquarters and the field offices, standing or ad hoc joint committees be set up for consultancy and guidance.

The foregoing suggestions having a bearing on organisational structure, have been made within the following framework:

(i) optimum utilisation of resources;
(ii) reduction in the span of management of Chief Executive/District Chiefs;
(iii) efficient operation of the various activities;
(iv) development of unity of command for effective monitoring and control; and
(v) utilization of existing staff without any retrenchment.

Policy-Making:

In Hafed, a concrete shape to the broad objectives and derivative goals is to be given by the General Body and the Board of Directors/Committees. It was found that the General Body has not been functioning properly. Its meetings are not held regularly. The attendance at the meetings is very poor. The delegates do not make concrete and constructive suggestions for effective control on the working of Hafed due to lack of enlightened member-ship, experience and expertise.

The Board of Directors/Committees have also not been working well. There is a tendency on the part of the Government to supersede the management of Hafed and other Co-operatives on flimsy grounds or to delay/defer the elections to suit party interests. A profile of the members indicated the prevalence of a system of patronage rather than merit. Most of the members were not having the requisite qualifications for the job. Besides
having manipulated positions in other co-operatives simultaneously, they also held the office for an immoderately long duration, resulting in concentration of power in a few hands. Again, the official directors hold office by virtue of their position and not because of their co-operative background, experience, or aptitude. They do not take much interest in the functioning of the federation. On many occasions, they have been used as scapegoats for the State's interference in the democratic and autonomous functioning of Hafed by vetoing the majority decisions. The Board/Committees have been acting as a silent spectator even in performing their legitimate functions. It just dittos the proposals put forth by the Chief Executive.

The following suggestions are made so that the policy-making institutions can really influence the democratic functioning of Hafed:

(a) Delegates to the General Body meeting of Hafed may be selected on a judicious basis by the constituents and properly briefed for deliberations on policy matters.

(b) The delegates may be trained and motivated by arranging training courses and providing functional literacy through adult education programmes.

(c) Verbatim proceedings of the General Body meetings may be circulated horizontally so that the constituents may not remain in the dark about the discussions and the decisions taken. This may also help in arousing their interest in future policy-making.

(d) The practice of nominating official directors in the management of co-operatives may be done away with. Instead, the elected members, like the legislators, may be entrusted with management responsibility so that they may have feelings of being both masters and subjects. Of course, the Registrar would continue to act as a watchdog and guide them on behalf of the Government.

(e) Only those persons should be appointed members who possess qualities of leadership, business acumen, unquestioned
integrity, and identify themselves totally with co-operative ideology.

(1) As an interim measure, youngsters with some educational background and experience in co-operation, may be injected into the Board by conventions in order to strike a golden mean between experience and infusion of new blood.

(2) As a long term measure, the minimum educational qualifications be fixed as graduation with specialisation in co-operation.

(f) Experts from the fields of Public Administration, Management and Co-operation may be associated with the functioning of the Board so that the latter benefits from their talent and experience in policy-making and evaluation.

(g) Interlocking of directorship on more than two co-operatives may be discouraged.

(h) The State Government ought not to interfere in the democratic functioning by superseding the management for political gains. The co-operatives must be insulated fully from the power game of politics.

(i) The General Body may be made responsible for arranging timely elections much in advance of the expiry of the tenure of the existing Board; otherwise, the directors would not be responsible to this Body.

(j) The meetings of the Board/Committees may be called only if there is sufficient business to be transacted.

Chief Executive

Successful implementation of policy depends, to a great extent, upon the administrative capability, initiative and motivation of the Chief Executive. It has been found that the State Government exerts its influence in the appointment of the Chief Executive. The appointments are not made keeping in view their co-operative background, aptitude and business expertise. They do not have any stability or continuity due to the lack of a definite tenure. They have restricted functional powers. There is no clear cut demarcation of duties and responsibilities between the Chief Executive and the Board. Their role in planning,
decision-making, directing, co-ordinating and controlling the affairs in the environmental context is minimal.

The co-operative administration can be recreated and revitalised if:

(a) the Board of Directors, like those in private organisations, is allowed a free hand in the appointment of the Chief Executive, and that too, for a definite period;

(b) The qualities of business sagacity, capacity to motivate people, the will to create a climate of trust, a result-oriented outlook, integrity and faith in co-operative ideology are accepted as the minimum qualifications of the Chief Executive;

(1) as a short term measure, the Chief Executive may be appointed from the General Services having eight years' experience; and

(2) as a long-term arrangement, only those who have served in Developmental Departments for at least five years may be appointed;

(c) A panel of names out of the learned professors and trainers in the universities and academic institutions engaged in training and research in co-operative administration, is prepared for selecting an incumbent therefrom for this prestigious position on an experimental basis;

(d) Their successive postings are also made only in co-operatives in order to increase their administrative capability;

(e) The Chief Executive acts as a bridge between the Board, the staff, and its constituents - the Board may restrict its activities to the ends, and the means to achieve them may be left to the Chief Executive;

(f) The Chief Executive monitors and controls the administration by planned visits, proper guidance, finding solutions to problems on the spot as also through proper follow-up of the inspection notes; and

(g) He develops a cordial and profitable rapport with the constituents of Hafed by involving them in the formulation and implementation of plans and programmes.

**Personnel**

As the effective performance of an organisation depends upon its personnel, the problems of personnel policy, issues and
problems of recruitment, the need of training, a sound salary structure, and harmonious employer-employee relation, have been analysed.

In Hafed, political pulls, pressures and personal favours outweigh merit as well as seniority, thereby limiting the scope of induction of talented personnel from within and outside the organisation. Restricted circulation of vacancy notices; prolonged delays in direct recruitment and promotion operations; and heavy rate of turn-over are some of the peculiar features of the recruitment system. There is a good number of deputationists for non-technical, non-specialised, and general jobs who are selected on extraneous considerations rather than merit. Besides lacking ideological commitment to Hafed, they block avenues of promotion for the insiders and create class consciousness.

Training of personnel has not been linked with perspective personnel planning. Those who can exert influence, are deputed on training. There are instances where certain employees have been sent on training repeatedly. The trainees themselves do not evince any interest to make use of their newly acquired knowledge and skills. Besides, the management spends very little on human development. Cordial and harmonious relationship between the employer and the employees is lacking in Hafed. The latter are sore over the management's policy of false promises, victimisation, and not involving them in the decision-making process. Lastly, the federation is acting as a moderate employer in so far as pay-scales, allowances, and other fringe benefits are concerned. The functioning of personnel administration in Hafed can be modernised as follows:
(a) There should be adequate personnel planning and a well defined and accepted personnel policy, so that proper forecasting of the manpower needs is made for at least five years in advance.
(b) The personnel policy may be developed by the Personnel Department headed by a duly qualified and trained personnel officer.

(c) The mode of appointment to the top and the middle level hierarchy, presently left to the discretion of the appointing authority, may be properly spelt out, i.e., whether these posts are to be filled by internal promotions or by direct recruitment.

(d) The modern scientific and psychological methods to judge the total personality of the candidates may be employed.

(e) While tapping the sources of recruitment, the role of the universities may be kept in mind. Hafed may get in touch with its neighbouring universities for instituting courses or introducing syllabi dealing with co-operative philosophy and ideology. Such courses may be given recognition by the Government for the purpose of recruitment.

(f) The federation may utilise the expertise of State Public Service Commission on a contractual basis for filling the top positions, whose number is generally negligible. It may ask for a panel of names and select any one out of it, thereby retaining its distinct character of autonomy.

(g) During the period of probation, the aptitudes of the employees may be tested by assigning them a variety of tasks, after which they may either be retained on a career basis or released.

(h) The system of annual confidential reports may be overhauled to facilitate the assessment of performance, appraisal of abilities and identification of potentials for promotions.

(i) As a general rule, promotions may be made within a "class". However, in the case of inter-class promotions, there should be a proper rotation of seniormost headoffice/field staff who may be given trial assignment (before final promotion) to enable them to grasp the intricacies of the new job.

(j) For positions in the middle level, qualifying and promotion examinations may be introduced on experimental basis.

(k) Deputation may be resorted to only for the top specialised jobs, in a judicious manner and that too on a fixed short term basis. The next man in command must be got trained under his supervision as "under study", to take over the position after completion of his tenure.
(l) The time limit for recruitment operations (direct or promotion) may be restricted to three months, because justice delayed is justice denied.

(m) The service conditions and other fringe benefits may be made as attractive as are comparable with their counterparts in business organisations in keeping with the Model Employer's image to ensure retention of personnel of proven capabilities and thereby protect Hafed from talent drain.

(n) A need-based training programme may be prepared so that the employees are trained according to the job situation in a phased manner. It calls for the creation of additional posts of reserves, earmarking of additional funds, etc.

(o) The trainees may be exposed to the real problems in their naked form and the gap between theory and practice minimised. This calls for modernising the syllabi and curriculum of training.

(p) Incentives may be given to the trained personnel in the form of personal pay for a specified period to retain them and ensure utilisation of their newly acquired skills.

(q) The flight of trained staff may be checked effectively by recovering the cost of training from the incumbents leaving the organisation.

(r) Only those faculty members who are duly qualified and trained and wish to adopt co-operatives as their career, may be inducted in the training institutes so that co-operative organisations like Hafed may be benefitted from their talent and experience.

(s) Research studies may be carried out on various functional aspects of administration and management in collaboration with training institutes and universities to identify future requirements and trends. The State Government may also come forward with financial help for undertaking research studies on such vexing problems.

(t) Machinery for redressal of grievances of the employees on the pattern of Staff-Councils in the Central Government may be set-up.

(u) The management should not look at the office-bearers of the Union with suspicion and consider them as their friends and guides to enable free and frank discussion across the table during negotiations.
(v) The employees, under organised leadership and without getting influenced by any trade union/party politics, must strive to realise their objectives in collaboration with sister organisations.

PROJECTS:

Projects are the integral part of any dynamic organisation. In the case of Hafed Fertilizers, Taraori, the federation, instead of adapting the Model Scheme according to their needs, just adopted it in toto and failed to prepare project report without any well-conceived thought and planning. It did not even analyse its financial aspect. The management neither prepared any schedule of work nor designed any control system to measure performance. As a result, the machinery not only remained idle for two years, but, Hafed had to incur extra financial liability. The responsibility among the functionaries was allocated in an unusually informal manner. The project manager was appointed on deputation hurriedly without spotting the talent from the market. Besides, collapse of a roof at the project site due to lack of control by the project manager, delayed commissioning of the plant by more than two years. It also led to cost escalation by about 150 percent.

Formulation and implementation of any project has to be undertaken with a sufficient degree of precision. For this purpose, the following measures are suggested:

(a) The proposed model proforma, summarising the salient aims, location, investment, social evaluation, and profitability, of the intended project, may be circulated among the experts/consultants to solicit their first-hand opinion about the suitability and viability of the project.
(b) While preparing the model proforma, emphasis may be on adaptation rather than on blank adoption.
(c) Project may be completed within the stipulated time by giving due consideration to project planning, defining its scope,
and laying down realistic schedules with the help of Network Techniques and monitoring and control techniques.

(d) Selection of the project team must be done judiciously.

(e) Adoption of the proposed check-list method in dealing with the responsibility and authority relationship would facilitate pin-pointing of responsibility on the concerned incumbents.

(f) A comprehensive statement enlisting the stresses and strains right from the inception to the implementation of the project may invariably be prepared to serve as a handy tool of reference for future projects.

Substantive Fields:

(A) Analysis of financial data of Hafed presents a gloomy picture. The figures suggest that a fraction (17%) of share-capital has been raised by the constituents inspite of the fact that a co-operative organisation is an association of shareholders, who contribute to a capital fund to be employed for the promotion of their economic interests. The return to the members in the form of dividends has also been negligible. An analysis of the financial ratios (profitability and operating expenses) reveal that inspite of economy in operating expenses, the federation has failed to evolve sound purchasing and selling policies. Despite that, Hafed has been able to maintain a low debt-equity ratio and high working capital which indicates good performance.

The performance of co-operative organisations like Hafed cannot be judged solely on profit. Its performance depends much on its qualitative performance to its constituents. As such, it is suggested that:

(a) Hafed may adopt a marginal profit policy in order to earn surplus which could be ploughed back.

(b) Ways and means be evolved for the optimum utilisation of existing resources.

(c) The membership of the federation may be broadbasted to facilitate expansion of business and to generate internal financial resources.

(d) The employees, like those of the private organisations, may be encouraged to purchase shares to become true owners of the federation by making suitable amendments in the Act/Bye-Laws. This would again help in streamlining the financial structure of Hafed.
(e) Sufficient dividends may be declared to induce the members to subscribe more towards the share-capital. This in turn, would create a feeling that their investments are safe and they are being sufficiently rewarded.

(B) Hafed has been undertaking marketing of agricultural produce for specialised items on agency basis. It has failed to undertake direct purchases of other foodgrains essential for its future growth. Instead, it has been making fraction of direct purchases relying more on speculation than on sound business principles. In the absence of any co-ordination with the F.C.I. authorities, Hafed has to incur heavy expenditure on account of downgradation of stocks by the functionaries of the latter. Though the producers were contended with the functioning of Hafed, they were sore about the working of co-operative marketing societies. The Federation has not been guiding and assisting its constituents in the over all expansion of their marketing activities. As a result, the latter confine itself to distribution of consumer goods and inputs and fail to achieve the objectives for which these were primarily set up, i.e., marketing activities.

The following suggestions are made to rationalise the functioning of Marketing Management:

(a) Hafed should not depend upon patronage of State/Public sector undertakings, in matter of undertaking procurement operations for wheat, cotton, etc.

(b) Strenuous efforts should be made for purchase and marketing of foodgrains with business prudence so that Hafed may plough back the marginal profits.

(c) The role of Food Corporation of India as the third agency for wheat procurement may be done away with in view of the strong network of co-operatives and small size of the State. Similarly, in case of cotton, the State Government may introduce monopoly procurement through co-operatives on Maharashtra model because of the exploitation of the growers by the private trade.

(d) As far as possible, competition between Hafed and other public sector undertakings may be reduced. Instead, there should be effective business collaboration vertically and horizontally so that the gains can be equally shared.

(e) Hafed should constantly provide marketing information to its constituents through a monthly bulletin with regard to
the demand, supply, distribution, prices, etc., of various foodgrains so that the latter are equipped with better bargaining power.

(f) The member-societies must patronise and provide reasonable comforts to its members lest they are lured by the local traders into their trap. Besides, functional literacy may be provided to them so that they can repose their faith in the utility, ability, and dependability of their own organisation.

(C) The performance of the processing units installed by the Hafed has been dismal as: (i) almost all the units have remained in the red in spite of technical assistance provided by the N.C.D.C.; (ii) heavy escalation of cost has been witnessed due to lack of proper attention to project planning; (iii) optimum capacity has remained unutilised; (iv) frequent transfers of top and middle management personnel have blocked operation of definite policy guidelines and future plans of action; and (v) popularity, marketability, and serviceability of Hafed products was found to be very low due to inferior quality of goods, high rates, stiff competition, and absence of proper sales network.

The survival and growth of the federation, to a great extent, depends upon the viability of these units. In order to make the processing units self-stimulating, innovative, and pragmatic in approach, it is suggested that:

(a) Administrative reforms and improvements may be brought about to ensure a check on the quality of the finished products.

(b) Modern management tools and techniques may be adopted for: timely completion of projects within the budgeted estimates; increasing production; strict inventory control; improving financial procedures, and the like.

(c) Flexible pricing policy, effective publicity drive, an incentive policy, and a well knit distribution system may be evolved for pushing up sales.

(d) A Materials Management Cell may be set-up not only to ensure timely supply of all the inputs to the units, but also to keep a check on piling up of finished products as well.
The federation has been adopting an ad hoc approach in the distribution of fertilizers. It has failed to give a lead or even compete with private trade, inspite of its advantageous position inasmuch as it could sell fertilizers in 'kind component' on an exclusive basis. Frequent reductions in prices without adequate compensation by the Government, has contributed to heavy losses of Hafed. It has been pressurised to open retail depots in the interior areas of the State without allowing it to adjudge their viability. The fertilizer manufacturers too, have exploited Hafed. They offer stringent terms and conditions and supply fertilizers when there is comparatively less demand and vice-versa.

The following suggestions are given to streamline its working:

(a) The Government may fix reasonable prices of fertilizers keeping in view the overall corelation in the prices of different agricultural produce.

(b) Fertilizers may be supplied to small and marginal farmers on the pattern of 'Discriminating Pricing Policy' of the Railways to induce the members to make use of fertilizers and curb the tendency of man made shortages in peak seasons.

(c) Government may come forward with a uniform policy to ensure genuine distribution margin, payment of adequate compensation due to fall in prices, cheaper credit facilities, transportation subsidy and motivate other agencies to open retail depots in the interior areas.

(d) Indigenous manufacturers may be pressed to extend uniform facilities in terms of rebates, discounts, and timely supply of fertilizers.

(e) Fertilizers sales may be pushed up by providing package services under one roof, proper guidance to functionaries, and establishing a sound marketing network.

(f) On a long term basis, fertilizer distribution may be nationalised and solely entrusted to the co-operatives.