

**ACHIEVING MUTUALITY:  
BUSINESS PLANNING PROCESSES IN A LOOSELY LINKED  
STRUCTURE**

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**Abstract**

The paper traces the process of business planning adopted by a group of primary credit co-operatives in Andhra Pradesh, India, all of which were members of the Multipurpose Co-operatives Association (MCA). We take a critical look at the process, in trying to fit in with the typologies of business planning discussed earlier (Sriram 1992). We also look at alternative procedures used for business planning by various agencies and examine their effectiveness, in the light of the peculiar relations between the primary and the secondary co-operative in a loosely linked structure. In the process we also look at how a secondary co-operative may put the function of planning carried out in a primary co-operative to several uses. We conclude by assessing the merits of different approaches to planning.

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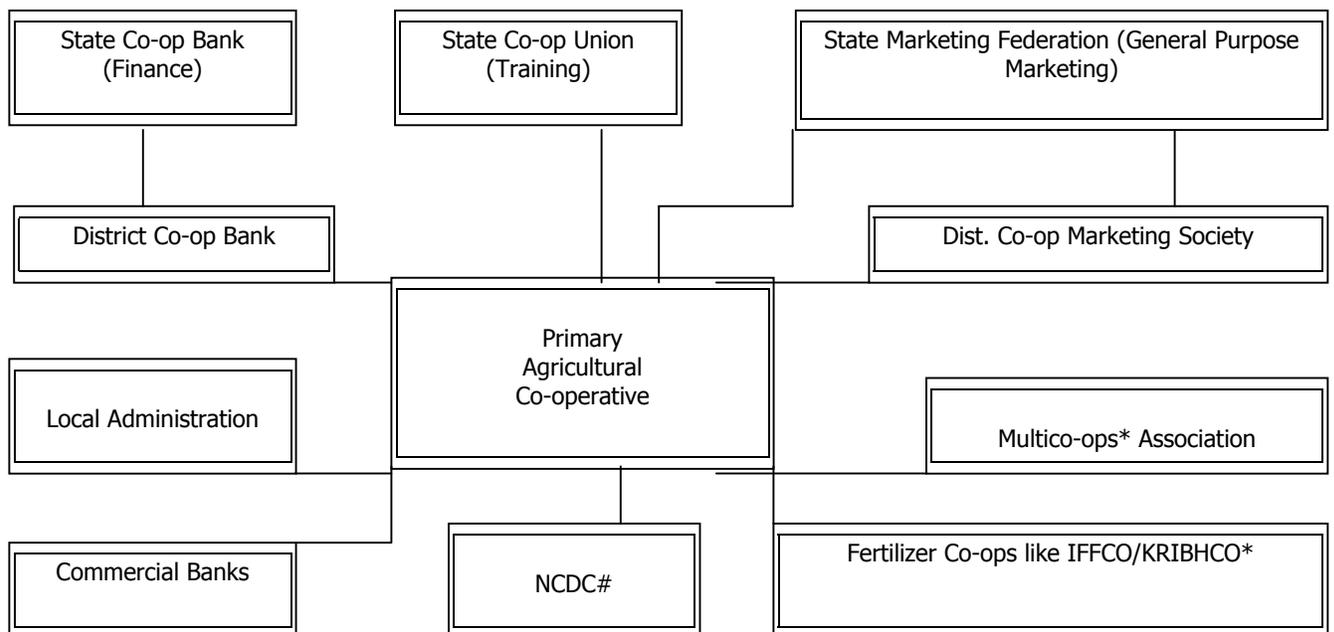
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## **ACHIEVING MUTUALITY: BUSINESS PLANNING PROCESSES IN A LOOSELY LINKED STRUCTURE**

### **The Structure of Rural Co-operatives in India**

Rural co-operatives can be broadly divided into two categories in India – the commodity co-operatives which specialize in a single commodity (e.g. milk) and the multipurpose co-operatives (credit, input supply, processing and marketing). These co-operatives are generally organized on a three tier structure. Primary co-operatives at village level deal directly with the farmer-members. All the primary co-operatives are members of district level units. There are specialized district level units for different activities such as financing, general-purpose marketing, training, and input supply. The district co-operatives are members in state federations which own processing facilities and specialize in a particular commodity or service. The village multipurpose co-operative could thus be a member of several secondary co-operatives, while having strong linkages with a secondary co-operative which serves its basic purpose. In this paper we deal with a set of primary co-operatives whose purpose was to provide agricultural credit, while taking up other activities. The linkages these primary co-operatives had is given in *Figure 1*.

**Figure 1: The Critical Linkages of a primary Agricultural Co-operative**



\*IFFCO and KRIBHCO are National Level Co-operatives  
 #National Co-operative Development Corporation

While discussing the relation between primary and secondary co-operatives, we peg our thesis to the *Performance Demand, Support and Action* framework, which argues that linkages between primary and secondary co-operatives could be of four types [Figure 2]. We could examine examples to describe such linkages, without generalizing. Let us for instance, see the relations between a primary and the state co-operative union. The state union collects a percentage of profits from member co-operatives instead of a fee. The union in return should provide training support to the primaries. Since the income of the co-operative union is more an unlinked levy, the upper tier is safe as long as a good number of its member primaries are healthy. At the same time, the primary co-operative is not overly dependent on the union's performance because training is not central to its operations. The two tiers are therefore, not mutually interdependent making their relations loosely linked. Such relations fall under cell-1.

<i>Figure 2: Performance Demand, Support and Action</i>		Performance Support	
		Low	High
Performance Demands	Low	Low Involvement (1)	Waste of Resources, Directionlessness (2)
	High	Frustration Apathy (3)	Drive for Performance and positive action (4)

*Source: Mishra and Shah 1992*

In case of sugar, cane is processed at the primary level itself and there is no need to have a separate tier to carry out the activities central to its operations. This is a "stand alone" co-operative. If all sugar co-operatives form a secondary co-operative for training and technical inputs, then the secondary will be more dependent on the primary than vice versa. Since the activity of the secondary is not central to the domain of the primary, it is impossible to have a strongly linked structure. In such cases the relations tend to fall either in cell-1, or if the secondary becomes very aggressive, they could move to cell-3.

The National Co-operative Development Corporation (NCDC) illustrates cell-2. NCDC is a project financing agency for co-operatives. It has – apart from other projects – financial infrastructure facilities. For instance, NCDC had a scheme for financing rural godowns.

This was a part of international aid for rural infrastructure and NCDC was scouting for borrowers to achieve its targets. Such a relation would fall under – high performance support and low performance demand. This linkage would initially be in cell-2, and eventually slide to cell-1.

Cell-4 is best illustrated by the milk co-operatives in India, having a three tier structure – the primary co-operative procures milk from members, the district union processes milk into products and the state federation sells these under a common brand. Each of the tiers are strongly interlinked. If one of the tiers were to disappear, the logic and economies of operation of other tiers could be questioned. There is no value addition that the primary could make with its limited volumes or there would be no justification for the federation to invest in a brand when adequate supplies are not there. In India, the district union gives ample support to the members of the primary in terms of transportation, input supply and veterinary care. It also expects high performance in terms of quality and reliable supply. The nature of relations makes this a strongly linked structure. Moreover, the union and federation are performing functions which are central to the domain of the primary. The structure dictates the type of *Performance Demand, Support and Action* relationship and puts all the successful milk co-operatives in cell-4.

Using this framework, we examine the primary agricultural co-operatives. While there are primaries which mobilize deposits locally and are *stand alone* co-operatives, a large number of them are dependent on the refinance facility available from the next tier. We term this as strongly linked, in the refinance structure. These primaries are also a part of the co-operative union which is loosely linked. So, it is likely that a primary has linkages with several secondary co-operatives and has different types of relations with each of the secondary co-operatives.

### **Business Planning**

Business planning has various dimensions in the context of co-operatives, as multiplicity of interests operate. This makes planning complex, particularly in India where co-operatives are seen as institutions promoted and managed by the state (Hough 1960). So, co-operatives have to work in a multi-objective framework satisfying conflicting expectations. Because of the inherent incompatibility of performance norms laid out by various interest groups, it is difficult to assess the effectiveness of planning. The

evaluation of an organization often involves application of several, possibly quite irreconcilable assessments (Rhenman 1977). Co-operatives are examples of such an observation.

In this spirit, we had postulated that planning in a primary co-operative might be at the behest of distinct interest groups (Sriram 1992) including the secondary co-operative. When planning is externally induced, its effectiveness depends on the type of relations with the external agency. We have studied a set of primary co-operatives in the state of Andhra Pradesh, India in the above framework. All these co-operatives were members of Multicoops Association (MCA).

### **Multico-ops' Association (MCA)**

Multico-ops Association (MCA) was set up in 1977. MCA used "*multico-op*" as a generic term for all primary agricultural co-operatives. The objective of MCA was to bring about social and economic change through intensive education of people involved with primary co-operatives (MCA 1978), by ensuring that co-operatives function in consonance with the ICA principles of co-operation (MCA 1987). The major strategy of MCA was to link activities relevant to the membership with the basic function of credit, in order to make the primary a multifaceted agency at the village level. For achieving this, MCA, and its sister organization *Samakhya*<sup>2</sup>, undertook research, consultancy, publication, training and lobbying activities.

MCA was not a part of the formal structure promoted by the state. It was managed by a board elected from three categories of representatives from the primaries – the chief executives, elected presidents and individuals. All the categories were represented equally. In addition, there were three nominees from *Samakhya*. The term of office was for three years on a rotation basis.

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<sup>2</sup> SAMAKHYA and MCA worked in close collaboration with each other, often interchanging their roles. In fact the perceived difference between these two organizations in the eyes of the constituents was very thin. While it was SAMAKHYA [Literally meaning "Confederation"] which funded the primaries, other support activities were carried out by MCA. During the year 1984-85, when the planning activity started, it was SAMAKHYA which was offering training and counselling facilities. We have constantly used MCA in the text in order to minimize the confusion that may arise in the minds of the readers. It was only in 1985 that the roles of these organizations were clearly defined. From 1987 onwards, these organizations started printing their annual reports under separate covers. The usage of the name of MCA consistently is to be seen in the light of the ultimate responsibility taken up by the organization in helping the primaries to formulate plans.

MCA's initial activities were restricted to training and education (MCA 1978). Later, MCA identified some activities that could be undertaken to reinforce credit. MCA believed that the primaries must provide services which met financial, production, marketing, consumption and welfare needs of members (MCA 1980). This would make credit co-operatives more sustaining and help them become a *multico-op*.

The primaries which were members of MCA got refinance from District Co-operative Central Banks (DCCBs) [see *Figure 1*]. The primary – DCCB relations are strongly linked because the existence of the primaries depend on the refinance from DCCB. At the same time, the relations of the primaries with MCA were loosely linked. This was because the primaries were dependent on MCA for support which was not central to their domain. It was impossible that the relations could ever achieve the type of interdependence described with regard to the dairy sector above.

Apart from being loosely linked with MCA, these primaries were also loosely linked with the state co-operative union, the state marketing federation, and with agencies both within and outside the co-operative sector [see *Figure-1*].

### **Planning at MCA**

While MCA was helping the primaries in being self-reliant, it also wanted to work in a planned manner. Around 1982, proposal for evolving a plan for MCA was brewing (Samakhya 1982). This was undertaken in 1983. MCA then realized that its targets were so closely aligned with the primaries, that they could be achieved only if the primaries worked under a similar framework. Around this time, MCA also instituted an award for the best credit co-operative. This called for fixing performance parameters which was done in collaboration with the member primaries. As a referral, performance figures of well known successful primaries were used (Samakhya u.d.). Once fixed, these were good indicators of performance. The planning exercise of the primaries would then be directed at surpassing these indicators (Samakhya 1983).

All these stemmed from a belief that most primaries were myopic in their approach and did not plan expansion in an organized manner, unlike their successful counterparts. Even the budgets for the following year did not reflect organized thinking on expansion.

In an attempt to get a sense of direction for its own approach, MCA commissioned two studies in 1983. The first study examined the feasibility of setting up processing facilities in select primaries. The second study examined the activity-wise economics of MCA's most successful member – the Co-operative Rural Bank, Mulkanoor<sup>3</sup>, which had multiple activities. Both the studies confirmed the understanding that MCA had acquired over a period of time:

*One. It made economic sense to set up processing facilities in several primaries (Reddy and Chandramouli 1983).*

*Two. The produce processing and marketing activity was the most profitable activity, subsidizing other activities of the Mulkanoor co-operative (Sriram and Raman 1983).*

As a result of these studies, some member primaries of MCA evinced interest in setting up produce processing facilities. To expand to these activities, the need for formal planning was felt and there was an overall pressure within MCA to take up this activity with the primaries.

### **Planning for the Primary Co-operatives: The Approaches**

In 1984, MCA started advocating business planning for the primaries. The approach adopted by MCA for planning is to be seen in contrast to the approach adopted by others. We shall also relate our analysis to the *Performance Demand, Support and Action* framework described above. At the outset we give a description of the process adopted by MCA:

- (a) The co-operative would request MCA's help in formulating a plan. The request could be either at the initiative of the primary, or at the behest of MCA. It could also emerge from the assortment of services which MCA offered each year.
- (b) A two day slot would be identified. The board and the senior employees of the primary would be requested to be present on those days. Resource persons from

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<sup>3</sup> Though the name of the Mulkanoor Co-operative was "Co-operative Rural Bank", it was essentially a credit co-operative established under the three tier credit structure. Depending on the period during which the credit co-operatives were registered, they were known by different names – co-operative Rural Banks, Large Sized Co-operative Credit Societies, Multipurpose Co-operative Societies, Primary Agricultural Co-operative Societies etc. All these were similar in their structure and operations. Though their primary activity was providing credit, most of them usually took up allied activities. Mulkanoor was a typical example of a single co-operative taking up multiple activities.

MCA would visit the primary. The first day would be spent in discussing co-operative principles, the concept and methodology of planning, apart from evaluating the performance of the primary against pre-specified parameters. A three year perspective plan for the primary would be prepared on the second day, with the active involvement of the board.

- (c) Later, the resource persons would return to the primary to help the employees translate the objectives into specific targets.
- (d) The achievement of the targets would be monitored by the extension staff of MCA. The targets for the subsequent years would be similarly set.
- (e) The resource persons would suggest activities that could be taken up by the primary. The board would formally approve the plan. The primaries were encouraged to present these plans to their general body and seek approval (MCA 1985).

In contrast, the approach adopted by two other agencies which advocated planning is examined. This concept was also adopted by NCDC, under its mobile guides' program, which was launched on a larger scale for objectives similar to that of MCA. Under the scheme, mobile guides were expected to help the primaries prepare a *Corporate and Business Plan* (CBP). The approach here was meant to be participative. However, during our field visits to co-operatives, we found that CBPs were routinely prepared. None of the primaries even had a copy of their plans. The copies of the plans were filed with the secondary co-operatives.

Similarly, there was an attempt made by the state to introduce *Business Development Plans* (BDPs) in co-operatives. This was in response to the report given by the Pant Committee (GOI 1990). Based on the Report, an action program was prepared to undertake planning in a large number of co-operatives under the Eighth Five Year Plan. The objectives were:

- (a) *to enable credit co-operatives to enlarge their scope of activities to cover credit, non-credit and non-farm activities and to enable them to increase the volume of business and member participation with a view to increase income;*
- (b) *to develop human resources for planning, implementation and monitoring of plans;*

- (c) *to undertake benchmark surveys and use the data for preparing plans for the primary;*
- (d) *to develop monitoring and evaluation system for credit co-operatives and provide guidance on an ongoing basis (NCUI 1991).*

In case of BDPs, it was clear from the outset that it was to be carried out by the officers of the secondary. The following quote from a training manual highlights the approach:

*The bank officers would be expected to bring village and society data from one of the selected societies and at the end of the training course, they would take back a well-discussed, formulated business plan of the society for implementation (NCUI 1991).*

In both the approaches, the element missing is the involvement of the co-operative in formulating plans. This gets directly translated into the contents and the credibility of the plan, as we shall see in the following section.

### **Plans of the Primary Co-operatives: Contents**

Unlike other secondary co-operatives, planning by MCA for its primaries was also aimed at giving a direction to its own activities. So, what got into the plan were joint aspirations of what the primary wanted and what MCA wanted the primary to do in order to define its existence. It was an iterative process and it was natural that there were common elements in all the plans. They represented MCA's game plan with the co-operative. MCA encouraged the following aspects: increase members' stake which would hopefully increase member control; take up non-credit business, preferably processing of members' produce; keep a control on loan delinquency by linking credit and marketing through value addition by processing; make the board more open and accountable to the general body; translate policy issues into plan targets; maintain orderly accounting and financial systems; and have clarity regarding the organization structure.

Initially eleven primaries prepared plans with the help of MCA. A study of the plans indicates a pattern – though – each plan was *tailor made* to a particular primary. Many of these targets could be divided into categories and could easily be linked with the activities of MCA.

The objectives common to the plans prepared by the primaries are listed below.

*The co-operative would strive to:*

- (a) represent the interests of a majority of the population in its area of operation;*
- (b) provide loans to its members for agriculture and other productive purposes;*
- (c) have a high level of active membership, the members would be educated about their rights and obligations towards the co-operative; the members would increase their financial stake in its activities;*
- (d) ensure fair price for the produce of the members and eliminate middlemen;*
- (e) have competent employees, with responsibilities clearly spelt out;*
- (f) maintain a balance between financial stability, liquidity and profitability in its operations;*
- (g) have good relations with the bankers, the government and other agencies; and*
- (h) make amendments in the bye-laws to make office bearers more accountable.*

*The new bye-laws would also provide for appropriate changes to implement the plan (Samakhya 1985).*

## **Analysis**

Let us examine how the process of planning pursued by MCA was different from that of others, by identifying unique features of the process followed by MCA. The first significant difference was in the fact that MCA's approach actively involved both the employees and the board members in the process. Officers of MCA were resource persons, often giving the board a greater sense of participation and authorship of the plan. It made the process less ritualistic and avoided unrealistic targets. There were advantages in this approach. MCA quoted two instances where the projects suggested by them were not acceptable.

In the first instance, MCA suggested to a primary that paddy processing facilities could be set up. This was because MCA had considerable capabilities in this field. However, the proposal was rejected by the board which felt taking up cotton ginning would benefit a larger proportion of the members. In the second instance, a feasibility study was already taken up and the board wanted to set up paddy processing facilities. The general body rejected the idea. MCA, encouraged the primary to make appropriate changes in their plans (Rajagopalan 1992).

Through planning, MCA was making primaries consider alternatives in a broader frame, while ensuring that they did not deviate from the objectives, by taking up unrelated activities.

Let us examine these aspects in the framework described earlier. In this case the performance demand and support were high from MCA's point of view. But, the drive for performance and positive action was not achieved. As MCA did not perform functions which were central to the domain of the primaries, the relations remained loosely linked. It was a situation where the demand for performance from MCA's side was high. The performance support given by MCA (though of a high quality) was really peripheral to the domain of the primary. In such a structure, planning can only be done with a participatory approach. The point is illustrated further when we discuss the state's approach.

In the approach used by the state it was seen that each primary constituted the base planning unit and the plans of the secondary co-operatives were not integrated with the primaries (Datta and Kapoor 1992). This was in contrast to MCA's approach, where the idea emerged from the impossibility of MCA planning for itself, unless it could align the plans of the primaries.

As the co-operatives MCA worked with was limited in number, it was easy for them to achieve standardization of style, while remaining flexible. However, for other agencies, the flexibility in preparing *tailor made* plans was difficult to introduce, as it was a large scale effort, undertaken on a nation-wide basis. It was natural that insensitivity crept in.

One such case is worth illustrating. The training manual on planning for the officers had an illustration on planning a cloth business as a part of diversification. All co-operatives that we visited for this study had a cloth business in their plan, irrespective of their needs. This was a result of the non-involvement of the co-operative in the planning process.

The external agency promoting co-operatives uses direct and indirect incentives to make the co-operatives track a certain path (Hanel 1980). Hanel argues that whenever co-operatives are used as indirect instruments of growth they are provided with indirect benefits such as a favourable tax policy or extension of monopoly rights to deal with

certain commodities. In the same vein the state extended its support to the primaries by providing the necessary training to the officers to plan and offered a working capital of Rs.200,000 for primaries that were willing to take up non-credit activities (GOI 1990). In many primaries having a plan became incidental and a necessary part of the scheme to get the additional working capital. This led the primaries to chart another circle in the dependence trap (for details see, Seetharaman and Mohanan 1985).

MCA's action of linking financing with planning fits into the argument. Seven of the eleven primaries that used MCA's services for planning, eventually took financial assistance from MCA. By using Hanel's strategy, MCA made an iteration by linking the activities of primaries with its own plans and pulling them nearer its domain. Several elements in the plan were linked to the domain of MCA. In planning to educate members on co-operative principles, the primaries would depend on MCA for training. Expansion into processing or marketing activities would involve using MCA's consultancy services. Employee training was also calibrated with MCA's activities. Other items of the plan which articulated the views of MCA were:

*One:* Increased stakes of members would increase member control. This explained the focus on deposit mobilization from members.

*Two:* MCA was advocating changes in the laws of the state. Changing bye-laws was controllable from within and would act as an initial step to start the review process.

### **The Impact**

We will see how the primaries that planned, performed during the period. By MCA's parameters, it was not good. Many of them were at reduced levels of performance. This was attributed to extraneous factors. During that time, many events that influenced the co-operatives occurred. The terms of office of the elected boards came to an end in April 1985. The state nominated officials to manage the primaries instead of holding elections (Korten 1990). The co-operative law was amended in 1986. There was a policy change in 1987, resulting in integration of certain categories of primaries. It reduced the number of primary agricultural co-operatives from 6695 to 4564. A membership drive on the eve of elections increased the membership of primaries across the state by 60% (Korten 1990). Though the increase in MCA's member primaries was just 25%, it was more than the past growth in membership (Sriram 1991). Though the increase was

lower than the state average, it affected performance parameters based on membership – viz., turnover per member, loan recovery per member, etc<sup>4</sup>. It was said that the performance of all primaries was lower than the past, irrespective of planning (MCA 1987). Interestingly, the data contradicts the stance taken by MCA regarding the profitability of non-credit activities. There were primaries which changed their portfolio to increase the non-credit business. We found cases where surplus as a percentage of turnover actually reduced. Of the primaries that planned, we had five co-operatives where the overall margin on turnover reduced in spite of such a diversification. A possible explanation is that these primaries did not diversify into the right type of activity. Since our focus is on the process of planning rather than on performance, we would be wary of ascribing causality to any factor.

### **Other spin Offs**

In this section, we look at MCA in isolation and the incidental benefits it derived from the plans of the primaries. Interestingly as they went along, they found several uses of the plans and also found reasons for preparing plans for the primaries. The plan was used more as a strategic option, than to monitor operational performance.

One of the uses the plan had, was in **building selective insularity** to change in leadership. MCA tried to ensure that irrespective of who manages the primary, there was a commitment about its direction. Using the plan as an instrument to ensure commitment was convenient. This was reinforced by placing the plan before the general body. In case of a change in leadership the plan would still be binding on the new board since it was the collective wish of the membership.

This assumed importance a year later for the primaries where planning was taken up in mid-1984. The terms of office of the board in most cases ended in March 1985. Elections were not held immediately. MCA used the fact that the primaries had an approved three year plan, in trying to prevent government nominees from taking policy decisions against the interests specified in the plans. In fact, MCA encouraged the primaries to convene special general meetings and pass resolutions to the effect that no

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<sup>4</sup> The details of the performance parameters used by MCA and the performance of the member primaries against these parameters can be found in the annual reports of Samakhya and MCA.

deviations from the plan be allowed. Some primaries elected committees to be in an advisory capacity to the government nominees.

Planning was also used to **build flexibility of operations**. The exercise was used in making rapid appraisals of projects that were to be taken up for financing. While MCA was capable of undertaking financial appraisals, planning helped them to make quasi-appraisals – like judging the mood of the members and the board. These were not financial in nature. By this, MCA was able to identify what the members of the board felt about the future. This information was important for MCA to take up funding activity. For instance, in the primary where the proposal for setting up cotton ginning was accepted in favour of paddy processing, MCA needed additional capabilities to assess the primary and had to understand the cotton trade well to extend funding. MCA took the pains to be responsive. It was a case where a secondary was trying to make its portfolio flexible to remain central to the domain of the primary.

Planning was also used to **communicate performance parameters**. Though these parameters were evolved in a workshop involving the primaries, the implications of these were felt most when they were compared with the actual. Earlier, the primaries compared the previous year's performance against the current year. With planning, they got a chance to look at performance against a potential. By this comparison, MCA was indicating achievable targets to the primaries.

Another spin off of the planning exercise was the **increase in member involvement at the primary level**. This worked in the following manner. When the primaries worked on their investment plans, they were sensitized to the necessity to tap internal resources. This made several primaries turn to their members for additional finance. This was one way in which they would get the members to commit to a diversification. It also gave them additional leverage to borrow from external sources. The necessity to get a larger member commitment led to some desirable changes in the view of MCA:

*One.* Several primaries changed their bye-laws in order to increase their own leverage. They tried to increase member stake by restricting the borrowing limit to five times their individual share capital as against the usual norm of ten times. The primaries however, continued to borrow ten times their capital from the secondary co-operatives. Apart from giving the

primary a greater leverage, it also got a greater member involvement, which in any case was the larger game plan of MCA.

*Two.* The ease with which the primaries transacted with the bankers changed because there would already be some initiative from their side to show a commitment to a project unlike the other co-operatives which did not have a plan. As there were specific targets, it was a legitimate way to make demands on the bankers for finance. Since the projects included in the plan needed enhanced member commitment, it was imperative that the co-operative went back to its own members on each of these occasions.

It was in one such case that the members clearly articulated that there was no need for the primary to have a rice mill and therefore did not commit. Contrast this to what happened in the early 1960s in the same state: Around 142 co-operatives were given generous financial assistance by NCDC for setting up rice mills, without any commitment on the members' part. Eventually, several of these rice mills were not commissioned. Of the 142 mills hardly 30 are functioning (Govt. of AP 1988). If the process of planning adopted by MCA did not involve financial commitment and ratification from members, it is likely that this particular primary could have gone the same way – setting up a facility which the members did not want.

MCA also used the exercise of planning for **safeguarding its own interests**. We had postulated earlier that a secondary – apart from other things – may be interested in planning to protect its own interests. It is particularly so if the secondary finds that the primary is linked to other federal structures. In case of MCA, its existence was dependent on the patronage of primaries. It was therefore imperative that MCA had to find ways of selling its services. By introducing targets which would result in usage of its services, MCA was safeguarding its interests. This helped to build in a great deal of mutuality where the primary and the secondary co-operative were both getting increasingly interdependent, leading to *upward ratchets* (Shah et.al. 1992).

While we examine how upward ratchets work, as an aside we could see that a similar concept was used by MCA as a withdrawal strategy, when MCA decided to stop working with the credit co-operatives. In its withdrawal it used patronage as the prime measure

of partnership. It removed all the inactive primaries from its association. Inactivity was defined to be usage of MCA's services. What helped MCA to build *upward ratchets* was the reason for *downward ratchets* also. By then, the primaries had reached a stage where they could not afford the luxury of using MCA's services. They were under the rule of bureaucrats for three years. This was followed by a nation wide loan waiver which affected their *core* activity – credit (for an elaboration, see Phansalkar and Srinivasan, 1985). The primaries would take a long time to get the credit business on track before they could think of diversification.

### **Concluding Notes**

In a strongly linked structure, having a participatory process in planning may not operate. This is because the demand for data and time for drawing up plans would be seen as the need of the secondary rather than that of the primary. We have seen such instances in the attempt made by the Mobile guides-NCDC-DCCB. What happened here was that the secondary co-operative, in its superior position as a *giver* became insensitive to the nuances involved in planning. The participatory process got killed because of the nature of linkages. This put the process in the second box of the *Performance Demand Support and Action* framework, leading to *Waste of resources and directionlessness*.

In case of a loosely linked structure like that of MCA, we saw that since the very existence of the secondary was dependent on the strengthening of bonds with the primary, the process has to be participatory by definition. This was in contrast to a loosely linked structure where the secondary was deriving its finances from the primary in the form of a levy and unlinked to the services offered. Secondly, when support from the secondary is not central to the domain of the primary, only participatory process would have credibility in making demands. While in the first case, planning could be used to reinforce mutuality, in the latter, planning would primarily be used to achieve mutuality.

There are other issues that need to be looked into. The planning exercise of this nature should have thrown up challenges both at the conceptual and implementation level in case of co-operatives. The fact that this did not happen may indicate two issues:

*One.* It indicates that the primaries were not *multico-ops* as defined by MCA. They concentrated on a *core* and had already achieved dynamic equilibrium (Phansalkar and Srinivasan 1985). Alternatively, it is postulated that though they were taking up activities that were of diverse nature, the membership itself was homogeneous and there was never a clash of interests. A case in point would be the primary which rejected the proposal to set up a rice mill in favour of a cotton ginning unit. It is possible that the interests of the cotton growers were articulated more vociferously during the planning exercise. If the board also included a large number of paddy growers, then the issue could not have been resolved in such a simple way (for a discussion on the process of decision making in such situations, see Anderson 1986).

*Two.* It indicates that the exercise was ritualistic and had not achieved sophistication where different interest groups could articulate their needs. The question as to whether the participatory process was in itself a better ritual than the one followed by the state still remains.

One way of understanding whether the planning done with the help of MCA was a ritual or not is by studying the annual reports of the primaries. While, in the years when planning was done, the annual report carried the plan, there was no review in the ensuing years. To the extent it was not referred back, it could be only seen as a better "ritual" than anything else.

In the alternative approach of the CBPs and BDPs advocated by the state, we have seen insensitivity built in due to the type of linkages. The reason may be that the approach emphasized on diversification into non-credit activity whereas the implementing agency being a financing bank, did not find these activities "central" to its own domain of refinancing credit.

Planning was never meant to be an end in itself. In case of MCA it was as an exercise to broaden the vision of the primaries. MCA agreed that the first set of exercises undertaken were only in management and financial planning rather than in business planning. The effort of MCA is important for us to record the dynamics of the processes involved in pressurizing the primaries to undertake planning. It has also helped us in examining the adaptability and flexibility MCA had as a secondary co-operative. MCA

after the initial exercise, changed its approach with its own insights and continued the activity of planning till it withdrew from the sector.

It is a matter of academic interest and beyond the scope of this paper to examine why MCA withdrew from this sector which it had nurtured for over a decade and a half. MCA for a while worked with single commodity co-operatives which were processing paddy, before functionally closing down. That this withdrawal should have happened within a short span of introducing the process of planning in the primary co-operatives need not be seen as coincidental. In fact, it left a legacy which was ultimately picked up by other secondary co-operatives.

The state sponsored secondary co-operatives did not have a program where their performance was linked to the achievement of targets of the primaries. It was because of in-built subsidies and the features of the structure, that the secondary co-operatives did not see themselves crumbling when its constituents did not perform. This was quite unlike MCA which almost closed shop when the primaries failed.

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