

*A Study on identification &  
factors influencing the performance of  
Multi-State Agro Cooperative Society*

*Submitted by*

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## EXECUTIVE SUMMARY

Functioning of a cooperative body is different from the functioning of Government organisation or private sector as there is joint responsibility on the shoulders of the Board of Directors of the cooperative body which is exercised through Managing Director or Chief Executive Officer. The Board of Directors represent different cross section of the members and have a particular orientation. Therefore, it is important that all of them are motivated for a common goal to provide maximum benefits to the members of the cooperative without compromising on the sound principles of governance. Accordingly, the factors affecting the functioning of the cooperatives have been grouped in two categories i.e., factors that are internal and factors that are external.

### A) Internal factors that affect cooperative performance are summarised as:

- (i) Cooperative leadership – Bad or poor leadership affects the performance of cooperatives. The cooperatives led by managers or leaders who have no clear and long vision for the cooperatives are likely to collapse;
- (ii) Members' participation or involvement in the management of cooperatives – cooperatives where members are inactive observers & are not involved in the decision-making risk are exposed to failures, because managers are not held accountable (there is a lack of responsibility and accountability);
- (iii) Cooperative management – poor management which results into embezzlement, corruption, misuse of cooperatives resources and assets leads to cooperative failures;
- (iv) Communication and trust – poor communication and mistrust among cooperative members and managers are the causes of poor performance of cooperatives.
- (v) Poor availability of financial resources as most of the medium and small level cooperatives do not have sufficient finances at their disposal and borrowing from the banks or financial institutions at higher rate of interest does not make them competitive.

### B) The external factors affecting the performance of cooperatives are summarised as:

- (i) Government involvement – extreme government involvement in the management of cooperative affects the performance of cooperatives. The government interference to the functioning of cooperatives should be minimised and Governments should formulate policies suitable for the promotion of the cooperatives as there is vast network of cooperative members extended up to very remote rural areas.
- (ii) Market Volatility is an important factor affecting the performance. The knowledge of market behaviour and trends are very useful for the sustenance of any organisation. The cooperatives have to be very vigilant to foresee the trends and their likely impact on the profitability or functioning of their organisation. These Cooperatives face a greater competition with the large business houses that have lot of financial and political resources at their disposal and are in a position to influence the decision making.
- (iii) Global Competition and other external factors also play important role in the survival and growth of the cooperative sector. Since most of the Cooperatives in India are of medium and small in nature, therefore their products have to be of international standard to compete in the highly technical global market.

## Table of Contents

<b>Chapter</b>	<b>Topic</b>	<b>Page No.</b>	
1.	Introduction and Design of the study	5-8	
	1.1	Study Proposal	9
	1.2	Scope of the Study	10
	1.3	Brief Review of Study	10-11
	1.4	Objectives of the Study	11
	1.5	Research Methodology	11
	1.6	Research Design	12
	1.7	Area of Research	12
	1.8	Limitations	12
	1.9	Chapter Plan	13
2.	Profile of Study Unit		
	Introduction	14	
	Vision	14	
	Mission	14	
	Objectives & Functions	15-17	
	Membership	17	
	Dividend	17	
	Sales Target for the year 2021-22	17	
	Management of NACOF	18	
	Organizational Structure of NACOF	18	
	Branches of NACOF	19	
	Commercial Activities	20-21	
	Upcoming Projects	22	
Factors influencing the cooperatives to succeed or fail	23-24		
3.	Inferences	25	
4.	Suggestions	26-27	
	References	28	

## CHAPTER-1

### 1. INTRODUCTION:

Cooperative Societies are grass root organizations of group of people united with collective responsibilities to meet their common economic, social and cultural needs which run with philosophy of self-reliance and mutual help. Agriculture based cooperatives help in agricultural development supporting critical inputs supply (seeds, fertilizer, pesticides, credit, etc.), storage facilities like godowns, agro processing facilities and marketing the agro produce. Since 1904, the cooperative movement took stardom and the five-year plans and Government legislation have integrated them into the policies for self-reliant rural growth and development. Agricultural cooperative societies dealing with inputs and credit disbursement, processing cooperatives such as Sugar Cooperatives, Dairy cooperatives etc. flourished with their consumer products whereas KRIBHCO, IFFCO became successful large cooperatives in marketing their fertilizers to their farmer members and outsiders act as a business enterprise. Status of Primary Agricultural Cooperatives Societies (PACS) reveals 19% of total PACS potentially viable, 49% running in profit, 45% small farmers' borrower from societies. Several challenges like lack of professionalism, lack of infrastructure, political interference, nepotism, unawareness of members, meagre shareholding, overdependence on financing agencies for credit, poor recovery are some factors hindering the sustainability of societies. Certain restructuring with policy intervention like reducing state control, increased professionalism, good governance, raising share capital, quality assurance with competitive product & service, multi-purpose support system, will act as vibrant social enterprise with public trust as Government sector initiative in the locality converged with other agencies.

India lives in villages where most of the inhabitants are small, marginal, landless farmers and artisans. After independence, agriculture was identified as one of the thrust areas for rural development. Even at that time, the policy makers had visualized the fact that without people's participation and institutional support, the rural development programmes could not be pushed through. Considering the situation of the rural sector, the importance of the Panchayati system and cooperatives was recognized and these institutions were assigned specific roles to play. The main task assigned to these institutions was to work for community development, to eradicate rural poverty, to reduce inequalities and to eliminate privileges. Since the 1960s, a number of rural development programmes, such as the Panchayati Raj and land reforms or the Green and the White Revolutions through technical and cooperative missions, have been initiated and implemented. In a village, the cooperative society enjoys a focal position as an important socio-economic institution. The objective of the cooperative society is to provide services to its members (i.e., the rural community) and these services are multifaceted. Although the membership of cooperatives does not include the entire population of a village, it does include a major part and a broad spectrum of the rural population. Besides, in implementing any community development schemes by other agencies (for example, the removal of illiteracy, making people conscious of their environment, health care, poverty alleviation, water management, etc.), the involvement of cooperatives is envisaged to seek consensus of the village community, as the cooperatives comprise a majority and a cross section of the village community. Moreover, a cooperative is a legal entity. It has institutional networks and infrastructure facilities at the grass roots level. It is also involved in social welfare and social protection activities of the rural people, such as village adoption, insurance, promotion of schools, hospitals, development of social forestry, etc. It has also generated rural employment for large sections of rural people through its Agro-ancillary activities.

## **(a) DEFINITION OF COOPERATION**

The word cooperation has many meanings, but in common discourse it means working, living and thinking together. In our existing socio-economic context, however, we need to define it somewhat differently—” Cooperation is a form of organization wherein persons voluntarily associate with each other as human beings on the basis of equality for the promotion of mutual economic interests”.

As per the definition given by the International Labour Organization (ILO), a cooperative society is an association of persons, who assemble for their common cause and work together voluntarily on democratic lines. According to the definition given by the “International Cooperative Alliance” (ICA), a cooperative is an association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

It means that cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity in the tradition of their founders. Cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. Therefore, the cooperatives are different from the private enterprise in their forms of ownership, control, distribution of profits, values of equality, equity, solidarity and social responsibility.

To facilitate the organization, administration and functioning of Cooperative Societies with objects not confined to one state and serving the interests of members of such societies from more than one state, the Multi-State unit Cooperative Societies Act, 1942 was enacted. Several National level Cooperative Societies and Federations, promoted by Cooperatives in the country had come up with the assistance of the Central and State Governments. The provisions in the Cooperative Laws in different States governing these Multi-State Cooperative Societies varied from one another. The lack of uniformity and inadequacies in their existing arrangement rendered it necessary to replace the Multi-unit Cooperative Societies Act, 1942 providing for a Central Authority to be responsible for their registration, promotion and supervision. Later Co-operative Societies started demanding more autonomy and democratic management with less control from the Central or State Government. In view of the increasing demand of the Cooperative Societies a committee was set up to look into the matter.

The Committee suggested a model Cooperative Law. Based on the recommendation of the Committee it was proposed to replace the Multi-State Cooperative Societies Act, 1942. Accordingly, the Multi-State Cooperative Societies Bill was introduced in the Parliament.

Act 39 OF 2002- The Multi State Cooperative Societies Bill having been passed by both the Houses of Parliament received the assent of the President on 3<sup>rd</sup> July, 2002 and it came on the Statute Book as *THE MULTI STATE COOPERATIVE SOCIETIES ACT, 2002 (39 OF 2002) (Came into force on 19-08-2002)*.

### **AMENDING ACT**

The Banning of Unregulated Deposit Schemes Act, 2019 (21 of 2019) (w.e.f. 21-02-2019).

## **(b) PRINCIPLES OF COOPERATION**

The principles and the guidelines by which cooperatives put their values into practice are:

- i) ***Voluntary and open membership:*** It means that the membership shall be voluntary and available without any restrictions/discrimination on the basis of gender or social, political or religious affiliations. All the members can make use of the services of their cooperative and willingly accept the responsibilities of membership.
- ii) ***Democratic member control:*** Cooperatives are democratic organizations controlled and managed by their own members. The primary members of cooperative societies enjoy equal rights of voting (one member one vote) and participation.
- iii) ***Members' economic participation:*** Economic results arising out of the operations of the society belong to the members and shall be distributed among them proportionately according to the size of their transactions with the society, while a part of the funds will be kept aside for specified purposes as per the provisions.
- iv) ***Autonomy and independence:*** Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with others including governments to raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
- v) ***Education, training and information:*** Cooperative provide education and/or training for their members, elected representatives, managers and employees so that they may contribute effectively to the development of their cooperatives.
- vi) ***Cooperation among cooperatives:*** All cooperative organizations, in order to best serve the interests of their members and community, shall actively cooperate in every practical way with other cooperatives at local, national, and international levels.
- vii) ***Concern for community:*** Cooperatives work for the sustainable development of their communities through policies approved by their members.

A cooperative can fulfil its members' economic, social and cultural needs and aspirations if it is managed as a jointly owned democratically controlled business enterprise. It is the business or economic activity which generates income. Sustained efforts to increase income of members will ensure their economic development, at the first step, followed by social and cultural development. Thus, cooperative can genuinely serve the cause of members on long term basis if it operates as business institution geared to deal with competition and succeed. To operate as a business enterprise, it must follow the following principles and practices.

- I. Entrepreneurship: Promoters and elected/nominated representatives of cooperative have to be entrepreneurs in true sense. Cooperative entrepreneur is one who organizes people and resources, identify feasible economic activity, take risk, motivate and lead production, marketing and other services to reap the benefits for cooperative in interest of members.
- II. Business Planning: A plan developed on local area resources, potential and needs of different type of members ensuring viable business activities is the key. It is a prudent blue print for future business development in short or midterm and ensures optimal utilization of resources.
- III. Investment: Members of cooperatives are its owners. As owners, they have to find opportunities for investment in such economic activities which yield monetary and non-monetary economic benefits for its members particularly and non-members in general. It will in a way satisfy the diversified needs and interests of various group of members.
- IV. Capital Mix: Owner's capital may not be sufficient for undertaking economic activity. Hence, cooperative may borrow capital. Even members may not be able to arrange minimum share capital to avail borrowings, hence they have to seek government participation in share capital. What will be capital mix has to be decided by considering various options as they have serious implications on decision making and management of cooperatives.
- V. Integration of Production and Marketing: The services offered by society for increasing production of members has to be integrated with suitable efforts for marketing to complete the business cycle. Isolated efforts in respect of production or marketing will not create desired results to increase the members' income.
- VI. Managerial and Operational Efficiency: Cooperatives need to provide goods and services to their members at slightly less than market price but at the same time earn surplus. This calls for high efficiency in its operations. Business results may be achieved with minimum cost as far as practicable. Cost reduction is also a way to enhance income. Trained and competent manpower, use of technology and management may be more efficient in running the business operations.
- VII. Organization Structure: Cooperative society must function following suitable organization structure. Creation of suitable structure implies identification of work / tasks, grouping them, departmentation, creating authority-responsibility relationships, delegation, span of control and also rules and workshops process.
- VIII. Size or Scale of Operation: Each of the profitable operation in a cooperative society has its minimum size or scale of operation. Hence, before going for any activity-production or marketing or any services, scale of operation must be ascertained. Further, minimum to higher size of business may be considered depending on the capacity of cooperative in terms of resources, managerial and technical know-how.
- IX. Diversification of Business to minimize risk: Cooperative society should gradually try to diversify its business to have larger activity mix to serve varied needs of all type of members. Besides it will enable cooperative to minimize risks and uncertainties by compensating loss in one activity with surplus in another activity.  
**Competent and Motivated Management**: The paid manager and staff of cooperative should be motivated, dynamic and competent, able to plan and implement business activities, operate and use the system and infrastructure to help achieve its goal as an enterprise. The Board of Directors also must be oriented to professionally lead and direct the functioning of cooperative.





## 1.1 STUDY PROPOSAL:

The growth and development of the cooperative movement in the country has been reviewed from time to time by various committees and measures devised to minimize imbalances in their development. With the enactment of the Cooperative Societies Act 1919, cooperatives became a state subject. Consequently, all the states enacted their own laws as per their connivance and often there is no similarity or uniformity in the various state laws. Although, the cooperative movement in this country emerged with the blessings of the government acting as an active partner in this enterprise. However, the laws framed by the government were restrictive and in certain cases contrary to the principles of cooperation.

The movement did not develop wherever the government equity was more, but it went well where the government control was minimal. For example, in the states of Gujarat and Maharashtra, where the governments did not have any stake in the equity of cooperatives, the movement has shown steady progress and the government control has been minimized. But in a number of other states, particularly in the North-East, Bihar, Uttar Pradesh, Rajasthan, Orissa and Madhya Pradesh, development got restricted. The major reasons for imbalances in the development of cooperatives are:

- a) excessive government control exercised through restrictive legal provisions; and
- b) the absence of definite policy on cooperatives. The Registrar of a cooperative society is considered to be the supreme authority empowered to supersede and suspend the elected board, nominate the board of directors and appoint the managing director. In absence of autonomy, the cooperatives could not develop professionalism, enlist the services of professional manpower, and manage the affairs efficiently.
- c) Secondly, the cooperatives were used as agents of governments to implement their schemes which did not help in achieving the viability of cooperatives due to the lack of profit margins in most of the activities, they engaged in. But with the passing of the Reform Act, i.e., the Multi State Cooperative Societies Act-2002 and the enactment of parallel Acts in 9 states, namely Andhra Pradesh, Bihar, Chhattisgarh, Delhi, Jammu & Kashmir, Karnataka, Madhya Pradesh, Orissa, and, Rajasthan, the powers of the Registrar have been limited only to register, audit and hold timely Annual General Body Meetings. With these reforms, cooperatives will have more autonomy to function freely, take their own decisions to plan and manage their business hopefully effectively.

Moreover, with the announcement of the National Cooperative Policy –2002, for the first, the ideology and principles of cooperatives have been recognized along with their current role in the rural economic development and also their future role in the overall developmental process. Once these reforms are implemented by all the states and cooperative policies endorsed by all of them, the movement will be able to contribute effectively in the development of rural economy and actualize vast agricultural potential, which should boost rural employment significantly.

Low involvement of cooperative members in decisions affecting their cooperatives remains a challenge. The extent to which government, especially local government officials get involved in the cooperative leadership and management was also a challenge. Ineffective use both human and financial resources coupled with lack of clear and shared vision still persist in some cooperatives. Furthermore, limited leadership and management skills that result into poor quality services and products are other challenges that are affecting the way cooperatives perform. Therefore, challenges affecting cooperatives functioning need attentive and deep analysis in order to propose appropriate recommendations.

## 1.2 SCOPE OF THE STUDY

The Study examines the factors influencing the performance of Cooperatives. The significance of this study to the Multi-State Cooperative Societies, individuals and even students cannot to over emphasized. The result of this research will help the Cooperative Federations to be aware of the basic impediment that it has to be contend with so that it could be more effective and articulate in its policies, promotional and supervisory activities.

The main objective of dissertation is to assess the factors influencing the performance of cooperatives, to examine the activities of a Multi-State Agro Cooperative Federations and action plans to promote, organize, coordinate and supervise affiliated societies, Determine the cooperative governance related factors that affect negatively the performance of cooperatives & to assess the cooperative managerial related factors that affect negatively the performance of cooperatives.

The cooperative society is an organization of group of people with collective responsibilities and thoughts for the development of needy, especially under privileged. "A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise". Several avenues are covered under cooperatives like development of agriculture, Agro-processing, storage, forestry, banking, credit, marketing, dairy, fishing and housing and its network covers 85 per cent of rural households. It helps in many facets in agricultural development supporting resource and input use, harvesting of water resources, storage facilities, value addition, market information, distribution channels, marketing channels with regular monitoring network system.

Economic activities like credit disbursement and agricultural inputs distribution are core activities of Cooperative societies. Cooperative moment has substantial role in agricultural GDP growth rate and subsequently poverty reduction in rural India. The global experience of growth and poverty reduction shows that GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture. Cooperatives have potential to tackle the problems of poverty alleviation, food security and employment generation. It has commendable potential to complement and supplement the public and private extension system providing goods and services. The local institution led by local leaders and local talents addressing local needs locally bases major cooperatives.

## 1.3 BRIEF REVIEW OF THE STUDY

The important segments of non-credit cooperatives are Marketing, Consumers, Dairy, Fishery, Fertilizers, Handloom and Handicrafts, Labour, Irrigation, Agro-processing, Transport, Weavers, Industry, Farming, Electricity, Poultry, etc. The Multi-State Agro cooperatives came into existence partly out of necessity and partly out of ideological reasons. The Multi-State Agro cooperatives has played a significant role in developing infra-structural facilities, which have helped in providing value additions to the agricultural produce as well as boosted employment in the rural sector. The marketing cooperatives did not seem to help much, as many of the earlier problems continued. And it was felt that without making any value additions to the agricultural products, the cooperatives would not be able to help much in ensuring better prices for the products. In order to reduce the number of middlemen and to obtain a greater return on the agricultural produce, processing of crops by the marketing cooperatives was felt to be necessary. This resulted in the emergence of Multi-State Agro cooperatives, such as those for procurement, processing, retailing, ginning and cotton baling, rice mills and those for pulses, and gradually the operation was extended to many activities.

Later on, the All-India Cooperative Planning Committee recommended that in the cases where the marketing/sales society was unable to put up a processing plant, separate processing societies be organized. As a result, sugar, spinning, dairy and many other processing cooperatives came up. The important ones among them are the Agro processing cooperatives, which have not only helped in promoting the economic wellbeing of the farmers in the rural areas, but also generated rural employment by deploying a large number of local people and the promotion of ancillary activities.

#### **1.4 OBJECTIVES OF THE STUDY**

- To assess the factors affecting the performance of Cooperatives.
- To examine the activities of Cooperative Federations and action plans to promote, organize, coordinate and supervise affiliated societies.
- To determine the cooperative governance related factors that may bring a desirable change in their functioning.

#### **1.5 RESEARCH METHODOLOGY**

Research methodology is a way to systematically solve the research problem in the process of conducting the study. The following methodology was adopted to collect and analyse the necessary data and to draw useful inference by collecting data from secondary source and by studying the annual reports and other documents of selected study unit.

##### **Internal Data Sources**

- Company records
- Employee records
- Financial records

##### **External Data Sources**

- Published Data
- Government news sources
- Government publications
- Book and periodicals
- Directories and indices
- Standard statistical data
- Individual source systems
- Annual Report
- Telephonic Discussion with the Stakeholders/Directors/Members in Cooperative Societies about the shortcoming and their view for usefulness.

## **1.6 RESEARCH DESIGN**

Research design is descriptive research to analyse the present situation of any problem. Here the research was designed in such a way so as to identify the factors influencing the performance of Multi-State Agro Cooperative Society.

## **1.7 AREA OF RESEARCH**

National Federation of Farmers' Procurement, Processing & Retailing Cooperatives of India Limited (NACOF) & its branches was selected as a representative unit for this study.

## **1.8 LIMITATIONS**

Due to Covid-19 Pandemic and the limitations imposed by local administration it was difficult to access the respective office and its branches. Therefore, I have adopted data and information through telecommunication, internet and secondary data collection from my sources.

## **1.9 CHAPTER PLAN**

### ***Chapter 1-***

Introduction > Study Proposal > Scope of the Study> Brief Review of the Study > Objectives of the Study > Research Methodology > Research Design > Area of Research > Limitations

### ***Chapter 2-***

Introduction> Vison> Mission> Objectives & Functions> Membership > Dividend > Year wise progress of sale > Sales target for the year 2021-22 > Management of NACOF> Organizational Structure of NACOF> Branches of NACOF> Commercial Activities> Factors influencing the cooperatives to succeed or fail

### ***Chapter 3-***

Inferences & Suggestions

References

**National Federation of Farmers' Procurement, Processing and Retailing Cooperatives of India Ltd, (NACOF) was selected as a unit for limited purpose of this study.**



## **1. INTRODUCTION**

National Federation of Farmers' Procurement, Processing and Retailing Cooperatives of India Ltd, (NACOF) has been established under the Multi-State Cooperative Societies Act 2002 and registered on 4th November 2009 by the Joint Secretary & Central Registrar, Cooperative Societies in the Ministry of Agriculture, Govt. of India at Registration No. MSCS/CR/320/2009. The membership of NACOF is 72 comprising of the State Level Federations, Distt Level Federations and large size/primary level societies from States and UTs of India i.e., the States of Delhi, Uttar Pradesh, Madhya Pradesh, Bihar, Maharashtra, West Bengal, Chhattisgarh, Uttarakhand, Odisha, Rajasthan, Jharkhand, Himachal Pradesh, Andhra Pradesh, Gujarat, Karnataka, Kerala, Punjab, Arunachal Pradesh, Jammu & Kashmir, Assam, Manipur, and Chandigarh.

The NACOF, being a Multi-State Cooperative Federation could establish branches or place of business anywhere in the country in accordance with Section 119 of the MSCS Act 2002. The commercial operations of the NACOF are undertaken on all India level through its Head Office in New Delhi and Branches / Sub-Branched / Warehouses functioning in the State Capitals and other important cities / procuring centres.

## **2. THE VISSION, MISSION, OBJECTIVES & FUNCTIONING OF NACOF ARE DISCUSSED IN DETAIL HERE UNDER:**

### **2.1 VISSION**

To ensure better prices to the farmers of their produce, increasing their productivity of agricultural and horticultural produce by providing the latest and most effective technical knowhow with the sole aim of achieving sustainable growth resulting in upliftment of socio-economic status of farmers. Providing quality goods of daily needs to the consumers at most reasonable prices particularly to the people living in rural and hilly areas.

### **2.3 MISSION**

- Elimination of middlemen by procuring farmers' produce preferably from their farm gate at best available market rates.
- Promote the export of farmers produce in association with their self-help groups or directly and utilization of export benefits for improvement of status of farmers.
- NACOF shall not work only for earning profits but shall work for the cause of farmers as well as consumers.
- NACOF shall provide expertise and services not only to the agriculture sector but also to other dependents mainly on agriculture.

## 2.2 OBJECTIVES AND FUNCTIONS

The objects of the NACOF are to organize, develop the cooperative societies engaged in procurement, processing, retailing, construction, mining related & akin activities; and to make them self-reliant by promoting their economic, social and culture interests by conducting its affairs in professional, democratic and autonomous manner through self-help and mutual cooperation through its indulgence/interventions and active research in professionalizing procurement/processing/retailing/marketing and or trading of agricultural produce, aqua/horticultural, farm forest inputs & produce seafoods, dairy & dairy products, animal products; production/ procurement/marketing of grains seeds and animal feeds and will engage itself directly or through its member societies produce/trade farm inputs along with manufacturers/supply/distribution of agriculture machinery and implements and other agriculture related inputs/outputs their storage transportation and marketing; setting up chain of retail stores to cater the requirements of rural and urban community under one roof; and strive for better market prices to farmers/consumers through price support/market interventions by setting up/acquiring/ membership in commodity exchange, imports/exports agencies; offers quality assurance through setting up of the chain of test-labs; provide support to the Member Cooperative Societies through IT network all information related to their business including weather; weather related information to farmers; provide/undertake/develop access to mandis & market places by setting up transportation network and own transport and act as an agent for providing goods and services of all kind to farmers/consumers and to undertake such other activities which are conducive and incidental thereto.

In furtherance of above subjects. NACOF may undertake one or more of the following activities which are indicative but not limited to: -

- To undertake & make arrangements for procurement and distribution of agriculture, non-agriculture, horticultural & farm-forest produce, sea foods, dairy and animal products, minerals from the member societies, Govt. /Semi Govt. / and other organizations.
- To acquire, establish and run processing & manufacturing units for production of processed & other consumer goods to facilitate the business of NACOF.
- To undertake sorting, grading, standardization, scientific treatment, packing and process of agriculture produce & other articles;
- To make arrangements for marketing of produce of its member societies and farmers, manufacturers, etc.
- To carry on the business as producers of, and dealers in, food stuff and food products of every description, whether for human, animal, milk, butter, cream, cheese, oil, fruits, vegetables, beverages, mineral and aerated water;
- To enter into contracts and collaboration for purchases, production, manufacture and marketing of raw materials, auxiliary products, packing materials, finished products, by-products and other waste products and also enter into joint marketing and exchange agreements with Cooperative Institutions, Public Sector Undertakings or any other agency in India and abroad.
- To arrange to manufacture, store, maintain, sell, buy, repair, alter, exchange, let on hire, export, import and deal in all kinds of articles and things which may be required for the purpose of any of the business of NACOF or are commonly supplied or dealt in by persons engaged in any such business or which may seem capable of being profitably dealt in connection with any of the business of NACOF.



- To undertake market research, dissemination of market intelligence and such other activities as are incidental and conducive to the development of the member Cooperatives as well as NACOF;
- To carry out publicity and propaganda in respect of Cooperative marketing & supply by publication literature, arrangements of demonstration by organizing conference of marketing processing and supply societies conferences and to make arrangement for marketing of farm-processed produce and consumer goods in its retail stores.
- Establish trade connections with manufacturers, their authorized distributors and suppliers/dealers including Government Agencies and Cooperative Organizations and to undertake purchase, sale and supply of agricultural and non-agricultural commodities and also all types of consumer goods through retail stores;
- To provide and arrange for the training of employees of the NACOF as well as Member Cooperative Societies to promote and improve the business of NACOF;
- To provide technical guidance and assistance to member societies and other agencies in grading, packing standardization, bulk buying, storing, display, pricing & other business techniques and also management methods;
- To enter into collaboration with Cooperatives or others in India or in foreign countries for machinery and equipment and technical know-how, consultancy, operations marketing of produce;
- To promote and organize Member Cooperative Societies in the field of procurement, processing and marketing of agricultural and non-agricultural produce.
- Exports and Imports of agricultural commodities, horticultural products, seeds/saplings, fresh fruits and vegetables, Agro-chemical and manufactured non-agricultural items and any other items permitted under the policies and instructions of the Government of India.
- To undertake purchase, sale and supply of manufactured and value-added items, drugs, medicines, pharmaceutical items and other consumers goods in Wholesale and Retail.
- To undertake purchase, import, sale, supply of coal and its by-products, fertilizers, pesticides, insecticides etc.
- To arrange supply of various items required by Central/ State Governments, PSUs, Cooperative Organizations and others.
- To promote horticulture, floriculture, ornamental plants and non-conventional agricultural crops, social forestry & herbal crops and such other ancillary activities at its own or in association with Members/ Business Associates.
- Adoption, certification of agriculture crop and promotion of organic farming/good agricultures/Animal Husbandry practices by using bio-technology to mitigate the harmful effects of chemical inputs in agriculture field by latest technological inputs and adopting new innovative cultivation methods for production of safe and quality seeds, seedlings and foods at its own or in collaboration with Members / Business Associates.

- To set up agriculture farms and institutes by acquiring land / property at its own or in joint venture or taking on lease from Government and others for research in agriculture and providing education and training to Members, other Cooperatives and Farmers.
- To introduce drip and line irrigation system, harvesting / storing of rain water for use in agriculture.
- To help home-owners, farmers, businesses and other to make a difference in the fight against climate change, to implement more sustainable solution for electricity such as solar, Agri waste-based generation, wind mill and hydro, water cleaning and waste management in rural and urban areas. To provide complete consultancy and turnkey solution for all such implementation.
- To undertake marketing of Petrol, Diesel, Lubricants, LPG, CNG etc. in Rural, Semi Urban, and other areas.
- To undertake computerisation, digitalization & supply of office-use articles to Central/State Government Departments.

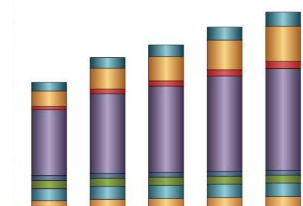
### 2.3 Membership

The membership of NACOF as on date is 76 comprising of all four-tier structure of State Level Cooperative Federations, District Level Federations and large size whole sale/primary level societies from 25 states and union territories. No individual can become member of NACOF.

The authorized Share Capital of NACOF is Rs.100 crores consisting of 10,000 shares of the value of Rs. 1,00,000/- each to be subscribed by the members, as provided under its Bye-laws. The paid-up Share Capital contributed by the cooperative societies/federation is Rs. 1.66 crores as on 31.03.2021.

### 2.4 Dividend

NACOF paid dividend @ 10% for the year 2011-12 and @ 20% for the year 2012 13 to 2016-17 to its member societies.



### 2.6 Sales target for the year 2021-22

Sales target of Rs. 3500 crores have been fixed for the year 2021-22.



## 2.5 Year Wise Progress of Sale

### 4.4.4 Form FIN.1 Financial Situation

#### Information from Balance Sheet.

	Financial Data for Previous Year				
	F.Y. 2016-17	F.Y. 2017-18	F.Y. 2018-19	F.Y.2019-20	F.Y. 2020-21
Total Assets	4,96,16,77,276	2,25,06,55,352	2,83,85,76,896	4,91,95,56,071	6,47,64,38,960
Total Liabilities	4,86,04,39,147	2,14,72,28,209	2,73,52,68,285	4,80,25,67,036	6,31,25,05,282
Net Worth	10,12,38,129	10,34,27,143	10,33,08,611	11,69,89,035	16,39,33,678
Current Assets	5,40,15,47,581	4,91,50,79,513	2,09,06,98,544	4,84,90,15,863	6,36,77,08,361
Current Liabilities	4,26,82,60,950	1,80,82,17,209	2,30,30,26,261	4,63,88,18,279	6,19,00,48,437
Working Capital	64,68,18,563	28,24,81,335	45,48,92,972	21,01,97,584	17,76,59,924
Most Recent Working Capital	64,68,18,563	28,24,81,335	45,48,92,972	21,01,97,584	17,76,59,924

#### Information from Balance Sheet

	F.Y. 2016-17	F.Y. 2017-18	F.Y. 2018-19	F.Y.2019-20	F.Y. 2020-21
Total Revenue	9,70,39,396	10,88,65,183	10,61,56,203	11,89,07,430	15,10,96,575
Profit Before Taxes	42128935	61,616	1,37,582	2,13,93,987	7,38,79,418
Profit After Tax	2,81,28,935	40,616	91,582	1,43,33,987	4,78,79,418

## 2.7 Management of NACOF

The Management of NACOF vests in the Board of Directors which includes Chairman and the Managing Director. There are two statutory committees' viz Executive Committee and Business Committee. In addition, the Board can also appoint other committees and sub committees as may be necessary and delegate to them such powers as may be necessary and appropriate. The present Board of Directors was constituted as per provisions in MSCS Act Rules and Byelaws of NACOF with 15 Directors (13 representing Member Cooperatives and one "Managing Director").

A list of Board of Directors of NACOF is given as under:

1. Smt. Malti Singh	---	Chairman
2. Shri Ram Iqbal Singh	---	Working Chairman
3. Shri Harjit Singh Grewal	---	Vice Chairman
4. Shri Gurumukh Singh Hora, MLA	---	Vice Chairman
5. Shri Ashok Singh	---	Director
6. Shri Rishi Raj Singh Sisodia	---	Director
7. Dr. Amit Pratap Singh	---	Director
8. Shri Sunil Kumar Khatri	---	Director
9. Shri Anoop Kumar Aggarwal	---	Director
10. Shri Ranjit Singh	---	Director
11. Shri Surender Kumar Sinha	---	Director
12. Shri Rajeev Singh	---	Director
13. Shri Gauri Shankar Mittal	---	Director
14. Shri Sanjeev Ratna Singh	---	Director
15. Smt. Lata Sharma		

***Chart of Administrative Setup of Head Office/Branches (NACOF) approved by Board.***



**2.8**

**BRANCHES OF NACOF**

AHMEDABAD

BHOPAL

BHUBANESWAR

BANGALORE

CHANDIGARH

CHENNAI

DELHI (H.O)

DEHRADUN

KASHIPUR

GUWAHATI

HYDERABAD

INDORE

JAIPUR

JAMMU & KASHMIR

KOLKATA

KURNOOL

LUCKNOW

MUMBAI

NAGPUR

NOIDA

PUNE

RAIPUR

RANCHI

VIJAYAWADA

VISHAKHAPATNAM

PORT BLAIR

KANPUR

VIRAR

## 2.9 Commercial Activities

The commercial operations of NACOF are undertaken by its Head Office in New Delhi and Branches in the State Capitals.

### i. Agriculture Sector

The Procurement of wheat, paddy/rice, pulses, oil-seeds, during Kharif and Rabi Crops seasons from the regulated markets for supply to Govt. Departments, Public Sector, Undertakings, Cooperatives and other Organizations and also under MSP Scheme of Govt of India, as nominated Agency of State Governments.█

The whole pulses are also processed as per demand of the buyers and supplied. The processed pulses are also procured from the Millers and Suppliers by inviting offers, whenever required.█

NACOF have started Production of Seeds of different varieties in various states on its own and in joint venture.

Supply of Seeds of Cereals, Pulses Millets etc. Agro-Equipments, Bio-Fertilizer, Chemical fertilizer, Pesticides/Insecticides.

Adoption, Certification of Agriculture Crop and Promotion of Organic Farming and introduction and live irrigation system. Harvesting/Storage of rain water for use in Agriculture.█

NACOF is producing seeds in various states by the branches of NACOF in its own brand or in joint venture.

### ii. Procurement of Wheat & Paddy under MSP

Government of Uttar Pradesh allotted centres for Procurement Paddy & Wheat during Kharif 2015-16, 2016-17, 2017-18 and 2018-19 crops respectively.

Government of West Bengal also nominated NACOF as its Agency for Procurement of Paddy and CMR during the years 2013-14, 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19.

Government of West Bengal have also placed an order to NACOF for the supply of various items under ICDS Scheme since 2015-16 to till date.

Government of Odisha also nominated NACOF as its Agency for Procurement of Paddy and CMR during the years 2014-15 & 2015-16.

Government of Telangana have nominated NACOF as their agency for the supply of Fodder Seeds and are placing purchase orders regularly.

Govt. of Jharkhand have nominated NACOF as their State Agency for the Procurement of Paddy under MSP operation for the year 2016-17.

Govt. of Assam have also nominated NACOF as their State Agency for the Procurement of Paddy under MSP operation for the year 2016-17, 2017-18 & 2018-19.



### iii. Horticulture Items

Supply of hybrid vegetables, flowers and fruit seeds, flower bulbs and Rhizomes, Imported and Domestic Gladiolus Bulbs, Lilium and Tuberos Single and Double, Planting materials viz. Gerbera, Carnation, Roses, Anthurium, Orchid etc. and Fruits Plants i.e., Banana, Strawberry, Guayas. Mango Lime etc.█

To promote horticulture, floriculture, ornamented plants and non-conventional agriculture crops at its own or in association with Member Societies/Business Associates.█



### iv. Manufactured items

NACOF has made rate contract arrangements with the reputed manufacturers, distributors, dealers and business associates for selected branded items like machinery, furniture, equipment's, electrical/electronic items including of computer, solar energy related items, paper & stationery, readymade, garments, hosiery, leather goods, house-hold goods, kitchenware, sanitary, watches, crockery, toiletries, vegetable oils, cosmetics, bakery items etc. for supply to Govt Departments, Cooperatives and others at most competitive rates.



## UPCOMING PROJECTS

- i. NACOF is active in the treatment of polluted water in lakes by using Bioremediation technology to contribute towards protecting & maintaining the environment and natural resources of States”.
- ii. NACOF is also participating in the Skill Development programs as its Raipur branch is the nodal branch for implementing the above scheme. Recently, Small Farmers Agri-Business Consortium (SAC) and NAFED have selected NACOF as their agency for the formation & promotion of 25 FPOs under the Central Sector Scheme.
- iii. Recently, Odisha has also selected NACOF for the implementation of organic farming in Kalahandi under the NHM Scheme. NACOF has been running three medical shops in the Central Government hospitals, New Delhi for the last three years. It is running 25 branches in some of the State Capitals.
- iv. Besides the regular business of procurement from states, NACOF is diversifying its activities in other fields e.g., disposal of waste management, supply of items under the IDS Scheme/schemes of Social Welfare Department of the State Governments with an aim to make NACOF financially strong.
- v. NACOF also undertakes production & marketing of seeds under its brand name of NACOF and has established a Dairy Division at Jaipur in joint venture with our registered Business Associates.
- vi. NACOF has also executed the MoU with the Jute Corporation of India for marketing of their produce and procurement of Raw Jute under MSP.



### **3. FACTORS INFLUENCING THE COOPERATIVES TO SUCCEED OR FAIL**

Factors that influence cooperatives to fail or succeed are explained differently according to different authors. However, people have not yet agreed on the conditions that clearly determine success and failure of cooperative (Hammond & Luiz, 2016). Therefore, the internal and external factors can make cooperatives succeed or fail.

#### **Internal Factors**

##### **i. Cooperative Initiator and Leadership**

Cooperative Initiator and leadership are of paramount importance as to causing the cooperative to succeed or fail. To this end, a visionary, innovative, communicative, hardworking, business and openminded cooperative initiator or leader plays a very important part to make the cooperative succeed. (Garnevska, Liu, & Shadbolt 2011)

##### **ii. Membership Participation**

Cooperative members play a big part in the success failure of cooperatives. Against this backdrop, cooperative members who actively take part in decisions affecting the lives of their cooperative are very instrumental in making their cooperative a success. (Garnevska et al.,2011)

##### **iii. Cooperative Governance**

Cooperative Governance is instrumental in the success or failure of Cooperatives. From this perspective, the well-informed cooperative Governance structure plays a pivotal part in making it succeed or fail. This has something to do with how cooperative members, leaders and managers collaborate. In this regard, the functioning of cooperatives as business organizations exacts a democratic governance system. This entails that cooperative member actively take part in decisions affecting their cooperative lives. (Nkhoma, 2011).

##### **iv. Cooperative Management**

Cooperative Management is an essential ingredient to the success or failure of cooperatives. For Cooperatives to be success they are really homogeneous. Literature disclosed that management of cooperatives is instrumental in making them succeed or fail. Indicators, such as strong finance, good revenues, capacity in marketing, business planning and management lead to the wellbeing of cooperative. (Garnevska et al., 2011).

##### **v. Communication**

Communication is an important tool to the success or failure of cooperative. Communication between cooperative management and members is an important factor in running a successful cooperative. Inappropriate communication among members, the board of directors, management and community as the primary reason for cooperative to go bankrupt. Members become distant and inactive within the organization if they do not receive the information to clearly understand the cooperative value package. (ARNALL, 2016).

**vi. Trust**

Trust is crucial for any organization to succeed. For a cooperative to be successful, the trust-building process should always be strengthened. (ARNALL, 2016).

**vii. Knowledge sharing**

The cooperatives demand among other things marketing skills in order to be able function well. To this end, cooperatives may fail, because of members who are disengaged for the mere fact that they are not educated rather than motivated. Therefore, educated people very instrumental in making cooperatives successful. (Birchall, 2011).

**Factors that are external**

**i. Market Volatility**

Wide spectrums of issues both external and internal to the firm impact the competitiveness, stability and success of cooperatives. Market volatility is a key external issue. Almost 80 percent of the cooperative leaders surveyed ranked market volatility as an extremely important or very important issue. The increasing volatility of commodity and input markets has created the need for significant, sometimes unattainable increases in equity and working capital. Market volatility increases interest expenses and the cost of accounts receivables, inventories and grain payables. Cooperative members want the highest possible market prices and lowest input costs, making it difficult to generate the margins needed to finance additional working capital.

**ii. Global Competition**

Global competition is another important issue and one that has not been highlighted in previous efforts identifying pressing issues. Over 60 percent of the cooperative leaders identified competition from global competitors and the ability of cooperatives to compete in global markets as a critical issue

**iii. Other External Factors**

Other external factors that were identified as critically impacting cooperatives included competition from non-cooperatives, the concentration of final product, commodity and input markets, environmental regulations and issues, and public policy changes including farm and energy policy. These external forces drive the need for effective strategic planning and cooperatives' need for increased equity.

## CHAPTER-3

### *INFERENCES*

*During the discussion with various officials and Stakeholders of NACOF and study of Primary and Secondary Data, the following observations are listed as below:*

- I. It was observed that there was a lack of professional management-for so sophisticated an enterprise since a multi cooperative needs well qualified and trained personnel.
- II. There was a lack of integrated services since NACOF has confined its activities to buying, selling and some activities related to urban waste management. Whereas, NACOF is lacking in crop loaning services to the farmers, assisting farmers in seeking support under Govt. schemes and programs.
- III. It was also observed that there was a lack of democratic control by members since most of the Board of Directors were either family member or inactive members.
- IV. Over dependence on external funds-even shares in cooperatives are subscribed to by governments and financing banks. With little at stake, a member can hardly be expected to be committed.
- V. There was a lack of members' participation since large number of member federations have joined but never participate and thereby, failed to take up responsibility of any shortcoming.
- VI. NACOF does not have regular MD/CEO thereby all the day to day administration decisions are taken by the Chairman.
- VII. There is a lack of HR policy as the HR rules for hiring of different expertise at administrative staffs are lacking. The staff has been engaged on a dock/contract basis. The professionalism in various sectors of its activities is lacking.
- VIII. The bonding and control of Head Office and its branches is not strong as most of the State Managers are hired on contract basis or on commission basis.
- IX. Because of lack of proper experts most of the activities have been outsourced to Business Enterprises. Therefore, the quality control seems to have been compromised.
- X. NACOF has spread its activities at various directions such as supply of Agri inputs, Waste Management, Solar Energy, retailing etc and they have not made any effort to reach to the poor farmers at the ground level.

***SUGGESTIONS FOR IMPROVING THE FUNCTIONING OF NATIONAL FEDERATION OF FARMERS' PROCUREMENT, PROCESSING AND RETAILING COOPERATIVES OF INDIA LTD, (NACOF)***

National Federation of Farmers' Procurement, Processing and Retailing Cooperatives of India Ltd, (NACOF) is an organization which has huge potential and can do a lot service to the farmers & to the country if the functioning of this organization is based on sound principles of Management.

Some of the suggestions to improve the functioning of NACOF to make it more relevant to the farmers are given below-

1. Transparent hiring of Managing Director and other office staff.
2. Hiring of experts for various area of operations through proper scrutiny may be inviting candidature through website, newspapers etc.
3. Limited role of Chairman and Board of Directors as these officials are not trained to run an organization and should be limited to give guidance and policy support.
4. More interaction of State Managers with the farmers to understand their requirements and to make them aware about the Govt. Policies and programs which is the most important role of any Cooperative Organization.
5. Proper pay package to the staff including the other benefits is required so that in good professionals are attracted to join the organization.
6. Members are owners and patrons. Therefore, only patrons, that is, users should be encouraged to be members. User members active participation facilitate growth in business volumes.
7. Equity defines the owners of an enterprise, who after all shall make decisions. Since equity contribution by external agencies such as financing agencies, governments, etc., may affect in decision-making, such contribution should be considered after due thought. A cooperative must aim to mobilize entire equity from members.
8. A cooperative formed by members to serve their interest must be member-driven, member-controlled and member-responsive organisation. A cooperative must reorient itself to function as a true democratic organisation.

9. The equity-debt ratio represents the quantum of risk that members are willing to take in their enterprise and their faith in and commitment to their organization. The financial stakes of members must be significant if they are to take the management of their own organization seriously.
10. All goods and services organized by a cooperative should keep members' needs in view and accordingly, the business activities be planned, implemented and diversified. Attempt to provide integrated and multiple services to members as included in bye-laws. A cooperative must position aggressively for changes in members needs and markets.
11. Where the ownership is wide-spread and large, management accountability can be at risk. Boards of Directors must consist of deserving individuals, elected by the owner members from amongst themselves. Boards consisting of government or financing agency or federation nominees may not feel accountable to the owners.
12. Cooperatives must be professionally managed by competent, trained and qualified staff, so that the cooperative prospers as a business enterprise under supervision and control of democratically elected board of directors.
13. If employees are to work for attaining the objectives of an organization, they must be fully accountable to the organization, and their future must be linked with the future of the organization. Government officials and other deputation from financing agencies may not serve as employees of cooperatives, and all those who do work for a cooperative must be fully accountable to the cooperative.
14. Choose, assess and employ appropriate and advance technologies; and adopt best practices for business to be able to compete and succeed.
15. Cooperatives are open, ethical, caring and socially aware democratic business institutions. These must follow the basic tenets of good governance and should be led for business success, members and employees' interest and community at large.
16. A cooperative must forge forward integration in order to gain competitive advantage in market-place and backward linkages to develop the production capacities and efficiencies.
17. In order to enhance members' participation and empowerment and to imbibe professionalism in society's functioning, it is imperative that cooperative education and training in relevant areas are organized at regular intervals for all categories of cooperative personnel so as to upgrade their awareness, skills and competencies as essential for cooperative success.

## **REFERENCES**

(Garnevska, Liu, & Shadbolt 2011)

(Garnevska et al.,2011)

(Nkhoma, 2011)

(Garnevska et al., 2011)

(ARNALL, 2016)

(Birchall, 2011)