Introduction

The concept of inclusive growth needs to be defined properly as different agencies have defined “inclusive growth” from different perspectives.

- The World Bank has stated that inclusive economic growth can be achieved by “focusing on expanding the regional scope of economic growth, expanding access to assets and thriving markets and expanding equity in the opportunities for the next generation of Indian citizens no matter who they are or where they live” (p. xiv, World Bank 2006).

- Mr. Monteksing Ahluwalia, the Deputy Chairman of the Planning Commission, provides the following interpretation: “Achieving a growth process in which people in different walks in life feel that they too benefit significantly from the process” (Ahluwalia, 2007).

- “Poverty was one-dimensional, but lack of inclusion now is multi-dimensional and interlinked with regional and caste issues...The Plan is no longer about a model, it is now about pulling together a whole lot of forces and impulses...An Inclusive Strategy should provide for health, education and agriculture” (cited in Sensex 2007).

- The United Nations Development Programme (UNDP) has defined ‘inclusive growth’ in the following terms. “the process and the outcome where all groups of people have participated in the organization of growth and have benefited equitably from it. Thus inclusive growth represents an equation – with organization on the left hand side and benefits on the right-hand side.” (UNDP, 2008; p. 2).

- Mr. M.H.Suryanarayana in his paper titled “Inclusive Growth : What Is So Exclusive About It?” published in 2008 has suggested that, “…we would prefer to characterize a broad based growth process as one wherein there is all-round improvement as reflected in the three alternative perspectives of macro economy, viz.,
production, income and expenditure. …we intend to convey the idea that the growth process under review or being proposed is such that it has benefited even those sections that are deprived of both physical and human asset endowments and hence, generally belong to the bottom rungs of income distribution and are incapable of participating / benefiting from the growth process.”

From the above explanations, the authors, for the purpose of this paper, would make a **working definition of ‘Inclusive Growth’** as

“An economic growth of a country/organization which gives equal opportunity for its citizens to participate in it by way of production and gives equitable right on income and expenditure derived from it.”

With this definition as a reference, the paper aims at the following.

1. Examining the role of cooperative business model in ensuring inclusive growth.
2. Studying the successful practices of two different cooperative business models respectively followed by Anand Milk Union Limited (henceforth referred as ‘AMUL’ and Mahila Grih Udyog Lijjat Papad (henceforth referred as ‘Lijjat Papad’) in India and how it has contributed to inclusive growth.
3. Comparing these business models and bringing out similarities and differences in these models.
4. Analyzing the factors responsible for success of both these models in achieving inclusive growth.
5. Studying the leadership styles of both these enterprises.
6. Relating the findings of the study to the cooperative movement in Bhutan.

**Scope and limitation of the paper**

1. The authors are based in Bhutan presently and are not in a position to gather first hand data regarding the empowerment and status of the members of cooperative enterprises of AMUL and Lijjat Papad by interviewing the members. Therefore, the description of economic success and its contribution to inclusive growth are based on secondary data.
2. The emphasis in the paper is on empowerment and improvement in social status of women members of these enterprises and hence qualitative approach is used.
3. As the parameters of inclusive growth are not conclusively and unanimously defined, correlation between cooperative enterprise and inclusive growth is not tested statistically.
THE AMUL (Anand Milk Union Limited) STORY

For last century or so cooperatives have played an important role in economy of developing and developed countries. Managers of these cooperatives were able to develop some management insights from the experience of running these cooperatives.

In large emerging economies like India, to have large scale cooperative business operations in dairy products the managers face two major challenges. First, how to reach the large population which is so well spread and which comprises mainly lower middle class with low purchasing power.

Second, how to procure milk form the members of the cooperative society (who are not very literate) so that the customers can be supplied with milk and milk products at affordable rates and at the same time the members get reasonable returns.

Innovative business model was needed to be adopted in this market situation. The traditional business models mainly concentrating on high value customers for profit maximization are not suitable to tackle this complex situation.

The Kaira District Milk Cooperative Union or AMUL in India successfully developed such model. Studying this model and the working of AMUL which was responsible for milk dairy revolution in India can be a guiding example for newly coming up cooperatives in Bhutan.

The beginning

It all started in 1946. Polson (the most popular butter brand in India, then) used to collect milk from the marginal milk producers from the city of Anand in Gujrat through its agents and delivering it to Bombay Milk Scheme in Mumbai.

The marginal milk producers were facing the following problems.

- Traveling long distances to deliver milk to the only dairy.
- Milk getting spoiled particularly in summer season.
- Prices were decided by the agents at low rate.
- Off take was uncertain and was decided by the agents.

On the advice of Vallabhbhai Patel (the first Home Minister of independent India) and Morarji Desai (Ex. Prime Minister of India) the farmers formed The Kaira District Cooperative Milk Producers’ Union Limited on 14 December, 1946 which came to be known as AMUL in future after its popular Brand of its butter.

Milk processing plant was also established to process milk for manufacturing milk products with per day capacity of

- Pasteurizing 300,000 pounds of milk
A major technology breakthrough was made by the indigenous R & D at AMUL by producing milk powder from buffalo milk for the first time in the world.

By 2000 the picture of the dairy industry in the state of Gujrat was totally changed mainly due to the snow balling effect of the cooperative initiative shown by the Kaira District Cooperative Milk Producers’ Union Limited.

The following table shows the phenomenal growth of the dairy industry in Gujrat between years 1946 and 2000.

<table>
<thead>
<tr>
<th>Item</th>
<th>1946</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>milk producers (called farmers)</td>
<td>A few thousand</td>
<td>2.12 million.</td>
</tr>
<tr>
<td>milk collection independent cooperatives</td>
<td>Two</td>
<td>10,411</td>
</tr>
<tr>
<td>(called Village Societies)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>independent dairy cooperatives (called Unions)</td>
<td>None</td>
<td>13</td>
</tr>
<tr>
<td>common marketing organization (called Federation)</td>
<td>None</td>
<td>One for all unions**</td>
</tr>
<tr>
<td>regional distribution centers in India,</td>
<td>None</td>
<td>42</td>
</tr>
<tr>
<td>retail outlets</td>
<td>None</td>
<td>500,000</td>
</tr>
<tr>
<td>Export to countries</td>
<td>None</td>
<td>15</td>
</tr>
</tbody>
</table>

(** Gujarat Cooperative Milk Marketing Federation or GCMMF is the marketing entity for products of all Unions in the State of Gujrat.)

Encouraged by the glaring success of cooperatives in the state of Gujrat, Government of India established Two national organizations, the National Dairy Development Board (NDDB) and the National Co-operative Dairy Federation of India (NCDFI) to coordinate the dairy activities through cooperatives in all the States of the country. The former provides financing for development while the latter manages a national milk grid and coordinates the deficit and surplus milk and milk powder across the states of India.

The highlights of the AMUL’s successful business model were,

- developing innovative processes through indigenous technology.
- guarantying purchase of milk from the farmer members.
- assuring pre-fixed price for milk collected from farmer members.
- offering quality milk and milk products to consumers at reasonable price.
- developing and coordinating a vast co-operative network.
- distributing profits out of business activity to the large number of small and marginal farmers.
How did AMUL achieve its phenomenal success?

The success of AMUL can be attributed to six main attributes as shown below.

The salient features of these attributes are briefly discussed below.

1. **Strategy**:

   1. **Developing demand and supply simultaneously**: For developing demand out of consumers with low consumption of milk and milk products and with limited purchasing power, AMUL products were offered at low price with guaranteed value for money to the customers.

   2. **Focusing on cost**: In order to keep the costs of operations at the minimum, only core activities like processing of liquid milk and conversion to variety of dairy products and associated research and development were carried out by AMUL and third party services were utilized for collection of milk and distribution of milk and milk products.

3. **Gradual development of product mix**: Beginning with liquid milk, the product mix was enhanced slowly by progressive addition of higher value products while maintaining desired growth in existing products.

4. **Developing supply of milk and assuring steady growth**: Fair prices were offered for procurement of milk to give reasonable return. Cash payment was made to take care of liquidity problems of the farmer members. Part of the surplus was used for providing veterinary care, making cold storages facilities available and educating members in improving basic knowledge of animal husbandry to improve yield.
2. Organization:
The desired network of cooperatives had to be such that it helps in achieving the objectives of benefiting large number of marginal milk producers and drawing more rural poor to undertake dairy farming as a means of livelihood.

A multilevel organization was designed to meet these objectives as shown below.

Figure 1: Dairy Cooperative Structure and details for State of Gujarat

3. Marketing:
GCMMF is the marketing arm of the network and manages the physical delivery and distribution of milk and dairy products. It is authorized to take decisions about new product introduction, distribution and advertising as well as marketing of AMUL products.

The strategy of first capturing the low purchasing capacity customers and then introducing high value products made the task of marketing AMUL products somewhat complex.

The task required catering to high value segments with value added products on one side and on the other hand ensuring that the large low value segment is not affected in supply of low value products. Thus, allocation of milk for these two segments was a challenge and at times the high value segment was required to be sacrificed in preference to low value segment in order not to disturb the major base of customers.
AMUL has appointed exclusive distributors for its products. These distributors are responsible for supplying AMUL products to end-customers through FMCG retailers all over India. Liquid milk is home delivered in pouches through corner shops or small retailers.

Since 1999, GCMMF has started web based ordering facilities for its customers. A well-defined supply chain has been developed to service customers who order in this manner.

AMUL has followed a consistent advertising policy with the healthy and happy cartoon girl, the tag line of “AMUL – the taste of India” and the jingle “Utterly Butterly Delicious”.

AMUL is the umbrella brand under which all varieties of milk and milk products are promoted.

**Effective Technology:**

Emphasis of technology development at AMUL was on products, processes and practices that will be in keeping with the strategy of offering low value products to the existing large segment and developing new high value added products for new high-end segments.

This would be evident if one looks at the **AMUL range of products** comprising

**Bread spreads like** AMUL Butter, AMUL Lite bread spread, Delicious Table Margarine, **Milk**

**drinks like** AMUL Kool Milk Shaake, AMUL Kool, AMUL Kool Cafê, Kool Koko, Nutramul Energy Drink, AMUL Kool Chocolate Milk, , AMUL Kool Flavoured Bottled Milk, AMUL Kool Flavoured Tetra Pack, AMUL Masti Spiced Butter Milk, AMUL Lassee and AMUL Thandai,

**Powder Milk like** AMUL Spray Infant Milk Food, AMUL Instant Full Cream Milk Powder, Sagar Skimmed Milk Powder, Sagar Tea Coffee Whitener and Amulya Dairy Whitener, **Fresh Milk varieties like** AMUL Fresh Milk, AMUL Gold Milk, AMUL Taaza Double Toned Milk, Amulite Slim and Trim Milk, AMUL Fresh Cream, AMUL Shakti Toned Milk, AMUL Calci+ and AMUL buttermilk,

**Cheese like** AMUL Pasteurised Processed Cheddar Cheese, AMUL Cheese Spread, AMUL Emmental Cheese, AMUL Pizza Mozzarella Cheese, Gouda Cheese,

**Cooking products like** AMUL/Sagar Pure Ghee, Cooking Butter, AMUL Malai Paneer, Utterly Delicious Pizza, Mithai Mate, Masti Dahi and Pro-biotic Dahi,

**Desserts like** AMUL Ice-cream, AMUL Shrikhand, AMUL Gulab Jamuns, AMUL Basundi, AMUL Chocolates and AMUL Flaavyo Yoghurt.

**AMUL’s development of appropriate technology** for processes is commendable.

Technology for processing buffalo milk for various end products was developed for the first time in the world by AMUL.

Similarly making milk powder from buffalo milk was developed by dairy engineers at AMUL for the first time in the world.
Further, process was also developed to convert this powder into baby food and cheese, thus, taking care of surplus milk that was being collected as the members and yield both increased. AMUL also indigenously developed a low cost process for providing long shelf life to many of its perishable products.

Breed of cattle with high yield of milk was possible due to embryo transfer technology.

Information Technology was also effectively used for the following purposes.

- ERP based supply chain planning system.
- Internet based dairy kiosk at some village societies (for dissemination of dairy related information).
- Automated milk collection stations at village societies.
- GIS based data network connecting villages’ societies to markets making milk collection information available at more than 10,000 villages to enable them make faster decisions in terms of production & distribution planning, and disease control in more than 6,70,000 animals. Similarly, this is linked with information at all 45 distribution offices and 3900 distributors.

**Some of the good practices** at AMUL include Total Quality Management through

- Friday Meetings - Every Friday everyone in the network joins their respective departmental meeting to discuss quality initiatives and share policy related information.
- Training for Transformational Leadership,
- Health training for farmers and their families emphasizing the need for good health,
- Evaluation of retail outlets (over 500,000).

**Operations and Supply Chain Management:**

Robust coordination is one of the key reasons for the success of operations involving such an extensive network of producers and distributors at GCMMF. Employees, third party service providers, and distributors are constantly reminded that they work for the farmers and the entire network strives to provide the best returns to the farmers, the real owners of the cooperative.

There appear to be two critical mechanisms of coordination that ensure that decision making is coherent and that the farmers gain the most from this effort. These mechanisms are:

- Inter-locking Control
- Coordination Agency: Unique Role of Federation
Leadership
AMUL was started at the initiative of two national leaders Mr. Vallabhbhai Patel and Mr. Morarji Desai. However, the ground leadership was provided by Mr. Tribhovandas Patel, a local leader trained in the Gandhian philosophy and life style. He was the first chairman of the cooperative and was instrumental in making the farmers believe in the power of cooperation and their rights towards improvement of human condition.
He could achieve this because of his fairness, honesty and sense of accountability towards the members. He was a very gentle person and possessed an immense skill of making people trust in him and in the cooperative movement. He traded autonomy to managers with their full commitment to the cause of AMUL.

Mr. Verghese Kurian was one such manager - a technocrat with a background in mechanical engineering - who shared his concern for the farmers and also had the tenacity to organize marginal milk producers. He along with Tribhovandas Patel transformed AMUL from a dream into a major industrial entity.

Due to his contribution to the cooperative dairy industry in India, Mr. Verghese Kurian was known as ‘the father of the dairy movement in India’.

As a leader, he worked tirelessly to establish the values of modern economics, technology and concern for farmers within the cooperative.

He brought funds from international financing agencies for the various projects at AMUL.

He worked with farmers to increase milk yield.

He motivated many young managers to leave their financially lucrative jobs and join AMUL which was developed by Mr. Kurian as a professional management systems that would support the aspirations of farmers and customers.

While working with Mr. Tribhovandas Patel, Mr. Kurian learnt the skills of polite persuasion. and was able to imbibe an attitude of “We can do it” amongst his managers.

Mr. Kurian called himself as an employee of the farmer members of the cooperative of which he was the chairman.

He would travel through the villages along with Tribhuvandas and work out the details of how the milk collection cooperative would work, how trucks would pickup milk from village societies, how the cattle would have to be taken care of and how all of this would help the poor milk farmer come out of poverty and the clutches of the middleman.

Thus, he was able to link the activities of the society with its ultimate purpose of wellbeing of the marginal milk producers.

With his insistence and tenacity he along with his two engineers could developed a process of creating milk powder from buffalo milk – an idea which was ridiculed by one and all of the dairy industry all over the world.

As a result of his leadership, membership of the cooperative started to increase, professional managers started to join AMUL and production capacity at AMUL started to expand.

Kurien’s biggest strength lay in his ability to convince people that the cause of rural farmers was important thus establishing an important shared value.
THE LIJJAT PAPAD STORY

‘Lijjat Papad is a cooperative organization by the women, of the women and for the women).

With head quarter in Mumbai, what started as a domestic activity for adding small income to the family in 1959, has today grown into a cooperative with a turnover of more than 300 Crore and a membership of about 45000 women.

How it all happened?

In 1959, in Mumbai, seven gujrati house wives, not very literate, made four packets of papad for selling.

Papad is a form of Indian crispy bread. The food is taken as a snack and also along with lunch and dinner. Papads, or poppadoms, are also the traditional restaurant starter and go with dips and chutneys. They are a thin wafer of lentil, chickpeas, black gram, salt and oil. Various types of seasonings are added.

The ladies had borrowed Rs.80/- and made the papads. They decided to continue and soon the number started growing.

In 2002, following was the situation with Lijjat Papad.

✓ Turnover of more than Rs.300 Crores.
✓ 32 branches all over India.
✓ Exports worth Rs. 10 Crores.
✓ 45,000 women members
✓ A large product range.

The success of Lijjat Papad lies in its vision and core value.

Its vision— an exclusive women’s organisation run and managed by them, a quality product that these women had the expertise to make, and, finally, a workenvironment which is not competition-driven and mechanised but based on pure labour and love for the organisation and its people.

In Keeping with the vision, Lijjat Papad’s core values are based on three concepts.

(1) The concept of business: It comprises quality at reasonable cost of production, not accepting charity or donations, sound financial practices and professional network of distribution.

(2) The concept of family : The members work like a family and decisions are taken with consensus. Managing committee members have even right to veto a decision.

(3) The concept of Devotion : The members do not look upon the organization as a mean of earning money. It is a place of worship to devote one's energy not for his or her own benefits but for the benefit of all. The work is done as worship. The membership is open for every woman who has faith in its basis concepts.
Other factors to which the success of Lijjat Papad can be attributed are discussed below.

- **Making sure that the process runs smoothly**

**The Organization**

- Managing committee of 21 Members
  - Six Office Bearers
    - President
    - Vice-President
    - Two Secretaries
    - Two Treasurers

**The Supply Chain**

- Head Office Procures Raw Materials
  - Vashi & Nasik Processing
    - Urad, Moong Dal etc.
  - Cotton Green
    - Spices, Black Pepper etc.
  - Receive indent from the branches
  - Raw materials received by branches
  - Ready packets received by Depots
  - Distributors collect goods from Depots on payment
    - Goods delivered to Retailers in the area
  - Merchant Exporters collect goods from Depots on Payment
    - Goods exported to the various countries

**Highlights of the process:**

- Cordial and mutually beneficial relationships with its large network of dealers all over India.
- Product diversification into Khakras, Masalas, Lijjat ATTA, Swadeshi ATTA, Detergents.
- Manufacturing of packing bags by Lijjat Papad itself to reduce cost and avoid duplicate goods.
- Advertisement is given in newspapers for appointment of distributors in the desired areas. On receiving applications from aspiring distributors, members from marketing division personally go and check the godown facilities and only on their approval are the distributors appointed.
- Distributors are required to keep deposit with Lijjat Papad and have to make advance payment for their requirement.
- Appointment of distributors in accordance with the demand.
- Appointing distributors where Lijjat Papad does not have a branch and empower them to work as a branch offices.
- Making sure that Distributors deliver the products in every nook and corner of the cities and every retailer, no matter what size, stocks their brand of products if he is stocking any other brands of the same product.
- Distributors get 1% extra commission for exceeding targets.

**Ensuring the highest quality standards**

To ensure quality Lijjat Papad has a highly standardized manufacturing process for Papads.

- A minimum stipulated time is required for the Papads to dry. In order to ensure this much time is available to the members who prepare papads, some of the members reach the production centre at 5.00 a.m. every day and they keep the kneaded dough for rolling papads ready at 7.00 a.m. When the other member sisters (as they are called) come to collect the dough, they are given measured quantity of dough.
- From every 1000 gms of the dough, the weight of the final papads will amount to only 800 gms.
- From every 1000 gms of dough, 120 small papads of 5 inches each and 65 papads of 7 inches each can be rolled out. The sisters don’t get dough for the day unless they bring previous day’s Papads with them.
- For any faulty papad rolled out, a penalty is charge to the sister amounting to a few paise.
- Papads are packed in the bags which are manufactured by Lijjat Papad itself to ensure high standards and quality.
- If a slight defect is identified in a day’s production, then the entire production is destroyed.
- Raw materials are purchased centrally so as to ensure uniform good quality at all production centres.
 ✓ If a member sister is not able to roll the papads as per standards, then she is given another suitable work at the production centre.

 ✓ A monthly meeting is conducted with the distributors at every branch to discuss quality issues along with demand, price, reach etc.

 ✓ giving the product at a good price

Lijjat Papad follows a ‘Cost Plus’ method for pricing.

The following cost items are added up.

• Raw material
• Rolling Charges
• Packaging Costs
• Transport
• Selling Expenses
• Administrative expenses.

Certain markup is added to this cost to arrive at the price.

Apart from controlling cost in raw material procurement and production process as explained above, following measures are taken to reduce cost of finance.

1. Goods are sold strictly against payment on delivery terms.

2. A deposit of Rs.1,50,000 is taken from each distributor.

3. Advertising budget is kept at a very low 20% of the sales. Most of the sales take place through ‘word of mouth’ publicity.

4. 12% interest subsidy effectively brings down the bank interest rate to 4%. The subsidy is given by the Central Government of India to the enterprises which are registered under Khadi And Village Industries Commission (KVIC). Lijjat Papad is registered with KVIV.

5. Processed Cereals and Pulses Industries(PCPI) is exempted from payment of sales tax by the state government of Maharashtra where Lijjat Papad is located.

 ✓ Good corporate governance and profit sharing.

The very vision and core values of Lijjat Papad lead to good corporate governance.

Some of the good practices followed by Lijjat Papad are given below.

✓ As the cooperative is run on sound business principles, profits are not compromised. At the same time policy of ‘Profits at any cost’ is not followed.

✓ In order to ensure that there is no eating up of sales in the territories of the distributors, members are not allowed to sale goods directly to consumers even though this can give more margins to the organization.
Lijjat Papad does not accept any charity or donations so as to ensure freedom in financial decisions.

The members contribute to social cause such as distributing nutritious food for poor children, donating money for conducting community marriage, instituting prize-money for spread of primary education, undertaking blood donation drive, organizing health camps, plantation drives and even making donations to Government bodies.

There is a total transparency and democracy in all the operations of Lijjat Papad. The members of the managing committee have a right to veto a resolution if they think it is against the vision and core values of Lijjat Papad.

Lijjat Papad has helped 45000 women members to live a life of dignity by empowering them.

**Role in Women Empowerment:**

Mumbai-based businessman and entrepreneur Sushil Jwarijka explains: “Lijjat Papads are a perfect example of how a sustainable business can be built, providing large-scale employment to rural women, who are illiterate but skilled.

Jyoti Naik, who runs Lijjat’s head office in a Mumbai suburb, says “it is the women’s sense of financial independence that has made a small enterprise into a big business. These women work here to help raise their children and be financially independent,”

**Financial independence for these women translates into empowerment.**

Priyanka Redkar, 35, was just nine when she began rolling out papads alongside her mother. A deeply family-oriented mother of two children, Priyanka exudes the confidence of a woman who knows her place in society.

She proudly says ,“Today I can say I am financially independent. If my husband doesn’t give me any money I can support myself and children. I don’t need to beg and borrow.”

Ranjana Khandare was born into the Lijjat family. She says, “All my life I have worked here. I know no other skills. But papad-making has made me independent. I pay tuition fees for my three children and my husband runs the kitchen.”

Most of the 45,000-strong female workforce lives in slums or one-room hutments, with communal bathrooms and toilets. They are still part of what is known as the working class.

But working for Lijjat Papad gives them financial security.

**They are now capable of taking decisions, sending their children to schools and keeping their men on the straight and narrow.**

It would be seen from the above success stories of AMUL and Lijjat Papad that though they
Have a lot of difference in their operations and magnitude, both the cooperatives have helped in bringing in financial independence to the marginalized section of the society and thereby empowering them.

We can find the following common factors in their achievement.

✓ They had similar vision and core values.
✓ They had selfless leadership.
✓ They had the confidence in the skills and abilities of their members.
✓ They cashed on their core competencies and off loaded the other activities; particularly logistics. However, they treated the distributors as their extended family.
✓ They managed their finances well.
✓ They diversified in right direction and followed umbrella branding strategy.
✓ They motivated their members by giving a noble cause for working.

Lesson for Bhutan

Bhutan is in an infant stage of cooperative movement and study of success of these two large cooperatives will help the policy makers as well as the leaders of the movement to follow some of the policies, strategies and practices.

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