

**Indian Business History**  
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**Lecture - 18**  
**Case Study: Amul and Rural Cooperatives in India**

Welcome back to Indian Business History. I am Dr. Vipul Dutta and this is lecture number 18. The title of this lecture is, "Amul and Rural Cooperatives in India." And this will be a detailed case study of the ways in which rural industries have rejuvenated the business, economic and commercial landscape as far as the rural sector is concerned.

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**This is Week 7**

- **Week 7:** "License Raj" and Impact on Business, 1960-1980: Nationalisation of Banks and Key Energy Sector PSUs
- **Lecture 16:** Industrial Licensing Policies, Institutions in India, 1947-1964
- **Lecture 17:** Industrial Licensing Policies, 1966-1980
- **Lecture 18:** Case Study: Amul and Rural Cooperatives in India (**We are here**)

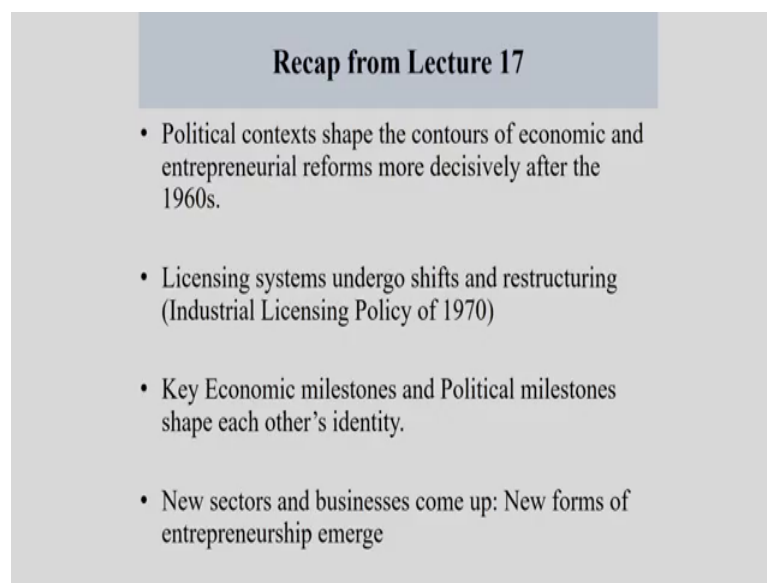
We are still with week 7 discussions, as you know the theme of week 7 is an examination of License Raj and assessing its impact on businesses from 1960 to 1980. So, as far as the chronological scope of this week is concerned, we are at the end of this chronological spectrum. And the previous two lectures that you are familiar with were lecture number 16, which discussed the first phase of industrial licensing policies and institutions in India; after independence till the mid night 1960's.

Lecture 17 was a further analytical discussion of the next phase of licensing policies as far as Indian industries are concerned. And the chronological bracket that we focused on as

far as the licensed raj system is concerned. Lecture 17 dealt with the years between the mid 1960's till about the 1980's.

Lecture 18 which is the present lecture will be a discussion of the rural cooperative sector in India; including assessing the reasons for the fabulous success of cooperatives like Amul. And as far as the chronology is concerned we will move back and forth between different years and decades. In order to have a more holistic assessment of the ways in which the rural cooperative industry has evolved through the years.

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The slide is titled "Recap from Lecture 17" and contains four bullet points summarizing key concepts from the previous lecture. The background is light gray with a darker gray header.

- Political contexts shape the contours of economic and entrepreneurial reforms more decisively after the 1960s.
- Licensing systems undergo shifts and restructuring (Industrial Licensing Policy of 1970)
- Key Economic milestones and Political milestones shape each other's identity.
- New sectors and businesses come up: New forms of entrepreneurship emerge

Just to offer a brief recap of what was discussed in the previous lecture, which was lecture number 17; there were four main important elements that emerged in our discussion as part of that lecture. The first element was that political contexts shape the contours of economic and entrepreneurial reforms more decisively after the 1960's.

In the previous set of lectures, we discussed the emergence and rolling out of different regulatory frameworks on aspects of economic, business and commercial activities. The second phase of rolling out those regulatory frameworks saw the intensification of state led policies or state led directives into different areas of the management, ownership and production and sale and export of commodities from India.

So, the intensification of the regulatory frameworks as far as business and economic and industrial activities is concerned becomes far more intensified after the 1960's. Just as

different businesses are responding in creative ways to the imposition of regulatory controls on aspects of their functioning's we also discovered that licensing systems themselves underwent shifts and restructuring.

So, for instance an aspect that we discussed in the previous lecture was relating to the industrial licensing policy of 1970. And as part of this policy, you see a fourfold division or reorganization of the industrial sector in India in which depending on the investment capital put into these industrial concerns different ownership patterns were exercised. And based on those differential ownership patterns a small, but steady sector called the d license sector came up in India's business landscape of this period.

The main aim of this d license sector was to make available the private sector a quantum of industrial infrastructure that it could effectively organize manage and run. Also crucially the years between the 1960's and 80's were the years in which key economic milestones and political milestones shaped each other's identity in a more forceful manner.

We discussed as part of India's political history in the previous lecture, that the years between the 1970's and 1980's witnessed the emergence of different governmental frameworks; the transformational change of different generations that started coming up in the political landscape of India; who brought fresh ideas of not just political reform, but also economic reform for India.

So, the coming together of different and new stakeholders in politics and economics; gave a new grammar for business and economic operations to take place in a more creative unprecedented and new manner. So, the years between the 60's till about the 80's is an era of political transformation and most significantly that era should be studied in relation to the economic transformation that was brought about by success of changes in Indian political formations during this time.

The fourth element the 4th significant pillar of our discussions of the previous lecture revolved around an examination of new sectors and businesses. We discussed how sectors relating to textile production and textile exports received a huge Philip in their growth and export potential precisely during the years of the License Raj. So, while an aspect, a dominant aspect of the License Raj system was about the imposition of licensing policies across different sectors.

Certain sectors like fabrics and textiles, portrayed a different story whereby new sectors and new business ideas ventured out and responded creatively to the licensing regimes; in order to establish new businesses, based on new philosophies, new ownership patterns and new systems of financing these operations.

So, just as a new political leadership was coming at the helm of affairs in India. In these years you also see the parallel development of new economic ideas, new economic linkages and new partnerships developing between different stakeholders; in order to start new sectors and explore new business opportunities.

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#### Focus Themes for Lecture 18

- **Emergence of the Amul group:** Timeline, Features, Individuals
- **Operation Flood:** Features and Importance
- Reasons for the success of Amul and Rural Cooperatives in India
- Diversification of the Rural business sector

For the present lecture as usual we will have four important themes that will guide our discussion and make the aspect of rural cooperative industries more comprehensible to our learners. So the first obvious theme for this lecture will be the discussion of the emergence of the Amul group; this is one of the largest dairy producers in not just South Asia, but across the world.

So, the Amul brand the identity and its historical legacy is something that we are all familiar with. This lecture will give you analytical details that shaped the foundations of the Amul group the historical factors that caused its formation and the forces that shaped its later tragedies.

So, the first element or the first focus theme for lecture 18 is going to be the emergence of the Amul group we will detail its timeline, features. And we will also look at certain individuals who played an instrumental role in the foundation of the Amul group. The second feature or the second focus theme for the lecture 18 will be the discussion of operation flood.

Operation flood if you are not familiar was the largest dairy action plan or the dairy development program that was started in the year 1970. In India, it aimed to bring together producers and consumers in the dairy industry together and to put at the forefront the interests of the dairy farmers first. So, the operation flood was one of the largest dairy development programs to be executed in India in 1970.

Then the third focus theme for lecture 18 will be in addition to discussing the early history of Amul and also discussing the history of operation flood. We will also try and assess the reasons for the success of Amul and other rural cooperatives in India. The years between 1970's and 1980 are known for the intensification of regulatory controls and businesses yet just as different sectors in India were responding to those controls in their own unique ways.

One of the most successful areas of businesses that emerged in India during this period was in the area of the rural cooperative and rural industry sector. So, this lecture will also be a detailed analysis of the different ways in which the licensing policies contended with different, unique and creative expressions of entrepreneurial capabilities in India during this period.

Then the fourth focus theme of lecture 18 will be the analysis of the ways in which the rural sector has diversified into different businesses. The main reason responsible for this rapid and steady diversification has been the initial wave of success that rural cooperatives like Amul faced in their early to middle years of operations and the income prestige influence and support that they attracted to their cause led to the further diversification of the rural cooperative business from dairy business to associated aspects of rural life and rural production. So, these will be the four fold priorities that will guide our discussion for lecture 18 today.

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The story of Amul is not complete, if we do not fully take into account the hard work, the instrumental role and the invaluable legacy of Dr Verghese Kurien. Dr Verghese Kurien lived from 1921 to 2012 and he is associated with not just operation flood or the building of different institutions in India that could lend a degree of self-sufficiency, as far as, dairy production is concerned, but Dr Verghese Kurien life in Korea was also devoted towards the safe guarding of the interests of our rural producers and the larger rural community devoted to different aspects of the livelihood after independence.

So, Dr Verghese Kurien's life and responsibilities and his mission was synonymous with the development oriented approach that he undertook with respect to aspects relating to rural development and safe guarding the interests of the primary producers in rural areas.

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**Brief Bio of Dr Kurien**

- Father of the “**White Revolution**” in India.
- Helped Launch **Operation Flood** (1970) : World's largest dairy development program.
- Studied in India and abroad: Engineering, later dairy engineering (US)
- **1949**: Begins his association with the Kaira District Co-operative Milk Producers Union.

Just to give you a brief biography of Dr Verghese Kurien where he was from and what his principles were and what his larger life was devoted to. Dr Verghese Kurien he is now popularly known as father of the white revolution in India. The term white revolution refers to not just operation flood which was the largest dairy development program, but also the general set of steps institutional mechanisms and coming together of different stakeholders with a view to make the production of milk and its distribution in India a successful managerial enterprise.

So, white revolution then refers to not just the successful augmentation of milk production and processing capabilities. Verghese Kurien as he is known as the father of the white

revolution also meant that white revolution stood for the coming together of different elements that could symbolize India's strength and efforts taken in the direction of food and nutritional security in the years after independence.

So, white revolution was not just a commodity driven economic revolution, it was also social transformation, cultural transformation and an institutional and ideological transformation. As far as making certain services or certain food products or certain basic nutritional requirements, accessible to the vast majority of the Indian public.

So the white revolution was a revolution in service delivery it was a revolution in economic management of rural sector. It was a revolution in aspiring and implementing gender parity in the processes and production aspects of commodity production in rural areas. So, the white revolution stood for a wide variety of meanings and contexts in which it took place. Apart from being regarded as the father of white revolution or the chief individual responsible for establishing important network linkages between consumers and producers in the dairy industry.

Dr Verghese Kurien in the year 1970 also helped launch operation flood. We will discuss elements of operation flood in greater detail in the next moments of this lecture. But when in 1970 operation flood was launched it was the world's largest dairy development program. So, we are not just talking about India's efforts; in developing its rural infrastructure to shore up its dairy development strategies.

We are also talking about a worldwide program in which India took the lead in developing its dairy industry and operation flood. Therefore, became the world's largest Indian program which was focused towards the development of dairy industry, the development of dairy infrastructure in India. And also the development of people associated with the production and processing of the commodities associated with the dairy industry.

So, operation flood in 1970 becomes an integral part of the larger white revolution that was unleashed in India in these years. Dr Verghese Kurien a visionary and an institution builder studied in India and abroad. He was essentially an engineer trained as an engineer in India and abroad, but later also took degrees in dairy engineering which laid the foundations for his future institutional association with dairy outfits in India.




The first milestone in Dr Verghese Kurien life therefore, comes in 1949 when he begins his association with the Kaira district cooperative milk producer's union. Kaira was district in what is present a Gujarat and its chief region of operations was in the area called Anand which later or even now is the one as the incubation or hub for this globally recognized brand called Amul.

So, in the year 1949; two years after independence which is also the year when formal planning methods were being discussed heavily in official governmental corridors. And when the planning commission was yet to be formally established Dr Verghese Kurien embarked on his journey of the transformation of the rural sectors, when he formally begins his work or vocational association with the Kaira district cooperative.

Milk producer's union which was an organization of milk producers in Kaira and his humble initial efforts in trying to associate himself with these producers; took the form of undertaking steps to consolidate and strengthen the bargaining and individual and collective identities of these hardworking dairy farmers and other peasants in this area 1949.

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**Making of a Co-operative**

- 1946: Kaira District Co-operative Milk Producers' Union (**KDCMPU**)
- **Founder of KDCMPU:** Tribhuvandas K Patel: Gandhian, Social Worker, Campaign against exploitation of dairy farmers by big dairy firms.
- Verghese Kurien transfers from TISCO to KDCMPU in 1949
  - Joins hands with Tribhuvandas Patel
  - Works towards the formation of a dairy cooperative to protect the rights & livelihoods of dairy farmers across Anand.

So the mid 1940's therefore, can be comfortably described as the years in which the making of a cooperative can be studied more wholesomely. The cooperative sector in India received official focus and support after the years of the independence. So, whether it is

industrial policy resolutions of 1948, whether it is the directive principles of state policy enshrined in our constitution.

Or whether it was state led directives or governmental led policies the aspect of rural industries, cottage industries and also associated industries in those areas had always received the attention of different lawmakers and stakeholders of the moment.

So, in 1946 till about the 1960's the history of the rural cooperative movement therefore, is a series of attempts efforts and the desire to combine the elements and talents of different stakeholders? In order to provide an environment that could foster the growth of this industry. Primarily because of its nature of operations which are directed towards rural areas to a certain extent and also to improve the conditions both economic political as well as social and cultural of the workers associated with these industries.

Because the vast majority of producers, workers and laborers in the rural cooperative sector belonged to rural areas; it was definitely felt that the support given to rural industries or rural cooperatives was critical towards the larger development of the rural sector. In the year 1946 the Kaira District Cooperative Milk Producers Union comes into effect.

So, it is roughly 3 years later that Dr Verghese Kurien joins hands with the members of this union. So, the emergence of a cooperative milk producer's union predates Indian independence roughly by a period of 1 year. The founder of the Kaira district cooperative milk producer's union or KDCMPU was Mister Tribhuvandas K Patel; he was an avid Gandian a committed and devoted social worker belonging to Gujarat.

And one of his chief campaigns was to rally his band of dairy farmers and producers. And his supporters and the hardworking folks of the area of Gujarat and Anand specifically to campaign against the exploitation of those very dairy farmers by big dairy firms which were based in cities invest in India.

And also the exploitation of these humble dairy farmers by the middlemen who worked in the dairy sector. And strove hard to funnel off a substantial share of income, that should have otherwise gone to the dairy producers who were primarily responsible for making available enormous quantities of milk and other dairy products to be consumed in the cities.

So, this nexus between the big dairy farms in the city and their management of different middle level operators who procured dairy produce from dairy farmers was a nexus that was exploitative. It was not made in furtherance of the interests of the dairy farmers who produce the quantity in enormous terms in the first place.

So, one of the chief campaigns that individuals like Tribhuvandas K Patel unleashed after independence with greater rigor and force was their campaign against the exploitation of dairy farmers. By other middle level operatives or the big business farms that dealt in the daily business in the cities and who acquired their produce from these dairy farmers, but did not feel the need to compensate them in commensurate terms.

In the year 1949 as I mentioned when Dr Verghese Kurien transfers from the Tata Iron and Steel Company to KDCMPU that marks also a change in his occupational worldview and also his regional and geographical context.

So, as Dr Kurien was trained as an engineer and had also made himself familiar in the portals of learning within India and abroad and had used that learning to earn credentials. And experience in some of the established big business companies in India such as the Tata Iron and Steel Company. 1949 witnessed a watershed moment in the life in Korea of Dr Verghese Kurien this was a year in which he shed his corporate trappings and moved to Anand.

In order to investigate and interrogate the local complexities associated with dairy farming and dairy retail in that area. So, in 1949; 3 years after the founding of the Kaira District Cooperative Milk Producers Union. Verghese Kurian joins hands with the unions founder Mister Tribhuvan Das Patel. From 1949 onwards Verghese Kurien works towards the formation of a dairy cooperative to protect the rights and livelihoods of dairy farmers across Anand.

This was a life changing moment for Dr Verghese Kurien; because his education, his talents and his wealth of experience that he acquired from seeds of learning in India and abroad. And the experience that he acquired while working for big business firms within India and abroad; enabled him to assess the complexities, roadblocks and problems associated with the rural sector.

So, his analytical capabilities and the wealth of experience that he achieved from different sectors made him responsible and more sensitive to the needs of the dairy industry. And also intellectually got him interested into the problems of rural development and management. In this same period there is also a compositional transformation in the identity of the Kaira Union.

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**Making of a Co-operative**

- KDCMPU transforms to KDCMPUL (Kaira District Cooperative Milk Producers Union Ltd) popularly known as “AMUL”
- 1965: National Dairy Development Board, NDDB, set up (Dr V Kurien)
  - To extend the success of AMUL across India
  - Brings together several national, rural co-operatives

So, the KDCMPU later during this period transforms to the Kaira District Cooperative Milk Producers Union Limited. This can be abbreviated to KDCMPUL, L standing for limited and this entity which is the Kaira District Cooperative Milk Producers Union Limited is now informally, formally, globally and nationally recognized as the brand Amul.

So, just as Dr Verghese Kurien is undertaking a significant shift in his occupational responsibilities. And is also learning new lessons which expand the horizon of his intellectual and of his intellectual vision and makes him familiar with the problems of rural development in management. The union itself with which he comes to be associated since 1946 becomes far more regularized, professionalized and becomes a responsible robust body of dairy farmers and direct producers of dairy commodities in Anand at this period.

While Dr Verghese Kurien is undertaking efforts to make Amul a national brand and also a brand that represents for quality production and responsible capitalism. In the year 1965 impressed with his efforts to shore it up and consolidate the base of the Kaira Union and

put Amul on a more nationalist footing. The then Prime Minister of India the late Lal Bahadur Shastri impressed with Dr Verghese Kurien ideas and also desires of extending the Amul example to the rest of the country witnesses the establishment of the national dairy development board in the year 1965.

The National Dairy Development Board or the NDDB was a distinctive cherished dream of the late prime minister and his association with Dr Verghese Kurien brought together a unique context in which vision, policy proposals and the constitutional and social obligations of the state came together. To create an atmosphere in which rural cooperatives and their successful features could be extended across the country.

So, that people from all areas of India could benefit from their services and also people working in rural cooperative sector could receive the same benefits and respect and dignity and dignified compensation as members of the Amul Union. So, 1965 is a watershed moment as far as rural cooperative sector is concerned because this marks the arrival of a coordinating body called the national dairy development board. The first mandate of the National Dairy Development Board was; obviously, to extend the success of Amul across India.

And the second mandate of the National Dairy Development Board was to bring together several national and rural cooperatives under its remit. In order to regularize and put different cooperative outfits in India on an even platform, on an even platform, on an even keel so that workers associated with those cooperatives could access the same benefits as workers in other parts of the country there was a need felt to homogenize the rural cooperative experiment to all sectors of rural industries in this period.

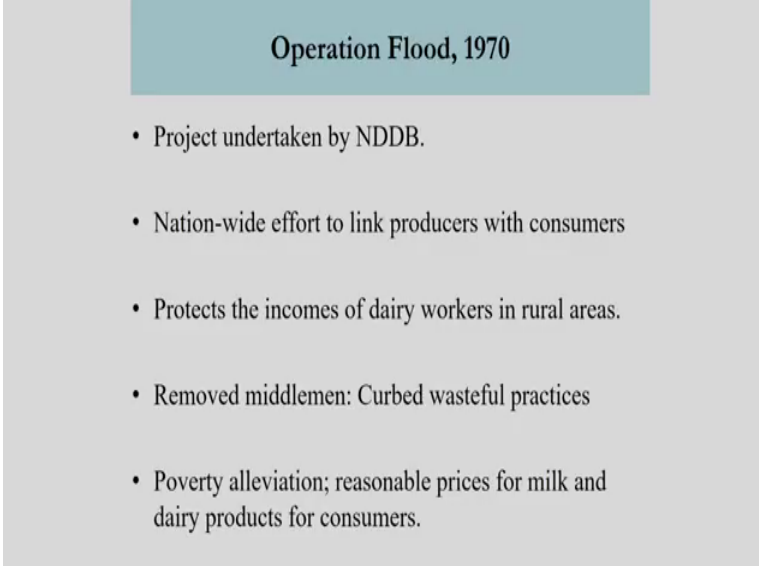
So, the national dairy development board is a landmark moment, whereby the far flung dairies in all directions of the Indian state were now directed to come together join forces and hands to make the dairy industry in India more competitive not just nationally but also stand as a global example through which critical services, critical food products and nutritional support could be extended to everyone.

In addition to extending food products and nutritional support, the national dairy development also actively looked into aspects of employment generation. And the steps that could be taken to make the workforce in the rural sectors more equitable more stable and more meaningfully employed in these sectors.

So, the year 1965 witnesses the formation of the national dairy development board it acts as an umbrella organization of not just nationwide rural cooperative societies and outfits but also makes itself available for an investigation into the ways in which different rural commodity production practices could be made more equitable and how the dairy industry could benefit from different stakeholders and what steps could be taken to consolidate the earnings of the rural cooperative sector.

Not just to make its products more widely available in different parts of India, but also to make the lives of rural producers and dairy farmers more meaningful and more dignified.

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**Operation Flood, 1970**

- Project undertaken by NDDB.
- Nation-wide effort to link producers with consumers
- Protects the incomes of dairy workers in rural areas.
- Removed middlemen: Curbed wasteful practices
- Poverty alleviation; reasonable prices for milk and dairy products for consumers.

The establishment of the National Dairy Development Board or the NDDB in 1965 was also a critical moment in unleashing an infrastructure or a context in which future logistical exercise could be organized. In order to develop not just the dairy industry, but also unite the nation, as far as, things like commodity production is concerned or making available daily products to the farthest corners of the country is concerned.

So, just as planning after the years of the independence was seen as not just a political exercise, but also an economic and institutional exercise to provide gainful employment to the massive amounts of refugees who are coming into India. And to undertake a periodic projection of activities that could organize and coordinate economic activities in India.

The national dairy development board in its limited remit also conducted similar exercises whereby certain steps were taken to create a context in which the dairy industry could not become just a professional organization by itself, but also become a source of extending products, sensibilities, services, individuals and groups of individuals in teams across India. In order to make service delivery as far as dairy products is concerned more professional more equitable and more oriented towards the public.

So, operation flood that was executed in the year 1970 was a project undertaken by the national dairy development board. So, the institutional presence of an umbrella body like the National Dairy Development Board makes available the second set of secondary or tertiary developments that could take place in India; with a view to making the dairy industry as a source of professionalism and regularization of rural management practices.

Operation flood was a nationwide effort to link producers with consumers in the dairy sector. So, this was a conscious attempt to bring the supply chains as far as dairy produce is concerned directly at the doorsteps of largely urban consumers of milk and other dairy products. So, this was an ambitious institutional exercise whereby direct producers were brought in immediate contact with their immediate consumers.

The rationale behind introducing these nationwide efforts to link producers with consumers was to protect the incomes of dairy workers in rural areas. As I have already mentioned individuals like Tribhuvandas Patel who launched the Kaira Union in 1946 and undertook strenuous campaigns against the exploitation of dairy farmers. In India by middlemen or big city dairy farms was at the heart of executing operation flood so that it could introduce a nationwide example into the best practices that should be introduced and implemented as far as the dairy industry is concerned.

So, the direct philosophical inspiration for operation flood was the idea to protect not just the incomes, but also the dignity and the status of dairy workers from the clutching trust and exploited of tendencies of the middlemen who operated in the sector and funneled away a share of income of these dairy producers which rightly belonged to these dairy producers.

One of the main effects consequences why mandates and policies off operation flood was the removal of middlemen, it curbed wasteful practices. So, the seasonal waste of dairy produce like milk and other commodities, which happened because of the weak

coordination between producer's, secondary producers and supply chains extending to the cities were thought to be reorganized and more professionally run.

So, just as key public sector undertakings like heavy industries and railways were witnessing a growth in their managerial carter and were witnessing a wave of professionalization of the services. The rural sector also in these years witnessed an enormous wave of professionalization; in order to make service delivery more convenient more sharp and more professional.

In the case of the dairy industry therefore, operation flood extended not just to the realm of making available the vast majority of dairy products to all kinds of consumers in India. It's equally important goal was also to put the dairy industry on a more professional city. The other secondary aim of operation flood was ensuring that reasonable prices for milk and dairy products remained a practical reality for consumers across India.

So, one of the notable features of Amul or operation flood was its studied focus on making available a wide variety of commodities more publicly accessible to consumers in Indian cities and Indian provinces. In the years before operation flood was executed, dairy produce was available in different Indian cities, but the price differential was very high the quality varied according to the vendor who was supplying those products.

So, one of the aims of operation flood and also the philosophy of individuals like Dr Verghese Kurien and others was also to unleash a revolution of uniform quality products that could be made available to all consumers irrespective of their location and earning status in India. The effort to make available dairy products at affordable costs, but of very high quality and nutritional quality to all sorts of people in India was the distinctive contribution and consequence of operation flood.

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## Operation Flood, 1970

- Nutritional Support: Dairy produce made affordable
- Increased Milk Production and Distribution across India
- Carried out in a phased manner
  - 1970-80: Significant help in logistics from abroad
  - 1981-85: Onset of direct marketing by rural co-operatives
  - 1985-95: Development of strong co-operative infra across different sectors: Animal Husbandry etc.

Certain other associated aspects of operation flood in which started in 1970 was, the aspect of nutritional support. So, dairy produce because it was sought to be made more affordable also introduced an element of nutritional self-sufficiency within the Indian public. So, the access the purchasing capability and the wide availability of dairy products like milk and others meant that the vast majority of Indian public; now had equitable access to these nutrition products which could be used for the future development of generations starting from 1970's onwards.

Obviously, the most significant feature of operation flood in 1970 was increased milk production and distribution across India. So, operation flood was critically responsible in the establishment of critical supply chains between the rural hinterland and provinces and towns and cities. The maintenance the refueling and the management of these supply chains was a mandate of operation flood and its successful strategies that are used in the maintenance of the supply lines that could continue.

With these trends of nutritional support to the Indian public in different parts of the country was also a distinct managerial contribution of the operation flood exercise. Operation flood was not just India's largest dairy development program it was the world's largest dairy development program when it started in 1970. And; obviously, it had various phases built into it this was the large logistical exercise to not just professionalize the dairy industry, but also to introduce themes of quality service delivery in India's cooperative sector.

So, the first or the initial phase of operation flood when it began in 1970 lasted about a decade from 1970 to 1980. And in this initial phase when rural cooperatives were made more closely aligned with the demand and supply chains of the city based populations and city based suppliers and groups; there was a need for significant help and assistance from abroad. So, the European Economic Community a precursor to today's European Union and countries such as New Zealand and elsewhere pitched in with logistical help in order to make operation flood a practical reality in India.

The next phase of operation flood lasted from 1981 till about 1985 and it was marked by an onset of direct marketing strategies by rural cooperatives this was the maturing phase of the rural cooperative sector. And the initial institutional and international support and collaboration that Dr Verghese Kurien could bring from his contacts and wealth of experience into the rural cooperative sector in India, played a major role in setting these

rural industries on their own independent feet in this second phase. So, the direct marketing by rural cooperatives of their goods and services to consumers based in other parts of India also meant that the role of big city firms dealing with dairy produce or the role in

exploitation unleashed by middlemen or middle operators in dairy industry was also being minimized in a really successful manner.

The next phase of operation flood is again a period of roughly a decade and it lasted from 1985 till about 1995. And the significant feature of this final phase of operation flood was the development of strong cooperative infrastructure across different sectors. The success that brands like Amul and the success that movements like operation flood achieved in their early years of operation due to determination grit and hard work of a diverse network of individuals, who put themselves in the service of these operations meant that rural cooperatives were also financial and commercial success early on.

The wide appreciation received either for the goods and commodities or the service delivery mechanisms or both ensured that the money that was earned. By these rural cooperatives was spent on the development of allied infrastructure so that secondary and tertiary industries could also be developed in the service of the dairy industry at this point.

So, one of the chief features of the third phase of operation flood apart from its aims that I have just listed now, was also the development of the sector of animal husbandry. Animal husbandry is now one of the key features of rural management and the rural industrial sector in India, but its development consolidation and investment in a substantial way happened in the final phase of operation flood when its global recognition also started rubbing off on certain allied sectors of the rural sector.

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#### AMUL: Reasons for Success

- **Co-operative Movement:** Voluntary organisation of rural producers. Egalitarian; focussed towards strengthening rural livelihoods.
- Limited outside help: Govts, international donors. It is an indigenous movement.
- “People’s Business”: Democratic, Public membership, interests of the producers paramount.
- Grassroots Empowerment: Economic empowerment.

I want to now spend some time on detailing the precise reasons for the fabulous success that has come to brands like Amul in India and there are also globally recognized brands. And the first reason that we have to keep in mind or the first element that went into the making of a successful rural cooperative was that cooperative movements were essentially voluntary organizations of rural producers.

There was no element of coercion in bringing together rural farmers or dairy producers together in view of articulating a common point of interest for their livelihoods, their dignity and their identity. So, the primary success of Amul as a brand, as a globally recognized brand was its careful focus on the making of a conscientious and careful cooperative movement that could put the interests of the direct rural producers at the forefront.

Cooperative movements will only be successful and the success of Amul is primarily because it started out as an egalitarian movement and was focused on strengthening rural livelihoods. The careful focus on strengthening rural livelihoods the mainstreaming of women as critical elements of a rural workforce were some of the strongest points of the Amul success story during this period.

The other element of the Amul success story was that it received very limited outside help. Successive governments in India extended their own help in the execution of their various business practices there were also international donors as we learned in the initial phase of operation flood.

But success stories like Amul or other rural cooperative movements were largely or remain largely an indigenous movement. It is driven by indigenous interests it is driven by largely indigenous technologies or technologies adapted to indigenous sensibilities. And the close alliance of the rural cooperative sector with the interest's priorities and demands of the people invested in those production processes creates a harmony of different interests in stakeholders; that makes the whole experiment of rural cooperatives like Amul so successful.

Amul was also a people's business. So, it was democratic membership to unions like the Kaira Union or other certain unions that came up in the vicinity of Anand. In order to emulate the example of Amul cooperative, but based on a public form of membership. The access to membership of these unions was based in nominal amounts. So, the idea was to

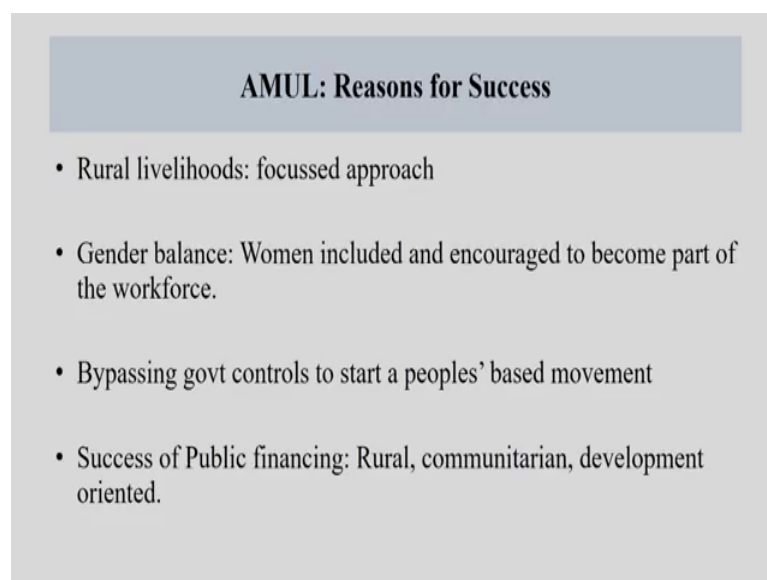
bring together as many direct rural producers or dairy produce farmers as possible in order to make available a robust platform where voices for rural development and voices for workforce development in those rural areas could be heard loud and clear.

So, the reason for success of Amul as a global brand is also because it has kept its ear closely to the ground where the vast majority of workers are engaged in meaningful production of commodities. And the system then that develops looks back at the interest and priorities of those very workers.

So the symbiotic relationship that is developed between primary rural farmers or dairy produce farmers and large business formations like Amul is critical towards the development of a people centric business. Amul is successful because it also champions the causes of grass roots empowerment.

So, individuals like Tribhuvandas K Patel and Dr Verghese Kurien have devoted their entire lives towards empowering different causes as far as regional or rural industrialization is concerned. So, business operations such as Amul and other rural cooperatives have been at the forefront; in the economic empowerment of different stakeholders in this business operation.

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**AMUL: Reasons for Success**

- Rural livelihoods: focussed approach
- Gender balance: Women included and encouraged to become part of the workforce.
- Bypassing govt controls to start a peoples' based movement
- Success of Public financing: Rural, communitarian, development oriented.

There is a focused approach towards the development consolidation and upliftment of rural livelihoods. So, examples like Amul and other unions that came up during this period had

a definite development oriented policy goals at their heart. But those development oriented policy goals were more closely attuned to the priorities sensitivities and sensibilities of rural areas.

One of the most significant features that also contributes massively to the success of Amul and other rural sectors is the idea of gender balance. Women from early on when the Amul union becomes more professionalized and regularized are included and encouraged to become part of the workforce.

So, one of the most significant features of Amul and the rural cooperative sector in general has been its ability and success in convincing a vast section of women to enter the workforce in these rural industries on a more formal footing. So, the mainstreaming of the female workforce in rural sector is largely a result of the general success of the rural cooperative sector during this period.

So, gender parity was an issue that two rural cooperative sectors initially tackled head on. Because the years of the 70's and 80's are also regarded as the years of License Raj, the success and national expansion of the rural cooperative sector or the replication of the Amul example across different parts of the country was largely seen as an attempt to bypass governmental controls in order to start a people based movements.

Because the Amul union or certain other industries in the rural cooperative sector were essentially composed of people directly involved in the production retail and distributed functions. The priorities retail strategies and remunerative strategies were also aligned along popular lines. So, the bypassing of government control to start a people based movement was a critical element that contributed straightly towards the development of brands like Amul.

Yet another reason for the success of Amul and other rural cooperative sectors and industries was a result of the largest success in methods of public financing. In the previous lecture we studied how despite the presence of regulatory control on businesses new forms of businesses in the areas of textiles in fabric could take off because they brought with them innovative ideas of public financing of the business venture.

The rural cooperative movement also was successful example in the ways in which public savings could be redirected or utilized meaningfully towards the cause of building up. The union that was responsible not just for extending service delivery across the city but was also becoming responsible for ensuring that the livelihoods of those who produced the goods also did not get ignored in the bargain.

So, the success of public financing which was mainly rural communitarian and development oriented was responsible for the fabulous business operations of business models and unions like Amul. The other aspect of the fabulous success enjoyed by the rural cooperative sectors also relates to the success they achieved in the marketing strategies.

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**Marketing Success**

- Indigenous marketing campaigns
- Best of rural + urban mobilisation on quality control, consumption
- Native Capital Utilisation
- Limited or No foreign capital used

So, apart from maintaining, establishing and managing supply lines that connected the producers directly to the consumers. And apart from the idea of extending nutrition services to all citizens in the country; the success of the rural cooperative movement became a public reality. Also because of its efforts in designing innovative marketing strategies, in order to make the story more forceful and more publicly available to all citizens in India.

Amul in certain other business operations undertook significant indigenous marketing campaigns. So, people involved in dairy produce or involved in rural industries at this point became virtual ambassador of brand ambassadors of this rural cooperatives. So, the



authenticity or the genuine element of a people based business devoted towards making available a wide variety of nutritional goods and products to citizens in the cities and provinces sparked a genuine enthusiasm for the products of the rural cooperative society.

It also made available a context in which people in the cities could appreciate the efforts hard work and strategies used by dairy farmers to produce what was seen as regular routine commodities in the years of 80s. So, the successful marketing strategies which put dairy farmers and dairy producers of the forefront of their marketing campaigns contributed enormously in generating a huge wave goodwill for business operations in this sector.

There was also the best of rural plus urban mobilization on quality control and consumption. As you know operation flood was devoted towards minimizing in curbing wasteful expenditure and wasteful practices that witnessed the spoiling of dairy products because of mismanagement and lack of coordination.

So, one key feature of operation flood and features of successive rural cooperative movements has been to establish modern professionally run supply chains that could connect villages with the cities. And extend a range of products high in quality and low on price in order to make these critical services publicly available.

So, the marketing success and years of the 70 is an 80's also represents the best of amalgamation of rural based interest and urban based interest in order to mobilize on issues of quality and consumption. There was also native capital utilization as far as of management of rural industries is concerned.

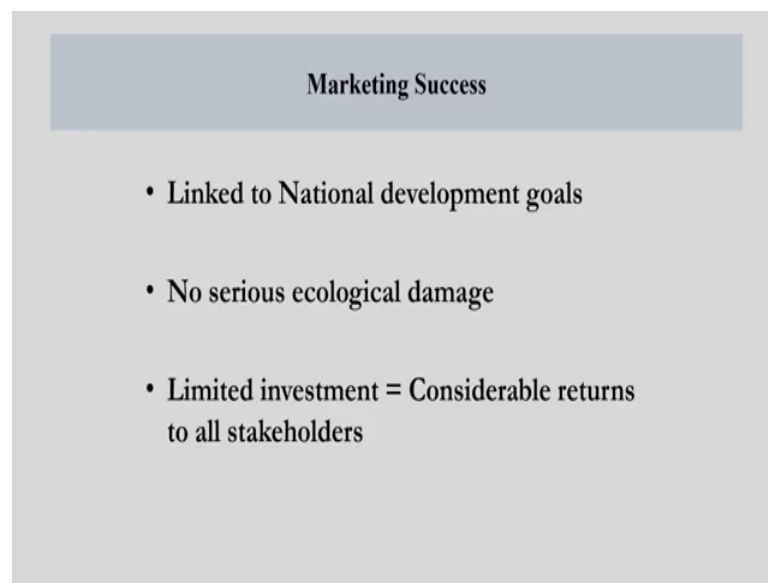
So, one of the chief methods of financing the operations of the rural cooperative sector was through the savings of its members the large membership of dairy farmers and producers in these unions made available is stock of ready capital that could be used to develop the business operations and the higher earnings of these business operations could then be pumped back towards the welfare of those very produces who made available a section of their public savings towards the formation of these businesses.

There was limited or absolutely no foreign capital used. So, in the initial years of the business operations of Amul they may have been international collaboration and logistical help taken from international stakeholders, but the large of success story of the rural

cooperative sector has been its exclusive reliance on domestic native capital and its hesitation towards acquiring capital from overseas or international sector.

So, of the many marketing strategies that rural cooperative sectors like Amul have launched one of the chief campaign features of Amul's has been to provide for India. Through the use of Indian capital and Indian savings and then use that goodwill in order to uplift the lives of those who are engaged in the production and delivery of those commodities.

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Another major feature of the rural cooperative sector has been its linkage to national development goals. Operation Flood was not just a logistical exercise to augment milk production. It was an exercise linked to the very idea of India, to the very idea of food security in India. And to the very idea of self-sufficiency in India a common method for that we have come to realize since years of independence.

So, just as formal planning methods and focus of heavy industrialization and focus on the development of certain sectors was responsible for giving India a degree of self-sufficiency in certain sectors. The Amul success story and the larger success of the rural cooperative movement in these years was also same as if success of the implementation realization and consolidation of national development goals during this period.

There was also no serious ecological damage associated with the production of the goods in these rural cooperative sectors. So, the supply chain that was developed to link

producers directly with consumers had barely any ecological cause. The human cause associated with these operations are also manageable and because the large majority of direct producers and dairy reproduces by involved in not just production.

But also retail of their commodities their livelihoods could also be safe guarded by giving them a fair share of their contribution in the successful execution of those very business. So, no serious ecological damage and the symbiotic relationship developed between workers and those responsible for consuming. The goods of those workers was a critical feature in the nationwide and global success of brands like Amul, one major significant in obvious factor for the enormous commercial success.

That was experienced by these rural cooperative was the fact that there was limited investment into the various aspects of the business operations. All though the input capital may have been limited they may have been cost cutting it did not really affect the high quality of the goods produced. The continuous demand that was experience in relation to the commodities and objects and goods produced by the dairy industry; in the rural areas was testament to its commitment to ensuring quality and price controls on the goods and services.

However, limited investment was more than matched by considerable returns to all stakeholders in response to that investment. So, the massive financial success achieved by business operations such as Amul in other rural cooperative sectors also made them financially and commercially as viabilities.

So, apart from their public commitment to extending a range of services to all Indians across the country their own economically driven success and hard on commercial in financial success established them as symbols of national development and as symbols of a new India in this period.

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## Research and Development

- **1979:** Establishment of the Institute of Rural Management, Anand (IRMA)
- **Responsibility:**
  - Provide management training for rural co-operative sector and rural industries
  - Equip graduates and trainees with skills required to manage and operate rural co-operative
  - Study issues relating to rural dvpt.

The Amul group was also not far behind as far as research and development related activities are concerned. So, in the year 1971, in the year 1979 sorry, you see this establishment of the institute of rural management in Anand. This is one of the foremost institutes devoted towards delivering and undertaking study on managerial aspects is concerned relating to rural areas.

So, just as the Tata's in Birla's the early part the 20th century set aside a portion of their income towards the development of scientific and research institutions. In the 1979 and towards the closing years of the 20th century you see the successful replication of those businesses in the rural sector in India and the use of a certain share of that income from those businesses in the furtherance of the knowledge that could be found useful to extend those business across different parts of the country.


So, the establishment of the institute of rural management in Anand in 1979 again chiefly through the efforts of Dr Verghese Kurien had three main responsibilities. Its first responsibility was to provide management training for rural cooperative sector and rural industries. So, its exclusive of mandate was to provide a set of managerial principles or management related knowledge that could equip graduates in trainees with skills required to manage and operate rural cooperative sectors.

So, the massive and impressive success of Amul business operations in other rural cooperative sectors lead to the formation of a context in which the knowledge and skills related to rural management and rural development could be replicated two successive

patches of individuals who would be interested in solving complex questions of rural development and economic self-sufficiency in those areas.

Apart from these two responsibilities the institute of rural management in Anand also devoted itself to the study of issues relating to rural development. So, just as the planning commission was a nodal body for the inauguration of formal planning methods to reorganize and consolidate the Indian economy on certain fronts the establishment of a noodle bodies such as the institute of rural management in Anand made itself available as a site where critical knowledge insights and experiences could be shared from one generation to others from one set of teachers to students, in order to make the rural cooperative sector more professional more regular and make available a train carder of specialist who could understand and grasp the sensitivities of rural development. I want to offer a brief sum up of what is been discussed in the lecture so far.

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**A Sum up**

- Rural co-operative sector: Vibrant area of business operations during “License Raj” phase.
- AMUL and others: Represented people-centric, development oriented practices.
- Steady and successful diversification: Credible infrastructure development.
- Impressive market oriented progress reorients the image of the rural co-operative sector.

The first element was that the rural cooperative sector during the years of the License Raj comes across as a vibrant area of business operations. Despite the nationwide extension of regulatory frameworks and controls on economic commercial and industrial activities that affected the operations of certain businesses. The rural cooperative sector was an outlier and because of its unique features it represents a vibrant episode of entrepreneurial and economic growth in India’s rural areas during this time.

The second element was that the Amul business operations and others represented crucially people centric and development oriented practices even though they were financially extremely successful operations and were responsible for delivering high quality goods to a wide variety of client across India. At their heart they were devoted to certain cherish principles of giving back to the community from where those commodities arose.

And also had their heart the priorities livelihoods and dignities of people associated with the production of those commodities. There was also study and successful diversification of the rural cooperative sector. So, as a result of the initial success of their business operations and the income that was earn through various business practices that they executed in these years.

The money that was used was used for credible infrastructure development that could further develop the dairy industry. The establishment of institutions devoted towards studying problems related to rural management was also another institutional feature that we discussed today. And the fourth element that we also discussed in greater detail was that the impressive market oriented progress re oriented the image of the rural cooperative sector.

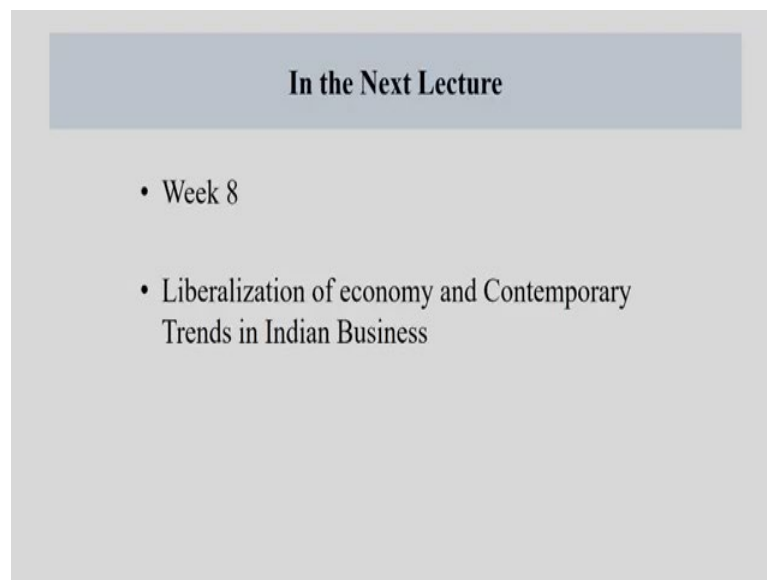
Despite, the presence of essentially people centric and rural based ideas for development and management; the enormous financial and commercial success that operations that business operations like Amul achieved for themselves also revived and re oriented their public and commercial image in the eyes of several Indians during this point.

So, despite their public commitment to services and making available high quality products to all kinds of people in India their own financial and commercial and economic success transform their image to a business that was financially successful and also devoted towards the principles of people centric business practices.

So, the coming together of the public, economic, financial, commercial and other associated aspects within the rural cooperative sector contributed enormously towards their wide appraisal as successful enterprises by people not just in villages over devoted towards their maintenance and functioning; but also people in different kinds of cities in India and also internationally.

So, the various elements that we have discussed today make the rural cooperative sector in India. Not just a regional village level or state based reality or a state based successful venture it also can help us explain the international recognition given to the success of the rural cooperative movement in India during this time.

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**In the Next Lecture**

- Week 8
- Liberalization of economy and Contemporary Trends in Indian Business

In the next lecture we will begin discussions of week 8 this comprises a few lectures. And the main theme of week 8 lectures will be the liberalization of economy and the discussion of certain contemporary trends in Indian business.

Thank you.