

UNILEVER (HINDUSTANI LEVER LTD.)

A Milk Processing Facility
in the District of Etah
State of Uttar Pradesh, India

Volume XI

I

Country Background

In India, the lives and fortunes of the rural population are vital to the country's economic, social and political future. There are 576,000 villages in India, 79% with a population of under 1,000. Some 80% of India's 700 million people live in rural areas. Despite a quite sophisticated and appreciably growing industrial component, about 35% of India's GNP consists of agricultural output.

The District

The state of Uttar Pradesh is one of the least developed states of India. Indicatively, 80% of the state has no all-weather roads. Etah District is one of the least developed areas within the state. It has only two industries, the HLL milk processing plant and a sugar factory. Ninety percent of the population is directly dependent on agriculture. Average literacy is 22%; female literacy 9%. The average land holding is 1.1 hectares. Despite reasonably good soil conditions due to the alluvial deposits of the River Ganges, and excellent irrigation potential, major crop yields in Etah District are considerably below the national average. Examples: Measured in quintals per hectare (a quintal = 100 kilograms), the present crop yield in rice for all India is 12 plus, for Etah, 4.64; wheat yield for all India, 15 plus, for Etah, 13; sugarcane yield for all India 500 plus, for Etah, 298; potato yield for all India 103, for Etah, 101.

The law and order situation is one of the worst in the country. Dacoits (bandits) still roam the countryside, and there are areas in the district where traveling at night is considered dangerous.

Economic Conditions

Quoting from the annual report of Etah Gramin Bank, a recently (March 1981) created bank specializing in rural requirements:

Transport, communication and other infrastructural facilities exist only in skeletal form. The interior parts of the district are almost inaccessible. Only about 40% of the district's 1500 villages are electrified.

The district experiences extremes of hot and cold climate. Rains are irregular and untimely. Dependence on rainfall for agricultural operations is highly risky. The district does not have any significant mineral wealth or forest wealth.

Social Conditions

In addition, the district is afflicted with the most persistent and pernicious of India's social problems. Caste feelings are strong, and demarcations between the various castes and sub-castes are still preserved, restricting the "scheduled castes" to their own sections of the village and requiring, for example, separate wells for these village members.

The existing sociosexual stratification has other practical manifestations. While active, democratically elected (all villagers 18 years of age can vote), village councils exist and play an important role in village affairs and development, no women are elected to these councils or attend council meetings. Village healthworkers, the resident paramedics who assist visiting doctors, are women. However, they have to be recruited from the two top castes in the village, since villagers will not allow lower castes into their homes, and will certainly not permit lower castes to render the kind of intimate service that medical attention requires. On the other hand, it is considered unsuitable for women in the upper castes to do any work outside the home.

Nevertheless, the Etah Gramin Bank report asserts that, "if the farmers are given the necessary guidance and financial assistance, they come forward and can be motivated to make optimum use of the land they hold."

The Hindustani Lever Limited Experience

The Hindustani Lever Limited (HLL) experience bears out this assertion. It was a process of trial and error resulting in a detailed and probably unique demonstration of just what the "necessary guidance and financial assistance" consists of in both its economic and developmental manifestations. It also demonstrated that the two, at this stage of Indian development, are inescapably intertwined.

II

Company Background

Hindustani Lever Ltd (HLL) is part of the Unilever group of companies. Unilever was formed in 1930 through a merger of Lever Brothers of Britain and the Margarine Union of Holland. Today, Unilever operates in 75 countries, employing about 300,000 people, one-third of these in developing countries. It has a total of 500 subsidiaries or associate companies worldwide and is known for its genuinely international corps of managers. Annual sales are in the vicinity of \$18 billion, with the following product breakdown: edible fats and dairy products, 24%; foods, 23%; detergents, 18%; personal products, 4%; chemical products, 6%; animal feeds, 6% and others, 19%.

The Corporate Philosophy

The corporate philosophy is clearly defined. It is both sophisticated and pragmatic.

Unilever believes that social responsibility is at the heart of any decent business. Unilever is not, however, a social or charitable institution. It believes that the role of industry is to create wealth. Certainly it uses its capabilities to produce wealth on a massive scale. Nearly all the money that comes into its coffers--some £12,000 billion for the goods it sold in 1981--passes out very quickly again to people all over the world: its employees, their dependents and pensioners (who add up to about a million people altogether), its shareholders (among them financial institutions, pension and insurance funds and trade unions), suppliers of raw materials, governments via taxation, local authorities and communities via rates and other levies. Last, but by no means least, is the money retained for investment in future activities, for Unilever aspires to be in business forever.

To achieve its infinity, the company realizes that next to its financial and commercial obligations it has an inescapable commitment to society. While its legal and contractual obligations are clear enough in most situations, its moral responsibilities are conceived differently by different people. Unilever knows that offending people anywhere is bad for business. Ideally, it would like to be loved by everyone but in courting the affections of one group (or of one country) it can easily alienate another. It has to set its cap at employees, investors, bankers, governments, suppliers and customers who live and work in more than 70 countries.

At different times and in different countries, Unilever has to give priority to the interests of one group in preference to others. The rapidly changing social, political and economic scene make this inevitable. In the long term, a balance must be struck.

Without profits Unilever could not meet any of the social or other demands made upon it. In its pursuit of profit, growth and continuity it has, however, committed itself to acting always as a good employer and citizen in the countries where it operates, respecting international and local laws, regulations and customs. It adds the rider that in respecting local customs, however, it must not be tempted into lowering its standards of behavior.

Hindustani Lever Ltd

HLL has a turnover of approximately \$460 million, with a breakdown by product category: soaps and personal products, \$185 million; detergents,

\$120 million; vanaspati (hydrogenated vegetable fat) and edible oils, \$83 million; milk foods, \$5 million; margarine and ghee (clarified butter), \$6 million; animal feeds, \$15 million; chemicals, \$28 million; marine products (exports), \$3 million; textile sheeting (exports), \$4 million; footwear (exports), \$.36 million; carpets (exports), \$1.89 million; others, \$3 million. HLL's exports constitute one full percentage point of India's total exports.

Unilever equity in HLL is 51%. The remaining equity is in the hands of some 90,000 shareholders, among them all of HLL's ten thousand employees. Employee stock purchases were financed by the company, and have turned out to be an excellent investment. At a nominal price of R10 (R10:US\$1), the shares were placed on the market at R19, and are now traded at R70.

HLL does extensive research and development (it employs more than 250 scientists) and successfully concentrates on produce development and/or product variation using Indian raw materials. The HLL Research Center is India's largest in the private sector.

HLL's management development system is considered one of the best in India, and the company's marketing network is probably unparalleled. It now reaches 125 million persons, many of them in outlying rural areas.

The company sees the rural population as its major potential market. In 1983, HLL's chairman noted that in India, of the total expenditure on manufactured consumer goods, 75% is spent in rural India. This percentage has remained almost unchanged in the past two decades.

The HLL chairman added:

Though per capita consumption and expenditure on manufactured

consumer items is low in rural areas, the market is approximately three times larger. On the assumption that all persons or families above the poverty line form the market for some branded consumer goods, this market has a size of 42 million households. If we just take Punjab, Haryana, Rajasthan, Gujarat and Andhra, the target market of 72 million people is larger numerically than France, UK or West Germany.

The HLL Perspective

It is this focus on rural India that prompted the company to concentrate an important part of its managerial energy in that direction.

The company approach has a sociopolitical ingredient, a macroeconomic ingredient, and a unique component of managerial follow-through.

The socio-political perspective, as stated by HLL's chairman in mid-1983, is this:

The growth of economic activity in rural India is attended by per capita numbers and unending debates about the poverty line. These are real and cannot be wished away. But in a democratic society, uniform growth would be an elusive goal. If one set aside for a moment the sociopolitical aspects and instead analyzed the socioeconomic realities, then the dispersal of agricultural and other products into rural India represents an important aspect of a possible approach for ensuring a measure of uniform economic spread.

The macroeconomic perspective, from the same source:

HLL's experience in marketing and distribution has been greatly strengthened by innovations in technology and investments in the core sector. Its research discoveries of chemical compounds which boost agricultural productivity, and its investment for manufacturing inorganic fertilizers, provide added impetus for deeper penetration of the hinterland. National surveys, as well as research undertaken by the company, confirm the view that population growth tends to overshadow progress being made and opportunities which are developing. However, they also clearly bring out the rapid developments taking place in many parts of rural India. We must now get out of the shadow of lopsided growth of the urban centers and carefully plan to service the increasing demands of non-urban India.

The company's unique managerial follow-through on its perspective is centered on the Etah project. After an initial false start, which concentrated on economic incentive exclusively, the company realized that

only an approach addressed to all of the farmer's needs, developmental as well as economic, would work. It therefore devised and launched an Integrated Rural Development Program (IRD) which, the chairman notes, "gives us the opportunity to better understand the problems that slow down development in much of rural India - and the opportunity rural India offers."

The Organizational Aspect

It is the application of the company's perspective to its organizational structure that is extraordinary. The chairman explains:

As an organizational policy we have now made it mandatory for all our management trainees to work for at least two months in our Etah Rural Development Program. In this way, we help the urban-bred young men to comprehend the problems of the majority of our countrymen. This in turn helps to develop a cadre of people who will be better tuned to the needs, aspirations and opportunities outside the mainstream of India's urban life. In addition, rural development in India is still a neglected sector and the hands-on involvement of companies like HLL provides on-site transfer of technology as well as the application of scarce managerial inputs.

Discussions with some of these management trainees reveal that this exposure to the realities of rural life in India does indeed fulfill the expectations the chairman has. All of the trainees confessed to initial culture shock of drastic proportions, and then offered a variety of lessons learned:

I learned two things that will be important to me for the rest of my life. The first is patience; the second is not only intellectual understanding, but actually seeing and feeling others people's viewpoint.

I got a new perspective on rural life in India. The villages are not simple structures in any sense of the word. There are caste relationships; there are power relationships; there are property relationships; and managing all of these requires a sensitivity and adaptability that is a vital management tool everywhere.

I learned to handle myself in an unstructured environment or, more accurately, an environment with structures that I did not know. In that environment I learned what it takes to motivate people, organize them and implement follow-through. In short, I learned that I can create a concept, engineer agreement and make things happen. And that, I was taught at the University, is the essence of management.

History of the Etah Project

Given the economic and social characteristics of the Etah District, the question arises of why HLL chose this location to establish a green field milk products factory. There are two reasons. HLL's first agriculture-based venture was a pea dehydration operation at Ghazibad, which is also in Uttar Pradesh.

The second reason is that the district of Etah is situated on the Indo-Gangetic plains and is rich in its potential for agriculture and animal husbandry. Indeed, Hindu tradition places Krishna and his famous dalliance with the milkmaids in this region. Thus, both tradition (an important element in all facets of Indian life), and natural resources pointed to Etah as a logical location for a milk-processing facility.

As so often in India, however, the gap between potential and reality turned out to be sizable. The Etah venture ran into a number of problems of which the most important was that the company could not generate a sufficient supply of milk from the farmers, with the result that the factory operated at only 30% of capacity to process 30,000 metric tons of milk per year. In 1973, the company was ready to call it quits and close down the factory. However, both its own employees and the governor of Uttar Pradesh mounted a campaign to have the company change its mind.

During the following two years, i.e. 1973-1975, HLL streamlined the operations of the factory and concentrated on increasing and improving

the supply of milk from the farmers of the Etah region. As the managing director of the HLL dairy operation puts it: "It was realized at that time that increasing the milk availability of the Etah District was crucial to the enduring existence of the factory and was inextricably linked to the overall socio-economic development of the region."

In August, 1976, the then chairman of HLL, Mr. T. Thomas, reviewed the situation of the Etah dairy operation in its totality and formulated the concept of an integrated development program. This aimed at improving the prosperity level of the Etah District farmers through their own efforts by providing them with guidance and knowledge in agriculture and animal husbandry. The economic goals of improving the prosperity of the area through this program were integrated with the social goals of helping the villagers to improve local sanitation, health and education.

Results

By 1982, factory operation had been increased to 66% of capacity. While other operational and managerial elements, such as more aggressive milk collection and new product introduction, were involved in this increase, the company reports that the IRD scheme made a major contribution to this important improvement. The company expects its IRD activities to result in an 80% use of factory capacity by 1985.

III

Farmer Relations

The program was launched with the assignment of five supervisors from the factory to different villages in the district. The five supervisors were assigned six villages: Sirsa Badan, Mamau, Alipur, Patna, Tikathar and Dharauli. They were asked to collect data on population,

land-holdings, irrigation, cropping patterns, cattle population, attitudes of farmers, etc., and to think of ways in which each of them could work with the villagers in improving agricultural output without the company having to subsidize the operations financially. It was always HLL's intention that the farming communities should not become dependent on charitable aid, but that they should have some financial stake in their development and a sense of shared responsibility for the improvement of their production capabilities.

At the end of a six-week stay in these villages, the supervisors met the chairman of HLL in the Etah District for a presentation on the data they had gathered, the impressions they had formed, and the ideas they had formulated for effecting improvements. In their presentation, the supervisors identified the following as the problems faced by the local villagers:

a) Lack of finance - villagers tended to borrow through local money-lenders who charged high interest rates, while banks were reluctant to grant loans for fear of defaults.

b) Lack of professional guidance in agriculture and animal husbandry, resulting in poor yields.

c) Lack of reliable sources of supply for essential inputs like seeds, fertilizers, pesticides, etc.

d) Lack of warehousing and marketing facilities for agricultural produce.

The supervisors also outlined their own ideas on how they could assist and guide the farmers in overcoming these problems without financing them, but by enabling them to make better use of facilities which were already available, mostly through government schemes.

The Company Program

In response, the company structured a four-part program for its Integrated Rural Development (IRD) activities:

1. In Agriculture - Propagation of a scientific system of practices; reclamation of alkaline/saline land through a process of chemical treatment with gypsum or pyrites to render it cultivatable; seed multiplication, a program which supplies good quality seeds from the National Seed Corporation to selected farmers, arranges for needed inputs, inspection, and certification, and returns harvest seed to the National Seed Corporation. Since certified seeds fetch a substantial premium over the ordinary crop harvest, this adds handsomely to the farmers' income.
2. In Animal Husbandry - Crossbreeding, which raises the quality of local cows through artificial insemination using frozen semen of thoroughbred, progeny-tested Holstein or Jersey bulls; improvement of buffalo breeds; and veterinary/nutritional guidance.
3. In Community Projects - A village health program; a village road program; repairs to schools and to drinking water wells; renewable energy development; and the development of cottage industries and local handicrafts.
4. In Special Programs - Encourage and support village dairy cooperatives, i.e. cooperatives formed in each village or in a cluster of villages by primary milk producers owning milch cattle: these cooperatives are supported with free

veterinary/nutritional care, and milk generated by the cooperatives is guaranteed for off-take at a remunerative price by HLL; development of bullock-powered pumps for the farmers; propagation of bio-gas plants which convert animal and plant waste into Methane used for cooking and lighting.

In each of the six villages, some of the local farmers were selected on the basis of their willingness to take help and guidance from the supervisors. These selected farmers were given help in deciding on crop rotation, seed selection, fertilizer dosage, irrigation intervals, tilling, weeding, etc. Their farms also served as demonstration plots, to show others the results of following scientific practices.

In animal husbandry, it was realized that it was essential to upgrade the quality of milk cattle in the Etah District. For this it was considered advantageous to introduce high-yielding cross-bred cows which could replace the hardy but low-yielding buffalos. Assistance was sought from the Bharatiya Agro-Industries Foundation, a voluntary agency near Poona specializing in cross-breeding programs for cows, and with their help a demonstration farm, initially comprising 20 cross-bred cows of the Holstein, Frisian and Jersey breeds, was established on the Etah factory premises. In addition, a program for the artificial insemination of local cows with the frozen semen of pure Holstein, Frisian and Jersey bulls was initiated. Veterinary support was also found to be essential to maintain the health and productivity of the relatively more sensitive cross-bred cows.

In order to take the program to the community, five registered societies, with many of the participating villagers as their members,

were formed in the areas where the initial six villages were located. These are presently operated by HLL, but it is the company's intention that such societies should take on the development activity at the village level some time in the future.

The progress of the IRD program was reviewed in February 1977, July 1977, and September 1977 - at the end of the winter, summer, and monsoon crops respectively. These reviews indicated that there was a perceptible improvement in the awareness of the farmers as to the need to follow better agricultural practices. Their ability to utilize bank loans and government subsidies had also improved, and an increase in yields and economies in operations was also noted.

Encouraged by the progress made in the first year, the IRD program was extended to cover a number of additional activities in 1978:

- a) The areas of operation of the supervisors were extended beyond the original six villages and additional supervisory resources were planned.
- b) A program was initiated for the reclamation of uncultivable alkaline and saline land, which then constituted over 5% of Etah District.
- c) A medical plan was introduced, concentrating primarily on preventive measures, such as vaccinations, and for the propagating of health and hygiene in the villages.
- d) The training of villagers in paramedical activities and mechanical equipment repair was started.

Future Plans

Future plans call for the following additional activities:

- a) Establishment of a research and development center for applied research on programs in agriculture and animal husbandry relevant to Etah District.
- b) Formation of about 150 village dairy cooperatives as nuclei for the growth of self-reliance in the District.

c) Propagation of the large scale cultivation of soybean and other oil seed crops.

d) Provision of inputs from other company business areas such as Animal Feeds, Agriproducts, Fertilizers, etc. to the IRD programs.

Cost

The company's initial budget for its IRD activities was R1 million. Expanded activities had doubled the budget to R2 million by 1983. The company's "cluster" approach is expected to produce multiplier results with expenditures held at the R2 million level. This does not cover the funds that will be required to establish the research and development center envisioned in a) above.

The Political Framework

The HLL program has to be implemented in the context of an established political structure as well as a traditional caste structure.

Each village has an elected council, the panchayat. In theory, elections are held every other year, but the timing depends on the state government. In some states, intervals between elections have been as long as ten years.

The village councils, in their turn, elect representatives to the pradhan, or block council, which represents 100 villages and roughly 100,000 persons. The pradhans, in their turn, elect the pramukh, or District Council, which consists of fifteen blocks. The District Council consists of forty people, one from each block; ten members at large; and the remainder, members of the state assembly, members of the federal parliament, and the district magistrate, who is a civil servant.

The Caste Structure

The caste structure has four major segments.

The Thakurs, members of the warrior caste, usually constitute a substantial segment of the village. In terms of political power, they are often balanced out by the Yadavs, the traditional shepherds and owners of livestock, who are considered descendants of Krishna. As a result, the Brahmans, who usually constitute only a minority of the village, often command the swing vote. The remaining castes, consisting of Harijans (Untouchables) and other "scheduled castes," are understandably the most enthusiastic about any and all development efforts but, given their peculiar social status, have little political clout.

The Company Matrix

The company's IRD program is organized in a matrix of social and functional activities. The manager of the IRD program directs the work of both the company's own supervisors and the supervisors chosen from existing village societies. These supervisors are in charge of a single village center, or of a cluster of villages located around a center, and oversee the work of village extension workers. Village society supervisors work with company supervisors in directing the work of veterinarians and village health workers. Qualified medical doctors and "compounders" (pharmacists) visit each center on a regular basis.

In addition, there are two functional structures to which the company must relate and with which, in fact, it cooperates effectively.

The first of these is the government civil service system, with a district magistrate at the top and district and block development

officers whose appointments and function parallel the political structure. These civil service functions proliferate into village extension offices, one for each ten villages. At the district development officer level, there are also functional experts, including livestock officers, agricultural officers and agricultural engineers.

The company's other functional relationship is with the Etah Gramin Bank which, in the first two years of its existence, has managed to set up a network of 32 branches covering 12 of the 15 blocks of Etah District, and expects to have 100 branches in 15 blocks by 1985. These branches really do reach the villages. They are set up in two rooms of a village hut and manage to attract village savings as well as make loans in the amounts and for the purposes that the villagers require. In one village, the bank branch, in the first two months of its existence, had attracted deposits of R5,000--in accounts of R50-100--and had made loans for the purchase of fertilizer and seeds. The branch manager reported that he relied heavily on the knowledge of the HLL supervisor servicing the village, for two reasons: The supervisor knows through personal experience who in the village is dependable. Also, while HLL will not guarantee any loans, it does provide a form of collateral through its regular and dependable purchase of milk from the farmers who have either buffalo or dairy cow livestock.

The View From The Company

The company's philosophy, underpinning its relationships with the farmers and with the political and functional structures that service them, has three ingredients:

- 1) To demonstrate to its own employees at all levels that, as an organization, the company is conscious of its responsibility to the environment in which it operates.

- 2) To assure the community and government that the company is truly involved in the national effort of rural development.
- 3) To provide on an enduring basis an infrastructure to sustain the dairy operations in Etah.

IV

Effects On The Farmer

Starting with 6 villages in 1976, the company's IRD program covered 50 villages in 1983, reaching approximately 100,000 people. Agricultural extension work alone has more than doubled income per acre for the farmers involved in the program, covering approximately 50,000 hectares and amounting to an annual total of \$10 million of additional income for the district.

Targets for the next five years include the following:

- a) Coverage of at least 10% of Etah district. This would mean coverage of 160 villages with a total population of 160,000, occupying a cultivable land area of 100,000 hectares.
- b) Coverage of at least 5,000 hectares of land by Seed Multiplication, resulting in an additional income of R8.5 million to Etah farmers.
- c) Cultivation of 2,000 hectares of reclaimed land under the Usar Reclamation Program, resulting in an additional annual income of R10 million to Etah farmers.
- d) Improvement of cropping intensity in all covered areas to 2.5 through improved irrigation aids such as animal-powered pumps, and through better farming aids and crop rotation practices, increasing income per hectare by at least 10% and making additional income of R27 million available to Etah farmers.
- e) Generation of additional milk availability of 21,000 tons as a result of propagation of cross-bred cattle and distribution of cross-bred heifers. The additional milk would be equivalent to new income to farmers totaling R42 million per year.
- f) Further development of bio-gas plants, animal-powered pump sets and other energy-saving devices, expected to yield savings equivalent to R6 million per year.

It is thus estimated that by 1990, activities of HLL's IRD program will have resulted in net income gains to farmers of R94 million per year. This, when distributed over the 160,000 people covered by the program, represents an increase in per head income of R600 per year. This would, in no small measure, help the government's avowed intention of lifting the rural poor over the poverty line.

How Management Trainees Help

The company's approach to all facets of villagers' lives and needs is spelled out in a succinct set of instructions to the company's management trainees, telling them how they can--and indeed should--do their job. The instructions state:

"You can contribute in the area of agriculture by studying the economics of various crops which will maximize benefits to the farmer; introducing new varieties of crops, especially cash crops like oil seeds, soybeans, safflower, etc. after studying in detail their economics and chances of success; developing better irrigation aids and reducing cost of existing facilities; helping the farmer to market his produce through cooperatives; identifying farmers suitable for training.

"You can contribute significantly in propagating the concept of cross-bred cows and can help in promoting large-scale purchases of such animals through Land Development Bank loans. Generous subsidies from the government are available to farmers for such purposes.

"You can check the efficiency of our veterinarians and Animal Health Centers by cross-checking their A.I. reports and recording confirmed pregnancies.

"You should bring forward your own ideas for devices such as the bio-gas plants and bullock-powered pumps which reduce costs and benefit the villagers.

Your first task on settling in a village is to obtain the cooperation of the villagers. Very often the best way to work on it is through community projects like brick-paved roads; repairs on wells; provision of soak pits; electrification of the village. Subsidies are available for such projects from the government and nominal subsidies are extended by the company to initiate the work.

"You can also substantially contribute in areas like adult education and setting up village societies which, in the absence of external leadership, can carry on the developmental work.

"Much of the work done involves financial assistance from the government and banks. This is very often a frustrating experience for the newcomer unfamiliar with government procedures. IRD supervisors, proficient in handling the local government staff, often make this job simpler. However, it is your initiative which could make all the difference between success or failure."

How the HLL System Worked in the Village of Marhera

A typical example of how HLL theory is translated into practice is the village of Marhera. Within two years of association with the company, the following was accomplished:

1) A milk collection system was established, which collects milk from the village each morning and transports it to a collection center. The system eliminates the middle man with whom the farmers had to deal previously. This increases the price the farmer gets by 25%.

2) A seed supply system was organized for the farmers, which has increased the production both of their food and of their cash crops, and has introduced new crops that span the traditional winter and summer seasons. Farm families in Marhera typically have holdings of one hectare, and the government's National Seed Corporation is organized to supply seed only for farmers owning five hectares or more. To overcome this hurdle, the company has collected ten or twelve of the one-hectare farm families and registered them as one producer. This made them eligible for dealings with the National Seed Corporation.

3) Before HLL made its organizing and management contributions to the village, Marhera farmers used to sell their crops to traders who a) took a considerable part of the price for themselves and b) were not always dependable in how, when, and indeed whether, they paid the producer. After the company's arrival and with its help, the farmers bought a truck and some bullock carts, and using this transportation, began to take their produce to market themselves. The city of Etah, the regional capital, is only 11 kilometers away, but it had never occurred to the farmers that they could do their own marketing.

4) The company gave the farmers expert advice on fertilizer, crop rotation and the use of marginal land to grow vegetables. An estimate by the head of the village society (who is elected), posits that two years of the company's presence have increased village income by at least 25%.

5) Village health and welfare have improved noticeably. The company has introduced bio-gas, bringing electricity to the village for the first time in its history.

6) With company help, the village has built a platform for its well (which at least keeps the mud out of the water), and has brick-paved its major pathways, which previously had been messes of mud during the monsoon season.

7) The company brought to the village regular and dependable veterinary service, which the government had supplied sporadically before. The company also helped to organize a village health system, mainly by finding and training a paramedic and organizing a ladies society to instruct women in prenatal and infant care. It has backstopped this service by sending to the village, again on a regular basis, an HLL mobile team of a "compounder" (pharmacist), and a fully qualified medical doctor, who was practicing on the day the village was visited by this researcher. His consulting room was a gigantic gold mohar tree at the edge of the village, and his clinic consisted of a bed of plastic webbing. He did not lack patients.

The company's approach to village development is to work closely with village societies where they exist, and encourage their formation where they do not exist. While the company is generous with its organizing, management, and administrative know-how, it attempts to hold its financial inputs to a minimum. For capital expenditures like roads, wells, bio-gas plants, and--two new enterprises--animal-powered wells and tree planting ventures, the system the company likes best is for the relevant government agency to provide 50% of the required financing in either cash or materials, for the company to contribute 25% in either cash or materials, and for villagers to pay a share of 25% in either cash or labor.

And In Kisrauli

HLL policy is to make village societies entirely self-supporting in about five years, so that the company can move both its services and its finances to new locations.

The village of Kisrauli, with a population of 1,500 has a cooperative of 4,000 shareholders which caters to 26 villages in the immediate

vicinity. The co-op was organized so that it can buy fertilizer and seeds in bulk, and can sell its price-supported products to the Food Corporation of India, a government purchasing agency. Another advantage of such a cooperative is that the government will guarantee credit to it in a 1:10 ratio. This makes it possible for the co-op to purchase for its members in bulk such basic commodities for home use as kerosene, sugar and cloth.

For the co-op, the arrival of HLL has been an important step up the economic ladder. Not only does the company represent a totally dependable buyer for all of the co-op's milk output, it also has made a major contribution to increasing that output through advice on animal care, the supply of dependable veterinary services, and the operation of an artificial insemination station.

On the marketing end, elimination of the middle man has increased the co-op's income by about 25%, with an additional margin added by the quality tests the company conducts in each of its collection stations. One of the aspects of that test is the fat content of milk. Kisrauli's farmers deliver primarily buffalo milk which has a fat content of 7.5, compared to the 6.5 that is standard among milch cows. Higher fat content increases the value of the Kisrauli farmers' milk, and HLL pays for the difference.

At the Kisrauli co-op, a point was made regarding the difference between government-supplied services and those supplied by the company. For example, a spokesman for the co-op reported, the government did have a veterinarian visiting the village, but when he was transferred, no replacement arrived for several months despite repeated urgent requests

from the co-op. When the villagers approached the company, it responded immediately. As the head of the co-op noted (echoing a statement voiced in Turkey): "The difference is that the government comes on a bureaucratic schedule, the company comes when people or animals need them."

With their own innate tendencies toward organized independent action, buttressed by company support, the people of Kisrauli also decided not to wait any longer for the government to start up the school they wanted and had repeatedly asked for. With the head of the village, the mukhaya, donating his own house as a school building, Kisrauli has launched its own school. The school consists of grades one through eight, with students sitting in "classrooms" that consist of straw mats laid out in different areas of the house and the yard. The village has hired 6 teachers for a total student body of 250, 30 of whom are girls. Parents pay R5 (US50¢) per month, and there are applications from parents as far away as 8 kilometers for their children's admission to the school.

The school day runs from 7:00 a.m. to noon six days a week, and homework is assigned. The teachers, all of whom are young, lively and dedicated, report that, despite the fact that the children get no help at home with their homework--because most of the parents are illiterate and cannot help--the students do their homework diligently and well, and the girls do at least as well as the boys: this, despite the fact that there is still some resistance to sending girls to school. Instruction covers the complete government curriculum (general knowledge, mathematics, general science, social science, geography and history), and, in addition, teaches English.

In Kisrauli, HLL also works with the co-op and with individual farmers, acting as a catalyst with various government agencies, as well as with the Etah Gramin Bank, which has recently established a branch in the village.

Another sign of Kisrauli's new affluence and confidence is the fact that it has its own doctor with office hours of 7:00 a.m. - 12:00 a.m. and 3:00 p.m. - 6:00 p.m. every day of the week, in an office he shares with the post office.

HLL's direct involvement in Kisrauli's welfare, aside from its economic, managerial and catalytic contributions, include the identification of and compensation for a village health worker; the introduction of new sanitation habits in village houses; the disinfecting of village wells; and support for the local ladies' society which teaches good nutritional and sanitation habits to pregnant women and young mothers.

The Tell-Tale Village Board

A symbolic contribution HLL makes to all the villages in which it works is a kind of sandwich board made of steel which defines the village in terms of what it considers the main ingredients of its developing identity. The board gives the name of the village; its total population; the number of families; its area; the number of buffalo and the number of cows; and, when warranted, the harvest increase of its crops.

One such board illustrates the importance of another contribution the HLL program makes to the development of the area: the Usar Land Reclamation Project which reclaims bleached soil that has become unproductive. Usually, Usar land is assigned to the Harajans, the only

caste in the community that will take on the particularly unrewarding task of working this kind of land. The Harajans do this because they have no other choice. What happens when Usar land is reclaimed--a process that consists primarily of covering the area with gypsum and broadening and brick-lining canals to prevent water-logging--is illustrated by the HLL board at the entrance of Jinaoli Village which carries the following legend:

	1979/80	1980/81	1982/81
Rice	20	25	32
Wheat	3	6	18
Barley	-	-	18

The Two-Way Street

In all the villages visited, the farmers understood the self-interest of the company. They were also aware of the company's international connection. They had no problem with either. As one headman put it: "They help us and we help them. That's the way it should be. That's how everybody profits and prospers."

Within the Indian context, perhaps the most telling indication of how the people of the area feel about the company are:

- 1) The dacoits who infest the region will not touch anyone who works for the company.
- 2) Village headmen have offered daughters in marriage to company management trainees.

V

Government Relations

The Community

The company's relationships with the community have been illustrated in Section IV. The basic strategy of the company is to act as a catalyst both for economic and for social development; and to do this either by

working with existing village societies or by helping to create such societies, so that they can effectively carry on all development activities after about five years. The company makes clear that it is always available for consultation, advice, and emergency help even after that period, but encourages the village society to stand on its own feet to the maximum extent. The company's intent is to reach as many villages as possible with the resources at its command (see Cost, page 15).

The Region

At the regional level, the company maintains a close and continuous working relationship with the district manager and all relevant district departments. While it encountered initial resistance and suspicion from the district bureaucracy, that resistance has largely melted as officials see the company's effort and effect on the villagers.

The district manager, in a discussion with the researcher, noted that initially the company's concern was simply to obtain the maximum possible amount of quality milk which, he added, was not an objectionable aim in itself. However, he observed accurately:

"They've changed their original approach. They realized that to achieve their own aim, they have to have a comprehensive outlook on rural development. They have that now, and we consider them good and effective partners in what we ourselves are attempting to do."

The district manager, who is the senior civil servant in the region, offered a proposal based on his own experience with HLL. He suggested it might be an idea for the federal government to link each district of India with an industrial house which would give maximum scope to the industry for its own growth and the development of the district. There are 405 districts in India.

Discussing the political aspects of this notion, the district manager said:

"In India, we have four sectors that can contribute to development: the federal government, the state government, local government, and the private sector. Each has its strength and its weakness; that is democracy. But if we put them all together, I believe we can make sure that the maximum possible benefits go to the grassroots in the shortest possible time."

The Nation

Relationships with the government at the national level are, in India, for all companies, a full-time occupation and preoccupation. Almost all large companies, domestic or multinational, maintain offices in New Delhi whose mandate is to deal with the federal bureaucracy and with the legislature. In India, members of parliament consider it part of their function to pose questions about individual companies and their activities. The fact that these questions are often based on gossip and ignorance and are always politically inspired has made no difference to this exercise. Its connection to reality is usually tenuous.

HLL, for example, has major investments in the state of Kerala and is considering expanding its productive facilities in that state. The governor of Kerala is a member of the Communist Party who, nevertheless, maintains excellent relations with HLL management and, when asked, appears and officiates on such company occasions as plant openings or expansions. His rationale: "When the revolution comes, I'll nationalize you. Meanwhile I want the jobs and the economic development that your activities bring to the state."

This pragmatic revolutionary has even been persuaded on occasion to prevent his comrades in the federal legislature from making unwarranted accusations or supporting destructive or obstructive motions that affect the company.

The Donor Country

Relationships with the donor country are, in the case of HLL, tantamount to its relationship with its parent company: i.e., Unilever. The essence of that relationship is that Unilever contributes to HLL and its activities technically, managerially and morally. The Dutch government (Unilever is a structural amalgam of UK and Dutch companies), has actually sent the Queen's consort to visit HLL's facilities which, in the opinion of HLL management:

"has added a visceral tool to the home government's own recognition that multinational corporations are not only high technology, high profit, high remittance organizations, which the conventional wisdom holds them to be, but are also concerned with economic, social and human development in every country, every area, indeed every village in which they operate."

VI

Policy Implications

For The Company:

The company observed in this case history has been careful to monitor itself and its operations, and has come up with policy conclusions that appear to be broadly applicable. They are:

-While it may be attractive to resort to charity to obtain quick benefits, these benefits are of a transient nature. Unless the villagers are also financially involved in the programs, there is little shared responsibility for their ultimate success.

-A continuous feedback as to the relevance of the programs to the actual needs of the villagers is essential. In fact, as far as practical, solutions to the problems of the villagers and the plans of action to apply such solutions need to be developed in active consultation with the villagers themselves. In HLL's program this is made possible by the physical presence of IRD staff in the villages.

-However efficient, no one group can hope to tackle all basic problems of rural development single-handedly. Involvement of government agencies, other voluntary agencies, financial institutions, specialist institutions as well as local communities is essential to obtain maximum benefit from the development programs.

-When appropriate infrastructural support has been provided, the villager is quite capable of taking advantage of the available facilities to improve his own lot. This has been quite clearly seen in the villages covered by the HLL program, in the increased ability of the farmers to make use of bank loans and government subsidies, as well as in resorting to scientific methods in agriculture and animal husbandry.

-Qualitative determination of progress in such a program is only possible over a long-term span of 10 years or more. As it is necessary to monitor the performance of program activities at regular intervals to ensure adherence to objectives and direction, it is, however, necessary to set quantitative parameters to measure the impact of the program in the shorter term.

In addition, the general manager of HLL's Etah operations has formulated his own "Ten Commandments for Rural Development":

- 1) Establish credibility through honesty and integrity. These qualities have to be seen not only internally but externally as well. They are best conveyed by committed supervisors who are honest, apolitical and corruption-proof, and can earn the respect both of elected officials from the village level up and of appointed civil servants from the district magistrate down.
- 2) Assure that plans are generated at the grassroots by the farmers themselves. There is an initial hesitation by the farmers to make such plans, but the resistance can be broken down by supervisors who know their business and their communities, and by management trainees who actually live in the villages. Both the supervisors and the management trainees have to establish the kind of relationship with the farmer in which they can say 'no' as well as 'yes' and still retain the respect and trust of the villagers.
- 3) Set up an effective organizational structure for follow-through. Frequently, government and voluntary agencies have marvelous ideas and brilliant concepts, but no one who is competent or interested enough to follow through. One of the fringe benefits of the management trainees who work in the villages is that they are instructed to provide and are capable of providing feedback on the organizational follow-through that is required.
- 4) Provide or organize financial support. The need is for on-site banking institutions that operate effectively at the village level.
- 5) Build a viable communications system, both physical and people-to-people. This includes roads that are accessible throughout the year (at present, 70% of India's villages are inaccessible during the rainy season), and every form of transportation including buses, bullock carts and bicycles. In our system we use them all.

6) Upgrade agricultural practices. This involves everything from water management to crop rotation; from seed improvement to livestock care.

7) Introduce animal husbandry, not as a replacement for existing cultivation of food or cash crops, but as a viable secondary occupation for the farm family.

8) Promote appropriate alternative energy resources, such as bio-gas fueled by cow dung.

9) Aid village industries, particularly those relevant to women.

10) Help to build health and educational infrastructure.

For The Community:

The key factor here seems to be construction of an effective bridge between theory and practice; or, stated differently, a method that actually make things happen. As district civil servants are younger and better educated, they themselves see the necessity for better organization, more effective implementation, and less corruption in their dealings with their constituencies. However, it is quite clear that local politicians and regional civil servants are motivated when the call for action and the demand for implementation is effectively organized at the grassroots. The HLL experience indicates that a catalyst is required for such grassroots organization or, at least, can speed up the process.

This raises the question of whether intermediate institutions or organizations should fulfill this organizing function in a systematic way. Such intermediate institutions, domestic and international, do exist in India. Their work, while effective, has been spotty, and usually is limited to specific projects or specific localities. In India, with its enormous variety of culture, language, and every facet of

development, this is probably the only approach that will work. Adding another systemic layer of intermediate institutions is, in India, more likely to inhibit development than to speed it up.

For the Host Country:

The paramount need--as easy to advocate as it is difficult to implement--is to debureaucratize the very comprehensive network of services that the Indian government offers its rural population. It is also vital that a way be found to eliminate corruption from the system and to design the paperwork in a way that villagers can understand and deal with. At present, the paperwork required for villagers to obtain any government service is daunting to a point where the overwhelming majority of the rural population simply has no way of obtaining the services to which, in theory, it is entitled. There may indeed be a place for intermediate institutions specifically trained to help villagers deal with the administrative tasks that give them access to the considerable array of government services that does exist.

The suggestion that a specific industry house be linked with each of the country's 405 districts to promote growth and development might well work in the Indian context. As the district manager in Etah pointed out: "Companies are change agents, and we do need change."

Finally, a tax provision that has allowed companies to deduct rural development expenses from their tax as a business expense is now being questioned, alleging occasional abuses by some companies. This questioning seems counterproductive.

For The Donor Country:

Rural development appears to be a clear win:win proposition both for the host country, where it raises the GNP and contributes to the overall welfare of the population, and for the donor country, where it creates the possibility of new markets, as well as generating political goodwill. For these reasons, as well as the medium and long-range self-interest of the companies involved, donor countries should encourage their multinational corporations to pay attention to the developmental as well as the economic aspects of their undertaking. This includes making reinvestments in the host country, where appropriate commercial possibilities and economic justification exist. It also includes relevant attention to external constraints such as pollution and environmental safeguards and, where possible, the establishment of appropriate industries in outlying districts so that the wealth-creating process--the basic economic and social justification for MNC activity--is distributed as widely and as fairly as possible. The donor country should, to whatever extent possible, encourage its multinational corporations not to be an islands in the host countries, but to see themselves as agents for change, innovation, and responsive overall development.