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Functional Roles of Farmer Producer Companies: the Stakeholders' Perception

Akhil Ajith and Binoo P. Bonny**ABSTRACT**

This study explored the perception of stakeholders of selected Farmer Producer Companies (FPC) of Kerala, India, on the functional role of such companies in the livelihood betterment of farmers. Five roles were identified and ranked based on the percentage scores for understanding the perception of the role of FPCs. The five roles analyzed included facilitate development of member farmers, increase the cultivation of particular crop, identify needs of farmers and conduct trainings/ exposure visits, delivery of services to farmers and creation of more employment among farmers. Based on results it was inferred that stakeholders from various FPCs in the state identified delivery of services to farmers as the most important functional role of FPCs. This was followed by the role of farmer development facilitation which was agreed by over 75 percent of all categories. Creation of more employment opportunities for farmers, and impart of trainings and exposure visits to them was given comparatively less importance by all the stakeholders. The least important role identified was increasing the crop cultivation.

Keywords: Farmer Producer Company; Stakeholder Perception; FPC Roles; FPC Services; Kerala

INTRODUCTION

In contrast to the cooperative structure, primary producer companies are formed through the equity contribution of the farmers. Thus, they are given the opportunity to own the company themselves (Gol, 2013). Farmer Producer Companies (FPC) help reduce the asymmetry of market information and promote sharing of marketing costs otherwise spent by individual farmers. Members of these organizations received better income, packaging, technical benefits, along with other operational benefits which lead to the betterment of livelihood (Nath and Padhi 2020). Thus, farmers are able to save their expenses and time. These savings could

be utilized for other agricultural activities or to improve their standard of living (Phansalkar, 2020).

As a result of various national initiatives, a total of 7374 FPCs have been registered till March, 2019 in India (Neti et al., 2019). Among these around 3629 FPCs were promoted under various government initiatives like National Bank for Agriculture and Rural Development (NABARD), Small Farmers Agri - business Consortium (SFAC), National Rural Livelihood Mission (NRLM), and state governments. Additionally registrations of 559 FPCs are under process as of January 31st 2022. It is estimated that only about 30% of these FPCs are now

operational, with the remaining 20% battling to stay break even. Around half of them are still in the process of mobilization, equity gathering, company planning, and other management-related stages of development (SFAC, 2019).

Even though this indicates a steady increase in the number of FPCs in the country, there are many constraints that plague its growth. Especially in its formation, functioning and service delivery. This is evident from the reports that many of the registered producer companies were unable to continue their operations due to constraints related to technology, marketing, and policy (Thamban et al, 2021). Another challenge is that stakeholders of these organisations rarely understand the role and functions of such an organization in augmenting their income and livelihood. This create hurdles in participation of producers in such organisations and eventually led such ventures to idle conditions. Analysing the functional roles of these organisations in a better way could help to understand the expectation of the stakeholders from such organisations. This would help to improve the efficiency of such organisations in creating social impact through policy deliberations. It is in this regard, this study was undertaken in the state of Kerala to understand the perception of stakeholders about the functional roles of Farmer Producer Companies.

METHODOLOGY

In the present research, *ex-post facto* research design was used. The state of Kerala, purposively selected, formed the study area. In the state, majority of the FPCs are promoted by NABARD. Hence, out of the 102 FPCs promoted by NABARD in the state, 30 FPCs were randomly selected representing all the districts. As the number of stakeholders differed from on FPC to another, proportionate random sampling was adopted and the sample size was fixed as

210. Modifying the scale developed by Sayuj (2012), respondents were asked to rank the five functional roles of FPCs in order of their perceived importance i.e. not important, least important, less important, important and most important. The internal consistency of the scale was then checked (Mihiretu,2019) Then the stakeholder perception about the role of FPCs in the state were quantified as percentage using the Role Perception Index (Ajith, 2018). Further to examine the relationship between personal traits and the stakeholder perception of the functional roles of the FPCs, correlation coefficient (*r*) was calculated.

$$\text{Role Perception Index} = \frac{\text{Total score obtained}}{\text{Maximum score obtainable}} \times 100$$

FINDINGS AND DISCUSSION

Perceived Functional Roles of FPCs by Stakeholders

The role perception index of each category of stakeholders agreeing to a particular role of the FPCs were assessed and the results are included in Table 1. The results from the table clearly suggested that there was considerable agreement on the perceived functional roles of FPCs as majority of the shareholders (89.68%), directors (89%) and CEOs (Chief Executive Officer) (94.67%) identified the delivery of service to farmers as the most important functional role of FPCs in the state. This was followed by the role of farmer development facilitation which was agreed by over 75 percent of all categories. This indicated that the shareholders expected the FPCs to provide them with services that helped in income generation and supported their livelihood. It could also be inferred from the results that CEOs and directors of the FPCs mostly shared the role perception of shareholders. All categories also believed that provision of such services helped to facilitate the development of member farmers. According to Rajini (2021) FPCs provide a variety of services like pre-sowing services, production

management, capacity building, networking, advisory and value-addition services.

The results slightly varied from the findings of Ajith (2018) which reported facilitation of the development of member farmers as the most important role as perceived by the stakeholders

followed by delivery of services. The shift in role perception may be the result of change in attitude of the stakeholders that better services received enable them to improve the process of livelihood development themselves, rather than becoming dependent on the incentives.

Table 1. Functional Roles of FPCs as perceived by Selected Stakeholders (n=210)

Sl. No.	Perceived Functional Roles	Mean Role Perception Index		
		Shareholders	Directors	CEOs
R1	Facilitate development of member farmers	77.62	77.67	78
R2	Increase the cultivation of particular crop	58.73	55.33	54
R3	Identify needs of farmers and conduct trainings / exposure visits.	70.16	75	76.67
R4	Delivery of services to farmers	89.68	89	94.67
R5	Creation of more employment among farmers.	64.76	64.33	68.67
		Chronbach's alpha coefficient = 0.789		

The least important role identified was in increasing the crop cultivation with scores around 55 per cent in all categories. This in turn shows that except for few FPCs as well as shareholders most are practicing diversification in produce as well as products, so that significant share in market is obtained. For these members require more “trainings and exposure visits” and that is why the role item was identified by the stakeholders as the third most important role. A graph which gave a comparison of role perception of all stakeholders studied is given as Figure 1.

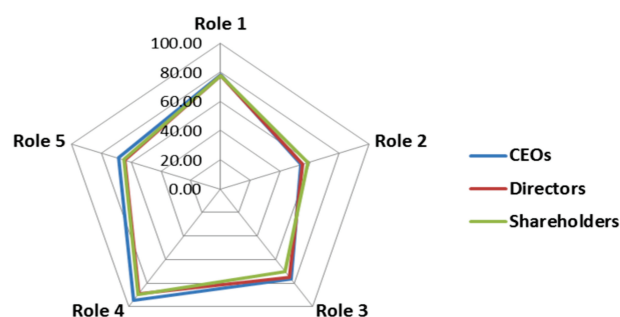


Figure 1. Distribution of FPC stakeholders on perceived functional roles of FPCs

Correlation between Personal Traits and Stakeholder Perception

The results of the correlational analysis are presented in Table 2. The data showed that among the six personal characteristics studied, age, and social participation were the only variables which had positive correlation towards the stakeholder perception in all categories of the respondents. The positive trend of correlation revealed that with increased age and social participation stakeholders achieve greater knowledge about the organizational functions of FPCs. Social

participation observed the participation of the stakeholders in other related institutions. From the results it is evident that membership and participation in other institutions help create awareness about the roles and duties an organization should carry out for their members. As age increases experience as member or a worker in such organizations, also increase. Along with increased experience from age their perception regarding these functional roles of the organization is also improved.

Table 2. Correlation between Personal Traits and Stakeholder Perception

Sl. No	Category of respondents	Correlation coefficients (r) of personal attributes					
		Age	Education	Occupation	Annual Income	Social Participation	Market orientation
1	Shareholders	0.14	0.11	-0.01	-0.10	0.01	-0.10
2	Directors	0.08	-0.02	0.18	0.14	0.19	-0.20
3	CEOs	0.24	--	--	-0.20	0.32	0.13

CEOs are required to have degree level education by default in the Companies Act. Due to this mandatory educational qualification required for the post of CEO in an FPC, the said attribute had no impact in their perception. But the positive correlation with market orientation for CEOs clearly indicate that for better function of the FPCs they must have a better understanding of the market in which the FPC operate. Annual income of the directors also showcased positive correlation with their perception. Directors with a sustainable annual income have always shown to dedicate more time for the FPC, thus generating a better understanding on the roles and responsibilities. Since there is no personal financial gain to be made, increase in commitment towards the organization and members were also visible. Similar results were reported by Sayuj

(2012) who revealed that old and socially active stakeholders of farmer organizations had clear understanding about the functional roles of that organization.

CONCLUSION

Farmer Producer Organizations are designed to provide shareholders with adequate services that ease their livelihood struggles. These services include pre-sowing services, production management, capacity building, networking, and advisory and value-addition services. From the study, the most important role of FPCs as perceived by the stakeholders were also the delivery of different services. Adequate delivery such services and inputs can reduce the cost of cultivation and improve the income level of the farmer, thus augmenting his livelihood.

Hence it is only natural that it was perceived as more important by the stakeholders.

But many of the FPCs in the state are unable to provide all the expected services, due to their financial position. Some companies also back away from providing such services due to their high profit motivation. Stakeholders are of the opinion that by improving the delivery of services, other functional roles of the FPCs will be fulfilled organically. Hence it can be said that shareholder satisfaction is highly influenced by the efficiency of these services and their delivery. It was also evident that age, education and social participation of the shareholders also influenced this perception. In a nutshell more satisfied the shareholders from the services the FPC provide, better will be their participation and contribution to the FPC. Thus, in order to improve the performance of the FPCs, reorientation of the FPC activities from profit-oriented operations to service delivery operations is highly suggested. It is expected that this would improve the effectiveness of these organizations in addressing the issues of their shareholder farmers.

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