A Study on Management Effectiveness of Farmer Producer Organizations in North-Eastern Karnataka

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Abstract

Farmer Producer Organizations in India help farmers in earning more returns through collective input purchase, collective marketing, processing, increasing productivity through procuring better inputs and augmenting the knowledge of farmers in managing their organization. An attempt was made to develop a standardized scale and analyze the management effectiveness of the selected FPOs. Management dimension analysis revealed that planning wise all the FPO members showed high agreement for effectively planning the activities (0.9 to 1.00). Similarly, all the FPOs members showed higher agreement (0.8 to 1.00) for communication, cooperation and coordination, commitment, leadership and decision making in FPOs. FPO members expressed medium levels (0.6 to 0.8) in organizing and control dimensions. Nisarga FPO was found to be the most effectively managed by its members among the five FPOs.

Keywords: Famer Producer Organization, Management effectiveness, Planning, Leadership

Introduction

There is a concern to aggregate the smallholders and bring in economies of scale. It has become equally important to link the increasing smallholders to the markets (input and output). Various institutional interventions, formal or informal, have tried to link smallholders to the input and/or output markets. These interventions were started either by the government or by private corporate and civil which include agricultural co-operatives, self-

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help groups, commodity interest groups, contract farming, direct marketing, farmer producer organizations, producer companies, etc. After several such attempts to improve the conditions of smallholders, the Y. K. Alagh committee recommendation ensured the unique elements of cooperative business with a regulatory framework similar to that of companies. A producer company is basically a corporate body registered as a Producer Company under the Companies Act, 1956 (As amended in 2002). Its main activities consist of production, harvesting, processing, procurement, grading, pooling, handling, marketing, selling, export of primary produce of the members or import of goods or services for their benefit. It also includes promoting mutual assistance, welfare measures, financial services, insurance for producers or their primary produce. Capacity building for promotion of leadership and motivation among the Directors is crucial for effective management of FPOs. The members should be good in leadership, financial management, linkages, input and output management etc. It is also equally important to build the capacity of members of FPOs. The idea of capacity building is to encourage farmer members to understand their personal and group styles of managing themselves and to improve their planning, implementation, and monitoring skills. In this regard, an attempt is made to know the management effectiveness of FPOs through its members' perceptions in the study.

Methodology

The present study was conducted during the year 2019-20 in North-Eastern Karnataka to know the management effectiveness of five Farmer Producer Organizations. The exploratory and ex-post-facto research designs were used in the present study. Both primary and secondary data were used in the present study. Exhaustive information using secondary data of the districts was collected and compiled. A list of active FPCs was collected from various officials of development departments like the Agriculture Department and National Bank for Agriculture and Rural Development (NABARD) etc. The primary data was collected from members of FPC, project managers, village residents, coordinators, personnel of the agricultural and horticulture departments, resource persons working under various institutions facilitating and promoting FPC. The data were collected through personal interviews, observation methods, farmer meetings, and field surveys. The primary data were related to the behavior and response of the respondents including members and non-members of FPCs. The secondary data were collected from the FPCs records maintained by the associated NGOs, journals, thesis, and books related to the study as well as from the internet. The data from both sources were used in combination as per the objectives of the study.

Selection of FPOs under the study

The study was conducted in five districts, viz., Kalaburgi, Koppal, Raichur, Vijayanagar and Yadgir of North-Eastern Karnataka. Five FPOs promoted by Small Farmers Agribusiness Consortium were purposively selected. Two FPOs from Kalaburgi (Nisargha Farmer Producer Company Ltd., and Rohini Farmer Producer Company Ltd.,) and Raichur (Raichur Farmer Producer Company Ltd. and Amareshwara Farmer Producer Company Ltd.), and one from Yadgir (Bhagyodaya Farmer Producer Company Ltd.) were selected under the study. From each FPC, twenty-five members were randomly selected The individual scores were totalled and mean scores were given ranks according to the response obtained by members.

Relative Important Index Method

$$\text{Relative Important Index (RII)} = \frac{\sum w}{A * N}$$

$$= \frac{(5n5+4n4+3n3+2n2+1n1)}{5n}$$

Where, W is the weighting given to each factor by the respondent, ranging from 1 to 5, n1= number of respondents for weight 1, n2= number of respondents for weight 2, n3=number of respondents for weight 3, n4= number of respondents for weight 4, n5=number of respondents for weight

5. A is the highest weight (i.e. 5 in the study) and N is the total number of samples. The relative importance index ranges from 0 to 1.

Result and Discussions

Management effectiveness in FPOs is measured using the RII index method calculating for each statement and the scores were averaged dimension wise for each FPO as depicted in Table 1. The results from Tables 1 and 2 depict that planning dimension wise the members of FPOs highly agreed, with an index score of 0.93 in Nisarga FPCL followed by RFPCL (0.92) and 0.91 each in AFPCL and BFPCL. The score for ROFPCL was 0.90 only. The higher agreement of members indicated that all the FPOs were effectively planning each and every activity in FPOs.

As far as communication dimension in concerned the score was highest in the case of AFPCL (0.88) followed by NFPCL (0.85), ROFPCL (0.84), RFPCL (0.82) and BFPCL (0.80). Communication dimension wise, all the FPOs showed that there was a good exchange of information and ideas in the organization which encouraged members to involve actively. Members perceived that due to non-verbal communication and being non-judgmental, their listening to others' opinions had increased. The interaction during meetings, training and visits had encouraged open communication.

The index for organization dimension was relatively on the lower side. The agreements of members ranged from 0.61 to 0.69. It was highest in the case of BFPCL with a score of 0.69 followed by 0.65 in AFPCL, 0.64 in RFPCL and 0.61 each in the case of, NFPCL and ROFPCL respectively. The agreement provided by members of FPOs was medium in organizing dimension. As the BoDs were not having a particular portfolio and lesser interactions and lack of awareness, the FPOs showed a medium level of organizing. Nisarga FPO is having high score due to the reason that the BoDs were having portfolios, which made managing the activities of fund and farmer’s mobilization, procurement and marketing activities effective.

Co-operation and coordination wise the responses obtained by FPO members were 0.94 in AFPCL followed by 0.91 in RFPCL, 0.89 in ROFPCL, 0.87 in BFPCL and 0.85 in FPCL. It was clear that coordination and cooperation between members of FPOs were high and members had clarity about their roles and responsibilities.

With referance to commitment the responses obtained by FPO members were in the range of 0.80 in Nisarga FPCL to 0.88 in RFPCL. It was 0.86 in ROFPCL, 0.83 in BFPCL and 0.81 in AFPCL. The commitment of members to involve actively was high due to realizing the importance of group work which helps in achieving bargaining power, getting benefits of government and better standards of living. Members of FPOs coordinated to work together in turn enhancing their effectiveness in managing the FPO.

As far as leadership dimension in concerned the score was highest in case of AFPCL (0.89) followed by 0.85 in RFPCL, 0.83 in BFPCL, 0.81 in NFPCL and 0.80 in ROFPCL. Leadership was also found to be high in FPOs. The leaders took the majority of the responsibilities of FPOs. Members agreed upon the decisions made in FPO. This was due to the greater involvement of leaders in the overall development of the members. Leaders (Directors) made sure that there was a regular exchange of all the ideas and information that were discussed in the meetings with all its members. The members were motivated in such a manner that they were thinking beyond traditional earning methods. They had realized the importance of unity to avoid distress in farming.

Decision making dimension wise the members' agreement ranged from 0.81 in RFPCL to 0.86 in AFPCL. It was 0.82 in NFPCL, 0.84 in BFPCL, 0.85 in ROFPCL. It might be due to the reason that producer organizations are autonomous and free to operate under their own terms and conditions, the decision making completely depended on the members, right from procurement to marketing the produce. Participatory decision making allowed members to express their points of view; hence decisions made in FPOs were favorable to all members.

FPO members' agreement for control dimension ranged from 0.63 in Nisarga FPCL followed by 0.65 in RFPCL, 0.67 in ROFPCL, 0.68 in BFPCL and 0.69 in AFPCL. The agreement was medium for control dimension by members of FPOs. This was due to the reason that risk mitigation strategies and quality control mechanisms were not employed in FPOs.

Table 1: Statement wise Management Effectiveness of FPOs

S.No.	Factors Influencing Management Effectiveness	Name of FPOs				
		NFPCL n=25	RFCPL n=25	AFPCL n=25	ROFPCL n=25	BFPCL n=25
I Planning						
1.	Strategic production and marketing	0.92	0.90	0.88	0.86	0.84
	plans					
2.	Resource mobilization	0.82	0.98	0.95	0.93	0.83
3.	Network linkages with other	0.92	0.89	0.82	0.84	0.85
	organizations					
4.	Brand building and Promotional activities for members produce	0.80	0.81	0.85	0.84	0.81
II Communication						
5.	Freely and frequently sharing of ideas and opinions among members	0.87	0.86	0.85	0.82	0.8
6.	Each others opinions and skills are appreciated	0.82	0.88	0.86	0.81	0.8
7.	Open arguments leading to constructive feedback among members	0.92	0.90	0.87	0.86	0.83
8.	Informal relationship among members and other office bearers	0.93	0.91	0.86	0.86	0.88
III Organization						
9.	Division of directors into various committees for effective functioning	0.49	0.47	0.54	0.52	0.5
10.	Capacity building of members	0.74	0.78	0.74	0.76	0.75
11.	Provision of opportunities for Interaction of directors for teamwork	0.69	0.65	0.63	0.62	0.63

IV Coordination and cooperation						
12.	Coordination in planning the activities in FPO	0.80	0.88	0.86	0.82	0.81
13.	Cooperation in equitable distribution of inputs and benefits of FPO	0.87	0.82	0.87	0.62	0.96
14.	Co-operation to maintain harmony in FPO	0.87	0.85	0.86	0.92	0.98
15.	Experience of mutual trust	0.92	0.88	0.85	0.83	0.80
16.	Equal importance to all members	0.89	0.88	0.96	0.94	0.85
V Commitment						
17.	Commitment to common goals and development of FPO	0.86	0.86	0.83	0.81	0.8
18.	Hard work with dedication	0.88	0.84	0.84	0.83	0.81
19.	Active involvement in bringing expectations of FPO into reality	0.87	0.83	0.83	0.82	0.89
20.	Motivation to work better with team spirit	0.85	0.9	0.94	0.82	0.86
21.	Activities carried out by confirmation rather assumption	0.89	0.88	0.86	0.84	0.8
VI Leadership						
22.	Leaders influence members in decision making	0.85	0.87	0.88	0.85	0.82
23.	Leaders provide Positive feedback to the members	0.89	0.88	0.87	0.85	0.86
24.	Leader identifies problems and helps members in both work and personal life	0.87	0.82	0.87	0.86	0.82
25.	Leaders are lively and approachable every time	0.78	0.87	0.86	0.75	0.74
VII Decision making						
26.	Decisions are made focusing on performance instead of Personal relationship	0.89	0.88	0.87	0.85	0.86
27.	Alternatives are discussed before Decision making	0.77	0.72	0.67	0.66	0.62

28.	Participatory decision making is practiced including members opinions	0.88	0.87	0.86	0.85	0.84
29.	Decisions made always suggest for Improvement of FPO	0.87	0.85	0.86	0.92	0.98
VIII Control						
30.	Allocation of capital for operations effectively	0.71	0.79	0.77	0.74	0.73
31.	Regular monitoring of operational expenditure through transparent accounting system	0.77	0.76	0.75	0.74	0.72
32.	Adherence to rules and Regulation of FPOs	0.61	0.60	0.69	0.67	0.62
33.	Risk mitigation and quality Control	0.63	0.65	0.63	0.63	0.68

(Note: NFPCL = Nisarga Farmer Producer Company Limited, ROFPCL = Rohini Farmer Producer Company Limited, RFPCL= Raichur Farmer Producer Company Limited, AFPCL = Amareshwara Farmer Producer Company Limited, BFPCL= Bhagyodaya Farmer Producer Company Limited)

Table 2: Dimension wise Management Effectiveness of FPOs

S. No.	FPOs	Planning	Communication	Organization	Co-operation and Coordination	Commitment	Leadership	Decision making	Control
1.	NFPCL	0.93	0.85	0.61	0.85	0.80	0.81	0.82	0.63
2.	AFPCL	0.91	0.88	0.65	0.94	0.81	0.89	0.86	0.69
3.	RFPCL	0.92	0.82	0.64	0.91	0.88	0.85	0.81	0.65
4.	ROFPCL	0.90	0.84	0.61	0.89	0.86	0.80	0.85	0.67
5.	BFPCL	0.91	0.80	0.69	0.87	0.83	0.83	0.84	0.68

(Note: NFPCL = Nisarga Farmer Producer Company Limited, ROFPCL = Rohini Farmer Producer Company Limited, RFPCL= Raichur Farmer Producer Company Limited, AFPCL = Amareshwara Farmer Producer Company Limited, BFPCL= Bhagyodaya Farmer Producer Company Limited)

Conclusion

As the FPO model is based on the cooperative principle, group cohesion is very important in any collectivization-based organization. So FPOs helped to encourage group cohesion among the members for effective management of FPOs. The social cohesion among members also enhances better working. In conclusion, the participatory working nature of FPOs, enabling regular interaction among members, peer group influence and dynamic leadership of directors had been providing great insights on the management effectiveness of FPOs. It can be concluded that FPOs under the study were well managed by its members through the influence of factors viz., effective planning of the activities, sharing ideas and through effective communication, leadership of directors, commitment and dedication, following transparent accounting systems, controlling the capital expenditure and adhering to rules and regulations made in FPOs. The control mechanisms like risk mitigation strategies had to be employed in FPOs. Organization by dividing directors into teams of two each for production management, input supply management, procurement management, marketing management had to be done in all the FPOs to manage the operations effectively.

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