



Role of Organizational Structure and Behaviour for Ensuring Sustainability of Farmer Producer Organisations in Punjab

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ABSTRACT

Organisational structure of Farmer Producer Organisations (FPOs) is an important factor contributing towards performance of an FPO. Structure facilitates division of work and co-ordination of activities among the members for fulfilling goals and objectives of an organisation. This study aims to explore organisational structure of the registered FPOs in Punjab regarding their communication flow and functioning. The study was conducted with the help of randomly selected 10 FPOs (5 functional and 5 non-functional). Further, 15 members from each selected FPO were randomly selected making a total sample of 150. The survey was carried out by personally interviewing the respondents using semi-structured interview schedule to identify the characteristics and the organisational framework of the FPOs. The study revealed that organisational structure has an explanatory effect on relationship between the shareholders and performance of the FPOs as the former influences the information flow and decision making in the organisation. The structural framework was explained with help of a flow chart. Organisational characteristics of the FPOs were identified and it was revealed that the participation in the meetings, awareness about the meeting agenda and involvement in decision making of the members were statistically different in functional vis-à-vis non-functional FPOs.

Key Words: Communication channels, Information flow, Organisational characteristics, Framework and performance, Reasons to join an FPO.

INTRODUCTION

Majority of farmers in India is comprised of small and marginal land holders. These farmers are largely unorganised and subject to various disadvantages in production and marketing process of agricultural products. Several measures have been taken by the government agencies, over the time, to make Indian agriculture organised for ensuring economic welfare of these farmers. In the country, cooperative movement started in the last quarter of 19th century to save such farmers from the clutches of money lenders and to ensure economies of scale in agricultural production and marketing process. Over the time many other schemes have also been launched to make Indian agriculture/ farmers better organized. In the recent past, the government of India revisited the potential of farmers' cooperatives for empowering them economically and the concept

of Farmer Producer Companies (FPCs) evolved to give more freedom and broader are of operation to the farmers' cooperatives. On the recommendations of the Dr. Y.K. Alagh committee, Indian government amended the Indian Companies Act, 1956 and introduced the idea of FPCs. These FPCs are owned by the primary producers (farmers) and run by the professionals just like the private limited companies. More than 5000 FPOs have been so far registered in the country mobilizing more than 10 lakh farmers (Mukherjee *et al*, 2020; Singh *et al*, 2021a).

The primary emphasis of any business organisation is to achieve its goals and objectives which depends on how the managers of the organisations assign tasks to their employees and enhance performance (Nandakumar *et al*, 2010). The management system or the organisational structure have been explained as how people

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are organized or how their jobs are divided and coordinated (Prasad, 2007; Mintzberg, 1978; Oyewobi *et al*, 2013; Shirur *et al*, 2016; 2018; 2019; Seth *et al*, 2020). Organisational structure of the FPOs is very important to be studied in order to ensure sustainability of these organisations (Singh *et al*, 2021a; 2021b; 2021c). Hence, this study was undertaken in order to understand the framework and performance of organisational structure of functional vis-à-vis the non-functional FPOs.

MATERIALS AND METHODS

List of registered FPOs in Punjab was obtained from the Small Farmers Agribusiness Consortium (SFAC) and the National Bank for Agriculture and Rural Development (NABARD). A total of 74 FPOs were registered under SFAC and NABARD at the time of conducting this study in 2018. All FPOs' representatives were personally contacted in order to obtain precise information about the FPOs. Subsequently, the FPOs were classified under the categories of functional and non-functional FPOs and out of them 5 functional and 5 non-functional FPOs were randomly selected. Thus, a total of 10 FPOs were selected for the present study. From each selected FPO, 15 members were randomly selected regardless of their designation/ positions in the FPO. Overall, a total of 150 respondent members (75 each from functional and non-functional FPOs) constituted the final sample of this study.

An interview schedule was prepared taking objectives of the study into consideration and data were collected through personal interviews with the selected respondents. Open-ended questions were also asked to seek information on organisational structure of the FPO and the reasons for the members to be with their respective FPO. To ascertain the data under organisational characteristics, distribution of respondents was studied in terms of the position held by them in the FPO, extent of participation in FPO meetings, awareness regarding the agenda of meeting in advance, involvement in decision making, first source of information about the FPO and source of motivation for their enrolment in

the FPO. The data were analysed using various statistical tools and techniques such as measures of central tendency, percentages and application of Chi square test.

Chi square test

Chi square test was used to study the independence of responses or observations, largely between the functional and non-functional FPOs. Following test statistics was used in order to determine the difference in the mean of variables of the two categories, i.e., functional versus non-functional FPOs in this study.

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Where, O and E represent observed and expected frequencies, respectively.

RESULTS AND DISCUSSION

Structural formation of the Farmer Producer Organisations

A flow diagram of organisational framework of FPOs according to hierarchy, job role, flow of information and decision making has been presented in Fig. 1.

The FPOs registered under Societies Registration Act 1860 are managed by the governing body. This includes a president, general body, secretary and members of the committee. The general body and president are at the top of the hierarchy followed by one secretary who performs the role of a CEO and at the bottom of the hierarchy there are farmer shareholders. The major roles and responsibilities like distribution of the payable profits, enrolment of new members, formulation of policies, establishment of goals and objectives of the organisation, financial planning, appointment of staff in the FPO, sanction of loans and supervision on the overall functioning of the organisation etc. are the responsibilities of the top management *i.e.*, president and the general body. To look after day-to-day activities, calling meetings of members, operating bank accounts, sign business related

Role of Organizational Structure

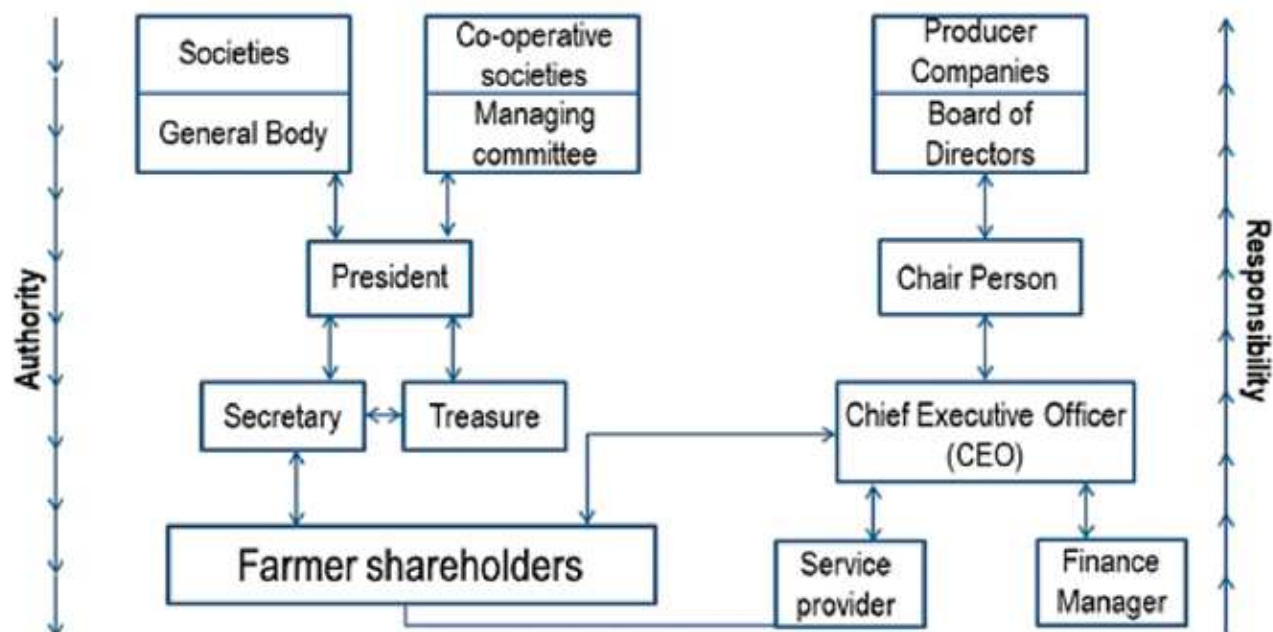


Fig. 1. Prevailing Organisational Structure of FPOs

documents, maintain proper bank of accounts, assist the board in formulation of goals and objectives etc. are the responsibility of the CEO or secretary. Being a member, every farmer member has the rights to get annual report of the organisation, to participate in general body meetings regularly and cast vote to elect the president and general body of the society.

FPOs registered as producer companies includes the Board of Directors (BoD), members and office bearers. In these FPOs, the board of directors are elected by the members only. A producer company can have minimum 5 and maximum 15 directors depending upon the number of members in the organisation. The tenure of a director is of minimum one year and a maximum of 5 years. The board is responsible for formulation, supervision and monitoring the performance of the producer company. Generally, 1-5 officer bearers such as CEO, accountant, driver, shopkeeper etc. are appointed on salary basis (Aditya, 2015; Dewangan, 2018).

Out of 10 selected FPOs; 7 FPOs were registered as Producer Companies under the Indian Companies Act 1956 whereas two FPOs were registered as

Cooperative Societies under Cooperative Societies Act 1961. Only one FPO was registered as a Society under the Societies Registration Act 1860 (Table 1).

Reasons to be a part of an FPO

The reasons behind the respondents' decision to join both functional and non-functional FPOs were analysed and described in Table 2. Majority of the respondents of both the groups (functional and non-functional FPOs) enrolled themselves with the FPOs with the expectation of better prices for their agri-commodities, mitigation of production and marketing risk, elimination of intermediaries, reduction in input cost through bulk purchases, low cost of transport due to collectiveness, better bargain power, setting up of processing infrastructure, to get socially empowered and to get rid of individual involvement in a whole lot of agricultural operations and activities (Khandave *et al*, 2019). Hence, at the initial stage, all the farmers were willing to improve their livelihood by getting enrolled with the FPOs although the members of non-functional FPOs could not fulfil their desires on sustained based due poor management and functioning of their FPOs.

Table 1. Details of the organisational structure of the respondents FPOs.

Sr. No.	Particulars	Functional FPOs					Non-functional FPOs				
		FPO ₁	FPO ₂	FPO ₃	FPO ₄	FPO ₅	FPO ₆	FPO ₇	FPO ₈	FPO ₉	FPO ₁₀
1.	District	Fatehgarh Sahib	Rupenagar	Patiala	Jalandhar	Mukatsar Sahib	Ludhiana	Rupenagar	Patiala	Sangrur	Moga
2.	Year of establishment	2015	2013	2017	2014	2016	2014	2016	2016	2016	2016
3.	Legal form	Producer Company	Producer Company	Producer Company	Society	Cooperative Society	Producer Company	Producer Company	Producer Company	Producer Company	Cooperative Society
4.	Equity share (Rs.)	80,000	2,72,000	2,50,000	13,000	11000	1,20,000	1,10,000	2,00,000	3,50,000	5,000
5.	BoD / General Body	5	7	5	10	8	7	10	5	10	7
6.	Hired employees (No.)	4	2	2	4	1	0	0	0	0	0
7.	Total shareholder (No.)	80	272	250	130	110	120	50	70	350	50
8.	Annual Turnover (Rs. Lakhs)	10	90	20	15	10	-	-	-	-	-

Table 2. Distribution of the farmers according to their reason to be a part of FPO.

Sr. No.	Reason	Functional FPOs (n ₁ =75)		Non-functional FPOs (n ₂ =75)	
		f	%	F	%
1.	Better price for commodities	73	97.33	71	94.67
2.	Reduced production and market risk	71	94.67	70	93.33
3.	Elimination of intermediaries	69	92.00	70	93.33
4.	Reduction in input cost through bulk purchase	60	80.00	47	62.67
5.	Low cost transport facilities	45	60.00	36	48.00
6.	Better bargain power	74	98.67	66	88.00
7.	Setting up of processing infrastructure	47	62.67	32	42.67
8.	To gain social respect	70	93.33	57	76.00
9.	To minimize individual burden	71	94.67	69	92.00

Role of Organizational Structure

Table 3. Distribution of respondents according to their interest in the organisation

Sr. No.	Organisational characteristics	Functional FPOs (n ₁ =75)		Non-Functional FPOs (n ₂ = 75)	
		f	%	f	%
1.	Position of interest in FPO				
	President	5	6.67	5	6.67
	Director	21	28.00	23	30.67
	CEO	5	6.67	5	6.67
	Member only	44	58.67	42	56.00
2.	Extent of participation in FPO meetings ***				
	Regular	52	69.33	13	17.33
	Occasionally	13	17.33	27	36.00
	Never	10	13.33	35	46.67
3.	Awareness regarding agenda prior to the meeting ***				
	Yes	59	78.67	23	30.67
	No	16	21.33	52	69.33
4.	Involvement in decision making for FPO ***				
	Yes	63	84.00	47	62.67
	No	12	16.00	28	37.33
5.	Source of First Information regarding FPO				
	Fellow farmer/friend / Relative etc.	9	12.00	16	21.33
	Cluster Based Business Organisations (CBBOs)	23	30.67	28	37.33
	Print media	14	18.67	10	13.33
	Electronic media (TV & Radio only)	4	5.33	5	6.67
	ICT (including social media)	13	17.33	11	14.67
	SFAC/NABARD	6	8.00	5	6.67
	NCDEX	6	8.00	-	-
6.	Source of motivation for enrolment in FPO				
	Fellow farmer/friend/ relative	7	9.33	15	20.00
	Resource institutions (CBBOs)	43	57.33	39	52.00
	PAU/KVKs/FASC etc.	18	24.00	9	12.00
	Agriculture Department/ATMA	-	-	5	6.67
	SFAC/NABARD	7	9.33	7	9.33
Note: Chi square test indicates that the participation in the meetings, awareness about the meeting agenda and involvement in decision making of the members of functional vis-à-vis non-functional FPOs were independent at *** (1% level of significance)					

Organisational characteristics

The data (Table 3) reveal that major percentage of the respondents in functional (58.67 %) as well as non-functional FPOs (56.00 %) enrolled themselves as members only without the expectation of being a director, president or CEO. However, 28 per cent respondents of functional FPOs and 30.67 per cent respondents of non-functional FPOs were highly interested to be director in their respective organisation. Only 6.67 per cent of the respondents in both the functional as well as non-functional FPOs were interested in being the president of their respective organisation and similarly same proportion (i.e., 6.67 %) in CEO in functional as well as non-functional FPOs.

The responses on extent of participation in FPO meetings was recorded on a three-point continuum viz. regularly, occasionally and never. The data revealed that majority i.e., 69.33% of the respondents of the functional FPOs were participating in FPO meetings regularly followed by 17.33 per cent of the respondents who participated occasionally while 13.33 per cent of them have never participated in the FPO meetings. Whereas in case of non-functional FPOs the respondents' large percentage (47%) never participated in FPO meetings followed by 36 per cent who attended meetings occasionally and only 17.33 per cent of the respondents participated regularly whenever the meetings were called by the respective FPO's executive(s). From these findings it was evident that there was a greater number of inactive members in non-functional FPOs which is directly linked to non-functioning of the organisations.

Prior knowledge of agenda of the meetings can be helpful for the members to reach at more fruitful outcome due to better inputs by the participants. This can ensure better participation and more transparency among the members. In the present investigation the efforts were made to know the percentage of the respondents having prior awareness regarding the agenda of the meetings

conducted by the FPOs. It was found that majority (78.67%) of the respondents in the functional FPOs were aware about the agenda of the meetings of their organisation prior to the meetings vis-à-vis non-functional FPOs where majority (69.33%) of the respondents were unaware about the agenda of the meetings. Therefore, it can be concluded that in case of functional FPOs more steps were taken by the executives to keep their functioning more transparent for better confidence building and to ensure involvement of majority of the members in decision making whereas in case of non-functional FPOs this measure was very uncommon which might have led to the failure of those organisations.

Sources of first information regarding the respective FPO or the sources from where the respondents came to know about the concept of FPOs were also studied. The responses to this variable were recorded on a two-point continuum viz., yes or no. It was found that about 30-38 per cent of the respondents came to know about the concept of FPO through their respective promoting CBBO (Cluster Based Business Organisation) in both functional as well as non-functional FPOs, 13-19 per cent came to know through print media, 12-22 per cent got the information from their friends/peer circle, 14-18 per cent through ICT including social media and 6-8 per cent through SFAC/NABARD etc. Hence, we can conclude that CBBO played a significant role in creating awareness and mobilizing farmers in the FPOs. Similarly, CBBOs played a prominent role in motivating farmers to get enrolled with the FPOs followed by the other promoting and supporting agencies.

CONCLUSION

The study found that the principal reason to join the FPO by the members was anticipated improvement in livelihood through efficient inputs and output marketing. It was also concluded that there exists a strong relationship between specialization of work and productivity. Further, organisational structure also affected behaviour and

Role of Organizational Structure

performance of members in the FPO. However, attention should be given to build and strengthen organisational structure of the non-functional FPOs for their optimal performance. The functionality of FPOs was mainly determined by meticulousness of conducting meetings, participatory decision-making environment and efficient mechanism of information flow among the members of the organisation. Hence, by considering these important factors the policy makers can either revive the non-functional FPOs or they can be proactive to avoid the FPOs becoming non-functional.

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