



Perceived Constraints by the Board of Directors in Managing the activities of Farmers' Producer Organizations (FPOs) In Odisha

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ABSTRACT

Finance Minister Nirmala Sitaraman emphasised in her first Budget address for the fiscal year 2019–20 the Government's goal to create 10,000 new Farmer Producer Organisations (FPOs) by 2022. Previously, the Ministry of Agriculture had convened an expert committee to review the 2013-draft policy guidelines, prompted by the burgeoning growth of FPOs in the state governments of Odisha and Karnataka. The emergence of an FPO movement seems imminent, considering the substantial evidence. A decade ago, the term "FPO" held little significance for many, but today, it is sparingly used outside of conferences by civil society organizations. In 2019, two separate award ceremonies were slated to honor the achievements of FPOs, reflecting their growing importance. Recognizing their significance, even corporate leaders and entrepreneurs like Ms. Kiran Shaw have acknowledged the value of FPOs. The concept of forming entrepreneurial clusters was proposed as a transformative initiative for rural India. Discussions surrounding FPOs have extended beyond agricultural and rural studies to encompass rainfed areas and other related subjects. Both federal and state-level initiatives have been undertaken to evaluate suitable policies and ecological support for FPOs. However, concerns have arisen as several FPOs have disbanded, struggling to sustain their operations effectively, raising doubts about their long-term viability.

Consequently, a research endeavor titled "Functional Analysis of Farmer Producer Organisations (FPOs) in Odisha" was initiated to evaluate their growth, development, and the extent of familiarity among their board of directors (BoDs) with efficient operational practices. Following an ex-post-facto research methodology, the study utilized a sample size of three per district, totaling ninety participants selected randomly from nine FPOs across the districts of Cuttack, Puri, and Khordha in Odisha. The survey findings indicated that FPOs demonstrated stronger networking relationships, with technical and social mobilization services ranking second and third, respectively. Data analysis involved multiple regression analysis, correlation, and frequency distributions to derive meaningful insights.

Keywords: FPO, Constraints, Mobilization, Association, Marketing, Business.

INTRODUCTION

The prevailing imperative is to shift the traditional role of agricultural patrons towards becoming both patrons and dealers of the produce, fostering pastoral entrepreneurship amidst the era of globalization and free trade liberalization. Achieving this necessitates a comprehensive strategy encompassing advancements in technology, procedures, processing, marketing, and entrepreneurship development to double growers'

incomes. Agriculture has long served as the bedrock of Indian prosperity, supporting millions of farmers for generations. However, ensuring a symbiotic relationship between growers and the organized sector requires government intervention, as highlighted by **Mittal (2007) [1]**

This entails establishing a technology dissemination system tailored to the needs of small and marginal producers, with a primary focus on enhancing Indian growers' profitability. Effective implementation of demand-driven extension services and group empowerment to nurture agripreneurship hinges on the efficacy of an appropriate extension delivery mechanism. This could be facilitated through the formation of growers' patron associations or grassroots-level organizations. Farmer associations hold immense potential in bolstering productivity, growth, intensification, and commercialization of smallholder agriculture in pastoral regions by granting them greater access to new technologies, information, and business services, as noted by **Shiferaw et al. (2016)[2]**. Consequently, this can lead to a significant boost in their incomes.

According to **Sawairam (2016)[3]**, patron groups and enterprises have played a pivotal role in enhancing the value chain of agrarian yields, thereby enabling farmers to command competitive prices for their produce. Given these insights, the present study assumes significance, particularly in the context of Farmers' Producer Organizations (FPOs), aiming to address operational constraints and devise management strategies for the seamless functioning of FPOs.

MATERIALS & METHOD:

For this investigation, an ex-post-facto design was employed due to the occurrence of the phenomenon beforehand. Ex-post-facto research, recognized for its stringent empirical approach, deals with independent variables that are either inherently uncontrollable or have already manifested, hence beyond the direct manipulation of the researcher. Among the thirty districts in Odisha, Cuttack, Puri, and Khordha were specifically chosen for the functional research on FPOs. Cuttack district hosts twenty-three FPOs, Khordha district has twenty-five, and Puri district has sixteen. For this study, three FPOs were arbitrarily selected from each of these districts. From the total sample of 90 Board of Directors (BoDs), 10 members were randomly chosen from each FPO to participate as respondents. The research conducted multiple visits to select Farmer Producer Organisations spread across Cuttack, Puri, and Khordha districts to identify variables and arrange interview schedules. Meetings and discussions were held with the boards of directors of various farmer-producer organizations. Prior to implementation, the interview schedule underwent pre-testing with approximately 10% of respondents who were not part of the study's sample to ensure its validity and reliability. Data analysis involved regression, multiple correlation, frequency, and mean calculations.

RESULT & DISCUSSIONS:

Table-1 demonstrated that the respondents' lack of understanding of the long-term objectives of FPOs was a major social obstacle, ranking second only to conventional business practices and interpersonal conflicts. The members of the Board of Directors were unable to forecast the future of their organisations in the face of multiple challenges, such as long-term policy support, price changes, group conflict, and climate change, even while their capacity is being developed by CBBOs or promoting agencies. Making the proper judgements for the expansion of FPOs was becoming more challenging due to traditional business practises and interpersonal conflicts.

Table-2 made it evident that the primary obstacles hindering FPO operation included limited experience with value-adding prospects, a lack of comprehension regarding original business concepts, and inconsistent produce quality. Despite their adeptness in enhancing produce value through hands-on experience, members could potentially earn extra income. Nonetheless, they were overlooking optimal market prospects due to their unawareness of the interlinked product quality dynamics in both forward and backward connections.

In Table-3, elevated average scores were observed for organizational constraints hampering efficient operations, such as inadequate state-of-the-art equipment, cold storage, or physical assets. Subsequently, the company's financial position worsened, likely stemming from misjudging the market leading to discounted produce sales, a lack of partnerships with other entities, and limited executive oversight due to a small number of leaders handling multiple responsibilities. The dominance of a few Board of Directors members appeared to present a significant barrier to the organization's effectiveness.

Table-4 pinpointed the key operational challenges faced by Board of Directors (BoD) members in supervising FPOs, highlighting a lack of comprehension regarding company structure and the perishable nature of agricultural goods, leaving the market susceptible to fluctuations in stocks, trends, and seasonality. The absence of transparent market pricing might pose difficulties in trading produce and securing fair prices from impartial intermediaries. Ensuring the smooth functioning of all organizational facets was the BoD members' primary objective, perhaps due to their constrained depth of understanding of the intricate business model.

Table-5 revealed the primary policy hurdles recognized by Board of Directors (BoD) members hindering the operation of farmer-producer organizations (FPOs). These obstacles encompassed insufficient infrastructure support, particularly concerning licenses for input service trading, alongside delayed and irrelevant assistance. FPOs necessitate enhanced infrastructure for processing and storing produce, coupled with timely

and demand-driven support, to uphold their diverse operations and furnish members with a range of services. The organization's financial state was being adversely impacted due to difficulties in obtaining licenses for inputs, product procurement, and marketing, thus constraining the scope of FPO services.

According to Table-6, the Board of Directors indicated a mean score of 32.5, suggesting their belief that operational constraints posed the greatest hindrance to effectively managing the FPOs. Following closely in significance were constraints associated with organization and technology.

Analysis of Table-7 indicated a positive correlation between organizational and technological constraints affecting the operational capacity of FPOs. The presence of technology limitations in FPO operations might escalate alongside organizational constraints. The organization's financial instability and inadequate infrastructure were hindering member farmers' efforts to enhance technology in a manner conducive to improving their efficiency and hands-on experience at their locations.

The Table-8 data indicated a statistically significant adverse correlation between the performance of FPOs and social as well as operational limitations. This implies that as societal and operational constraints increase, the effectiveness of FPOs tends to decline. The lack of clarity and understanding regarding the long-term vision among Board of Directors members has created uncertainty about the future role of FPOs, particularly within contexts characterized by ambiguous company structures and volatile markets.

Table-9 revealed that planning, marketing, and management skills exhibited a notably adverse connection with the obstacles to FPO operation, as depicted in the aforementioned table. This indicates that when the planning, marketing, and management proficiency of the board of directors decrease, the challenges hindering the effective functioning of farmer-producer associations become more pronounced.

Table-10 indicated a negative correlation between the knowledge level of Board of Directors (BoD) members and functional limitations, whereas there was a robust positive association between the functionality of FPOs and the knowledge of BoD members. This implies that as the knowledge level of BoD members increases, the constraints on the BoD's effectiveness diminish. Consequently, the capacity of FPOs to provide diverse need-based services for member farmers will expand with the heightened understanding of BoD members.

Table- 1: Social constraints perceived by respondents:

Sl.	Statement	Mean score	Rank
1.	Lack of Awareness and limited interest in Activities	1.77	VII
2.	Low literacy rate	2.02	IV
3.	Group conflicts affecting functioning of FPO	2.08	III
4.	Inadequate knowledge base of resource institution	1.29	VIII
5.	Traditional business activities in concerned area	2.22	II
6.	Unsupportive policies for proper functioning	1.97	V
7.	Unaware about long term vision of FPO	2.24	I
8.	Political Affiliation Of members	1.94	VI

Table- 2: Technological constraints perceived by respondents

Sl.	Statement	Mean score	Rank
1.	Poor quality input provision	1.93	IX
2.	Improper identification of needs for capacity building	1.94	VIII
3.	Computer illiteracy (Unable to drive benefits of ICT)	2.21	VI
4.	Lack of awareness on importance of grading and packaging	2.26	V
5.	Lack of understanding about innovative business ideas	2.34	II
6.	Lack of uniformity in produce quality	2.33	III
7.	Poor quality of Technical Services & training	2.11	VII
8.	Paucity of experts for technical Guidance	2.27	IV
9.	Lack of hands-on experience in value addition opportunity	2.51	I
10.	Lack of exposure visit	2.20	VII

Table- 3: Organizational constraints perceived by respondents:

Sl.	Statement	Mean score	Rank
1.	Lack of cooperation and team work among group members	1.88	VIII
2.	Lack of training in group formation	1.88	VIII
3.	Unequal work delegation	1.93	VII
4.	Weak economic status to run the organization	2.41	II
5.	Inadequate managerial capacity	1.98	VI
6.	Few executive members handle all the responsibilities.	2.33	III
7.	Poor Governance Structure	1.87	IX
8.	Less importance on hiring of skilled workers	2.26	IV
9.	Insufficient physical assets and infrastructure	2.63	I
10.	Insufficient linkage with companies/organizations	2.33	III
11.	Lack of need based capacity building	2.10	V

Table-4: Operational Constraint perceived by respondents

Sl.	Statement	Mean score	Rank
1.	Lack of understanding about business structure	2.43	I
2.	Difficulties in regulatory compliance	2.16	VII
3.	Lack of financial Management	2.02	XII
4.	Vulnerability of market to stocks, trends and seasonality	2.39	II
5.	Trading by non-vested intermediaries	2.27	IV
6.	Lack of financial credit counseling	2.16	VII
7.	Unstructured backward linkage for input supply	2.11	X
8.	Lack of documents or record keeping	2.00	XIII
9.	Difficulties in getting remunerative price to the produce	2.36	III
10.	Poor post-harvest management	2.24	V
11.	Low level of active participation	1.87	XIV
12.	Incompetent staffs	2.04	XI
13.	Lack of negotiation skill	2.19	VI
14.	Lack of decision making skill	2.12	IX
15.	Logistics disruptions	2.14	VIII

Table- 5: Policy Constraints perceived by respondents

Sl.	Statement	Mean score	Rank
1	Lack of Promotional support by CBBO	1.59	IX
2	Issue of license for trade in input service	2.40	II
3	Issue of license for procurement and marketing.	2.20	IV
4	Lack of subsidiaries credit supply through linking financial institution	2.20	IV
5	Untimely and unrelated support	2.32	III
6	Insufficient infrastructural support	2.60	I
7	Less support from Nodal Agency	1.73	VII
8	Lack of Investment promotion Subsidy	2.19	V
9	Delay in facilitation of equity Grant	2.09	VII
10	Poor capitalization and Funding scope	2.11	VI

Table- 6: Descriptive Statistics of the constraints

Type of constraints	Mean	Std. Deviation
Social Constraints	15.533	2.270
Technological Constraints	22.111	2.810
Organizational Constraints	23.600	2.341
Operational Constraints	32.500	3.336
Policy Constraints	21.433	2.987

Table- 7: Correlational matrix of constraints in functioning FPOs

	Social Constraints	Technological Constraints	Organizational Constraints	Operational Constraints	Policy Constraints
Social Constraints	1				
Technological Constraints	.026	1			
Organizational Constraints	.178	.403**	1		
Operational Constraints	.163	.060	.219*	1	
Policy Constraints	-.036	.191	.120	.391**	1

** . Correlation is significant at the 0.01 level (2-tailed).
 * . Correlation is significant at the 0.05 level (2-tailed).

Table- 8: Correlation of constraints with the function of FPOs

Constraints	r value
Social Constraints	-.265*
Technological Constraints	.020
Organizational Constraints	-.094
Operational Constraints	-.225*
Policy Constraints	-.041

*Correlation is significant at the 0.05 level (2-tailed).

Table- 9: Correlation of skill levels of BoDs with constraints in functioning of FPOs

Knowledge level of BODs	r value
Planning Skill	-.243*
Leadership Skill	.013
Marketing Skill	-.244*
Management Skill	-.245*

*Correlation is significant at the 0.05 level (2-tailed).

Table- 10: Correlation matrix of Function of FPOs, Knowledge of BoDs and Constraints in functioning of FPOs.

	Constraints	Knowledge	Functions
Constraints in functioning	1		
Knowledge of BoDs	-.325**	1	
Function of FPOs	-.203	.472**	1

****.** Correlation is significant at the 0.01 level (2-tailed).

CONCLUSION:

In India, small and marginal farmers now have hope thanks to the farmer producer organization (FPO), which guarantees that they will make more money by forming their own organization and utilizing economies of scale. It might improve the forward and backward connections in the supply chain. The FPOs are under the direction of the board of directors (BoD), which is selected from among the members. They are responsible for making sure the FPOs are running well so that the participating farmers can utilize a range of services. To ascertain the purpose of the FPOs, this study assessed the ability and proficiency of the BoD members with respect to their functioning. The main obstacles to the organizational and technological limits were found to be operational, and as a result, they are FPOs. The performance of FPOs was statistically significantly negatively correlated with social and operational constraints. The BoD members must get more expertise in business structure, operations, management, and viable market opportunities if the FPOs are to remain sustainable. By assisting the FPOs in acquiring the necessary licences to purchase and sell products, as well as in enhancing the capabilities of their board of directors, the initiative aimed at forming and promoting 10,000 FPOs has the potential to improve the economic standing of farmers by double their income (BoDs).

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3. Chopade et. al. (2019) reported on constraints that 72.86 per cent of respondents that non-inclusion of local leaders in FPOs, 69.28 per cent of respondent reported that lack of co-ordination for different group activities, 55.00 per cent of respondent reported that lack of support from the government department after establishment of FPOs.
4. Dewangan (2018) revealed that the major constraints faced by FPO were technical constraints like lack of proper infrastructure and computer illiteracy, economic constraints like high labour cost and marketing constraints like distant market, high transportation cost and perishable nature of commodity
5. Dhakal (2013) revealed from his experience of Western Terai, Nepal that farmers' organisations were collapsed due to the lack of ownership, group management skill and inability to link with the market. The business skills, technical skills, and organisational management skills of Agricultural Resource Centres (ARC) members were not promoted parallel.
6. Gorai et.al (2022) studied the constraints faced by the members of board of directors of farmers producers' organizations and found that lack of government support and credit facility were the major constraints that the farmers perceived in the functioning the FPOs.
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and its member farmers into a smaller scale, preventing the company from engagement in value addition.

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17. Snehalatha and Reddy (1998) in their study of Impact of thrift and credit groups in Income generation of rural women, listed out the problems faced by group members as selling the produce without assured market outlets, lack of co-operation and team work among group members, non-availability of sufficient matching grant in time, in effective group leadership, lack of training in group formation, unequal work delegation, mismanagement of accounts, discontinuance of internal lending.
18. Verma et. al (2021) revealed from their study of constraints perceived by the members and non-members towards functioning of FPO-AKPCL in Kannauj District of Uttar Pradesh that yearly price fluctuation, lower price for produce and distress sale, exploitation by middlemen, perishable nature of products, and delayed payment were the most serious constraints by non-member respondents.