

# **Awareness of Organisational Responsibility and Perceived Satisfaction Level of Farmer Producer Company Shareholders of Kerala, India.**

## **Abstract**

The research study aimed to understand responsibility awareness and satisfaction levels of primary producers who were shareholders of different producer companies of the State of Kerala, India and analyse the relationship between socioeconomic variables with the same. Study sample constituted of 120 shareholders of different farmer producer companies in the state. The overall responsibility and satisfaction levels for the respondents were found to be 68.81% and 62.24% respectively. The study revealed that fifty one per cent of the producers had awareness about the organisational laws while only 46 % of them took effort to read the by-laws and written rules of the organisation. The lowest satisfaction levels were noted for “Input supply” and “Expert visits” components. Out of the six socioeconomic variables, four and three variables exhibited positive correlation with the awareness of organisational responsibility and satisfaction levels measured. From the study it is clear that improving the input supply services and arranging extension services to shareholders can improve their satisfaction level with the FPCs and improve their attitude. Responsibility sensitisation may be carried out through trainings designed for this purpose to various stakeholders, with special focus on the less educated senior shareholders.

Keywords: Producer companies, responsibility, satisfaction, shareholders, FPCs

## **1. INTRODUCTION**

In recent years agriculture sector all over the globe has visited a transformation into agribusiness from a mere livelihood option. This is partly due to the increasing demand created by a largely growing brand conscious population of consumers. Collectivisation through institutional reforms like cooperatives has always rendered bargaining power to the rural producers in the agricultural market. In that sense institutional mechanisms like cooperatives have proven useful to the small and marginal farmers of India [1]. But it is also evident that such farmers and institutions lack the capacity to invest in post-harvest infrastructure and meet the requirements of such brand conscious consumers and corporate buyers. Problems arising through such competitive environment require business oriented institutions. Prof Y.K .Alagh committee (2002), constituted by the Indian government observed that Farmer Producer Companies (FPCs) can be an effective way for helping poor farmers retain control on their land and water resources and enhance returns. Indian Companies Act of 1956 was amended to impart necessary legal framework to such firms. A National Policy (2013) to promote such organisations were also initiated by Government of India (GOI)[1]. Aggregation of farmers in this manner creates post-harvest investments and help in brand building through collective contribution. Empirical evidence also suggest that through producer companies industrial ideas like economies of scale can be mainstreamed to the small and marginal farmers of the country [2].Farmers themselves own the FPCs as these firms are formed through their own equity contribution [1]. The regulations for these companies under law also provide for democratic control by the shareholders.

Despite the legal flexibility and the institutional support, several FPCs in India, fail to find success. Many of these firms are unable to remain competent with rivals and remain sustainable [3]. Several reasons like poor management, lack of business outlook have been cited as reasons. Other possible reasons also include low levels of organizational responsibility among producers. Lack of proper awareness about the duties and responsibilities diminish the quantity and quality of the producers' contribution to the firm. This can adversely affect the performance as these organisations are primarily dependent on their resource contribution, both capital and physical. Such responsibility levels of the producers may be attributed to the amount of satisfaction received from the company services [4]. Hence the responsibility and satisfaction of the shareholders of FPCs must be evaluated to create a congenial ecosystem through policy deliberations. In this context the present study aims to understand responsibility awareness and satisfaction levels of primary producers who are shareholders of different producer companies of the State of Kerala, India. The study conducted according to different geographical locations of the state also attempts to analyse the relationship between socioeconomic and demographic variables of the shareholders with their responsibility and satisfaction levels.

## 2. MATERIALS AND METHODS

### 2.1 Study area

The state of Kerala is the thirteenth largest populated state situated in the Malabar Coast of the Indian subcontinent. With the highest human Development Index (HDI), literacy rate, sex ratio and life expectancy, Kerala has the lowest population growth rate in India. It is the second most urbanised major state and the second least impoverished in the country. The state has fourteen districts with the Thiruvananthapuram as the capital city [5]. The study was conducted in four different geographical locations (North, Central, South, and High ranges) of the state.

### 2.2 Selection of respondents

The study focused on the producers who are the shareholders of the registered Producer Companies (PCs) in the state under the main promoting agency i.e., NABARD. The minimum sample size for the study was estimated as 71 using the following formula, where the N= Number of FPCs in the state (105), t=1.96 for a confidence level of 95%, d=0.05 sampling error [6]. For a better estimation of the study variables, a final selection of 126 shareholders was done from different FPCs of the four geographical locations. The distribution of the shareholders of different FPCs according to the geographical regions selected is given in Table 1.

$$n = \frac{Nt^2p(1-p)}{d^2(N-1) + t^2p(1-p)}$$

**Table 1. Distribution of FPC shareholders among different geographical locations**

Geographical regions	Number of producers	Percentage
North	22	17.46

Central	51	40.48
South	30	23.81
High Ranges	23	18.25
<b>Total</b>	<b>126</b>	<b>100</b>

### 2.3 Data collection

The data collection was done using a pretested interview schedule, administered among the selected respondents. The items related to responsibility and satisfaction were modified from the study of [6]. In the current study 5 responsibility and satisfaction items were measured in a five point continuum of agreement. The lowest score of one was assigned for strong disagreement and highest score of five was given for strong agreement. Chronbach alpha value of more than 0.7 for both variables indicated high internal consistency for the selected items.

### 2.4 Statistical Analysis

Each individual score was divided by the maximum possible score for obtaining the responsibility and satisfaction levels of the shareholders. The results were further analysed using Kruskal – Wallis H test for comparing the responsibility and satisfaction levels of the respondents belonging to different geographical regions. The relationship between responsibility and satisfaction levels with the producers' socioeconomic/demographic characteristics were analysed using Spearman's rho. Descriptive statistics were also done to obtain meaningful inferences. All of the statistical analyses were performed with the aid of the SPSS-21.0 statistical software.

## 3. RESULTS AND DISCUSSION

### 3.1 Responsibility Awareness of FPC shareholders

Organisational responsibility is a multidimensional concept for producer organisations [6]. For each FPCs the responsibilities of shareholders as well as the board and their duties involved are clearly mentioned in its' by law. Further each PC function based on this by law prepared by the organisation and that becomes its basic building block. Awareness about the rules and regulations in the organisations help these shareholders modify their behaviour according to the organisational behaviour.

A total of five responsibility items and their percentage levels according to the four geographical regions are given in Table 2. From the table it can be noted that majority of the shareholders are regularly participating in the FPC meetings happening at least once in a year. They also try to be aware of the decisions made in the firm through these meetings and other sources. Shareholders also know all the director board members which eliminate the fear of expressing opinions in the meetings. But producers of the state exhibited lower score for awareness regarding organisational laws and contractual by laws that govern the organisational behaviour. This indicates that shareholders try to fulfil their extended responsibilities like being aware about the decisions made by the board and participation in the meetings. However they are unable to fulfil their basic responsibilities due to lacking in their knowledge about the organisational laws.

**Table 2. Responsibility levels of the producers of different regions**

Statements	North (N=22)	Central (N=51)	South (N=30)	High Ranges (N=23)	Overall (N=126)
1. I am fully aware of the organizational laws	55.45	50.59	44.67	56.52	51.11
2. I have read all the rules and bylaws of FPCs	51.82	48.24	33.33	50.43	45.71
3. I regularly participate in all meetings	80.00	86.27	76.67	80.00	81.75
4. I know all the persons in the directorial board	76.36	84.71	79.33	84.35	81.90
5. I try to be aware of all the FPCs decisions	73.64	76.47	70.67	74.78	74.29

### 3.2 Satisfaction levels of shareholders

The FPCs are designed to provide in a way to provide several services to the member producers, in order to reduce their burden. The key service among all of them is the marketing of their produce. Other services include, input supply, value addition, extension services, training, technical and financial services. The satisfaction level of shareholders about these services must be evaluated from time to time in order to improve the service delivery mechanism as well as policy deliberations.

As it can be noted from Table 3, out of all the activities of the FPCs producers are most satisfied regarding the marketing of their produce. In comparison among other activities they also exhibit a higher satisfaction regarding the availability of official proceedings and the speed of delivery of the services. Lesser satisfaction among members was prevalent regarding the input supply by the FPCs of the state. However the members were least satisfied with the regularity of the expert visits. The comparison of the satisfaction items on basis of the median score and scale items shown in Table 4, also indicate that none of the producers were very satisfied with the activities of the FPCs of the state. From the table it can be noted that majority of the producers were only somewhat satisfied regarding the mentioned activities.

### 3.3 Comparison of responsibility and satisfaction levels

The comparison of responsibility and satisfaction level of the producers based on different regions using Kruskal – Wallis test is given in Table 5. Considering the different regions in respect of responsibility and satisfaction levels, all of the differences are statistically significant. These levels to be found lowest in the Northern region of the state as noted in the table.

The responsibility and satisfaction levels for the overall state is summarised in Table 6. As a result of statistical analysis medium level of responsibility and medium to low level of satisfaction were found for the state. In Kerala, most of the producers still believe that

organizational activities have not been performing effectively except providing some official documents or bureaucratic issues. Economic, policy and bureaucratic reasons were found to be the most important factors affecting producers' organisational responsibility and behaviour. The result of the study is not surprising because producers' main purpose safeguard their livelihood through sustainable production. Hence dissatisfaction regarding input supply and extension services is affecting their satisfaction levels. This is especially true as majority of the FPCs in the Northern region show low levels of performance regarding such service. This result is also consistent with the study of [7] and [6] who worked on the aspects of producers organisational responsibility and satisfaction levels.

**Table 3. Satisfaction levels of the producers of different regions**

Statements	North (N=22)	Central (N=51)	South (N=30)	High Ranges (N=23)	Overall (N=126)
1. Receive required input supply on time	60.00	65.10	50.67	71.30	61.27
2. Proper marketing of products is ensured	69.09	70.20	64.00	82.61	69.84
3. Official proceedings are made available	62.73	67.45	57.33	71.30	64.44
4. Regular farm visits by experts/ officers	58.18	52.94	45.33	65.22	53.81
5. Speedy services are available	64.55	64.31	63.33	71.30	64.76

**Table 4. Median score of satisfaction level for overall Kerala**

Statements	Median	Scale item
1. Receive required input supply on time	3	SWS
2. Proper marketing of products is ensured	4	S
3. Official proceedings are made available	3	SWS
4. Regular farm visits by experts/ officers	3	SWS
5. Speedy services are available	3	SWS

**Table 5. Responsibility and satisfaction levels according to different geographical regions**

Geographical region	Responsibility level		P	Satisfaction level		P
	Mean±Stand. Dev	Mean rank		Mean±Stand. Dev	Mean rank	
1. North (N=22)	16.86±3.04	6.20		15.73±3.95	3.90	
2. Central (N=51)	16.55±4.93	18.00	<0.05	16±3.68	18.00	<0.05
3. South (N=30)	15.23±1.91	9.80		14.03±2.08	10.20	
4. High Ranges (N=23)	17.30±2.53	8.00		18.09±2.56	9.90	
Overall Kerala (N=126)	16.43±3.71			15.84±3.46		

**Table 6. Distribution of producers based on responsibility and satisfaction levels**

Category	Responsibility level (%) (N=126)	Satisfaction level (%) (N=126)
Low (<Mean-Stand. Dev)	7.14	16.67
Medium (Mean±Stand. Dev)	84.92	66.67
High (>Mean+ Stand. Dev)	7.94	16.67
Overall Kerala	68.81	62.24

### 3.4 Relationship between socioeconomic and demographic status

Correlations between socio economic and demographic variables if the producers with their responsibility and satisfaction levels are represented in Table 7 along with the p values. It can be noted that Age, education and annual income of the producers are positively correlated with their responsibility. From the table it is also clear that education and occupation also exhibited positive correlations between organisational satisfaction levels of the producers. Age and low levels of education influences the producer's ability to comprehend the rules and benefits of the organisation. Further economic benefit reflected through their annual income also determines their motivation to participate in the organisational activities. This affects their responsibility levels and organisational behaviour. Majority of the producers were sole farmers and this explains the high correlation between occupation and satisfaction.

**Table 7. Correlation coefficient and P-values for responsibility and satisfaction level**

Socio economic and	Measurement	Responsibility level	Satisfaction level
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demographic variables		Spearman Rho	P	Spearman Rho	P
Age	(Year)	.129	>0.05	-.049	>0.05
Education	(Nominal)	.097	>0.05	.036	>0.05
Occupation	(Nominal)	-.051	>0.05	.076	>0.05
Annual Income	(INR)	.090	>0.05	-.095	>0.05
Responsibility		1		.228	<0.05
Satisfaction		.228	<0.05		

It can also be noted that there is significant relationship between responsibility and satisfaction levels at  $p < 0.05$ . Thus increased participation in the organisational activities and positive responsibility levels can influence the satisfaction levels of the producers and vice versa. This result is also consistent with the study by Can on the organisational responsibility and satisfaction levels of producers of Turkey [4,6].

#### 4. CONCLUSION

The findings regarding the responsibility level clearly indicate that producers have not fulfilled their legal, democratic and/or social responsibilities. Considering the overall Kerala, sixty two per cent of satisfaction may be seen as medium-low or moderate level for the organizations. Because of the fact that “regular visits to farms by extension experts” and “input supply” are the most negative aspects of the livestock organizations, the quantity and/or quality of these two services should be increased as much as possible to improve the satisfaction levels of the member farmers. Improving the satisfaction will improve the responsibility level of the producers as suggested by their significant relationship. Further trainings programmes specifically designed for responsibility sensitisation to the shareholders with special focus on less educated and old producers to will help improve their responsibility and satisfaction levels

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