

## Participation and Its Impact on Success of Producer Company in India

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**ABSTRACT** The objective of this study is to investigate the importance of participation factors of farmers for the success of a Producer Company and level of participation of farmers, and to find out if there is an association between gender and level of participation. The simple random sampling method is used and a questionnaire was collected from 200 farmers. Reliability analysis was done and the Cronbach's alpha was 0.721. The results revealed that the participation of the farmers in the annual meeting, willingness to purchase the share capital at the initial stage, interaction and sharing of information with the members are the most important participation factors among the farmers. The study reveals that the most important statement is participation in the Annual General Body meeting with 5.91 mean rank, followed by Willingness to provide initial capital to join at 5.71 and interaction with farmers in Producer Company at 5.37.

### INTRODUCTION

It is believed that a properly managed Producer Company has a great perspective on agriculture and rural development. There are many models, which were evolved by the Government of India for the improvement of livelihoods and empowering the farmers. A farmer organisation was formed and nurtured for the farmers in the name of farmers' group, farmer's interest group, self-help group, joint liability group, common interest group, in all these above said models the group size is within 20 farmers. Since the group size is small they were not able to make an impact on the agriculture sector. In the year 2002, the Government of India made amendments in the Indian Companies Act 1956 and had given the concepts of a Producer Company. In this model, the farmers can have a size of 1,000 members with a share capital for their initial investment for starting a producer company. Farmers' Producer Organisations can be considered as a hybrid between private companies and cooperatives.

The members of the Producer Organisation in Telangana are able to fetch fair better prices for their produce and have gained access to niche markets. The timely availability of farm inputs

to the farmers are other benefits they were able to reap after joining the organisation (Manaswi et al. 2019).

A number of studies have been carried out to find the key issues contributing to the success and failures of producer companies. The reason for the failure of cooperatives in Turkey is organisational, financial, educational and legislative problems, which are factors for failure of fishery cooperatives. The lack of interest from the cooperative members is also identified as the factor, which leads to failures (Unal et al. 2009).

The farmers are able to access information on crop management, seeds and technology, inputs such as fertilisers, insecticides, pesticides at cheaper prices, higher price for their produce and it helped to enhance the income of the farmers. The sudden collapse in market price was a big challenge for the farmers, but in a producer organisation they can deal with these situations better (Verma et al. 2019).

Bhuyan (2007) indicated that without the active participation of farmers and satisfaction, cooperatives cannot survive and moreover his analysis determined that a good understanding of members and behaviour is important for the success of cooperatives. Pandian and Ganesan (2018) explained that the Producer Company Model is considered as a sustainable model and a vehicle to achieve various goals and diverse roles of the farmers.

The principles of cooperatives are open membership and voluntary participation, which implies that a member of a cooperative is free to join or exit the cooperative. The principle also includes member economic participation, democratic

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member control, independence and autonomy, provision of training, education and information. These principles are provided so as to provide sustainability and enhance development, which influences the development of the nation (Webster et al. 2012).

The evidence from Maharashtra and Bihar Producer Organisations shows that it is beneficiary to small and marginal farmers in adopting market oriented technologies and accessing market opportunities to the farmers (Tata Cornell Institute 2020).

Farmers Producer Companies are emerging as organised entities that are very important in implementing rural and agricultural development programmes. The structure helps the farmers to operate efficiently on various steps of supply chain management (Venkattakumar et al. 2019).

Participation of marginal and small farmers in Producer Organisations improves their access to credit, input and output market, storage and bargaining power vis-à-vis traders. Farmers associated with the producer organisation have a high level of income, investment and consumption and a lower incidence of indebtedness (Singh and Vatta 2019).

Failure of monsoon, non-availability of quality seeds and erratic rainfall were the major constraints faced by the farmers. The study identified that the farmers are not involved in the process of value addition of their produce. The activities carried out by Producer Companies were supply of inputs to farmers, technical guidance, procurement of the produce and marketing. (Gokul Vignesh et al. 2019).

Rural women joining Producer Organisations has improved their human, political and social dimensions of livelihood empowerment in addition to a significant economic gain (Mukherjee et al. 2019).

### Objectives of the Study

The objective of this study is to identify the participation factors that are important for the success of a Producer Company, to find the level of participation and if there is an association between gender and participation of farmers. The paper is organised into three sections. Section 2 gives the outline of literature review related to farmer organisations and the factors considered for the success of the Producer Company. Section 3 deals with the results and discussion- and section 4, concludes the factors that are essential for the success of a producer company, levels of participation and the association between gender and level of participation.

### Review of Relevant Literature

A number of studies have been examined for the variables for the success and failure of a producer company. Participation is a vital factor in the success of grass root institutions. Since the farmers are from the heterogeneity groups they have diversified thinking within the group. Once farmers participate actively in the producer company and build a good rapport among the farmers and the management it will lead to the success of the organisation. Hence, there is no standard definition of success, and there have been different ways to provide understandable definitions for the success of the producer company.

Wadsworth (2001) concluded that proper farmers' relations and communication between farmers and management are important for the success of a producer company.

Pervez et al. (2018) explained and recommended that education program and agriculture extension services should be strengthened to increase extension contact and enhance human resource development to reduce the production problem confronted by landless women. Tangwe and Maliehe (2011) stated that many community development projects failed to meet the expectations of reducing poverty and improving the standard of living of people due to lack of community participation. When participation of the community is high, it leads to success of the project.

Beilmann and Realo (2012) analysed the relationship between the relationship between social capital and individual collectivism. Normally, social capital depends on age and education. The indicators taken for social capital management by the unrelated factor loading method are honesty, trust, political interest, and participation, and voluntary work, relations with colleagues, neighbours, friends and relatives.

Dejene and Getachew (2015) identified four factors for the success of cooperatives in Ethiopia. They are commitment, participation, and communication, structural managerial and external factors that are essential for the successful running of the cooperatives. Amongst all the factors participation is the most important for the success of the producer company.

There are two types of participation. The first is participation as a mean and the second is participation as an end. In participation as a mean, people do not have any control over their lives and

they are passive. In participation as an end, people were directly involved and they have control over decisions and power. Hence, active participation leads to the empowerment of people (Nikkhah and Redzuan 2009).

The success of a producer company depends on the integrity and quality of leadership, farmers' commitment and market environment as the most important factors for a successful producer company (Sawairam 2015).

Managerial factors are regarded as the important factor for the key success of the farmer organisations and these characters are very hard to find among the farmers (Barham and Chitemi 2009). A Producer Company appoints a professional manager, in the form of Chief Executive Officer by the Board of Directors. The members of the Board of Directors are selected within the farming community (Trebbin and Hassler 2012).

An efficient and effective method of addressing the challenges faced by the farmers is bringing the small and marginal farmers under one group and form as a producer company. The objective of the formation of a Producer Company is to enable farmers to get a fair price, efficient and organised marketing system, guide farmers in crop production practices, access to new technologies and access to farm inputs at a lower price, eradicate middlemen, traders and commission agents (Salokhe 2017).

In India, small and marginal farmers are facing lots of problems and they are vulnerable to risks in the agriculture sectors. Several models are emerging to integrate them into one group with the objective of increasing the income and reducing the transactions costs and hence the alternative model, which has newly emerged is Farmers Producer Organisations (Bikkina et al. 2015).

With the literature reviewed above, it is revealed that the participation factor is essential for the success of any farmers' organisation. Since the farmers are from heterogeneity group, they need to have active participation, which leads them to the proper functioning of the farmer organisation. Hence, for any success of the bottom-up approach, the participation of the members is essential to be successful in the long run.

## MATERIAL AND METHODS

The study was conducted in Thondamuthur Block of Coimbatore District, Tamil Nadu in

India. The population of the study consists of members of the producer company. The sampling technique adopted was simple random sampling, the farmers who have enrolled in the producer company. A sample size of 200 producer company members was selected. A questionnaire made by the researcher was used to collect data from March 2018 to April 2018. The first part consists of demographic details and the second part consists of items influencing participation and its impact on the success of the producer company. A 5-point Likert's scale (from 5= strongly agree, 4=agree, 3=neutral, 2=disagree, 1=strongly disagree) was used to assess the participation of farmers in the producer company. The face and content validity of the questionnaire were checked with the panel of experts from Centre for Water Resources, Anna University, Tamil Nadu and Department of Management of Studies, University of Madras, Tamil Nadu. Reliability was calculated with Cronbach's alpha, which was 0.721 for respondents. Descriptive and inferential analysis was used with statistical package for social sciences (SPSS). Frequency, percentage, mean, Friedman test and Chi-square were used to analyse the data.

## RESULTS AND DISCUSSION

Regarding the demographic details, Table 1 illustrates the gender, age, education level and occupation of the participants. Table 2 lists out the rank with the Friedman test for difference mean towards the participation of farmers in the producer company. The Chi-Square value is 133.326 and the P value is  $<0.001^{**}$ , which is significant at one percent level. It shows that there is a significant difference among mean rank towards statements of participation of farmers in the producer company. Based on the mean rank farmers participation in the Annual General Body Meeting (5.91) followed by farmers willing to provide the initial capital amount to join the producer company (5.71) and interact with other farmers who are members in the producer company are the most important items. The least important is that farmers take the necessary steps to influence the decision taken in the producer company. The result is similar to the findings of the study by Bhuyan (2007) that active member participation is needed for the cooperative to sustain in the long run. His analysis indicated that

**Table 1: Demographic details of farmers**

Variables	Frequency	Percent	Cumulative percent
<i>Sex</i>			
Male	141	70.5	70.5
Female	59	29.5	100.0
Total	200	100.0	
<i>Age</i>			
Less than 30	26	13.0	13.0
31-40	43	21.5	34.5
41-50	50	25.0	59.5
51-60	36	18.0	77.5
Above 60	45	22.5	100.0
Total	200	100.0	
<i>Education</i>			
No formal education	6	3.0	3.0
Primary	69	34.5	37.5
Secondary education	59	29.5	67.0
Higher secondary	4	2.0	69.0
Diploma	9	4.5	73.5
UG	33	16.5	90.0
PG	20	10.0	100.0
Total	200	100.0	
<i>Occupation</i>			
Agriculture	191	95.5	95.5
Private Job	9	4.5	100.0
Total	200	100.0	

Source: Primary data 2018

understanding between members is necessary for cooperative success. Wadsworth (2001) concluded that communication and effective members' relationship between farmers and organisation are very important for a cooperative's success.

**Table 2: Friedman test for difference mean ranks towards participation of farmers**

Statements	Mean rank*	Rank
Participate in Annual General Body Meeting	5.91	1
Willing to provide Initial Capital to join	5.71	2
Interact with farmers in producer company	5.37	3
Farmers share information with other members	5.25	4
After joining I possess the individual motivation	5.03	5
Attend trainings	4.92	6
Attend meetings	4.63	7
Play an active role in the governance	4.13	8
Take necessary steps to influence the decision	4.06	9

\*Chi-square =133.326, P<0.001\*\*

Note: \*\* denotes significant at 1% level

Source: Primary data 2018

**Table 3: Level of participation of farmers in Producer Company**

Participation	Frequency	Percent
Low	65	32.5
Medium	73	36.5
High	62	31.0
Total	200	100.0

Source: Primary data, 2018

In Table 3, the low level of participation is 32.5 percent and medium and high level of percentage is 67.5 percent. Hence, the majority of the farmers are participating actively in the Producer Company. Hence, the participation of the farmers leads to the success of the Producer Company. The result is in line with the findings of studies in which the participation of farmers in cooperatives is very important for successful functioning and concurs with the study of Osterberg and Nilsson (2009).

The participation level of farmers in the extension activities of the beef cattle breeding at the planning and implementation level is high and in the evaluation category it is in the medium category (Amrullah et al. 2020). The results are in line with what Table 3 shows for the participation of farmers at high, medium and low levels.

In Table 4, the P value is less than 0.001\*\*, hence it is concluded that there is an association between gender and level of participation of farmers in the Producer Company. Based on row percentage 29.8 percent of male farmers have a low level of participation, 28.4 percent have a high level of participation in the Producer Company whereas female farmers are 39.0 percent under low level of participation and 37.3 percent under a high level of participation. Hence the male farmers are having 71.2 percent above the medium level of participation than female farmers who are having 60.0 percent of above medium level of participation. The reason why female participation is low when compared to male farmers' participation might be due to the fact that involvement of males in agriculture is more than females in the study area. Tekana (2011) finds that more male participation in the Taung agricultural irrigation projects leads to less participation of women farmers in agricultural activities.

The actual owners of the Producer Organisation are the farmers and their participation plays a critical role in the performance and functioning of

**Table 4: Chi-square test for association between gender and level of participation of farmers**

Gender	Level of participation			Total	Chi-square	P value
	Low	Medium	High			
Male	42 (29.8) [64.6]	59 (41.8) [80.8]	40 (28.4) [64.5]	141 (100.0) [70.5]	5.889	< 0.001**
Female	23 (39.0) [35.4]	14 (23.7) [19.2]	22 (37.3) [35.5]	59 (100.0) [29.5]		
Total	65 (32.5) [100.0]	73 (36.5) [100.0]	62 (31.0) [100.0]	200 (100.0) [100.0]		

The value within ( ) refers to row percentage

The value within [ ] refers to column percentage

Source: Primary data 2018

the organisation. Active participation of farmers in the Annual General Body Meeting is in line with result of the study (Manaswi et al. 2020).

The level of participation of the farmers in the activities carried out was in the low category for the planning, monitoring and evaluation in the study carried out in the Maiwa Breeding Centre, Hasanuddin University in Indonesia as seen in Table 3 (Syarif et al. 2019).

Farmer groups in Nigeria are male dominated and women farmers play a lesser role in participating in the group activities (Omotesho et al. 2019). It concluded that women participation is low in the group activities, which is in line with this study.

## CONCLUSION

The role of a Producer Company in rural development and agriculture cannot be over emphasised. There is no doubt that it acts as a ladder to the farmers through which they were able to reap the benefits. The main objective was to identify the factors for participation in the success of Producer Company, level of participation of farmers and to determine if there is an association between gender and participation. The results showed with the help of the Friedman Test that the active participation of the members is very important for the success of the producer company. The mean rank indicates that participation in the Annual General Body meeting with the mean rank of 5.91, interested in giving the money for initial share capital with 5.71, integration with other farmers and sharing the information with others 5.37 are the most important statements. The

level of participation of the farmers is also low at 32.5 percent, medium at 36.5 percent and high at 31.0 percent. This indicates that 67.5 percent have above the medium level of participation, which leads to the success of the producer company. The result shows that there is an association between male and female farmers in participation. It shows that the male farmers have a 71.2 percent of above medium participation and the female farmers have 61.0 percent of above medium participation. The reason that male participation is higher than the female farmers might be that in this study area the participation of male farmers in agriculture is more than the female farmers. Participation of the farmers is important for the success of the grass root instructions. Participation leads to commitment of the farmers, which in turn helps with the efficient functioning of the organisation. The study also reveals that majority of the members are male and there is a huge potential to concentrate on female farmers and that area can be explored. It was therefore, concluded that the government and other implementing agencies should take into account the participation as one of the important factors to transform the Producer Company into a viable and sustainable model.

## RECOMMENDATIONS

The facilitating agencies like government line departments, donor agencies and other stakeholders should consider participation as an important factor. Male farmers are more than the female farmers, hence there is a chance of including more number of female farmers in the producer organisation, and this is the new area, which can be concentrated on.

Participation of the farmers leads to success of the producer company. Continuous capacity building should be incorporated for the farmers and for the other line departments to make this a sustainable model. In order to make this a sustainable model, active participation of farmers is more important.

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