



# Level of Derived Benefits in FPOs

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## Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

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## ABSTRACT

Farmer Producer Organizations (FPOs) are platforms that serve for the growth and development of farmers in both rural and urban areas. Social capital is an asset that is studied by observing interactions and the relationships prevailing in collective organizations. In this paper, we study the contribution of social capital which is a critical element in the effective progress of Farmer Producer Organizations (FPOs).

Level of derived benefits is one of the five components of Social Capital of the FPOs. Forty actively functioning Farmer Producer Organizations in Southern districts of Tamil Nadu were taken for this study. The sub components of derived benefits include eliminating intermediaries, marketable produce, better price for produce, quality consciousness, declining migration, access to resources, advance payment facility, assured price, livelihood improvement and provision of enhanced advisory (These are the 10 criteria under which the level of derived benefits was studied). Mean scores and percentage analysis were calculated to examine the contribution of each subcomponent in the sample of organizations. The results indicate that the components of Social Capital such as

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marketable produce, better prices for produce, quality consciousness, declining migration, access to resources, assured price, livelihood improvement, and provision of enhanced advice have been gained by more than half of the FPOs. Areas like eliminating intermediaries and advance payment facilities should be focused more on increasing social capital which in turn increases the performance of the organizations.

*Keywords: Social capital; horizontal ties; level of derived benefits; farmer producer organizations.*

## 1. INTRODUCTION

Farmer producer organizations (FPOs) are collective structures consisting of farmers as members and stakeholders. It is a group of formally registered organizations which is clearly distinguished from cooperatives. FPOs are the dominant form of aggregation in India [1] with 22,605 FPOs as of August 2022. It is recorded that providing forward linking and coordinating farmers for purchases of inputs improves their livelihood [2]. In Tamil Nadu, FPOs are promoted by various institutions such as NABARD, TNSFAC, and sometimes, by the NGOs. These institutions organize farmer members in a common forum with each member contributing financially to running the organization. Each organization consists of members from varying land holding, economic background as well as gender. The activities of the organizations are usually led by the Chief Executive Officer (CEO) and a Board of Directors (BOD). The smooth functioning of the activities and the performance of the FPOs is relatively ensured by the component called Social Capital. (Description about social capital is given in the following)

Social capital is described as an intangible resource that plays a major role in economic progress and sustainable development [3]. However, it is studied by observing the interactions of people with one another in rather collective organizations. Social capital is divided into horizontal ties and vertical ties. The horizontal ties depict the interactions that happen within the organization with one another such that it revolves the member-member and member-office bearer, etc while the interaction and collaboration of an individual FPO with other institutions such as other FPOs, NABARD, State Government departments is categorized into vertical ties [4,5].

The study concerns of the horizontal ties which inform us of the bonding or interactions that occur among the members of the collective organizations like Farmer producer organizations. One such component studied in

horizontal ties of social capital is called the level of derived benefits. Attainment of some kind of advantage in terms of both monetary and non-monetary aspects come under the level of derived benefits. The benefits obtained by the members or stakeholders of the Farmer Producer Organizations are used for measuring the performance of the organizations.

## 2. METHODOLOGY

The study of social capital was carried out in the southern zone of Tamil Nadu. Forty Farmer producer organizations in eight districts such as Madurai, Sivagangai, Pudukkottai, Dindigul, Virudhunagar, Thirunelveli, Thoothukudi and Ramanathapuram were taken to study the level of derived benefits in the collective organizations which is a component of social capital. These FPOs are promoted by the NABARD, which had taken the responsibility of collectivizing the farmers.

### 2.1 Components of the Level of Derived Benefits

The components of the level of derived benefits are measured by the subcomponents which constitutes the benefits derived by the stakeholders through FPOs are given as follows. Eliminating intermediaries, marketable produce, better price for produce, quality consciousness, declining migration, access to resources, advance payment facility, assured price, livelihood improvement and provision of enhanced advisory are the components that are attained by incorporating social capital among its members in the FPOs.

The statistical tools used were percentage analysis and correlation analysis. Percentage analysis is used in the study to define the various benefits mentioned above attained by the number of organizations. Correlation analysis was used to determine the extent of association and relationship of level of derived benefits in the performance of FPO.

### 3. RESULTS AND DISCUSSION

#### 3.1 Categorizing the FPOs Based on the Level of Derived Benefits

As discussed earlier, both monetary and non monetary advantages and support could be received by the FPOs.

From Table 1, we can see interpret that the benefits such as marketable produce, better price for produce, quality consciousness, declining migration, access to resources, assured price, livelihood improvement and provision of enhanced advisory were attained in more than half of the FPOs.

Grashuis [6] established that there had been an increase in the production, marketing and revenue received by coffee producers in Peru associated with Farmer producer organizations than the Non-FPO members. These derived benefits attained by the farmer members are estimated to be relatively higher in the case of small farmers.

As for the study is related, the organizations utilized the advantages by bulk marketing their produce rather than individual marketing and earning better prices for their produce and marketable goods. Better quality and assured price of the produce and value-added products were ensured through FPOs and the progress of migration of young farmers were limited when they become a member in the FPO. The FPOs were able to attain the access to various resources and also receive enhanced advisory services which may lead upto the improvement

of livelihood of member farmers. Wu [7] portrayed that the vital aspect of effective rural revitalization is the growth of the local community, which may be linked to and utilised through social capital. Singh [8] studied that leading FPOs now have a better chance of long-term survival attributable to the intellectual and organizational contributions made by resource institutions in the form of product quality, specifications, branding and marketing.

#### 3.2 Analyzing the Association and Relationship of the Level of Derived Benefits and Performance of FPOs

Level of derived benefits which is a component of social capital is then studied by analyzing the association and relationship with the performance of Farmer producer organizations.

From Table 2, it is clear that the level of derived benefits has established positive and significant relationship at five per cent level of probability with the performance of Farmer producer organizations. The social capital component i.e., the level of derived benefits are infact motivates the members of the FPOs to gather and accumulate their efforts in the functioning of the organizations and hence it increases the organizational performance of these FPOs. Xu [9] reported that sharing of technology and market information involves large and favourable effects on income of the stakeholders. This is exhibited by having common objective and cooperative social circumstances. (This paper is a part of my study. The thesis had already been published. So, kindly do the needful).

**Table 1. Categorizing the level of derived benefits of FPOs**

Category	Derived		Not derived	
	No. of FPOs	Per cent	No. of FPOs	Per cent
Eliminating intermediaries	18	45.00	22	55.00
Marketable produce	38	95.00	2	5.00
Better price for produce	31	77.50	9	22.50
Quality consciousness	24	60.00	16	40.00
Declining migration	35	87.50	5	12.50
Access to resources	27	67.50	13	32.50
Advance payment facility	7	17.50	33	82.50
Assured price	24	60.00	16	40.00
Livelihood improvement	34	85.00	6	15.00
Provision of enhanced advisory	29	72.50	11	27.50

**Table 2. Association and relationship of the level of derived benefits and performance of FPOs**

Independent Variable	'r' value	Regression co efficient	't' value	P value
Level of derived benefits	0.380 *	0.115	1.107	0.276

#### 4. CONCLUSION

The importance of social capital is exhibited to be a critical factor in a collective organization in where a number of people actively engage in a common form with their activities interrelated. The study focuses on the contribution of the component of social capital, level of derived benefits, in the performance of the Farmer producer organizations. As for the FPOs, it is interpreted that the accumulation of social capital which is encoded as level of derived benefits through the interaction of the members include the increased produce, their respective price and quality. The member farmers received enhanced services resulting ultimately in their livelihood improvement. By analysing the relationship of the level of derived benefits with the performance of FPO, it could be determined that the social capital component does have a significant impact and inturn increases the performance of FPOs. Supported with government and institutional interventions, these FPO organizations have a significant influence on the organizational activities and also in generating a possible effect in the growth sustenance of individual member of the organization.

#### COMPETING INTERESTS

Authors have declared that no competing interests exist.

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