www.ThePharmaJournal.com

The Pharma Innovation

ISSN (E): 2277- 7695
ISSN (P): 2349-8242
NAAS Rating: 5.23
TPI 2022; SP-11(4): 243-246

www.thepharmajournal.com
Received: 10-02-2022
Accepted: 13-03-2022

Basic profile and financial performance of farmer producer organizations (FPOs) in eastern dry zone of Karnataka

Nandini HM, Dr. PS Badal and Anil K

Nandini HM
Ph.D., Scholar, Department of Agricultural Economics, College of Agriculture, University of Agricultural Sciences, GKVK, Bangalore, Karnataka, India

Dr. PS Badal
Professor, Department of Agricultural Economics, Institute of Agricultural Sciences, Banaras Hindu University, Varanasi, Uttar Pradesh, India

Anil K
Ph.D., Scholar, Department of Agricultural Extension, College of Agriculture, University of Agricultural Sciences, GKVK, Bangalore, Karnataka, India

Corresponding Author
Nandini HM
Ph.D., Scholar, Department of Agricultural Economics, College of Agriculture, University of Agricultural Sciences, GKVK, Bangalore, Karnataka, India

Abstract
The study is an attempted to evaluate the financial performance of Farmer Producer Organizations (FPOs) in Eastern Dry Zone of Karnataka. Financial ratio analysis of Farmer Producer Organizations has been done on the financial ratios such as Net profit, Current ratio, Net capital ratio, Earnings per Share, Returns on Assets, Returns on Equity, Debt-Equity Ratio for the financial year 2019-20. Financial ratio analysis shows that Anekal Horticulture Farmer Producer Company Ltd. (AHFPCL) and Rajaghatta Horticulture Farmer Producer Company Ltd. (RHFPCL) was having higher annual net profit i.e. Rupees 4,36,780 and 3,14,347 respectively. Then the Current ratio of all the four FPOs shows (>1) indicating financially sound and adequate to manage their short-term obligations. Net Capital ratio of all the FPOs found to be (>1) indicating long run liquidity of the business, where Sri Venugopalaswamy Horticulture Farmer Producer Company Ltd. (SVHFPCL) was having very high ratio i.e. 43.75 and Tubagere Horticulture Farmer Producer Company Ltd. (TFPCL) was having very low ratio i.e. 1.37. Earnings per share is found higher in Anekal Horticulture Farmer Producer Company Ltd. (AHFPCL) and Rajaghatta Horticulture Farmer Producer Company Ltd. (RHFPCL) i.e. Rupees 436 and 314 respectively and other Profitability ratios such as Returns on Assets, Returns on Equity, was found to be higher indicating business able to utilize its resources well in generating income. Moreover, Debt-Equity Ratio found to be (<1) for all the FPOs indicating less debt and reduced risk in the business.

Keywords: Farmer producer organizations (FPOs), liquidity, net profit, profitability, debt, risk

Introduction
Agriculture has always been a lifeline of the Indian economy, providing livelihood to millions of farmers; However high production costs, and low access to credit, as well as poor market linkages hinder the sector's growth. This adversely affects India's ranks of small and marginal farmers, which comprises around 85% of the sector. Aggregation and consolidation provide a means for these farmers to unite and reap the benefits of economies of scale, making this a critical means to create new growth paradigms. Farmer Producer Organisations (FPOs) are one such farmers' aggregate, an organizational mechanism mobilizing farmers' collective that seeks to improve their own economic and social situation and that of their communities. Although still nascent, they have come a long way in the past several years and are fast becoming a critical component of the agricultural value chain in India. FPOs have the potential to give farmers better bargaining power and create a more transparent Agri-market, and they need to be nurtured to their full potential. The inaugural edition of Samunnati and The Economic Times Farmer Producer Organisations Summit & Awards brings India's often-unseen champions to the fore – its farmers. This was held in New Delhi on 18 October 2019, the Summit focuses on the many ways in which our agrarian heroes can be empowered to succeed. An effort is being made to organize the farmers into the groups under various programmes of the Department of Horticulture from 2012-13 onwards. Since then the farmers have been mobilized to work in groups from seed to marketing, adopting Good Management Practices (GMP) from production up to post-harvest management.
In the context of 2014 being declared as "Year of Farmer Producer Organizations (FPOs)" by the Ministry of Agriculture, Government of India, greater attention was given to these emerging bodies. The Department of Horticulture, Government of Karnataka under various programmes *viz*., RKVY, NHM and Sujala III, has initiated formation of FPO during the year 2014-15 with the support of FPO nodal agency Small Farmers Agribusiness Consortium (SFAC), New Delhi by mobilizing the Farmer Clusters already formed by the Department and other farmers into the larger groups of 1000 members to form a Farmer Producer Company

under Companies Act 2013. Presently, Department of Horticulture, Government of Karnataka has been nurturing over 99 FPOs (formed as per SFAC guidelines) across Karnataka. Like-wise NABARD has supported formation of over 200 FPOs in Karnataka. Besides there are crop-specific farmer organizations and associations in Karnataka.

FPOs are farmer's collectives, with membership mainly comprising small/ marginal farmers (around 70 to 80%). Presently, around 5000 FPOs (including FPCs) are in existence in the country, which was formed under various initiatives of the Government of India (including SFAC), State Governments, NABARD, and other organizations over the last 8-10 years. Of these, around 3200 FPOs are registered as Producer Companies and the remaining as Cooperatives/ Societies, etc. The majority of these FPOs are in the nascent stage of their operations with shareholder's membership ranging from 100 to over 1000 farmers and require not only technical handholding support but also adequate capital and infrastructure facilities including market linkages for sustaining their business operations. SFAC is supporting these FPOs through empanelled Resource Institutions (RIs), which provide various inputs of training and capacity building and linking these bodies to input suppliers, technology providers, and market players. The FPCs also organize collection, processing, storage and marketing of their member's produce in high-value markets at an optimal price. These actions by the FPCs have thus reduced transaction costs and allowed the FPCs to enter into a partner with private and public sector companies for purposes of supplying farm produce on terms that are equal.

Farmer Producer Organizations (FPOs), a concept established for enhancing farmers' capacity and rural economy through its market-oriented approach, have also not been left unhampered in the present situation. There has been positive development in FPO ecosystem to build its financial health. Small Farmer Agribusiness Consortium, with its matching equity grant support and venture capital assistance is leading the initiative. Though there is, need to further scale up such initiatives as about 49% of the FPCs in India have paid-up capital less than Rupees 1 lakhs and about 86% of them have paid-up capital less than Rupees 10 lakhs. In such scenario, easing access to working capital is of paramount importance. Discussion with major Non-Banking Finance Corporations (NBFCs), providing working capital support to FPOs, reported inability to process newer loan application requests due to their restricted ability to travel for physical verification and other documentation process. Additionally, disruption in agriculture value chain has also made NBFCs risk averse while lending to FPOs, resulting in acute liquidity crunch in FPO system.

Research Methodology

The study was conducted at the Eastern Dry Zone of Karnataka in two purposively selected districts of Bangalore Urban and Bangalore Rural to bring a contrast between two areas highlighting the extremes, one district comprises of large-scale IT-BT companies. i.e. Bangalore Urban and other, portraying the area with most favourable conditions for a wide variety of agricultural and horticultural crops such as silk, rice, peanut, sugarcane, castor, grapes, mulberry, dairy development, silk farming and with a range of industrialization i.e. Bangalore Rural. The study was based on primary as well secondary data. Out of four registered and functional FPOs in both the districts, the FPOs with maximum membership selected purposively. The selected FPOs belong to Anekal, Hosakote, and Doddabalapur taluks. 160 farmers constituting 80 FPO-Farmers from each FPOs, 80 Non- FPO farmers from same locality. Primary data was collected through structured personal interview method. The secondary data from research reports, journals, books, online sites, literature, and annual reports etc. Financial Ratio Analysis (FRA) was done for assessing the financial performance of selected FPOs in Eastern Dry Zone of Karnataka. These ratios are analysed using data taken from a company's Audited Annual Financial Statements of four producer organizations for the financial year 2019-20 have been used. FRA is an appropriate quantitative tool providing concrete summary of the performance of a business organization.

Table 1: List of FPOs selected in the study area

SI. No	Taluks	Name of the FPO	Village	No. of farmer shareholders
1	Anekal	Anekal Horticulture Farmer Producer Company Ltd.	Anekal	1000
2	Hosakote	Sri Venugopalaswamy Horticulture Farmer Producer Company Ltd.	Doddadenahalli	1000
3	Doddabalapur	Rajaghatta Horticulture Farmer Producer Company Ltd.	Rajaghatta	1000
		Tubagere Horticulture Farmer Producer Company Ltd.	Tubagere	1000

Table 1, shows the selected FPOs belong to Anekal, Hosakote and Doddabalapur taluks. In case Anekal taluk, Anekal Horticulture Farmer Producer Company Ltd. (1000 members). In the case of Hosakote taluk, Sri Venugopalaswami Horticulture Farmer Producer Company Ltd. (1000 members). In the case of Doddabapur taluk, Rajaghatta Horticulture Farmer Producer Company Ltd. (1000 members) and Tubagere Horticulture Farmer Producer Company Ltd. (1000 members), was selected for the study.

Results and Discussion

Table 2: Basic profile of Farmer Producer Organizations' in Eastern Dry of Karnataka

Parameters	Anekal HFPCL	Sri Venugopalaswamy HFPCL	Rajagatta HFPCL	Tubagere HFPCL
CIN Number	U01403KA2016PTC086729	U01403KA2016PTC086178	U01407KA2016PTC086862	U01407KA2016PTC087255
Date of registration	8^{th} March 2016	13^{th} May 2016	11^{th} March 2016	2015-16
Class of company	Private	Private	Private	Private
Company category	Company limited by shares	Company limited by shares	Company limited by shares	Company limited by shares
Funding agency	Dept. of Horticulture (GOK), SFAC	Dept. of Horticulture (GOK), SFAC	Dept. of Horticulture (GOK), SFAC	Dept. of Horticulture (GOK), SFAC
Registered farmers	1000 Members	1000 Members	1000 Members	1000 Members

Share per member	Rupees 1000	Rupees 1000	Rupees 1000	Rupees 1000
Board of directors	14 Members	13 Members	17 Members	16 Members
Main business	Input and output	Input and output	Input and output	Input and output
Authorized capital	10,00,000	10,00,000	10,00,000	10,00,000
The geographical area covered	2,800 acres, 39 villages	5,300acres, 19 villages	3,350 acres, 32villages	54 villages

Table 3: Financial status of the sampled FPOs during 2019-20

		As on March, 2019			
S. No	**Parameters**	**Anekal HFPCL**	**Sri Venugopalaswamy HFPCL**	**Rajaghatta HFPCL**	**Tubagere HFPCL**
1	Equity capital	10,00,000	10,00,000	10,00,000	10,00,000
2	Members	1,000	1,000	1,000	1,000
3	Turn over	4,30,00,00	2,30,00,000	2,92,74,199	1,00,00,000
4	Net profit	4,36,780	2,95,360	3,14,347	1,60,746
5	Current assets	14,95,237	28,98,345	20,56,999	15,00,350
6	Current liabilities	11,00,389	2,89,245	5,56,965	10,45,700
7	Total assets	35,23,492	35,00,000	18,88,945	10,34,867
8	Total liabilities	15,53,543	79,987	6,50,000	7,50,000
9	Owners' equity	37,45,993	28,87,293	25,89,876	16,07,960

Table 3, shows Financial status of FPOs, among these Anekal HFPCL has highest annual turnover Rs.4,30,00,000 about 1000 members with equity capital of 10 lakhs, net profit Rs.4,36,780, current assets worth of Rs.14,95,237, current liabilities Rs.11,00,389, total assets worth of Rs.35,23,492, total liabilities 15,53,543, and owners' equity of 37,45,993. Followed by Tubagere HFPCL has lowest annual turnover Rs.1,00,00,000 about 1000 shareholders with equity capital of 10 lakhs, net profit Rs.1,60,546, current assets worth of 15,00,350, current liabilities Rs.10,45,700, total assets worth of Rs.10,34,867, total liabilities Rs.70,50,000, and owners' equity Rs.16,07,960. Rajaghatta HFPCL is having annual turnover Rs.2,92,74,199, about 1000 shareholders with equity capital of 10 lakhs, net profit Rs.3,14,347, current assets worth of Rs.20,56,999, current liabilities Rs.5,56,965, total assets worth of Rs.20,58,945, total liabilities Rs.6,50,000 and owner's equity Rs.25,89,876. Sri Venugopalaswamy HFPCL is having annual turnover Rs.2,30,00,000, about 1000 shareholders with equity capital of 10 lakhs, net profit Rs.2,95,360, current assets worth of Rs.28,98,345, current liabilities Rs.2,89,245, total assets worth of Rs.35,00,000, total liabilities Rs.79,987 and owners' equity Rs.28,87,293.

Table 4: Financial Performance of the FPOs during 2019-20

Financial ratios	Anekal HFPCL	Sri Venugopalaswamy HFPCL	Rajaghatta HFPCL	Tubagere HFPCL
Current Ratio	1.35	10.02	3.69	1.43
Net Capital Ratio	2.26	43.75	2.90	1.37
Earnings Per Share (EPS)	436	295	314	161
Returns on Assets (ROA)	0.12	0.08	0.16	0.15
Returns on Equity (ROE)	0.11	0.10	0.12	0.09
Debt-Equity Ratio (DER)	0.41	0.02	0.25	0.46

Source: Authors estimates.

The financial ratios analysis of four sampled FPOs were calculated and indicated in Table 4, Current Ratio: This is a liquidity ratio measures a company's ability to meet short-term obligations. The current ratio of all the four FPO's was found to be greater than one indicating that there are enough current assets to meet the current liabilities. Among these four FPOs, Sri Venugopalaswamy HFPCL (10.02) had a higher ratio fallowed by Rajaghatta HFPCL (3.69), Tubagere HFPCL (1.43), and Anekal HFPCL (1.35). The current ratios of all the four FPOs indicate that companies are in the position to meet their current obligations well.

Net Capital Ratio**:** The net capital ratio of Sri Venugopalaswamy HFPCL is 43.75 which is the highest fallowed by Rajaghatta HFPCL (2.90), Anekal HFPCL (2.26), and Tubagere HFPCL (1.37). The net capital ratio of all the four FPOs was found to be greater than one indicating a high degree of liquidity in the long run and a high degree of availability of assets to pay off the company debts.

Earnings per Share (EPS): It is an important financial measure, which indicates the profitability of a company. Earnings per share value found to be highest for Anekal HFPCL (Rs.436), followed by Rajaghatta HFPCL (Rs.314), Sri Venugopalaswamy HFPCL (Rs.295), and Tubagere HFPCL (Rs.161). Higher the EPS of a company, the better its profitability. Returns on Assets (ROA): A higher the returns on asset means than the business able to utilize its resources well in generating income. Rajaghatta HFPCL (0.16) is having a higher return on assets. Fallowed by Tubagere HFPCL (0.15), Anekal HFPCL (0.12), and Sri Venugopalaswamy HFPCL (0.08) respectively.

Returns on Equity (ROE): A higher return on equity shows than the business was able to successfully utilize the resources provided by its equity investors and the company's accumulated profits in generating income. Among all four FPOs, Rajaghatta HFPCL (0.12) is having a higher return on equity. Followed by Anekal HFPCL (0.11), Sri Venugopalaswamy HFPCL (0.10), and Tubagere HFPCL (0.09) respectively.

Debt Equity Ratio (DER)**:** This ratio was calculated for all the four FPOs and among these Sri Venugopalaswamy HFPCL (0.02) is having the lower ratio indicating less debt and reduced risk compared to other FPOs. Rajaghatta HFPCL, Anekal HFPCL, and Tubagere HFPCL are found to have a ratio in the order 0.25, 0.41 and 0.46 respectively. The debt-equity ratio of all the four FPOs indicates that the FPOs are in good financial health.

Summary and Conclusion

Member-based FPOs offer a proven pathway to successfully deal with a range of challenges that confront farmers today, especially small producers. Overcoming the constraints imposed by the small size of their farms, FPO members can leverage collective strength and bargaining power to access financial and non-financial inputs, services, and appropriate technologies, reduce transaction costs, top high-value markets and enter into partnerships with private entities on more equitable terms. The major backbone for providing financial support to the FPOs is Small Farmers Agribusiness Consortium, National Bank for Agriculture and Rural Development, and the State Department of Horticulture (GOK). Sri Venugopalaswamy HFPCL is having the higher Current ratio, and Anekal HFPCL is having lower current ratio in the order of 10.02 and 1.35 respectively. Sri Venugopalaswamy HFPCL is having the higher Net capital ratio, and Tubagere HFPCL is having lower net capital ratio in the order of 43.75 and 1.37 respectively. Earnings per share show how profitable a company is. It was found that among all four FPOs, Anekal HFPCL and Rajaghatta HFPCL are having higher returns per share i.e. 436 and 314 rupees respectively. A higher return on asset, than the business able to utilizes its resources in generating profit. Hence, Rajaghatta HFPCL is getting higher returns on asset, and Sri Venugopalaswamy HFPCL is getting lower returns on asset in the order of 0.16 and 0.08 respectively. A higher return on equity indicates business was able to successfully utilize resources provided by its equity investors in generating profits. Rajaghatta HFPCL is getting higher returns on equity, and Tubagere HFPCL is getting lower returns on equity in the order of 0.12 and 0.09 respectively. Debt-equity ratio of Sri Venugopalaswamy HFPCL is having lower ratio 0.02 compared other three FPOs indicating reduced risk, and Tubagere HFPCL is having higher ratio 0.46 represents high risk in the business.

References

1. Agarwal B. Rethinking agricultural production collectivises. Economic and Political Weekly. 2010 February;45(9):64-78.
2. Alagh YK. Linking Small Producers to Markets through Producer Companies. Workshop on Producers Companies New Delhi, 2007 December, 19.
3. Anonymous. District census handbook Bangalore. Directorate of census operations Karnataka, 2011, 15-17.
4. Anonymous. Policy and process guidelines for Farmer Producer Organizations. Ministry of Agriculture, Government of India, 2013, 18-53.
5. Anonymous. Farmer Producer Organizations. National Bank for Agriculture and Rural Development, Mumbai, 2015, 1-5.
6. Berdegue JA, Bienabe E, Peppelenbos L. Innovative practice in connecting small-scale producers with dynamic markets. Re-governing Markets – Small-scale producers in modern agri food markets January 2008; 48.
7. Nadiia P. Producer Company as an Institutional Option for Small Farmers in India. M.Sc. (Agriculture) Thesis, Lunds University, Lund (Sweden), 2011.
8. Shiferaw B, Hellin J, Muricho G. Improving market access and agricultural productivity growth in Africa: What role for producer organizations and collective action institutions. Food Security. 2011;3(4):475-489.
9. Murray EV. Producer company model-current status and outlook: opportunities for bank finance. Financing Agriculture, 2008, 18-26.
10. Dwivedi YK, Joshi AR. Producer Company- A new generation farmers' institution. Leisa India, 2007, 16-1.
11. Shylendra HS. New Governance and Development, Challenges of Addressing Poverty and Inequality. Academic Foundation New Delhi, 2009.
12. VarunPrasad. Contract Farming through Farmer Producer Organizations in India. CCS, 2013, 293.
13. Venkattakumar R, Sontakki BS. Producer companies in India-Experiences and implications, 2012.
14. Wambugu SN, Okello JJ, Nyikal RA, Bekele S. Effect of social capital on performance of smallholder producer organizations: the case of groundnut growers in Western Kenya. Journal of Agricultural Science and Technology, 2009, 1005-2016-79359.
15. Rohita R, Michael C, Sandra K, Kevin M. Factor's affecting performance of Farmer Companies in Sri Lanka: Lessons for Farmer Owned Marketing Firms. Agribusiness. 2012;28(4):505-517.
16. [Weblink: http://sfacindia.com/ farmer/producer/organizations]. [Accessed on 20 August 2020].
17. [Weblink: http://horticulturedir.karnataka.gov.in]. [Accessed on 12 July 2020].
18. [Weblink: http://www.nabard.org/FPOs/Status/Issues and Suggested/ Policy/ Reforms]. [Accessed on 20 July 2020].