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Social capital in farmer producer organizations

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Abstract

Farmer Producer Organizations are a collective structure that serves as the foundation for farmer growth and development. The efforts of small, marginal and big farmers are combined to improve and develop their lives. Social capital is an asset that is studied by observing interactions and the relationship prevailing in collective organizations. To improve community as a whole, various stakeholders in an organization are involved from whom the components of social capital is obtained. The study is designed by observing the five components of Social Capital in the FPOs. The data is collected from 40 functioning Farmer Producer Organizations in the southern districts of Tamil Nadu. Based on performance, the organizations are classified into better and moderately performing FPOs. Comparing the social capital within the organization of both FPOs, the result indicated that social capital enhances the Performance of FPO in terms of Human resource mobilization, Capital mobilization and Execution of activities.

Keywords: Social capital, trust, community involvement, group cohesiveness, derived benefits, collective focus

1. Introduction

Producer organizations are defined as “membership-based organizations or federations of organizations with elected leaders accountable to their constituents” (World Bank, 2008) [10] and have been viewed as a hybrid of private companies and cooperative societies (Trebbin and Hassler, 2012) [7]. Producer Companies, or Farmer Producer Organizations, are entities with all the essential elements of private company while integrating cooperative-like principles of mutual aid into its objectives (Pustovoitova, 2011) [2].

FPOs are perceived to empower farmers through collective bargaining along with instilling an entrepreneurial quality to farming, which otherwise is an issue of subsistence alone, particularly for the small and marginal farmers. The performance of the FPOs has to be assessed in the social capital aspects to maintain the sustainability. This is only possible through positive group dynamics of social capital among the members of FPO.

1.1 Social capital

Social capital is an intangible asset build up through dynamic interaction of members of social group. It is studied by observing the interactions and the relationship prevailing in collective organizations (Rajeshwaran, 2019) [3]. People utilize social capital in order to transform the asset into advantages for the neighbourhood. In an innovative economy, knowledge, physical capital and social capital are all vital (Thompson, 2018) [6] and these components are merged to be utilized and benefitted by all the stakeholders prevalent in the organization.

Social capital is defined as the features of social organization, such as trust, networks and norms that facilitate coordination and cooperation for mutual benefit (Six, 2015) [5]. To improve the community as a whole, various stakeholders are involved from whom the components of social capital is obtained. Numerous Resource Institutions (RI) come forward and help these farmers, both men and women, to form into collective small groups, and further aggregate themselves to register as a company. Functioning cooperatives must build social capital in order to effective running and successful performance (Melece, 2013) [1].

In this context, social capital is composed of five components that are crucial in the functioning of the organization such as Level of trust, Level of community involvement, Level of group cohesiveness, Level of derived benefits and Level of collective focus. Each of these components are essential in the well-being and sustainability of the FPO.

2. Materials and Methods

The sample taken for the study is 40 functioning Farmer Producer Organizations in the southern districts of Tamil Nadu such as Madurai, Sivagangai, Pudukkottai, Dindigul, Virudhunagar, Tirunelveli, Thoothukudi and Ramanathapuram. Based on the mean of the performance of FPOs, these companies are classified into better performing FPOs and moderately performing FPOs.

The components of social capital within the organization such as level of trust, level of community involvement, level of group cohesiveness, level of derived benefits and level of collective focus are analyzed by mean scores and percentage analysis to examine the individual contribution of each component in the classified better performing and Moderately performing FPOs.

3. Results and Discussion

3.1 Level of trust

The first and most crucial resource for achieving social capital

is trust. The more the mutual confidence, the better it creates and develops stronger trust. Trust is associated with the connectivity of the members that prevails among themselves in the organization and in return it causes them to bond in a manner where they involve in the operations of the FPO and make them easier to function. Stakeholders must develop frameworks that encourage actors to find the most effective methods of sustaining trust, to organizationally acknowledge and learn this process and to support it with the precise normative concept behind the institutional apparatus in order to improve collaboration (Six, 2015) [5].

The trust is measured in terms of competency of the FPO to act independently without any support from the promoting agency, accessibility of office bearers among themselves and to the members of the organization and transparency of the ongoing activities, commodity and financial transactions to the members of FPO.

Table 1: Distribution of respondents pertaining to Level of trust

Components	Category	Moderately performing FPOs (n=19)		Better performing FPOs (n=21)		Total (n=40)	
		n	%	n	%	n	%
Competency	Low	15	37.50	12	30.00	27	67.50
	High	4	10.00	9	22.50	13	32.50
Accessibility	Low	10	25.00	12	30.00	22	55.00
	High	9	22.50	9	22.50	18	45.00
Transparency	Low	14	35.00	7	17.50	21	52.50
	High	5	12.50	14	35.00	19	47.50
Level of trust	Low	14	35.00	6	15.00	20	50.00
	High	5	12.50	15	37.50	20	50.00

The moderately performing FPOs and better performing FPOs are further categorized by mean scores to provide the clarity on the distribution of social capital in FPO. From the above table 1, it could be seen that the better performing FPOs are leading in the terms of competency (22.50 per cent), transparency (35.00 per cent) than the moderately performing FPOs on comparing the high mean scores in both the FPOs. Accessibility of office bearers among themselves and with members is same (22.50 per cent) in both organizations. The component level of trust is observed to be significantly higher in better performing FPOs than the moderately performing FPOs considering the increased competency, accessibility and transparency in the better performing FPOs.

3.2 Level of community involvement

The social capital increases proportionately in a social network among the members when there is fullest

involvement. The resultant of this involvement can bring direct and indirect developments to the members associated with the organization. The more the involvement of people, the higher the benefits are from development activities. Watson (2017) [9] stated that aspirations for involvement are heightened for both individuals and the community as a whole when social capital is community-centered.

Community involvement is positively associated and contributed to the performance of FPO. Most of these organizations trail the standard established guidelines that requires the involvement and participation of the stakeholders in the event of the sustainability of the FPO which coincides with the positive contribution of performance. This is in regard of involving shareholders in setting up of rules, participation in general meetings, opinion expression and sharing of membership fee.

Table 2: Distribution of respondents pertaining to Level of community involvement

Components	Category	Moderately Performing FPOs(n=19)		Better performing FPOs(n=21)		Total (n=40)	
		n	%	n	%	n	%
Level of community involvement	Low	11	27.50	5	12.50	16	40.00
	High	8	20.00	16	40.00	24	60.00

By considering the elements of community involvement such as setting up of rules, participation in general meetings, opinion expression and sharing of membership fee, the better performing FPOs have greater community involvement of 40.00 per cent than the moderately performing FPOs which is 20.00 per cent.

3.3 Level of group cohesiveness

The level of group cohesiveness is another form of social

capital. This involves the consideration and concern that organization' members display for one another and to the organization. This simply covers all forms of human care and influences mutual responses and therefore the level of closeness assumes further greater importance. Group cohesiveness plays a significant role and may be considered as the basis for the social capital of the organization.

Group cohesiveness within the group promotes collective

capacity, which culminates group performance. However, it can only be accomplished if people are competent. Group cohesiveness would have no influence on team performance if there were no individual capabilities (Shin, 2009) [4].

The Group cohesiveness is measured in terms of size of FPO, member domination, adjustment to defaulters and sense of ownership of members. Lesser the size of the FPO,

proportionately indicates that lesser the Group cohesiveness. Most of the FPOs have members in the range of 500 to 1000 members which indicates better aggregation capacity and the rest of the organizations have lesser than 500 and more than 1000 members pertaining to the development phase in which they are in.

Table 3: Distribution of respondents pertaining Level of group cohesiveness

Components	Category	Moderately performing FPOs (n=19)		Better performing FPOs (n=21)		Total (n=40)	
		n	%	n	%	n	%
Size of the FPO	Low	1	2.50	7	17.50	8	20.00
	High	18	45.00	14	35.00	32	80.00
Member domination	Low	8	20.00	6	15.00	14	35.00
	High	11	27.50	15	37.50	26	65.00
Adjustment to defaulters	Low	10	25.00	3	7.50	13	32.50
	High	9	22.50	18	45.00	27	67.50
Sense of ownership	Low	18	45.00	13	32.50	31	77.50
	High	1	2.50	8	20.00	9	22.50
Level of group cohesiveness	Low	14	35.00	7	17.50	21	52.50
	High	5	12.50	14	35.00	19	47.50

From the table 3, we could infer that FPOs that perform moderately have lesser than 500 stakeholders and 500 to 1000 members which denotes the cohesive nature of the organizations than the better performing organizations. As per the member domination, there are no major dominations by members, no political interferences except for the occasional cases of domination by economically powerful members in some of the FPOs. In case of adjustment to defaulters, moderate warnings are imposed on rule breakers in better performing FPOs that succeed in preserving the adherence of members to the rules and regulations. The sense of ownership which is measured in terms of members of FPO selling their produce to or through the respective organizations, better Performing FPOs have significant sense of ownership than the Moderately performing FPOs.

Group cohesiveness contributes better building of

performance in the FPOs pertaining to optimum number of stakeholders i.e., 500 to 1000 in the FPO, no political interferences, moderate warnings executed in case of breaking the regulations and the members having high sense of ownership in most of the organizations.

3.4. Level of derived benefits

Farmer-members gather together in a group to overcome the common problems that prevails in the organization and attain a share of benefit from the common task. When there is a co-operation among members of a group, there are direct and indirect benefits attained through the interaction. These benefits come in many forms. In intra firm networks, the collective benefits supplied by network closures and low degrees of centralization are particularly advantageous (Walter, 2007) [8].

Table 4: Distribution of respondents pertaining to Level of derived benefits

Components	Category	Moderately performing FPOs (n=19)		Better performing FPOs (n=21)		Total (n=40)	
		n	%	n	%	n	%
Level of derived benefits	Low	11	27.50	5	12.50	16	40.00
	High	8	20.00	16	40.00	24	60.00

From table 4, it could be seen that better performing FPOs have better access to derived benefits which could be potentially advantageous to the organization and to the members through the organization than the moderately performing FPOs by comparing the high mean scores of the institutions.

The significant benefits from the organization being livelihood improvement, marketable produce, better price for the produce, enhanced advisory services are attained by the members that in turn enhances the performance.

3.5 Level of collective focus

Every organization visions to be the superior in their field. An organization has its own views, objectives and target to achieve in order to surpass the threats and to attain its goal. Based on this, the collective focus of the FPO is measured in

terms of the serving as model unit, serving as resource person, acquiring awards and expansion of multiple economic activities apart from agriculture.

The aspiration and progression of an organization to establish as a model unit and to evolve into a resource person in influencing the other organizations and the goal of acquiring awards and expanding the enterprise in alternative dimensions are the factors in contributing a share in the performance of the FPO.

This could be very well proven from the table 5 given below in where the better performing FPOs have greater collective focus in terms of acting as a model unit, resource persons and gaining awards. This is in regard that better performing FPOs are in the maturity phase while the moderately performing FPOs are in initiation and development phase.

Table 5: Distribution of respondents pertaining to Level of collective focus

Components	Category	Moderately performing FPOs (n=19)		Better performing FPOs (n=21)		Total (n=40)	
		n	%	n	%	n	%
Level of collective focus	Low	14	35.00	7	17.50	21	52.50
	High	5	12.50	14	35.00	19	47.50

4. Conclusion

It could be concluded that all the components of social capital like level of trust, community involvement, group cohesiveness, derived benefits and collective focus are significantly higher in better performing FPOs than the moderately performing FPOs.

In addition to these activities and operations, to strengthen the social capital in the organization further more conducting and ensuring members' participation in cluster meetings, providing trainings to the member-farmers, discussions of problems and facilitations of solving the mentioned problems, etc., are induced for more effective performance.

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