Exploring the Set-up Process and Structure of Farmer Producer Organisations in Punjab and Haryana

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Abstract

Farmer Producer Organisations (FPOs) have been established as an institutional mechanism to overcome challenges related to structural and market constraints faced by small and marginal farmers in India. The present research examines the set-up process, organisational structure, and institutional support mechanisms of FPOs in the states of Punjab and Haryana, with a comparative perspective. The study derives data from a primary survey of 100 representatives of 20 FPOs of Punjab and Haryana. The findings highlight that the FPOs of Haryana enjoy robust institutional assistance, due to the existence of a dedicated promoting agency (SFACH) and financial support through programmes such as the Crop Cluster Development Programme; however, Punjab lags both in institutional support and capital mobilisation. Also, despite the dominance of small and marginal farmers in membership of the FPOs, the shareholding and decision making is highly skewed in favour of medium and large farmers. Effective policy support, hiring professional managers, and strong promoting agencies can be instrumental in enhancing the effectiveness of FPOs.

Keywords: Farmer Producer Organisations (FPOs), Small and Marginal Farmers, Institutional Support, Punjab, Haryana

1. Introduction

Small and marginal farmers dominate Indian agriculture, accounting for around 85 percent of landholders (Government of India [GOI], 2016). Due to their scale, small and marginal farmers face a wide range of structural, economic, and institutional problems that significantly raise concerns about their livelihood and the viability of agriculture (Food and Agriculture Organisation [FAO], 2018). Scattered land and the small size of landholdings become major constraints in achieving economies of scale, leading to higher per-unit cultivation cost and lower profitability (Organisation for Economic Co-operation and Development [OECD], 2018). Furthermore, they buy inputs and sell outputs in small quantities, thereby reducing their bargaining power and increasing transaction costs (FAO, 2018). Besides, small and marginal farmers remain deprived of institutional credit, making them dependent on informal sources of finance, which provide loans at exorbitant rates, thereby increasing their indebtedness (National Bank for Agriculture and Rural Development [NABARD], 2021). Due to insufficient resources, they are unable to participate in other value chain activities such as storage, processing, sorting, grading, and packaging, which deprives them of the benefits associated with these activities (FAO, 2018). The inaccessible or uneven market information often forces small and marginal farmers to sell their produce at unfavourable prices (World Bank, 2017).

Over the past few decades, people's food consumption patterns have also been changing worldwide, with a rising demand for processed and packaged food (FAO, 2017). The arrival of supermarkets has transformed the nature of Indian agriculture, posing major challenges, particularly for small and marginal farmers, as supermarkets require stringent quality and standardised products (FAO, 2017; International Food Policy Research Institute, 2009). Although small and marginal farmers are more efficient on the farm, they feel very underprivileged in other parts of the value chain due to their small scale and insufficient resources (FAO, 2018; OECD, 2018). The Central government came up with a new type of innovative institution in 2003, namely Farmers Producer Organisations (FPOs), in response to the persistent problems faced by small and marginal farmers, including weak bargaining power and high transaction costs due to low buying and selling capacity, asymmetric information about the market, and limited access to the formal credit market with reasonable rates (Small Farmers' Agribusiness Consortium, 2019; Government of India, 2014). The idea of this institution is derived from the cooperative model but it is managed professionally, with a market-oriented approach (SFAC, 2013). Trebbin and Hassler (2012) underscored that FPOs have the instincts of a hybrid institutional form, as they comprise cooperative core tenets with corporate governance structures. The FPOs have been set up all over India with the support of several public and private promoting agencies (Small Farmers' Agribusiness Consortium, 2019; NABARD, 2020). The northern agriculturally developed states of Punjab and Haryana have also witnessed the establishment of several FPOs in the past two decades (Government of India, 2014; Trebbin, 2014). Although the two states are comparable in terms of agricultural importances, however, the institutional framework, policy environment and promoting mechanism may be different in the two states (NABARD, 2020). Hence, the present study explores the set-up process and organisational structure of FPOs in Punjab and Haryana, and provides a comprehensive comparative analysis of their institutional arrangements and governance.

2. Review of Literature

FPOs aim to provide a holistic and broad-based supportive ecosystem to facilitate the development of vibrant and sustainable income-oriented farming and for the overall socio-economic development and well-being of agrarian communities. With the introduction of special provisions in the Companies Act, 2002, in the context of the formation of FPOs, the collective model operating professionally was legitimised to empower the small and marginal farmers by integrating them into the markets while farmers retaining the control of FPOs (Singh, 2008). Singh and Singh (2013) underlined that FPOs are more preferred than cooperatives due to their flexibility, formal market access and less political interference. Further, the role of supporting institutions, including the public, private and mixed institutions have played a crucial role in the formation of FPOs as highlighted by some scholars (Singh, 2008; Trebbin, 2014). Government agencies such as NABARD, SFAC, and state agriculture departments have been leading in providing multi-layered support in terms of mobilising farmers, capacity building, and financial support during the initial set-up phase (NABARD, 2015). Mukherjee et al. (2019) revealed that promoting institutions have been central in the establishment of FPOs. Trebbin (2014) found that handholding support, in the form of assistance with legal registration, financial management, and the provision of management and market linkages, plays a key role in the formation stage. Moreover, the duration and quality of handholding support determine the smooth functioning of the FPOs (Rao & Dev, 2017). On the other hand, Trebbin and Hassler (2012) cautioned against the over-reliance on external support during set up stage as it may undermine the autonomy of FPOs in the long run.

Further, Bernard and Spielman (2009) have highlighted that farmer mobilisation is very difficult in the initial stages due to low interest, less awareness and poor experiences with co-operatives. While Ragasa and Golan (2012) pointed towards managerial and financial constraints leading to limited farmer mobilisation and ineffectiveness in the functioning of FPOs. As a solution, Francesconi and Wouterse (2015) focused on the role of social networking, shared cropping and common interest in the success of FPOs. A study by NABARD (2018) accentuated the effectiveness of credit linkages and equity grants in increasing the financial resources of FPOs.

The governance structure of the FPO comprises the General Body, Board of Directors, and CEO/s and is based on a democratic set-up with one member having one vote, ensuring decision -making (Neti et al., 2019). Also, CEOs can be appointed for the first three years for the smooth and professional functioning of the FPOs, while the Board of Directors provides strategic direction and oversight to the FPO (Government of India [GOI], 2013). Patil et al. (2025) found that Farmer-Producer Companies (FPCs) function through multi-layered and effective professional management, member-centric governance, and profit-orientation. Also, Shah (2016) emphasised that weak governance leads to member disengagement and operational inefficiencies. Further, the proportion of small and marginal farmers must be at least 50 percent in the FPOs, and the value of shares held by one member cannot be greater than 10 percent of the total equity, empowering the small landholders and balancing the dominance of large farmers (GOI, 2020). Further, Neti et al. (2019) underscored that around fourth-fifth of FPOs have less than 500 shareholders, while FPOs carrying more than 1000 shareholders were only 1 percent of FPOs.

. Although the institutional and policy dimensions have been widely discussed in the literature, the setup process and governance structure remain understudied. Also, there may exist state-level differences in utilisation of government schemes, governance arrangements and institutional support. Thus, the present research attempts to examine and compare the set-up process and structure of FPOs in Haryana and Punjab, focusing on institutional support, schemes availed, governance structure and shareholding pattern.

3. Data and Methodology

The states of Punjab and Haryana, already afflicted with monoculture, quickly came into action and facilitated the establishment of FPOs of varied natures. There is always a hue and cry that the cropping pattern of Punjab and Haryana states is unsustainable, and the establishment of FPO type institution may prove to be a boon for diversification. Keeping all these views in mind, the present research has selected the states of Punjab and Haryana for investigation. The comprehensive knowledge of the operation and working of FPOs is relatively less in the public domain, and every farmer, even if he is a member, may not provide all the information about the intricacies of such institutions. So, selecting the FPOs, their management, and member farmers in the sample to analyse cannot be fixed in advance and falls into the category of 'learning by doing'. Keeping this in mind, convenience and snowballing sampling have been used to identify the respondents.

The primary survey has been carried out in two stages; in the first stage, FPOs have been conveniently selected to be part of the study. To judge the set-up process and structure of the FPOs, it has been decided intuitively that at least three years must have passed since their inception. At the time of the survey (2021), there were about 120 FPOs registered in the state of Haryana, of which 10 have been selected for the study and can be considered as a respectable representation. From each FPO, 5 management representatives who were either leading farmers acting as directors of FPOs or the appointed CEO were selected, making the total sample of 50. These representatives have been selected as they play a vital role in establishing the expansion of FPOs, and they understand the functioning of FPOs very well compared to ordinary member farmers. Similarly, the state of Punjab had about 100 registered FPOs at the time of the survey (2022), of which 10 have been selected according to the convenience of the researcher and seem to be a good representation. The total number of FPO representatives surveyed in Punjab was 50, selecting 5 from each FPO. Further, the data obtained have been processed through basic descriptive statistical techniques relevant to the concerned context. The frequency distribution of the total number of observations has been established to gauge the spread. Besides, to have relative information, such a distribution was converted into percentages (probability distribution). In addition, to develop knowledge regarding the maximum and minimum values in governance set up, maximum and minimum levels have been calculated for various aspects of FPOs. Also, the coefficient of variation helps assess disparities in the shareholding pattern among members. These statistical tools help organise the field survey data in a clear manner, allow comparison between Haryana and Punjab, and highlight differences in organisational structure, capital base, and financial support of the FPOs.

4. Results and Discussions

The study has been segregated into the following three sections to explore the setup process and structure of FPOs in Punjab and Haryana. Section 4.1 covers basic descriptions of the representatives of the FPOs, comprising their positions, age, educational status, and occupation. Section 4.2 deals with the exploration of set-up process and stakeholders engaged in the formation of the FPOs. Further, the structure of FPOs has been examined in section 4.3, consisting of landholding pattern, capital base, shareholding pattern, and financial support.

4.1: FPOs Representatives - Basic Description

4.1.1: Positions of Representatives

The representatives of FPOs, namely the director (mandatory position), CEO (if any, not mandatory position, appointed as per convenience) or any other equivalent position, were interviewed to get adequate information regarding FPOs set up concerns, performance and sustainability. Besides, their age, occupation and education levels were also explored as they may impact the functioning performance of the FPOs as presented in Table-1. The study is based on 100 representatives of FPOs, out of which 98 are directors and 2 are CEOs belonging to 20 FPOs scattered over Haryana and Punjab (10 each). These representatives have been approached due to their commanding position and major role in making decisions in the FPOs. Hence, all relevant information can be derived from them.

Table-1: Basic Description of the Respondents

	Haryana	Punjab	Total
Position			
Directors	50 (100)	48 (96)	98 (98)
CEO	0 (0)	2 (4)	2 (2)
Total	**50 (100)**	**50 (100)**	**100 (100)**
Categorisation of Age (In Years)			
18-30	2 (4)	6 (12)	8 (8)
31-50	32 (64)	27 (54)	59 (59)
51-60	13 (26)	13 (26)	26 (26)
61+	3 (6)	4 (8)	7 (14)
Total	**50 (100)**	**50 (100)**	**100**
Education Level			
Illiterate	2 (4)	0 (0)	2 (2)
Primary	0 (0)	1 (2)	1 (1)
Middle	0 (0)	7 (14)	7 (7)
High	9 (18)	15 (30)	24 (24)
Secondary	16 (32)	12 (24)	28 (28)
Graduation	15 (30)	12 (24)	27 (27)
Post-Graduation	6 (12)	3 (6)	9 (9)
Ph.D.	2 (4)	0 (0)	2 (2)
Total	**50 (100)**	**50 (100)**	**100 (100)**
Occupation			
Only Agriculture	33 (66)	42 (84)	75 (75)
Only Services	4 (8)	0 (0)	4 (4)
Agri + Services	9 (18)	8 (16)	17 (17)
Agri + Business	4 (8)	0 (0)	4 (4)
Total	**50 (100)**	**50 (100)**	**100 (100)**

Figures presented in parentheses are percentages

Source: Field Survey

4.1.2: Age Pattern of Representatives

The age profile of FPO representatives has been examined, as age often reflects the level of experience accumulated over time, which may influence their ability to manage and guide the functioning of the organisation effectively. The 100 representatives selected in this survey are concentrated in the age group of 31-60 years (85 percent) and may have adequate experience to deal with problems relating to FPOs. Further, 8 percent were in the category of age group 18-30 years, who may provide the novice and innovative ideas. The age pattern of representatives in the states of Haryana and Punjab is more or less on similar lines.

4.1.3: Educational Status

The setup and functioning of FPOs demand knowledge regarding documentation; thus, the people who are at the helm of affairs in FPOs are expected to have adequate education. Though there is no mandatory minimum requirement in this context. Education, as documented in the literature (Ziberi et. al. 2022), increases the potential of representatives in comprehending the problem, improving, analysing, and developing horizons. The 52 percent respondents have either a high or secondary-level education, and 35 percent are either graduate or post-graduate. This distribution is almost similar in the states of Haryana and Punjab, with the exception of two illiterate and two PhD holders in the state of Haryana. The table shows that the representatives are adequately educated and can perform according to statutory requirements.

4.1.4: Occupation

The FPOs are basically business-oriented; thus, the people who set up FPOs may have some occupational background, such as agriculture, business, and services or a combination of two or more. The occupational background may have a considerable bearing on the performance of the representative in running the FPOs, as people already in business are expected to have developed the needed acumen in running the business, likely to perform better. The people with a service background, though, may be bereft of such wisdom (TOI, 2023) but may develop this capacity sooner than others. Such expectations are relatively less from people with an agricultural background. Therefore, information has been collected regarding occupation from the representatives of sampled FPOs. The table shows that the majority (92 percent) of the people who are running FPOs are agriculture-based; 75 percent are involved exclusively in agriculture, and 17 percent are agriculture and service-based. This situation is on the same lines in Haryana and Punjab. Since the primary requirement to form and run an FPO is that the person concerned should hold a tract of land, the above result is vindicated. However, such concentration puts a question mark on the business inclination of these representatives.

4.2: Set Up Process & Stakeholders

The set-up process comprises the procedural steps required for establishing the new FPOs, including the legal framework, institutional support, and mandatory governance pattern. The FPOs are established under the Companies Act, Cooperative Act, and Indian Trust Act; hence, involve lots of documentation for which the farmers who may set up an FPO are not equipped. Besides, the small and marginal farmers are not resourceful enough to establish FPOs and convince and organise the other farmers to become members. As a consequence, a promoting agency comes into the picture (such as NABARD, SFAC, SFACH, the farmer itself) that may, in turn, empanel resource institutions that facilitate the coordination between FPOs and other stakeholders such as input sellers, processors, organised retail buyers, agriculture extensions and so on. The promoters, as per the policy of the respective government, assist the FPO financially (multiple schemes are available) and in capacity building. As a result, a significant spread in terms of villages, areas, and members is likely to be found.

4.2.1: Promoters

Table 2 depicts that out of the 20 sampled FPOs, 8 are promoted by NABARD (Central Agency), 10 are promoted by SFACH (Haryana State Level Agency), and one each by SFAC (Central agency specially created to promote FPOs) and the farmers themselves. The striking difference is observed in promoter agencies across Haryana and Punjab. Out of 10 sampled FPOs from Punjab, 8 are promoted by NABARD, one each by SFAC and farmers themselves, whereas all 10 FPOs sampled from Haryana are promoted by SFACH. This reveals that the state of Haryana has made concerted efforts to promote FPOs by establishing its own state-level promoting agency, that is SFACH. However, such efforts are missing in the state of Punjab, showing that Punjab lags behind Haryana so far in developing and promoting mechanisms at the state level. One unique feature of the Punjab state is that farmers themselves seem to be quite aware, as one FPO has been developed by farmers themselves; however, this feature is missing in the state of Haryana. This may be due to the inherently developed nature of the Punjab Agriculture.

Table-2: Promoters of Sampled FPOs

Promoter	Haryana (Sampled)	Punjab (Sampled)	Total
Farmers	0	1	1
NABARD	0	8	8
SFAC	0	1	1
SFACH	10	0	10
Other	0	0	0
Total	10	10	20

Source: Field Survey

4.2.2: Legal Framework

FPOs are registered as a company carrying the features of a public or private limited company, thus introducing professionalism in its operations and generating efficiency. Table 3 shows that out of 20 sampled FPOs, 15 are registered under the Companies Act 2013, and 5 are with the Cooperative Act. However, the situation is not similar in the states of Haryana and Punjab; all the sampled FPOs in Haryana are registered under the Companies Act 2013, but 50 percent of the sampled FPOs in Punjab are registered under the Companies Act, and the rest are under the Cooperative Act. The process of registration, especially under companies act, is very cumbersome and needs lots of documentation, which may be beyond the capacity of the farmers and others concerned. While speaking to respondents, it was observed that the FPOs of Haryana are registered with the help of the state-level agency that helps them achieve such accomplishments. However, the state-level promoting agency in Punjab is missing, and no such support is available for registration. Therefore, those who are capable of managing the registration are registered under the Companies Act, and the rest have chosen to get themselves registered under the Cooperative Act. Besides, the documentation under the Cooperatives Act is less cumbersome and relatively less expensive.

Table-3: FPOs: Registration and Promoting Agency

		Promoting Agency				
	Act	**Farmers**	**NABARD**	**SFAC**	**SFACH**	**Total**
Harya	**Company Act 2013**	0	0	0	10	10
	Cooperative Act	0	0	0	0	0
Punja	**Company Act 2013**	0	5	0	0	5
	Cooperative Act	1	3	1	0	5
	Total	1	8	1	10	20

Source: Field Survey

4.2.3: Provision of Resource Institution

A resource institution is provided to the FPO by the promoting agency to make and develop coordination between farmers and other stakeholders, such as input suppliers, organised retailers, produce processors, exporters, training institutions, and so on (SFAC, 2013). The resource institutions tabulated below (table-4) highlight that out of 20 sampled FPOs, 10 (all belonging to the Haryana State) are assigned SFACH as it is identified as a resource institution by SFAC. However, this scenario is scattered across SARDS (2), VGAI (2), ACF (1), AISL (1), YUVA MITRA (1) and ISAP (2) in the FPOs of the Punjab. Resource Institutions are a very important component of FPOs. In this setup, Haryana has a very focused state as SFACH is very highly professional and more suitable for the farmers who have participated in FPOs. On the other hand, the resource institutions provided in Punjab are relatively less credible, and their efficiency is doubtful as reported by sampled representatives.

Table-4: Resource Institution of Sampled FPOs

Name of the Resource Institution	Haryana	Punjab	Total
SFACH & Horti. Dept.	10	0	10
SARDS	0	2	2
VGAI	0	2	2
ACF	0	1	1
AISL	0	1	1
YUVA MITRA	0	1	1
ISAP	0	2	2
SELF	0	1	1
Total	10	10	20

Source: Field Survey

4.2.4: Governance

The FPOs are supposed to operate under a professional setup, with a mandatory minimum of five director positions as per the statute, while some positions are optional. The directors are supposed to be primary producers; however, to augment the efficiency of the FPO, professional directors can be hired, but the number should not be more than 10 percent of the total number of directors. There were 150 directors in the 20 sampled FPOs reported by the survey (Table 5.7). The average number of directors deployed in 20 sampled FPOs is 7.5, ranging between 5 and 11. There is not much deviation in both states under study, as positioning directors in the FPOs were mandatory for registration. All sampled FPOs hired a Chartered Accountant for account keeping. Thus, the accounting and financial management of these FPOs is up to date, incorporating professionalism. A ninth-tenth of the sampled FPOs have appointed a local resource person as part of handholding support that highlights the sincere efforts of the promoting agency in mobilising the farmers.

Table-5: Governance of Sampled FPOs and Related Issues

Positions	Haryana			Punjab			Total
	Number	Average	Maxi-Min	Number	Average	Maxi-mini	
Director	79 (10)	7.9	11-5	71 (10)	7.1	5-9	150 (20)
C A	10 (10)	1	1-1	10 (10)	1	1-1	20 (20)
LRP	9 (9)	1	1-0	9 (9)	1	1-0	18 (18)
CEO	1 (1)	1	1-0	2 (2)	1	1-0	3 (3)
Professional Manager	0 (0)	0	0	0 (0)	0	0	0 (0)

Source: Field Survey

The figures in parentheses are the number of FPOs

The FPOs are established almost exclusively on the theme of large registered companies where the management and ownership are separated. Hence, the services of trained managers are acquired to run FPO professionally. The data derived from the representatives of the FPOs have displayed that they are putting this theme into practice, as 15 percent of the sampled FPOs have employed CEOs (Table-5). Though such numbers are not remarkable, given the nascent stage of FPOs and most of them have small turnover, these numbers give an inkling towards more positive outcomes in the future. The respective governments should try their best to instil professional management in FPOs. The appointment of the CEO is expected to be supplemented by professional managers (such as production manager, marketing manager, training manager, and so on) in due course. The present survey did not report the appointment of any professional manager, which may be due to the nascent stage of FPOs' development and the issue related to the lack of adequate capital.

4.2.5: Handholding Support

It has been well recognised by the promoting agencies that without adequate handholding support in the form of Local Resource Person (LRP) salary, office furniture and office rent, and so on for 3 years, the setup, survival and sustainability of FPOs are impossible (Singh and Singh, 2014). The financial and managerial capacity of the member farmers is beyond the reach of requirements. The handholding support may or may not be available or availed by the FPOs depends on the circumstances in which these have been created. The information received from the FPOs representatives depicts that 90 percent of the sampled FPOs availed the handholding support, and two sampled FPOs, one each from Haryana and Punjab, continued without this support (Table-6).

Table-6: Handholding Support (Facilitation)

	Yes	No	Total
Haryana	9	1	10
Punjab	9	1	10
Total	18	2	20

Source: Field Survey

The representatives of those FPOs from the Punjab have reported that they intentionally did not avail handholding support, being scared of complexities, whereas the FPOs of Haryana did not receive handholding support due to the expectedly corrupt practices of resource institutions. The money which is spent as a handholding support to FPOs and meant for the welfare of the small and marginal farmers is taxpayers' money, and the respective governments should make adequate efforts to plug such leakages.

4.2.6: Schemes Available / Availed by FPOs

The central and state government support, through various schemes, plays a crucial role in nurturing FPOs and to get it involved in the activities of the entire value chain. The Haryana government has initiated the Crop Cluster Development Programme (CCDP) to create infrastructure such as processing units, storage/cold storage, and so on. This scheme has been availed of by 7 FPOs in the state (Table-7). The remaining three FPOs could not avail the scheme due to their inability to manage the 10 percent contribution requirement or are yet to enter the forward linkages activities as reported by the representatives. However, this type of scheme is not available in Punjab. Another FPO infrastructure building scheme is agriculture infrastructure fund (AIF), which is centrally funded. The performance of this scheme was on similar lines to CCDP across both states. Further, the states of Haryana and Punjab have started the custom hiring centre scheme that provides machines and equipment to farmers through the FPOs at a reasonable hiring cost. The benefits of this scheme have been partially availed by the FPOs of Punjab and Haryana (only 30 percent of the FPOs).

Table-7: Schemes availed by FPOs

	Haryana			Punjab		
Schemes	**Yes**	**No**	**Total**	**Yes**	**No**	**Total**
CCDP	7	3	10	0	10	10
AIF	7	3	10	0	10	10
CHC	3	7	10	3	7	10
RC	0	10	10	5	5	10
EGS	0	10	10	3	7	10

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CGS	0	10	10	0	10	10

Source: Field Survey

Further, the livelihood of small and marginal farmers is poorly hit when their produce is sold below the MSP/reasonable price. Retailing centres can be instrumental in addressing this issue, but none of the sampled FPOs in Haryana availed of this scheme as they are already connected with the big processors and supermarkets. However, the situation in Punjab is entirely different as 50 percent of the FPOs have availed the retailing centre services, and the rest of them did not avail due to their involvement either in the input supplies domain or the retailing facility was not provided by their respective promoting agencies. Also, during the initial years, the SFAC and NABARD extended financial support to FPOs under the Equity Grant Scheme (EGS) and the CGS (Credit Guarantee Scheme). But, none of the FPOs in Haryana has availed this scheme as these FPOs are promoted by SFACH, where EGS and CGS facilities are not available. On the other hand, only EGS is available to 30 percent of the sampled FPOs in Punjab, while others did not enjoy this facility due to the carelessness and callous approach of promoting agencies.

The foregoing discussion reveals that the performance of FPOs of Punjab in availing the schemes has been suboptimal, which may be due to the lack of concerted effort by the government to disseminate the knowledge about schemes, or some sampled FPOs themselves could not raise the required amount that is a prerequisite for availing EGS and CGS schemes.

4.2.7: Coverage

The Survey revealed that the spread of sampled FPOs in Haryana, in terms of the number of covered villages, was three times, while the area (in acres) covered was almost 19 times that of Punjab. On similar lines, the total and active membership was much higher in Haryana than in Punjab. Although the proportion of active members in Punjab was relatively high, in absolute terms, Punjab is far behind Haryana, as shown in the table 8. This shows that Punjab has a long way to go if the state plans to move on to the path of the FPO model of agricultural growth.

Table-8: Coverage of Sampled FPOs

	Haryana	**Punjab**
No of Villages	93	31
Area (In Acre)	27550	1475
Total Members	4371	690
Active Members	2092	525

Source: Field Survey

The figures given in parentheses are average numbers per FPO

4.3 Structure

The structure of FPOs has been explored through the lenses of governance, land holding pattern, capital base, and pattern of shareholding.

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4.3.1: Decision-Making / Governance in Practice

The intended goal of FPOs is to promote the interests of small and marginal farmers by enhancing their participation in decision-making. However, the picture of Haryana depicted in Tables 9 and 10 is against the actual spirit of the FPOs, as the democratic process seems to be concentrated in the hands of relatively large farmers, while small and marginal farmers have minuscule participation in the FPOs' decision-making. For instance, the small and marginal farmers have 86 percent membership of the total members (44 percent for marginal and 42 percent for the small farmers), but the representatives (who are at the helm of affairs) are only 18 percent in Haryana. On the other hand, medium and large farmers have 9 percent membership and 82 percent representative in decision-making. The condition in the case of marginal farmers is even more pathetic, as there was zero percent representation in the management of FPOs.

Table-9: Landholding Size of Sampled Representative of FPOs

Landholding	Haryana	Punjab	Total
Large (More than 10 Hectare)	5 (10)	0 (0)	5 (5)
Medium (4 to 10 Hectare)	16 (32)	16 (32)	32 (32)
Semi-Medium (2 to 4 Hectares)	20 (40)	21 (42)	41 (41)
Small (Up to 2 Hectare)	9 (18)	6 (12)	15 (15)
Marginal (Up to 1 hectare)	0 (0)	7 (14)	7 (7)
Total	50 (100)	50 (100)	100 (100)

Figures presented in parentheses are percentages

Source: Field Survey

Table-10: Landholding Pattern of FPO Members

	Farmer	Active	Passive	Total Member
Haryana	Large	123 (85)	22 (14)	145 (3)
	Medium	185 (76)	59 (24)	244 (6)
	Small	904 (48)	964 (52)	1868 (42)
	Marginal	861 (45)	1055 (55)	1916 (44)
	Landless/ Agri-Labour	19 (10)	179 (90)	198 (5)
	Total	2092 (48)	2279 (52)	4371 (100)
Punjab	Large	41 (98)	1 (2)	42 (6)
	Medium	62 (91)	6 (9)	68 (10)
	Small	160 (64)	90 (36)	250 (36)
	Marginal	262 (79)	68 (21)	330 (48)
	Landless/ Agri-Labour	0 (0)	0 (0)	0 (0)
	Total	525 (76)	165 (24)	690 (100)
	Grand Total	2617 (52)	2444 (48)	5061 (100)

Source: Field Survey

Figures in the parentheses are percentages.

The situation is a little bit different in Punjab, but the concentration in the hands of medium farmers is prevalent (74 percent). Here, some representation is visible in the case of small and marginal farmers. It is again relatively considerably less than their membership. Though there is a 6 percent membership of large farmers, they have zero representation in management. It seems to be a weird result. To find the answer, these farmers were contacted on the telephone to fathom the truth. They revealed that they are already in some sort of agri-business and do not take an active participation in the management of FPOs. Unlike Haryana, the schemes, facilities, and subsidies in Punjab are not attractive; therefore, the large farmers do not get enticed. Besides, they are already in some sort of agri-business (well-connected to the market) and do not take an active participation in the management of FPOs. However, the medium farmers who have attained membership are progressive and keen to incline their agriculture towards agri-business (progressive farmers). As a consequence, they have remarkable representation in the management.

Both tables reveal another disturbing feature concerning active and passive membership and representation. In both states, the ratio of passive members in marginal and small farmers is higher, and they have negligible participation in decision-making. On the other hand, in the case of medium and large farmers, the ratio of active members is considerably higher, and they are highly represented in the governance of FPOs.

4.3.2: Capital Base and Shareholding Pattern

Every FPO at commencement has authorised capital, with the provision of paid-up capital as well. The paid-up capital is contributed by the farmers (primary producers), which is mandatory for them (every member is required to contribute, as per statute, at least one share) (SFAC, 2013). The table-11 shows that in Haryana, the authorised capital of sampled FPOs was 27 times, while paid up capital was almost 35 times that of Punjab. The Haryana government provides 90 percent subsidy on agriculture-related infrastructure up to Rs. 6 crore under the CCDP, while the remaining 10 percent mandatory proportion to avail the subsidy is contributed by FPOs, which resulted in a tremendous surge in the capital base of the FPOs in the state.

Table-11: Capital Base of FPOs

States	Authorised Capital (in Lakhs)	Paid-up Capital (in Lakhs)
Haryana	459	450
Punjab	17	13
Total	476	463

Source: Field Survey

Further, table-12 shows that the shares are concentrated in a few hands irrespective of the position. Majority of the farmers have only one or less than one share (4041 out of 4286 member farmers) while remaining 245 members farmers have large number of shares held by each in Haryana (such as 7 share per member held by 48 members, 30 share per member held by 10 members, 150 share per member held by 20 members, 219 share per member held by 39 members and so on). On the other hand, the situation in Punjab is very much worse, as Table 12 shows that the overwhelming majority (466 members out of 474) shareholders had only one share (per member), whereas the remaining 8 members had 50 shares (per member). In case the value of shares per member, the study highlights that the number of shares per member

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increased along with a decreasing number of members in both states. This has further been corroborated by the high value of the coefficient of variation in per-member share and the value of share per member. The situation discussed in the foregoing discussion proved true regardless of the state

Table-12: Pattern of Shareholding

		At survey time	
	No of Share Holding	**Per member Share (In numbers)**	**Value of Share Per Member (In Rs.)**
Haryana	**0-5**	1 (4041)	278 (4041)
	6-10	7 (48)	667 (48)
	11-20	0 (0)	0 (0)
	21-40	30 (10)	30000 (10)
	41-80	0 (0)	0 (0)
	81-160	150 (20)	15000 (20)
	161-320	219 (39)	21923 (39)
	321-640	532 (27)	53152 (27)
	641-1280	880 (25)	268000 (25)
	1281-2560	2417 (30)	241667 (30)
	2561-5120	3857 (28)	435715 (28)
	5121-10242	6500 (5)	650000 (5)
	10243-20486	13692 (13)	1369231 (13)
	Total members	4286	4286
	Coefficient of Variation	1.65	1.49
Punjab	**0-5**	1 (466)	1964 (466)
	6-10	0	0
	11-20	0	0
	21-40	0	0
	41-80	50 (8)	50000 (8)
	81-160	0	0
	161-320	0	0
	321-640	0	0
	641-1280	0	0
	1281-2560	0	0
	2561-5120	0	0
	5121-10242	0	0
	10243-20486	0	0
	Total members	474	474
	Coefficient of Variation	1.35	1.30

Source: Field Survey

Figures in parentheses are members

4.3.3 Source and amount of Financial Support FPOs

It has been established in the relevant literature that, apart from the capital base obtained through paid-up capital, additional financial support is essential to establish and nurture FPOs in the initial years. FPOs have multiple facets in the areas of processing, transport, energy and so on. Therefore, such support is provided to the FPOs through various schemes. In this context, CCDP, CHC, Handholding support, EGS, CGS, AIF and RC are providing specific support. More than Rs. 33 crores, (table-13) have been disbursed so far to the 20 sampled FPOs, of which approximately 32.26 crore in Haryana and approximately 77 lakhs are in Punjab. In the case of Haryana, the majority of this support comes from the CCDP (more than 32 crore availed by 7 FPOs), followed by Handholding (more than 51 lakh enjoyed by 9 FPOs), CHC (more than 28 lakh with only 3 FPOs benefited) and AIF (more than 8 lakh assistance received by 7 FPOs). In Punjab, Rs. 76.73 lakhs were received by the FPOs through various schemes. The highest contribution came from handholding support (51.48 lakhs to 9 FPOs). The contribution of other schemes, such as EGS, RC, and CHC, was less than 9 lakhs. Here, it seems that the state of Punjab did not provide much financial support to the FPOs as compared to the tremendous support given by the Haryana government.

Table-13: Source and amount of Financial Support FPOs

Source	Haryana (in Rs.)	Punjab (in Rs.)	Total (in Rs.)
CCDP	313516470 (7)	0 (0)	313516470
CHC	2825000 (3)	720000 (3)	3545000
Handholding Support	5148000 (9)	5148000 (9)	10296000
EGS	0 (0)	885000 (3)	885000
AIF	1050481 (7)	0 (0)	1050481
RC	0 (0)	720000 (5)	720000
CGS	0 (0)	0 (0)	0
Total (in Rs.)	322539951	7673000	330212951

Source: Field Survey

Figures presented in parentheses are the number of FPOs

5. Conclusion and Policy Implications

The study results revealed that the establishment of SFACH as a special promoting agency at the state level in Haryana shows a sincere effort of the state, while such an effort was found to be missing in Punjab. Further, in deploying resouces institutions to FPO have been very focused in haryana whereas this scenario is scattered in Punjab, as many resource institutions were found, such as SARDS, VGAI, ACF, YUVA MITRA, and ISAP. Moreover, resource institutions provided in Punjab are relatively less credible, and their efficiency is doubtful as reported by sampled representatives. To address this issue, the Punjab state should establish a special agency on the lines of Haryana and empanel a professional advance resouce institution to FPO, and its responsibility and accountability should be fixed regarding performance.

Although, as per the statute, directors and a chartered accountant were mandatory, thus deployed, but in the majority of FPOs, the CEO and professional managers' positions remained vacant in both states. Hence, the main idea of inculcating professionalism in small and marginal farmers through FPOs seems to have been defeated. Technical and professionally qualified people should be at the helm of affairs, which should be taken care of by promoters of FPOs. The majority of the sampled FPOs have availed of the handholding support from their respective promoter agencies. However, a huge gap has been reported in availing the schemes between the states, as Punjab lagged considerably behind, highlighting the failure of the Punjab state to disseminate the information about the schemes, which are considered instrumental in the nascent stage of FPOs. While the spread of FPOs in terms of coverage of villages and area (in acres) was substantially higher in Haryana than in Punjab, the proportion of passive members was almost half, which is a very serious concern. On the other hand, the proportion of active members was very high in Punjab; the area and number of villages covered by FPO were very low. As a result, the reach of benefits generated by FPOs is limited to a few member farmers. To increase the number of active members in Haryana and the penetration of FPOs in terms of area and villages in Punjab, an awareness program should be undertaken by the concerned promoting agencies in both states

While exploring the structure of FPOs, it was observed that despite having a large number of small and marginal farmers in FPOs, their participation in the decision-making process is minuscule, undermining the actual spirit of the idea behind introducing FPOs, as powers were found concentrated in the hands of relatively large farmers in both states. Further, per-member share and value of shares were tilted in a few hands in both states, which was a very concerning issue against the basic theme of the FPOs. Moreover, the practice of proxy shares was found where large farmers provide money to small farmers to buy shares of the company to show the representation of small and marginal farmers and fulfil the limit of required member farmers to take the benefits of the CCDP programme, particularly in Haryana, to raise capital. The governance structure, which is represented by the member farmers, is very skewed in favour of the medium and large farmers, whereas the membership is tilted in favour of small and marginal farmers. Hence, it seems that there is a basic defeat of the democratic structure, and the promoters concerned should vigorously work on this issue; otherwise, there will not be any substantial benefits to the small and marginal farmers.

The capital mobilised by FPOs in Punjab was abysmally low compared to Haryana. The financial support availed by FPOs for establishment in the initial years through different schemes was substantially more in Haryana than in Punjab due to the pack house scheme (CCDP), which is provided by the state agency in Haryana. The state government agencies related to agriculture should make arrangements for the finances of FPOs, and promoting agencies should make FPOs aware and help them in availing different schemes to raise the capital base of FPOs in Punjab.

Overall, the comparative analysis suggests that a supportive institutional ecosystem, strong promoting agencies, and consistent financial assistance play a crucial role in shaping the successful establishment and functioning of FPOs. The representation of small and marginal farmers in governance and balancing shareholding patterns is an instrumental aspect to fulfil the basic purpose of FPOs, safeguarding small and marginal farmers' interests. Strengthening these elements, particularly in Punjab, could significantly improve the performance, sustainability, and outreach of FPOs, thereby enhancing the collective bargaining power and economic prospects of small and marginal farmers.

5. Limitations and scope of future studies

The present study is based on a primary survey conducted in the 20 FPOs of Punjab and Haryana selected through purposive and snowball sampling methods. These sampling techniques themselves possess certain shortcomings, like researcher bias, dependence on initial contacts, limited representativeness, and restricted generalisability of findings. However, the choice of sampling technique was necessitated by the absence of an official sampling frame. Also, the time and resource constraints restricted the sample to 20 FPOs; however, a larger sample could have produced more generalisable and comprehensive results. The objective of the study has guided the selection of descriptive statistical tools used in this study; however, future research may use more advanced statistical techniques, such as regression and factor analyses, to come up with deeper insights. Also, future studies may explore the functioning and performance of the FPOs of Punjab and Haryana. The study may evaluate the impact of membership in FPO versus non-membership.

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