

RESEARCH ARTICLE

Role of agriculture cooperatives as a farmer-based organization in Sri Lanka: Case study in Morawak Korale tea producers' cooperative society

K.G.J.P. Mahindapala^{a*}, M.W.A.P. Jayathilaka^a, L.N.A.C. Jayawardana^b

^aPostgraduate Institute of Agriculture, University of Peradeniya, Peradeniya, Sri Lanka

^bFaculty of Agriculture, Department of Extension, University of Peradeniya, Sri Lanka

Submitted: August 28, 2020; Revised: December 28, 2020; Accepted: December 30, 2020

*Correspondence: prasanjithjm@gmail.com

ABSTRACT

Successful farmer based organizations (FBOs) engage in many activities other than production-related activities. This study attempted to examine the role of Morawak Korale tea producers cooperative society (MKTPCS) as a FBO. Results revealed that MKTPCS provides marketing facilities for the members' while processing their primary products. It transferred the earned profits to the members in the form of bonuses and various forms of welfare facilities. The production support system, such as suppling of inputs and credit operate very effectively. Due to the structural issues and lack of legitimate power, zonal committees are unable to perform a significant role in this system. The management is unable to link the ordinary members to the cooperative through the zonal committees. Certain conditions in the cooperative societies act to suppress the self-reliance state of the MKTPCS as an FBO. The members strongly believed that cooperative activities have positively affected their lives

Keywords: Tea smallholder, FBO, cooperative, service, marketing

INTRODUCTION

Among the varieties of cooperatives operating in the world, agriculture cooperatives are considered as the most successful cooperatives in terms of market share (Birchall, 2004). They are also considered as farmer based organizations (FBO) (Trebbin *et al.*, 2012). The FBO has been described as an entity that represents the farmers in a given geographical area and mainly deals with agricultural enterprise-related needs of the member farmers (Esham, 2012). The cooperatives are defined as an autonomous association of people united voluntarily to meet their economic, social, and cultural needs and aspiration through a jointly owned and democratically controlled enterprises (ICA¹, 1995). According to this definition, the cooperatives are independent of the state and not owned by anyone else other than the members. They are different from the shareholder company as they have a democratic governing system with voting

¹International Cooperative Alliance

right which is equally assigned to the membership and not based on the volume of shares.

Agriculture cooperatives have a long history, and it goes back to 1820 in the USA. Japanese agriculture cooperatives (JAC) alias *Nokyo* is one of the examples for an effective and efficient cooperative type farmer organization (Rajaratna, 2007). The majority of the farmers (91%) in Japan are a member of JAC, and it offers a variety of members' needs (Esham, 2012). JAC strengthens with 9.7 million members and trillions of capitals (Kazuhito, 2013). India also has an excellent cooperative system and probably the largest network in the world in terms of membership (Birchall, 2004). With the introduction of neoliberal policies in India, many producer cooperatives have converted into farmer producer companies (FPC) (Trebbin, 2014). Indeed, it is a hybrid of private companies and cooperatives. Moreover, the Indian largest food-producing company Amul initiated as a rural cooperative in *Kaira* district and later evolved into a cooperative federation (Manikutty, 2002) and presently backed by about 18,700 rural cooperatives. A successful FBOs not only engage in production supportive activities but also involved in a vast array of tasks and services, as shown in Table 1.

Table 1: Type of services/task handled by cooperatives.

Kind of service	Description
Organizing activity	Empowerment, collective approach
Production support	Supply of inputs/ resources
Marketing service	Processing, value addition, transporting and marketing.
Financial services	Credit and banking facilities
Technology services	Extension, education, training
Welfare	Health, day today needs, child education.
Policy advocacy	Support for policy formulation by providing inputs
For-profit activities	Engage in other enterprises

*Source: adapted from Trebbin and Hassler, 2012

Sri Lankan cooperatives are regulated by the cooperative society act no.5 of 1972 and monitored by the provincial Department of Cooperative according to the 13th constitutional amendment. However, Agriculture Cooperatives in Sri Lanka appeared to be not much popularized among rural farmers. Wanigasundara (2015) showed that just only 294 cooperatives were available in the entire agriculture sector and of which almost 50% were from the dairy and livestock sector. However, comparatively, cooperatives are widely spread in the coastal fisheries sector. There were about 552 'active' cooperatives in the sector (NARA, 2008), and some of them were performing well (Amarasinghe and Bavnick, 2011). Although few cooperatives (about six) contribute to the tea value chain, *Morawak Korale* tea producers cooperative (MKTPCS) is the only cooperative that can be considered as FBOs as per the definition.

Context of the research problem and objectives

Some studies revealed that many farmer organizations are unable to produce expected results due to various reasons such as, poor extension service, lack of self-sustain capacity, lack of internal monitoring mechanism, weak links with markets, poor management skills, lack of collective approach, lack of participatory decision making, lack of diversity, poor leadership, poor attitudes, ideological conflicts of cultural and religious, political influences, structural matters, lack of dignity of the Board of Directors, failing of commercialization of products and a vast gap between FBO and the farmers (Esham and Kobayashi, 2013; Rajarathna, 2007; Senanayake, 2002; Esham and Usami, 2007).

Various types of FBOs exist in the tea sector with different objectives and scopes. *Morawak Korale* Tea Producers' Cooperative Society (MKTPCS) can be considered as the only cooperative type of farmers' organization in Sri Lanka belonging to a tea-growing community². Rural Tea Development Societies (TSDS) were established under a legislative act no. 36 of 1991 and no. 21 of 1997 to achieve the several objectives such as to develop tea smallholdings, provide the marketing facilities for grower's produce, promote the economic and improve welfare of members, facilitate the members in the area of credits and inputs and engage in development projects. However, some studies revealed that these TSDSs failed to fulfil their expected role (Bandula *et al.*, 2016; Mahindapala *et al.*, 2020). In that context, it is important to understand how MKTPCS behave in the sector as which may give some valuable insights to add the value to TSDS.

The objective of this study was to examine the role of *Morawak Korale* Tea Producers Cooperative Society as a Farmer Based Organization.

MATERIALS AND METHODS

According to the social enterprise concept, FBO can also be viewed from the perspective of social enterprises. Social enterprises carry out For-profit activities with their social mission to achieve sustainability (Dees, 1998; Mort *et al.*, 2003; Gunn, 2004; Grico, 2015). Therefore, as shown in Table 1, the efficacy of the Cooperative (as an FBO) can be assessed based on its level of involvement in important social and business activities. This can be conceptualized as Figure 1.

²According to the statistics, there are other two cooperatives involve in tea production, (<http://www.coop.gov.lk/web/images/pdf/eng.pdf>) but they cannot be considered as FBOs as per the definition

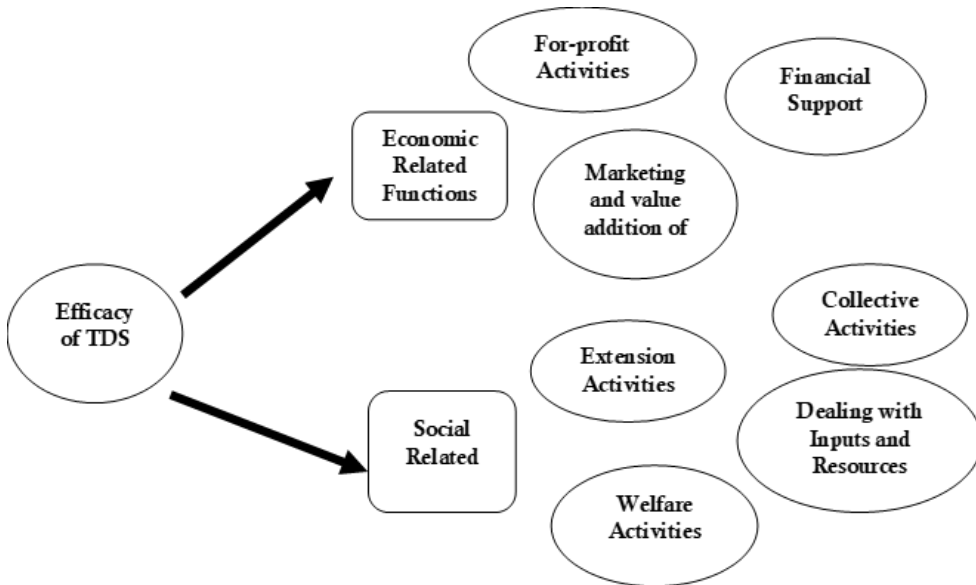


Figure 1: Conceptual framework.

The main office of MKTPCS is located in Kotapola of Matara district. This study mainly focuses on qualitative data, and they were collected through interviews with the various stakeholders of the cooperative, including Directors, Managers, Extension staff, and Shareholders. Based on the type of data intended to be collected, an interview schedule was prepared including followings: the type of activities and services offered by the cooperative, quality of the services, way of delivering the services to members, the extent of coverage, members views on services, the status of evaluative characteristics of the cooperative as FBO (i.e. leadership, management skill, self-reliance, level of participation, cohesiveness etc.) and issues that affect the organizational performance. When it comes to selection of respondents, the cooperative employees and Board of Directors (BDs) were selected on a purposive basis, while members were selected on a random basis. The total respondents were 23, which included 8 Employees of the cooperative including, General manager, Factory manager, Head of finance division, Internal Auditor and Extension and welfare staff, 2 Board members, an Ex-Board member, 12 shareholders. As this is a qualitative study, the ‘theoretical saturation’ is used to determine the number of discussions with the members (Bryman, 2012). The Quantitative data were collected from the progress reports and Annual reports. The interviews were recorded using the audio recorder, and they were transcribed adhering to the method suggested by Colaizzi (1978). Following the methodology suggested by Strauss and Corbin (1990), data were analyzed thematically by developing a set of codes and categories. In this purpose, two dimensions (Task/Functions undertaken by FBO and Issues related in FBO)

are shown in Table 2 were used. The issues are the phenomena or factors that affect the performance of FBOs, which were identified through the literature.

Table 2: Dimensions used to analyze the qualitative data.

Different Functions/ Tasks undertaken by FBO (positive factors)	Issues related to FBO (negative factors)
Supply of Inputs/ Resources	Self-sustenance
Marketing and processing	Internal monitoring
Credits and banking	Management skills of employees
Extension service	How decisions are made by organization
Welfare	Leadership of the board
Collective activities	Attitudes
For-profit activities	Political influences
	organizational structure
	Gap between board and the farmers/cohesiveness

RESULTS AND DISCUSSION

Evolution of the MKTPCS

The MKTPCS was established in 1953 to collect and process the tea green leaves of the smallholders in the region. The main focus at the time was to prevent the exploitation of smallholders by the surrounding tea factory owners. According to history, there have been initial discussions among the twenty-five founding members led by late Mr. D.D.S Ramanayake on the establishment of the cooperative. The working committee has then decided to issue the shares (that time Rs. 25 per each) to a limited group of small and medium tea growers at the beginning (to avoid unnecessary obstacles) to raise the initial capital. As implied in the name, the membership was confined into *Morawak Korale* in southern Sri Lanka. In addition to the share capital, a loan of Rs. 600,000 was obtained from a Cooperative Bank (predecessor of People's Bank) to fulfil the initial capital requirement. After two years of 'groundworks', the founder members were able to materialise their dream on tea factory. The first processing centre (tea factory) was opened in 1955 at *Kotapola*, which had the processing capacity of 15,000 kg green leaf per day (approximately equivalent amount of 3225 kg of made tea). Subsequently, MKTPCS had been receiving the attention of many smallholders in this area, and both tea growers and the organization were strengthened mutually. In one of the interviews, former Director Board member mentioned that:

"The Cooperative helped to popularize the tea cultivation among the smallholders in the region. The Cooperative ensured a proper pricing mechanism, and as a result of

that, more and more poor people came into the tea industry. That led to move the tea industry to the hands of less privileged people from elites in the region" (M13 D22).

Thereafter, the cooperative took initiatives to widen their activities on different lines. Accordingly, a retail shop, a bank and a fertilizer store, were started. The cooperative expanded the production capacity of black tea by putting up other two factories known as Allan Valley (in 1984) and Coop-Cola (2004) in another two locations in the region. The former one has the same capacity as *Kotapola* factory does, and latter one has the capacity of 8000 green leaf kg/d. As a result of the operation of these diverse ventures, the capital reserve of the cooperative was improved, and the BDs decided to go into non-agricultural enterprises (for-profit activities) as well and accordingly a hardware shop, filling station, and transport service were started.

Membership

As implied in the name, the membership was confined into *Morwak Korale* in southern Sri Lanka (*Kotapola* and part of Pasgoda and *Pitbeddara* divisional secretariate areas). Tea growers who own at least 0.25 ac of tea land are eligible to obtain the membership. They are required to purchase ten shares (presently, each share is Rs. 100) to become a member. Depending on the profit, the annual share value of the members is increased by 10%. Members are not eligible to trade off their share, but it is possible to transfer them to their successors. The members are required to supply their produce (Tea green leaves) to the factory, and they are compensated according to the accepted price formula. The members are entitled to receive the various type of benefits mainly based on the amount of green leaf supplied (regardless of the value of the share they possess). The members have equal voting rights when appointing the BDs. At present, there are about 3500 active members of the cooperative.

Management of the organization

The cooperative is governed by the act no.5 of 1972, amended in 1992 and the revised constitution adopted in 2013. The General Meeting' is the most top-level policy decision-making body, and it consists of all the members. It holds once a year to approve the annual plan, budget, and to discuss policy-level issues. According to the constitution, there are provisions for convening a special general meeting at the board's discretion, but this rarely happens. Every three years, membership appoints BDs which comprises nine members including chairman and vice-chairman. They are delegated certain powers to take the decision in relation to its operations except for policy matters such as alteration of process, introduction of new systems, implementation of new projects, capital work like a large investment and major renovation. However, the duration of two consecutive general meetings (1 y) is quite long and may affect the overall efficacy of the organization, due to limitation of the power entrusted to the Director Board and some other reasons elaborated in paragraph 3.10. General Manager (GM) is the Chief Executive Officer, and he/she is

supposed to carry out the administrative and financial activities under the guidance of the BDs. The cooperative employees are categorized into four levels - senior, middle, junior and minor grades, and the total workforce is about 448. Hence, this is a reasonably larger workforce, and eventually, it can be a substantial burden to the general membership when it comes to sharing the benefits. Presently they are paid according to the 'collective agreement', and their emoluments are increased by 25% every three years, which also gives an additional burden to the membership. The considerable number of members is of the view that some management staff is less efficient, and they have inadequate skills in addressing the members issues. One member who has been supplying leaf for more than 35 y reported as:

"There are some inefficient officers. When we visit the office to seek help, they are not keenly attending to us. Sometimes we are waiting long hours to meet relevant officers" (M9 D18).

Some members expressed that some employees are not professionally qualified to hold certain positions, and they claim that it has an impact on organizational activities. It was also observed that some incidence of appointing the same individuals as the BDs over and again. This may inhibit new ideas and approaches to the system. Trebbin (2012) reported that these types of issues are common even in Indian FPCs and many FPCs were unable to hire the skilled managerial staff. It was reported that farmers associated with the Kenyan Tea Development Agency also face a similar type of issues (CPDA, 2008).

Marketing of production and value addition

The primary operation of the Cooperative is the purchasing of 'green leaf' of the members at a reasonable price. Figure 2 shows its average selling prices of the processed tea at the auction (NSA) over the last five years period, and usually, it is above the elevational and regional average. In 2019, it was Rs. 37/kg above the elevational average. The higher NSAs enables them to offer a reasonably higher price ('rate') to the members when compared with most of the other tea factories in the area.

On the other hand, the cooperative does not make any deductions that are alleged to be done by other factories. Hence the members perceived that the total amount they gained at the end of the day is fair:

"We are properly weighing the green leaf using an electronic scale which is connected to the computer system. No one in the factory can manipulate the amounts. We do not make any deduction as done in elsewhere" (Factory Manager, Kotapola factory)

Further one of the members mentioned as:

"Some tea factories make deduction by citing various reasons. But such things do not happen in our 'society'. The real amount given to the lorry will be credited to our account since no malpractices are done. So, we felt that society makes justice to our green leaf" (M10 D19).

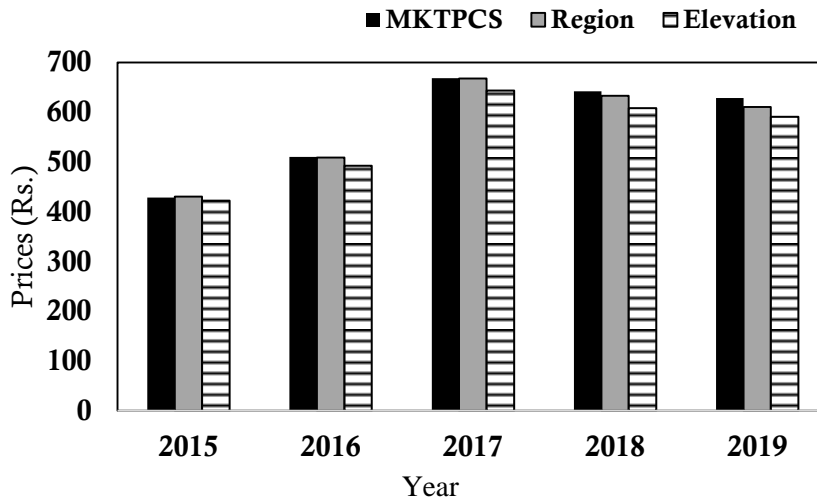


Figure 2: Average selling prices of teas processed by MKTPCS, at Colombo Auction in contrast to the elevational and regional average.

*Source: Sri Lanka Tea Board, Annual reports MKTPCS

A free transport service is provided by the cooperative to members land to transport their produce. If people supply their crop through their own means (Head transport), they are given an incentive of Rs. 5 kg.

Although it is required to possess an international standard (a Quality Certificate) as food processing centres, only one factory is internationally certified (ISO 14001). It can act as a barrier to reach high-end markets. When interviewed, senior management has stated that the arrangements have been made to obtain ISO 22000 for all three factories in the year 2020. One of the main problems observed in relation to processing was that the cooperative had not paid adequate attention in the area of product diversification or value addition³. All most hundred per cent of their production comprises of only traditional bulk teas. Therefore, the present 'rate' received by the members may not be the real potential value that they can achieve.

³ However, it should be noted that processing of tea itself is some kind of value addition to primary produce of members which is not done by the many FBOs in the tea sector. Yet what is argued here is the low scale of value addition

Sharing of profits

The cooperative society generates substantial profits through its operations. A portion of its profit is disbursed to the members at the end of the financial year based on the supply of green leaf and which is called 'second payment'⁴. Usually, it varies from LKR. 2.00-5.00 for each kg supplied throughout the year. (This is in addition to the regular payment for Greenleaf, as mentioned in paragraph 3.4). Based on the majority of the members' perception, (about three fourth) the 'second payment' is the most attractive service offered by the MKTPCS. One of the members expressed as:

"In 2019 lots of tea factories shut down due to recession. In that context our one able to pay us a bonus of rupees 4.00 per kilo. I am very happy about our society." (M11 D20)

Figure 3 gives the amount of profit shared among the members under the above scheme over the last twelve-year period, which indicates the cooperative's strength as a FBO. The graph revealed that the cooperative shared a considerable amount of money among the membership, except in 2008 and 2015.⁵

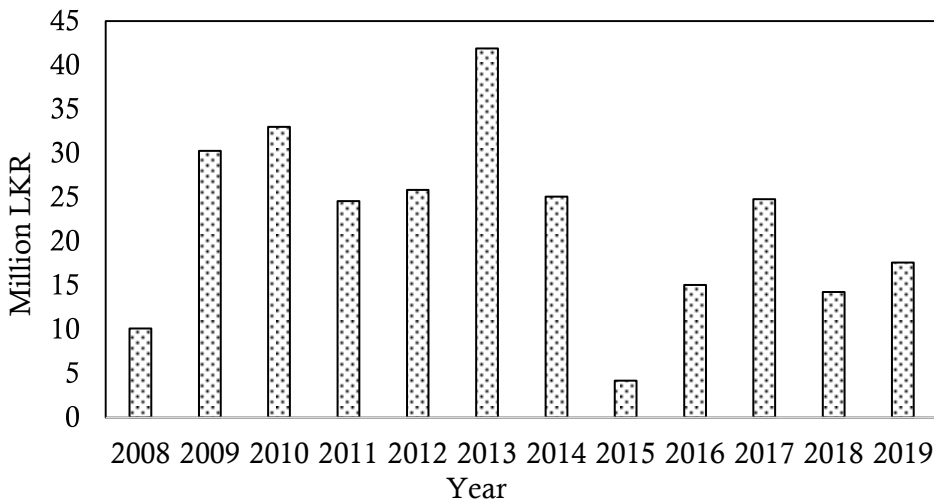


Figure 3: Shared profits among the members over the last twelve-year period.

⁴ At the end of a financial year, the cooperative approximately estimates the possible profit and decide the amount of money that can be given back to the members; accordingly, the BDs decide the rate.

⁵ These two years are considered as low-price recording years in Colombo tea auction in the period under reviewed (Source Central Bank Annual reports)

Welfare service

In addition to the bonus, the members are entitled to receive a vast array of facilities and benefits. MKTPCS operates four retail shops for the benefits of members, and members used to buy their day-to-day needs on credit basis. The dues are settled on the day when they are paid for the green leaf. (Actually, these all accounts are linked to the members' bank account, which will be further elaborated in a separate section). When a member faces a crisis, he or she is treated specially, and the particular privilege is not withdrawn and also offer a reasonable grace period to settle the outstanding. A member expressed her satisfaction as follows:

"Our tea plot is seriously affected by the drought. Hence, we were unable to supply the usual quantity for two months. But we are continuously getting our requirements from the retail shop. That is a great privilege" (M5 D15)

Scholarship programs, aiming of the eligible children of the members at grade five, O/L and university levels are in operation. The benefits scheme available for grade five-level is LKR. 7000/annum throughout the school education and it is increased by LKR. 5000 if they get through the O/L. The university students are given LKR 1500/month throughout the entire university period. Table 3 shows that total no. of scholarship given in the last five years.

Table 3: The number of beneficiaries under the scholarship program during 2014-2018.

Year	2014	2015	2016	2017	2018
School	23	10	12	13	12
University	24	36	35	22	25

*Source: MKTPCS Annual reports

Moreover, death donation scheme is another attractive scheme made available for the members. Under this, up to LKR 40,000.00 is given to the affected families. Table 4 gives the details on the benefits offered under the death donation scheme.

Table 4: Details on the benefits given under the death donation scheme.

Year	2015	2016	2017	2018	2019
No. of beneficiaries	197	163	198	182	198
Amount distributed (LKR Million)	38.45	33.63	40.24	37.90	40.96

*Source: Financial reports of MKTPCS

The table shows that over 190 million of LKR have been given to the affected families in the last five years periods. It reflects the commitment of the cooperative towards the membership. In addition to the above benefits, special needs of the members (serious surgeries, health hazards etc.) are treated under

the special donation scheme at the discretion of the BDs. Therefore, it is clear that this producer organization offer a wide range of welfare facilities for its members and which helps to attract them to the organization tightly while ensuring the long-term sustainability of the system.

Banking system

MKTPCS has its owned banking system to cater to the financial needs of the members and to promote their savings. The credit facilities can be obtained for various purposes such as the development of tea land, farming activities, purchasing of immovable and movable properties and day-to-day needs up to LKR 2,000,000. A member can obtain a 'rapid loan' up to LKR 100,000 within a day for immediate needs. It was revealed that some entrepreneurial members make the maximum use of this loan scheme for their development.

"I have several examples of good use of our loan scheme. This particular member started with just one acre. He is very energetic; he mortgages his tea land to our bank and obtained a loan to bought another one acre and planted with tea. Likewise, he gradually expanded his land up to 5 ac by obtaining loans from us" (-Manager, Field affairs and Green Leaf promotion).

Further, the members' bank account is linked with the entire system. This enables to monitor all the transaction (i.e., Green leaf, credits, purchases, inputs.) at one place and after deducting all the dues, the net amount for the green leaf goes to the bank account. Besides helping the members, this mechanism indirectly promotes their savings.

Input supply

The cooperative maintains a fertilizer store in order to provide the fertilizer to its members timely. The fertilizers are given on credit basis and recovered from three months period. Further, the organization runs a tea nursery with some improved cultivars with standard plants to accommodate the planting material requirements of the members. Although the capacity of the current nursery is not sufficient to meet the entire demand of the members, it is a good initiative. However, in contrast with the developed FBOs in other countries, no mechanism was found to be placed for its members to access essential resources such as equipment and types of machinery.

Extension service

To enhance the knowledge and competency level on tea cultivation of the members, and also improve their adoption of recommended agriculture practices, an extension service has been placed. Beside of the extension related activities, Extension Officers (EO) are supposed to monitor the green leaf supply chain. There are three EOs, and each one is affiliated to one of the factories. The EOs are monitored by the Manager, Field Affairs and Green Leaf Promotion. They are instructed to interact with the state extension agencies as

an when necessary. For the easiness of collecting the green leaves and providing the extension service, the entire feeding area of the cooperative is divided into 56 'Transport lines' and each factory has been assigned certain number of Lines (E.g. *Kotapola* has 21 Lines). The EOs required to visit the members belongs to these lines, and provide the extension service, test their soil pH and assure the constant supply of good quality green leaf. Nevertheless, there were mix responses about the extension service in certain transport lines. While the majority of the members have a good perception of the extension services, some members have a negative perception. This study found that the extension service does not properly function in some 'Transport lines' and even some members were not aware of the service:

"Truly speaking, we do not get such service. He has never come to my field, and I have never met that gentleman. I did not see any effective intervention. Authority should need to monitor them". (M8 D18)

Structural aspects empowerment of members

In order to have close ties between the cooperative and members, the entire domain of the MKTPCS is divided into 15 zonal areas, and zonal committees (ZCs) have been elected. The responsibility of these committees is to identify the issues/needs and bring them to the authorities. The ZC comprise of approximately 200 to 500 members. The EOs are also expected to utilize these ZCs to approach the grassroots level. However, it appears that these ZCs do not adequately function, and they are not assigned a legitimate power. Thus, these ZCs do not look identical to the local level structures of JAC, in terms of function (Kazuhito, 2013), and those two structures - BDs and ZCs do not function as elements of a federated structure, as seemed in three-tiered structure in JAC (Local-level – Prefectural level and -National level) (Esham, 2012).

Hence, ZCs in the present form is not an effective structure in addressing the members' needs. Yet, EOs have used these ZCs to coordinate to conduct the training programs. They have conducted 10-15 training programs per year to build the members' capacities on farming methods, improve the technical know-how on good agricultural practices, and maintain quality standards in the green leaf.

Moreover, most of these ZCs do not exert adequate effort to build up social capital (bonding capital) among the members. It does not create collective farming activities or labour sharing activities within the zone as done in primary cooperatives of JAC model. In the meantime, during the various interviews, it was revealed that the majority of the members are more than 45 years old and the proportion of youth members is at a low level:

"When we went for zonal meetings last year, we asked a particular question from members 'Are your children willing to take over your tea lands'. It is sad to mention that only less than 10 per cent raised their hands". (Director Board member).

However, neither ZC nor cooperative society has done any effective intervention to get attract the youth to the cooperative. In some research outcomes, the mechanization is perceived as a tool to absorb the youth into the system (Balasooriya, 2017). Thus, if that ZCs are strengthened and assigned with essential types of machinery (Allow to run the hiring centres) youth may be attracted (Matchaya, 2010).

Critiques on cohesiveness, self-reliance and attitudes

Now, we turn into discuss limitations and issues regarding the MKTPCS. Since some managerial issues have already been discussed previously, here we attempt to discuss some other issues. The relationship between ordinary members and the cooperative (particularly Management/Board) is appeared to be neither weak nor strong. All the members have equal voting right to appoint the Board of directors, approve the annual work program, and the budget initiated by the Board and management.

The members are given the opportunity to submit their proposals related to new activities, projects or any suggestions to improve the present system to the AGM, and they will be handled by the management⁶.

However, it cannot be expected a fruitful interaction at the AGM where 3500 members participate. Further, there is no effective mechanism to intervene in the policy level matters in-between periods, in the absence of federated structure. Therefore, authors augured that there is a little gap (Communication gap and power distance) between the grass-root level and the BDs. A member expressed as follows:

"I do not like to argue the matters unnecessarily. What I preferred is to discuss the matters rationally in a peaceful environment. But such an environment is not in the AGM. As much as possible, I avoid such situations". (M12 D21)

Therefore, authors suggest that present structure should be changed into the two-tiered federated structure with the decentralization of power into Zonal Committees.

As per the definition of cooperative, it should be independent of the state. However, Sri Lankan cooperatives are not entirely independent entities from the government. The cooperatives are governed by the cooperative act no. 5 of 1972, most of them were initiated to disburse the essential needs to the general public, particularly marginalized people at the control price. Because of the separate gazette notification in 1978, MKTPCS gained some independence but

⁶ There are eighteen sub-committees (i.e., Finance, Factory, Extension, HR etc.) comprises of managerial staff operate under the Director Board, and they evaluate these proposals and submit the appropriate proposals to the AGM with the approvals of Directors.

still have ties with the provincial cooperative department. They have to get certain things approved from the Provincial and District Cooperative Commissioners. Thus, agribusiness point of view, this act as a barrier and should have an own control system to achieve self-reliance state. One of the senior factory officer expressed:

"Our humidifiers in the rolling room are old. We have prepared the documents to purchase a similar one which we already have in our Allan Valley Factory and sent to the relevant authority, now three months have gone, but so far, we have not received the approval. Also, we have been trying to purchase colour separator for more than two years. These two things greatly determine the quality of our end product. We are really affected by the red tape in the public sector". (Senior Factory Officials)

During the discussions, few respondents mentioned their concerns about political influences in relation to decision-making. However, authorities claimed that such stereotypic perceptions have no grounds. However, if the cooperative can function as an independent organization (unless it has a strong relationship with the government), potential political interference can be minimized.

In this study, the members' general attitudes towards the overall picture of the organization, benefits, and services offered by the organization were also assessed based on their responses. Accordingly, all the members interviewed strongly believed that cooperative activities have affected their lives positively. However, it was observed that every one of the members had not perceived themselves as a shareholder or owners. This may be due to existed communication gap and power distance between Top-level (Board of Directors/Management) and bottom level (ordinary members), and authors believe that ZCs can be used to fill this gap. A feeling of inclusion or belongingness is a vital aspect of the progression of an organization.

CONCLUSIONS

Morawak Korale Tea Producer Cooperative Society can be considered as one of the successful FBO in the tea sector in Sri Lanka. Despite some deficiencies and limitations, the cooperative provides a fair service in marketing the products of its members. Even in a challenging socio-economic context, the cooperative has been able to make a profit. part of this profit is transferred to members as bonuses, welfare and services and that provide a rational basis for keeping members with the cooperative. Overall, the production support system such as supplying of inputs and credit also operate appreciably. To a certain extent, extension service is also able to add some value to the system but need to improve in certain clusters. Due to structural issues and lack of legitimate power, zonal committees are unable to perform a significant role in this system. The management is unable to link the ordinary members to the cooperative through the zonal committees. Moreover, MKTPCS loses the self-reliance state

due to the context of compliance with the certain regulations in the cooperative act. Despite some imperfections, in the overall assessment, it appears that Morawak Korale Tea Producers' Cooperative Society provides a sensible service to the members as a FBO and the members strongly believed that the MKTPCS has positively impacted their lives. These findings may also be useful in improving the quality of TSDS

The present structure should be changed into the two-tiered federated structure with the decentralization of power into Zonal Committees. 'Hiring Centres' equipped with essential machineries and other capital resources should be established for the benefit of members. Members need to be categorized based on innovativeness and loyalty and develop a service delivery system. The product should be diversified in order to provide the maximum benefit to the members.

The present study examined the status of MKTPCS using two dimensions. These dimensions consist of positive factors (various functions performed by well-established FBOs) and negative factors of success. (Reasons for failure). Through these dimensions, MKTPCS was identified as a relatively successful farmer organization. These findings provide some evidence that the social enterprise approach can be applied to tea sector farmers' organizations. When it comes to Sri Lankan tea industry, over 260,000 of Sri Lankan tea smallholders are organized into over 1300 TSDS (Obeysekara, 2009). The studies so far done indicates that the majority of these TSDS are not at a satisfactory level (Bandula *et al.*, 2016; Mahindapala *et al.*, 2020). Authors believe that findings of this study have provided greater insights for policymakers to think about what direction they should need to focus when an attempt to develop the TSDS. However, it is necessary to further investigate the real context of TSDS and see whether these outcomes fit into that context.

ACKNOWLEDGEMENT

Authors acknowledge the Head TRI Deniyaya Station for coordinating the data collection and Management of the *Morawak Korale Tea Producers' Cooperative Society* for helping the study.

REFERENCES

- Amarasinghe, O. and Bavnick, M. (2011). Building Resilience: Fisheries Cooperatives in Southern Sri Lanka, In book: Poverty Mosaics: Realities and Prospects in Small-Scale Fisheries pp.383-406, Springer Science + Business.
- Balasooriya B.M.C.P. (2017). Agricultural Mechanization: Status, Challenges and Opportunities in Sri Lanka, pp. 229-248. Gurung, T.R., Kabir, W., and Bokhtiar, S.M. (ed.), Mechanisation for Sustainable Agricultural Intensification in SAARC. Region. SAARC Agriculture Centre, Dhaka, Bangladesh.
- Bandula, G.G., Abeywickrama, L.M., and De Zoysa, M. (2016). Tea smallholders' perceptions and experience with tea smallholdings development societies

- (TSHDS) in Matara district of Sri Lanka. *Trop. Agric. Res. Ext.* 19 (2), 222-227.
- Birchall, J. (2004). *Cooperatives and the Millennium Development Goals*, International Labour Office, Geneva.
- Bryman, A. (2012) *Social Research Methods*. Oxford University Press, p. 416-428.
- Colaizzi, P. (1978). Psychological Research as the Phenomenologists views it. In: Valle RS, King M (Ed) *existential phenomenological alternatives for psychology*. New York Oxford University Press, pp.48-71.
- CPDA, (2008). *Report on Research on the Small-Scale Tea Sector in Kenya*. Centre for Research on Multinational Corporations (SOMO). Retrieved from [http://somo.nl/publications-en/Publication 3097](http://somo.nl/publications-en/Publication%203097), (Accessed on 17th January 2020).
- Dees, J.G. (1998). The meaning of “social entrepreneurship”, available at <http://www.fuqua.duke.edu>, (Accessed on 24th November 2020).
- Esham, M. (2012). *Lessons for Farmer Based Organizations (FBO) in Sri Lanka: Experiences from Agricultural Cooperatives (JA) in Japan* pp. 316-335. Karunaratne, H. D A (Ed) *Journey in harmony sixty years of Japan - Sri Lanka Relations*, University of Colombo and JAGAAS.
- Esham, M. and Kobayashi, H. (2013). *farmer companies in Sri Lanka: Lesson from agriculture cooperatives in Japan*. *Millennial Asia*, 4 (2), 117-133.
- Esham, M. and Usami, K. (2007). *Evaluating the performance of farmer companies in Sri Lanka: A case study of Ridi Bendi Ela farmer company*. *J. Agric. Sci.* 3(2), 86-100.
- Grieco, C., Michelini, L., and Iasevoli, G. (2015). *Measuring value creation in social enterprises: A cluster analysis of social impact assessment models*. *Non-profit Volunt. Sect. Q.* 44(6), 1173-1193.
- Gunn, C. E. (2004). *Third-Sector development: Making up for the market*. Ithaca, NY: Cornell University Press.
- International Cooperative Alliance (1995). *Statement on the Cooperative Identity, Report to the 31st Congress Manchester, in Review of International Cooperation*, 88(3), Accessed on 10th April 2020.
- Kazuhito, Y. (2013). *Understand the Japan Agriculture Cooperatives, Politics Economy*, available on <http://nippon.com>. visited on 14 January 2020.
- Mahindapala, K.G.J.P., Jayathilaka, M.W.A.P., Jayawardane, L.N.A.C., Kopyawattage, K.P.P. and De Mel, M.P.M. (2020) *Role and Capacity of Tea Societies in the Smallholding Sector in Sri Lanka: An Assessment Based on the Perceptions of Extension Officers*. *Trop. Agric. Res.* 31(1), 43-55.
- Manikutty, S. (2002). *Gujarat Co-operative Milk Marketing Federation Ltd. (GCMMF)*, *Asian Case Res. J.* 6(2), 205-239
- Matchaya, G.C. (2010). *Cooperative patronage: The National Smallholder Farmers' Association of Malawi in Kasungu*. *Dev. South. Afr.* 27(3),397-412.
- Mort, G.S., Weerawardena, J. and Carnegie, K. (2003). *Social entrepreneurship: towards conceptualisation*. *Int. J. Nonprofit Volunt. Sect. Mark.* 8(3), 76–88.
- NARA (2008). *Sri Lanka Fisheries Yearbook 2008*, National Aquatic Resource Research and Development Agency, Colombo.

- Obeyssekera K.G.B., (2009). Agriculture extension in the tea smallholding sector in Sri Lanka Proceedings of Agriculture Extension conference, 2009, Civayoganadan, C (ed.), Published by Sri Lanka Agriculture Extension Association pp. 160-181.
- Rajaratna, A.R., (2007). Roles and Effectiveness of Agricultural Cooperatives in Japan, with Special Emphasis on Organized Farm Activities, *J. Dev. Sustain. Agric.* 2, 192-198.
- Senanayake, M.S., (2002). What is Ailing Farmer Companies of Sri Lanka in their Transformation into Successful Business Entities? Overview of Policy Issues, Paper presented at the 3rd International Conference of the Japan Economic Policy Association at Meiji University, Japan, available on <http://jepa-hq.com/ic/IC2004/abstract/52%20Senanayake-abst.pdf>, Accessed on 17th Feb. 2020.
- Strauss, A. and Corbin, J.M. (1990). *Basic of Qualitative Research: Grounded Theory Procedures and Techniques*, Newbury Park, Sage Publications, Inc.
- Trebbin, A. (2014). Linking small farmers to modern retail through producer organizations- Experiences with producer companies in India. *Food Policy*, 45, 35-54.
- Trebbin, A. and Hassler, M. (2012), Farmers' producer companies in India: A new concept for collective action? *Environ. Plan. A*, 44(2), 411-427.
- Wanigasundera W.A.D.P. (2015). Status of Extension & Advisory Services in Sri Lanka: Working Paper 2015-001, Published by Agricultural Extension in South Asia.