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Awareness towards Action: Legal Awareness and Governance Capability as Antecedent of Entrepreneurial Risk-Taking in Farmer Producer Organizations

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Abstract:

Though entrepreneurial risk-taking is perceived as the behavioural essence of entrepreneurship, in collective agrarian enterprises like Farmer Producer Organizations (FPOs), it does not appear in isolation but is shaped by the institutional framework of the members and the FPO board. This paper shifts the legal and regulatory awareness and governance capacity from being compliance-oriented organisational characteristics to institutional determinants that influence the FPOs willingness to take a calculated risk in their business operations. With a structured questionnaire, 75 respondents related to FPOs are covered, with the help of which four constructs are captured, namely Legal and Regulatory Awareness (LRA), Regulatory Compliance Capability (RCC), Governance Capability (GC) and Collective Entrepreneurial Performance (CEP), of which entrepreneurial risk-taking is treated as a separate indicator in CEP. Descriptive statistics (mean, standard deviation, coefficient of variance, agreement percentage and index scores) indicate that, although LRA (Index = 73.0%), GC (73.4%) and overall CEP (73.8%) are rated positively, the specific item measuring willingness to take calculated risks scores comparatively lower (Mean = 3.52; Agreement = 57.3%) than five of the six CEP indicators and RCC records the weakest construct-level score overall (71.8%). The patterning observed here is suggestive evidence, not statistical proof, that institutional readiness (knowledge of, a sense of governance) lags behind the ability to act entrepreneurially on the risk, and that less than optimal compliance capability could possibly constrain risk appetite. The paper proposes a conceptual model that connects LRA and GC to entrepreneurial risk-taking, where RCC is a boundary condition, and provides correlational and regression analyses testing for these relationships that could be conducted by an additional study using respondent level data. In addition to measures for compliance, it is recommended that legal-awareness programmes and governance capacity-building serve as levers to enable FPOs to take calculated risks, which collective entrepreneurship entails.

Keywords: Farmer Producer Organizations; legal awareness; governance capability; regulatory compliance; entrepreneurial risk-taking; collective entrepreneurship.

1.Introduction

Risk-taking is at the core of entrepreneurship, defined this way because it captures the willingness to commit resources to an uncertain course of action for value creation purposes. In an individually owned business, this willingness is a matter of personal disposition and investment. In a collective enterprise like a Farmer Producer Organization (FPO) however, risk-taking runs through a layer of institutional filtration. For an FPO to be willing to take a risk, a board must be willing to authorise it, a governance process must be trusted to manage its consequences and members of the FPO must believe that the organisation can meet its legal and regulatory obligations if the risky initiative proves unviable.

Legal and regulatory awareness and governance capability act as institutional antecedents of entrepreneurial risk-taking in FPOs because an organisation that understands its legal position and the ramifications of non-compliance with statutory standards is arguably better placed to decide between a calculated and an out-and-out reckless risk. An institution with transparent, accountable governance processes is also better placed to authorise, monitor and, if necessary, unwind a risky initiative. Weakness in regulatory compliance capability, the practical ability to act

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on what is known, may leave a board wary of the additional regulatory exposure that a risky business activity will entail, tempering risk appetite even when legal awareness is reasonably strong.

Existing FPO literature has documented governance gaps, compliance shortfalls and constrained entrepreneurial behaviour as largely separate, independently reported problems (see Section 3). What has been under-examined is that these may be causally interlinked in that the legal and governance condition of an FPO shapes its members' willingness to take entrepreneurial risk. This study uses primary survey data gathered across four constructs – Legal and Regulatory Awareness (LRA), Regulatory Compliance Capability (RCC), Governance Capability (GC) and Collective Entrepreneurial Performance (CEP) – to investigate this descriptively, isolating the risk-taking item within CEP to closer attention and propose a conceptual model for future confirmatory testing.

2. Objectives

- To assess the level of Legal and Regulatory Awareness and Regulatory Compliance Capability among respondents associated with FPOs.
- To assess the Governance Capability of FPOs.
- To specifically examine entrepreneurial risk-taking propensity among FPO members and to position it relative to other indicators of Collective Entrepreneurial Performance.
- To explore, on a descriptive basis, the association between legal/governance capability and entrepreneurial risk-taking, and to propose a conceptual model for future confirmatory (correlational or regression-based) research.

3. Conceptual Background & Prepositions

3.1 Legal and Regulatory Awareness as a Precondition for Risk-Taking

Legal and regulatory awareness refers to the understanding of responsibilities, requirements, and consequences that are applicable to an actor's role. In a collective enterprise, this awareness reduces the ambiguity surrounding a new or expanded business activity — a board that understands the regulatory perimeter of its FPO is better placed to evaluate which opportunities fall within acceptable risk and which carry disproportionate legal exposure. Low awareness can lead to risk aversion, in cases where actors choose to refrain from new opportunities due not to a considered assessment of commercial risks and legal liabilities, but uncertainty in the latter area.

Proposition 1 (P1): Higher Legal and Regulatory Awareness is associated with a greater willingness among FPOs to take calculated entrepreneurial risks.

3.2 Governance Capability as an Enabler or Risk-Taker

Governance capability - a transparent decision-making process, clearly defined roles, member participation, monitoring and problem-resolution capabilities - provides the machinery by which a risk decision is authorised, executed and reviewed. Boards operating within accountable governance structures may be more willing to sanction new ventures because the structures themselves provide a mechanism for managing and containing downside outcomes.

Proposition 2 (P2): Higher Governance Capability is associated with a greater willingness of FPOs to take calculated entrepreneurial risks.

3.3 Regulatory Compliance Capability as a Boundary Condition

The third proposition relates to a capability distinct from LRA in which the knowledge of requirements is applied – record-keeping, timely completion of statutory requirements and professional support – rather than knowledge. It is in fact plausible that this capability limits, rather than facilitates, risk-taking in the short-run: an FPO which has awareness of its obligations (high LRA) but is poorly prepared to undertake new obligations arising from expanded activity (low RCC) may be expected to take a cautious view of taking on additional risk as doing so adds to its compliance burden without adding to its ability to comply.

Proposition 3 (P3): Weak regulatory compliance capability moderates (damps) the positive relationship between legal/governance capability and entrepreneurial risk-taking.

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The related literature provides plausibility for these propositions, without directly testing them in the FPO context. Governance structures have been characterized as a risk-management tool in collective agricultural enterprises, since clear organising documents and decision-making processes reduce legal disagreement and create predictability around authorised action. Recent Indian evidence on FPO boards similarly reports a lack of procedural compliance or practical governance skill despite formal awareness of governance obligations, suggesting the same awareness-capability gap as this paper treats as a boundary condition on risk-taking.

A behavioural-determinants review of FPO members also finds that risk-bearing ability relates to several other socio-psychological factors affecting entrepreneurial functioning, in addition to governance and institutional constraints, lending further support to the view that risk-taking is a dimension of collective entrepreneurial performance that needs to be measured separately from the composite score.

4. Research Methodology

This study used a descriptive/exploratory research design to describe sources of patterns of Legal and Regulatory Awareness (LRA), Regulatory Compliance Capability (RCC), Governance Capability (GC), and Collective Entrepreneurial Performance (CEP) including entrepreneurial risk-taking without testing an inferential hypothesis-testing premise. Primary data were collected with a structured questionnaire with the four constructs measured at a five-point Likert scale. A total of 75 respondents (active members, board members, managers, staff and cadres) were selected from the FPOs. To describe the profiles of the respondents and the FPOs, frequencies and percentages were used, while for the analysis of central tendency and dispersion, the study used mean and Standard Deviation (SD). The responses were compared in terms of relative consistency across the items using the Coefficient of Variation (CV), and were expressed in terms of level of agreement using the percentage of respondents who agreed or strongly agreed, as well as an index score which was expressed on a 100 point scale. The CV was obtained by dividing SD by the Mean and multiplying by 100 to get percentage scores, and the Index Score was done by dividing the Mean by 5 and multiplying by 100 to get a percentage Index Score.

5. Result & Analysis

5.1. Respondent and FPO Profile

Variable	Category	Frequency	Percentage
Role in FPO	Chairman/Chairperson	8	10.7
	Director/Board Member	15	20.0
	CEO/Manager	7	9.3
	Employee/Staff	15	20.0
	Active Member	27	36.0
	Other	3	4.0
Period of association	Less than 1 year	8	10.7
	1–3 years	26	34.7
	4–6 years	24	32.0
	More than 6 years	17	22.7
	Less than 3 years	15	20.0

Age of FPO	3–5 years	27	36.0
	6–10 years	22	29.3
	More than 10 years	11	14.6
Membership size	Below 100	9	12.0
	100–300	27	36.0
	301–500	24	32.0
	More than 500	15	20.0
Main activity	Input supply	12	16.0
	Collective marketing	18	24.0
	Procurement	8	10.7
	Processing and value addition	11	14.7
	Export activities	3	4.0
	Multiple activities	20	26.7
	Other	3	4.0

The respondents who are active members (36.0%) dominate the sample. The farmers were mostly engaged with the FPO for 1-3 years (34.7%) and the FPOs aged between 3-5 years were represented by 36.0% of the farmers. The largest share (36.0%) was of FPOs with membership ranging from 100–300 members. The most common main activities reported were multiple activities (26.7%) and collective marketing (24.0%).

5.2. Item-wise Descriptive Analysis

Item	**Mean**	**SD**	**CV**	**Agreement %**
Legal & Regulatory Awareness				
1. I am aware of the major laws and regulations applicable to our FPO.	3.76	0.98	26.1%	68.0%
2. I understand the legal responsibilities associated with my role in the FPO.	3.73	0.97	26.0%	65.3%
3. Members of our FPO are adequately informed about important legal and regulatory requirements.	3.48	1.08	31.0%	56.0%
4. Our FPO receives sufficient guidance regarding changes in relevant laws and regulations.	3.39	1.11	32.7%	53.3%

5. I am aware of the consequences of non-compliance with applicable legal requirements.	3.88	1.01	26.0%	72.0%
Regulatory Compliance Capability				
1. Our FPO has clear procedures for complying with statutory and regulatory requirements.	3.65	1.05	28.8%	64.0%
2. Our FPO properly maintains the records and documents required by law.	3.75	0.99	26.4%	68.0%
3. Our FPO completes important statutory and regulatory requirements on time.	3.52	1.07	30.4%	58.7%
4. Our FPO can obtain professional or institutional support when regulatory issues arise.	3.40	1.12	32.9%	53.3%
5. Regulatory and statutory requirements are regularly monitored by responsible persons in our FPO.	3.63	1.04	28.7%	62.7%
Governance Capability				
1. Important decisions in our FPO are made through transparent procedures.	3.75	1.02	27.2%	68.0%
2. The board or management clearly communicates important decisions to members.	3.63	1.06	29.2%	62.7%
3. Roles and responsibilities within our FPO are clearly defined.	3.79	0.98	25.9%	70.7%
4. Members have adequate opportunities to participate in important organizational decisions.	3.51	1.10	31.3%	57.3%
5. Our FPO has effective systems for accountability and monitoring.	3.64	1.05	28.8%	62.7%
6. The board or management effectively resolves organizational problems.	3.69	1.03	27.9%	65.3%
Collective Entrepreneurial Performance (incl. Entrepreneurial Risk-Taking)				
1. Our FPO actively identifies new business opportunities.	3.72	1.03	27.7%	66.7%
2. Our FPO introduces new products, services, or business activities.	3.56	1.08	30.3%	60.0%
3. Our FPO is willing to take calculated risks when pursuing new business opportunities. (Entrepreneurial Risk-Taking)	3.52	1.08	30.7%	57.3%

4. Our FPO has improved its ability to create value for its members.	3.80	1.02	26.8%	69.3%
5. Our FPO has improved its market and business opportunities in recent years.	3.60	1.07	29.7%	61.3%
6. Our FPO can collectively pursue growth opportunities that individual members cannot easily pursue alone.	3.92	0.95	24.2%	74.7%

The item "Our FPO can collectively pursue growth opportunities that individual members cannot easily pursue alone" was the highest mean of all items (3.92) and highest agreement percentage (74.7%) among all survey items in Collective Entrepreneurial Performance. In contrast, the item measuring entrepreneurial risk-taking had the second lowest mean score of all six CEP items (3.52), and the second lowest agreement percentage (57.3%). The lowest agreement percentages overall were obtained in the external, practical support areas 'Our FPO receives sufficient guidance regarding changes in relevant laws and regulations' (LRA: 53.3%) and 'When issues with regulations arise, our FPO can obtain professional or institutional support' (RCC: 53.3%).

5.3. Construct- wise Analysis

Construct	**Mean**	**SD**	**CV**	**Agreement %**	**Interpretation**
Legal and Regulatory Awareness	3.65	1.03	28.2%	61.0%	Moderate–High
Regulatory Compliance Capability	3.59	1.05	29.2%	61.3%	Moderate
Governance Capability	3.67	1.04	28.3%	64.5%	High
Collective Entrepreneurial Performance	3.69	1.04	28.2%	65.0%	High

Collective Entrepreneurial Performance got the highest construct mean (3.69) followed by Governance Capability (3.67) and Legal and Regulatory Awareness (3.65). The lowest construct mean was from Regulatory Compliance Capability (3.59), which is consistent with the item analysis finding that the extent to which compliance activities are actually undertaken under external agency guidance has less impact on awareness and internal governance processes than suggested.

5.4. Construct Index Analysis

Construct	**Mean**	**Index Score (out of 100)**
Legal and Regulatory Awareness	3.65	73.0%
Regulatory Compliance Capability	3.59	71.8%
Governance Capability	3.67	73.4%

Collective Entrepreneurial Performance	3.69	73.8%

Index scores range narrowly from 71.8% (RCC) to 73.8% (CEP), finding a generally positive but tightly bunched evaluation across all four dimensions

6. Discussion

The descriptive results are broadly positive across all four constructs, with every construct mean above the neutral midpoint and every index score above 70%. To read through the lens of this paper's propositions, though, three points deserve note.

Firstly, Legal and Regulatory Awareness is comparatively strong on internally-held knowledge (e.g. awareness of the consequences of non-compliances, mean 3.88) but weak on externally-supplied, ongoing guidance (mean 3.39 for guidance on regulatory change). This is consistent with P1 in a qualified sense: awareness supports a generally positive entrepreneurial climate, but the specific sub-component most plausibly connected to confident risk-taking — up-to-date guidance — is the weakest item of LRA.

Secondly, Governance Capability's strongest sub-dimension is clarity of roles and responsibilities (mean 3.79), while member participation in decisions is comparatively weak (mean 3.51). Since P2 links governance to risk-taking specifically through the confidence that authorised risk will be well-managed, a governance profile that is strong on role clarity but weak on participative decision-making may support the authorisation of risk better than it supports general buy-in for that risk.

Thirdly, and most directly relevant to P3, Regulatory Compliance Capability is the weakest construct overall, and its weakest item — obtaining professional or institutional support when regulatory issues arise (mean 3.40) — sits in the same range as the risk-taking item itself (mean 3.52). This proximity is consistent with, though it does not statistically establish, the proposition that limited practical compliance support acts as a brake on entrepreneurial risk-taking: boards that are unsure they could resolve a regulatory complication arising from a new venture may reasonably be cautious about taking it on.

Collective Entrepreneurial Performance as a whole remains the strongest-performing construct, driven by the very high score for collective opportunity pursuit (3.92) — the aspect of entrepreneurship that relies most on the value of acting together and least on individual risk exposure. This in itself is informative: FPO members are more confident about the collective-action benefits of their organisation than about its willingness to take on individual entrepreneurial risk, a nuance that a composite CEP score would mask.

7. Future Implications

7.1. Managerial implication

Boards and management should appreciate that while building legal awareness and governance structure is necessary, this alone may not be sufficient to unlock entrepreneurial risk-taking. Targeted measures — pre-arranged access to professional or institutional support before a new venture is undertaken and explicit board-level risk-authorisation protocols — could enable existing legal and governance capacity to be transformed into increased willingness to pursue calculated risk.

7.2 Policy implication

FPO-promoting agencies and support institutions may wish to design interventions that explicitly tie legal/regulatory guidance and governance capacity-building to risk-taking outcomes, rather than treating compliance training and entrepreneurship promotion as separate tracks. Given that professional/institutional support access was rated the weakest item in the RCC construct, low-cost, on-call legal and regulatory advisory mechanisms for FPOs may have a disproportionate effect on entrepreneurial risk appetite compared to their cost.

8. Conclusion

This study repositions legal and regulatory awareness and governance capability as institutional antecedents of entrepreneurial risk-taking in Farmer Producer Organizations, rather than as free-standing compliance attributes. Descriptive analysis of survey data from 75 FPO-associated respondents shows that while LRA, GC and overall CEP are all rated positively, entrepreneurial risk-taking specifically lags behind other CEP indicators and tracks closely with the weakest institutional construct, Regulatory Compliance Capability. This pattern is consistent with, but not proof of, the paper's central proposition: that institutional readiness in law and governance does not automatically translate into entrepreneurial risk-taking, and that practical compliance capacity may be the binding constraint. Strengthening legal guidance, participatory governance and — in particular — accessible professional compliance support are identified as levers through which FPOs might transform existing institutional strength into increased entrepreneurial risk appetite.

9. Limitations of research

The findings of this research are exploratory and are based on a sample of 75 respondents and aggregate (construct-level) descriptive statistics. More importantly however, the relationships suggested in this paper between LRA, GC and RCC with entrepreneurial risk-taking (P1–P3) can be described only descriptively at the mean level and the level of agreement percentage; the design cannot establish correlations, causation or statistical significance. The propositions would have to be tested at the respondent level (unit) in order to be confirmed by correlational analysis or multiple regression or structural equation modelling, with RCC as moderator. Future studies should also utilize larger, more geographically representative samples, and objective measures of entrepreneurial risk-taking, as opposed to perceived measures, including actual cases of new venture creation or capital outlay by FPOs.

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