

Sustainable Growth of Rural Agricultural Market : The Case study on e-Choupal

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Introduction to ITC:

ITC Limited is a diversified firm with businesses straddling FMCG, Personal Care, Comprising Foods, Education & Stationery Products, Branded Apparel, Incense Sticks, Cigarettes and Cigars, Safety Matches; Hotels, Paperboards and Packaging, Information Technology and Agri Business Established in 1910. The firm was built on August 24, 1910 under the name Imperial Tobacco Company of India Limited and with the time the Company's ownership progressively *Indianized*, the name of the Company was changed to India Tobacco Company Limited in 1970 and further to I.T.C. Limited in 1974. As the ITC's multi-business portfolio encircling a wide range of businesses, the full stops in the Company's name were removed and now it stands as an 'TTC Limited' from September 18, 2001.

In 1990, ITC set up the **Agri Business Division** for export of agri-commodities to leverage its agri-sourcing competency. This Agri Business Division is today one of India's major exporters. ITC's inimitable and widely recognized e-Choupal initiative has begun in 2000 with soya farmers in Madhya Pradesh. This initiative now comprises about 6,100 kiosks installations covering over 35,000 villages and serving over 4 million farmers of 10 states (Madhya Pradesh, Haryana, Uttarakhand, Uttar Pradesh, Rajasthan, Karnataka, Kerala, Maharashtra, Andhra Pradesh and Tamil Nadu). In 2005-06, ITC's Choupal Pradarshan Khet (CPK) or demonstration plots launched to lend a hand to farmers for enhancing the farm productivity to cover a wide range of crop portfolio including bajra, cotton, gram, maize, soya, potato paddy, wheat, sunflower and mustard. Over the years, ITC has adopted 83,388 numbers of CPKs covering 4.4 Lakh acres under crop development project, in approximately 5,000 villages benefiting more than 10 Lakh farmers.

e-Choupal:

ITC's Agri Business division has conceived e-Choupal as a more competent supply chain intended for delivering value to its customers around the world on a sustainable basis. The e-Choupal model has been specifically designed to attempt the challenges caused by the exceptional features of Indian agriculture, characterized by fragmented farms, poor infrastructure and the contribution of numerous intermediaries, among others.

'e-Choupal' also unchains the potential of Indian farmer who has been trapped in a vicious cycle of low risk-taking ability - low investment - low productivity - weak market orientation -low value addition -low margin - low risk-taking ability. This cycle made them and Indian agribusiness sector globally uncompetitive, despite affluent & plentiful natural assets. Such a market-led business model has enhanced the competitiveness of Indian agriculture Further, a growth in rural incomes also unleashed the latent demand for industrial goods so necessary for the continued growth of the Indian economy. This will create another virtuous cycle propelling the economy into a higher growth trajectory.

The Model in Action for e-Choupal

'e-Choupal' leverages IT to virtually bunch all the value chain members, to deliver the equal benefits as vertical integration does in mature agricultural economies like the USA. 'e-Choupal' has utilized the physical transmission capabilities of current intermediaries - aggregation, logistics, counter-party risk, and bridge financing -while disintermediation of them from the chain of information flow and market signals.

With a cautious blend of click & mortar capabilities, village internet kiosks handled by farmers - called Sanchalaks - themselves, provide an access ready information in their local language on the weather & market prices to the agricultural community, publicize the knowledge on scientific farm practices & risk management, assist the sale of farm inputs and purchase farm produce products from the farmers' doorsteps. The real-time and customized information provided by e-Choupal improves the capability of farmers to make decisions and support their farm outputs with market demand and secure quality and productivity. As a direct marketing channel, the virtually linked 'Mandi' system gives access to the farmers for their high-quality inputs from the reputed vendors/manufacturers at the fair prices by this e-Choupal removes the inefficient intermediaries which notably reduces the transaction costs. e-Choupal also guarantees world-class quality in distributing all these goods & services through several product / service specific partnerships with the leaders in the respective fields, in addition to ITC's own expertise.

Purpose of e-Choupal

ITC is casting its nets wide in search of creating and leveraging an electronic marketplace and ultimately it came from the brainstorming session done by senior executives of ITC-IBD. ITC believes in using a business model that does extra ordinary things to society and helps in changing the standard of living of stakeholders as well as add value to the shareholder wealth. They also believed that to cater the needs of the Indian rural market opportunity, and to reach across a wide range in rural India, the top management must understand and unleash the power of the small-scale entrepreneur in village communities. The project was start off with the objective of achieving a win-win situation for both farmers and the company. So, on the one hand more profits and larger share of commodity exports were ensured for the company and on the other hand farmers realized better prices for their products and improved the productivity of their farms. The e-Choupal model has been specifically designed to hoist the challenges posed by the distinctive features of Indian agriculture, characterized by dissolved farms, vulnerable infrastructure, and the involvement of plethora of intermediaries, who hinder critical market information from passing to the farmers and use that information for getting a lucrative margin for themselves. The e-Choupal system comes from bridging the information and service gap of rural India. e-Choupal wants to improve the farmer's decision-making ability, thereby helping them to better match their output to Indian and International markets. e-Choupal aims to provide rural people a hands-on experience to specific real time information and customized knowledge to rural people in their native language. The incomparable point of launching e-Choupal is about ensuring the work is being executed properly and that means reason for its implementation are adequate and appropriate.

Benefits of e-Choupal to Farmers:

Higher profit margin: The local middlemen are exploiting the farmers by buying their product at fewer prices. When farmers were selling their crops through e-Choupal then farmers can get fair price f Higher profit margin: The local middlemen are exploiting the farmers by buying their product at fewer prices. When farmers were selling their crops through e-Choupal then farmers can get fair price for their crop and get better profit margin.

Improvement in productivity: e-Choupal helps farmers for obtaining information about improved seeds and advanced farm technology which results in improving the farm productivity.

Empowering local people: The e-Choupal portal has been operated by educated farmers of a particular village. The operator who is known as “Sanchalak” has been trained by ITC and he is receiving commission on every transaction made through e-Choupal.

Improving crop quality: Use of improved seeds and advanced farm technology results in improvement of crop quality. The e-Choupal links farmers with rest of the world and they are receiving information about new farm technology.

Direct procurement: e-Choupal is directly procuring material farmers and benefitting them by Faster processing time, prompt payment, Weighing through electronic machine.

Social gathering place for exchange of information: Market is place where buyer and seller come together in same way e-Choupal serves as an e-commerce portal which enables farmers for Social gathering place for exchange of information. It connects rural to the rest part of the world and takes it out of isolation.or their crop and get better profit margin.

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Challenges of e-Choupal:

Although e-Choupal helps eliminate the middleman and therefore allows farmers to get a better price for what they grow, it does nothing to solve the more fundamental problem of the inherent inefficiencies created by so many tiny farms. In addition, it relies on infrastructure, which is often lacking in rural communities. Electricity

and telecommunication services can sometimes be less than 100 percent reliable in some of the places where e-Choupal has been implemented. Finally, although there is no longer a middleman, e-Choupal can be no more effective than the sanchalak (coordinator) in each community.

The way forward:

Based on study of challenges, there is a better hope for revival of e-Choupal if following measures are being taken into consideration.

1. Internet connectivity in rural areas of the country through fiber optics

As per Government of India's directives under Digital India to penetrate broadband internet connectivity, government is trying to provide fiber optica network for better connectivity under BharatNet project in to nearly 2.5 lakhs gram panchayats in the country. The project started way back in 2011 and till January 2020 1.34 Lakhs GPs are already connected by BharatNet. Honorable Prime Minister Shri Narendra Modi has announced on August 15, 2020 to connect 6 lakhs GPs of India through fiber optics in coming 1000 days. It can be consider as overcoming of barriers to implement e-Choupal in India. if the said project completed within deadline than e-Choupal will be accessible in a wide reach to the farmers of even remote areas.

2. Uninterrupted availability of electricity in rural areas

As per announcement made by government 100% electrification of inhabited villages in India has been completed. Major challenge for e-Choupal is availability of electricity in the rural areas; if small villages also connected through the facility of electricity, the execution of e-Choupal will be effective. It will Increase participation from farmers to sell its crop through e-Choupal.

3. Betterment in accessibility of e-Choupal through Mobile

The smart phone penetration in rural area has been increased drastically in last 5 years. In addition to that cost of using internet through mobile has been decreased which results in rising people connected via internet. In recent time mobile telecommunication pervades all most every one's needs to get connected for every requirement. If e-Choupal will be accessible through Mobile will serve the purpose of e-Chupal to reach to every farmer.

4. Diversion of e-Choupal from Big to Small or Marginal farmers

It is fact that majority of the benefits of e-Choupal's services had been received by generally well-off and more knowledgeable farmers and, somehow small/marginal farmers left behind in knowing, accessing and fetching the benefits provided by e-Choupal. The numbers of small and marginal farmers in India are increasing due to land fragmentation. Hence the focus of business model is required to be shifted from farmers with large land holding to small and marginal farmers to increases the business in terms of revenue and number of beneficiaries.

5. Enable the performance of supply chain through introduction of third-party logistics provider

In case of introduction of third-party logistics providers, e-Choupal can introduce the unique distribution service with the implementation of tags (which can track the product) till the consumption point. e-Choupal needs to provide the temperature-controlled warehouse where farmers can store their commodities for longer period of time. It also needs to introduce the unique selling place from where any company, retail store owner or customer can purchase the products they required.

6. Language barrier and quality assessment tool

e-Choupal is managed by Sanchalak, who has technical knowledge and required education. They control and access the e-Choupal and provide required information to the needy farmers. Instead, if e-Choupal will be launched through mobile app even in regional language can cover more need compare to current system. Even the quality assessment tools were decided/set by ITC, which was so limited to the company's requirement, how will they address the issues of those farmers who could not match with the company's standard? In this situation quality assessment tools should include and address all standards of quality even it should provide required information for the improvement of quality standard too.

7. Management Information system

The utilization of e-Choupal can be synergies by using the network of farmers connected. It requires to fetch the external data from the Indian Meteorological Department, Reserve Bank of India, NABARD and Internal data from the ITC website about availability of space in warehouse, buyers, price and crops to be grown based on market demand in future. The data and information gathered can be utilized for boosting the economic condition of farmers.

8. Feasibility of e-Choupal in Gujarat

According to the one report in 2017-18, There should be one APMC serves 80 Sq.Km. whereas it currently one APMC serving 496 Sq.Km. In Gujarat, we have 210 APMC in Gujarat which serves area of 1,96,000 Sq.Km. ITC e-Choupal can be launched by looking into the same problem and cater the needs of every farmer in each corner of Gujarat. Gujarat Government is also planning to connect 26 APMCs out of 210 APMC on one web portal. Government initiative can be integrated with the ITC E-choupal project for better reach and the feasibility can also be checked with the implementation of the same.

Key Notes:

Fiber optics network:

The Department of Telecommunications (DoT) has pushed the deadline for completing the gram panchayat (GP) internet connectivity scheme, BharatNet, by 17 months to August 2021. The current deadlines for the completion of phases one and two of the scheme was March 2020. The deadlines for the BharatNet project, which initially began as the National Optical Fibre Network in October 2011, have been pushed for the fifth time now. The

deadline was later pushed back by 24 months to December 2015. Between 2011 and 2014, barely any work was done as the government had managed to lay down only 350 km of optical fibre as against a target of 350,000 km. In 2018, the target for completion of BharatNet was pushed back by 12 months to March 2019, and later revised to March 2020. In correlation to e-Choupal, Internet connectivity network plays a huge role in the success or failure of the project. In the initial period, e-Choupal faced resilience due to the limited reach to the remote location. As per the statistics given in one article, few states like MP, UP, Bihar, W.B have only 30% internet subscribers. Out of the states mentioned above MP was pioneer in launching of e-Choupal.

Electrification (Meaning):

As per the Union power ministry's definition, a village is said to be electrified if at least 10% of the households in it have power connections and if electricity is provided in public places such as schools, panchayat offices, health centers and community centers. This is why even though 100% electrification of villages has been achieved, government data shows that as of today, there are still 31 million households without electricity. In states like Uttar Pradesh, Jharkhand, and Assam, fewer than 60% of households have electricity, even years after the Independence. In recent time 12 out of the 30 states, fewer than 80% of the households have been electrified.

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