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Impact of ITC's e – Choupal on Rural India – A Case Study

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"A quiet digital revolution is reshaping the lives of farmers in remote Indian villages.In these villages, farmers grow soyabeans, wheat and coffee in small plots of land, as they have for thousands of years. A typical village has no reliable electricity and has antiquated telephone lines. The farmers are largely illiterate and have never seen a computer. But farmers in these villages are conducting e-business through an initiative called e-Choupal, created by ITC, one of India's largest consumer product and agribusiness companies."

Mohanbir Sawhney, McCormick Tribune Professor of Technology, Kellogg School of Management, USA.

Concept OF e – Choupal

In year 2000 Kolkata based ITC's International Business Division Started E-Choupals to bypass the old mandi system and buy directly from farmers. ITC's International Business Division, one of India's largest exporters of agricultural commodities, has conceived e-Choupal as a more efficient supply chain aimed at delivering value to its customers around the world on a sustainable basis.

The Choupal is a Hindi word for village square where elders meet to discuss matters of importance. The letter "e" has brought in a computer with an internet connection for farmers to gather around and interact not among themselves but with people anywhere in the country and even beyond. ITC installs a computer with solar-charged batteries for power and a VSAT internet connection in selected villages. The computer functioning is free from the usual troubles of power and telecom facilities in rural areas. A local farmer called sanchalak (conducter) operates the computer on behalf of ITC (which is india's second largest exporter of agriculture products) but, exclusively for farmers.

The e-Choupal model has been specifically designed to tackle the challenges posed by the unique features of Indian agriculture, characterised by fragmented farms, weak infrastructure and the involvement of numerous intermediaries, among others. 'e-Choupal' also unshackles 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 made him and Indian agribusiness sector globally uncompetitive, despite rich & abundant natural resources.Such a market-led business model can enhance the competitiveness of Indian agriculture and trigger a virtuous cycle of higher productivity, higher incomes, enlarged capacity for farmer risk management, larger investments and higher quality and productivity. Further, a growth in rural incomes will also unleash 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.

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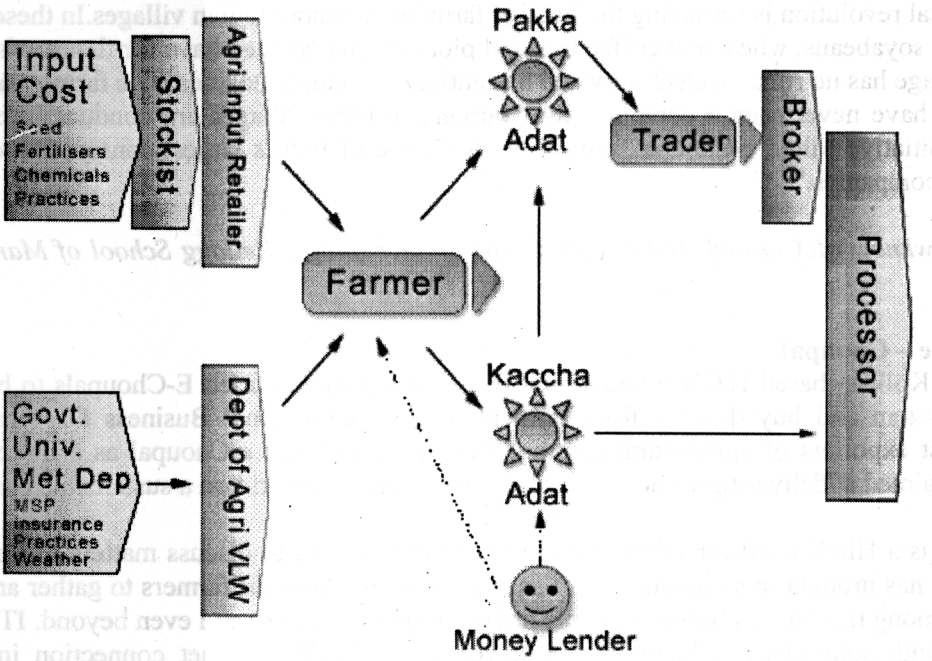
The value Chain – From Farm to Factory Gate



Source: www.echoupal.com

How e-Choupal Works

ITC set up a battery-powered internet enabled Pentinum desk top computer along with a printer. The itcibd.com portal carries the mandi prices across the state, which is fed in daily by each of the mandi commission agents who have joined the ITC as samyojaks. It also offers the prices that ITC hopes to buy at. The farmers, based on the information decide to sell to ITC or at mandi. Even when the prices offered by ITC are same or slightly less than the mandi prices, farmers prefer to sell to ITC because it offers a fair deal.

ITC appoints a lead farmer as the community leader for each choupal. He is known as Sanchalak. ITC invest Rs. 60,000 – 80,000 on the IT infrastructure, while the Sanchalak pays for the operations (telephone and power) and the local convassing. For the sale of produce, he earns a 0.5 percent commission. Samyojaks would get one percent commission. Samyojaks not only provide information to ITC about mandi prices but also aggregate produce from far- flung villages and bring it to ITC centre. For this, they get one percent commission.

ITC is also exploring to tap into the farm input market. It has tied up with Monsanto to sell seeds directly. It is now considering such tie up with other companies. ITC gets 2-3 percent commission whereas a sanchalak gets 2-3 percent commission and samyojaks receive around 1-3 percent depending on the product sold. The sanchalak and samyojaks collect orders from farmers and place them on companies.

Benefits of E-Choupal To Farmers

1 Mandis are croweded. It takes two days to dispose off the produce. The cost of bagging (Rs. 15 a tonne) the cost of transportation (Rs. 15 a tonne) and on loading and downloading (Rs. 3 per tonne) are to be borne by the farmers. In evaluating quality, agents throw a lot of produce away. The weighing is by a small tol kata (weighing

balance). At ITC, everything happens systematically and savings range between Rs. 400 to 500 a tonne for an average farmer.

2 ITC also provides information on weather, soil conditions, online diagnostics of pests and diseases, information on crop status across different districts and few advisory services, such as what fertilizers are best.

3 The e-Choupal site helps the farmer to discover the best price for their quality at the village itself.

4 Virtual helpdesks enable the farmer to find solution to his problems through online interactions.

Problems In Setting Echoupals

The problems encountered while setting up and managing these 'e-Choupals' are primarily of infrastructural inadequacies, including power supply, telecom connectivity and bandwidth, apart from challenge of imparting skills to the first time internet users in remote and inaccessible areas of rural India.

Future plans of ITC

ITC plans to e-empower 10 million farmers by covering one lakh more villages(Which is about one sixth of total Rural India) in 15 states of India by installing 20,000 e-Choupals and plans to channelise other services related to micro-credit, health and education through the same 'e-Choupal' infrastructure

Research Problem

Impact of ITC E-Choupal on Rural India

Objectives of the study

1 To study the farmers attitude towards ITC e-Choupal
2 To know the extent to which farmers are empowered by e-Choupal

Research Design

Though the primary objective of the study is to understand the attitude of farmers towards concept of ITC e-Choupal and its impact on rural India so, case study cum descriptive research design is most suitable. Descriptive research design is applied to the study to portray the characteristics of a group or individual as a situation. It includes surveys and fact finding enquiries of different kinds. The purpose of descriptive research is description of the state of affairs as it exists at present.

A sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting items from the sample. Since the population size is 3.5 million plus farmers across nine states (Madhya Pradesh, Haryana, Uttaranchal, Karnataka, Andhra Pradesh, Uttar Pradesh, Maharashtra, Rajasthan and Kerala).So, sample size for the study was taken as 100 respondents of two Indian villages where ITC operates E-Choupal.

In this study the researcher has adopted convenience sampling for farmers. Population of study includes all the farmers of two Indian villages where e-Choupal is operated by ITC.

Sources Of Data Collection

The research consists of the application of both primary and secondary data. Primary data was collected by administering questionnaire cum interview schedules to farmers. The secondary data was collected through websites and from various journals and magazines.

Major Findings/Conclusions

1 Most of the farmers uses e-Choupal to get information regarding weather forecast, price of various crops etc in the local language free of cost.

2 At present 6400 E-Choupal are transforming the lives of over 3.5 million farmers in 38,500 villages of nine states of India. Most of the farmers get information regarding farming methods specific to each crop and region and expert advice from agriculture universities free of cost.

3 It has been observed that by using ITC e-Choupal farmers' income rose by 15 to 40 percent.

4 Most of farmers use to sell their crops to ITC centres or the local markets after checking the prices on the Net.

5 In some of the villages this e-Choupal is used by many Non Government Organisations (NGOs) working for cattel breed improvement and water harvesting etc. Some women self-help groups are also reaching villages through e-Choupal.

6 Most of the farmers buy seeds, fertilizers, pesticides and host of other products and services ranging from cycles and tractors to insurance policies. Over 35 companies have become partner in e-Choupal to sell their product through this network.

Implications Of Findings And Suggestions

1 In country like India where majority of population depend on agriculture for their livelihood and farm productivity is below Global standard , such programs are transforming the lives of Farmers.

2 Such networks can be used for providing Health and Education services in six lakh plus Indian villages.

3 Products like tractors, seeds, insurance policies etc. can be sold by different companies using such networks.

4 Government may use such kind of network to spread awareness regarding its various development program among rural masses.

Limitations

1 Sample size is limited to 100 respondents in two Indian villages where e-Choupal is operated by ITC. The sample size may not adequately represent the nine states where this program is running.

2 As the sampling technique used is convenience sampling so, the sample may not give the exact replica of the universe.

3 The study is not conducted over an extended period of time, it is conducted over a period of 4 months. Hence it may be difficult to analyse impact of e-Choupal on Rural India.

Conclusion

India has a little over 630000 villages, each with average population of approx. 1200. A distinctive feature of rural India is a rather high population density with comparison to other parts of the world. The profile of livelihoods in India shows that agriculture and animal husbandry still remain the main sources of livelihood for rural communities. Farm productivity in India is below global standards. There is need to use biotechnology to improve quality of seeds as has been done in case of cotton and strengthen extension services to provide expert advice to farmers on what to grow and how. ITC's e- Choupal is the single largest information technology based intervention by corporate entity in rural India which is transforming the Indian farmer into a progressive

Knowledge seeking netizen. ITC's e – Choupal at present covers 38,500 villages of nine states of India. At present it has empowered 3.5 million farmers. This program of ITC provides the power of expert knowledge to even the smallest individual farmer. This program of ITC plans to covers 1,00,000 more villages spread over 15 states of India in next decade. It would help in empowering 10 million farmers through installation of 20,000 e – Choupals. The e – Choupal initiative also creates a direct marketing channel, eliminating wasteful intermediation and multiple handling, thus reducing transaction costs and making logistics efficient. Such programs helps agriculture and farmers in several ways who contributes 23 percent in India's GDP and employs 66 percent of the workforce. ITC e-choupal creatively leverages information technology to set up a meta-market in favour of India's small and poor farmers, who would otherwise continue to operate and transact in 'unevolved' markets. Free access to Internet is also opening windows of rural India to world at large. ITC e-Choupal is now being regarded as a reliable delivery mechanism for resource development initiatives.

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