

ITC'S E-CHOUPAL: A MARKETING STRATEGY FOR RURAL TRANSFORMATION - A CASE STUDY OF WARDHA DISTRICT, MAHARASHTRA

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This paper focus on increasing rural incomes through ICT led procurement is positioned as a way to unleash the latent demand for industrial and retail goods for fuelling the continued growth of the Indian economy. The economic development perspective lends weight for the creation of ecology the creation of ecology of strategic rural markets, where products and services are especially targeted towards improving agricultural value chains. Additionally fast moving consumer goods (FMCGs) banking and insurance services are routed through the ITC channel while quality retail product are provided at affordable prices with an accent on brand building. The study of e-choupal was conducted in the state of Maharashtra. Through e-Choupal procurement hubs and Choupal sagars (a kind of rural supermarket), information and products in urban centres are made available at the rural level thus reducing travel and time investments for rural populations especially for farmers. E-Choupal therefore seeks to leverage ICTs to integrate rural areas into large corporate markets and thus hopes to improve earnings as well as both the quantity and quality of consumption in rural areas.

Keywords: Agriculture, Rural Market, ICT, Rural Population, Information, ITC, E-choupal

INTRODUCTION

Agriculture is vital to India. It produce 23% of GDP, feeds a billion people, and employs 66% of the workforce. Because of the Green Revolution, India's agricultural productivity has improved to the population that it is both self-sufficient and a net exporter of a variety of food grains. Yet most Indian farmer has remained quite poor. The causes include remaks of scarcity-erregulation and an agriculture system based on small,

inefficient landholdings. The agricultural system has traditionally been unfair primary producers. Soybeans, for example, are an important oilseed crop that has been exempted forms India's Small Scale Industries Act to allow for processing in large, modern facilities. Yet 90% of the soybean crop is sold by farmers with small holdings to traders, who act as purchasing agents for buyer at a local, government-mandated marketplace, called a mandi. Farmers have only an approximate

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idea of price trends and have to accept the price offered them at auctions on the day that they bring the grain to the mandi. As a result, traders are well positioned to exploit both farmers and buyers through practices that sustain system-wide inefficiencies.

ITC is one of India's leading private companies, with annual revenues of US\$2 billion. Its International Business Division was created in 1990 as an agricultural trading company; it now generates US\$1 million in revenues annually. The company has initiated an e-choupal effort that places computers for Internet access in rural farming villages; the e-choupals serve as both a social gathering place exchange of information (choupal means gathering place in Hindi) and an e-commerce hub. What began as an effort to re-engineer the procurement process for soy, tobacco, wheat, shrimp, and other cropping systems in rural India has also created a highly profitable distribution and product design channel for the company—an e-commerce platform that is also a low-cost fulfillment system focused on the need of rural India. The e-choupal system has also catalyzed rural transformation that is help to alleviate rural isolation create more transparency for farmers, and improve their productivity and incomes. This case analyzes the e-choupal initiative for soy; efforts in other cropping systems (coffee wheat, and shrimp aquaculture).

REVIEW OF LITERATURE

The e-choupal system was introduced in Wardha districts by ITC in 2003. The company's Agribusiness Division undertook a novel approach, by purchasing from farmers directly by bypassing local markets (called *mandis*) that are dominated by middle men. The *Choupal* is a Hindi word that means "village meeting place",

and the *e-Choupal* is an inte Agriculture is vital to India. It produce 23% of GDP, feeds a billion people, and employs 66% of the workforce. Because of the Green Revolution, India's agricultural productivity has improved to the population that it is both self-sufficient and a net exporter of a variety of food grains. Yet most Indian farmer has remained quite poor. The causes include remaks of scarcity-era regulation and an agriculture system based on small, inefficient landholdings. The agricultural system has traditionally been unfair primary producers.

A choupal was converted into an e-choupal by setting up a computer and Internet connectivity. An investment of Rs. 40,000 is needed to established an e-choupal with dial-up connectivity. If a VSAT (Very Small Aperture Terminal) has to be mounted, the investment moves up to Rs.100,000. E-choupals are operated by a sanchalak (operator), a literate person who is elected from among the farmers of the village. He acts as an interface between the computer and the illiterate farmers, and retrieves information on their behalf.

While ITC covers the cost of equipment, the sanchalak pays for day-to-day operational costs, such as electricity and Internet charge. These costs vary from Rs. 3,000 to Rs. 8,000 per year. Training is given to the sanchalak, who also doubles as an ITC salesman. He is paid a commission of 5Rs/- percent per quintal of processed products ITC spends an average of Rs. 50,000 annually on the support and maintenance of each e-choupal – training, maintaining a help desk, addressing equipment and software complaints, and repairing and replacing broken equipment.

Information that can be accessed from an e-

choupal includes crop prices, weather, scientific farming practices, farmer peer groups, and soil-testing services. This online information is made available in Hindi. For the farmer, the selling process works as follow. The farmer carries a sample of his produce to a local kiosk and receives a spot quote from the sanchalak. If the farmer accepts the quote, he can then transport the produce directly to an ITC collection center and get payment within two hours. The material handling systems at the ITC collection center ensure that tractors, trolleys, trucks can directly unload their produce without spilling any grain, and a modern weighbridge ensures precise weighing. The transportation cost is reimbursed to the farmer. If the farmer is located in a remote area. The farmers prefer this system to the mandi system, where they had to wait for hours, or even days, before the produce was sold. In addition, transaction costs such as bagging, transportation, loading, and unloading had to be incurred by the farmers. Commission agents at the mandi used a small weighing scale that was inaccurate and resulted in less revenue in proportion to the produce. Moreover, the wastage level was higher, because the agents tended to throw away some grain while evaluating its quality.

The intermediaries are not removed from the value chain. Their roles are redefined to samayojaks (coordinators), who assist ITC in setting up new e-choupals by conducting village surveys and by identifying the best sanchalaks. They manage the physical transportation of sales made at the e-choupal, collect price data from local auctions, and maintain records. These coordinators earn an 1 percent commission on

product processed.

RESEARCH METHODOLOGY

The survey utilized a clustered cum convenience sampling methodology in an effort to provide an unbiased and representative estimation of the information obtained. Also in this research study we used descriptive and analytical type of research design. The main objective of using descriptive research is to describe the state of affairs as it exists at present. It mainly involves surveys and fact findings enquire of different kinds following key respondent with desirable tool was used to extract information for the impact assessment.

Data Collection: Data would be collected by doing original research by following methods.

Primary Method: In this Primary data collected by following methods

1. Personal interview (PI),
2. Telephonic interview (TI)
3. Questionnaire

Sample Size: The survey conducted in the wardha districts of Maharashtra State where the e-choupal is exists . In wardha districts there is one e-choupal hub including total 42 e-choupal centres. The study considered 4 villages from this hub with one sanchalak, 5 farmers from each village, sanyojak and hub employee. Structured questioner is prepared for these respondents.

Following table shows Key respondent, Sample Size and tools.

Secondary Method: Secondary data collated by following methods:

Table 1: Primary Data		
Key Respondent	Sample Size	Tools
1. Farmers	20(5 from each village)	PI, TI
2. Sanchalak	4	PI, TI
3. Sanyojak	1	PI
4. Hub employee	2	PI

1. Research papers
2. Internet

OBJECTIVES OF THE STUDY

1. To enhance the quality of the life of the farmer of Wardha Districts with the help of ITC e-choupal. It also helpful in promoting Agricultural productivity of the state.
2. To know, how e-choupal offers farmers with the necessary information and service for the enhancement of the farm productivity and improvement of the farm gate price realization, as well as reduction in transactional costs.
3. To find out how ITC helpful in providing latest information on district level weather forecasts for short and medium terms, best practices in farming, supply of quality inputs, *seeds*, *herbicides*, *fertilizer*, *pesticides etc in village itself*.
4. To work out historical and upto date information on supply and demand, International Market prices of movements and making available live data on markets.
5. To work out how it increased profits added services that could get saving in time, and ability to use the e-choupal for many transactions.

HYPOTHESIS

A hypothesis is a Statistical propositions formulated in a certain given situation as a part of

research which state what the research is looking for the proposed research hypothesis has been formulated as

1. ITC platforms can provide rural connectivity and e-commerce support. These platforms have enormous potential provided they are conceptualized for the specific needs of the rural people and business.
2. The most significant factor affecting farmer's behavior is the better life style.
3. Technology interface used in rural areas have to be very simple. Interface has to be tried for rural settings and only after its validation it has to be used. Firstly, one has to understand the user pattern and secondly, it has to be tried, tested and validated.
4. Rural markets are both economic and social networks and there is a strong connection between the operation of social and economic transactions. Understanding the operations is vital before the systems are conceptualized. Use of local population, as much as possible helped the network to get the acceptance closely.

DISCUSSION AND ANALYSIS

The e-Choupal marketing system gives farmers more control over their choices a higher profit margin on their crops and access to information that improves their productivity. By providing a more transparent process and empowering local people as key nodes in the system. ITC increases trust and fairness. The increase efficiencies and potential for improving crop quality contributing to making Indian agriculture more competitive. Despite difficulties from undependable phone and electric power infrastructure and sometimes limited hours of use, the system also links

farmers and their families to the world, advising the farmers about current trends in market. Village children have used the computers for school work, games and to obtain and print of their academic test results. The result is a significant step towards rural development.

• **Interpretation of data**

Hyderabad is the Headquarter of ITC-ABD Section (Agro Business Division), Nagpur is the branch office (Main Centre Office) of Maharashtra State. It is establish in the year 2003.

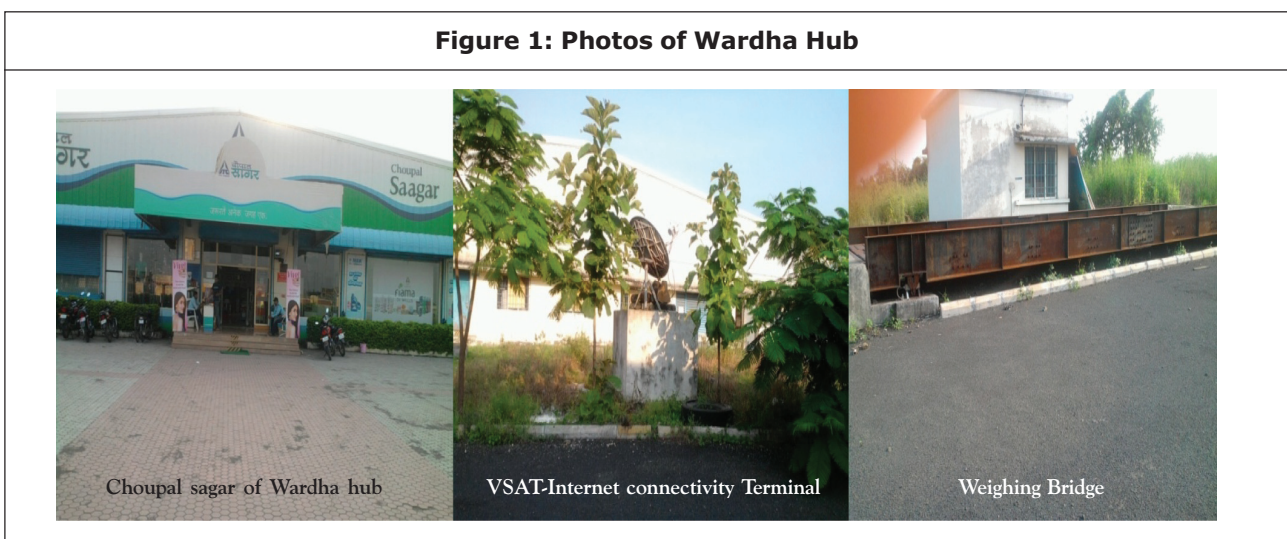
Description of Wardha Hubs of MAH. State

***1.Wardha Hub:** Wardha hub is on the Hinganghat road . It is called as a A hub because of Choupal Saagar with petrol pump. Total population of Wardha district is 7296157. No. of farmers in Wardha districts is 3,31,500(appox.) This hub is establish in 2003 .No. of e-choupal centre (kiosks) under this division is 40. No. of villages included in e-choupal is 221 villages. Company is having their own land, it is in the area of 4-5 acres total expenditure for establishment of each hub is 7 crore, distance of e-choupal from village

is min 2 km, maximum 50 km. Source of electricity supply to kiosks is 2 backup batteries (solar power). Total no. of employees working 21, on roll 7, off roll 14, salary given monthly and as per post. No. of storage house 1. Quality of produce is measured by scientific method (moisture meter). Price of the produce decided by the branch office according to market rate and quality. Profit to hub depends on the responses of farmers and quantity of produce. Initially in the period of 2004 to 2010 they were providing gunny bags, insurance and loan facility to farmers, but now they stop (2012) because farmers are not returning the bags . And about the insurance and loan services, there is no renewal of license. This hubs activity is managed by the branch office. Rates are also decided by branch office. Day by Day responses of farmer are increases and awareness in the people about ITC's activity is also increases. This hub Provide numbers of activities for farmers. These activities are Soyabean procurement, Sunehra kal choupal saagar and Arogya seva.

* Source: Personal interview with Hub incharge

Figure 1: Photos of Wardha Hub



*Tables:

Following table shows responses of farmers from 4 centres(villages) of ITC e-choupal having A grade. These responses are from the villages where the e-choupal exists. From all these villages near about 50% to 70% farmer producing soyabean and wheat.

Town/Districts	Total No. Employee Working	On Roll	Of roll
Wardha	21	7	14

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Name of village	Selura	Inzapur	Badoda	Nagazari
Population	6000	5000	12000	8000
Responses of farmers in %	near 65%	60%	55%	70%

Following table shows different activities conducted by ITC’s e-choupal hub for rural people.

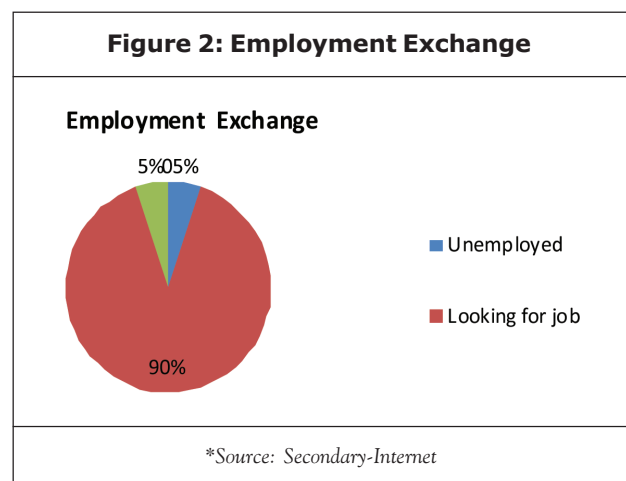
Town/Districts	Activities
Wardha	Choupal Sagar, Arogyaseva, Sunehra kal

**Source: Personal interview with Samchalak*

Interpretation: choupal Sagar a retail outlet, arogyaseva awareing people about health and Sunehra kal information about employment and future activities.

Following table shows the employment exchange by ITC. ITC’s rural network already established through the Sanchalaks, there was a clear opportunity for ITC to serve as the link between job seekers and companies.

S. No.	Age Group	Respondent	Employment
1.	21-30	5%	Unemployed (Graduate)
2.	21-30	90%	Looking for job Opportunities outside agriculture
3.	21-30	5%	Wanted to stay only in that area. Had difficulty in finding job opportunities.



Interpretation: E-Choupal 3.0 last pillar business was an employment exchange platform, which was completely new business. During the strategic discussions for e-Choupal 3.0 it became obvious that not only did ITC need to diversify its businesses, but the farmers did too. Agricultural land holdings per person were decreasing and it was becoming more and more difficult to support a family on agriculture alone. In the e-Choupal areas, 5% of people between ages 21 and 30 were unemployed graduates, and 90% of them were looking for job opportunities outside agriculture. And remaining 5% wanted to stay in

their local area, but they had difficulty finding job opportunities. Complementary sources of income were desperately needed. There was also increased demand for employees from the rural areas, as expanding businesses needed front-line employees in their cities. But companies were finding it very expensive and time-consuming to recruit qualified candidates. There were job providers and qualified candidates, but no way to match them up.

RURAL TRANSFORMATION BY ICT USAGE

A Win – Win Situation

ITC saving in mark up's – In the Mandi system, there was a mark up of 17.8% on the price of soybean from the farm gate to the factory gate. Of this mark up, 3% was borne by the farmer while 10-to 15 % was borne by ITC. And other profit is also share between them.

Reduced Transaction Time

The table below clearly reflects the advantage of e-Chaupal system which broke the monopoly of traders sitting at Mandi and dictating the terms and conditions in their own favor.

Non e-Chaupal Farmers		e-Chaupal Farmers	
Minimum	Maximum	Minimum	Maximum
12 hours	2 days when arrivals at Mandi is at peak	3-4 hours including travel time	Same

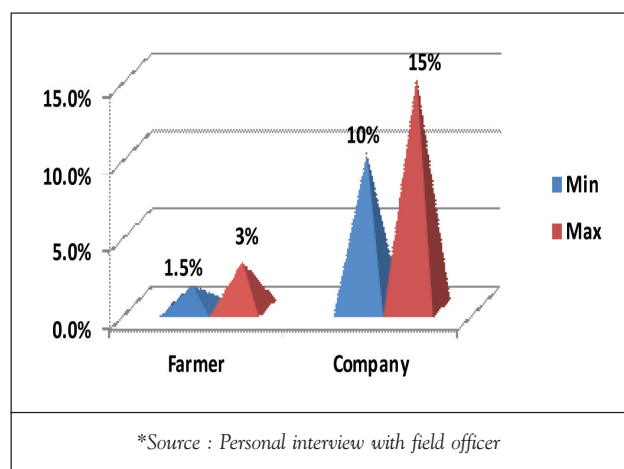
Reduced Transaction loss per Quintal

The losses at e-Chaupal are negligible due to the electronic weighing machine where the entire trolley is weighed and subsequently the empty trolley and difference is taken as weight of the

produce. If we compare this system with mandi it comes out clearly that farmers incur loss upto 4 kg per quintal.

Profit on Procurement	Company	Farmer
Max. profit	15% per quintal	3% per quintal
Min. profit	10% per quintal	1.5% per quintal

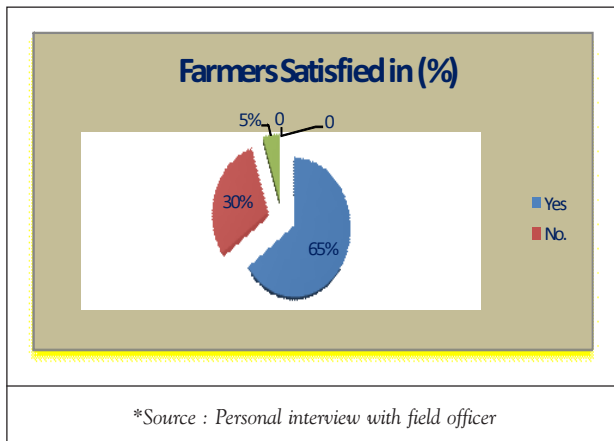
Note: *Farmer & Company Profit.



Interpretation: On procurement sometimes company get min 10% profit or less than that and max. 15%. It depends on the quality of produce and transaction. And the farmers mostly incur min. 1.5% and maximum 3% profit per quintal.

S. No.	Respondent	Satisfied	Unsatisfied	No Response
1.	Farmers	65%	30%	5%

Interpretation: 65% farmers are satisfied with the ITC e-choupal services such as transaction completed within 45 min from procurement to price delivery. 35% are not satisfied, because sometimes they get more rates in mandi as compare ITC , second reason is that if produce



rejected it is very difficult for farmers to go back. And 5% farmers are not given any response.

Advantage of e-choupal : ICT platform that facilitates flow of information and knowledge, and supports market transactions online

1. It transmits Information (weather, prices, news)
2. It transfers Knowledge (farm management, risk management)
3. It facilitates sales of Farm Inputs (screened for quality) and
4. It offers the choice of an alternative Output-marketing channel (convenience, lower transaction costs) to the farmer right at his doorstep.

CONCLUSION

The e-Choupal system gives farmers more control over their choices a higher profit margin on their crops and access to information that improves their productivity. By providing a more transparent process and empowering local people as key nodes in the system. ITC increases trust and fairness. The increase efficiencies and potential for improving crop quality contributing to making Indian agriculture more competitive.

Despite difficulties from undependable phone and electric power infrastructure and sometimes limited hours of use, the system also links farmers and their families to the world. Some sanchalaks track future prices on the Chicago Boards of Trade as well as local mandi prices for advising the farmers about current trends in market. Village children have used the computers for school work, games and to obtain and print of their academic test results. The result is a significant step towards rural development.

SUGGESTIONS

1. ITC e-choupal platform is specifically for farmers who producing soyabean and wheat but in some area there is no production of soya and wheat, farmers from Marathawada and other region are producing cotton, fruits vegetables and jawar . ITC must include such a type of crops for procurement.
2. E-choupal must have been one of the best ICT application platforms that has been scaled replicated throughout Indian rural market. This is due to the fact that it was specifically designed for the specific business for soya, wheat. They should be trained up also for dairy, poultry and fisheries etc. ITC must also look towards benefits of land less labours who are opting for non agro rural farming such as dairy, poultry and fisheries etc.
3. Main object of the e-chaupal is to purchased the produce of farmers and earn profit. Apart from this company should concentrate on other projects ex. entrepreneurship, education of farmer's child.
4. In Vidarbha (Maharashtra) percentage of suicide of farmers are more as compare to

other states company need to find out the reason behind this and try to reduce the problem of the farmers.

5. Creating agri waste as wealth, use of organic farming practices and also generation of bio fuels from waste land in the villages should be taken as a mission of the rural sector.
6. Enhancing revenue to the farmers and farm worker, providing non-farm avenues of employment to the rural people and progressively increasing the GDP contribution of agriculture sector to national economy.

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