

## A STUDY ON EFFICIENT DISTRIBUTION SYSTEM IMPORTANCE FOR RURAL INDIA

Author

**VELAYADAM PRAVITRAN SWAMY**

Research scholar

University of Delhi

### ABSTRACT

Agri business in India is at a transition point. The need is for an effective and efficient distribution system for agri-produce and provision for supply demand transparency. The reforms in this sector need to catch up with the pace of development in the economy and intermediation and participation of organized players in this sector will remove the lacunae. For this purpose I.T.C. Limited developed the “e-Choupals” to the rural areas of India. In this new business model, ITC reaches implicit agreements with some farmers that they can sell the products directly to ITC at the market price in the local market, but allow the farmers, both inside and outside the network, to access valuable information through the e-Choupals such as price updating, weather forecast, best practice etc., free of charge. ITC’s Agri 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. ‘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. In this paper, we highlight ITC’s incentive of offering such opportunities, to the farmers for their benefits and growth.

### 1.0 INTRODUCTION

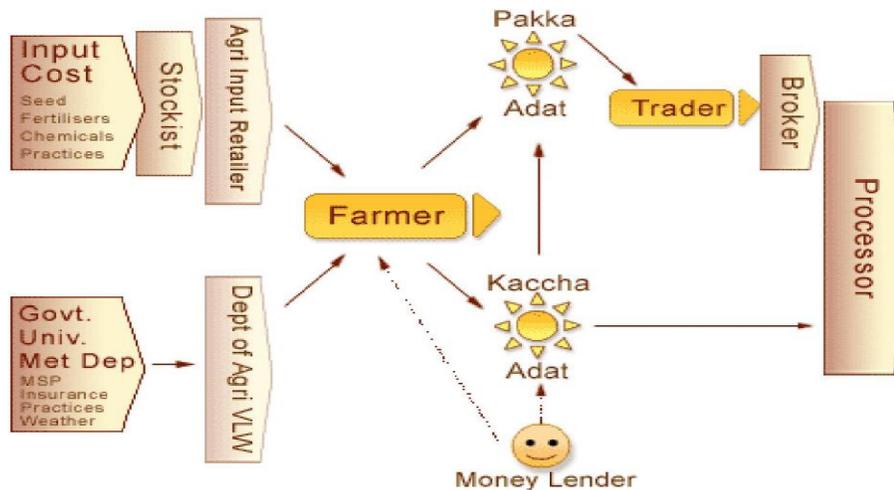
E-Choupal is a Hindi word which means – “Village meeting place”. E-choupal is a virtual market place where farmers can transact directly with a processor and can realize better price for their produce. e-choupal makes use of the; physical transmission capabilities of current intermediaries & aggregation, logistics, counter party risk and bridge financing. In June 2000, ITC Limited launched e-choupal in India and now e- choupal has become the largest Internet based intervention in rural India.

<b>E-choupal at a glance</b>	
<b>States covered</b>	10 States [M.P., Haryana, Uttarakhand, Karnataka, A.P., U.P., Maharashtra, Rajasthan and Kerala, TamilNadu]
<b>Village covered</b>	40,000
<b>e-choupal info kiosks</b>	6,500
<b>Empowered e-farmers</b>	4 million

**Fig: Data from ITC Website for E-choupal**

**1.1 The Value Chain - Farm to Factory Gate:** E-Choupal is 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 etc. 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, and 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.



**Fig: Farmer Empowerment through e-Choupals**

ITC's unique strength in this business is the extensive backward linkages it has established with the farmers. This networking with the farming community has enabled ITC to build a highly cost effective procurement system. ITC has made significant investments in web-enabling the Indian farmer. Christened 'e-Choupal' ITC's empowerment plan for the farmer centres around providing internet kiosks in villages. Farmers use this technology infrastructure to access on-line information from ITC's farmer-friendly website [www.echoupal.com](http://www.echoupal.com). Data accessed by the farmers relate to the weather, crop conditions, best practices in farming, ruling international prices and a host of other relevant information. e-Choupal today is the world's largest rural digital infrastructure.

The unique e-Choupal model creates a significant two-way multi-dimensional channel which can efficiently carry products and services into and out of rural India, while recovering the associated costs through agri-sourcing led efficiencies. This initiative now comprises about 6500 installations covering nearly 40,000 villages and serving over 4 million farmers. Currently, the 'e-Choupal' website provides information to farmers across the 10 States of Madhya Pradesh, Haryana, Uttarakhand, Uttar Pradesh, Rajasthan, Karnataka, Maharashtra, Andhra Pradesh and Tamil Nadu. Over the next 5 years it is ITC's Vision to create a network of 20,000 e-Choupals, thereby extending coverage to 100,000 villages representing one sixth of rural India.

Supporting the e-Choupal network are ITC's procurement teams, handling agents and contemporary warehousing facilities across India, enabling its Agri Business to source identity-preserved merchandise even at short notice. ITC's processors are handpicked, reliable high quality outfits who ensure hygienic processing and modern packaging. Strict quality control is exercised at each stage to preserve the natural flavour, taste and aroma of the various agri products.

## 2.0 LITERATURE REVIEW

ITC is a leading Indian company with revenues close to USD 7 Billion (2010). Its International Business Division was created in 1990 as an agricultural trading company; it now generates US \$150million in revenues annually. The company has initiated e-Choupal effort that places computers with an internet access in rural farming villages; the e-Choupals serve as both a social gathering place and a place for exchange of information (choupal means gathering place in Hindi) and an e-commerce hub. KUTTAYAN ANNAMALAI & SACHIN RAO (Aug 2003).

### 3.0 IDENTIFICATION OF PROBLEM AND CHALLENGES FOR E-CHOUPAL

- Illiteracy about computer in rural areas as well as rural population has low trust on electronic system.
- Selection of an educated, intelligent, reliable and matured person as a Sanchalak.
- Improper knowledge about rural market.
- Improper and complex user interface on e-choupal.
- Lack of rules and regulation related to electronic choupal.
- Mistrust about inspection, testing and weighing of produce on centres.
- The Mandi system does not serve the farmer well

### 3.1 Objective of the study

The main objective of the study is to find the importance of e-choupal in rural areas of India. To achieve these main objectives we need to achieve more sub-objective like:

1. What types of benefits provided by e-choupal to the farmers in rural India
2. Is e-choupal playing important role as a marketing channel

### 4.0 RESEARCH DESIGN

Research design is defined as the plan, structure and strategies of investigation conceived as to obtain answers to research questions. Research design will include the exact sequence of the research activities, data collections techniques etc.

In analytical research the researcher has to use facts or information already available and analyze these to make a critical evaluation of the material.

**4.1 Analysis:** From using the analytical research we analyze the available facts or finding to examine the importance of e choupal and what type of social responsibility paying by ITC in rural India.

**4.2 Finding and conclusion:** Launched in June 2000, 'e-Choupal', has already become the largest initiative among all Internet-based interventions in rural India. 'e-Choupal' services today reach out to over 4 million farmers growing a range of crops - soyabean, coffee, wheat, rice, pulses, shrimp - in over 40,000 villages through 6500 kiosks across ten states (Madhya Pradesh, Haryana, Uttarakhand, Karnataka, Andhra Pradesh, Uttar Pradesh, Rajasthan, Maharashtra, Kerela and Tamil Nadu).

The ITC's e-Choupal creatively leverages information technology (IT) to set up a meta-market in favor of India's small and poor farmers. ITC's vision for marketing via the eChoupal involved three features: superior product and distinctive functional benefits, process benefits (simplified transactions between buyer and seller), and relationship benefits (farmers' willingness to identify themselves and reveal their purchasing behavior).

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 the challenge of imparting skills to the first time internet users in remote and inaccessible areas of rural India. The e-Choupal model demonstrates that a large corporation can play a major role in reorganizing markets and increasing the efficiency of an agricultural system, while doing so in ways that benefit

farmers and rural communities.

ITC's e-choupal providing valuable information to the farmers without cost and also providing social benefit .it also providing some other benefit i.e., insurance, credit, seed, store, medical facility to the farmers for their growth and benefit.

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