
E-CHOPAL - AN APPRECIABLE EXAMPLE OF CSR

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ABSTRACT

CSR has come a long way in India. the corporate have exhibited their capabilities to make an remarkable difference in the society and hence took initiatives to improve quality of life. CSR as part of a continuing process of building long-term value has achieved great heights in the eyes of all. Now, whatever a company do, helps improve the goodwill of company and encourage customers and other stakeholders to stay involved with it.

So, CSR has become an integral part of corporate strategy. Specific policies, strategies and goals are made by the specially designed CSR team for CSR programs and set aside budgets to support them. For fulfilling its CSR obligations, ITC has introduced 'E-Choupal', a scheme for farmers. E-choupal, a digital revolution is reshaping the lives of farmers in remote Indian villages. This paper tries to identify the after effects e-Choupal by ITC and how this initiative has helped the company in its progress.

Keywords: CSR, ITC, E-Choupal, Budget, Villages.

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INTRODUCTION

India is a land of agriculture and Indian economy producing 23 percent of GDP, and employs 66 percent of workforce in his sector. though the event of the green revolution, India's agricultural productivity has improves to the point that it is both self-sufficient and a net exporter of a variety of food grains, yet most Indian farmers have remained poor. Remnants of scarcity era regulation and an agricultural system based on small, inefficient land holdings, are the main causes. Beside this, weak infrastructure, numerous intermediaries, excessive dependence on the monsoon variation between different agro-climate zones, and many more are the reasons. The unfortunate result is inconsistent quality and uncompetitive prices, making it difficult for the farmers to sell his produce in the world market. ITC's trail-blazing answer to these problem is the - E-Choupal; the single largest information technology-based intervention by a corporate entity in rural India that is transforming the Indian farmer into progressive knowledge-seeking citizens. Enriching the knowledge of farmers & elevating them to a new order of empowerment. ITC aims to confer the power of expert knowledge on even the smallest individual farmer enhancing its competitiveness in the global market.

E-Choupal

E-Choupal, Hindi word, 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. E-Choupal aims to provide farmers ready access to crop specific real-time information to improve the farmer's decision making ability thereby helping them to better align their farm output to the projected demand in Indian market. E-Choupal, the Web-based initiative of ITC's IBD, offers the farmer all information about products and services they need to enhance farm productivity improve farm-gate price realization and cut transaction costs. Farmers can access the latest local and global information on weather, scientific farming practices and market prices at the village itself through the web portal in Indian languages – Hindi, Marathi, Kannada and Telegu. E12 Choupal also facilitates the supply of high quality farm inputs as well as purchases of produce at the farmer's doorstep.

Traditionally, Department of Agriculture, Government universities, insurance companies etc. were the main source for various inputs such as weather, modern and scientific farming practices and insurance cover. Inputs reached to the farmers in an indirect channel i.e. manufacturer to wholesalers to retailers and the farmers. After harvest, farmers bring these produce to mandis; in small multiple lots throughout the year, where beans are auctioned to the traders and agents of the processing companies in an open outcry method. The fair price policy, introduced by Government, enable aggregation of goods, regulate these market yards. Successful bidders then bid the beans, weigh them, pay part cash to the farmers, and transport the cargo to the processing units. But the presence of many intermediary resulted into increase in cost of produce with addition of profit margin at every level of intermediation. But still farmers get lower margins. But, now with the e-Choupal the role of middleman has been eliminated as e-choupal connects large and small producer and users directly. E-Choupal brings together vendors and customers at virtual market place. Geographical distance no longer restricts participation of farmers from anywhere. E-Choupal ensures transparent transaction. The transaction time at the ITC hub is less than at the mandi i.e. 2 or 3 hours where as 1-2 days in mandis.

How E-Choupal Works?

It is centered on a network of e-Choupal, information centers equipped with computer connected to the Internet, locating in rural farming villages. E-Choupal serves as common gathering place and an e-commerce hub. A Sanchalak (coordinator, local farmer) runs the e-Choupal and the computer usually is located in the Sanchalak's home. For logistical support, ITC also incorporated a local commission agent known as the Samyojak (collaborator). recruitment of a local farmer as the Sanchalak is done by ITC. Sanchalak create trust in society and all infrastructure set up is made in his house. Sanchalak receives commission for every transaction processed through the e-Choupal and also benefited from increased social status that accompanies the position – a significant advantage in rural Indian life. Sanchalak act as public officer in ITC project. the main functions of Sanchalak includes aggregation of farmers input as well as purchase orders. A basic computer training about usage, basic business skills, quality inspection of crop product training etc., is given to Sanchalak. The Samyojak or cooperating commission agents also play important role. He earn income by providing logistical services that substitute for the lack of rural infrastructure by providing information and market signals on trading transaction. Samyojak is involved in ongoing operation of e-Choupal system, allowing

them revenue streams through providing services such as management of cash, bagging & labor at procurement hubs, handling of mandi paperwork as licensed principals for the retail transaction of the e-Choupal.

Benefits of E-choupal

E-Choupal delivers real-time information and customized knowledge to farmer's decision making ability, securing better quality & price.

1. **Digital transformation** - ITC began e-Choupal with Soya grower in the villages of M.P. e-Choupal tried to change the stereotype image of farmers of bullock cart. Farmers now log on to the site through internet kiosks to order high quality input, get information on best farming practices, prevailing market prices for their crops at home and abroad for the weather forecast all in the local language. The e-Choupal site is also helping the farmers discover the best price of their quality at the village itself. The site also provides farmers with specialized knowledge for customizing their produce to the right consumer segments. The new storage and handling system preserves the identity of different varieties right through the farm gate to dinner plate' supply chain. Thus, encouraging the farmers to raise their quality standards and attract higher price.

2. **Credit and Insurance** - Farmers' low income and difficulty in accessing credit limits the capacity to pursue opportunities within and outside the agriculture sector. ITC e-Choupal proposes the solution of this problem by making partnership with financial institutions. e-Choupal provide various types of loans like non-cash loans for farm inputs, loans to sanchalak (sanchalak can better manage credit risk & have better access to farmers), direct loans to farmers based on sanchalak recommendation, Insurance & risk management services etc.

3. **Leadership development** - ITC uses involvement of farmers in content creation helps to easily customize the information as per the local requirements. Participation of local farmers ensures provision of adequate and decipherable information to e-Choupal, which can be employed into the farming, or pricing of the produce. The increased participation in e-Choupal develops local leadership quality in farmers. The farmers get attracted towards e-Choupal due to increased profits, added services that he could get, saving in time and the ability to use e-Choupal for many transactions. E-Choupal delivers relevant technologies in the hands of the farmers, which can improve the economic condition of the entire village. E-Choupal is one of the very few ICT projects in India that has effectively utilized e-commerce transactions for poverty alleviation. ICT also reduced the number of middlemen between producers and consumers. Now,

simple technology solutions are available to create networks in rural areas, which can function as virtual marketplaces. e-Choupal at a glance States covered 9 States [M.P., Haryana, Uttaranchal, Karnataka, A.P., U.P., Maharashtra, Rajasthan and Kerala] Villages covered 36,000 e-Choupal info kiosks 6,400 Empowered e-farmers 3.5 million

4. **Other benefits** to farmers are reimbursed for transport to the procurement hub of e- Choupal.

1. The transaction time at the ITC hub is also much faster than mandi.

2. ITC has given recognition to integral partner in the supply process & not mere as agricultural producer and thus elevating the level of respect of farmers. Similarly providing shaded seating area while waiting for their paperwork shows ITC really care for farmers.

Facts About Cost and Revenue stream

The e-Choupal project covers over 35,000 villages in Madhya Pradesh, Uttar Pradesh, Maharashtra, Karnataka, Andhra Pradesh, Rajasthan, Haryana and Uttaranchal providing millions of farmers with critical information on farming. The Choupal services are being delivered by over 6,000 Sanchalaks and over 17,000 Upa Sanchalaks to these remotest areas. E-Choupal has been successful. It has reduced the cost of procurement and the cost of transit and the material handling cost. Procurement transaction costs are reduced from the industry standard of 8 percent (farmers incurs 3 percent and the processor incurs 5 percent) to 2 percent (with farmer saving all his 3 percent, and the processor ITC – saving 3 percent). The total cost incurred on the initiatives so far has been Rs.50 million (Rs.35 million as capital cost towards computers and other hardware at the kiosks as well as central servers and Rs.15 million revenue expenditure incurred towards portal development, people overhead etc.). But ITC has gain benefit Rs. 20 million, which is the equivalent of full investment on 40 percent of the Choupals (Kiosks). In terms of future revenue, the outflow is 52.1 million in 2001-02 which reduces to Rs. 2.70 millions in 2008-2009 and for 2015-16 is estimated as 1.20 millions. Whereas inflow in 2001-02 is 15.3 million where as 65.0 million in 2008-2009 and estimated as 105.0 million in 2015-2016. ITC's e-Choupal project is a winner—for farmers who get better remuneration and for the company that's assured quality inputs for its business Today e-Choupal is a flexible, easy to deploy solution. ITC Infotech provided an in-house team of 25 to 30 people in the initial stage and this gradually came down to around 20 people, and finally a five-member team to maintain the project. The portfolio of commodities sourced has been vastly expanded to include maize,

barley, sorghum, and pulses, and the sourcing cycle is extended almost around the year. In the commodities market, these two factors are helping ITC create a definite competitive advantage.

if we look into the figures of profit figures from the inception of this project, it has been increased to Rs. 51 crores (approx., 2013-14) from Rs. 12 crores (approx., 2000-01).

Weaknesses 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.

CHALLENGES

As the power is usually available for only a few hours a day at on a sporadic schedule, the e-Choupal computer cannot always be accessed when information is needed. Phase imbalances leads to damage of equipments. Telecommunication infrastructure in villages is poor. Telephone exchange also have limited battery backup. In addition, there is no local support staff to maintain or troubleshoot telephone exchanges. The support team is also short-staffed.

Other challenges are: -

1. Illiteracy about computer in rural areas as well as rural population has low trust on electronic system.
2. Selection of an educated, intelligent, reliable and matured person as a sanchalak.
3. Improper knowledge about rural market.
4. Vicious circle of intermediaries (Adatiya & Brokers).
5. Improper and complex user interface on e-Choupal.
6. Lack of rules and regulation related to electronic Choupal.
7. Mistrust about inspection, testing and weighing of produce on centers.

ITC's example show the key role of IT in providing and maintaining by a corporation, but used by local farmers – to bring transparency, to increase access to information, and to catalyze rural transformation, while enabling efficiencies and low cost distribution that make the system

profitable and sustainable . Critical factors in the apparent success of the venture are ITC's extensive knowledge of agriculture, the effort ITC has made to retain many aspects to the existing production system, including retaining the integral importance of local partners. ITC e-Choupal is committed to transparency and respect and fairness towards farmers as well as local partners.

There are several issues which the company has addressed. Firstly, it is not just tweaking around but a greater efficiency in the supply chain. One of the problems in redesigning supply chains is how to use different tools, thus making the various players still own the chain. Here, the farmer and the team are involved in painting the big picture, so there is enthusiasm and a feeling of ownership.

Further, how do you avoid a channel conflict by finding space for the middle-men? Upton also points out that the 'roll out, fix it, scale up' model is a new approach to strategic management. The philosophy here is that the terrain has so many uncertainties that gaps will exist. So, unlike in the past, where focus was on well-laid strategic plans, here you give experimentation-based strategies more weightage.

CONCLUSION

The agribusiness segment, procures rice, soya, coffee, wheat, tobacco, potatoes for trading and internal consumption. ITC's much-admired e-Choupal, which is part of this segment, essentially provides information to farmers procures directly from them and also doubles up as a mechanism for distribution of FMCG products and other services. For now, operating margin in this segment tends to swing quite sharply with the commodity prices and is likely to remain on the lower single-digit figures. Foods business needs a strong, quality-oriented and dedicated supply chain. Buying wheat from the open market would mean different quality at different times. That's where we had immense support from ITC's e-Choupal that ensured consistency in wheat quality. **"These are some of the reasons of ITC's success or high profits of which one is corporate social responsibility."**

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