

e-Choupal – An Initiative of ITC

IT for Change
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This case study is part of a research project that sought to analyse how different telecentre models approach development on the ground, proceeding to elaborate a typology based on the cornerstones of participation and equity. To conduct this assessment, four telecentre projects were examined: the Gujarat government's *E-gram* project, the corporate-led venture by ITC called *e-Choupal*, the private enterprise model of *Drishtee*, and the community-owned telecentres of the M.S. Swaminathan Research Foundation (MSSRF). Two main criteria were used in selecting the case studies – the diversity of ownership models, and the requirement of a sufficient scale of the intervention. In addition to the field research conducted in 2008 using qualitative methods, the research also built on secondary sources.

A review of the literature in the field of Information and Communication Technology for Development (ICTD) showed that while telecentres are viewed as contributing positively to development in general, they are largely not really seen as a space for catalysing transformative social change. Instead, there remains in the notion of telecentres for development a perpetuation of market-led approaches, wherein telecentres are viewed as a strategic means for expanding markets in rural areas, especially for corporates. In this approach, poor communities are repositioned as an opportunity for business, with ICTs as the most effective way of connecting them to the global market system. This espouses a version of inclusion that instrumentalises disadvantaged sections, overlooking the potential of telecentres to serve as a tool for equitable and participatory development. Such subjugation of local development and the local community to the neo-liberal ideology can be seen as the 'Walmartisation' or 'marketisation' of development (Gurstein, 2007:6).¹

A critical question for telecentre related policies and programmes therefore examines how ICTs can trigger structural-institutional changes that promote overall human development, going beyond exclusive market frameworks. Based on a critical analysis of findings from the field, the research attempted to examine two hypotheses. The first relates to the need for the communitisation of ICTD, as is a strong move towards communisation in other areas of development, like health, livelihoods, education, etc. Second, the development of an ICT governance regime favouring an open, inclusive and participatory socio-technical architecture. The latter seeks to empower the peripheries, acting against the strong tendency towards centralisation of power of the unregulated use of ICTs.

The following analysis of the *e-Choupal* project of ITC will be situated within this larger debate.²

I. Background and approach to development

E-Choupal is an initiative of the International Business Division (IBD) of one of India's leading private companies, ITC Ltd. Beginning in 2000, ITC set up a network of ICT kiosks around the country, called *e-Choupal* (an open meeting place in a village).

According to Sachin Sahay, General Manager at IBD, the aim was to 'build an intelligent first mile and a low cost last mile for agricultural products and services'. ICTs are the primary means of operationalising this vision. Every *e-Choupal* centre is equipped with a computer, Internet connectivity through satellite technology and solar power. In addition, it provides

access to a web portal with current agriculture commodity prices at the village level for produce transactions. Additionally, *e-Choupal* supports best practices in farming through training sessions, provides information on weather conditions, and supplies quality agricultural inputs like seeds and fertilisers. *E-choupal* centres form part of IBD's re-engineered

sourcing network, assuring supply for the company while cutting costs through improving the efficiency of the procurement value chain, which also results in better margins for the farmer. Apart from buying agricultural produce, other services, including informational services, are provided with the help of this ICT backbone.

With an overall vision to improve the quality of life in rural India through a market-led business model, the *e-Choupal* programme aims to enhance the returns on agriculture through the dual strategy of ICT-led improvements in production and procurement efficiencies. This is expected to in turn trigger a virtuous cycle of higher incomes, enlarged capacity for farmer risk management, larger investments and higher output quality.

A strong 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 an 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 products are provided at affordable prices with an accent on brand building. 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. *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.

II. Implementation model and actors

The *e-Choupal* model is positioned as an alternative to traditional modes of procurement where farmers travel to the government market (or *mandi*) to sell their produce. ITC provides infrastructure and connectivity at the *e-Choupal* centres, each of which services 4-5 villages. At the centre, farmers can access a web portal with current market rates from a wide range of procurement centres, including *mandis* and ITC procurement hubs. An ITC procurement hub is set up for every 20-30 km radius, servicing about 30-40 centres. Farmers use the services of the *sanchalak* (the centre operator) to find the price their produce can fetch at different places, via the computer. Using this information, they are 'empowered' to make an informed decision on when and at which procurement centre to sell their produce for maximum profit. Through information accessed at the *e-Choupal*, farmers can choose to travel to the ITC hub to sell their produce at rates that are fixed with a

flooring for any given day but which may increase because of the company's policy of no ceilings on rates. The *sanchalak* gets a fixed commission set by ITC for every transaction from his village that is realised through the ITC procurement hub. The establishment of the procurement hub has enabled the company to cease procurement activities at government *mandis*.

ITC also initiated the *Choupal Pradarshan Kheth* (*Choupal* Demonstration Field) programme to improve yields with a demonstration plot of land for every village cluster. Accepted best practices have been put into practice along with high quality fertilisers and seeds, and comparisons made with yields from control plots to encourage farmers to switch to improved farming inputs and methods. This programme is one aspect of ITC's commitment to improved agricultural yield, and is supplemented by the provision of high quality seeds and fertilisers, both at the *e-Choupal* and at the ITC rural retail centre, the *Choupal Sagar* (CS).

CS provides the third spoke in ITC's procurement and productivity improvement strategy along with *e-Choupal* and the procurement hub. Modelled as a one-stop retail supermarket experience for rural customers, it is set up in locations that lie within 30 kilometres of any *e-Choupal* village. It thus doubles up as a hub with an electronic weighbridge for produce, fuel pumps, and a sale point for heavy

duty consumer goods and FMCGs. Additionally, the CS conducts training sessions for agriculture related practices and has tie-ups with private hospitals to provide check-ups at a nominal fee. CSs are beginning to branch into banking, insurance and pharmacy related services, and are conceptualised as a part of ITC's strategy to build a collaborative 'Pan-Indian Network of Companies' that service the untapped rural markets through the single ITC channel.

E-Choupal centres are managed by a *sanchalak* selected from the village. ITC stipulates farmers with mid-sized (about 25 acres) land holdings for *sanchalak* selection, and insist that they have a proven record of community involvement. Actual selection is managed by ITC through consultations with the *panchayat*,³ and is formalised through a public oath-taking ceremony. ITC conducts initial computer literacy training for the *sanchalak* and organises free long-term technical support. In addition to their work on the computer, *sanchalaks* are encouraged to stock and sell FMCGs provided by ITC and are trained in basic marketing and accounting skills.

An *upsanchalak* serves as a link between the *e-Choupal* village and surrounding villages. The *upsanchalak* communicates daily prices received from the *sanchalak* to farmers in his village. This further reduces the time spent on finding agricultural prices by farmers in non-*e-Choupal* villages. The *sanchalaks* and *upsanchalaks* negotiate a sharing of the ITC commission amongst themselves.

In addition, ITC has engaged salaried employees, *sanyojaks*, who along with a small staff manage the hub where farmers come to sell their produce.

ICTs enable effective control by the company of all processes in the procurement chain, right from price setting and daily procurement volumes, to the monitoring of payments to farmers, and commissions and target setting for *sanchalaks* and hubs. These decisions are taken after careful analysis keeping the overall profitability of ITC in consideration. The front-end of the whole system is the *e-Choupal* centre, where the whole village can be introduced into the ITC procurement and retail channel.

In this process, ITC more or less monopolises agricultural procurement in the areas that it operates in. Increasingly, it also monopolises channels of agriculture related information and products, as well as the rural market for many other services and products, from insurance to bakery products. This reflects their business vision as a company. To what extent this business approach correlates with their rural development goals is a question for analysis and independent judgement.

Development impact – Is a complete corporate-community win-win possible?

How long will a monopoly sustain consumer advantage

Even if one were to go by the logic that markets themselves

can ensure development, it would not stand to market logic that a corporate amassing a monopoly, as is ITC's business model, could sustain the interests of consumers for long. Moreover, ITC's business model extends to monopolising channels of information. It provides market prices in different *mandis*, procures the produce, offers information about best agriculture practices and provides agricultural inputs, like seeds and fertilisers. Simple economic logic tells us that the apparent consumer benefits accrued when a monopoly is being established is short lived. In addition, such an approach staves off alternative avenues, such as freelance government *mandi* based procurement agents who are folding up their business in areas where ITC operates. It is highly questionable whether these monopolies, and the totalising potential that ICTs contain, can be beneficial for the community.

Is the market enough to serve a community's development priorities and interests?

The *e-Choupal* system is built around the needs and interests of rich farmers, with some spin-off benefits for those with some degree of purchasing power. There is no proof that the trickle-down benefit of an improved local agriculture economy will reach the weaker sections of the community. On the other hand, increased reliance on commercial crops can decrease local food security,

both through reduced availability and increased prices. Increased re-orientation (and dependence) of the local economy on the *e-Choupal* system can have problematic mid to long term results, which needs to be carefully assessed, and not left to the involved corporate. This is crucial because the local community has neither any role nor much leverage to influence the emerging dominant system. With monopolistic control over an entire local agricultural ecology, *e-Choupal* represents a development model where a transnational corporation deploys a captive, unregulated ICT network that locks in a large number of farmers, crowding out the small and marginal land-holding farmers. It thus promotes corporate dependency of local agriculture and monocultivation of agro-production systems – issues that are in fact intrinsic to the choice of development model.

Threat to public and community based systems

The *e-Choupal* system not only serves as a monopoly agriculture produce procurement channel, but also a source of agriculture and development information, agriculture extension services, and increasingly, community information for upstream actors. It thus threatens to overwhelm public and community-based systems that traditionally undertook many of these activities. In fact, it is a real concern that, citing the presence of *e-Choupal* kind of corporate systems, many governments will begin to withdraw their presence in these areas. Consequently, this raises a number of equity and social justice based issues. There are some early indications that this may already be taking place. There is no leverage that the local community and local self-governance systems have over the *e-Choupal* system, and during interviews,

most *e-Choupal* actors spoke rather dismissively about such governance systems.

While ICTs can and should be used to improve market efficiency in rural areas, it must be done in a manner that promotes competitive markets that valorise local enterprise and other local economic resources, rather than monopolistic corporate-dependent markets. At the same time, ICTs should also be used to strengthen rural activities that are best done by the public sector, rather than being employed to justify its withdrawal. Furthermore, ICT enabled empowerment of the local community will enable both their active and equal participation in the market as well as governance and development related activities. Telecentre models should address this imperative centrally through an engaged involvement of communities in running telecentres.

Endnotes

- 1 Gurstein M. (2008), 'Towards a Critical Theory of Telecentres: In the Context of Community Informatics', IT for Change: Bengaluru
- 2 This case study is part of a broader research undertaking funded by the Social Science Research Council (SSRC), an independent non-profit organisation based in New York. The study was commissioned under the Collaborative Grants in Media and Communications: Necessary Knowledge for Democratic Public Sphere programme of SSRC
- 3 *Panchayat* is an administrative unit of the government at the village level

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