eChoupals: A Study on the Financial Sustainability of Village Internet Centers in Rural Madhya Pradesh – Richa Kumar

Class Discussion - by anonymous MIT student
Sustainability

Sustainable Development - A form of progress that ensures human development and that “meets the needs of the present without compromising the ability of future generations to meet their own needs”\(^1\)

1World Commission on Environment and Development

<table>
<thead>
<tr>
<th>Financial</th>
<th>Social/Cultural</th>
</tr>
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<tbody>
<tr>
<td>Political/Institutional</td>
<td>Technological</td>
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</tbody>
</table>
eChoupal Overview

• Commercial ICT project by ITC’s International Business Division in 2000
• Enable Efficiencies in agricultural sector
  o Greater information exchange. Future’s price
    Information
  o Create alternate market structures
  o Pooled Purchasing at Wholesale prices for
    Inputs
  o Weather Information
Business Model

• Network of eChoupals (Centers in villages with computer and Internet connection)
• Local Farmer acts as an Coordinator
  o Receives commission of 0.5% for every transaction
• ITC provides a collaborator for logistics
• Startup and training costs borne by ITC
• Operation cost – electricity, telephone borne by Coordinator
• Access to Price Information, email is Free
eChoupal Supply Chain

Pricing (Sauda)
- ITC Price Quote
- Transaction slip given by Coordinator

Inbound Logistics
- Arrange transportation
- Transport Cost reimbursed
- Sometimes coordinators transport materials at own expenses

Lab Inspection
- Crop tested using electronic machine
- Farmers can contest test results
- Agree upon Price (for inferior products)

Weighing & Payment
- Weigh on large automated scale
- Immediate Payment

Hub Logistics
- Processing plants
- Warehouses

1Adapted from “What works Case Study: ITC's e-choupal and profitable rural transformation” By Kuttayan Annamalai and Sachin Rao, World Resources Institute.
## Transaction Costs (Rs./MetricTon)

<table>
<thead>
<tr>
<th>Details of Cost</th>
<th>Amount</th>
<th>Details of Cost</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmer Pays</td>
<td></td>
<td>Through the Mandi</td>
<td></td>
</tr>
<tr>
<td>Transport to mandi</td>
<td>100</td>
<td>Transport to Processing Plant(^6)</td>
<td>0</td>
</tr>
<tr>
<td>Bagging and Weighing Labor(^2)</td>
<td>70</td>
<td>Bagging and Weighing Labor</td>
<td>0</td>
</tr>
<tr>
<td>Labor Khadi Karai(^2)</td>
<td>50</td>
<td>Labor Khadi Karai</td>
<td>0</td>
</tr>
<tr>
<td>Handling Loss(^2)</td>
<td>50</td>
<td>Handling Loss</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>270</td>
<td>TOTAL</td>
<td>0</td>
</tr>
<tr>
<td>ITC-IBD Pays</td>
<td></td>
<td>Through the Choupal</td>
<td></td>
</tr>
<tr>
<td>Commission to CAG</td>
<td>100</td>
<td>Commission to Sanchalak(^4)</td>
<td>50</td>
</tr>
<tr>
<td>Cost of Gunny Bags(^3)</td>
<td>75</td>
<td>Cost of Gunny Bags</td>
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</tr>
<tr>
<td>Labor for Stitching Loading(^3)</td>
<td>35</td>
<td>Cash Distribution Cost(^5)</td>
<td>50</td>
</tr>
<tr>
<td>Labor for Unloading at Factory(^3)</td>
<td>35</td>
<td>Labor for Unloading at Factory(^5)</td>
<td>35</td>
</tr>
<tr>
<td>Transport to Factory</td>
<td></td>
<td>Transport to Factory (Paid to Farmer)(^6)</td>
<td>100</td>
</tr>
<tr>
<td>Transit Losses</td>
<td>10</td>
<td>Transit Losses</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>505</td>
<td>TOTAL</td>
<td>235</td>
</tr>
</tbody>
</table>

Savings per ton to ITC-IBD is Rs. 275.

Financial Analysis

• Only 16 months of data available. Analysis based on extrapolation of existing data
• Cost Recovery in 3.9 to 5.8 years
  o Opportunity cost of 10% to 20%
  o Probability of monsoon failure 20% to 50%
• Replacement cost of equipment may make project unsustainable.
• However calculation based only for Soybean procurement
Discussion

1. What can be some of the challenges in implementing the eChoupal model in other countries?
2. Can the model be evolved with the availability of low cost Mobile Technology?
3. Can the portal be used for other purposes – retail/information/farming best practices?