

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

Financial

Social/Cultural

Political/Institutional

Technological



eChoupal Overview

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

Business Model

- Network of eChoupals (Centers in villages with computer and Internet connection)
- Local Farmer acts as an Coordinator
 - 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 Chain¹

Pricing
(Sauda)

Inbound
Logistics

Lab
Inspection

Weighing &
Payment

Hub
Logistics

- ITC Price Quote
- Transaction slip given by Coordinator

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

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

- Weigh on large automated scale
- Immediate Payment

- 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)

Through the Mandi		Through the Choupal	
Details of Cost	Amount	Details of Cost	Amount
Farmer Pays			
Transport to mandi	100	Transport to Processing Plant ⁶	0
Bagging and Weighing Labor ²	70	Bagging and Weighing Labor	0
Labor Khadi Karai ²	50	Labor Khadi Karai	0
Handling Loss ²	50	Handling Loss	0
TOTAL	270	TOTAL	0
ITC-IBD Pays			
Commission to CAG	100	Commission to Sanchalak ⁴	50
Cost of Gunny Bags ³	75	Cost of Gunny Bags	0
Labor for Stitching Loading ³	35	Cash Distribution Cost ⁵	50
Labor for Unloading at Factory ³	35	Labor for Unloading at Factory ⁵	35
Transport to Factory	250	Transport to Factory (Paid to Farmer) ⁶	100
Transit Losses	10	Transit Losses	0
TOTAL	505	TOTAL	235

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



Source: Kumar, Richa. "eChoupals: A Study on the Financial Sustainability of Village Internet Centers in Rural Madhya Pradesh." *Information Technologies and International Development* 2, no. 1 (2004): 45-74.

Courtesy of the USC Annenberg School for Communication..



Financial Analysis

- Only 16 months of data available. Analysis based on extrapolation of existing data
- Cost Recovery in 3.9 to 5.8 years
 - Opportunity cost of 10% to 20%
 - 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?

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