

# Development of ITC E- Choupal Based Rural Financial Inclusion Model

\* *Shikha Sharma*  
\*\* *Sanjeev K. Sharma*

## Abstract

It wouldn't be wrong if one says that India lives in villages. More than 70% of Indian citizens are located in rural areas. For India's economy to be strong, the rural India needs to grow. Financial inclusion is a crucial driver for such growth by providing the financial products/services and information to large sections of society and ICT (information and communication technologies) has an imperative role to play. Usage of ICT in rural financial arena would help in attaining the goal of financial inclusion at an affordable timely and efficient manner. Various ICT based interventions/models have been initiated by RBI and a number of financial institutions in the industry. But there is lack of financial intervention that has been co-created in conjunction with local farmers/ people. Inspired by the success of one of such co- developed participatory model in rural procurement and marketing infrastructure that is popularly known as E-Choupal, we attempted to replicate the experience in the financial sector. The study conceptualized an E-Choupal Rural Financial Intervention Model with an aim to deliver financial products/services and information by leveraging ITC's E-Choupal network that must be tested for feasibility, efficiency, and sustainability. The proposed rural financial inclusion model would use the E-Choupal and Choupal Sagar networks to increase admittance to various financial products/services and information in the intervention areas. The proposed ICT - enabled innovative rural financial solution might facilitate intriguing the banking services to unbanked farmers/poor people in far - flung rural areas.

**Key words** : rural development, financial inclusion intervention, E-choupal, information and communication technologies (ICTs)

JEL Classification : G21, G28, L31, O3, Q13, Q14, R51

Paper Submission Date : January 30, 2017 ; Paper sent back for Revision : August 2, 2017 ; Paper Acceptance Date : September 9, 2017

India is the second most populous country in the world after China with over 1.27 billion people. Over 70% of the Indian population resides in villages and depends on agriculture as their principal means of livelihood. On an estimate, India has 269.3 million poor out of which 216.5 million reside in rural India as per the recent statistics released by Planning Commission, Government of India. John Kerin AM, Chair of the Crawford Fund and former Australian National Minister for Primary Industries and Energy in his most influential proclamation mentioned that about 75% of the world's extremely poor in developing countries live in the rural areas and are directly or indirectly reliant on agriculture (Akbar, 2014).

The rural poor in emerging economies procure their income and both rural and urban people obtain most of their food from agriculture only. So it would not be wrong to say that the key to reduce poverty in rural areas and hunger in both rural and urban areas is to make agriculture profitable (UN Department of Public Information,

---

\* *Senior Research Scholar*, University Business School (UBS), Panjab University, Sector 14, Chandigarh - 160 014.  
E-mail : shikha\_3107@yahoo.com

\*\* *Professor & Director*, University Institute of Applied Management Sciences (UIAMS), Panjab University, Chandigarh - 160 015.

2013). Appreciating the importance of agriculture in poverty eradication and rural development, the Government of India (GOI) is taking hard valiant steps for the sustainable development of the sector. Few such measures include providing institutional credits to farmers through its various agencies like NABARD, SIDBI, RRBs ; encouraging scientific warehousing infrastructure for increasing shelf life of agricultural produce ; improvising access to irrigation through schemes like Pradhan Mantri Krishi Sichayee Yojana; and stipulating price stabilization fund with an aim to mitigate price volatility in agricultural produce (India Brand Equity Foundation, 2014).

The notable schemes and programmes initiated by GOI for infusing growth in the sector are National Food Security Mission (NFSM) (to augment wheat, rice, and pulses productivity on a sustainable basis with an aim to secure food for all), Paramparagat Krishi Vikas Yojana (PKVY) (to promote organic farming in India), Pradhan Mantri Krishi Sinchai Yojana (PMKSY) (to enlarge cultivated area, trim down consumption of water, and improvise water use efficiency), new National Crop Insurance Scheme (to increase the coverage towards crop losses and other such natural calamities), Mission for Integrated Development of Horticulture (MIDH) (to promote and develop horticulture in the country), National Mission on Oilseeds & Oil Palm (NMOOP) (to enhance the production of vegetable oil), National Mission on Agricultural Extension & Technology (NMAET) (to provide latest and effective technology agronomic solutions to the farmers), Rashtriya Krishi Vikas Yojana (RKVY) (to boost the agriculture productivity) etc. (India Brand Equity Foundation, 2014).

The Department of Agriculture, Cooperation and Farmers Welfare (DAC&FW), the nodal agency under Ministry of Agriculture, Government of India has created an independent unit named as 'Farmers Welfare,' the focus of which is to reduce the cultivation cost, facilitate higher yield per unit, and grab the financially lucrative deals for farmers. Under this noble objective, the Soil Health Card (SHC) scheme is one such initiative where farmers are educated about the nutrient level of their soils and judicious use of fertilizers to improve the productivity and increase the returns from their lands. Promoting Neem coated Urea with an aim to reduce the consumption of the fertilizer and increase the shell live of fertile land is another game-changer for the agriculture sector. Additionally, the government is taking timely steps to enhance the minimum support prices (MSP), allowing various debt waiver schemes etc. to support the farmers of the country (Akbar, 2014).

## Indian Agriculture Sector : The Grim Reaper

Despite all the praiseworthy efforts by the Government, the sector is still losing its dominance to other non - agriculture areas like service and the manufacturing sectors. As per latest estimates released by Central Statistics Office (CSO), Government of India, the share of agriculture sector to gross domestic product (GDP) of the country came down to 15.79% in FY 2014 as compared to 22.04% in FY 1998 calculated at 2004-05 prices (Refer Table 1).

**Table 1. Share of Agriculture, Service Sector, and Manufacturing in Indian GDP**

MACROECONOMIC INDICATORS	2014	2010	2006	2002	1998
GDP(in Crores)	10,472,807	7,248,860	3,953,276	2,343,864	1,668,739
Agriculture (Actual Value, Share to total GDP in parenthesis)	1,653,802 (15.79)	1,143,517 (15.78)	604,672 (15.30)	404,491 (17.26)	367,799 (22.04)
Service (Actual Value, Share to total GDP in parenthesis)	5,972,288 (57.03)	3,960,723 (54.64)	2,090,095 (52.87)	1,245,381 (53.13)	805,254 (48.26)
Manufacturing(Actual Value, Share to total GDP in parenthesis)	1,350,039 (12.89)	1,072,489 (14.80)	634,828 (16.06)	348,534 (14.87)	250,373 (15.00)

Source: Ministry of Finance, Government of India (February, 2015); Central Statistics Office, Government of India (February, 2014)

In spite of the green revolution, the Indian agriculture sector has not been able to attain world level productivity. For example, Indian wheat farms produce about a third of the wheat per hectare per year in comparison to farms in France. Rice yield in India is less than half than that of China. The productivity of other staples in India is similarly low. Despite the fact that China has smallholding farmers, China's total factor productivity growth was 6% per annum as compared to India's total factor productivity growth that remained below 2% per annum (Sachs, 2012).

The shrinking share of agricultural and allied sectors in GDP of the country contrasted to other sectors can be accounted to many reasons. The cardinal causes behind this are highly fragmented nature of Indian farming with close to 33% of arable land held in units of less than 2 hectares per proprietor that doesn't let farmers enjoy the economies of scale in operations. The splinted farms restrain the risk intriguing ability of Indian farmers yoking them into a nasty cycle of low risk taking ability (leads to) small investment (leads to) low productivity (results in) weak market orientation (leads to) stumpy value addition (results in) low margin (leads to) low risk intriguing ability. The adoption of new technology and contemporary agricultural practices are inadequate in the sector which is mired by ignorance of such technology and practices. Poorness and illiteracy is another key reason that is filching the benefits from their true stakeholders (Minot & Ngigi, 2004 ; Sachs, 2012). Because of poorness and illiteracy, the rural Indian farmer is not having enough access to relevant and efficient information associated with modern farming techniques, latest government schemes, availability of new technology, sources of finance and credit. They do not have quick and ready access to quality inputs like seeds, fertilizers, pesticides etc., or to critical information such as precise weather forecast that could help them to improve their crop quality (Sachs, 2012). Estimates indicated that about 60% of the farmers do not have admittance for information related to advanced and sophisticated agricultural technologies (NSSO, 2005). Beside this, scarcity of short- and long-term finance constituted the biggest constraint that has paralyzed the growth and development of Indian agricultural (Indian Banks' Association, n.d.). The lack of access to sustainable financial services, whether it is savings, credit, or insurance is liable for holding up, if not preventing, a timely espousal of new production technologies and the proliferation of non labor intensive inputs such as fertilizers, resulting in slowing down the growth and development of the agricultural sector. No doubt there has been improvement in trend of flow of farm credit in last few years, but still, a large section of farmers depend upon non-institutional credit system (like money lenders and traders) that charge exorbitant rate of interest. Banks and financial institutions are disinclined to grant financial assistance at fair rate of interest to farmers. As a result, majority of the farmers don't have access to the formal financial system.

As per one estimate, there are 203 million households in the country, out of which 147 million are in rural areas. Among them, 89 million are farm households and 51.4% of these farm households have no access to any formal or informal source of credit, while 73% have no access to formal sources of credit (Thorat, 2007). According to a survey done by an expert group on financial inclusion (ATISG, 2010), only 27% of farm households were beholden to formal sources of which about 9% borrowed credit from informal sources. The financially excluded farm households having no access to credit especially from formal sources was as high as 95.91%, 81.26%, and 77.5 % among the North Eastern, Eastern, and Central regions of the country, the details of which are provided in the Table 2.

One can't deny that sustainable agriculture growth is the only remedy for rural poverty alleviation and social transformation and agricultural credit has a pivotal role in increasing the agricultural production in the country. In order to achieve the 12<sup>th</sup> Five Year plan target of agricultural growth at 4% per annum and incremental capital output ratio (ICOR) at 4.5% (Ministry of Agriculture, Government of India, 2014), financially excluded farm households need to be covered under the financial inclusion impel so that they may have an easy access to credit and impede their over-reliance on non-institutional sources of credit.

**Table 2. Level of Non-Indebtedness Across Various Regions of the Country**

Region	Total HHS*	Indebted HHS*	% to total HHS*	Non indebted HHS*	% to total HHS*	Indebted to formal sources	% to total HHS*	Excluded by formal sources	% to total HHS*
Northern	109.46	56.26	51.4	53.2	48.6	27.423	25.05	82.04	74.95
North Eastern	35.4	7.04	19.9	28.36	80.1	1.448	4.09	33.95	95.91
Eastern	210.61	84.22	40	126.39	60	39.467	18.74	171.14	81.26
Central	271.33	113.04	41.6	158.29	58.4	60.814	22.41	210.52	77.59
Western	103.66	55.74	53.7	47.92	46.3	45.586	43.98	58.07	56.02
Southern	161.56	117.45	72.7	44.11	27.3	69.072	42.75	92.49	57.25
Group of UTs	1.48	0.49	33.1	0.99	66.9	0.15	10.14	1.33	89.86
All India	893.5	434.24	48.6	459.26	51.4	243.96	27.3	649.54	72.7
NE, C & E Regions **	517.34	204.3	39.49	313.04	60.51	101.73	19.66	415.61	80.34
Share to All-India (%)	57.9	47.05		68.16		41.7		63.99	

Source: United Nations Development of Economic and Social Affairs (DESA), and the United Nations Capital Development Fund (UNCDF). (2006)

\* No. of Farmer Households (HH) in lakhs; \*\* NE = North-Eastern Region, C = Central Region, E = Eastern Region

## Financial Inclusion

Financial inclusion or inclusive financing is the process of ensuring access to financial products and services needed by weaker and low-income sections of the society at an affordable cost via a fair and transparent mechanism by the mainstream financial institutions (Rangarajan Committee, Government of India, 2008). Although the term has gained substance in early 2000s, the foundation of financial inclusion was set up in 1969 when Mrs. Indira Gandhi, the then Prime Minister of India, nationalized 14 major commercial banks and substantially another six banks in 1980 (Austin, 2003). This step brought a major fraction of banking sector under the Government of India (GOI). After nationalization, the Indian banking sector expanded in an unprecedented rate, over 102,343 branches have been opened after 1969 as compared to 8700 in the pre-nationalization era. The Government of India and the Reserve Bank of India are playing an imperative role in setting up banks and financial infrastructure for providing financial access and assistance to the poor rural section of the society. The establishment of National Bank for Agriculture and Rural Development (NABARD) and Small Industries

**Table 3. Growth of Self-Help Group - Bank Linkage Programme**

Regions	2013-14		2014-15		2015-16	
	No. of SHGs	Total Bank Loans disbursed*	No. of SHGs	Total Bank Loans disbursed*	No. of SHGs	Total Bank Loans disbursed*
North Eastern	16201	12819	18791	15795	26037	21969
Northern	23918	28048	43848	42873	38106	48298
Central	66393	61807	109231	110909	84282	119067
Western	87846	86444	97341	117080	112525	188632
Eastern	297478	151067	351800	329602	412576	349489
Southern	874585	2061551	1005227	2141972	1158797	3001235
All India	1366421	2401736	1626238	2758231	1832323	3728690

Source: Adopted from NABARD (2015-16) Note : \*Amount in Lakhs

Development Bank of India (SIDBI) is one such commendable step in this regard. Both the banks are working closely with the Government of India (GOI) and other financial institutions to achieve the goal of inclusive growth and sustainable development in rural arena. Numerous policy initiatives like nationalization of banks, establishment of regional rural banks, prescription of priority sector targets, providing loans to weaker sections at concessional rates, introduction of lead bank schemes, branch licensing norms with a focus on rural/semi-urban branches were undertaken to deal with the issue of non availability of banking services to the weaker and under privileged sections of the society (Bhaskar, 2013 ; Sathiyam & Panda, 2016).

The SHG-Bank Linkage programme designed and developed by NABARD is one such important strategy in endorsing financial inclusion and inclusive growth (Arora & Singh, 2016). As per the statistics released by NABARD (2014-15) report, the programme that was started as a pilot project in 1992 to finance 500 SHGs across the country had disbursed credit to over 18.3 lakh SHGs in FY 2015-16. Moreover, there was 35% rise in credit disbursement in FY2015-16 as compared to 15% in the year 2014-15 (Refer Table 3).

Reserve Bank of India (RBI) is taking various initiatives to remove all regulatory bottlenecks in achieving greater financial inclusion in the country. RBI has advised all banks to open basic saving bank deposit (BSBD) accounts with minimum common facilities like no requirement of keeping minimum balance/deposit in the account. Secondly, banks are advised to relax the simplified KYC norms especially for small account holders. RBI has untangled the branch authorization policy for domestic scheduled commercial banks. The recent policy amendment of compulsory allocating at least 25 % of SCBs branches in rural areas would definitely help in increasing rural financial inclusion. Besides this, banks have been advised to open a low cost simple brick and motor structure consisting of basic minimum facilities and SCB's are recommended to scale up the financial literacy efforts by conducting financial literacy camps at least once in a month in unbanked areas. A project titled "Project Financial Literacy" has been undertaken on a pilot basis to disseminate information regarding the Central bank and general banking concepts to various target groups. For this, the Reserve Bank of India has asked the commercial banks to open at least one financial counselling centre in each district of India (Bhaskar, 2013). Additionally, RBI has advised all the scheduled caste banks (SCBs) and regional rural banks (RRBs) to introduce general credit card (GCC) facility upto ₹ 25,000 for their constituents in rural and semi-urban areas, with limited point-of-sale (POS) and limited automated teller machine (ATM) facilities (Reserve Bank of India, 2007). Reserve Bank of India, Government of India, and National Bank for Agriculture and Rural Development have initiated the Kisan Credit Card (KCC) scheme with an aim to provide affordable and timely credit to the farmers for agricultural purposes. As in March 2012, cooperative banks, regional rural banks, and the commercial banks jointly issued 1038.14 lakh KCCs to the farmers (Bindage, Patel, Makani, Sante, & Raut, 2014).

RBI has recently allowed banks to set up standalone ATMs without prior approval, which would help banks in opening their virtual mobile branches in far flung areas. It is expected that within a few years, almost every village having a population of 2000 people will at least be connected once a week through a mobile branch.

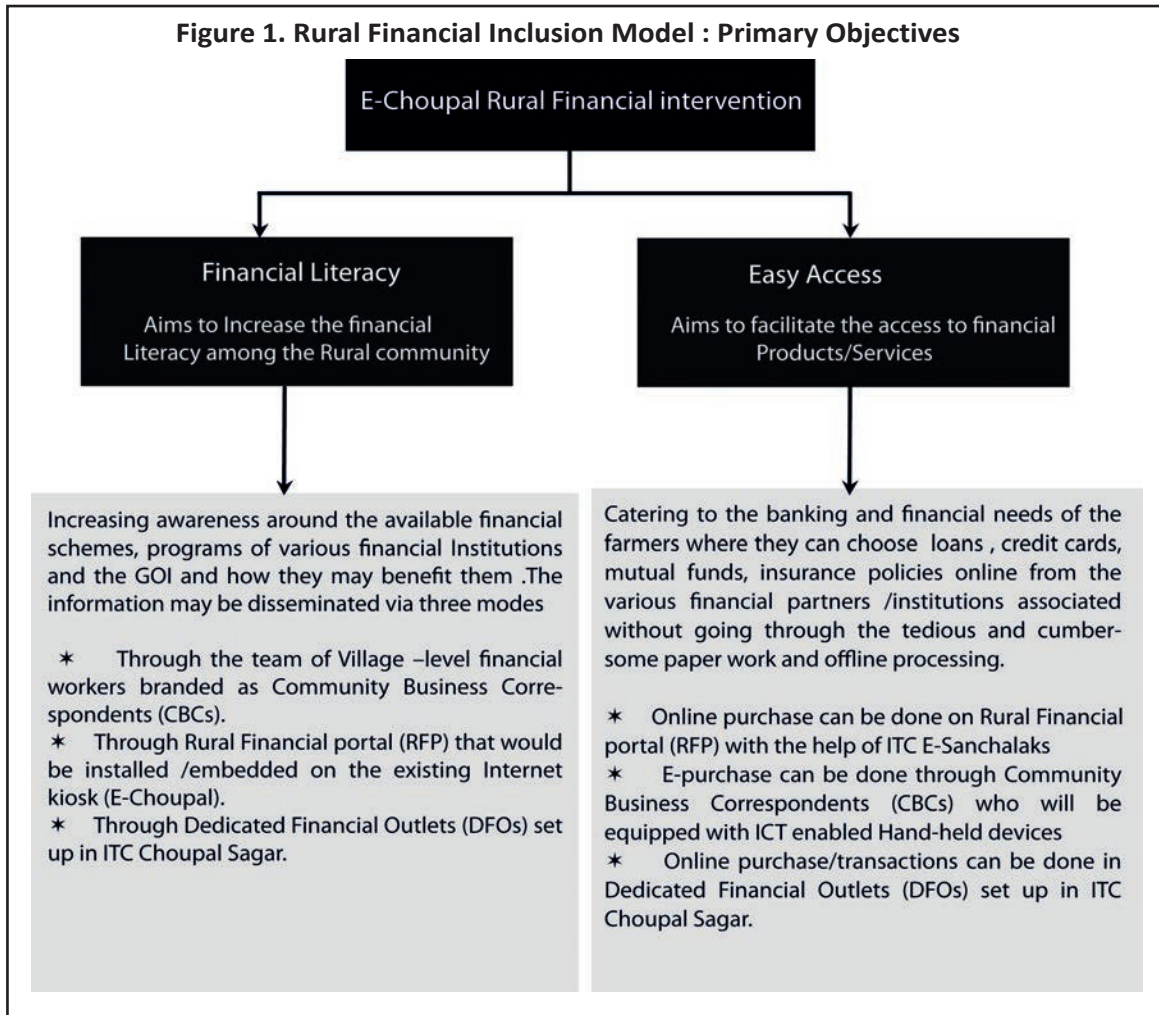
Various schemes like Swabhimaan Yojna, a path-breaking intervention by the Central Government and the Indian Banks' Association with an aim to ensure banking facilities in areas with a population in excess of 2000 and the recently launched Pradhan Mantri Jan Dhan Yojana (PMJDY), a comprehensive countrywide financial inclusion scheme of Central Government with an aim to provide extending banking facilities in each sub-service area are few of the positive steps by Government of India (GOI) to boost the financial inclusion in the country (Ministry of Finance, Government of India, 2015). Few other inclusion initiatives by Government of India (GOI) include of Swarnjayanti Gram Swarozgar Yojana (SGSY), National Rural Livelihood Mission (NRLM), The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), and Aadhar (Siddik, Sun, & Kabiraj, 2015).

Despite all these praiseworthy stratagems by the government, a large segment of rural Indian population/farm households still remains deprived of an access to financial products and services through financial institutions.

This stark reality has brought an urgent need to devise financial inclusion interventions/models in favor of the sector as a whole or in support of specific segments of it, whose success in turn would be highly dependent on its capability to reach the masses. A constructive solution through ICT mediated advisory and knowledge services using inventive business models could help in increasing effective access and improve delivery in banking services to the rural areas.

## A Sustainable Rural Financial Inclusion Intervention

For India's economy to be strong, rural India needs to grow and ICT (information and communication technologies) has an important role to play in this regard. Usage of ICT in rural financial arena would help in attaining the goal of financial inclusion at an affordable, timely, and efficient manner. Significant telecommunication and technology dissemination in rural areas is a constructive and encouraging facet of linking the unreached with the financial services. Various ICT based interventions/models have been initiated by RBI and there are a number of such financial players/institutions in the industry, but there is lack of financial intervention that has been co-created in conjunction with local farmers/ people. Heartened by the success of one of such co-



developed participatory model in rural procurement and marketing infrastructure that is popularly known as E-Choupal, we attempted to replicate the experience in the financial sector. The study conceptualizes an E-Choupal rural financial intervention to deliver financial products, services, and information by leveraging ITC's E-Choupal network that must be tested for feasibility, efficiency, and sustainability. The proposed ICT-enabled innovative rural financial solution might facilitate intriguing the banking services to millions of unbanked farmers/poor people in the country.

The proposed rural financial inclusion model would use the E-Choupal and Choupal Sagar networks to increase access to various financial products/services and further to increase the financial literacy among the rural community (Refer Figure 1). The program layered the E-Choupal network with three significant essentials to accomplish financial inclusion outcomes: Village - level financial workers branded as community business correspondents (CBCs), field-level manager, direct business correspondents (DBC) that would supervise CBCs, and financial partners for providing financial products/services and information.

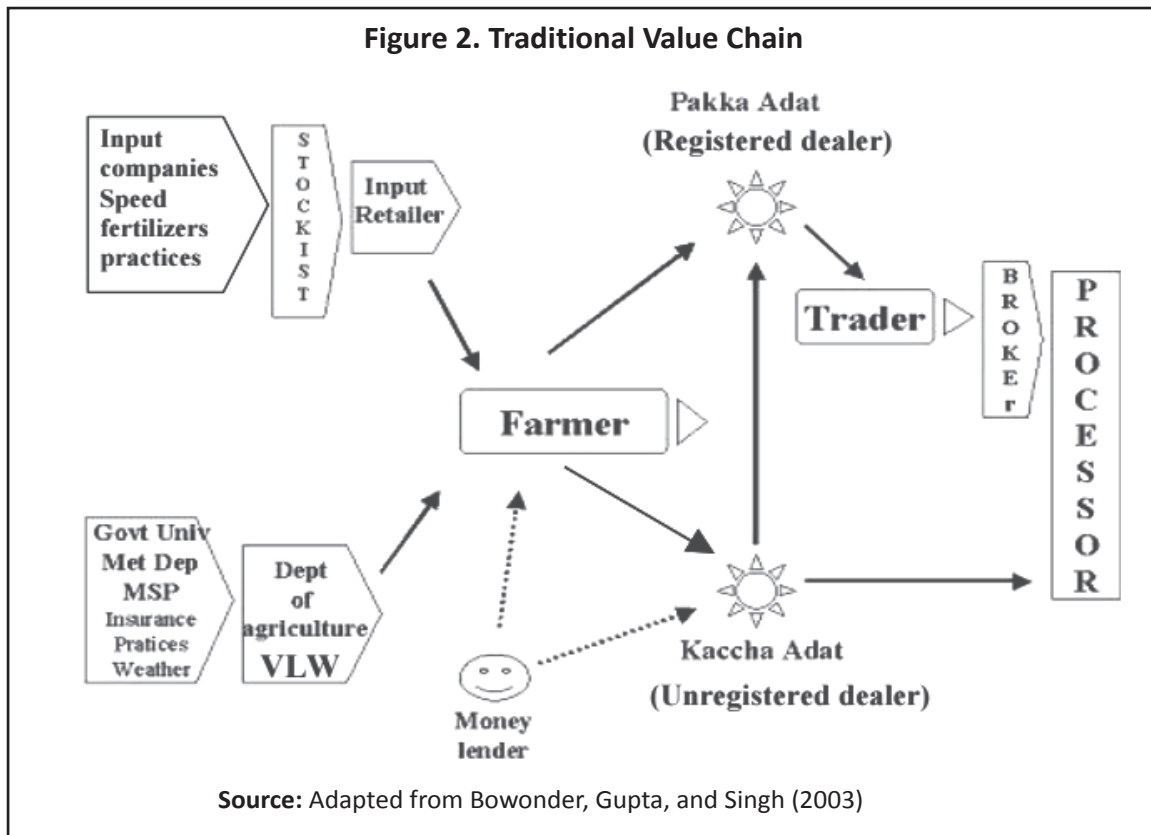
## **Sneak Peek of the E - Choupal Model**

E-Choupal is an inventive gambit of the International Business Division (IBD) of one of India's leading private companies, ITC Ltd. E-Choupal network is 'a rural procurement and marketing infrastructure' that coalesces Internet connectivity with physical infrastructure to offer rural India a better access to information, goods, and markets for their crops. But over the period of time, the scale and scope of activities under the E-Choupal umbrella has increased significantly. The network is now supporting information dissemination around a diverse array of issues and sale of products and services through ITC- owned exclusive retail network (known as Choupal Sagar) at select locations apart from offering procurement services as well as providing information on aggrandizing farm productivity.

## **Traditional vs. E-Choupal System**

In the traditional system, farmers are forced to sell their produce in the local mandis through an open outcry ascending bid auction where the auction begins after a government chosen employee visually inspects the quality and sets an initial bid, and from here, the trader starts bidding upwards until the crop is sold. The traders then sell the produce to the food processing firms. In this age-old model, farmers seldom have any information on market conditions prior to the sale of their produce. On the other hand, traders always have an upper hand by having an up-to-date information about the crop prices prevailing in various mandis and the prices offered by the food processing companies (Refer Figure 2). Undoubtedly, this is the single major reason why middlemen traders are able to exploit the farmers.

Keeping the loopholes of the traditional model in mind, ITC Ltd., through its International Business Division (IBD), kick started E-Choupal, the unique hub-and-spoke intervention that has disrupted the age old exploiting trader-mandi-farmer dynamics. As per a company spokesman, the model aims at sustainable rural development by eliminating the long chain of intermediaries out of the procurement process and providing the direct benefits to its real beneficiaries. The hub-and-spoke intervention has two dimensions. The very first aspect is the Internet kiosk (E-Choupal) set up in villages to enable farmers to access the information related to best farming practices, timely and relevant weather information, transparent discovery of prices both in local mandis as well as the price offered by ITC, and much more. The second facet of this model is the hub - that comprises of warehouses and farmer training centers to support every 40-60 E-Choupals. Estimates revealed that about 25% of these storehouse hubs are full-service Choupal Sagar - a rural mall that encompasses retail stores, fuel stations, soil-testing labs, ATMs, and food courts. The idea was to build a one stop destination for the farmers. The scenario envisioned by ITC is



post harvest, when the farmer is ready with the produce to sell and thereby has money in his/her pocket to buy goodies for his/her family members.

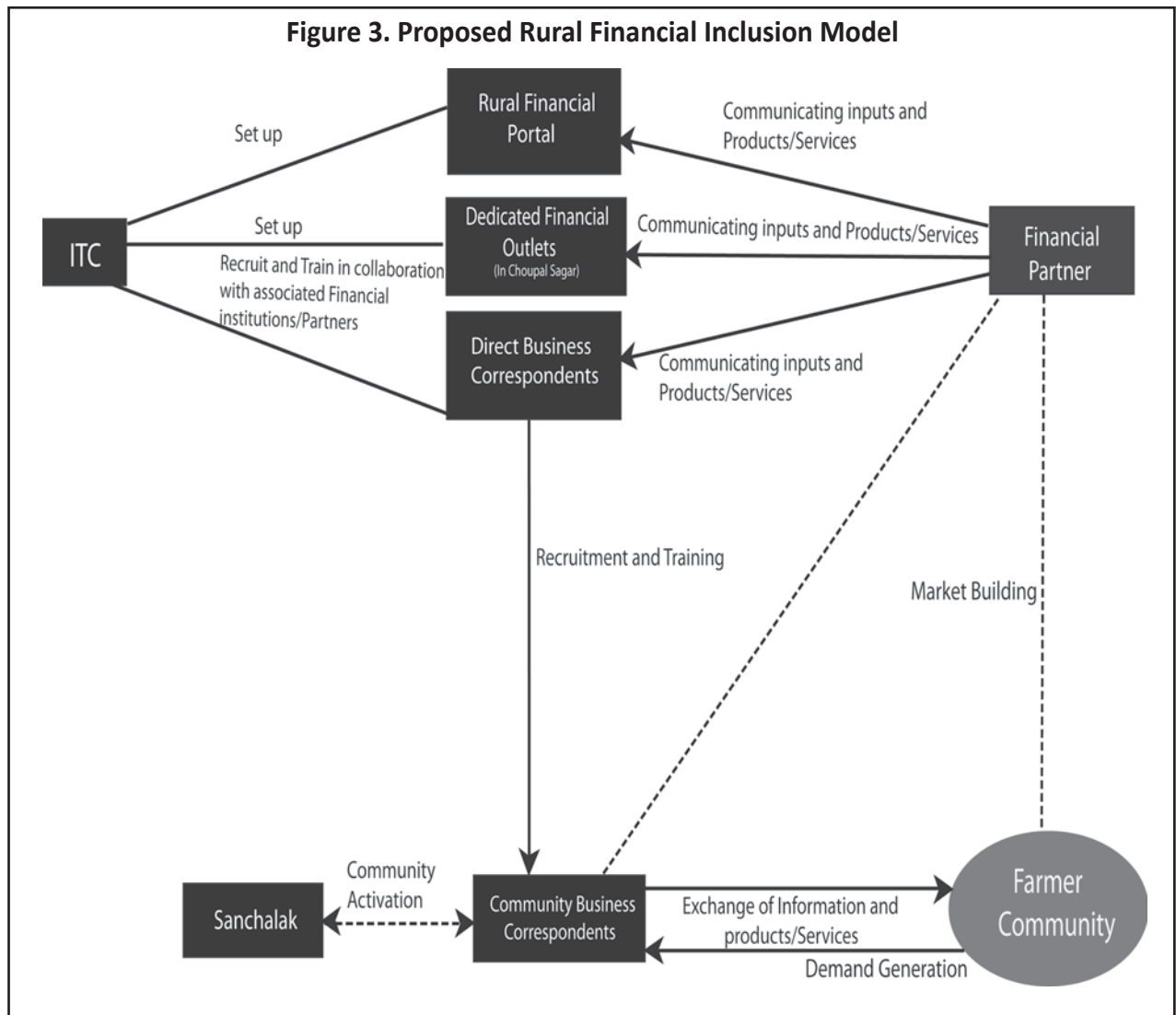
The success of this model is very much dependent on the *sanchalak*, a village entrepreneur that is chosen and trained by the ITC to be (wo)man on the front-foot. The Internet kiosks are set up at the *sanchalak's* place and he/she plays the role of information disseminator and also helps in facilitating the procurement of farming inputs, crop sales, and other non-ITC products such as insurance policies. Every *sanchalak* is responsible for 3 - 6 villages and may have an *upa-sanchalak* (deputy manager) that works at the village level and carves up the commission with the *sanchalak* for dealings enabled by him/her. Every evening, ITC updates the mandi prices of pertinent crops in the markets where they have E-Choupal existence. While using the E-Choupal kiosks, *sanchalaks* easily access the mandi prices and the ITC hub point's prices and disseminate the related information accordingly to the concerned farmers. ITC has provided the unique feature of having an option of different languages for the *sanchalaks* depending on the language spoken in that state.

## Working of Proposed Rural Financial Inclusion Model

The proposed rural financial inclusion model built around the classic E-choupal framework will be layered with various components from a financial services delivery perspective. The following key components are introduced in the propounded model :

↳ **Village - Level Financial Workers, Community Business Correspondents (CBCs)** : The CBCs form the real backbone of the financial model and would be accountable for understanding the financial needs of the people and





would be ultimately responsible for demand generation activities in their respective geographies. The CBCs would work as financial executives in their assigned villages and receive a margin-based income from the sale of financial products and services.

↪ **Field - Level Manager, Direct Business Correspondents (DBC)** : Each DBC would be responsible for a complete team of CBCs in his/her region. He/she would be responsible right from recognition and recruitment to training CBCs for delivering financial products and services in their respective villages.

↪ **Financial Partners/Institutions** : The financial partners/institutions like SBI, HDFC Life Insurance etc. hold an imperative position in the model. These financial partners would be responsible for supplying financial products and related information at rural financial portals (RFPs) setup on the E - Choupals and to dedicated financial outlets (DFOs) located in the ITC Choupal Sagar.

↪ **ITC Sanchalaks** : Internet kiosks are set up at the sanchalak's place and he/she would play the role of

information disseminator and would also help in facilitating the purchase of financial products and services.

ITC Ltd. would work in three dimensions in this model. Firstly, it would be responsible for setting up a rural financial portal (RFP) on their existing Internet kiosk (E - Choupal). RFP would be an Internet-based multi-brand financial product comparison platform, catering to the banking and financial needs of the farmers where they could choose loans, credit cards, mutual funds, insurance policies online from the various financial partners/institutions associated without going through the tedious and cumbersome paper work and offline processing. The company would charge fees from banks/financial institutions for acting as white labeling business partners that help them in processing their loans, credit cards, insurance policies, etc. online. Secondly, it would set up the dedicated financial outlets (DFOs) in its ITC Choupal Sagar where the farmers could come directly and purchase the financial products and services offered by the associated financial partners/institutions. Thirdly, it would be responsible for recruiting and training field level managers branded as direct business correspondents and training the already selected sanchalaks about how to operate the RFPs (Refer Figure 3).

## **Conclusion and Strategic Implications**

The success story of E-Choupal has harbingered a new era in the Indian agriculture sector. E-Choupal is a successful example of a business initiative with social collateral that has meticulously harnessed the power of information and communication technologies. The success of this farmer centric intervention reveals that ICT platforms have a huge potential to offer rural connectivity and e-commerce support. This business model has opened up an entirely new and more effective channel for distribution and marketing of a range of products & services into rural India. Observing the success of E-choupal and its huge potential for setting up an electronic market, we propose that it can be replicated successfully in other potential areas like the financial sector. We gestated an E-Choupal Rural Financial inclusion intervention by leveraging ITC's E-Choupal network that aims to deliver financial products/ services and to increase the financial literacy among the rural community. It is recommended to test the model for feasibility, efficiency, and sustainability.

The proposed rural financial inclusion model is one of its types - a co-developed model in conjunction with local farmers/ people that might help in increasing financial inclusion and would ultimately help in accomplishing the goal of sustainable rural development. The model would use the E-Choupal and Choupal Sagar networks to increase access to various financial products/services and further to increase the financial literacy among the rural community.

The program would layer the E-Choupal network with three significant essentials to accomplish financial inclusion outcomes: Village - level financial workers branded as community business correspondents (CBCs); field-level manager, direct business correspondents (DBC) that would supervise CBCs ; and financial partners for providing financial products/services and information.

ITC Ltd. would work in three dimensions in this model. Firstly, it would be responsible for setting up a rural financial portal (RFP) on their existing Internet kiosk (E-Choupal) set up at the Sanchalak's place. RFP will be an Internet-based multi-brand financial product comparison platform, catering to the banking and financial needs of the farmers where they can choose loans, credit cards, mutual funds, insurance policies online from various financial partners associated without going through the tedious and cumbersome paper work and offline processing. The company would charge fees from banks for acting as white labeling business partners that help banks in processing their loans and credit cards online. Secondly, it would set up the dedicated financial outlets (DFOs) in its ITC Choupal Sagar where the farmers could come directly and purchase the financial products and services offered by the associated financial institutions/partners. Thirdly, it would be responsible for recruiting and training field level managers branded as direct business correspondents and training the already selected

sanchalaks about how to operate a rural financial portal.

This model would help in broadening and deepening the reach of banking and financial institutions in the most underexplored rural segment. It would help the rural poor in building their savings, making investments, availing of credit, and insuring themselves against income shocks and emergencies. In this VUCA environment (volatility, uncertainty, complexity, and ambiguity), it is imperative that the banking system should be flexible and competitive enough to meet the objectives and demands of the various constituents of the economy. Looking forward, the proposed rural financial inclusion model is expected to speed up and lead to exponential growth in rural financial inclusion.

## Limitations of the Study and Scope for Future Research

The formative research design of the study may be treated as its limitation. An empirical extension is required to assess the validity and sustainability of the proposed E-Choupal based rural financial inclusion model. Additionally, we believe that experiential investigation might help in understanding any supplementary mechanism required to improve the efficiency of the proposed model. The proposed model can be replicated in other untapped areas like education, healthcare for alleviating rural poverty, and overall development of rural areas. Creating business channels in conjunction with local farmers/ people can create a win-win dynamics for all the parties in the long run.

## Acknowledgment

We sincerely acknowledge the University Grants Commission (UGC), Government of India, New Delhi, for providing funding support for this research study in the form of Senior Research Fellowship.

## References

- Akbar, S. (2014, August 26). 75 per cent of world's extremely poor people live in rural areas: Icrisat. *The Times of India*. Retrieved from <http://timesofindia.indiatimes.com/india/75-per-cent-of-worlds-extremely-poor-people-live-in-rural-areas-Icrisat/articleshow/40930556.cms>
- Arora, M., & Singh, S. (2016). Disbursement of credit under the SGSY scheme: A comparison of SHGs' swarozgaris and individual swarozgaris. *Indian Journal of Finance*, 10(11), 54 - 63. DOI: 10.17010/ijf/2016/v10i11/104918
- ATISG. (2010). *Principles and report on innovative financial inclusion from the access through innovation sub-group of the G20 financial inclusion experts group*. Retrieved from [http://www.afi-global.org/sites/default/files/atig\\_g20synthesisreport\\_0.pdf](http://www.afi-global.org/sites/default/files/atig_g20synthesisreport_0.pdf)
- Austin, G. (2003). *Working a democratic constitution: A history of the Indian experience*. USA : Oxford University Press.
- Bhaskar, P. V. (2013). *Financial inclusion in India : An assessment*. New Delhi: MFIN and Access-Assist Summit. Retrieved from <http://www.bis.org/review/r131211h.pdf>

- Bindage, A. B., Patel, R. R., Makani, R. M., Sante, P. R., & Raut, V. P. (2014). Economic evaluation of Kisan Credit Card scheme for sugarcane crop in Kolhapur district of Maharashtra. *Karnataka Journal of Agricultural Sciences*, 27(3), 360 - 362.
- Bowonder, B., Gupta, V., & Singh, A. (2003). *Developing a rural market e-hub: The case study of E-Choupal experience of ITC*. Planning Commission of India, 1-20. Retrieved from [http://www.planningcommission.gov.in/reports/sereport/ser/stdy\\_ict/4\\_e-choupal%20.pdf](http://www.planningcommission.gov.in/reports/sereport/ser/stdy_ict/4_e-choupal%20.pdf)
- Central Statistics Office, Government of India. (February, 2014). *Quarterly estimates of gross domestic product for the third quarter (October-December) of 2013-14*. Retrieved from [http://mospi.nic.in/mospi\\_new/upload/nad\\_pr\\_28feb14.pdf](http://mospi.nic.in/mospi_new/upload/nad_pr_28feb14.pdf)
- India Brand Equity Foundation (IBEF). (2014, August). *Agriculture sectoral presentation*. Retrieved from <http://www.ibef.org/download/Agriculture-August-2014.pdf>
- Indian Banks' Association. (n.d.). *Flow of credit to agriculture sector with special reference to tenant farmers, oral lessees and agricultural labourers*. Retrieved from <http://www.iba.org.in/events/flowofcreditcover.pdf>
- ITC. (n.d.). *Transforming lives and landscapes*. Retrieved from <http://www.itcportal.com/businesses/agri-business/e-choupal.aspx>
- Ministry of Agriculture, Government of India. (December, 2014). *Year end review for the Ministry of Agriculture for the Year 2014-15*. Retrieved from <http://pib.nic.in/newsite/PrintRelease.aspx?relid=113870>
- Ministry of Finance, Government of India (February, 2015). *Economic Survey 2014-15 (Volume II)*. Retrieved from <http://indiabudget.nic.in/es2014-15/echapter-vol2.pdf>
- Minot, N., & Ngigi, M. (2004). *Are horticultural exports a replicable success story?: Evidence from Kenya and Côte d'Ivoire* (EPTD Discussion Paper 120). Washington, DC, USA : International Food Policy Research Institute (IFPRI).
- NABARD. (2016). *Status of microfinance in India 2015-16*. Retrieved from <http://www.nabard.org/auth/writereaddata/File/Status%20of%20Microfinance%20in%20India%20-%202015-16.pdf>
- NSSO. (2005). *Access to modern technology for farming, situation assessment survey of farmers, 59th Round, Report No. 499*. Retrieved from [http://planningcommission.gov.in/sectors/agri\\_html/access%20to%20modern%20technology%20for%20farming%2059%20round%202003.pdf](http://planningcommission.gov.in/sectors/agri_html/access%20to%20modern%20technology%20for%20farming%2059%20round%202003.pdf)
- Planning Commission, Government of India. (July, 2013). *Press note on poverty estimates, 2011-12*. Retrieved from [http://planningcommission.nic.in/news/pre\\_pov2307.pdf](http://planningcommission.nic.in/news/pre_pov2307.pdf)
- Rangarajan Committee, Government of India. (2008). *Report of the committee on financial inclusion*. Retrieved from [http://www.sksindia.com/downloads/Report\\_Committee\\_Financial\\_Inclusion.pdf](http://www.sksindia.com/downloads/Report_Committee_Financial_Inclusion.pdf)
- Reserve Bank of India. (2007). *General purpose credit cards and overdrafts against 'no-frills' account as indirect finance to agriculture under priority sector*. Retrieved from <https://rbi.org.in/scripts/NotificationUser.aspx?Id=4168&Mode=0>
- Sachs, J. D. (2012). From millennium development goals to sustainable development goals. *The Lancet*, 379 (9832), 2206 - 2211. DOI: 10.1016/S0140-6736(12)60685-0

- Sathiyar, S., & Panda, P. K. (2016). Financial inclusion in India: An analysis of pattern and determinants. *Indian Journal of Finance*, 10(4), 41 - 53. DOI: 10.17010/ijf/2016/v10i4/90799
- Siddik, M. N. A., Sun, G., & Kabiraj, S. (2015). Financial inclusion and its determinants: A study of Bangladesh. *Indian Journal of Finance*, 9(6), 7 - 29. DOI: 10.17010//2015/v9i6/70988
- Thorat, U. (2007, June). Financial inclusion - the Indian experience. In *Text of speech by Deputy Governor, Reserve Bank of India at the HMT-DFID Financial Inclusion Conference*. Retrieved from <http://www.bis.org/review/r070626f.pdf>
- UN Department of Public Information. (2013). *Millenium development goals and beyond 2015*. Retrieved from [http://www.un.org/millenniumgoals/pdf/Goal\\_1\\_fs.pdf](http://www.un.org/millenniumgoals/pdf/Goal_1_fs.pdf)
- United Nations Development of Economic and Social Affairs (DESA) and the United Nations Capital Development Fund (UNCDF). (2006). *Building inclusive financial sectors for development*. United Nations Publications. Retrieved from [http://www.uncdf.org/sites/default/files/Documents/bluebook\\_1.pdf](http://www.uncdf.org/sites/default/files/Documents/bluebook_1.pdf)

### About the Authors

**Shikha Sharma obtained her Master's Degree in Business Administration from University Business School (UBS), Panjab University, Chandigarh with specialization in Human Resource Management and Industrial Relations. She is currently a Senior Research Fellow at UBS, Panjab University, Chandigarh and has submitted her Ph.D. thesis in Strategic Human Resource Management.**

**Sanjeev Kumar Sharma is Director of the University Institute of Applied Management Sciences, Panjab University, Chandigarh and is Professor of Strategic Management at University Business School, Panjab University, Chandigarh. He is a distinguished alumnus of IIM-Ahmedabad having notable research work in Strategic Management, Marketing, and International Business.**