

13TH ANNIVERSARY ISSUE

www.business-today.com January 16, 2005

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25 CEOs and Thought Leaders on India in the year 2020

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Chairman/ ITC

Creating Village Wealth

Nearly 87 PER CENT OF INDIA'S 6,40,000 VILLAGES HAVE population clusters of 2,000 people or less. Despite a universe of roughly 3.6 million marketing or distribution in these small villages rural retail outlets, there is no active because of uneconomical "last mile" logistics. Nearly 35 per cent of India's villages are yet to be connected by roads. Rural tele-density is barely 1.7 per cent. Apart from being geographically dispersed, these villages, as economic units, are too feeble to support the scale of investment required to upgrade last mile connectivity. A substantial proportion of the rural population subsists on less than \$1 (Rs 44) per day—less than half the subsidy provided to each head of cattle by the Organisation for Economic Cooperation and Development.

Rural India accounts for about 60 per cent of the country's household consumption expenditure. So, rural India represents the largest potential market of the future in our country and one of the largest in the world. It is a huge marketing opportunity. Management guru C.K. Prahalad refers to this market as "the bottom of the pyramid". Marketing to the bottom of the pyramid, or the large population of the rural poor, is the new management and marketing mantra.

Yet, consumer research reveals that a rural wage earner's propensity to consume is only half that of an urban wage earner for the same level of income. This lower propensity is due to uncertainties that the future holds in the absence of effective mechanisms to manage risk. Agriculture continues to be the predominant source of rural livelihood. A host of factors including small and fragmented farms, over-dependence on monsoons and lack of sophisticated inputs and knowledge, traps the farmer in a vicious cycle of underdevelopment. The economic opportunity



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lies in building capacity to induce productivity-led growth by providing cost-effective last mile connectivity.

ITC has nurtured deep linkages with rural India, both as a buyer of agri commodities and as a seller of goods and services. ITC's e-Choupal model seeks to address the issues relating to last mile connectivity by leveraging IT to build capability at the grassroots by empowering the small farmer. This model seeks to enhance farm productivity and income by aligning output with market demand through connectivity. It primarily focusses on creating markets by helping raise incomes before servicing such markets commercially. Indeed, these processes occur more or less simultaneously—a phenomenon that Prahalad so aptly refers to as “co-creation of value”. Such an e-infrastructure can also serve as a powerful and effective delivery channel for a host of goods and services including those related to farm practices, risk management, education and health. In effect, the e-Choupal is potentially an efficient delivery channel for rural development and an instrument for converting village populations into vibrant economic organisations.

Despite daunting implementation challenges, this initiative now comprises nearly 5,000 installations covering over 28,000 villages and serving more than 2.5 million farmers. The World Business Award is an acknowledgement of ITC's abiding commitment to the rural value chain. It is also a humbling reminder of the journey yet to be traversed, of the commitment to connect 1,00,000 villages in this decade and is a celebration of a small beginning, the first step in a journey, which will not end till every Indian farmer is reached.

How the promotion of forest and wood-based industry can become a mega developmental multiplier: ITC's farm forestry programme is a telling example of linking business purpose with the creation of sustainable livelihoods and environment protection in rural India. It is not well known that sustainable rural incomes are compromised by deterioration in the natural resource base. Soil is subject to erosion by several weathering agents resulting in loss of humus and

biotic life, leading to reduction in fertility and productivity. According to estimates of the Indian Council for Agricultural Research, the present average soil loss is over 16 tonnes per hectare per year, which is at least three to five times the normal. Areas affected seriously by salinity, alkalinity and wind and water erosion cover an estimated 126 million hectares, nearly 41 per cent of the total geographical area of the country. It is estimated that nearly 70 million hectares of land, out of the total estimated 95 million hectares under rain-fed conditions, are in some stage of land degradation. Sub-optimal land use is also evident from the fact that degraded wastelands constitute at least 35 million hectares, representing 18 per cent of total cultivable land.

Forest cover plays a critical role in maintaining the soil and water base for food production in arid and semi-arid lands. In areas where wind is the main agent of erosion, the presence of wooded areas can help contain erosion. Trees also ameliorate the effects of drought and desertification, and play a crucial role in cushioning the effect of seasonality. Recent data indicates that only 35 million hectares of forest land have a crown density of 40 per cent. Thus, real forests account for barely 11 per cent of the geographical area of the country against a desirable 33 per cent.

ITC's farm forestry project is driven by the realisation that India's meagre forest cover has serious implications for the rural poor. ITC has effectively leveraged its need for wood fibre to provide significant opportunities to economically-backward wasteland owners. The main plank of this initiative is the building of grassroots capacities. ITC works with select NGOs and the Government of Andhra Pradesh, identifies poor tribals with wastelands, and organises them into self-supporting forest user groups. Group leaders are trained in the best silvicultural practices to grow high quality timber. ITC provides a comprehensive package of support and extension services to farmers encompassing loans, land development, planting of saplings, plantation maintenance, marketing and funds management. This has been institutionalised by creating village-level natural resource management committees comprising local farmers.

The economic opportunity lies in building capacity to induce productivity-led growth by providing cost-effective last mile connectivity.

ITC's e-Choupal model seeks to address this issue by leveraging IT



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At the heart of this comprehensive greening project is ITC's state-of-the-art research centre at Bhadrachalam in Andhra Pradesh. The biotechnology-based research enables ITC to make available high-yielding, disease-resistant clonal saplings, thereby presenting attractive land-use alternatives to traditional farmers and wasteland owners. So far, over 100 million saplings have been planted over 28,500 hectares through farm and social forestry programmes, generating employment opportunities for nearly 250,000 people.

The benefits of this strategic initiative are much more pervasive. It contributes to in-situ moisture conservation, groundwater recharge and significant reduction in topsoil losses due to wind and water erosion. With poor households having access to their own woody biomass under ITC's social forestry programme, the pressure on public forests stands reduced. The leaf litter from multi-species plantations and the promotion of leguminous inter-crops enable constant enrichment of depleted soils. These forests enable sequestration of carbon, thereby contributing to strengthening the plant-led life support system.

and environmental capital holds important inputs for policy makers. India can leverage two of its most abundant assets—people and land—through promotion of wood- and forest-based industry to address a host of developmental issues. Promotion of forest- and wood-based industry carries the potential for transformational change, provided usage of output is linked to replenishment. Such a strategy would facilitate land use diversification through a sustainable model of development by supporting value-added wood-based industry such as paper, construction and furniture. A new opportunity can be opened up through promotion of forest and herb-based products for culinary, cosmetic and curative use in domestic and international markets. Apart from spawning value-adding industry, it will enable the creation of substantial employment both on farms and off farms, thus helping to absorb the excess labour inherent in agricultural productivity improvement. Further, wasteland development through promotion of wood- and forest-based industry can convert over 35 million hectares into productive assets, while simultaneously addressing issues relating to biomass depletion, soil erosion,

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ITC's bold engagement across the entire value chain has converted the threats to competitiveness, and the quality of social and natural capital into opportunities for a sustainable partnership. If a company like ITC chooses the easier path of importing pulp to support a 3,00,000-tonne paperboard mill based on virgin pulp, it would mean foregoing 75,000 hectares of sustainable plantations, 27 million person-days of employment and nearly Rs 600 crore in foreign exchange annually.

The growing competitiveness of ITC's paperboards business and its increasing market strength provide the impetus for the company to scale up the afforestation endeavour to cover over 1,00,000 hectares by planting 600 million saplings over the next 10 years. Such a scale would render procurement of industrial timber exclusively from sustainable sources into a reality within 10 years, benefit nearly 1.2 million people through incremental employment and position ITC as a carbon-positive enterprise.

The tested viability of ITC's social farm forestry programme in effectively servicing economic, social

water security, ecological balance and biodiversity.

The spirit of partnership towards contributing to societal capital has inspired ITC to venture into other markets like *agarbattis* (incense sticks) and safety matches. In addition to providing business growth opportunities, these forays have enabled the adoption of superior processes and will result in better realisations from the market. The entry into branded packaged foods has created a system of continuous engagement with the farmer so that the e-Choupal infrastructure can be used to build a developmental model sustained on a commercial foundation. The business can thus serve to create a much higher order of value across the entire value chain from seed to stomach. Similarly, ITC hopes that its lifestyle retailing business will grow in strength at the market end, which will, over time, create the basis for a deeper engagement across the entire value chain from fibre to fashion, much like the successes in the paperboards, soya and wheat value chains. **bt**