

Value Chain Interventions – Imperatives for Livelihood Development

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Abstract

The business firms that subscribe to the traditional view of marketing which is centred around selling, have the best chance of succeeding in economies and markets marked by shortages of goods. In these markets, consumers are not fussy about quality, features or style. However, in an emerging economy like India, there are different buyers with individual wants, perceptions, preferences and buying criteria. In this context, the business firms see themselves as part of a value creation and delivery process. They need to make interventions in value chain by involving suppliers, distributors and customers.

The business organizations are increasingly becoming responsive towards social responsibilities mainly because of a voluntary urge in some and for compulsion in many. The business organizations driven by an urge to increase profit with a sense of social responsiveness need to make interventions in the value chains to benefit the society as stakeholders. These interventions in some cases facilitate micro entrepreneurship and livelihood development.

After discussing the rationale and importance of value chain in Indian context, the paper will draw some inferences from case examples like Emami Mobile Traders and Emami Village Shops. These programmes are aimed at addressing rural poverty by providing a regular and sustainable self-employment opportunity to the unemployed rural youth. There are other cases like BASIX, Gujarat Cooperative Milk Marketing Federation Ltd, Lizzat Papad and Project Shakti.

In a country like India, a higher priority to agriculture can achieve the goal of reducing poverty and inspire inclusive growth. Since agriculture forms the resource base for a number of agro based industries and agro services, it would be more meaningful to view agriculture not as farming alone, but as a holistic value chain. From this perspective, the value chain would include interventions in farming, wholesaling, warehousing, processing and retailing. The paper explores interventions in agricultural value chain also.

Based on the interventions in value chain the paper concludes that with a sense of social responsiveness the corporate and non-corporate sector can make substantial towards livelihood development.

Introduction

The traditional views of marketing are that the firm makes something and then sells it with marketing taking place in the selling process. The

firms that subscribe to this view have the best chance of succeeding in economies marked by goods shortages where consumers are not fussy about quality, features or style. In an emerging economy or in a developed economy, there are different buyers with individual wants, perceptions and preferences, and buying criteria. In this context, firms now see themselves as part of a value creation and delivery process. In this process, there arises many opportunities for enterprise development, employment generation and livelihood development. In this paper an attempt has been made to explore these issues.

Table 2.1

Primary Activities	Support Activities
Inbound Logistics	Procurement
Operations	Technology development
Outbound Logistics	Human resource Management
Marketing	Firm Infrastructure
Services	

The firm's task is to examine its costs and performance in each value creating activity and look for the ways to improve it.

The firm's success depends not only on how well each department performs its work, but also on how well the firm coordinates departmental activities to conduct core business processes. These processes include:

- i. The Market Sensing Process
- ii. The New Offering Realization Process
- iii. The Customer Acquisition Process
- iv. The Customer Relationship Management Process
- v. The Fulfilment Management Process

To be successful, a firm also needs to look for competitive advantages beyond its own operations, into the value chain of suppliers, distributors, and customers. Many business firms today have partnered with specific suppliers and distributors to create a superior value delivery network, also called a supply chain.

Theoretical Framework:

The concept of value chain

Michael Porter proposed the concept of value chain as a tool for identifying ways to create more customer value. According to this model, every firm is a synthesis of activities performed to design, produce and market, deliver, and support its product.

The value chain identifies nine strategically relevant activities- five primary and four support activities- that create value and cost in a specific business (Kotler et.al.2013). The elements are presented in Table 2.1

The Indian Scenario

The Indian marketing environment provides tremendous opportunities for value creation and value delivery. For the lack of value interventions, India has formidable problems. In this regard, let us see the farm perspectives.

Farmer definition and real income for farmers

There is a formal definition of 'farmer' as stated by Debroy and Desai (2019), 'farmer' means a person who earns his or her primary livelihood by one of the following:

- a. By growing crops; or
- b. By producing other agricultural commodities.

With the above in view, farmers can include the following:

- a. Who owns agricultural land and are primarily engaged in agricultural activities for their livelihood.
- b. Those who do not own land but are also primarily engaged in agricultural activities for livelihood (tenant farmers).
- c. Those who own agricultural land but this does not provide the primary means of his or her own livelihood.

The farmer definition indicates the vast gamut of activities required for farm intervention. During the period 2014 to 2018, the average year on year growth of rural wages was 4.7 %. With average inflation at 4.2 %, the real wage grew only at 0.5 %, compared to 6.7 % during the period 2009-2013. The slowdown has resulted in a stark decline in the growth of real income for farmers from 6.7 % to 0.5 % which led to very pathetic condition of farmers and lead them to even commit suicide (telegraph 2019).

Monsoon and Farmers' Livelihood

The Economic Survey 2018 indicates that almost 52 % of all farms are dependent completely on monsoons. Access to irrigation is a big problem. The share of net irrigated area to total cropped area was even lower, at around 35 %. Consequently, the livelihood of farmers continues to remain vulnerable to the vagaries of monsoon (Debroy and Desai, 2019). One bad monsoon year can put farmers and their families into a debt trap that may take years to recover. Farmers have remained prone to distress for the structural deficiencies in the farm sector.

Comprehensive social security and agricultural sector reform programme needs to be undertaken, though we have some, which are mentioned below:

- i. Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA) for income assurance.
- ii. Pradhan Mantri Fasal Bima Yojana (PMFBY) for reducing external risks and liberalising access to markets.
- iii. Agricultural Land Leasing Act, passed in 2016, which provides a ready to use framework for states to legalize and liberalise agriculture land-leasing.
- iv. Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) which provides cash flow support and support for processing agriculture related inputs.

Farmers' Suicide in Kerala

In the Wayanad district in Kerala, 371 debt-ridden farmers took their lives between 2000 and 2005. The number of farmer suicide deaths seems smaller than in states like Maharashtra. In 2018-19, a number of indebted farmers in Idukki district died by suicide. The district, famous for tourist places like Munnar, remains industrially backward. In 2018, over 11,000 hectares of farmland was estimated to have been ruined. The soil condition deteriorated because of flood and non technical cultivation. The global prices of crop like pepper, a major crop of the region, dropped to half. The situation became further complicated for lack of proper title deeds, limited access to bank finance. The farmers were served repayment notices sent by banks and financial institutions, despite a moratorium declared by the

state government on farm and educational loans. The government set up Kerala State Farmers' Debt Relief Commission after the suicide crisis in 2005. The Idukki crisis, if not resolved by options like full waiver of loans, long term financing etc., would intensify further because of harsh summer already under way. This is an example which substantiates need for value intervention (economic times, 2019).

Vegetable Farmers in Palasbari Incurring Heavy Losses

A survey in Palasbari indicated that over 100 vegetable farmers of Futuri village in Palasbari Revenue Circle in Kamrup district of Assam have been incurring heavy losses in sale of their vegetables produced in several hundred acres of alluvial sandy loan land located on the banks of Bramaputra.

The farmers indicated that the output value (sale price) was very less compared to input cost (investment). Quality of seeds provided by the Government was also cited as a reason which demotivates the farmer to continue farming (www.assamtribune.com)

Budget 2019-20- Will It Help India's Farmers?

One of the promising schemes for farmer is PM KISAN. This is a scheme for small farmers for income transfer. The Budget Speech promised that 'vulnerable landholding farmer families having cultivable land up to 2 hectares will be provided direct income support at the rate of Rs. 6,000 per year. The income support will be transformed directly into the bank accounts of beneficiary farmers, in three equal instalments of Rs. 2000 each'. It was expected that around 120 million small and marginal farmers would benefit from the expected annual expenditure of Rs. 75,000 crore (telegraph 2019).

The cost of production for wheat is slightly more than Rs. 30,000 per hectare and that for rice is above Rs. 40,000 per hectare. Assuming a double cropping pattern cost per hectare would be at least Rs. 70,000 per year. In case of two hectares, the figure will be Rs. 1,40,000. The transfer of Rs. 6,000 is unlikely to provide any tangible benefit by the 'historic programme'.

Across the country, in rallies, protests, marches, farmers have repeatedly made some clear demands. Resolving issues of land rights, ensuring affordable inputs, resolving problems of water management, providing access to credit for both machinery and working capital at reasonable rates, ensuring a fair system of crop insurance, protection against natural and economic disasters; responsible trade policy that does not make farmers bear the brunt of global price volatility

(Jayati Ghosh, telegraph, 2019).

So far 27.4 million small and marginal farmers have received the first instalment of Rs. 2000 under PM-KISAN. The process requires state government to cooperate at every step ([https://economictimes.indiatimes.com, 15.03.19](https://economictimes.indiatimes.com/15.03.19)).

Agriculture Survives-India Survives

In a country like India, a higher priority to agriculture can achieve the goal of reducing poverty and inspire inclusive growth. Since agriculture forms the resource base for a number of agro based industries and agro services, it would be more meaningful to view agriculture not as farming alone, but as a holistic value chain. From this perspective, the value chain would include interventions in farming, wholesaling, warehousing, processing and retailing. The paper explores interventions in agricultural value chain also.

India accounts for only about 2.4 % of the world's geographical area and 4 % of its water resources. However, it supports 17 % of the world human population. About half of Indian population still relies on agriculture as its principal source of income. Agriculture contributes 14 % of GDP. Agriculture can be termed as India's largest private sector activity.

A higher priority to agriculture can achieve the goals of reducing poverty and inspire inclusive growth.

Since agriculture forms the resource base for a number of agro based industries and agro services, it would be more meaningful to view agriculture not as farming alone but as a holistic value chain which includes farming, wholesaling, warehousing, processing and retailing. Achieving 8-9 % growth in GDP and growth without inclusiveness will not be meaningful if there is no agricultural growth.

A country cannot prosper without having a secured food basket and that too available to all at affordable price. The country's population is growing faster than its ability to produce food grain and with the limited rather with reduced resources, we have to feed 150 crore people in 2020-22.

Source: Unity, SBI

Indian Agriculture is in the state of crisis and over the years it has become an unviable activity. A recent study conducted by Centre for the Study of Developing Societies (CSDS) suggests that 76 % of the farmers want to give up farming. Majority of the farmers believe that they are not getting proper remuneration for their produces which leads to bleak future and they were demotivated. As there is less profit and respect for farmers compared to developed countries, the farmers of this generation were preparing

their next generation for other jobs which will create vacuum in this industry and create lots of unemployment (www.csdsonline.org).

Case Examples of Value Chain Interventions

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Amul

Gujarat Cooperative Milk Marketing Federation's Amul is one of the largest food brands in the world in terms of number of customer franchise. The milk marketing federation with about 3 million farmer members sells dairy products through a network of 5000 dealers and 1 million retailers, supported by one of the longest running and best loved campaign in India. Its ice-cream and chocolate milk business have survived the entry of MNCs (Kotler et. el.2013, p.541).

Grameen Bank

Grameen Bank has been a pioneer in selling financial services in rural areas. What started as an experiment in the Chittagong district of Bangladesh has evolved into a fully fledged bank covering over 81,000 villages and reaching more than 8.35 million borrowers(Kotler et. el.2013, p.336).

Basix

Organisations like BASIX in India are delivering financial services based on the model developed by Grameen Bank(Kotler et. el.2013, p.336).

Emami trading

Emami, a FMCG company, launched an innovative programme in 2006 involving two schemes- Emami Mobile Traders and Emami Small Village Shops. The

programme was a part of its CSR initiative. The programme aimed to address rural poverty by providing a regular and sustainable self-employment opportunity to the unemployed rural youth. The scheme while guaranteeing regular income to the participating individuals, enabled the company to extend its markets to the rural interiors and to ensure the availability of genuine products at the doorsteps of the village population (Kotler et. al. 2013, p.480-481).

Project Shakti and Shaktimaan of HUL

Hindustan Unilever Limited launched a scheme in 2001 using mobile traders. The salespersons on bicycles would visit villages with a population of less than 2000 and haats also (periodical market in villages where buyers and sellers meet). They target small villages which are not on the radar of big companies due to poor accessibility. There are women mobile traders who are the link between the external world and women in rural areas as most of them are not allowed to make frequent visits to public markets (Kotler et. al. 2013, p.480-481).

As Hindustan Unilever was contemplating in the late 1990s how to increase the rural reach, SHGs based on the Grameen Model of Microfinance flourished across India. HUL started 'Project Shakti' by tapping the SHGs in one part of rural Andhra Pradesh. The idea was to create low risk, profitable micro-enterprise opportunities for women, who became direct to home distributors of HUL products. Sustainable micro enterprise opportunities were created for SHG women in rural area (Kashyap 2012, p.182-183).

Shaktimaans, distributors on bicycles, were recruited by HUL in 1,50,000 remote villages with population of less than 2000 (which are beyond the reach of the company's redistribution stockists) to distribute their products in remote villages. A Shakti entrepreneur can easily earn his livelihood because of this intervention (Kashyap, 2012, p.217).

Naga Coffee

Nagaland has been able to offer high altitude coffee mainly because of value chain interventions.

In the early 1980s, the government of Nagaland started coffee plantation. But due to middlemen farmers would get only Rs. 10-15 a kilo and were left disillusioned. They had no direct access to market. Political unrest further worsened the situation which led to abandoned of firms.

In 2015, a PPP called Naga Coffee was formalised with MoU between Department of Land Resources, Nagaland and Noble Cause, a South African Company. The Naga entrepreneurs have joined in the project to promote home grown coffee. Employment is being generated in the value

chain. With the support of coffee shops, farmers have started earning their livelihood. Naga coffee is being exported to South Africa, Dubai and Bahrain (Avantika Bhuyan, www.economicstimes.indiatimes.com, 16.03.2019, p.21).

Value Chain for Education

India has been a developing country. It means economically it is not strong, socially it is not stable and in security aspects it is not self-reliant. That is why it is called a developing country. TIFAC (Technology Information Forecasting and Assessment Council) identified important areas to transform India- education, healthcare, agriculture, information and communication, infrastructure and critical technology (Kalam, 2002, p.74).

The Ministry of Education of China has launched schemes to train teachers and improve infrastructures for digital education in improvised areas. This requires resource sharing of teaching equipment like tailored mobile phone carrying particular apps for learning Mandarin. The Open University of China will assist in building cloud classrooms for poverty stricken areas. The University will offer digital courses for primary and middle schools in the region and local faculty will receive technical guidance (www.xinhuanet.com). South Africa is another example where large numbers of students were learning with the help of YouTube. Government of India has also taken initiative in this regards. SWYAM, SWYAM PRABHA, NEPTL etc. are some of the government's initiatives towards value chain intervention.

Imperatives

In 1960, the agriculture sector employed about 74 % of the population. This came down to 62 % in 1992 and is expected to fall further, though the demand of agricultural products will double. During the last century, the world has changed from being an agriculture society, to an industrial society, where the management of technology, capital and labour provide the competitive advantage.

Ancient India was an advanced knowledge society. Knowledge has many forms. It is acquired through education, information, intelligence and experience. It is available in academic institutions, workplaces, shop floors. Knowledge, though closely linked to education, comes equally from learning skills.

There is an abundance of unorthodox, earthly wisdom in our villages. There are hidden treasures of knowledge in our environment. Knowledge has always been the prime mover of prosperity and power. India had the culture of knowledge sharing, not only through the tradition of guru-shishya but also through the travellers who came to

Nalanda and other universities.

A.P.J. Abdul Kalam (2002) has stated some very important issues related to knowledge society. A knowledge society has a two-dimensional objective of societal transformation and wealth generation. Some of these issues stated by Kalam are mentioned as follows:

The societal transformation is in respect of education, healthcare, agriculture and governance. These will lead to employment generation, high productivity and rural prosperity. The tank of wealth generation requires core areas like IT, biotechnology, technology etc. There are multiple technologies and appropriate management structures that have to work together to generate a knowledge society (Kalam, 2002,p.74-125).

·The father of Green Revolution, C. Subramaniam dreamt of second green revolution by setting up a national agro foundation to develop hybrid seeds, to adopt small and marginal farmers, to provide the farmers soil testing facility to provide access to information and also to offer opportunities to earn more (Kalam, 2002,p.126).

·Linking the villages by road network and providing state of the art telecommunication connectivity, virtuous cycle of more connected people, attracting more investment and more investment attracting even more people can be created (Kalam, 2002,p.130).

Rural development is an essential need for transforming India into a knowledge superpower and high bandwidth rural connectivity can take education and healthcare to the rural areas(Kalam, 2002,p.132).

Development is a security centric phenomenon- from poverty to food security, social security and thereafter national security (Kalam, 2002,p.139).

TIFAC took up a project to enhance agricultural production in Central Bihar and Easter India (15 villages in kharf season of 1998). The system approach consisted of soil analysis, seed choice, cultivation seasons, fertilizer selection, and farmer training. The collaborative approach resulted in double increase in wheat yields (Kalam, 2002,p.142).

Conclusion

Based on the interventions in value chain the paper concludes that with a sense of social responsiveness the corporate and non-corporate sector can make substantial towards livelihood development. The situations like suicide of farmers can be avoided with proper implementation of schemes for the needy people. The

systematic value chain intervention in agriculture and education can lead the society for higher growth and development. As highlighted by Kalam, if proper technology and infrastructural developments were made the society can prosper in near future.

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