

RURAL ENTREPRENEURSHIP THROUGH SHG's AS A DISTRIBUTION CHANNEL FOR E-COMMERCE COMPANIES IN RURAL AREAS

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INTRODUCTION

India is predominantly an agrarian economy not because of fertile land or lucrative dividends of agriculture sector, but it is the rural and pastoral society that has accorded the status of agrarian economy. Still three fourth of the population of this country lives in rural areas and depends on agriculture or para agriculture sectors in search of livelihood. The major problems with farm sector is the excess dependency which has reduced the per capita income. It is learnt from the formal statistics of the country that 61 % of the country still depends up on agriculture sector which contributes only 23 % to the Gross Domestic Product creating a wide dichotomy between the earnings of urban and rural population. The best remedy which can fix this problem is the development of rural enterprises. Indeed, the idea of promoting rural entrepreneurs is not a new concept. Government of India has initiated Khadi and Village Industry Commission (KVIC) way back in fifties to support the growth of village industries. Apart from it, many institutional measures were mooted from time to time to address the problems of rural enterprises. If Rural Areas based SHG's undertake the distribution channel of online parcels from e-commerce companies, earnings of SHG members will increase enormously.

MEANING OF RURAL ENTREPRENEURSHIP

It is very lucid to understand that any enterprise established in rural area or any entrepreneur commencing his business operations in a village falls in the ambit of rural entrepreneurship. But what is a rural area must be technically defined to route the vested benefits and state sponsored incentives of entrepreneurial development to the genuine rural ventures. Accordingly, government has formally defined that any enterprise established in the area having a population of less than twenty thousand with the maximum investment of Rs. Three crores is known as rural enterprise. KVIC defines that any individual establishment with or without the aid of power in an area having population of ten thousand or below with a maximum investment of Rs. One thousand is a rural industry. But this definition does not hold waters in the present situation owing to the very nominal investment ceiling imposed by KVIC.

Therefore, the definition given by Government of India is deemed to be valid for disbursing the subsidies and incentives designed for promoting rural enterprises.

CLASSIFICATION OF RURAL ENTERPRISES

Rural enterprises are broadly classified into the following seven categories:

1. Mineral Based industries
2. Forest based industries.
3. Agro based industries.
4. Polymer and chemical based industry.
5. Textile industry (including Khadi)
6. Engineering and non conventional industry
7. Service industry.

Need for promoting Rural Enterprises: Now it is a need of the hour to promote Rural Entrepreneurs and it is depicted

in following points

1. Generation of employment:

There is a problem of disguised unemployment in rural areas which can be fixed by promoting new enterprises in rural areas. Most of the rural enterprises are labour dependent which can acquire skilled and quality workforce at cheaper rate of wages comparing to that of urban areas.

2. Value to localized resources:

The line of operations preferred by rural entities requires accessing localized material such as farm output, forest produce and locally available mineral. The value of such localized material can be enhanced by setting up rural enterprises which give more lucrative dividends to the stakeholders of localized material.

3. Preserving and promoting Rural Art:

The rich culture and heritage of any country lies in its rural society such as handicrafts, the works of artisans and many other variants inherited from the past. They can be enriched and spread across the local frontiers only when rural enterprises are set up with the aim of converting such art into tradable output. For instance, Kalamkari works, Kondapally toys and Dharmavaram Silk would not have swam the national boundaries and made their presence in the international markets but for the existence of rural enterprises in these areas.

4. Promoting the notion of Gram Swarajya:

Gram Swarajya or rural republic dreamt by Mahatma Gandhi is still standing away from the reality. Rural areas can achieve self reliance and economic affluence only when entrepreneurial activities proliferate in villages along with the conventional farm sector.

5. Avoiding Rural Urban migrants.

Rapid urbanization creating infrastructural bottle necks is mainly caused due to the migration of people from the urban areas in search of better livelihood. Infact, the livelihood sources can become friendlier in rural areas by promoting entrepreneurship with in the ambit of available resources.

6. Promoting Eco friendly Entrepreneurship:

Most of the rural industries requires less fuel and releases negligible quantum of industrial effluents. In other words, rural enterprises do not disturb the pastoral beauty of the countryside, though they are capable of generating bulk output with huge marketable value.

PROBLEMS FACED BY RURAL ENTREPRENEURS

1. Insufficient infrastructure:

The major stumbling block impeding the growth of rural enterprises in this county is the lack of infrastructure. Quality of power and access to roads is still remain enigmatic issue in rural areas despite the strenuous efforts made by the government and causing a mist among rural entrepreneurs.

2. Poor market access:

The size of rural markets is less though the proportion of rural areas is large. The consumption capacity of rural population is also feeble comparing to that of urban markets. Therefore, accessing urban markets is the core of rural entrepreneurial success. But, the market access is very weak from the rural area which is also one reason why business entities are looking assistance from rural establishments.

3. Lack of training:

Though there is no scarcity for the skilled workforce in rural areas, there is some lacuna to commercialization such skills which require professional training. Government sponsored EDP's and other training programs are keeping their own priorities win the training modules and not assessing the areas where training is really required to the rural youth.

4. Lack of Institutional support:

It is found that institutions set up by the state to support rural enterprises have got their establishments in metropolitan cities. The employees of such institutions who are vested with the task of extending hands on help to rural entrepreneurs operate from the urban localities and only make spasmodic visits to rural fields.

5. Lack of capital:

Still seventy percent of rural financial requirements are met by the unorganized money markets in India. Nevertheless, government has initiated innumerable measures to finance the entrepreneurial needs of self help groups and individuals engaged in tiny, cottage and micro level enterprises it is not sufficient to meet the capital requirements. In simple sense, the number of financial products, available at the disposal of rural enterprises is less than that of urban entrepreneurs.

6. Problem of Intermediaries:

Rural markets are suffering with excess and unnecessary middlemen who virtually squeeze the profits of rural entrepreneurs. Unless the government mitigates the hurdles between the rural producers and end users through direct access facilities, it remains difficult for the rural enterprises to reap margins.

7. Local constraints:

The pressure groups like village heads, cast heads, and local political groups often create problems for rural enterprises they leave no stone unturned to create gaps between the rural entrepreneurs and villagers. It is one of the major reasons impeding the growth for rural industries in this country.

REVIEW OF LITERATURE

Review of Literature is the mirror of earlier studies which enriches the researcher and helps to identify the gaps for further research. The present paper is concerned with the theoretical framework on women empowerment through SHG's. Here, few pertinent papers reviewed are presented for the better work done earlier:

Luke (1991) in his research on the measurement of changes in a self help context says that SHG's comprise behaviour and community setting that have a life cycle.

Pathak (1992): He gives the concept of SHG's and their modes of linkages with banks. He says that the SHG linkage with banks for micro credit taken them to greater heights.

Kumaran (1997): In his study in An alternative to institutional credit to poor states that SHG's have empowered the rural women effectively in AP state by providing micro credit. He also says that micro credit given by the banks to the SHG's raised the socio economic status of the rural women. Women comprise half of human resources they have been identified as key agents of sustainable development and women's equality is as central to a more holistic approach towards stabilizing new patterns and process of development that are sustainable.

Tripathy (2004): In his article self help groups a catalyst for rural development brings out that SHG's are formed and developed under various programs. They provided an upgraded opportunity for the convergence of different programs /activities of various ministries and organizations.

(Harendar Kumar, (2009): Experience of NIRD Action Research projects reveal that the operational aspects such as the extent of enabling that goes into the community self help processes and sharpening the mind set of women.

(Birendra Kumar Jha 2009): The contribution of women and their role in the family as well as in the economic development and social transformation are pivotal. Women constitute 90 percent of total marginal workers of the country. Rural women who are engaged in agriculture form 78 % of all women in regular work.

OBJECTIVES OF THE PAPER

The present paper aims to fulfill the following objectives:

- a. To highlight the benefits of SHG's to various stakeholders
- b. To design and suggest a model as to how SHG's can be integrated to the E-Commerce companies networks.

SELF HELP GROUPS (SHG's)

SHG's are small, economically homogenous and affinity groups of rural poor, not exceeding 20 voluntarily formed to save and mutually agree to contribute to a common fund to be lent to its members as per group decision. These groups are usually formed by Government or Non – Governmental organizations with emphasis on both thrift and credit activities. All financial decisions are taken by the groups through a consensual approach.

As per statistics, there are more than 4.80 lakh SHG's promoted by various agencies and under various programs in the state. Despite this huge social mobilization in the state over the past two decades, it has been observed that some poorest of the poor (POP) families in various numbers are still outside the purview of micro credit in the districts. The State Government has launched AP Rural Poverty Reduction Program (APRPRP) in all the districts of the state to bring all such families within the fold of SHG's. The need of the hour is to strengthen the existing groups through imaginative capacity building measures and initiatives and to ensure that new groups wherever formed are not curved out of the older groups to take short term benefits.

SELF HELP GROUPS:

The Objectives of promoting SHG's are presented below:

1. To reduce poverty in rural communities.
2. To make rural women economically, socially and politically viable.
3. To provide regional balances in rural circumstances.
4. To make the rural population in any state self sufficient.

The various schemes that are offered under the SHG's

- a. Entrepreneur Development Program
- b. Agricultural Training for Rural Poor
- c. Effective lifestyle improvement programs.
- d. SHG s are channel partners for the promotion of consumer products.

Reasons for suggesting SHG's as Channel Partners:

1. The number of SHG's is increasing in the rural areas of any state.
2. The SHG's are actively involved in business related activities.
3. The training programs attended by the SHG's enable them to acquire skills needed to promote the products at the rural level.
4. The SHG's are strongly creating a comprehensive relationship network with various rural areas.
5. The quantum of branded product awareness is higher among the SHG's
6. Some leading branded durable and non durable product manufacturers have started to append the SHG's as channel partners to promote their brands in rural markets.
7. While employing the SHG's as the channel partners the companies reduce their selling and distribution expenses.

8. The margins that they presently allot for urban retailers to promote their products in rural markets are effectively managed.
9. The issues related to warehousing and inventory management will be rightly revamped.
10. The unnecessary advertising expenses for promotion of brands, products are cut down by making the SHG's as channel partners.
11. The market related information that the companies would like to disseminate to rural market would effectively be made available to consumers by using the SHG's as channel partners.
12. The market share and market growth of companies will consistently increase.
13. The social responsibility as a part of any business will be rightly fulfilled by adding the SHG's as the channel partners for the promotion of their products offering to the rural markets.

SUGGESTED METHODOLOGIES OF CHANNEL OPERATIONS FOR RURAL MARKETS:

It is worth mentioning that they were the last to switch to cash on delivery model one of the most preferred payment modes by the Indian consumers. The reluctance could be attributed to their unique business model that stresses on open market place (OMP) which is more focused on technology and light on assets. Logistics is never a burden for e Bay as it is taken care of by the sellers. The role of e Bay is just to alert them on logistical requirements using an automated process. Though the company is making profits from its overall global operations, the business from India is reporting loss. Though e Bay India is growing its customer pull has fallen far below its competitors.

Some of the major drivers of e Tail revolution in India:

- A) Fundamental shift in consumer behavior in Tier I, II and III cities welcoming e tailers.
- B) The growing Indian middle class with higher disposable income and higher aspiration levels.
- C) For latest brands and products.
- D) Growth of nuclear families and working women.
- E) The demographic dividends with over 60 % of the country's population belong to the age group of less than 30 years.
- F) More number of tech savvy youth below 35 years with limited personal time representing maximum number of online shoppers.
- G) Internet diffusion
- H) Mobile penetration, plethora of mobile shopping apps and launch of 4G.
- I) Increasing use of debit and credit cards.
- J) Increasing influence of social media.
- K) Infrastructural development
- L) The ensuing opportunities are galore.
- M) Huge population of 1.28 billion with only 16 % of them online
- N) Innovative e commerce models groups buys and second hand sales.

- O) Venture capitalists and private equity firms ready to fund e Tailers.
- P) Scope for online grocery and drugs sales, the areas that are still untouched by the current e Tailers.

However, the e Tailers face several challenges:

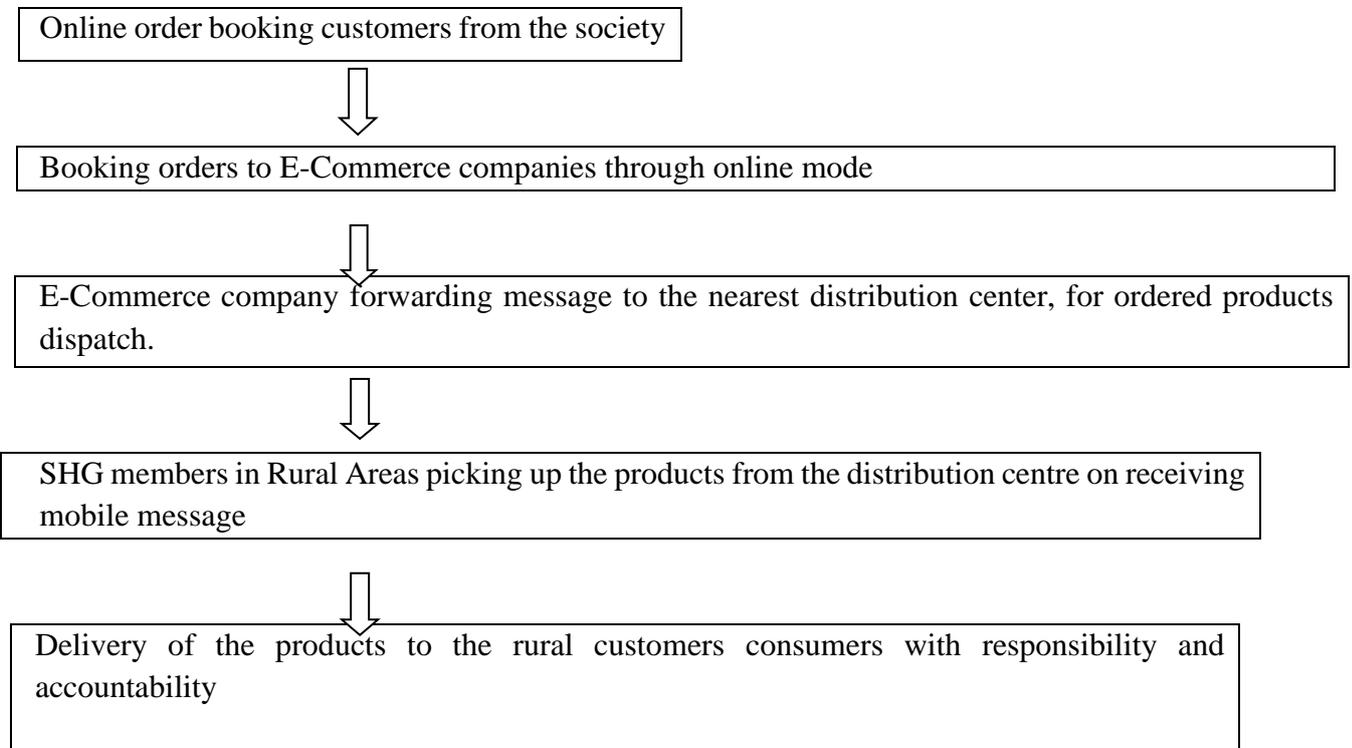
- A) Preference of majority of customers to pay cash on delivery.
- B) Security fears and inertial to go online
- C) Logistical infrastructure not at par with global standards leading to over reliance on third party logistics players.
- D) Overriding presence of few big players creating huge barriers of entry to new entrants. Deal focused customers with shifting loyalties.
- E) Ongoing price wars leaving no choices for fixing normal prices.
- F) Achieving profitable growth.
- G) FDI hurdles for global players.

The analysis of the evolution of e tail business in India through market and case approach can make one conclude that the e tail business is here to stay. From the beginning of 21st Century e Tailers have evolved themselves as the key players in the organized retail landscape. With just over 5 % of the organized retail market being covered now, there are plenty of opportunities of eTailers to grow in the country .Though the challenges are manifold the e Tailers are finding their own ways to meet them. With adequate Government support the challenges can be met and opportunities can be explored.

The e tail business can sustain on three models tested and proved in the western world Inventory based model, market based model and open market place model. E Tailer controls every product listed in his website in the inventory based model. In market based model the e Tailer does not won products, but controls delivery, quality and returns,.In the open market place model, the e Tailer acts as just a hosting platform. India is said to be in the market based model level. A shift to pure open market place model of e tailing might take another decade.

Thus, e tail in India is not a bubble; it has grown exponentially over the past decade and will still grow the same way or even better with more matured players leading the pack. Though the existing players are willingly bleeding money to capture market share and acquire customer patronage, the real winners in the current competitive e tail landscape are the Indian consumers. Variety of categories, products and brands both national and international are at their access at the most unbelievable prices than ever before. The Indian consumers can still expect better deals from the e tailers in hassle free transactions available to them 24by 7

MODEL SHOWING THE INTERGRATION OF SHG's WITH E-COM COMPANIES



There are seven practical ways in which consumer products can be conveyed to rural markets through SHG's. Each of these is explained briefly below,:

1. The SHG 's which have direct contact with the manufacturers and can directly procure the saleable products from the manufacturing premises .Here, the SHG's may be used as first level channel partners. The advantages of such arrangements are:
 - a. The unnecessary transportation cost of manufacturers will be eliminated.
 - b. The bottlenecks of poor infrastructure support in rural markets will be effectively managed.
 - c. The SHG's will have more interest to promote the products in rural markets because of the status of direct line intermediaries for the manufacturers.
2. The manufacturers who want to make the SHGs as the exclusive rural stockists can add them simply as the promoters of products to rural retailers.
3. The SHGs may be used as a second level channel to promote the consumer products in the rural markets of Andhra Pradesh State.

The advantages for the marketers are:

 - a) Employing more number of channels in the promotional structure to promote products in the rural markets is avoided.
 - b) The SHGs may be used as stockiest cum retailers of products in the rural market.

- c) Both the manufacturer and the SHGs can effectively share the distribution margin.
- d) Effective distribution network can be maintained.
- e) Stocks out conditions are avoided.

4. The consumer product manufacturers who want the presence of the urban retail networks can add the SHG's to simply push the products to the doorsteps of rural consumers. Here, the SHGs can be utilized as product pushers rather than channel members. The SHGs and their relation with the local retailers may enhance the supply chain network.

5. The rural markets which include more number of surrounding villages, may be covered by the manufacturers by appointing the SHGs as second level stockists who act as sub stockiest in respective rural circumstances and the rural retailers obtain the products from the SHG's.

6. When the manufacturers want the presence of both urban and rural retailers in the channel network, there the SHG's may be used as the agent for rural retailers in the form of consortium/ local commission agent to push the products onto the doorsteps of rural consumers.

7. The manufacturers who want to have a strong and established rural marketing network can use the SHG's as second level channel partners with respect to exclusive rural network.

BENEFITS OF USING SHG's AS CHANNEL PARTNERS.

A. To the Manufacturers:

- 1. Increase in the share of rural market.
- 2. Avoid the bottlenecks of overlapping transportation cost.
- 3. Prompt distributional channel management app for rural markets.
- 4. Effective utilization of promotional tools.
- 5. Penetration of untapped rural markets in Andhra Pradesh state.

B. To the Consumers:

- 1. Getting quality products at right price.
- 2. Unnecessary purchase cost is avoided.
- 3. Value for money
- 4. Knowledge of availability of products cum brands.
- 5. Convenience of purchase.
- 6. Saving of time, energy and cost.

C. To the SHG's

- 1. Improvement in the group activities.
- 2. Restructuring of groups
- 3. Profitable venture.
- 4. Filling the gap between product non availability and product availability in rural markets.
- 5. Rural enlistment activities.

6. Constant and consistent profitable markets.
7. Promotion of consumer products in rural markets as a part of social responsiveness to their group establishment.

D. To the state of Andhra Pradesh:

1. Enlistment of the SHGs role in rural markets.
2. Resolve the problem of unemployment.
3. Improvement in rural development programs.
4. Generation of income from the rural sources.

CONCLUSION

Rural demands are more seasonal compared to urban demands. The predominance of agriculture in the income pattern is the main reason for this. Especially in states like Andhra Pradesh the purchasing power of consumers is gradually increasing due to the changes in their lifestyles, occupational shifts and increased urbanization. Literacy level is another demographic base for the changes in their consumption behavior. It is evident from various sources that the Andhra Pradesh rural market is both fascinating and challenging. It offers a large scope on account of its size and potential. Some consumer products have already reaped handsome profits in rural markets of Andhra Pradesh. But some marketers still have the problems of channel selection and fixing channel members to herald their products in rural markets. In this context, SHGs are emerging as promising channel partners to promote the offerings of consumer durables and non durables and also enrich their channel values through close and interactive rural services. If the consumer product promoters utilize the services of the SHGs aptly, it will help them penetrate the rural markets in Andhra Pradesh and also bring lucrative businesses.

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