

# ONLINE RETAIL, VALUE CHAIN AND TOURISM: EMERGING LINKAGES

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*Abstract : The concept of value chain i.e. value addition at every stage of the product development and transition involves various stakeholders at the respective nodal points. Post-harvest losses in the absence of proper horizontal integration for the reference of inadequately disbursed value chain system are quite significant in developing countries such as India, Brazil, and South Africa etc. Even the assessment of post-harvest losses is not fully defined, which is the function of ground conditions of the area of cultivation, distribution and marketing. The association of stakeholders across various links of value chain is considerably significant for prosperity of whole economic system. The surge in rural and urban demand can be utilized for sustainable development only if they are tracked through efficient farmer-market circle which can be further accentuated by the emerging markets.*

**IndexTerms - Online Retail, Value Chain, Livelihood Security, Linkages, Tourism**

## INTRODUCTION

The fate of Economic Growth and Development emanates through primary avenues of livelihoods systems such as agriculture and allied activities or alienated from agriculture to peripheral auxiliary activities emerging as linkages. The farmers and Agriculturists are the only producers providing raw and readymade materials for other sectors to thrive on the demand and supply of producer, intermediate and final goods clearly evident from backward and forward linkages. In the recent economic system too each and every activity pertaining to Agriculture and Allied Activities has close relation with market environment. The recent outbreak of online retail platform and digital revolution alongside tourism industry is also somewhere depends on farmers and rural elites.

The Modern Politico-Economic System is largely divided into three tier economic administration viz. cities, town and rural economy in which rural economy solely is the single function of farmer-market linkage while other parts are multiple functions of rural economy and other contemporary parts. In this context it is quite significant whether farmer is adequately associated with market and market oriented dynamics. Further, farmer is not alienated in the process of fast forward development. The last decade has witnessed the transformation in the market linkages of rural economy in terms of both brick and mortar and online markets. Value chain has also emerged as a significant link in the intricate relationship of farmer to the two markets. With the passage of time and further deliberations on the theme it is revealed that various contemporary livelihood systems co-exist even during the passage of development and all are emerging on parallel tracks, however, observations are confined to direct analysis. The emerging value chain, online retail and tourism have to be discussed taking their interdependence on one another.

The concept of 'livelihood Security' has significantly diverged analysis over the passage of time away from selective parameters of Sectoral production, categorical employment and derived income to a much more holistic view embraces social and economic dimensions, reduces deep rooted vulnerability and upholds environmental sustainability, based on local strengths and priorities. This recognizes that households pursue a range of livelihood strategies based on the assets (natural, financial, social, human and physical capital) they have to draw livelihood outcomes they wish to achieve. The ability to access various combinations of assets helps to determine how vulnerable or robust a livelihood may be. The livelihoods of the person are complex and dynamic, blended as a diverse portfolio of activities that not only enhance household income but also food and nutritional security, health, social and cultural networks and savings. (Sheona Shackleton,

Charlie Shackleton and Ben Cousins, 2000). Countries predominantly rural economies face a number of challenges and opportunities in becoming more competitive and sustainable, requiring balance between agricultural production and other economic activities, environmental protection, and social development. In the past, rural development has focused on improving agricultural performance, increasing competitiveness, consolidating land and improving market orientation. More recent rural development became an integral part of all policies focusing on the integration of environmental protection principles for inclusive growth across urban and rural business opportunities covering agricultural production and sustainable use of resources. Measures supporting the diversification of the rural economy in socially, economically and environmentally sustainable ways are incorporated in most significant manner over the last decade in India and across all the Developing Economies to improve quality of life, lower poverty and fight social and environmental degradation of natural resources. Recent Mission New India 2022 portrays the inclusive growth of economy pushing all the idle livelihood systems and skilling the required tools for the purpose. In this direction holistic concept of livelihood, retailing, tourism and value chain is most discussed topic.

Sustainable tourism has been one of the key ingredients with strong potential for diversifying agrarian economy and livelihood systems. In the past several years a movement has been developing toward sustainable rural and eco-tourism that counters the threats of unmanaged tourism. Sustainable tourism views tourism within destination areas as a relationship between host areas and their communities and peoples, tourists, and the tourism industry. In the past, the tourism industry has dominated this relationship. Sustainable tourism reconciles the conflicting interests between these three partners. In short, it minimizes environmental and cultural damage, optimizes visitor satisfaction, maximizes long-term economic growth, and balances tourism growth potential and the conservation needs of the environment.

Consideration is given to developing rural tourism in ways where the supply of tourist facilities and experiences is appropriate to the needs of the host community, the environment and the local suppliers, and where it also matches the requirements of tourists on the demand side. Concern is expressed that rural tourism should not develop as the hapless outcome of inexorable, external forces, and hence prominence is given to the role of local communities and local businesses in shaping rural tourism. (Sharpley, 2000)

Legal and policy framework for supporting diversification of rural economy through tourism is developed and contributes to achievement of Millennium Development Goals. Therefore local rural tourism and support industries are better linked and organized; so that local stakeholders' capacity should be improved for delivering services and products to the finally consumers.

The concept of value chain i.e. value addition at every stage of the product development and transition involves various stakeholders at the respective nodal points. Post-harvest losses in the absence of proper horizontal integration for the reference of inadequately disbursed value chain system are quite significant in developing countries such as India, Brazil, and South Africa etc. Even the assessment of post-harvest losses is not fully defined, which is the function of ground conditions of the area of cultivation, distribution and marketing. The association of stakeholders across various links of value chain is considerably significant for prosperity of whole economic system. The surge in rural and urban demand can be utilized for sustainable development only if they are tracked through efficient farmer-market circle which can be further accentuated by the emerging markets.

Recent surging Food prices could be the best example of serious repercussions of broken link of farmers and the channel operators such as wholesaler, retailer and others in which wholesale price index for food articles has risen from 110.9 in 2012-13 to 140.3 in 2016-17 and pulses by a steep 120 in 2012-13 to 192.8 in 2016-17 (<http://eaindustry.nic.in/home.asp>). Had the linkage among farmers and other marketing networks been incidentally appropriate, price of food products should have been accommodating with the contemporary market forces.

The paper brings forth the issue of value chain and its linkages with contemporary livelihood systems through farmer to market linkage with the comprehensive look at the problem of participation of village community in the intra rural business activities and tapping of unutilized potential of Online Retail Platform and tourism for rural markets and resources.

### **I. Farmer to Market Linkages (Existing View) without Online Retail and tourism**

In the existing linkages between farmer and market, status of farmer is not clearly stated. Farmer is always at delivery end and has no bargaining power if perishable nature of the product and financial condition of

the farmers is to be considered. On both the inside out link of farmers to the market i.e. first through processor side and other via rural business hub, farmer is given very little participation in the activity on account of his poor bargaining power. This perhaps is the big reason of failure of adequate trickle down of advantages of development and governmental policies. There are no effective local linkages of farmers and other market middleman except mandies. Moreover, regulatory power ensures just the subsistence to the farmers not the business.

### 1. Farmer to Market Linkages: Proposed View inclusive of Online Retail and Tourism Activities

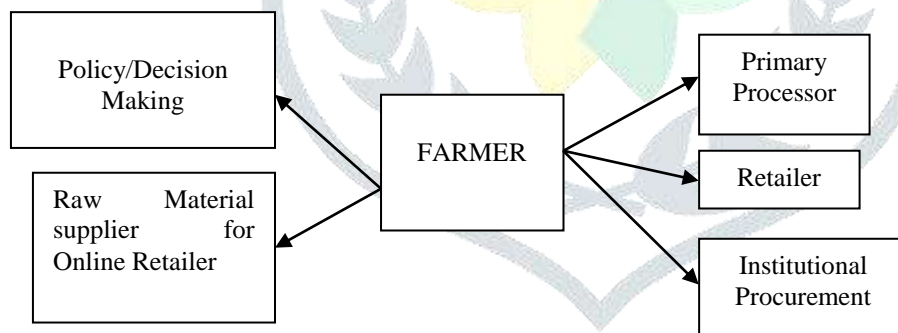
The existing linkages provide opportunities for farmer's prosperity through various linkages such as Rural Business Hubs, Processors, Wholesalers and Retailers (Gulati, 09). However, it is revealed in the last few years that benefits of these activities are minimal comparing to the huge population engaged in agriculture. This model can be looked at with due weightage of each stakeholder. Farmer must be at maximum proportion of benefits and subsequent proportion of benefits will be distributed accordingly. Considering multiple diverging transactions at farmer's end there is need of properly developed and scientifically tested mechanism of allocation and representation identifying the importance of tourism activities, digital marketing and online retail platform. (Proposed View)

The concept of linkages needs to be taken with vast & well elaborated manner. The three tier economic administration viz. cities, town areas and rural economy may be considered for adequate linkages between farmers, markets and outsiders (business class living in urban centres but capturing places and business in rural areas).

#### 1.1 Three tier System of Linkages

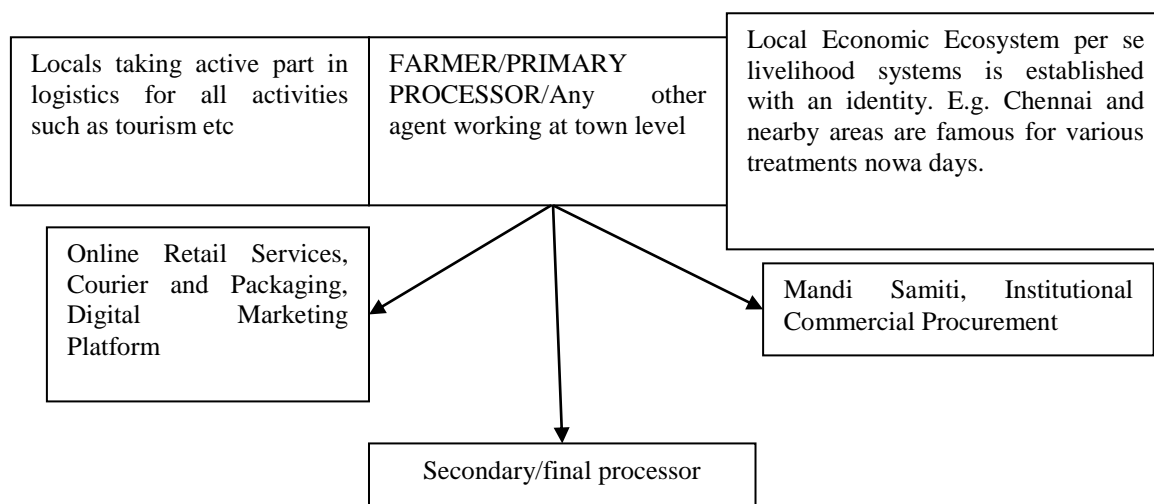
##### 1.1.1 Linkages at Intra Rural Level

At rural economy level Farmer needs to have largest profit share, which may be reach him through primary processor, retailer, institutional procurement and adequate participation in decision and policy making. However, sharing of gains is not unidirectional at this level due to overlapping of the various value chain representatives in the local market. This is therefore advisable to segregate various market formats to do away the confusions and overlapping. The best example is of non-functionality of Apna Bazaar and several other market formats. Further, there is strong need of pushing rural elites to come forward for start-ups in tourism and other related domains and online retail sector, which will give first hand opportunity to understand market trend and consumption pattern.



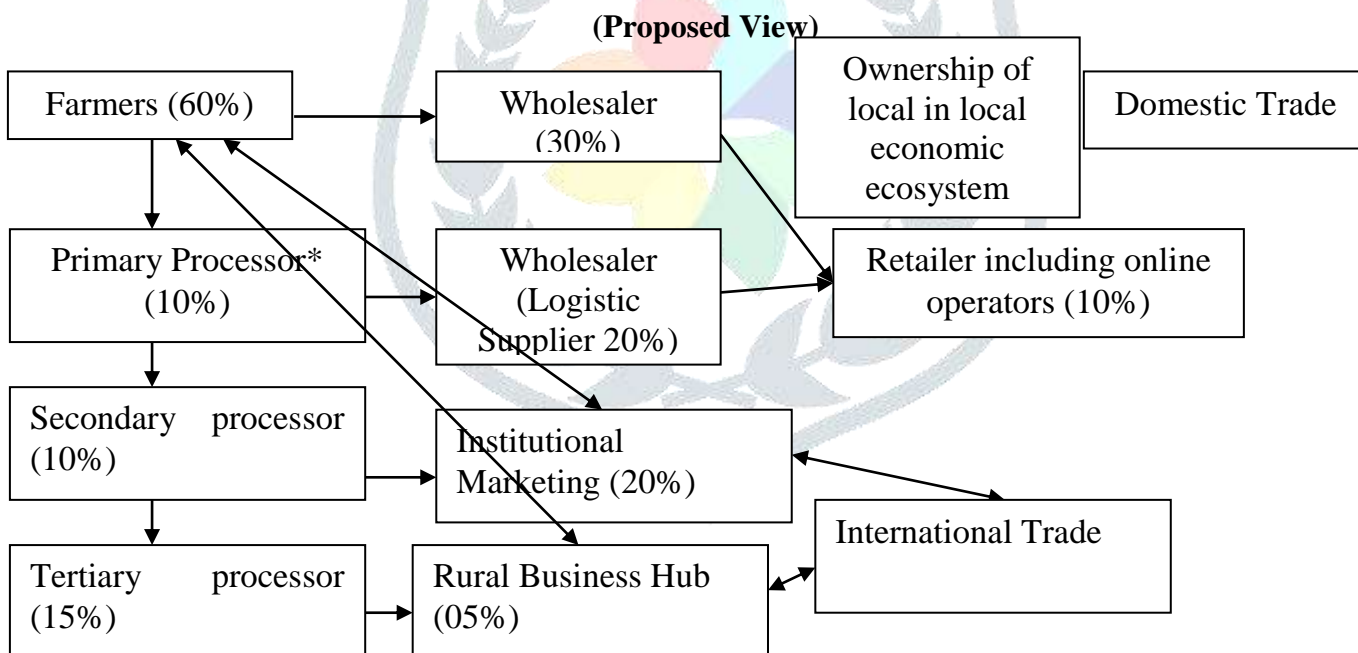
##### 1.1.2 Linkages at Peri-Urban/Town Level

At this level all the Local, Regional, National and International stakeholders operate and always opportunities are snatched away from local elites and stakeholders as evident in present superficial development in the urban centres. Hence this level has emerged the most sought venue for agro-industrial and agri-economic activities. The marginal farmer seldom operates at this level. However, big and middle land holding farmers (may be capitalist farmer) may find opportunity to participate in trade activities but at the mercy of business tycoons. This is therefore required to streamline this system by defining the involvement of each stakeholder and operator at this level. Further, umpteen number of opportunities are available for farmers in ambulance services, catering, events, natural and ayurvedic health care, courier, packaging and packing services. Local Economic Ecosystem per se livelihood systems is established with an identity. E.g. Chennai and nearby areas are famous for various treatments now a days. Rural Business people and elites can start their ventures on digital marketing paving the way for online retail of their products and participating in tourism activities.



**1.1.4 Linkages at Intra Rural/Regional/National/International Level**

This level represents all the operators in one rural zone participating in any capacity and including online retailers. This is the stage where maximum returns are collected. On the complementary to the system of taxation, there is need to have profit sharing weightage for each participant at each point of value addition irrespective of channels of distribution. Incidentally, in the later part of this paper income distribution system will also be suggested. For clarification, there is need to recalibrate the notion of discussing farmers’ woes. In fact all stakeholders from rural and peri-urban areas are closely associated with the business and profits.



In the contemporary economic development digital platforms are application based and being applied for rural and agricultural development also. In this connect; Tourism and other economic activities along with operational support by online retailing open new vistas of opportunities for the farmers and local economy. Farmer and other rural elites may get benefitted in terms of bargaining power, availability of substitutes, collateral finance receipts and market demand forecasting etc<sup>8</sup>.

**2. Participation, Ownership and Leadership Linkages:**

In developing countries two-third population is finding its livelihood through rural and agricultural means. However, the socio-economic status of villagers in general and farmers in particular is considerably poor as evident from index of physical quality of life. Countries in South Africa, South East Asia and South America are characterized by poverty, hunger with poor living conditions. India and other similar countries,

which have opened gates for development, are passing through transition phase in the socio-economic status of individuals. The significant reason of slow pace of development is being fixed on the dichotomy of the working and dependent population. Farmers and other working class in the villages are less informed about various opportunities for participation in the economic growth activities. Market-oriented systems have definitely provided opportunities to these countries to prosper still these countries are lagging behind due to the poor penetration of digital economy and online retail systems in rural areas.

For farmers engaged in market-oriented systems such as small scale dairy or small scale horticulture, a market-led approach is not a serious challenge because they can effectively articulate and link their demand for technology and research outputs to increase in income. However, for the Resource-poor farmers engaged in subsistent farming, who are the largest in the group, a market-oriented agriculture would call for 'business unusual'.

While such an orientation particularly in an increasingly global economy opens new opportunities for farmers, it invariably creates enormous challenges for them. For them to exploit the emerging opportunities, small farmers will have to increase their competitiveness even in the areas they have a comparative advantage (EGDI workshop synthesis, 2006, Richard Jones, et al., 2002). It also implies greater risks for them, given their limited knowledge & resources in contrast to the knowledge intensive and high transaction costs associated with market participation.

The challenge for practitioners and policy makers therefore, is how to better empower small farmers to exploit emerging opportunities and to deal with the challenges of the market place. Consensus is also emerging that for the revolution to occur, deliberate paradigm shift in agricultural research, technology & information delivery processes will be required, and that agriculture growth must be market-led. A paradigm shift is also emerging in agricultural research in response to the above and to increasing pressure to match research outputs with client needs and with market & processing opportunities. Such a shift dictates research programmes to forge closer links with farmers' advisory service providers and private sector in ways that will increase both research efficiency and effectiveness and bring about the desired agricultural transformation (ASARECA Strategic Plan 2006).

Already, some positive changes have occurred over the past decade in policy as well as organization of agricultural research and advisory service provision. These include: the decentralization of advisory services development and delivery with more inclusive and participatory involvement of farmers in the processes as well as linkages with private sector; initiatives experimenting on innovative methods and partnerships involving research, extension, NGO and private sector for moving promising technologies to farmers and for enabling them to engage in markets profitably. The paradigm of involving farmers in research is based on strong evidence that enhancing farmers technical skills and research capabilities, and involving them as decision-makers in the technology development process results in innovations that are more responsive to their priorities, needs and constraints.

Linking the technology development process to market opportunities has the potential to promote links between investment in natural resources, markets, and adoption of technologies. Market orientated agriculture for reducing poverty and environmental degradation needs to centre on three related paradigms; strengthening biological processes in agriculture (to optimise nutrient cycling, minimise external inputs and maximize the efficiency of their use); building farmer's capacities (to learn and innovate focused on improving livelihoods and the management of natural resources); and developing forward and backward linkages (between natural resources, production and markets). Starting with identification of market opportunities, natural resource management (NRM) issues are often raised during the process, for example, investment in soil fertility, leading to an iterative cycle of participatory action research with communities. In a multi-stakeholder coalition, CIAT and its partners are working in Malawi, Mozambique, Tanzania and Uganda to explore and understand how market orientation leads to improved NRM at the farm level.

1. Market Integration
  2. Issues of transferring of gains uniformly as per weightage to all stakeholders
  3. Strong Backward & Forward Linkages.
3. Trade dynamics reaches full circle as diversification needs support from other sectors of the economy reciprocating the same for them. Diversified agricultural practices give strength to all segments of the society and result into increase in savings, investment and consumption. This also creates dynamic equilibrium through free market type demand & supply forces to every other sector. Diversification need not

be taken only for cultivation. It is more concerned with Allied Agriculture which provides commercially suitable business opportunities to lay the foundation of the development of service sector as being practiced in China & Malaysia. IT Sector can grow on the cradle of development of Agriculture, hardly need outsourcing to survive. Following business and agribusiness opportunities can be cited for instance:

- 3.1 Agro Processing & Food Processing
- 3.2 Allied activities such as pisciculture, apiculture etc.
- 3.3 Commercial farming
- 3.4 Online Trading
- 3.5 Courier Services, Carrying & Forwarding agents
- 3.6 Digital Marketing for Rural & Agricultural marketing
- 3.7 Information Technology Enabled Services (ITES) for agriculture & allied activities

#### Notes:

1. “One of the earliest lessons I had learnt was that Amul existed because, barely a few hundred kilometres away, Bombay existed... Indeed there would have been no Anand if there were no Bombay” (Kurien, 2005; p.56)
2. Farmer will decide whom to sell to and at what price: Prime Minister Narendra Modi on Thursday sowed the seeds for a farming revolution, with the launch of e-NAM, an online portal for trading in agriculture produce, which promises to liberate farmers from the clutches of middle-men and realize fair market value for their yields. “Farmers in India will now call the shots,” Modi said as he launched the National Agriculture Market portal (e-NAM). Terming it a ‘turning point’ for the country’s agriculture, Modi called upon all the States to come on board to help farmers reap the benefits of the trading platform<sup>8</sup>.

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