

Original Research Article

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Impact of Online Marketing of Cotton on Cost of Marketing and Involvement of Middlemen in Karnataka, India

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ABSTRACT

Online marketing is an innovative method of agricultural marketing which benefits the farmers by eliminating middlemen and also provide better price for their commodities. Recently, a new scheme “Rashtreeya e-Market Services Private Limited (ReMS)” has been introduced as a joint venture company with Government of Karnataka and NCDEX to implement the agricultural marketing policy to bring transparency and improve efficiency in the agricultural marketing system for the benefit of farmers and other market participants. It is a modest system than the existing system of marketing to benefit both the buyer and the seller. This system not only helps the farmer to discover their produce price on scientific basis and get payment online but also breakdown the hold of the middlemen in the marketing system. The present paper attempted to analyse the impact of online marketing of cotton on price discovery, cost of marketing and involvement of middlemen in Agriculture Market Produce Committee (APMC), Hubballi of north Karnataka. The primary data required for the study was collected from 120 farmers, 60 each have sold their cotton produce in online and traditional system of marketing, respectively. The averages and percentages were computed to analyse the data. The results of the study revealed that, the cost of marketing incurred by online farmers was not only lower (Rs. 413 per bale) than their traditional counterparts (Rs. 580 per bale) but also price realized was higher (Rs. 8330 per bale) than their traditional farmers (Rs. 7480 per bale). In view of online marketing, the farmers not only attracted large numbers of traders all over the country but also avoided the involvement of many market intermediaries in the transaction and got their payment online than their traditional counterparts. Based on the finding of the study, it clearly indicated that, the innovative method of marketing not only reduced the cost of marketing and involvement of market intermediaries but also realized the higher price for their produce. To promote online method of marketing and attract more number of farmers, efforts should be made to create awareness among the farmers regarding benefits of the new method of marketing.

Keywords

ReMS, Online marketing, Cost of marketing, Benefits of innovative method

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Introduction

Internet plays an important role in the agribusiness both as a new market place and as source of information. In recent years e-commerce has found its way in agricultural

sector in India. Electronic commerce or online marketing comprises core business process of buying and selling the goods, services and information over the internet and technology availability has increased and its access has become easier (Dhwani, 2014). The

demographic transition is also characterized by greater willingness to use technology among farming community. As a new trend, farmers use internet media to contact buyers and sellers and promote their products to improve their farm income (Sumitha *et al.*, 2014). Various schemes have been implemented by Government of India for the welfare of farming community such as 'my produce-my price', e-mandi, e-choupals, e-tendering etc. Recently, the new scheme Rashtriteya e-Market Services Private Limited (ReMS) had been established as a joint venture company with Government of Karnataka and NCDEX spot exchange limited having equal shareholding to implement the agricultural marketing policy to bring an efficiency and transparency in the agricultural marketing system for efficient price discovery for the benefit of farmers and other market participants (Abhijit, 2013). This system benefit farmers in many ways such as better price for their produce, price discovery is transparent, farmers and traders become familiar with computers and online auctions, get greater bargaining power over traders and get better understanding about banking (Dsouza, 2014). Online marketing has the facility of direct electronic fund transfer from buyer to seller. The computerized system leads to the maintenance of mandi trading records. It will facilitate the licensed traders could bid online from anywhere in India and farmers have the right to accept or reject the price. This will lead to scientific price discovery by the farmers themselves and breaking the hold of middlemen. In view of the above facts, the present paper attempted to analyse the impact of online marketing of cotton on price discovery, cost of marketing and involvement of middlemen in Karnataka.

Materials and Methods

The Agriculture Produce Market Committee (APMC), Hubballi of north Karnataka is a

leading market in the state of Karnataka for implementation of online marketing in the state. It has been selected purposively for the study. The primary data required for the study was collected from the sample farmers by personal interview method using pre-tested schedule. The total sample size was 120, of which, 60 online farmers and 60 traditional farmers. Analytical tools like descriptive statistics and marketing efficiency measures like benefit cost ratio was employed for the study.

Results and Discussion

Cost incurred by farmers in marketing of cotton

The marketing cost incurred by both traditional and online cotton farmers was depicted in Table 1. The results indicated that transportation cost, bagging cost, loading and unloading charges and commission charges of traditional cotton farmer was ₹198.25, ₹118.25, ₹65.87 and ₹197.86 respectively to market one bale of cotton. Likewise, for online cotton farmers, transportation cost, bagging cost and loading and unloading charges were ₹223.92, ₹122.34 and ₹67.34 respectively to market one bale of cotton. There were no commission charges for the online cotton farmers and there was no grading cost for both online and traditional cotton farmers. Hence, the total marketing cost of both traditional and online farmers was ₹580.23 and ₹413.60 to market one bale of cotton respectively.

The marketing cost of traditional and online cotton farmers revealed that marketing cost of online cotton farmer (₹941.58/ bale) was less compared to traditional cotton farmers (₹1,298.37/ bale), because there was no commission charge for online cotton farmers where as traditional cotton farmers had deductions from the middlemen as

commission. Hence, marketing cost of online cotton farmer was 0.28 per cent less compared to traditional cotton farmers.

Cost and returns in production and marketing of cotton

The cost and returns of both traditional and online cotton farmers is presented in Table 2. The results indicated that production cost, marketing cost and total cost incurred by traditional cotton farmer was ₹5,164.08, ₹580.23 and ₹5,744.31 per bale of cotton respectively. Likewise, the production cost, marketing cost and total cost incurred by online cotton farmer were ₹5,198.39, ₹413.60 and ₹5,611.99 per bale of cotton respectively.

The results depicted that, production cost incurred by online cotton farmers was 0.66 per cent more than that of traditional cotton farmers whereas marketing cost was 0.28 per cent less than the traditional cotton farmers. The average output of the traditional and online cotton farmer was 2.32 bales per acre and 2.46 bales per acre respectively. The average price fetched for the traditional cotton farmer was ₹7,480 per bale and price fetched for online cotton farmer was ₹ 8,330 per bale with 11.36 per cent increase in price. Hence, the net profit of traditional and online cotton farmer was ₹1,735.69 per bale and ₹2,718.10 per bale of cotton showing 56.59 per cent increase. The B: C ratio obtained for traditional and online marketing methods was 1.30 and 1.48 respectively showing 12.16 per cent increase in efficiency.

Perception and practices of farmers in traditional and online marketing of cotton

The perception and practices of farmers in traditional and online marketing of cotton is presented in Table 3. The results indicated that, in traditional marketing, only 7 (11.66%) traditional farmers opined that they got

sufficient traders followed by only 2 (3.33%) farmers involved in grading, 23 (3.33%) farmers were exploited by the middlemen, only 10 (16.66%) farmers got the remunerative price for their produce, 51(85%) farmers satisfied by the mode of payment, 39 (65%) farmers got the SMS alerts related to price, only 27 (45%) farmers had banking awareness, 40 (66.66%) farmers had un-cleared loan with bank, 19 (36.66%) farmers had un-cleared loan with middlemen/traders, only 17 (28.33%) farmers had confidence to go for online marketing.

In online marketing 52 (86.66%) farmers opined that they got sufficient traders followed by 42 (70%) farmers involved in grading of their commodities, no farmer was exploited by middlemen, 59 (98.33%) farmers got remunerative price for their produce, 59 (98.33%) farmers got the SMS alerts related to price, 52 (86.66%) farmers had banking awareness, only 10 (16.66%) farmers had un-cleared loan with bank, only 5 (8.3%) farmers had un-cleared loan with middlemen/traders, 49(81.66 %) farmers had confidence to go for online marketing which includes e-payment.

Online cotton farmers got sufficient traders than traditional cotton farmers as many traders would participate through online marketing. Most of the online cotton farmers were involved in grading than traditional cotton farmers as grading was compulsory operation to carry out for better price in online marketing. But unfortunately grading was not satisfactory due to technical problems and lack of staff.

Traditional cotton farmers were more exploited by middlemen (23%) due to the unauthorized deduction, whereas no online cotton farmer was exploited by the middlemen. Further, online cotton farmers got SMS alerts related to price more than traditional cotton farmers, which was due to

online farmers were registered their number with APMC as basic step for the online payment.

Compared to traditional cotton farmers, online cotton farmers had more banking

awareness and its operation as it was needed for the farmers to deal with bank for their transactions. With respect to confidence level, online cotton farmers were more confident than traditional cotton farmers which depend on age and education level of the farmers.

Table.1 Cost incurred in marketing of cotton by farmers (₹/ bale)

SI No.	Particulars	Traditional farmers (n=60)	Online farmers (n=60)
1	Transportation cost	198.25	223.92
2	Grading cost	0.00	0.00
3	Bagging cost	118.25	122.34
4	Loading and unloading charge	65.87	67.34
5	Commission charges	197.86	0.00
	Total cost	580.23	413.60

Table.2 Cost and returns of cotton farmers

SI No.	Particulars	Traditional farmers	Online farmers	Per cent
1	Production cost (₹/bale)	5,164.08	5,198.39	0.66
2	Marketing cost (₹/bale)	580.23	413.60	-0.28
3	Total cost (₹/bale)	5,744.31	5,611.99	-2.30
4	Output (bale/ acre)	2.32	2.46	6.03
5	Gross return (₹ / bale)	7,480	8,330	11.36
7	Net return (₹ / bale)	1735.69	2718.01	56.59
8	B:C ratio	1.30	1.48	12.16

Table.3 Perception and practices of cotton farmers in online marketing

Sl No.	Particulars	Traditional farmers (n=60)		Online farmers (n=60)	
		No.	Per cent	No.	Per cent
1	Farmers get sufficient traders	07	11.66	52	62.66
2	Farmers who involved in grading.	02	3.33	42	70.00
3	Farmers who get remunerative prices	10	16.66	59	98.33
4	Farmers who are satisfied with their mode of payment	51	85.00	42	70.00
5	Farmers who exploited by the middlemen	23	38.33	00	0.00
6	Farmers who got SMS registration	39	65.00	59	98.33
8	Farmers who have banking awareness and operation	27	45.00	52	62.66
9	Farmers who have un-cleared loan with bank	40	66.66	10	16.66
11	Farmers who have un-cleared loan with middlemen or Trader	19	36.66	05	8.30
12	Farmers who have confidence to go for online marketing.	17	28.33	49	81.66

In conclusion, online marketing is an innovative method of agricultural marketing which benefits the farmers by eliminating middlemen and also provide better price for their commodities. Recently, a new scheme “Rashtreeya e-Market Services Private Limited (ReMS)” has been introduced as a joint venture company with Government of Karnataka and NCDEX to implement the agricultural marketing policy to bring transparency and improve efficiency in the agricultural marketing system for the benefit of farmers and other market participants. It is a modest system than the existing system of marketing to benefit both the buyer and the

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In view of online marketing, the farmers not only attracted large numbers of traders all over the country but also avoided the involvement of many market intermediaries in the transaction and got their payment online than their traditional counterparts. Based on the finding of the study, it clearly indicated that, the innovative method of marketing not only reduced the cost of marketing and involvement of market intermediaries but also realized the higher price for their produce. To promote online method of marketing and attract more number of farmers, efforts should be made to create awareness among the farmers regarding benefits of the new method of marketing.

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