



A Project by World Bank and Jharkhand State Livelihood Promotion Society

CASE STUDY

Cracking the Digital DNA for the FPC: Strategy for adoption of Digital Payments as a Trustworthy System for Facilitating Transactions at Giridhan Mahila PCL in Jharkhand.

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ABOUT The JOHAR PROJECT

JOHAR (Jharkhand Opportunities for Harnessing Rural Growth) is a project implemented in 68 blocks across 17 districts of Jharkhand, India. The development objective of the project is to enhance and diversify household income in select farm and non-farm sectors for targeted beneficiaries in rural areas. Ananya is engaged as one of the Technical Support Agencies for enhancing creditworthiness of the Producer Groups (PGs) and Producer Companies (PCs) by way of imparting trainings, streamlining book keeping, helping adherence to regulatory compliance & supporting financial reporting & analysis.



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The case study has been developed as a response to create knowledge around JOHAR project. Hence, the case study can be used as a learning tool for other FPCs and agencies. No part of the publication can be reproduced or republished without the permission of proper authority.

BACKGROUND

Giridhan Mahila PCL is located in the Giridih district of Jharkhand. The FPC operates in 8 blocks of 2 districts – Dhanbad & Giridih. Out of these 8 blocks, the FPC has an active and extensive portfolio in 7 different blocks of Dhanbad and Giridih. In Dhanbad, it covers Nirsa, Tundi and Purvi Tundi blocks whereas in Giridih it covers Deori, Gandey, Pirtand and Tisri blocks. FPC is majorly involved in high-value agriculture crops like Chilli, Tomato etc. and actively engaged in fishery, livestock, and Non-Timber Forest Produce (NTFP). The Board of Directors and promoters of the FPC represent all the blocks.

THE CHALLENGE

Giridhan Mahila PCL is dealing with high-value crops which involve high-value transactions. The BoDs of the FPC had to make decisions for high-value transactions. Hence, it was evident for the FPC to have a mutual agreement between the BoDs for approval of any business-related transactions. The FPC faced issues in terms of logistics concerning the meetings of the BoDs. Having an office in Giridih, it was logistically difficult for BoDs from Dhanbad to attend the meeting every fortnight. For example, a board member has to travel 30-40 Kms on an average to reach the office. With limited and time-restricted availability of public transport, it was difficult and expensive for board members to travel for meetings every 15 days.

The distant location of BODs, as well as signatories, created geographical restrictions like mobility for central meetings, approval of mutually agreed transactions and more. This made the BoDs to conduct the meetings alternatively in both districts. However, the meetings were not effective as they observed huge delays in the approval of transactions. Moreover, the FPC also faced issues with the cost incurred for approval of immediate/emergency transactions for the BoDs. A digital mechanism for transactions became the need of the hour. However, with little technical and technological knowledge, the FPC couldn't implement any feasible solution around the same.

INTERVENTION

Ananya's team in the JOHAR project realized that the problem required a long-term, transparent and sustainable solution. The team decided to develop a 360 degree stakeholder problem identification approach and conduct a cause-effect analysis for all the problems associated with the FPC. Furthermore, The team designed a DNA (Devising Neutral Activity) method to identify one solution that can neutralize multiple problems.

After discussing and understanding the problem with all the stakeholders, the team realized that the core business problem of the FPC was not logistics but adoption and awareness regarding technological alternative. The lack of technological knowledge hindered the overall business of the FPC. FPC's mode for all transactions was offline which required them to meet physically for approval of transactions.

Earlier for the bank transactions, FPC had elected two BoD members as signatories for transaction rights. The elected signatories were from Purbi Tundi (Dhanbad) and Deori (Giridih). It was very hectic for FPCs to conduct



The distant location of BODs, as well as signatories, created geographical restrictions like mobility for central meetings, approval of mutually agreed transactions, etc. A digital mechanism for transactions became the need of the hour. The delay affected the overall success of the business of the FPC.





PROBLEM IDENTIFICATION

360 Degree Stakeholder Consultation to identify all the problems with the stakeholders concerning the business.



SOLUTION BUILDING (DNA)

Facilitating bridge between gaps through discussing and identifying one stop solution.



Training and Mentoring

Training the FPC staff and BoDs regarding the solution and mentoring them for effective implementation.



DNA (Devising Neutral Activity) Strategy for Enabling Technology at the FPC



Facilitated E.Net customized E.Net facility for the FPC through bank partnerships.



Conducted Training and Mentoring Sessions for the FPC to adapt and adopt the concept of digital payments in practice.



Enabled FPC to develop strategy and community of practice concerning the digital payments.

bank transactions. During the Covid-19, FPC has faced a lot of challenges in processing the payments to various stakeholders.

Ananya understood that enabling digital payment at the FPC will solve the whole business crisis which earlier was accounted to logistical issues. Hence, Ananya's team adopted digital payment as the DNA for solving these issues. The team started by opening an account in a private bank which enabled the FPC to avail an Overdraft Facility against the Fixed Deposit (OD against FD). Ananya discussed the problem with the bank and facilitated an understanding of the key issue faced by the FPC.

Keeping in mind the problems in the business transactions, a facility of E.Net was customized and introduced to the FPC. It was for the first time E.Net facility was introduced by HDFC Bank in Jharkhand for an FPC. E.Net is an internet banking facility for institutional clients where uploading, verification and approval of transactions rights can be given to different persons. All the bank transactions can be digitally made from the comfort of the home. E.Net facility works on the principle of maker and checker. The principle of maker and checker means that for each transaction, there must be at least two individuals necessary for its completion. While one individual may create a transaction, the other individual should be involved in confirmation/authorization of the same. The E.net facility not only made the transaction turnaround time easier but brought more transparency and live updates of the account status to the BoDs of the FPC.

Here the accountant was the maker and both the authorized signatories were the checkers. Ananya also supported the Bank to conduct training and mentoring sessions for the FPC to effectively avail the facility.



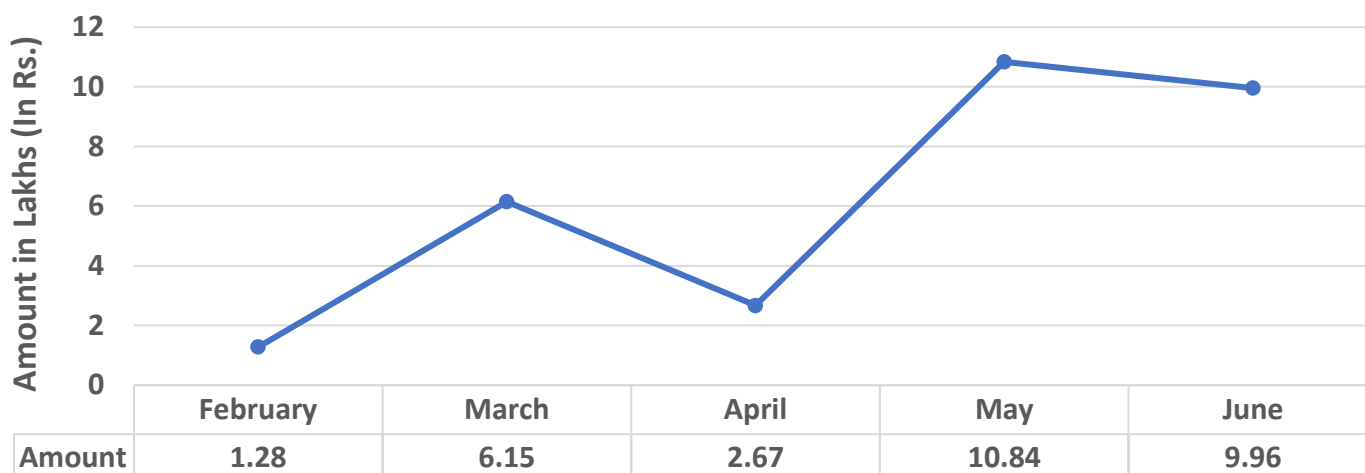
The DNA strategy was developed to combat multiple business problems of the FPC with a unified solution. Digital Literacy was identified as a root gap in the FPC.



Outcome

With the existing maker and checker facilities, the FPO has done a business of more than Rs.30 Lakhs in 5 months from Feb'21 to Jun'21. There is a dip in digital transactions in April'21 due to it being a lean agriculture business season. However, still the FPC has been able to manage a healthy transaction of Rs. 2.67 Lakhs in the month. The maker-checker facility was initiated at the end of Feb'21.

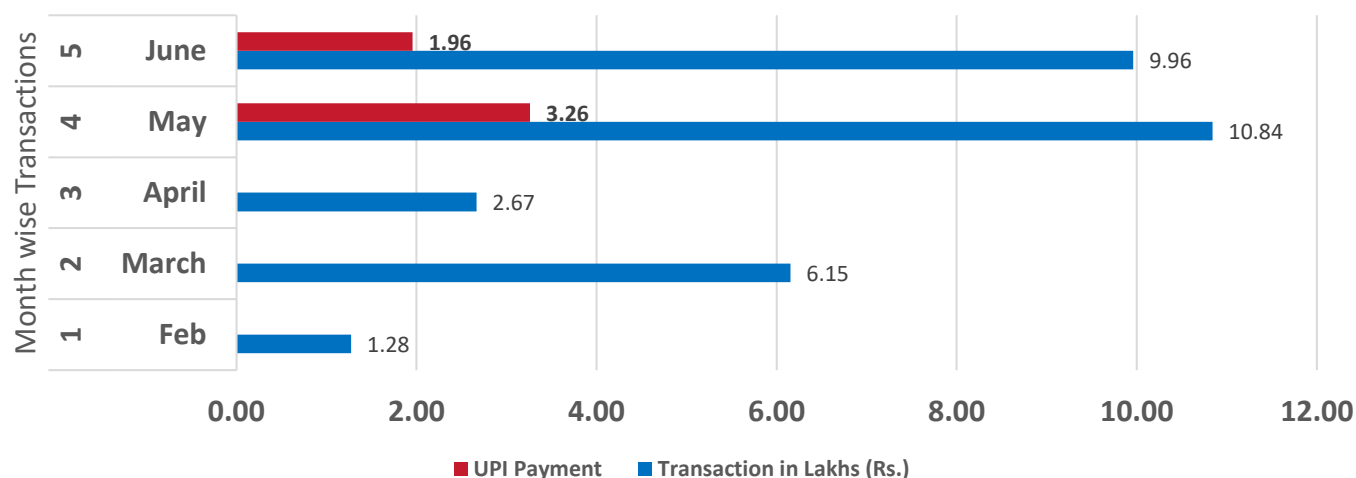
Digital Transaction of Giridhan Mahila PCL in 2021



Multiplier effect

FPC has initiated two new business centers, Johar Agri Mart and Palash Mart in Dhanbad and Giridih, where Agri input and tools were made available to PGs. Here the FPC moved a step ahead for promoting digital transactions. It introduced the UPI payments facility to its customers from May'21.

Digital Receipt Vs Payment of Giridhan Mahila PCL in 2021



From digital payment to its vendors, FPC also started accepting payment digitally as well. This has served as a milestone for the FPC because the FPC quickly adopted the new technological format and developed a strong trust factor for the same. The slight dip in transactions in Jun'21 was due to a little delay in the monsoon, which affected the sales from the outlet.

CONCLUSION AND LEARNING

The involvement of BoDs with the technology can ease business activities with transparency from the comfort of home. A simple acceptance and adoption of digital payment system strengthened the overall business of the FPC. Every FPC irrespective of the geography should assess its technological capacity and identify gaps at the right time. A simple technological response to everyday problems can greatly enhance the overall financial structure of the company. Moreover, FPCs should continuously thrive to upskill their employees and stay updated with latest trends in the markets. For an agency working with FPCs, it should try to identify and assess key business areas like transactions and operations etc. and establish robust technological mechanism to automate these areas. Similarly, it should look for such support responses in external local environment and foster collaboration for better technology adoption and economic development of the FPC.

ACKNOWLEDGEMENT

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GLOSSARY AND ABBREVIATIONS

1. **BoD:** Board of Directors
2. **JOHAR:** Jharkhand Opportunities for Harnessing Rural Growth
3. **FPC:** Farmer Producer Company



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