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ECONOMICS & FINANCE

Perceived Impact of MNC Initiatives on Frames in India
Amitabh Sharma and P J Philip

Market Structure of Indian Telecom Sector
Rohit Rajwanshi

Macro-Economic Drivers and Employment Growth: A Theoretical Study
Dr. Upendra Singh

Role of FDI in Indian Economy
Dr. Puneet Mishra and Dr. Satish Chand

Impact of FDI on Higher Education
Dr Rupesh Dixit

HUMAN RESOURCES

Training Culture: A Trigger to Sustainable Competitive Advantage
Dr. (Mrs.) Sheeba Hamid and Ms Bushra Muzaffar

Understanding the Challenges faced by SMEs in Incorporating Corporate social responsibility in Indian context
Surbhi Yadav and Dr. Naveen Gupta

Job satisfaction- an important ingredient for Employee Engagement
Muskan Khan and Pragati Hemrajani

MARKETING

Environmental Concerns, Perceived Environmental Responsibility and Willingness to Pay for Green Products: An Empirical Investigation
Dr. Mohammed Naved Khan and Mohd Danish Kirmani

An Overview of IT Industry through Top Three India-Based Information Technology (IT) Services Providers Using Porter's Five Forces Model
Prashant Dixit and Dr Yogita Narang

Effect of material values on environmental beliefs and pro environmental behaviours
Riju A. Singh and Dr. Naveen Gupta

Customer Satisfaction in Banking Industry (A case study of Meerut Division, U.P.)
Vijay Prakash Gupta

STRATEGY

Improving Quality of Management Education-A strategic Model Approach
Ms Rachna and Ms Tanu Marwah

INFORMATION TECHNOLOGY

Use of soft computing in robust speaker recognition
Akhilesh chandra and Dr ashish chaturvedi

Knowledge Management in Management Education system in Agra region
Ankita Aggarwal and Atul Narang



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Perceived Impact of MNC Initiatives on Farmers in India

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Abstract:

India can boast of a strong agriculture base with a resolute farming community. Thirty-five crore small farmers and about twenty-five crore farm labor are dependent upon production in the rural market. Over ninety percent of India's farmers have less than two hectares of land; seventy nine percent are landless or own less than one hectare. It is envisioned that MNCs being encouraged to come to India with their bags of much needed foreign direct investment would usher in a host of advantages including spruced up supply chain, better procurement prices, reduced wastage, state-of-the-art technology inputs, high yield seeds and fertilizers, soft loans et al for the Indian farmer. The cardinal question remains if this would fructify in view of MNC experience thus far and perceptions of one of the key segments to be impacted. Since there is paucity of relevant literature, this study analyses the perceived impact of MNCs on the farming community based upon first hand reactions from farmers. The findings could trigger shock waves as they clearly spell out a not so bright outlook when it comes to farmer's opinions. Unless firm regulatory measures are implemented, MNC entry could be to the overall detriment.

Key words: Retail, MNC, farmers, farming, community, profits, procurement

Introduction:

As an essentially agrarian economy, India's vast majority of the population is directly or indirectly dependent upon agriculture. Gone are the days of inferior primitive Indian agriculture. The scenario has undergone immense transformation with the advent of MNCs steering modernization through state-of-the-art agricultural equipments, soft loans, efficient supply chain etc. to benefit Indian farming community. This has seemingly created profit making opportunities from mere sustenance levels. MNCs have come to also encourage research activities in the field of agriculture in developing countries like India.

Farmers are becoming increasingly dependent on MNCs for seeds, fertilizers, pesticides and other inputs while rendering them susceptible to pressures to produce genetically engineered crops. Agrichemical sales have gotten concentrated in a handful of large MNCs. Syngenta, Bayer, Monsanto, BASF, Dow and DuPont together control eighty five percent of the annual pesticide market valued at thirty

billion US dollars. Cargill, Archer Daniels and Bunge control nearly ninety per cent of global grain trade while DuPont and Monsanto dominate the global seed market. Eleven firms account for about half the world sales of seeds, of which about a quarter are sales of genetically engineered seeds.

Hence the global economy in its present state leans towards MNCs. It is this vertical integration that carries the propensity to accelerate anti-farming and unethical practices advertently or inadvertently harming farmers. Specific strategies must therefore kick in to ensure farmers' interests are not compromised with. Sixty per cent of the food grains produced in India is distributed within villages and only forty per cent enters the commercial arena. Most farmers produce food for only themselves. If this is so, can one still establish a farm-gate to retail-gate link?

Retail industry is presumed to be a key trigger to aggressive farming. Especially in an agri-based economy, the role of retail cannot be undermined. However in order to have a developing fast pace

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agriculture, one needs heavy capital investment in supply chain infrastructure, transport mechanism, lending and appropriate resource allocations to essential elements. Countries have often resorted to the foreign direct investment through MNCs to provide for such ambitious mission. Have they succeeded and whether or not India should adopt a similar route is a subject worth a study.

Review of literature:

Several researchers have dwelled upon the significance of efficient supply chain of which farmers are the downstream 'producing' or 'procurement' link. One must be able to digest that MNCs can either foster or severely damage the agricultural spirit of the nation. A land where crops determine the code of happiness or even survival, it is far too risky to expose farmers to something that entails irrecoverable pitfalls. But that is precisely the subject of study and there is unequivocal existing academic literature as proof that one must tread softly when it comes to nations' farmlands.

Mei Su Chen, Gene C. Lai, (2010) through the study "Distribution systems, loyalty and performance", examined the influence of procurement systems, distribution systems and customer loyalty on performance. The results overwhelmingly endorse single procurement and distribution channel strategy in terms of efficiency and profitability as compared with multiple distribution channel strategy. Hamister, (2012) through the study "Supply chain management practices in small retailers", investigated the adoption and implementation of SCM practices by small retail firms and found that small retailers adopted moderate levels of supply chain management practices and that supply chain management practices are positively related to performance at both the retail and supplier levels. Ganesan, George, Jap, Palmatier, Weitz (2009) through their study on supply chain management (Supply Chain Management and Retailer Performance: Emerging Trends, Issues, and Implications for Research and Practice) deduced that retailers must revise their supply chain structures, strategies, and management practices to adapt to the changing environment. They must move toward

sourcing practices on a worldwide basis including growing need for corporate social responsibility (CSR), various country-of-origin (COO) concerns (labor laws, healthcare, fair price compensation etc), and some best practices for electronic procurement activities. Sandberg, Abrahamsson, (2010) through their study "The role of top management in supply chain management practices", explored the role of top management in two retail companies that successfully utilize opportunities given by SCM practices. The findings were that the top management role is described by introducing four archetypes; the supply chain thinker, the relationship manager, the controller and the organizer for the future. Monshipouri, M., Welch, C. E., & Kennedy, E. T. (2003) through their study "Multinational corporations and the ethics of global responsibility: problems and possibilities" evaluated the issues and potential for MNCs to deliver ethical promises. It was highlighted that profit motive of MNCs would need to go hand in hand with helping farm diversity, economic uplift of host country and infrastructure development. Luvhengo, V. (2006). through study Multinational Corporations and Human Rights Violations in African Conflict Zones: The Case Study of Angola 1992-2005 reviewed how MNCs have been instrumental in causing hardships while they came to alleviate sufferings. It was determined that farmers, traders and consumers could all prosper and not suffer violation of their rights by MNCs only if Government played a pro-active role regulating the MNC activities. Ahiakpor, J. C. (1992). through study Multinational Corporations in the Third World: Predators or allies in economic development assessed how MNCs can play a complimentary role. It was concluded that MNCs can turn from foe to formidable friend by merely encompassing local culture and wearing a helping hat with view to help the farming and other communities while making a tidy profit in host countries. Digdowniseiso (2010) through study "How MNCs threaten our environment" dwelled upon the devastating role played by MNCs in grabbing and eroding land values as well as perpetually damaging soil by using pesticides, seeds and fertilizer that does little to nourish.

Review of literature revealed that while there is abundant research on supply chain, there is not much study on the perceived impact of MNCs on farmers in India. Hence it is critical to study MNC performance and assess perceived impact thereof on farming community.

Research Methodology :

Objectives of the study

To study the perceived impact of MNCs on farmers in India.

Hypothesis of the study

MNCs do not have a positive perceived impact in on farmers in India.

Locale of the study

In present study, bordering rural areas of NCR Delhi-Gurgaon, Noida, Faridabad were considered. Farmers in these areas were approached. They are predominantly farmlands on the outskirts of NCR towns.

Time duration of study

The study was conducted between Sept 2013 and Feb 2014

Sampling and Sample size

Judgmental sampling method was followed. The study was exposed to one hundred eighty five respondents but thirty five questionnaires were rejected due to inadequate information. Thus analysis was conducted on one hundred fifty respondents.

Survey Instrument

A structured questionnaire was designed which was first reviewed by experts. Based upon their recommendations, it was tweaked to drop few statements and add some relevant statements to elicit appropriate responses. Then it was tested over a small respondent group of twenty respondents. The feedback from this pilot test was incorporated in the questionnaire. Once the questionnaire was validated, it was administered over a sample of five hundred targeted farmer respondents in the NCR region (rural area around Delhi). The respondents were selected based upon their use of genetically modified seeds information for which was sought from Mahyco

Monsanto in Mumbai. Questionnaire had twelve well thought statements comprising of pertinent attributes of MNC impact on farming community. The attributes and statements were collected from literature review. Questionnaires were administered personally. Questions were explained to respondents in Hindi and answers sought were marked and graded appropriately on the questionnaires. Respondents had to just answer each statement depending on whether they strongly disagreed (score 1), disagreed (score 2), neither agreed nor disagreed (score 3), agreed (score 4) and strongly agreed (score 5) Thus higher mean score implied that respondents favoured that particular statement.

Respondents Profile :

The Respondent's profile for Farmers is as below:

Majority of respondents 67.3% were males because primarily they work the fields while 32.7% females had to either ably assist their male counterparts or were sole bread winners ploughing their way to nurturing their families if their husbands had passed away or were off to the town handling other chores. 78.0% were married while 22.0% were single. 31.3% of this category were in age group 26-39, while 36% were between 40-55. These were the prime movers putting their seat into the fields. The younger ones in age group 18-25 were 14.7% and those above 55 years of age were 18%. They supplemented the labour of other folks. 29.3% had just a single family member while 46.7% had up to 4 family members and 24% had more than 5 members in the family. As regards family income, 26% earned up to Rs. 20,000 per month which was the lowest income group. 32% fell in the Rs. 20,000 - Rs. 40,000 income range and 30% earned between Rs. 40,000- Rs.60,000. Only 12% had above Rs. 60,000 income. Farmers have increased their earnings but still 88% of them fall in the lower range neither agreed nor disagreed were 4%. Married (78%) males (67%) and older age (54%) farmers with lower incomes (88%) and more mouths to feed at home (70%) who actually worked the fields were greatly concerned that MNCs would not help improve the procurement price for farmers. In fact they were afraid that either statu-