

BUSINESS PLANNING FOR VILLAGES IN AMRAVATI REGION USING INDUSTRY ATTRACTIVENESS-BUSINESS STRENGTH MATRIX.

^{#1} Rajesh Raut & ^{#2}Dr. Vijayalakshmi Srinivas

^{#1} Research Scholar, PES Modern Institute of Business Management, Center for Research,
Pune 05.

^{#2} Director, PES Modern Institute of Business Management, Center for Research,
Pune 05.

Abstract

This paper tries to identify multidimensional business models customized to local priorities for rural Amravati region. The paper seeks to define role of business selection based on capacity utilization of the region. Researchers have tried to understand the business strength of the region and identified the businesses which are best fit to the region. The study is view point of researchers and a hybrid approach is adopted to use Industry Attractiveness-Business Strength Matrix in deciding best fit sustainable business models, which will create value for the region.

Keywords: Business Model, Industry Attractiveness- Business Strength Matrix, Value

Introduction

India is recognized at global market and we are using globalization as a tool of progress. But still we are divided into two economies i.e. urban economy and rural economy. In the first, economic reform and social changes have begun to take hold and growth has had an impact on people's lives. In the other, citizens appear almost completely left behind which and struggling for basic necessities. Indian rural economy is very dynamic and vast,

but this rural economy whose livelihood majorly depends on agriculture and allied industry, is facing crises because of low productivity and neglected and underutilized potential. Whatever remote businesses available are declining, which will indirectly lead to decline in employment and migration of an available workforce. Which is making survival of exiting micro industries even difficult. According to RBI survey on Indian economy, it was found that 51% of bottom household (having asset less than INR

50000) own just 10% of total asset, as against 9.6% of the rich household (owning asset worth INR 2.5 Lakhs and above) accounted for nearly 49 % of total asset, while United Nations Development Program (UNDP), ranked India at 134 (134/ 187) based on Human Development Index (HDI) (Raut, 2013). Over 750 million consumers (74 per cent) of India's one billion plus population live in 6.27 lakh villages. It is about 12 per cent of world's population in which nearly 87 percent of India's 640 thousand villages have population clusters of 2,000 people or fewer (Singh & Pandey, 2005). Most of these villages despite of having their own strengths and potential are way backward in terms of economic and social progress is concerned. And it is being observed that the low productivity, low use of technology, poor agricultural management and uneconomic livestock farming leading these villages to poverty, which is a cause of serious concern, as the country cannot progress unless we eradicate poverty and ensure food security and gainful employment for the rural population.

Looking to the problems of the rural poor, the Government of India and the State Governments have launched several development schemes over the last 2-3 decades to generate rural employment, promote agricultural production and

sustainable livelihood. These efforts haven't paid the required dividends and below average performance of several livelihood management projects bring out the fact the one need to explore the possibilities of research in this area.

The basic premise for the research is that resources are available in the villages, it is just that one need to identify them and explore them through valued added businesses. Here we have tried to use Industry Attractiveness-Business Strength Matrix for the same. If so happens this will lead to economic growth and development of the rural economy keeping all the resources within the community. Considering all above points the research has undertaken with following objectives.

Objectives:

- To propose 'Rural Entrepreneurship Model' for the rural Amravati region.
- To identify best fit 'Business Models' for the selected villages in the region.

Significance and lay-out plan of the study:

The schematic distribution of the paper has been done in the following manner. The paper has been divided into

three sections. The first section deals with exploring rural perspective of growth and development with the model proposed by the researchers. Second section comments on the study of businesses in rural Amravati region (area under study) and feasibility of 'Proposed Businesses'. Third section explains the use of Industry Attractiveness-Business Strength Matrix to identify the best fit businesses. The last section concludes whole gamut of discussion.

Rural Business perspective and proposed Rural Entrepreneurship model

As outlined in the introduction, this paper sets out to identify the factors which can contribute to the business settings and how one can make use of the Industry Attractiveness- Business Strength Matrix in 'Business Planning' for villages. For this reason, it is important to justify a short overview of the relationship between rural business activities and value creation. And considering Indian perspective it becomes necessary to understand all dimensions of rural entrepreneurship. What makes India interesting for political leaders, businessmen, entrepreneurs and researchers, is not only the fact that this a growing economy but also this country is home of many businesses that are capable

of teaching developed market MNCs an intriguing lesson in terms of innovative business models such as "cost", "reverse" and "polycentric" innovations (Mahadevan, 2010). For Indian economy, it is being observed that 32.7 % of Indians are leaving BPL by 2020, 60 per cent of the Indian population will still be rural (International Fund for Agricultural Development Rural Poverty Report, 2012). With a dream to become developed economy; with such a huge population leaving in rural area it becomes necessary that everyone should be included in the process of growth. But there is huge income gap between urban sector and rural sector. Despite planner's motivation (Government of India and State Governments) to achieve development with equality popularly known as 'inclusive growth', the country has been facing wide regional disparities both between urban and rural region (Government of India, 2011-12).

Thus, it becomes obvious that if India wants to grow economically rural sectors must be included in process of growth and development. That means apart from agriculture and allied, all the rural industries must grow. Most the literature available follows the trends that, in rural area if entrepreneur is doing a business he will grow economically (see figure 1),

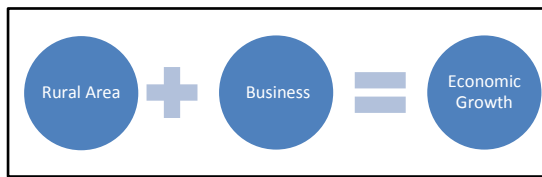
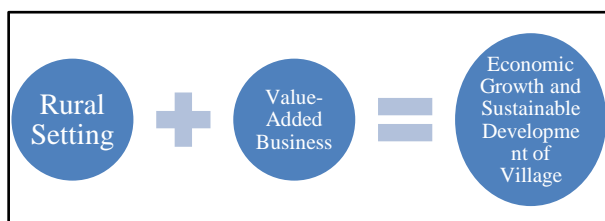


Figure 1- General trend in rural business
(Source: Authors)

Since above ‘General Trend Model’ does not pay attention to available business potential of the region it will not sustain in long term. This type of practice is being followed for years but the situation of rural area is same and these efforts haven’t paid the required dividends and below average performance of several livelihood management projects bring out the fact the one need to explore the possibilities of different model for rural businesses.

Considering the constraints of above Model, we are trying to propose customized sustainable business ‘Model’ based on availability of resources which be create value for entrepreneur, society and region while keeping the resources in the region (see figure 2).

Figure 2- Proposed ‘Rural Entrepreneurship Model’



(Source: Authors)

In above model ‘Rural Settings’ is referred combination of Business Capital¹ and Human Capital². And Value-Added business is referred to the business which will consume available Business and Human Capital. Since proposed model is based on capacity utilization of region it will be sustainable.

Feasibility study of Proposed Model for Rural Amravati Region.

To validate the ‘Proposed Model’(See Figure 2) empirically. We have taken rural area of Amravati District into consideration. Amravati district is located in the Vidharbha region on the north-eastern side of the State of Maharashtra. The total geographical area of Amravati District is 12212 sq. km. and its only 3.97 % of Maharashtra. The global location of the district extends between 21.30' to 21.50' north latitude and 76.35' to 78.27' east longitude (MSME Development Institute, Government of India., 2014-15).

It is false to assume that socially and economically depressed areas will transform into fast growing areas by injection of external investments and

¹A village where Raw Material, Land, Power, Water and Transport which are necessary ingredients of respective business are available. (i.e. for soybean oil processing plant raw soybean is available.)

²A village where people with knowledge and skills which is required for the respective business are available. (i.e. to run soybean oil processing plant skill required is- Certificate in ITI which is available.)

external expertise. Consequently, instead of becoming more and more integrated into other economically and socially rich areas, such areas will become increasingly isolated, depopulated, poorer and therefore less and less capable of attracting people who, given other available resources, would make an impact from a development standpoint. (Petrin, 1994) . That is why it is very important to identify local entrepreneurial capabilities which will explore available ‘Business and Human Capital’ and will provide long term economic growth.

Business strength	Industry Attractiveness			
		High	Medium	Low
High	Investment and Growth	Selective Growth	Selectivity	
Medium	Selective Growth	Selectivity	Harvest/Divest	
Low	Selectivity	Harvest/Divest	Harvest/Divest	

Figure 3- Industry Attractiveness-Business

Strength Matrix (Source:

<http://www.mckinsey.com>)

Prior to explaining use of Industry Attractiveness-Business Strength Matrix (see figure 3), a brief introduction to matrix is necessary. The above matrix is also called as G.E. multi factor analysis which is developed in a 3x3 grid with Market Attractiveness plotted on the

Y-axis and Business Strength on the X-axis, both being measured on a high, medium, or low score. This matrix is designed to help a company decide which of the product is doing good and what are the opportunities in the market they should continue to invest in. Market Attractiveness means how beneficial is the market to enter and compete and Business Strength denotes whether business is competent enough to enter in the market. There are different parameters to decide Market Attractiveness and Business Strength of product and industry. Based on analysis, one decides on a strategy of growth, invest or divest. While considering situations in study area we have modified the use of matrix. We have designed a stepwise methodology encompassing all the parameters suitable for rural entrepreneurs (See Figure 4).

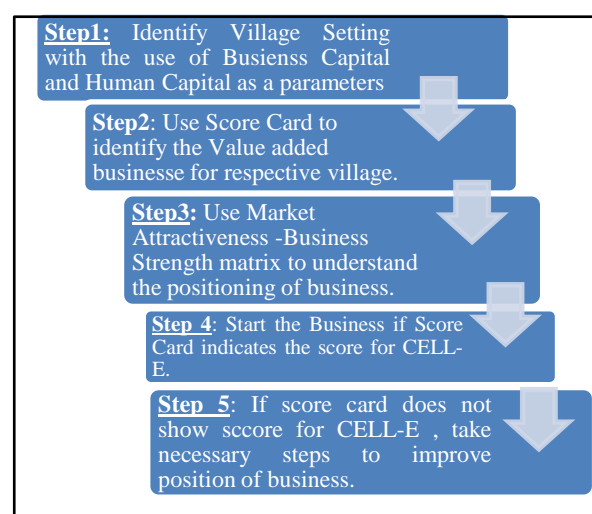


Figure 4- Operative Methodology for ‘Rural entrepreneurship Model’

(Source: Authors)

It is being found that most of the businesses found in the region are mushroom cultivation, dairy farming, poultry, goatry, carpentry, retailing, beauty parlors, tailoring, or related to livestock development. The limitations of all these businesses are that they cannot provide long term employment opportunities because they have started with idea of consumption not capacity utilization as a result they employ very few people and generate very less revenue and are not efficient as well sustainable. While we propose the use of model along with use of matrix and which will explain which strategy to adapt for particular business.

Measuring business performance using Score Card Method and GDP/Employee.

Economic performance of business operations in rural areas is not easy to measure. There is currently no commonly accepted definition, measurement framework or widely accessible and nationally comparable data (Wong, 2002). To estimate the proposed model empirically, we have two criterion GDP/Employee³ and a Score Card Method⁴.

³ Measure is used Agarwal, Rahman, and Errington (2009)

Much of emphasis is given to Score Card Method. The score card is consist of two dimensions i.e. Business Strength and Market Attractiveness which is been associated to Business Capital and Human Capital. We have chosen and modified the required dimensions and variable to fit into our score card. Under business capital five more parameters i.e. Raw Material, Land, Power, Water and Transport are utilized to measure Business Strength and Market Size, Skills Utilization, Increase in Employment and Increase in Standard of Living are utilized to measure Market Attractiveness. Each parameter is measured in 5-point scale. Considering critical factors such as finance, socioeconomic politics, regulatory, demography and knowledge and technology transfer it been decided that the 'Business Model' with more than 80 % of overall score will be fit in CELL-E⁵ of Matrix (See Figure 5).

⁴ Developed by researchers

⁵ That means selected business model is high on business strength and industry attractiveness.

Business strength	Industry Attractiveness			
	←			
		High	Medium	Low
	High	Cell- E ⁶		
	Medium			
	Low			

Figure 5- Use of (Source:

<http://www.mckinsey.com> (modified and adopted by authors)

And the same model will be declared fit to invest and grow. And if score card does not show score for CELL-E, take necessary steps to improve position of business. Above mentioned criterion is being set up considering business environment of rural Amravati region and desired outcome is whether exiting business suits to the village or not and identify (proposed) the business which will utilize the capacity of village⁷.)

Score Card Method

Following is summary of existing and proposed businesses for three villages viz. Dhotra, Kathora and Umerskhed. All three villages are in Amravati district. All three

villages are in perimeter of 50 km that is why every business owner has idea of conditions in these villages. To study business environment of the region we have constructed a questionnaire consisting two sections. One of the section measures Business Capital with five parameters (see column 1 -Table 1) which we have associated with Business Strength and second section measures Human Capital Utilization using four parameters (see column1-Table1) which we have associated with Industry Attractiveness. For analysis, we have compared prominent business from respective village to proposed business. We asked every business owner from all villages to rate the parameters in 5-point scale (1 being Very Low and 5 being Very High) with respect to their availability and utilization. There are 32 entrepreneurs who responded to our survey. Following table shows the average score with respect to each parameter. In village Dhotra, dairy related business is prominent but scores only 22.32 points against required 32 points (see column 2 - Table 1) fails to get place in CELL-E of matrix (see Figure 5). If we observe the score of various parameters of Milk Parlor, we can identify that village Dhotra don't have sufficient raw material (2.8⁸) even to capture average Market size (3.2) that

⁶ CELL-E (It denotes Cell for Entrepreneurship): Start/ Invest/ Stick to the business if comes in in this cell. It is emphasized using mark.

⁷ Referred www.mckinsey.com and 5 Subject Matter Specialist were consulted to decide all parameters and to build the score card.

⁸ Bracket shows points scored by respective parameter.

implies entrepreneurs need to increase their milk producing capacity by purchasing assets. We can also identify that entrepreneurs have sufficient land (4.52) to operate their business but village has serious concerns over electricity (1.0) and transportation (1.5) which is again putting limitations to Milk Parlors. While we propose Smart Electric Grid as a business for the village. This business is related to electricity production through biomass gasification process. The reason behind proposing the business is that the village has the required Business and Human Capital which can be explored through this business. The village has abundant raw material like Groundnut Husk, Cotton stalk, Soya Bean Husk and has enough water resources 13.61 million m³ and has human resources with required skills to operate the grid and since this business utilizes available resources, will be appropriate to the village, and for the same reason its scores 31.16 against required 28 points (see column 3 -Table 1) and get place in CELL-E of matrix.

Table 1-Business Score Card for Villages

	Dhotra		Kathora		Umerkhed	
	Exit ing	Propo sed	Exit ing	Propo sed	Exit ing	Pro pose d
Paramet er	Milk Parlo r	Smart Electri c Grid	Amla Produc ts	Mini Oil Proces sing Plant	Hand icraft	Min i Dal Mill
Business Strength (Busines s Capital)						
Raw Material	2.8	4.8	1.8	5	4.5	5
Land	4	4.64	4	4.8	4	4.5
Power	1	#	2.5	3	3	3
Water	4.52	4.52	5	5	5	5
Transpor t	1.5	#	4.5	4.5	2	2
Industry Attracti veness (Human Capital Utilizati on)						
Market Size	3.2	5	2	5	1.2	5
Skills Utilizatio n	# ⁹	4.2	3.8	3.5	4.5	3.5
Increase in Employ ment	2.5	3.5	1.56	3	4	4.2
Increase in Standard of Living	2.8	4.5	2.72	3.5	3.2	3.0
Total Score¹⁰	22.32	31.16	27.88	37.3	31.4	36.4

⁹# Parameter is not applicable to respective Village/ Business

Required ¹¹	32	28	32	36	32	36
Surplus		3.16		1.3		0.4
Deficit	-9.68		-4.12		-0.6	

Considering the same methodology we propose Mini Oil Processing Plant for village Kathora. The area near by the village has Raw Material Cotton 6.2 MTPA, Soybean 5.5 MTPA and 30 ha. of ready industrial land having necessary infrastructure facilities like Roads, Water Supply, Etc. while there is no testing lab or refining facility available in the district (MSME Development Institute, 2013-14). The score in the business score card also suggest the same. The business scores 37.3 points as against 36 points and get place in CELL-E of matrix, while existing business scores 25.88 as against required score of 32 points. Also we propose mini coffee processing plant for village Umerkhed. Production of 1.9 MTPA of Pulses in Vidharbha Region in 2013 shows that Dal milling activity being an important economic aspect in realizing the better price for the produce and the contribution of Dal Mills in employment generation is equally important (MSME Development Institute, Government of India., 2014-15).

The proposed business also gets place in Cell-E of matrix (see Table -1, Column 7).

Comparative GDP/ Employee

To get better idea for measuring economic impact of existing and proposed business we have used popular measure i.e. GDP/ Employee. Following are the tables showing Comparative GDP/ Employee for existing businesses (see Table 2) and GDP/ Employee for proposed businesses (see Table 3)¹².

Table 2 -Comparative GDP/ Employee for existing businesses

Village	Existing Industry	Number	No of Employees	Initial Investment	Turnover	GDP / Employee
Dhotra	Milk Parlour	4	11	750000	520000	47.273
Kathora	Amla products	1	12	Not Available	450000	37.500
Umerkhed	Handicraft (Bamboo)	2	16	Not Available	900000	56.250

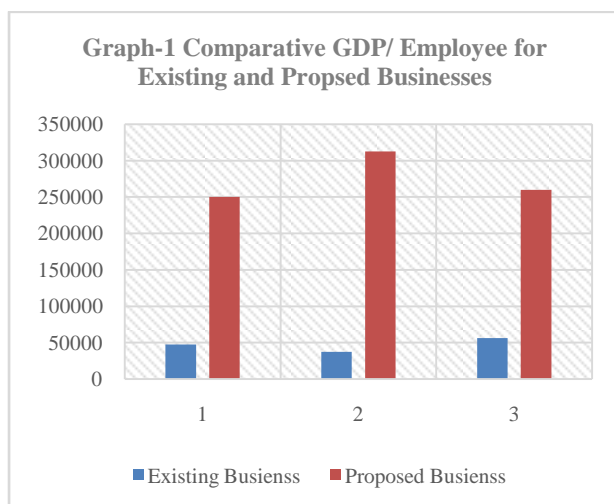
Table 3 - GDP/ Employee for proposed businesses

¹² There are no specific studies at the local level in rural areas on these questions. Fritsch (2008, 10), focusing on the regional scale, provides an overview of empirical studies on the impact of start-ups on different performance measures (such as Gross Domestic Product (GDP) or employment rates) over time at the regional level. Most studies find a considerable time lag of 6–14 years between start-up activities and their greatest impact on regional performance measures (Baumgartner, Tobias, & Irmi, 2013).

¹⁰ Total score is average of responses collected through survey.

¹¹ Required Score is 80 % of applicable Parameters (i.e. for Village Dhotra considering milk parlor as business 8 parameters are applicable so score will be 32 (8 x 5 x 80 % = 32).

Village	Proposed Business	Number	No of Emplo yees	Initial Invest ment	Turn over	GDP / Emp loyee
Dhotra	Smart Electric Grid	1	20	30000 00 ¹³	5000 000 ¹⁴	2500 00
Kathor a	Mini Oil Processing Plant	1	8	50000 0	2500 000	3125 00
Umerk hed	Mini Dal Mill	1	5	13500 0	1300 000	2600 00



Referring to above tables and graph (see column number 7 in see Table 1 and 2 and Graph 1). The positive incremental difference of 428%, 733% and 362% in GDP/ Employee for villages Dhotra, Kathora and Umerkhed respectively proves the fact that proposed businesses are much better in utilization of Business and Human Capital.

Discussion

The background of this article is the rationalizing the importance of local

available resources in rural development for rural Amravati region. In data analysis, it is found that entrepreneurship and local capacity utilization can play key roles in rural development. Also it can be inferred from the study, that the model proposed by us is appropriate and will definitely add value to the region. The results suggest that business models proposed and measured as local entrepreneurial potential generally has the expected positive influence on local economic performance in the case of selected villages in the Amravati region.

We must acknowledge that there are certain shortcomings of the study presented here. Namely available data to measure local economic performance are limited and there are no relatively specific studies at the local level in rural areas on these questions is available which makes identification of parameters very difficult. And, the choice of variables to measure impact of capacity utilization in terms of Business Capital and Human Capital on entrepreneurship as local potential might affect the results.

Despite the above-mentioned shortcomings, the proposed approach and model may be considered as a block building assessment tool which can be further investigated, particularly for those

¹³ Subject to change with location.

¹⁴ Forecasted, subject to change with location.

policies that follow the endogenous rural development approach.

While commenting on the study area we would like to mention that rural Amravati region is full of resources but that this potential has been underutilized reasons due to problems like lack of knowledge and information transfer connectivity and communication, low literacy rate, lack of skilled manpower, ignorance etc. It has been observed that business owners in this area follows the ‘generalized trend of entrepreneurship’. However, they have shown keen interest in the business models proposed by us and that is why it is important that the human capital of the region is to be made aware of business potential of the region.

Conclusion

This paper offers an entrepreneurship asset model for rural Amravati region that is customized to local priorities. While the rural environment is not without its challenges but there are opportunities and resources available for business development. As it can be seen in these case studies which are mentioned in above section. If India want to march down the road of development, these small owners should create successful rural businesses, that to on their own terms, with resources that are available within their context. May

be these businesses are without glamour, they are still the backbone of these rural communities, both in an economic and non-economic sense (Brush & Chaganti, 1999). And in this way these businesses offer products, services and often employment, as well as invest in the local economy to assist with ongoing efforts to develop and sustain community capacity.

Bibliography

1. Baumgartne, D., Tobias , S., & Irmi , S. (2013). Quantifying entrepreneurship and its impact on local economic performance: A spatial assessment in rural Switzerland. *Entrepreneurship & Regional Development* , 222-250.
2. Brush, C. G., & Chaganti, R. (1999). Businesses Without Glamour? An Analysis of Resources on Performance by Size and Age in Small Service and Retail Firms. *Journal of Buiness Venturing* , 233-257.
3. Government of India. (2011-12). *Economic Survey*.
4. (2012). International Fund for Agricultural Development Rural Poverty Report.
5. Mahadevan, N. (2010, May 30). Retrieved from Business Today: <http://www.businesstoday.in/maga>

- zine/cover-story/made-in-india-for-the-world/story/5601.html
6. MSME Development Institute, Government of India. (2014-15). Brief Industrial Profile of Amravati District.
 7. MSME Development Institute, G. (2013-14). Brief Industrial Profile of Amravati District. Nagpur.
 8. Petrin, T. (1994). Entrepreneurship as an economic force in rural development. FAO/REU International Rural Development Summer School. Herrsching, Germany.
 9. Raut, R. (2013). Financial Inclusion- A Road Towards Development. Paridnya The MIBM Research Journal , 101-106.
 10. Singh, A., & Pandey, S. (2005). Rural Marketing Indian Perspective. New Age International Publisher.
 11. Wong, C. (2002). Developing indicators to inform local economic development in England. Urban Studies. Urban Studies .
