



## Business Model Adopted By Smes in Papumpare District of A.p

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**ABSTRACT**

The business models are those which don't include the modern technology for their functioning and mainly practices the traditional method of doing business. Small Enterprises play a very significant role in terms of balanced and sustainable growth of the economy by way of employment generation. Arunachal Pradesh the land of rising sun and power house of the country is situated in the North-East of India and having the largest area. Papum Pare is one of the districts of the State and Itanagar the capital is a city in the district. The state has potentials, compared to other state it has so far lagged behind in the field of industrial development due to inherent infrastructure bottleneck, remoteness, transportation & communication problem, etc. More awareness about self-employment through SMEs with the help of both indigenous and traditional business model will help the State for rapid growth.

**KEYWORDS**

Business Model, Indigenous, Papumpare, Arunachal Pradesh.

### INTRODUCTION

The term **business model** is used for a broad range of informal and formal descriptions to represent core aspects of a business, including purposes, offerings, strategies, infrastructures, organizational structures, trading practices, and operational processes and policies. Business models are the designs of organizational structures to enact a commercial opportunity. A business Model is the organization's chosen system of inputs, business activities, outputs and outcomes that aims to create value over the short, medium and long term.<sup>1</sup>

The indigenous business model means those business models which doesn't include the modern technology for their functioning and still practices the traditional method of doing business. The role played by the small scale industries in the economic development of advanced countries like Japan, Germany, Great Britain and USA is significant. Both in developed and developing economy small scale industries are a useful vehicle for growth and for creating employment opportunities.

SMEs (Small and Medium Enterprises) presently known as MSMEs (Micro Small and Medium Enterprises) tend to be more effective in the utilization of local resources using simple and affordable technology. MSMEs play a fundamental role in utilizing and adding value to local resources. Also facilitate distribution of economic activities within the economy and provide an equitable income distribution.

The Central Government of India, in exercise of the power conferred by Section 7(1) of MSMEs Development Act, 2006, after having obtained the recommendation of the Advisory Committee under the Section 7(4) of the Act in this regard notified the following enterprises as MSMEs-

1. In Case of enterprise engage in manufacturing or production of goods pertaining to any industry-

- A micro enterprise is where the investment in plant and Machinery doesn't exceed Rs.25 lakhs;
- A small enterprise is where the investment in plant and Machinery is more than 25 lakhs but doesn't exceed Rs.5 corer; or
- A medium enterprise is where the investment in plant and machinery is more than Rs.5 corer but doesn't exceed Rs.10 corer.

2. In case of enterprise engaged in providing and rendering services, as-

- A micro enterprise is where the investment in equipment doesn't exceed Rs.10 lakhs
- A small enterprise is where the investment in equipment is more than Rs.10 lakhs but doesn't exceed Rs.2 corer; or
- A medium enterprise is where the investment in equipment is more than Rs.2 corer but doesn't exceed Rs.5 corer.

The paper tried to study the indigenous business model practiced by the SMEs (Small and Medium Enterprises) in Papumpare district Arunachal Pradesh in North East India.

The Study will be helpful for the government for taking proper steps for industrialization and also it will help the economic planners.

### REVIEW OF LITERATURE:

Alexander Osterwalder, Yves Pigneur & Christopher L. Tuc-ci. (May 2005), The business model's place in the firm as the blueprint of how a company does business. It is the translation of strategic issues, such as strategic positioning and strategic goals into a conceptual model that explicitly states how the business functions. The business model serves as a building plan that allows designing and realizing the business structure and systems that constitute the company's operational and physical form.

K.M. Rastogi (1980) made a case study of Madhya Pradesh, which he calls "*a unique case of growing unemployment and poverty amidst plenty*". He favours only the small scale and village industries, which makes optimum use of indigenous techniques and local resources. According to him, "*there are hundreds of items which can be produced in cottage and small scale industries more economically than in large industrial sector*".

### OBJECTIVES:

1. To study the indigenous business model practiced by the SMEs in Papumpare district Arunachal Pradesh.
2. To suggest best model for the growth and development of the SMEs in the district.

**LIMITATIONS OF THE STUDY:**

1. The study concentrated only in the Papumpare district of Arunachal Pradesh and no other districts have been taken.
2. Time Constraint was there.

**STUDY AREA:**

The study is based on the principles of business models followed by SMEs within the geographical boundary of Papumpare district of Arunachal Pradesh.

The Papumpare is the capital district of Arunachal Pradesh, which is located between 26°55' N and 28°40' Latitude and between 92°40' and 94°Longitude. The district occupies an area of approximately 2875 sq. km. inhabited by population of 121750. There are 274 villages and 2 towns in the district. Itanagar, the capital of the state is situated in this district. The people in this district, mostly depends on agriculture, SSIs, small business, Govt. jobs etc.

**METHODOLOGY:**

The Study is confined to Papumpare district of A.P., for the study both **primary** and **secondary** research methodology has been adopted. Many secondary data are available on in the form of books, journals, online literature, government reports, statistics by different institutions etc. Based on the secondary research a semi-structural questionnaire has been prepared to gather the information. The questionnaire was extensive and aiming at getting maximum information in sample SMEs units. Face to face interview methods have been used in generating data on the related issues. The interviews have been conducted with the owners and managers of the SMEs in the sample units. Quantitative data have been directly collected from sample areas using random sampling methodology. Randomly **20** SMEs Units have been taken for the study and nearly **25** respondents have been interviewed. The MS Excel has been used for the analysis of the data.

**Business Model adopted by SMEs in Papumpare District of A.P – analysis:**

Arunachal Pradesh the land of rising sun and power house of the country is situated in the North-East of India. The State is blessed with 83,743 Sq. Km. area, largest among the North-Eastern States. The population of the state is 1,382,611<sup>2</sup> with the lowest density of the population in the country 17 person per sq. km. The State has 20% fauna of the country, 4500 species of flowering plants,35 species of bamboo, more than 500 species of orchids, 20 species of canes, 23 species of conifers etc.

The people of the state have a tradition of artistic craftsmanship and sense of aesthetic manifested through a variety of crafts, such as weaving, painting, pottery, smithy work, basket making, wood carving and cane and bamboo works. Some of the tribes are involved in wet-rice cultivation; some are in Jhoom cultivation (Shifting Cultivation) as a part of agriculture.

The population of Papum Pare district is 1, 53,193<sup>3</sup>. The district comprises 11.08% of the total state population. It has population density of 51 persons per sq.km.

The trend of growth of manufacturing sector in the district is similar to the State pattern. As per the statistical records of 2006, there are 91 registered **SSIs** units and three **Medium** industries in the district which employ 1500 persons. There are two industrial estates in the district.

The state has potentials, compared to other state it has so far lagged behind in the field of industrial development due to inherent infrastructure bottleneck, remoteness, transportation & communication problem, lack of proper research and development, lack of entrepreneurship and so on. According to the Fourth MSMEs Census Report, 2006-07, the total number units registered permanently in the state were 615 units employing 5411 person.

According to Fourth Census of MSMEs 2006-07, Government of Arunachal Pradesh, the state of Arunachal Pradesh has **615** Units permanently registered SSI units which account only 0.025 percent to the total registered SSI units in the country. In fact, the figure of SSI units in the State is also lowest when compared to other states of the north east India.

**27.15** percent permanently registered SSI units of Arunachal Pradesh have been found to be closed as per the 4<sup>th</sup> All India MSMEs Census. The State have 399 Micro Units, 16 small and 2 medium enterprises out of which micro forms the **93.61%** of the enterprises found in the area.

The highest number of registered Units is in Papumpare i.e. 108<sup>4</sup>. Out of the total number of registered units the total number of working SSIs in the district is around 60 and number of closed units is around 35 and others are at initial stage of working.<sup>5</sup>

**Table 1**  
**Analysis of Business Model adopted by SMEs in Papum Pare District of A.P.**

Sl.No.	Particulars of Analysis	No.of Units	Percentage(%)
1	Indigenous Technology Development	11	55
2	Technology Up gradation	3	15
3	Investment in Research and Development	1	10
4	IPR Usefulness	12	60
5	Change in Management Practices	2	10
6	New Marketing Strategies	4	20
7	Pricing Strategies	0	0
8	Training of Workers	1	5
9	Quality of Goods and Services	7	35
10	Participation in Export and Import	1	5

Source: *Field Survey 2013*

The State being backward in terms of infrastructure and Technology, the business are mostly done by following indigenous models of business, we hardly find there is much intervention of the new and modern technology and new models for carrying out the business. In case of Small and Medium Enterprises also we can easily find that still the entrepreneurs' are following the indigenous practices for carrying out their business.

Out of the **20** Sample Units taken for the study, **5** sample Units are located in the urban areas where as the other **15** are located in the Semi-urban and rural areas.

The study shows that about **55%** of the SMEs are developing with their indigenous technology. The basic indigenous technology found in the state are the wooden weaving machines, the hand weaving machines with the help of some sticks, the knives for designing the bamboo materials, cane work, the traditional pattern of burning the cane and bamboo products for their finishing touch, taking out of threads out of the yarns with the help of bamboo spinning handmade machine. The new SMEs units which are coming up, they also start business with the indigenous technology which are easily available in the market.

The Indian market is flooded with all new technologies and equipment for the small and medium enterprises and because the North- Eastern States are backward in terms of the infrastructure, the new and the modern technology are hardly found in the industries of these States. Similarly Arunachal Pradesh having the poor infrastructure, we will hardly find the use of the modern technology in the SMEs, as per the data collected only **15%** units are using the modern technology.

The data collected provides that SMEs in the district hardly goes for the research and development but they mostly depends on the Central and State government statistics to know about the market conditions and other things related with the SMEs development, only **10%** SMEs (specially the mineral water industries and tea industries) goes for the investment in the research and development.

As per the responses from the respondents, the urban SMEs are getting advantage of the IPRs (Industrial Policy Resolutions) of both States and Central Government and the SMEs in the rural areas are very few in numbers who even knows about the IPRs and taking the advantages of the same. About **60%** of the Urban SMEs are using the IPRs and **20%** in the rural are using the same.

There is very less change in management practice in the SMEs of the districts, they still follows their indigenous pattern of the management. The owner(s) himself is/are the manger(s) in all categories of the SMEs whether it is a sole proprietor, partnership, co-operative etc. We hardly find following them proper management rules of planning to execution. We will find loopholes in the management pattern in the SMEs out there. Only **10%** SMEs are following the management principles and practices in their business.

The local market hardly have any space for the SMEs products of the district, all they are doing is they depend on the area market, DICs(District Industries Centers) and Government to help them in the marketing strategies. Only Mineral water and Tea industries are adopting the new marketing strategies which are again almost negligible to **20%** as per the data collected.

The SMEs in the district hardly go for the training of the workers, reason being is, and mostly the SMEs are established keeping in mind the availability of the employees in the area with the required skills. As per the study done in the Poma village of the district, the people of the area almost everybody knows the bamboo work and with this as the advantage and to support the people in that area the Ex- Governor Shri. J.Singh established an agrabatti and bamboo industry in that area, similar things happens to almost to every SMEs of the district and the State as a whole, where no training is required for the employees but an expert will be there to direct them. But for other industries they are hiring only those people who have certain knowledge of the work required to perform in the type of the industry they are getting recruited and only **5%** of SMEs as per the data is providing training to their workers.

For checking the quality of the goods the **65%** SMEs are following the indigenous methods in case of the cane, bamboo, textile products, ornaments etc. **35%**, i.e. the mineral water, food, cement, fruits, flowers are having the quality control cell for checking the quality of the goods.

Almost all the SMEs in the district are labour intensive industries with very less involvement of the machines and modern equipment's, besides, the industries which cannot run without machines are using the machines but other SMEs with their indigenous equipment's and labour are managing their works. There are 165 unskilled labour out of 176 in the sample study. Only 11 are skilled.

Near about **85%** of the employees of the survey SMEs have the unskilled employees and very less number of SMEs has semi-skilled employees and negligible industries are having the skilled employees.

The State contributes only **0.3%** in the export of SMEs products (as per 4<sup>th</sup> All India MSMEs Census). As per the data out of **20** survey SMEs only **1** SMEs is involved in the export of their products, i.e., only **5%** of the SMEs are in the field of exporting their goods.

## FINDINGS AND SUGGESTIONS:

### Findings:

- The district has the ample scope for the development and growth of SMEs.
- Mostly SMEs of the region are located in the rural and semi-urban areas.
- Indigenous model of practicing business is followed.
- No new marketing strategies are followed for the business and the development of the units.
- Mostly unskilled labour with lower paid wages.
- Less awareness about the various government facilities, incentives and policies for SMEs.

### Suggestions:

- Government initiatives to spread awareness about various new policies and incentives which can help those (SMEs) for growth and development.
- Proper training to the entrepreneur should be provided by the Government for making them more competitive.
- Boosting and upgrading the indigenous business model practiced by the SMEs, to bring them into the competition with other SMEs in the country, developing the infrastructure and developing better ware housing facility.
- Taking a permanent participation in the state, inter-state and National level market besides occasionally participating in the trade fairs and exhibition and depending upon the Government and DICs in particular.

**CONCLUSION:** To conclude the paper, it can be said that the SMEs in the district are following the indigenous business model with a very less involvement of the modern models, still they are producing only limited products which can be sold in their local area market, some times more to participates in various trade fairs organized by the different government and the non-government bodies, still they make the same type of products without any further changes and improvisation or diversification, very less use of the modern machines and the equipment's, no proper marketing, pricing and financial strategies, etc. The SMEs are producing variety of the products with almost a stagnant market for their products, in such situation the Government should come up and support this sector for the growth and development, as the state have idle resources which can be economically exploited, government should provide them better production equipment's, ware- housing facility, marketing scope and a platform for taking participation in export.

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