

Emerging Sectors & Management Practices in India

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Abstract

India is second largest population, large customer groups with diverse needs and want. This is one of emerging market as well as challenge for the organizations to meet needs of such diverse population profitably, a visionary approach is required for forecasting of emerging business opportunities in Indian market. In this paper attempt has been made to find out emerging business opportunities in Indian market, for this, environmental scanning has been done on the basis of different environmental factors like demographics and cultural and social aspects, need identification has been done for Indian market sectors have been identified for business which can grow and prosper in Indian market. On the basis of analysis of Indian demographics and global environmental factors many new approaches have been introduced which is contemporary for Indian market and will emerge in future like rural marketing, green marketing initiatives, rural retailing, scope of services and agricultural etc. has been introduced in this paper.

Key words: environmental scanning, emerging business opportunities, need analysis, rural marketing .green technology, services, agriculture

Introduction

Indian market is hot cake for the companies because of its 1.18 billion people, which is projected to increase to 1.326155 billion by the year 2020. (Census of India, 2001). It means a large customer group for companies but here in way of capturing this market there are some impediments in from of its diversity in culture, demographics, social setup economical constraints etc. need identification of diverse customer groups and design product and services is challenge for business organizations, this is essential for business to identify the opportunities in this diverse group of people, for this purpose environmental scanning of Indian market will able to provide idea about emerging business opportunities in Indian market.

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Environment Scanning:

Scanning is the process of analyzing the environment for the identification of the factors which impact on or have implications for the business. Such factors may include those which have appeared suddenly or evolved over time. Identification of emerging/ensuing trend is a critical purpose of the environment scanning. In this “prospective mode scanning focuses on identifying precursors or indicators of potential environment changes and issues. Environment scanning is thus aimed at alerting the organization to potentially significant external impingement before it has fully formed or crystallized. Successful environment scanning draws attention to possible changes and events well before occurrence, allowing time for suitable strategic action” (Cherunilam, 2005).

To have identification of emerging business opportunities in Indian market, scanning of Indian market is essential, India is a large and diverse country and have different socio-cultural aspects, traditions, wide variety of ethnic groups .

Indian Environmental Scanning:

India is the seventh largest country by geographical area and has second largest population after China. It has diverse culture and social aspect and politically the most populous democracy in the world. Because of all these reasons Indian market is lucrative for the business, because of its large customer groups. In Indian environment the major environments

Political Environment:

India is a secular democratic Republic, which is run by elected representatives who belong to different political parties.

Economic Environment:

GDP of India is 1.16 Trillion US \$ at current price(2008,World Bank),The Indian economy is the eleventh largest economy in the world (The Economist) and fourth by PPP(CIA). According to the BRIC report, published by Goldman Sachs, India will be the second largest economy after China by 2043. India’s large service industry accounts for 55% of the country’s Gross Domestic Product (GDP) while the industrial and agricultural sectors contribute 28% and 17% respectively and employ approximately 52% in agriculture, 34 % in services and 14% in industrial sector (CIA fact book), economy grew by 7.9% with the industrial and service sector growing at the rate of 8.2% and 8.7% respectively despite a decline of -.2% in agriculture output.(economic survey of India)

Global Environment

Business can’t be untouched by global issues. Because of globalization world is like a single

market. If something happens in one part of world another part will also be affected. US Sub prime crisis is one such example and it has affected Indian IT industry, In addition to this, ecology, global warming and environment are also important issues it leads to drought, flood

Demographic Environment

In India population is 1028.7 million as per census report released in December 2003. 72.2% is rural population who are living in 638596 villages and 27.8% urban population, 467.933 million people are illiterate, 50.54 million people only have Post graduate degree(census 2001). India, Population will be 1.18 billion (estimated for April 2010). India, has an astonishing demographic dividend where more than 50% of its population is below the age of 25. It is expected that in 2020 the average age of an Indian will be 29 years.

Emerging Opportunities in Indian Market

Every problem and need leads to opportunity in the market. On the basis of environment scanning many feature of Indian market has revealed, a large customer group for companies, big market but highly diverse. According to census data 72.2% people live in villages, and here income level is low, agriculture sector employed 52% of people but contribution to GDP is only 17%. To improve productivity, new ways like contract farming etc. have been introduced.

In services like telecom, IT, BPO, education, financial services are also emerging. Because of global environmental factors companies are forced to find out alternative sources of energy. They have to put emphasis on finding the techniques by which waste can be recycled and consumption of fuel reduced.

Market opportunities in different fields

1. Agriculture sector
2. Service sector
3. Environmental Management

Agriculture Sector

“Agriculture including crop and animal husbandry, fisheries, forestry and agro processing provide the underpinnings of our food and livelihood security. Agriculture provides significant support for economic growth and social transformation of the country. Agricultural sector employed more than half of the Indian population but contributed the least in Gross Domestic Product in country. It is challenge to increase productivity in this sector.

“Agriculture with its allied sectors is the important activity in the rural areas and linked in many

aspects with a nation's life. It has been estimated that growth in agriculture is on an average two or three times more effective in raising income of the poor. However, to realize its full potential as a promoter of growth and as an alleviator of poverty, agriculture itself needs to grow. In over 60 years as a free nation, India has made major strides in agriculture. Our food production has grown but we still face the challenge of enhancing our productivity. In India, therefore, a question that calls for discussion is how to make farmers, particularly in rain fed areas, more productive? This requires urgent attention and demands a radical change in the existing conventional methods of farming. Agriculture can bring greater returns to people in this sector, through higher productivity and crop diversification, better management of water and land resources, proper storage and transport facilities as well as improved scientific farm practices. Some innovations are being made and it is necessary to support standardization and propagate it.”(14 April 2010 by her Excellency Mrs.Pratibha Devisingh Patil)

In agricultural sector there is disguised unemployment which can be a reason behind less productivity.

In Agriculture the opportunities exist in

- Providing them basic skill and knowledge to increase the productivity as well as prepare them for any other work
- New farming model ,like contract farming
- Rural market management
- Micro financing ,Self help group
- Work on Infrastructure and public distribution channel
- Food technology and processing management

Some Initiative which have already been taken in rural market management and agriculture

ITC E-choupal

ITC Limited has provided computers and Internet access in rural areas across several agricultural regions of the country, where the farmers can directly negotiate the sale of their produce with ITC Limited. This online access enables farmers to obtain information on mandi prices and good farming practices and to place orders for agricultural inputs like seeds and fertilizers. This helps farmers to improve the quality of their products and helps in obtaining a better price. Each ITC Limited kiosk having Internet access is run by a sanchalak — a trained farmer. The computer is housed in the sanchalak's house and is linked to the Internet via

phone lines or by a VSAT connection. Each installation serves an average of 600 farmers in the surrounding ten villages within about a 5 km radius. The sanchalak bears some operating cost but in return earns a service fee for the e-transactions done through his e-Choupal. The warehouse hub is managed by the same traditional middle-men, now called samyojaks, but with no exploitative power due to the reorganizations. Indeed these middlemen make up for the lack of infrastructure and fulfill critical jobs like cash disbursement, quantity aggregation and transportation.

Since the introduction of e-Choupal services, farmers have seen a rise in their income levels because of a rise in yields, improvement in quality of output and a fall in transaction costs. Even small farmers have gained from the initiative. Customized and relevant knowledge is offered to the farmers despite heterogeneous cultures, climates and scales of production. Farmers can get real-time information despite their physical distance from the *mandis*. The system saves procurement costs for ITC Limited. The farmers do not pay for the information and knowledge they get from e-Choupals; the principle is to inform, empower and compete. At the same time ITC Limited has obtained benefits from the programme:

1. Elimination of non value added activities
2. Differentiated product through identity preserved supply chains
3. Value added products traceable to farm practices
4. E-market place for spot transactions and support services to futures exchange

There are presently 6,500 e-Choupals in operation. ITC Limited plans to scale up to 20,000 e-Choupals by 2012 covering 100,000 villages in 15 states, servicing 15 million farmers.(wikipedia). Some of the other such initiatives include -

a) HUL Project Shakti

1. Shakti entrepreneurship programme creating microenterprise opportunities for rural women as well as problem of reaching to the customers where population is less than 2000 can be possible

2. Shakti vani aware rural people about health and hygiene

b) Hariyali Kishan Bazar

This is DCM Shriram Consolidated Ltd. (DSCL) business . The “Hariyali Kisaan Bazaar” chain, seeks to empower the farmer by setting up centres, which provide all encompassing solutions to the farmers under one roof.

Each “Hariyali Kisaan Bazaar” centre operates in a catchment of about 20 kms. A typical centre caters to agricultural land of about 50000-70000 acres and impacts the life of approx.

15000 farmers.

Each centre is engaged in:

- Bridging the last mile: Provides handholding to improve the quality of agriculture in the area. Provides 24X7 support through a team of qualified agronomists based at the centre.
- Quality Agri-Inputs : Provides a complete range of good quality, multi-brand agri inputs like fertilizers, seeds, pesticides, farm implements & tools, veterinary products, animal feed, irrigation items and other key inputs like diesel, petrol at fair prices.
- Financial Services: Provides access to modern retail banking & farm credit through simplified and transparent processes as also other financial services like insurance etc.
- Farm Output Services: Farm produce buyback opportunities, access to new markets & output related services.
- Other Products and Services: Fuels, FMCG, Consumer Goods and Durables,Apparels etc.

These centers provide the much needed respect/dignity and freedom to the Indian farmer. In the near future, Hariyali Kisaan Bazaars plan to move beyond agri to meet the other needs of farmers as customers.(dscl.com)

- Contract Farming

Farming is an age-old means of livelihood for millions of Indians. However, there have been few systems/models in which farmers are assured of a market for their produce, leave alone a remunerative price. Farmers have on occasion had to throw their produce away for want of buyers. This is one side of the coin. On the other is the agro-based and food industry, which requires timely and adequate inputs of good quality agricultural produce. This underlying paradox of the Indian agricultural scenario has given birth to the concept of Contract Farming, which promises to provide a proper linkage between the 'farm and market.' Recognizing the need for and merits of such a linkage with the farming/producing community, several corporate involved in agro commodity trading, processing, exports, etc. have attempted to establish convenient systems/models that ensure timely and consistent supply of raw material of the desired quality and low cost. Contract farming is defined as a system for the production and supply of agricultural /horticultural produce under forward contracts between producers/suppliers and buyers. The essence of such an arrangement is the commitment of the producer/seller to provide an agricultural commodity of a certain type, at a time and a price, and in the quantity required by a known and committed buyer. Contract farming usually involves the

following basic elements - pre-agreed price, quality, quantity or acreage (minimum/maximum) and time. Contract farming is generally defined as farming under an agreement between farmers and a Sponsor (processor, exporter, and marketing firm) for the production and supply of agricultural products under Forward Agreement often at pre-determined prices. The basis of the relationship between the parties is a commitment on the part of the farmer to provide a specific commodity in quantities and in quality standards determined by the purchaser and an undertaking of the sponsor to support farmer's the production and to purchase the commodity. some contract farming

- Pepsi Co. in CF of Tomato, Chillies, potato and Basmati specially in Punjab
- HLL in CF of Tomato with 400 farmers in north India
- Rallis India limited started Contract Farming in M.P., U.P., and Karnataka & Maharashtra in Wheat, Basmati, and Fruits & Vegetables.
- Appachi's Integrated Cotton Cultivation in various districts of Tamilnadu.
- Belgaum (Karnataka) based Ugar Sugar's with various Farmers of North Karnataka in Barley
- A MoU was signed between Punjab Agro Food Grains Corporation (purchasing of output) and Mahindra Subhlabh (supply of inputs) for contract farming.
- Punjab Govt. is promoting production of Durum wheat via contract system to give push to second green revolution.
- New Delhi-based L.T Overseas, a leading Basmati exporter, entered into contracts with farmers to grow rice over 40,000 acres in Punjab.
- Satnam Overseas too plans to boost contract farming of Basmati rice from around 30,000 acres.
- Sugar in Maharashtra, milk in Gujarat through Cooperatives
- McDonald's in Gujarat for CF of Potato
- Cadbury India Ltd. and the Tamil Nadu Horticulture Department have entered into an agreement to promote Cocoa farming in 50,000 acres as an intercrop through a contract farming and buyback arrangement with coconut farmers, providing an additional income of US\$ 19.77 million a year to farmers.
- The US\$ 4.5-billion Mahindra Group intends to tap Punjab's agriculture potential by taking up potato seed development in the state through contract farming. The company will provide technical know-how and extension services to the farmers for producing high quality potato seeds.

Finally, there is a need to look at contract farming alternative as it meets the needs of both corporate agribusinesses as well as small producers. The superiority of contract farming over corporate farming is evident in its more widespread and sustained practice as compared with

corporate farming experiences (Winson, 1990) and in its positive impacts like producer link up with profitable markets, better farm incomes, skill up gradation due to transfer of technology, and sharing of market risk even in India (Glover and Kusterer, 1990; Benziger, 1996; Dileep et al, 2002; Diesinker et al, 2003; Dev and Rao, 2004). Further, there is sharing of benefits in contracting as against corporate farming. Of course, this requires regulation and monitoring of contracting agencies by third parties or farmer organizations like co-operatives and farmer groups or the state. In general, contract farming has positive impact on non-contract growers and rural development in general if properly leveraged with state policy and local institutions like group contracts, though it is not a development tool (Goldsmith, 1985). It has been in practice in India for quite some time now with mixed results and more recently, there has been policy thrust on this mechanism of vertical co-ordination. Therefore, there is a need to build partnership into contract farming (Eaton and Shepherd, 2001) where companies not only offer contractual terms for working with farmers but also share their business risk and profits with producers as equity shareholders. Co-ordination, Motivation, and Transaction costs are three pillars of a contract arrangement. Therefore, it is important to consider contract design as a multi-criterion decision problem. Some basic rules of contract design include: (Bogetoft and Olesen, 2002)

Services Sector

In India the sector which contributes the highest is service. If we look at the demographics of India we see that this is a country which is having maximum people in young age group. Young population India has the power to cater to the need in services of world through its large English speaking.

➤ Scope in IT sector and BPO

Recently NASSCOM reported that IT and ITES sector in India is growing at the rate of about 25% annually and sustains nearly 2 million jobs. Indian IT - ITES sector is its flagship economy builder and every single rupee spent by IT-ITES sector accounts for two rupees in Indian economy. In addition, every job created in IT-ITES sectors accounts for creation of four jobs in rest of the economy. IT-ITES sectors include companies from software development, consultancies, BPO (business process outsourcing), software management and online services. These are fastest growing industries and are favourites among the new graduates and students. Career in IT sector is very lucrative and one can attain high success in this versatile and vast field.

➤ Scope in Education

According to census data, 467.933 million people are illiterate, and only 50.54 million

people have Post graduate degree(census 2001). So here scope for education and skill training is immense which is treated as an opportunity for the education institutes who are willing to come in market.

Environmental management

Global environment factors and concern over pollution control, global warming, have given rise to dependency on crude oil, problem of water opportunities in the area of

1. Waste management
2. Alternative source of energy for example solar energy, bio fuel, wind energy
3. Green technology,
4. Water harvesting and purification

Organizations are emphasizing on use of green technology and waste management.

DST's Programme on 'Water Technology Initiative' aims to promote R&D activities to provide safe drinking water at affordable cost and in adequate quantity using appropriate S & T interventions. The focus is to develop holistic solution to the problem of water contamination and water scarcity through development of indigenous systems/ devices to provide safe / and adequate drinking water to households.

Conclusion

Environmental scanning of Indian market give and decide path for the companies in which they will enter and get success. For this, need analysis has to be done on which helps to identify the problems and opportunities in different fields.

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