

# Agro Industry Entrepreneurship in India: Problems & Prospects

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## Abstract

In a country like India where more than 70% people are attached with agricultural activities, business entrepreneurship of such activity is growing at creeping rate. In various years the contribution of agro industry entrepreneurship is less than 5% (2012-13). The agro-industry entrepreneurs here refer to those entrepreneurs who are engaged in performing any of the industrial activities like manufacturing new product or processing the raw material either making finished or semi-finished products related to agricultural produce, consumable directly or indirectly. Huge problem is faced by this sector from independence. Men, money & material are seasonal & highly fluctuating. Inadequate power supply, lack of government support, poor supply of raw material, finance logging, marketing inadequacy, managerial imbalance, etc. are major problems faced. Need of present world is become free from the clutches of nature dependency & become self reliance. Uses of advance technologies, financial support, easy transportation facilities, adequate marketing policies, government support, etc. are necessary at various levels. Ethical issues are also emerging huge problem for the entrepreneurs. They are unaware of such terms & befooled by certain notorious officials. Skilled entrepreneurs are required with imperative knowledge of laws & social atmosphere. Public participation in the campaign of government is also a need of present hour. Growth is always backed by labor; hence emphasis on this area must be done.

**Keywords:** *agro industry, seasonal, imbalance, dependency, skilled, imperative*

## Introduction

India is a country well known for its villages & dependency over agricultural activities. Population dependent over agriculture is sharing (year 2013) 20.6% of worlds such population at 2<sup>nd</sup> position while in area it is sharing 2.4% of world agricultural land at 7<sup>th</sup> position. The past performance in the phase of agro industry entrepreneurship is showing negative popularity & a transaction loss every time. People are getting fonder of service sector than business sector. This reason has made a situation of huge gap between employed & un-employed people. In the present study, focus is made on the agro industry

entrepreneurship, problems & prospects. It has been overviewed that the popularity of such sector is growing slowly. Sectors like services of all types are increasing day by day. Due to this GDP of services sector has crossed 50% & increasing still. The need to enhance the power of agro industry is necessary as they are directly related to farmers covering 70% of total population. Work done in this area is not much, huge gap is present, bridging such gaps of knowledge is necessary. Agro-industry has capacity to give huge employment but it must be made free from nature dependency. Impact of this would increase the employment level, NY, GDP & favorable trade balances.

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## Objective

Following are the objective of studying this topic:

1. To analyze the present status of agro industry in India.
2. To enumerate the problems faced by these industries.
3. To give suggestive measures to overcome such problems.

## Literature Review and research gap

Various books, journals, thesis, etc. has been published related with the study, but such a pin-pointed work has not been performed earlier. Some works has been done related with food-processing industries, books on agricultural entrepreneurship, etc.

**Verma & Kesavan (1986)** opined that there is strong linkage between agricultural output & employment in agro based industries together with growth of this sector, the study was formulated only in certain regions of Haryana.

**Khanna & Pavate (1990)** viewed that agro based industries are having huge potential to generate substantial employment apart from using local resources.

**Chandra (1965)** argues that besides generating ample employment opportunities, agro based units help in up-lifting the weaker & under-developed region, therefore its need in the India economy is foremost.

**Bhattacharya (1987)** stressed on such units for reducing migration from rural to urban as it will provide full time employment to the farmers & their offspring's.

**Satyapriya (1983)** observed that there is large share of light manufacturing industries like food,

beverages, textiles, etc. in generating & sustaining employment level in the state of Karnataka during 1971 to 1981.

**Nakkiran (1972)** viewed that agro based industries will concentrate economic development, stop migration, increase rural income & utilize rural manpower.

**Iqbal (1981)** stressed that these units not only consumes farm output, nut also absorbs excess manpower in agriculture.

**Desai et. al. (1991)** and **Rao (1994)** viewed that agro based units are labor intensive, working capital intensive & raw material intensive. These units consumes huge amount of labor & help in sustaining the output for longer period of time.

**Suhaget. al. (2003)** opined that there is huge potential in agro based industries in reducing rural unemployment rate further it may also be reduced by enhancing the capital resources in such industries. These may be in the form of industrialized advance techniques & machinery together with enticing training schemes for the workers.

**Namboodri & Gandhi (2003)** have view that agro processing industries have high potential of employment opportunities as these units consume very high raw material & working capital intensity.

**Jain (1975)** opined that proper up gradation of rural area through industrialization would help in curbing economic disparities thereby contribution towards economic growth in a balanced manner also. **R.Rao (1978)** and **Venkaiah (1987)** also have the same view.

Hanf and Muller (1997) found that in a alterable environment with rapid technical advancement, open minded farm entrepreneurs will recognize

more problems than they are able to rationally solve.

**Yadavet. al. (1989)** viewed after studying the gur&khandasari sugar manufacturing units of two district of Uttar Pradesh. In his opinion, the profit earned by the gur manufacturing units are lower than the khandasari sugar units, since the prices for gur was kept lower by the wholesaler.

**Raghuraman (1989)** worked over the two factors, i.e., effect of soil & irrigation facilities on the location of agro based units. The researcher opined that these units are found in ample amount in the area where the two factors are easily available.

**Agrawal (1989)** worked in the state of Rajasthan where he studied the profit earned by oilseeds & grain mill, he found that the processor earns good margin of profit in the processing methods available. Market availability & employment level enhance the profits too.

Studies done by some scholars like **Kavimandan (1978)**, **Sharma (1983)**, and **Srivastava (1984)** opined that there is very less requirement of capital in the agro based units all they need is availability of labor. But the ratio between the two is very low, while in food products, tobacco & beverage units requires huge amount of the same.

**Mukharjee (1980)** observed that the tobacco units are having high capital intensity & requirement than sugar manufacturing units.

Man et al., (2002) segmented entrepreneurial competences in six major areas which includes opportunity recognition skills, relationship building, organizing, strategic competences, conceptual thinking and problem solving skills. P. Gite (1996) explained the marketing of public sector food processing industries in India. Various statistical tools, graphs, tables, etc. were used in

processing the data.

A.Upadhyay (2002) on the marketing practices of Dabur India Ltd. has helped in framing the background of the study. The suggestive measures of the thesis were used by the company in enhancing their work. Work done by R.K. Pandey in his Ph.D. thesis has helped in enhancing the knowledge related with problems & prospects of labourer in dairy farms in Varanasi. Gupta (2015), titled “impact of marketing practices followed by agro-based units on consumer consumption: with special reference to Varanasi district”, has helped in developing the idea of such study in detail. The information was gathered from agro-consumers through structured questionnaire. The research paper of R.P. Kachru on agro-based industries in India, problems & prospects has helped in taking a view of prevailing conditions in these types of industries. The information was related with the practical problems faced by the units & some suggestions for improving the same.

**Balgit Singh (1961)** surveyed in Muradabad & found that 72% of small scale units were sole-proprietorship firm rest are partnership firms.

**Gupta et. al. (1971)** worked in West Godavari district & found that 77% firms were owned in 78partnership while remaining were cooperatives.

**Lakadwala & Sandesara (1960)** surveyed in Bombay city & found that 78% of wheat mills were owned by private proprietors, 21% by joint family & partnership, & 1% is on cooperative basis.

Work done by **UNIDO (1983)**, **Srivastava & Vathsala (1989)**, **Alagh (1996)**, **Sinha & Sinha (1992)** and **Giriappa (1996)** concluded that such units have huge potential of growth & future expansion. Such units would help in overcoming economic disparities.

**Desai (1989)** viewed that due to inadequate encouragement from government, such units are facing huge problem. The legislature is not helping both farmers as well as manufacturers; this has led to fall in growth of agro based units.

**Gupta (1993)** points out that the main reason of downfall of such units are only due to fall in easy availability of financial support from any side. Due to this there is low level of working capital there are cases of confrontation & electricity problem.

**Chaudhari (1989)** and **Giriappa (1996)** points out that there is huge underutilization of capacity in agro based units. This was followed by **UNIDO (1983)**, **Alagh (1996)**, **Sinha & sinha (1992)** and **Khanna & pavate (1990)** which have same conclusion.

**Gupta (2016)** opined that there is huge need of proper support from government & public participation in any type of development. This could be attained through proper training programmes timely.

**Nandi et.al (2013)**, opined that there is still area for upgrading the quality of seed production in Indo-Gangetic plains. They found that private sector is increasing their share in total seed production (57.75 per cent in 2006). Huge amount of commission is charged by the dealers and retailers for distributing seeds which deprive the farmers' profit. Public-private participation and training of farmers have to be done for technologically updating this sector.

**Sirisha & Babu, (2014)**, opined that there is huge gap in demand and supply of seeds and the companies are not focusing marginal farmers who hold 60 per cent land of Guntur district of Andhra Pradesh. It was suggested that the marketing institutions like MARKFED, NAFED, Seed banks, Agricultural cooperatives, etc. must contribute at

ground level as the opportunities are raising high due to population rise, technological inclusion, etc. Government must also tackle the problem related with the black-marketing of seeds in the area.

**Mallick, Datta, & Kuwornu, (2018)**, have performed detail study over vegetable seeds marketing in Bangladesh and formulated certain models in their study. It has been found that about 77.5 per cent of total seed trade in the country was done by the mobile seed vendors. Problems faced by the farmers were adulteration, low quality, and high prices of seed and low prices of output during peak season, cheating done by the seed vendors and retailers. Suggestions drawn for curbing the problems were strict legal actions against adulteration, building cold storage for seeds for making it available during peak seasons at low prices and regulating the market for maintaining the prices of the output for better return to the farmers.

**Shrotriya (2002)** prepared a report on the basis of past performance of the fertilizer industry of India. Researcher found that about 40-50 per cent growth in food grains in past five decades were credited towards positive correlation between food grains output and fertilizer uses. Researcher opined that promotion of fertilizers could only be done through proper reorientation of promotional programs and laying emphasis on services and farmer's needs.

**Gulati and Banerjee (2015)** have done their study on the topic of fertilizer subsidy and its promotion for increasing uses. They found that though the government got success in promoting the usage of fertilizers for increasing the production but their aroused problems related with irrational fertilizer subsidy, improper usage of urea and NPK enriched fertilizers, and lack of investment in this sector. They suggested steps like procuring investment from gulf countries, timely soil health-check and direct fund transfer to the farmers as per land

holdings.

**Singh (2011)** studied the information related with the assessment of marketing channels of pesticides in four districts of Punjab indulged in cotton crops sowing, using trend analysis of 10 years. The study comprises of both primary and secondary data through schedule method of primary data collection. It was found that the pesticides consumption has reduced in the past 10 years and most of the inflow of pesticides comes from private sector (82 percent) than cooperatives (12 percent).

**Khooharoo et al (2008)** have studied the pesticide marketing in Pakistan, using various appropriate statistical analyses. The study revealed that more than 19.6 billion Pakistani Rupees spent on the import of pesticides. The quadratic regression model revealed a steeper growth trend of pesticides in Pakistan.

**Singh (2010)** done the study on the topic related with marketing practices of SSIs in Varanasi district. The researcher has done a primary data study upon 99 entrepreneurs of SSIs and found that they are not performing in the rationalized manner for conducting the marketing practices. Proper training and marketing awareness is necessary for uprooting these problems.

**Banerjee (2011)** performed the study on SSIs and its major problems related with industrial sickness. It was found that apart from problems related with human resource management, these units faced problems related with financial and marketing problems. The study was purely based upon primary data which were collected directly from the industrial sources.

**Upadhyay (2002)** performed the study on the marketing practices of particular dairy unit. It was opined that the unit was having problem related with product positioning and distribution safety.

Adequate emphasis on product packaging and infrastructural development would have improved these problems.

**Gupta (2016)** studied the trend of industrial setup in the Varanasi district and availed information from various sources. The study revealed that the industrial units were facing problems related with availability of raw materials, improper human resource management and lack of skilled labor, managerial problems, financial crunch and poor marketing knowledge. The researcher opined that transportation and technological innovations inclusion should be made in ample areas, besides export house has become chief need as there prevails problems related with storage and mechanism for exportable products.

### Scope of Study

It has been seen that agro industry is taken as an ambiguous word. No unanimous definition has been drawn yet. Therefore, in the present study those industries which are engaged in manufacturing of food products & animal feeds have been taken into consideration. Hence, the entrepreneurs of such industrial units are taken into consideration. The data is taken from 2011-12 to 2015-16. The agro-industry entrepreneurs here refer to those entrepreneurs who are engaged in performing any of the industrial activities like manufacturing new product or processing the raw material either making finished or semi-finished products related to agricultural produce, consumable directly or indirectly.

### Research Methodology

The study is highly dependent on secondary data where data is taken from published sources. Primary data is used for enumerating the problems & prospects of agro-industry entrepreneurship. Views of experts, entrepreneurs, scholars, etc. have

been taken in this regard. The secondary data is taken from ASI, national accounts statistics & ministry of FPI. Data is tabulated & transformed into figures. Statistical tools like mean, CAGR, correlation, etc. is used & meaningful inferences is drawn in the study.

### Major findings and discussion

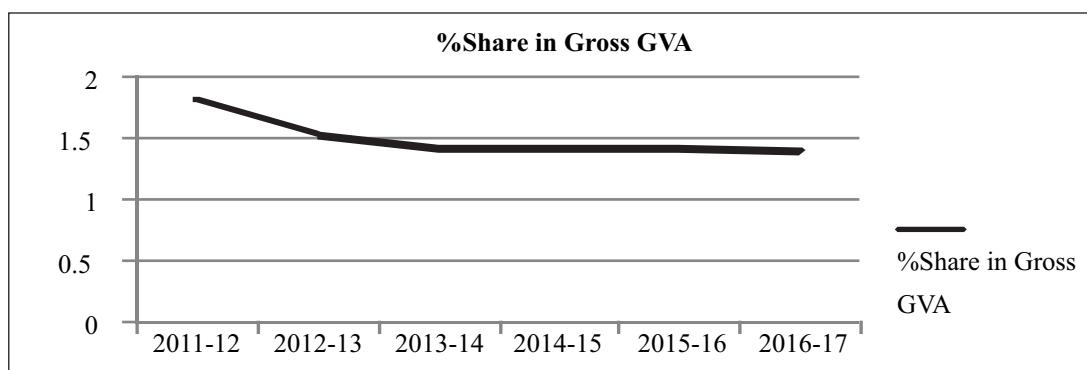
The agro industry entrepreneurship is not showing such growth as required at present scenario. The table 1 is related with the share of this industry in total gross value added (GVA) in respective year.

**Table 1:**  
**Share of agro industry in GVA**

Year	% Share in Gross GVA
2011-12	1.81
2012-13	1.53
2013-14	1.44
2014-15	1.43
2015-16	1.43
2016-17	1.41
CAGR	-5.81%

Source: Ministry of FPI

**Figure1:**  
**Share Of Agro industry in GVA**



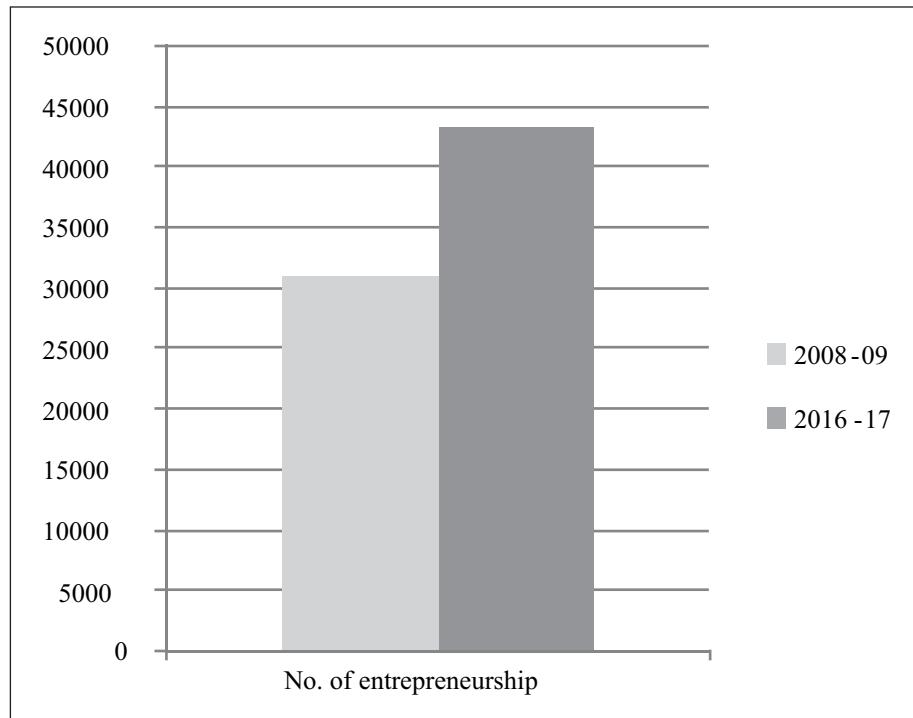
Source: Table 1

**Table2:**  
**Number of factories & people employed in 6 year time period**

Year	Number of Entrepreneurship	Employed people (no.)
2008-09	30835	1439618
2016-17	43239	2010720
CAGR	4.44 %	4.26 %

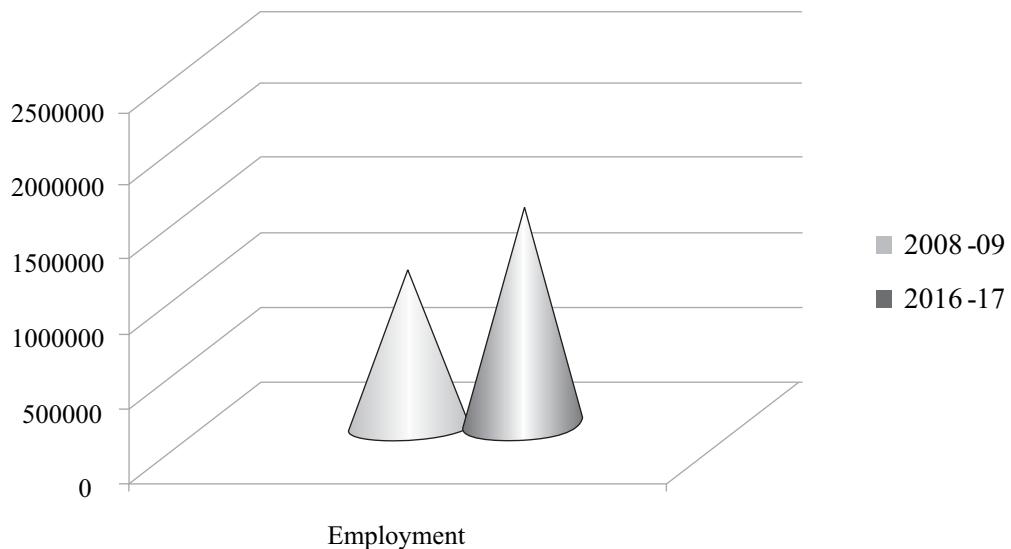
Source: Annual Survey of Industries

**Figure 2:**  
**Comparison between the numbers of entrepreneurship of 2008-09 to 2016-17**



Source: Table 2

**Figure 3:**  
**Comparison between the numbers of employment of 2008-09 to 2016-17**



Source: Table 2

In table 1 & figure 1 the share of agro industry in gross value added is shown. The CAGR of the share is negative & the share is always less than 2% of the total GVA of the country. In table 2&figure 2& 3, numbers of entrepreneurship & people employed is shown. Comparison between the two years i.e. 2008-09 & 2016-17 is done. It is analyzed that nearly 12000 such entrepreneurship has aroused with an increase of 3 million people employed. CAGR of entrepreneurship & employment is 4.44 % and 4.26 % respectively, showing slow rate of growth.

### Problems of agro industry entrepreneurship in India

Following are the major problems faced by the entrepreneurs of agro industry:

#### Irregular supply of raw material

The supply of raw materials i.e. agricultural is fluctuating & dependent over season. The problem

leads to shut down of certain type of industries like rice mills, flour mills, dal mills, etc. for certain months.

#### Lack of skilled labor

The entrepreneurs' faces problem of unskilled labor that is temporary in nature. Some labors are of view of working for certain non-farming months. This led to wastage of man hour in training new person.

#### Financial loopholes

Inadequate fund for fulfilling day to day working & long term investment is having huge problem for such entrepreneurs. Bank provides loans but sometimes the formalities are very sophisticated & a situation of brouaha germinates.

#### Lack of adequate marketing practices

Emphasis on the present world's need is still not

made by maximum firms. Marketing has become a top area of research & application. Lack of practicality & far from real facts had led to avoidance of marketing practices. This had led to loss in market & product development.

### **Mentality of people & brand preference by the customers**

Indian society is highly overcome by the branded products, especially in eatables. This fact has led to non-acceptance of locally produced products. Brand has become a status symbol & due to this agro-industry is not much successful in metro cities.

### **Competition with imported items**

Foreign products especially Chinese & MNCs products have captivated the Indian food market. Due to this the producers of such products are facing huge problem in establishing & rupturing themselves.

### **Government triviality**

Government has become trivial & left this sector as insignificant from the independence. Huge group of entrepreneurs are of the same view. Lack of subsidies, legal & technological support, political interference & taxable indifference had eroded the morale of these industrial entrepreneurs.

### **Suggestions for overcoming the problems**

Following are the major suggestions/prospects that must be inculcated to enhance the entrepreneurial development of such industrial units:

- Government must be starting a program made especially for these units.
- Banks must simplify the complicated

documentation & provide easy financial support.

- Entrepreneurial as well as labor workshops & seminars must be organized periodically to enhance their skill.
- Advancement in production technique must be inculcated so that raw material must be easily available in the industrial market.
- Adequate amount of salary must be given to the workers by framing a structure & following the same.
- Quality compromise must be avoided & target people must be followed completely.
- Government must impose more tax over foreign products so that their market may decline; specific rebate should be given to the agro industry in case of tax payment.

### **Scope for further research**

The study is highly focused upon the agro based entrepreneurial development in India. Variables like total units, gross value added and employment generation by the sector has been selected. Areas such as capital inclusion, interest received and paid, etc. could also be included in further studies.

### **Governement support for agro based units**

Government plays an important role in establishing and fostering proper industrial growth in a country. India, being an agrarian economy, has led a long profound of agricultural and industrial revolution since its independence. Budgetary prospects, five year plans, green revolution and others have supported wide growth of agricultural production, distribution and exchange. Institutional set up at various levels too have played pivotal role in

executing the policies framed by the government. Annual budgets of the central government have contributed a lot in the field of agricultural support in terms of minimum support price, market formulation, subsidies, new projects and investments, resurrection of industrial units, etc. Five year plans has worked in the field of future planning of the agricultural activities in terms of targets or benchmarks set ups to be achieved in the stipulated time span. The government plans and policies together with institutional support for agro based units in India. These policies were an integral part of long term planned development of agro industrial sector. Major institutions dealing with the agro based units were taken into consideration; same was with plans and policies. Expansion and growth of this sector was attained only through proper implementation of policies framed and decisions made. The five year plan has become history, with the advent of NITI Aayog, but its contributions were still found in the root of development. Annual budget of government help in developing road map for following year, while the ISAM has supported a lot to the entrepreneurs and farmers in a very short span. Institutional support was bifurcated into several parts like ministerial support, export promotional institutions, institutes for agricultural marketing, financial support, research institutions and others. Besides, government has launched Goods and Services Tax (GST) on industrial units, stern kick of demonetization has also lowered the growth, economic slowdown and global pressure leads to loopholes in calculated development of the sector. This has become most important to analyze the impact of particular policies on particular sector.

## Conclusion

The study has focused on the agro industry entrepreneurs, their status, problems & prospects. It has been seen that this sector is contributing very less though Indian is 2<sup>nd</sup> in total agricultural

production. The problems seen shows that there is lack of bridging the gap. If the people must follow the latest technique & government must support the same then there wouldn't be any such problem. Tax benefit must be offered to such unit owners so that they must be motivated & zeal to do work more feasibly. Government must impose more tax over foreign products so that their market may decline; specific rebate should be given to the agro industry in case of tax payment.

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