

Review on Agro Industry Performance of Financial and Growth Aspect

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Abstract - Agriculture is one of the indispensable backbones of the economic development of our country which consists of large workforce, 18 percent to 22 percent contribution to the GDP, and supply of raw materials to core industries and constantly demand of its products. Agricultural sector in India is a combination of forestry, horticulture, fishery, and livestock and vermiculture. 563 million people are engaged in agriculture. 52 per cent of total land is cultivable as against 11 percent in the world. Hence there is a wide potential for agro-based industries in the agricultural districts of Tamil Nadu. Agro-based industries are unique in nature which belongs to food based industries. Rice mill, Oil mill, Flour mill are the primary agro-based industries which are directly related with the agricultural productivity. Performance of these industries reflects various issues related to the agricultural activities and food demand of the country. Therefore, understanding these agro-based industries play a key role in socio - economic development of the particular region.

Keywords: agro, agriculture, financial, growth

I. INTRODUCTION

A developing world, such as India, relies on the forward and behind-the-scenes links of the development process. Agro-based enterprises provide a broad range of forward and backward connections by optimizing reciprocal complementarities between agriculture and industry. 1 Improved agricultural production relies on a number of industrial inputs, including fertilizers, fuel, equipment and techniques. In exchange, agriculture provides not only salaries but also raw materials to the industrial sectors.

Agro-based industries play an important role in a developing world like India, where farming accounts for more than 35% of national incomes and about 2/3 of the working population. More than three-fourths of Indians remain in rural areas. In rural areas, agri-based enterprises have an important role to play in promoting close connections between the agrarian and industrial sectors and improving job opportunities. The role of agro-based industries is most significant both in respect of employment and value added by manufacture, not only in the developing economies but also in the highly developed economies of the world.2Today the agro- based industries

constitute the backbone of a developing economy. These industries have become an indisputable weapon in bringing into existence a hannoniously balanced, integrated, socio- economic order in the world economy.

Increase in productivity of land depends upon the technological changes in agriculture. Agro-based industries are considered the most suitable agencies for achieving this. Experience has shown that in rural areas, where agro-based industries have come up in a big way, development is faster. It means development of agro-based industries implies development of agriculture, on the one hand and, on the other, of entire groups of industries to cater to mass consumption needs. This is not merely to raise the level of wealth but also to promote those basic values of rural sector which makes life worth living.3

II. IMPORTANCE OF AGRO-BASED INDUSTRIES

The development of agro-based industries has assumed crucial importance in the economic planning And the country's growth as a result of the geographical and institutional deficiencies in our economics, the main feature being that factories have concentrated in a small number of regions so far, and in a few urban centres. The overcrowding and accumulation of populations in some regions has given rise to various issues, some of which have been very acute and have had a negative impact on the quality of urban life, such as accommodation, transportation, water provision, sanitation and slums. In view of these issues, and the fact that the country is rich in numerous types of cash crops and other materials available for industries, we cannot overemphasize the role of agricultural industries in the country's economy. Agro-based enterprises are related to agricultural production and thus have an underlying decentralization and dispersal trend. A small-scale and agro-industry network will not only result in fast industrial growth, as it is projected in some states like Punjab and Haryana, but also reduces the unequal distribution of income and economic opportunities between various parts of the country and the population.

Healthy urban growth by agri-based industrial ization is not only an economic challenge, but also a social and cultural problem. This is because urban society and village societies are

not only economic entities but also social and cultural entities reflecting different lifestyles and other features. 4

From another point of view, the development of agro-based industries in the co-operative sector is significant. They help to improve other co-operating facilities such as agricultural credit provision, marketing etc. In a subsistence economy such as our, it is crucial to integrate cooperative services with agro-industry if the farmers are to expand steadily and vigorously. Since agro-based industries play a critical role in enhancing land production, they are regarded as the most appropriate agencies for carrying out agricultural functions. The farmers and processing units have a shared interest in increasing and improving the yield of agricultural products. Thus, linking agricultural extension services to agro-based industries is an effective arrangement to be promoted in order to modernize agriculture through industry.

III. CLASSIFICATION AND DEFINITION OF AGRICULTURAL INDUSTRIES.

Conceptually, agro-based industries depend not only on agricultural products and associated operations, but also on agricultural inputs such as agricultural machinery and implements, fertilizers, pesticides, etc. However, the agro-based industries involve industries under the conditions provided by the Planning Commission which encourage greater input into agriculture.

Which lead to better processing and conversion of agricultural commodities.

Which ensure high returns on processed goods; and

Which increase agricultural production.

Agro-based industries set up in rural areas have to be designed in such a way that they operate more as catalytic agents for developing infrastructure that would bridge the gap between rural and urban

Financing is a form of employing capital to carry out all production operations. It is a generic term applicable to all forms of capital investment. Financing is the life blood for an industry and its vital need is directly realised when it is lacking. For setting up an industry and for its development, not only huge amount of capital is required but capital required is generally of long-term nature. A prospective entrepreneur generally needs capital assistance for building, plants, equipment and machinery. It is quite difficult for him to meet these financial requirements on his/her own though he/she can manage working capital. Easy and cheap availability of fixed capital is vital for industrial development. 11

The cost structure and, thus, the performance of an industry largely depend on the ways of acquiring capital. If capital required is available on easy terms, cost of production will be low resulting in better efficiency and performance. As such, a study of sources from where finance is obtained assumes importance. There are two sources of finance available to agro-based industrial units:

- Institutional, and
- Non-institutional.

In earlier years non-institutional sources of finance dominated the credit structure. Now, several institutional agencies have come up to meet the credit requirements of agro-based industries at all-India, state and local levels. It may be mentioned that institutional credit is cheaper and easier than non-institutional credit.

IV. DEVELOPMENT OF AGRO-BASED INDUSTRIES DURING THE PLANNING ERA

First Five Year Plan (1951-56)

During the first five-year plan, the Khadi and Village Industries Board, in collaboration with state governments and other organisations, undertook various programmes. These include the village oil industry, paddy husking, gur and khandasari, which are the major agricultural industries.

The oil industry in the village envisages a popular development program for the oil presses and oil mills in the village. In addition, it was proposed that there be 1,200 oil centers in the village, each serving 40 to 50 villages and about 50 oil presses in the village. The paddy and rice hand husking was a major village industry at the time. It processes about 65% of the paddy; the remaining 35% of the mills refine it. Gur and Khandasari were the well known agro-based industry. The aim of the program was to expand the use of improved cane crushers to a higher extraction percentage.

Even if new programs were launched, there were disparities between various sectors as well as between regions and states. Second Five Year Plan (1956-61)

In June 1955 the Planning Committee appointed Karve Committee to examine issues relating to the growth of village and small-scale industries. The Committee held that "a pyramid of industries dependent on an advanced rural economy is essential." The development of a statutory Khadi and Village Industries Commission (KVIC) with more extensive executive powers than those enjoyed by the Khadi and Village Industries Board.

The Khadi All India and the Village Industries Board projected their working capital needs to be approximately Rs. 28.5 crores, of which around Rs.7 crores is for Khadi Industry and the rest for the village industries for the whole plan duration. An integrated training program consisting of 4 central institutions and 20 regional vidyalayas, along with a number of educational institutions, was established. 14

120 coir primary marketing societies, 22 co-operative husk and 2 coir central marketing co-operative societies were established in the Coir Industry. The rice milling committee reviewed the issues and also recommended the programs. The subsidy they received was free from income tax.

Third Five Year Plan (1961-66)

The key goal of the Third Five-Year Plan was to increase workforce efficiency, broaden institutional finance access and pay particular attention to the development of small and agro-based industry in rural areas and cities.

In accordance with the Rice Milling Industry Act (Regulation) of 1958, authorisation for the construction of new rice mills was assigned to state governments. The crush consists of oil seed storage and delivery arrangements that boost the current wardha ghani and create cheaper and more efficient versions.

The centers for all the industries supported by the Khadi and the Village Industries Commission produced 1,72,400 full-time and 7,02,600 part-time jobs in 1965-66 with 1,18,300 and 4,46,100 respectively, 1960-61 employees. Under the Third Plan, coir fiber production rises from 1.52,000 tons to 1,62,000 tons, coir yams from 1,42,000 tons to 1,43,000 tons, coir production from 24,200 tons to 24,500 tons and rope from 14,250 tonnes to 15,000 tonnes. 15

Sixth Five Year Plan (1980-85)

The sixth plan targeted Khadi output to rise from 82 million meters in 1979-80 to 165 million meters in 1984-88 and from Rs348 crores to Rs.1000 crores in terms of value to the village industry. During 1974-80 the gross era value of output registered The annual growth rates of 12,3% in Khadi and 8,9% in the village industries were approximately 10% at constant prices. The value of production in Khadi and Village Industries (KVI) has been projected to rise by around three times over the sixth plan phase, with annual growth rates of 15% in Khadi and 26% in Village Industries and job coverage increasing to 50.50 lakhs from 29.45 lakh. Structural improvements in the operational and execution pattern will be necessary to meet the goals of this scale. The policy was to grow and extend the KVI sub-sector both in vertical and horizontal terms, and to connect it to block-level integrated rural development (IRD) and rural youth self-employment education (TRYSEM). Around 50 is

plannedThe KVIC will reach a percentage of the coverage goal under the village and cottage industries portion ofIRD.During the Sixth Programme, 5035 new Charkas models (NMC'S) were installed to spin the Khadi yarn and 67951 biogas plants were installed by KVIC agencies.

Seventh Five Year Plan (1985-90)

Khadi fabric production in 1989-90 amounted to 107.47 million sq. meters, which was less than not only the Seventh Plan goal of 180 million sq. metres, but also less than the 127.82 million sq. meters production volume achieved in 1984-85. Though white fiber production remained constant, brown fiber production has increased by more than 5.5%.

Similarly, the job coverage in the Khadi subsector is 14,1 lakh in 1989-90 and the employment target of 14,12 lakh.14.58 lakh people in 1984 and 1985. In the case of village factories, in 1989-90, the yield value was Rs. 1,101 crores at constant prices and Rs. 1,705 crores at current prices against Rs.1,700 crores in the seventh plan target. The job coverage for 1989-90, however, in the village industry is projected at 32.14 lakh persons, is marginally higher than the Seventh Plan target of 30 lakh persons.19

Eighth Five Year Plan (1992-97)

During this initiative, the key purpose of the Khadi and Village Industries (KVI) program is to generate additional jobs within the non-farm industry and to ensure that rural workers receive increased salaries. The High Powered Committee (HPC) in 1994-95, chaired by the then Prime Minister, proposed creating two million new jobs for the Khadi and the Village Industries industry, with the intention to reduce the backlog of unemployment. 20

The food manufacturing industry is rising. It must tap the market by designing appropriate marketing campaigns, capable of successfully competing with current and new goods. The food processors are not only the sellers or suppliers, but also the producers of the goods. They are responsible for the growth and production of the commodity (Satya, 2015).

Economic growth in India, given support for what is believed to be a "fully parliamentary democracy," has long been oriented by the government since independence. This policy line, however, culminated in the introduction of more populist social security policies that focus on low-income demand, while private economic sectors were widely regulated (Akira, 2013). Though changes in value-added components of the Gross Domestic Product (GDP) have been seen to a post-agri-based system in many other emerging and developed countries, the economy remains in the early stages of growth and agriculture continues to grow.

Agro-based factories manufacture various types of goods accompanied by raw materials; jute is one such cash that can be used to make different diversified jute products. In Assam, at present day context, the most emergence issue is to create job oriented economy or sector both in rural as well as urban areas. Secondary sector remains the most probable areas where lot of employment generation are there (Manashree, 2015). Primary sector has already congested and in rural areas there are limited scope to expand. Agriculture has significantly shifted from a subsistence to a vast technology and market-driven industry. The agricultural industry that supports development farming in India has seen enormous growth in recent decades. Its growth in countries like India is motivated mainly by significant developments, shifts and constraints as the region and the world grow economically. These include increasing scarcity of land, improving agricultural production, commercializing and reorganizing production and marketing, economic liberalization and reducing government participation in agriculture, changing patterns of food consumption, developing rural economics, infrastructure and rural-urban migration, and communication and information.

Farms and small and medium-sized agribusinesses may enjoy participation in agro-based clusters by increasing their competitiveness through specialist inputs, access to knowledge, synergies and access to public goods and faster technology advancement through cooperative research (Sunil, 2014). In addition, agri-based cluster growth appears to be optimistic spill-over effects on local and rural development. However agro-based clusters need to be induced through public and

private entities due to lack of managerial competence among stakeholders.

Non-institutional agencies continue to play an important role in agro-industry development. Institutional financing is available, but it does not flow uniformly to various industrial units, and its quantity is insufficient to satisfy requirements. Non-institutional financing is readily available, but the terms and conditions are typically difficult and charge exorbitant interest rates. Agro-based businesses also do not find it easy to sail to satisfy their capital requirements (Lakshmi, 2014).

The bulk of rural people work in agriculture. It is primarily based on documentary data about agriculture and agricultural-industrial relations, which shows that agricultural, off-agricultural and manufacturing sections of agribusiness are capable of generating employment, revenue, poverty reduction and infrastructure increase. Agriculture is the largest employer of rural workers (Pawa, 2014). Improving the economic benefit of agriculture will undoubtedly contribute to significant agricultural change affecting more citizens and the rural sector. Potential direct socio-economic benefits of large-scale farming The combined effect of these investments on indirect socio-economic effects in the family, communities and economies and environmental impacts should be taken into account in any strategy for developing sustainable and equitable investment. These considerations help us understand the benefits for major agro-industrial investments, including biofuels and other institutional structures (Raoul, 2015).

Working capital of Agro Based Industries in India 2010-2015

Industry Group	2010-11	2011-12	2012-13	2013-14	2014-15
Manufacturing of Food Products & Beverages	35838	36881	37175	37449	38607
Manufacturing of Tobacco Products	3493	3446	3417	3294	3315
Textiles	18584	18790	18468	18645	18744
Manufacturing of Wearing Apparel and Fur Industries	9226	9168	9275	9525	9856
Manufacturing of leather products	4072	4049	4055	4225	4341
Manufacturing of Wood & Wood Products	4126	4265	4276	4269	4392
Manufacturing of Paper & Paper Products	6120	6442	6488	6810	6765
Rubber and rubber products	11852	12414	12677	13147	13548
Total	93311	95455	95831	97364	99568

The table number 2.2 explains there are 35838 food based industries in 2010-11 which increased to 38607 in 2014-15, Textile industries followed the second rank after the food based industrial in 2010-11 with 18584 units which is increased to 18744 units in the year at 2014-15. In the year 2014-15, total agro based industries amounted to 99568 of which 38607 are Manufacturing of Food Products & Beverage industries, 3315 Manufacturing of Tobacco industries, 18744 Textile industries,

9856 Manufacturing of Wearing Apparel Dredging and Dyeing of Fur industries, 4341 Manufacturing of leather product industries, 4392 Manufacturing of Wood & Wood Product industries, 6765 Manufacturing of Paper & Paper Product industries and 13548 Rubber and rubber product industries. On the whole 99568 major agro based industries are in operation in the year 2014-15 which was higher than the previous year amounted to 97634 units in the at 2013-14.

Product	2015-16		2016-17	
	Quantity (MT)	Value (US\$)	Quantity (MT)	Value (US\$)
Buffalo Meat	1314161.00	4068.66	1330013.00	3924.63
Basmati Rice	4044833.00	3477.35	3999722.00	3222.35
Non-Basmati Rice	6374364.00	2307.81	6813622.00	2553.87
Fresh Vegetables	1872021.00	727.80	3631973.00	852.22
Groundnut	536929.00	614.94	725266.00	811.11
Fresh Fruits	573204.00	594.27	798755.00	741.97
Cereal Preparation	313430.00	506.10	341770.00	532.60
Guargum meals	365097.00	553.09	423283.00	467.10
Other Cereals	908611.00	243.98	738178.00	212.06
Oil meals	2014679.00	535.58	3647307.00	799.44
Pulses	255602.00	252.02	137177.00	191.63
Cocoa Products	32210.11	192.21	25634.91	162.66
Cotton Incl. Waste	1000088.00	1627.14	170274.00	298.54
Sheep/Goat Meat	21952.00	128.38	22715.00	130.59
Spices	820658.97	2502.52	1007877.54	2890.58
Milled Products	415015.65	164.89	251886.54	119.92
Fruits/Vegetable Seeds	10684.30	74.18	11679.63	78.91
Wheat	614096.00	150.59	262462.00	66.32
Animal Casings	206.36	2.61	173.24	2.06
Processed Meat	282.00	0.96	141.00	0.69
Total	21488124	18725.08	24339910	18059.25

The table number 2.5 describes India's export of agricultural principal commodities to various countries. In the year 2015-16, export of agro based industries quantity amounted 21488124 million tonnes with the value of 18725.08 US\$, of which non-basmati rice (6374364 MT) followed by basmati rice (4044833 MT), Oil meals (2014679 MT) were the major agro based products exported from India.

The table 2.5 indicates that the India's export of agricultural principal commodities to various countries. In the year 2016-17, export of agro based industries quantity amounted 24339910 million tonnes with the value of 18059.25 US\$, of which non-basmati rice (6813622 MT) followed by basmati rice (3999722 MT), Oil meals (3647307 MT) were the major agro based products exported from India.

Foreign Direct Investment is one of the major components of the agro based industries which is mainly concern with production and processing of food and food related products with the help of agro based industries. Indian food processing industry has seen significant growth and changes over the past few years, driven by changing trends in markets, consumer segments and regulations. It will shape the demand for value added products and thus for food processing industry in India (Mohammad, 2013). The Government of India's focus towards food processing industry as a priority sector is expected to ensure policies to support investment in this sector and attract more foreign direct investment.

The table number 2.6 shows in the year of 2013-2014, the foreign direct investment was amounted to US\$ 3982.88 million which was the highest foreign direct investment during the last five years. In the year 2014-2015, the value of foreign direct investment was amounted to US\$ 515.86 million and it has gradually reduced to US\$ 505.88 million in the year 2015-2016.

Year	FDI (US\$ Million)
2011-12	170.21
2012-13	401.46
2013-14	3982.88
2014-15	515.86
2015-16	505.88

V. CONCLUSION

India is one of the agricultures consist countries which produce and cultivate large quantities of food crops, vegetables, oil seeds, industrial inputs, medical plants and so on. Majority of the Indian population associated with agricultural and allied an activity which is also considered on major part of the rural economy of the country. Growth of agricultural sectors provides opportunities to explore more agro based industries than it has been consistently changed as food processing industries. Now in India, Food producing industries in one of significant industry which includes modern rice mill. Modern rice mill industries in india particularly in Tamil Nadu, play a provide role in distribution on food demand of the people. With this aspect, this study made an attempt to understand the performance and problems of modern rice mills industries in Tiruchirappalli district. Based on the study the followings are the major findings which are relevant to the present study.

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