



## RURAL ECONOMY: A STUDY ON FOOD PROCESSING ENTERPRISES

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**ABSTRACT** *Food processing is a way of life in India. It has been practiced for ages. Simple, home-based techniques, such as fermentation, have resulted in the creation of our famous pickles, papada, chutneys and murabbas that excite both the elite and the masses across the world. The sector constituted as much as 9.17 per cent and 11.08 per cent of Gross Value Added (GVA) in manufacturing and agriculture sector respectively in 2017-18. Despite its low capital intensity, food processing sector has the largest number of factories and engages largest number of persons as compared to other industrial sectors in the country, rural sector is the pulse of our country, being agriculture and farmer based economy, and is linked with the continued progression of the nation. The government has initiated several steps on the path of success of becoming a five trillion dollars economy by refocusing its efforts to uplift the rural sector. With the emerging crisis of COVID-19 and projected economic depression across the globe, rural economy is sure to emerge as the lifeline for the country. In India, agriculture is the prime sector of boosting the rural economy and rural employment. Rural economy constitutes nearly 47 per cent of the national income. The "Aatmanibhar Abhiyan" announced by the Central Government and the concrete steps being taken up towards the returnee migrants, shall be instrumental to enhancing the agriculture sector. Thus, development of agro-based industries plays a significant role in the process of economic development in the country as a whole made an attempt to review the relevant literature pertaining to the study of food processing industry in India as well as in other country.*

**KEYWORDS :** Rural Economy, Food Processing Sectors and Annual Reports.

### INTRODUCTION

The Ministry of Food Processing Industries has formulated strategies and implemented initiatives to address unique challenges of food processing. Processors routinely deal with seasonal and perishable raw materials which need to be processed in a short period. This sector mainly consists of tiny, micro and small units which are financially not capable of generating adequate surplus for their expansion or invest in supporting infrastructure. So, as a long term strategy, the Government is providing financial support and declared several fiscal incentives for creation of common supply chain infrastructure, such as expansion of processing facilities, cold, chain, dry storage, packaging, logistics, etc. ministry is strategically promoting processing clusters and creating strong backward and forward linkages from farm gate to retail outlets for the benefit of farmers and processors equally. Due support is being provided to small scale processors for market development, brand building and export of food products. Under fiscal incentives, provisions of income tax and corporate tax have been rationalized in favour of food processing industries. Profit linked tax holiday and investment linked deductions have been allowed in this sector. In the new GST regime, nearly 81 per cent food products are covered in lower tax slabs of 0, 5 and 12 per cent.

### Potential Driver of Food Processing Business

Food processing units/ Industries promote industrial growth in rural areas, create livelihood/ employment opportunities, check rural-urban migration and ultimately improve economy for greater socio-economic benefits. From farmers, perspective, food processing sector is a promise of prosperity as it opens several pathways for augmenting their profit and income. Significant rise in demand of agricultural produce for processing ensures better price to farmers, even during glut season.

Market demand of varied food products promotes diversification in crop selection in favour of high value crops. Most importantly, this sector links unorganized farming community with formal industrial sector to advance rural economy.

Food processing in India has treaded a long path of transformation, from merely a household activity to a prominent industrial sector impacting national economy, especially the rural one. Simultaneous growth in agriculture provided due leverage to processing industries by maintaining a regular supply of raw materials in desired quantity and quality. Besides, the amazing diversity of Indian food basket also adds novelty and value to processed products especially for exports. Further, food processing sector is also capable of addressing critical issues of food security, food inflation, food wastage and nutritional security to the masses.

According to Annual Survey of Industries (2016-17), the total number of persons engaged in registered food processing sector was 18.64 lakh. Whereas unregistered food processing sector supports 52.11 lakh

workers and constitutes 14.16 per cent of employment in the unregistered manufacturing sector. Backed by the export promotion initiatives, the value of processed food exports during 2018-19 was of the order of US Dollar 35.32 billion accounting for about 10.70 per cent of Indian's total exports. However, the share of India's food export in the world was 2.31 per cent only in 2018. The ministry of food processing industries is striving to create and ensure a conducive environment for health growth of the food processing industry. Ministry has launched several policies, developmental and promotional so initiatives to attract greater investment into this sector. Formulation and implementation of sector-friendly policies and schemes have made a positive impact on food processing sector, especially during last six years.

During the last five years ending 2017-18, food processing sector has been growing at an average annual growth rate of around 8.29 per cent as compared to around 3.54 per cent in agriculture at 2011-12 prices. Food processing sector has also emerged as an important segment of Indian economy in terms of its contribution to national GDP, employment investment and exports.

### Review of Literature

The researcher has made an attempt to review the relevant literature pertaining to the study of food processing industry in India. For the healthy development of the food processing industry various government committees, experts, researchers, agricultural colleges, universities, research institutions has contributed by publishing, which are reviewed as follows:

#### Bishnu Bhattacharyya (2013) -

food processing is the methods and techniques used to transform raw ingredients into food or food into other forms for consumption based on local raw materials and indigenous knowledge and skill of the people. One of the important sub-sectors of food processing is fruits and vegetable processing. **FICCI Survey (2010)** – Bottlenecks in India Food Processing Industry – FICCI Survey on challenges in food processing sector. **Manjari Desai (2014)** – The food processing industry plays an important role in establishing the farm sector's formal linkages that result in high income and employment generation while minimizing the wastages. **Pankaj Gupta (2009)** – states that growth rate of Indian processed food industry in tremendous. Rapid increase in disposable income with changing attitude towards health and hygiene is a driving force for processed food in India. At the same time India should tackle with demand supply balance, food process during inflation. Despite it, industry has good future because consumers are willingly to pay for various needs originating from modern life style. However, probable state of affairs is that, the future growth would be primarily driven by the domestic market with India doubtful to achieve its target in world trade market for food commodities. **Government of India (2016)** Government targets doubling food processing levels to 20 per cent World Food Summit to be held in New Delhi in March

2017, ministry of food processing industries.

### Objectives of the Study

The major objectives of the present study are as follows:

- To study an understanding about the present development of Food Processing Sector in India.
- To review the Government policy initiated for the development of food processing industries in India.
- To study review the role of Micro food processing enterprises are contributor to Rural Economy.
- To Bracing the Challenge of Covid-19 for growth and development of food processing sector.
- To find appropriate Suggestions and Conclusion.

### Methodology

The empirical base of the study rests on the Data Collected from Secondary Sources. The secondary data was collected from published sources like The Ministry of Urban Development, Government of India, National Institution of Urban Affairs, New Delhi, Directorate of Economics and Statistics, Government of Andhra Pradesh, Annual Reports, Action Plans Reports of Covid-19, NABARD, News papers, Food Journals, and Government Publication and Websites.

### Significance of the Study

The food processing industry in India plays a vital role in the national economic development and has potential to meet the local needs and export requirements. The supporting infrastructure for this industry in terms of electricity supply, through the government funded rural electrification programmed, and road and telecommunication network, is well established. There are also well established skills training programmes in manufacturing, for rural artisans and users. However, the sector currently faces many challenges emanating from the poor performance of the 'National Economy', uncertainties that exist over access to both local and foreign finances, limited research, limited technical advice, limited marketing information and lack of reliable markets.

The development of food processing units are easy to established and have the potential of providing steady and additional income to the rural people without making large initial investment. Thus, development of food processing industries plays a significant role in the process of 'Rural Economic Development' in the country as a whole.

### Government Initiatives: Boosting the "Rural Economy"

Detailed analysis as to how India has undertaken visionary steps in this segment, through various strategic and utilitarian schemes aimed at rebooting and boosting the "Rural Economy". Doubling of farmer's income and sustainable agricultural growth are the key areas being promoted by the Government with a balanced combination of policy reforms and technology integration.

Further, growth in both demand and supply is pivotal in the revival of the Indian rural economy. The issue has reviewed few growth-enhancing measures announced by the government, which are aimed at making the rural economy resilient, this is assisted by several fiscal incentives, formulation and implementation of sector-friendly policies such as amendment of the Essential Commodities Act, Pradhan Mantri Garib Kalyan Ann Yojana etc., and creating linkages with the allied sectors. While the initiatives by the government will address the strain and issues of the agriculture sector, farmers too need to be encouraged to diversify their income sources.

As agriculture and rural sector can be instrumental to strengthen economy of the country post COVID-19, behavior of individuals and businesses will largely help reshape the rural economy. The right policy framework can play a major role in this direction. We hope that our readers will get credible information from this month's issue which will help them involved in the agriculture community.

### Micro food processing enterprises are contributor to Rural Economy

Micro food processing industries represent the unorganized food processing sector comprising nearly 26 lakh units. Nearly 73 per cent of the total employment in food processing sector comes from these units. Micro food processing enterprises are a major contributor to rural economy as nearly 67 per cent of these units are located in rural areas and about 85 per cent of them are family based enterprises supporting livelihood of households. These units play a significant role

in checking rural –urban migration, but these units face a number of challenges that limit their performance and development. Lack of access to modern technology, training, easy credits etc. increase the cost of production and limit their profits. The scheme of formalization addresses these challenges in an effective way to make them more productive, profitable and sustainable.

To maintain an easy and accessible credit flow, loan to food and agro-based processing units and cold chain has been classified under agricultural activities for priority sector lending. A special fund of Rs. 2000 crore has been set up in NABARD to provide credit at affordable rates. Under this fund, loans up to 74 to 96 per cent of the eligible project cost are extended to cooperatives, entrepreneurs, FPOs, corporate etc. for setting up, modernization and expansion of food processing units. This facility has initiated a wave of transformation in food processing units along with creation of modern infrastructure.

In alignment with Prime Minister's call to be 'Vocal for Local', Ministry of Food Processing Industries has recently launched a scheme for formalization of Micro food processing enterprises. With an outlay of Rs. 10000 crore, the scheme aims coverage of two lakh enterprises over five years from 2020-21 to 2024-2025. During first year of implementation, the total expenditure will be borne by Central Government, but in successive years centre and states will share the expenditure in 60: 40 ratios. Under this scheme, capacity building of entrepreneurs will be undertaken through technical knowledge, skill training and hand holding support services. A part from individual entrepreneurs, support will also be extended to FPOs, SHGs, producer's co-operatives and co-operative societies engaged in food processing activities.

### Rebooting and Boosting: Aatma Nirbhar Bharat

The Andhra Pradesh Government announced a new industrial policy aimed at attracting investment in key priority sectors. Covid-19 has been reviewed after three years in the light of the circumstances and finalized to be in force until 2020-23, so that changes can be made.

- Exemption from stamp duty for micro, small and medium scale industries.
- Subsidy per unit for electricity charges for five years.
- Industries bear SGST repayment for 5 years, 15 per cent of Investment (maximum discount Rs. 20 lakhs). 3 per cent discount for five years on the belly paid on the investment. 25 per cent discount on land conversion charges (maximum Rs. 10 lakhs).
- SGST is subsidized for five years based on the number of jobs created by the industry.
- Industries with less than 1000 jobs will be given 50 per cent subsidy and industries with less than 2000 jobs will be given 75 per cent subsidy.
- The government of India has taken serious measures to revive the MSMEs during the Covid-19 pandemic. The government has announced the Emergency Credit Line Guarantee Scheme, which the biggest fiscal component of the Rs 20 lakh crore Aatma Nirbhar Bharat Abhiyan package, in May. The main purpose of the package is to enhance business with a major focus on the MSMEs sector.

### Challenge

The food processing industry is a rising sector in India with potential to become a global player soon. Food processing units promote industrial growth in rural areas, create livelihood or employment opportunities, check rural-urban migration and ultimately improve rural economy for greater socio-economic benefits. The role that FPI can play in promoting employment and income in the rural sector, the Government of India has identified it as a priority employment and income in the rural sector under the 'Make in India' Programme. Various initiatives have been taken by Government to promote this sector considering the challenges faced by the sector, Gaps in supply chain infrastructure, seasonality of operations and low capacity utilizations, inadequate link between production and processing, institutional gaps in supply chain, lack of product development and innovation and inadequate focus on quality and safety standards. Accordingly, the focus has been to smoothen the supply chain by creating infrastructure, promoting exports, improving quality standards, expanding supply of formal credit, particularly to small and medium enterprises, and broadening skilled labour pool in the economy.

### CONCLUSION

We have highlighted the profound changes being seen in country's

rural economy in the recent past. As per the 2011 Census, 68.9 per cent of country's population and 72.4 per cent of workforce resides in rural areas. Therefore, the need of the hour is to accelerate the rural economy by generating skill based employment opportunities, enhancing rural production and productivity, implementing technological practices, and establishing requisite infrastructure. Prime Minister's call to be 'Vocal for Local', Ministry of Food Processing Industries has recently launched a scheme for formalization of Micro food processing enterprises. With an outlay of Rs. 10000 crore, the scheme aims coverage of two lakh enterprises over five years from 2020-21 to 2024-2025. During first year of implementation, the total expenditure will be borne by Central Government, but in successive years centre and states will share the expenditure in 60: 40 ratios. Under this scheme, capacity building of entrepreneurs will be undertaken through technical knowledge, skill training and hand holding support services. A part from individual entrepreneurs, support will also be extended to FPOs, SHGs, producer's co-operatives and co-operative societies engaged in food processing activities. The government has initiated several steps on the path of success of becoming a five trillion dollars economy by refocusing its efforts to uplift the rural sector. With the emerging crisis of COVID-19 and projected economic depression across the globe, rural economy is sure to emerge as the lifeline for the country.

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