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Performance of Agro Based Industries in India: An Overview

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Abstract

In addition to innovation and capital outflow, a country's industrial development depends on the availability of raw materials and suitable physical infrastructure. Agriculture is one of the major raw material providing sectors for major industries like paper, sugar, textile, fertilizers, chemical, edible oil, etc. Agro-based industries can significantly contribute to the overall development of the economy by effectively utilizing the local raw materials, which may ultimately lead to an increase in gainful employment opportunities to poor people mainly landless, marginal and small farmers. In this paper we mainly discuss the performance of agro-based industries in India.

Keywords: Agro based Industries, labour intensive, capital invested, GVA

Introduction:

The agro-based industries assume great significance in the Indian economy. Agro-based industries have great priority in the rural areas since they could be instrumental in fostering strong linkages between the agricultural and industrial sectors and it enhancing the employment opportunities at comparatively low investment. The techniques of production



adopted by the agro-based industries are simple and the machinery and equipment required by them is easily available. The establishment of naturally beneficial linkages between industry and agriculture is one of the central themes of the development process. Agro-based industries play an important role in strengthening industrial and agricultural linkages.

Agro-based industries are these, which are involved in supplying the farm with agricultural inputs besides handling the products of the farm. Agro-based industries are those industries which have either direct or indirect links with agriculture. Agro-based industries must foster the spirit of interdependence between agriculture and industry. Such industries must use the raw materials provided by agriculture and their output must have a market among the rural population. Surplus rural manpower must be absorbed by these industries.

Agro-based industries are processing industries which use large quantities of agricultural raw materials such as rice milling, wheat flour processing, textiles, sugar, tea, jute, coffee, paper, rubber production etc. These agro-based industries provide an excellent nexus in promoting integrated development of agricultural and industry and in transforming a stagnant rural economy into a dynamic economy.

1.1 Agro Based Industries

There are four main types of agro based industries: agro produce processing units, agro inputs manufacturing units, agro produce manufacturing units, and agro service centers. Find the details about the several types of agro based industries in India below:

1. **Agro Produce Processing Units** - This industry is concerned with processing the agro based raw materials and preserving them for later use. It is also concerned with utilizing by-products of agricultural raw materials. EX.: Rice mills, Dal mills etc
2. **Agro Produce Manufacturing Units** - This agro based industry is concerned with the manufacturing of raw materials. The finished good after the manufacturing is completely different from the used raw material. Ex: sugar factories, Bakery, Solvent extraction units, Textile mills etc



3. **Agro Inputs Manufacturing Units** - Industrial units which produce goods either for mechanization of agriculture or for increasing productivity come under this type Ex: Agriculture implements, Seed industries, Fertilizer and pesticide units etc
4. **Agro Service Centers** - These service centers are concerned with the repairing and servicing of all farm-related equipment. This industry is a part of agro based industries because it specifically deals with agro equipment.

Review of literature:

Vikram Puri (2012) explains that India is experiencing an agribusiness boom, and it needs big talent to drive its growth. Although somewhat cyclical, at the macro level, India's agriculture will essentially be recession resistant over the long run as productivity growth in the sector builds incomes and assets. The greatest achievement for India will come from sustained self-sufficiency in food.

Shejal (2013) concluded that the agricultural-based sectors have contributed significantly to the rural economy. The development of rural areas and the creation of jobs were aided by the Cooperative sugar factories. Realizing the value of education, sugar cooperatives have made an effort to provide educational opportunities by opening schools and colleges in rural areas.

Khosla (2013) suggested agro based industries are seen as an important link between agriculture and industry which can solve inherent problems prevailing in the Indian agriculture. Agro based industries relative labour, capital and efficiency clearly and consistently indicates bright prospects and a good scope of their development in India.

Reddy and Rathna kumara (2014), analysed the performance of agro based industries categories wise and concluded that the share of all agro-based industries in India account for 35.3 per cent of the total industrial units in India 40.32 per cent share of total employment and 21.69 of the total value of industrial output, and 15.18 per cent of the net value added during the year 2010-11. The percentage of working capital, fixed capital and net income of agro-based industries to total industries is 21.26 per cent, 20.3 per cent and 13.96 per cent respectively.



Ambidattu (2015) explains in India 70% of the population depends on agriculture and agro based industries. The development of agro processing industries implies the development of agriculture on one hand and the entire set of industries, linkages, and investments that meet the needs of the masses while enhancing living standards and the environment on the other. It creates space for improving farm industry linkages along with great export potential.

Paramasivan and Pasupathi (2016), in their study explains that Agro based industries in India is one of the basic and backbone of Indian economy which provide employment, income generation, industrial inputs and outputs, regional growth. There was a vast scope in the export of agro based products in future with huge volume of foreign exchange. There was a need of specialized and effective steps to be taken for promoting the agro based export in future.

Hussain Basha and Dr Reddy (2017), they explain that role of agro-based industries was 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. Today the agro-based industries constitute the backbone of a developing economy. These industries have become an indisputable weapon in bringing into existence a harmoniously balanced, integrated, socio-economic order in the world economy.

Objectives:

- To analyses the performance of Agro Based Industries in India

Performance of agro based industries in India

The performance of Agro Based industries can be analyze on the basis of the number of operating factories and total persons engaged in the factories. Fixed capital, Working capital and invested capital use in these Agro based industries. Total output produce by Agro based industries and the performance of agro based industries can also be analyze by Gross Value Added, Net Value Added and the percentage share of Gross Value Added in Aggregate Gross Value Added.



Numbers of Operating factories and Total persons engaged in Agro based Industries.

Table :1 Numbers and Percentage share of operating factories and total persons engaged in Agro based Industries

Sr no.	Industries	No. of operating industries (No.)	Percentage share of operating industries	Total person engaged (No.)	Percentage share of total persons engaged in Industries
1	Food Products	33245	43.8	1845131	33.92
2	Textiles	13539	17.85	1629101	29.95
3	Rubber and Plastic Products	11732	15.48	843562	15.51
4	Tobacco Products	2740	3.62	447064	8.22
5	Beverages	1893	2.49	187494	3.45
6	Paper and Paper Products	5931	7.81	323629	5.95
7	Cotton Gining, Cleaning and Bailing Seed Processing for Propagation	2841	3.75	67981	1.25
8	Wood and Products of Wood and Cork, except furniture; Articles of Straw and Plaiting Materials	3925	5.17	95269	1.75
	Total	75846	100	5439231	100

Source: Annual Survey of Industries of 2019-20

Table No 1 shows that, as per the annual survey of industries 2019-20, there are 75846 agro based industries with 5439231 workers. In the year 2019-20, on the basis of above table, Among these 8 industries: Food Products, Textiles and Rubber and Plastic Products industries are highest in terms of number of operating industries i.e 33245(43.8%),13539(17.85%) and 11732(15.42%) respectively and also in terms of employment providing industries i.e 1845131(33.92%), 1629101(29.95%) and 843562 (15.51%) respectively.



Fixed Capital, Working Capital and Invested Capital use in Agro based industries

Fixed capital is the value of capital assets available for production purposes at a given point of time. Working capital indicates the liquidity levels of businesses for managing day to day expenses and covers inventory, cash, accounts payable, accounts receivable and short-term debt. It is an indicator of the short-term financial position of an organization and is also a measure of its overall efficiency. Invested capital is the investment made by both shareholders and debt holders in a company. When a company needs capital to expand, it can obtain it either by selling stock shares or by issuing bonds.

Table: 2 Fixed Capital, Working Capital and invested Capital of Agro Based Industries

Sr no.	Industries	Fixed Capital (in lakhs)	%age share of Fixed capital	Working Capital (in lakhs)	%age Share of working Capital	Invested Capital (in lakhs)	%age share of invested capital
1	Food Products	22578702	35.62	10250470	44.97	43025575	42.48
2	Textiles	16684755	2.63	3011865	13.21	23372692	23.07
3	Rubber and Plastic Products	11852490	1.87	4615537	20.25	16570265	16.36
4	Tobacco Products	608102	0.95	580703	2.55	1204658	1.19
5	Beverages	4059785	6.41	1213501	5.32	5540384	5.47
6	Paper and Paper Products	6236966	9.84	1317882	5.78	8445308	8.34
7	Cotton Gining, Cleaning and Bailing; Seed Processing for Propagation	554147	0.87	1249506	5.48	1665660	1.65
8	Wood and Products of Wood and Cork, except furniture; Articles of Straw and Plaiting Materials	822068	1.30	552376	2.42	1466970	1.45



	Total	63397015	100	22791840	100	101291512	100
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Source: Annual Survey of Industries of 2019-20

Table no. 2 shows that in above Agro based industries, fixed capital is highest in Food products industries i.e 22578702 (35.62%) followed by textiles [16684755(2.63%)] and Rubber and plastic Products industries [11852490(1.87%)] respectively. In terms of working capital, it is highest in Food products industries followed by Rubber and plastic Products industries i.e 10250470(44.97%) and 4615537(20.25%) respectively and in invested capital, it is highest in Food products industries and textiles i.e 43025575(42.48%) and 23372692 (23.07%) respectively.

Total Output produce by Agro based Industries

Table:3 Total Output produce by Agro based Industries

Sr no.	Industries	Total Output (In lakhs)	%age share of Total Output
1	Food Products	124357019	53.13
2	Textiles	39744643	16.98
3	Rubber and Plastic Products	33521363	14.32
4	Tobacco Products	4242699	1.81
5	Beverages	9244616	3.95
6	Paper and Paper Products	13694335	5.85
7	Cotton Gining, Cleaning and Bailing; Seed Processing for Propagation	6429751	2.75
8	Wood and Products of Wood and Cork, except furniture; Articles of Straw and Plaiting Materials	2838114	1.21
	Total	234072540	100

Source: Annual Survey of Industries of 2019-20



Table no. 3 shows that in terms of total output produced, food products industries is highest i.e 14357019(53.13%) followed by textiles and Rubber industries i.e 39744643(16.98%) and 33521363 (14.32%) respectively.

Gross Value Added (GVA), Net Value Added (NVA) of Agro Based Industries and their Percentage Share in Aggregate Gross Value Added

Table: 4 Gross Value Added (GVA), Net Value Added (NVA) of Agro Based Industries and their Percentage Share in Aggregate Gross Value Added

Sr no.	Industries	GVA (in lakhs)	NVA (in lakhs)	%age share in Aggregate GVA
1	Food Products	11661048	9720207	34.96
2	Textiles	7403755	5439740	22.19
3	Rubber and Plastic Products	6784188	5940779	20.34
4	Tobacco Products	1854377	1783932	5.56
5	Beverages	2096210	1731311	6.28
6	Paper and Paper Products	2559016	2054810	7.67
7	Cotton Ginning, Cleaning and Bailing; Seed Processing for Propagation	476619	409567	1.43
8	Wood and Products of Wood and Cork, except furniture; Articles of Straw and Plaiting Materials	523215	438168	1.57
	Total	33358428	27518514	100

Source: Annual Survey of Industries of 2019-20

Table no. 4, Food products industries is highest interms of percentage share in aggregate Gross Value Added i.e 34.96% followed by Textiles and Rubber and Plastic industries i.e22.19% and 20.34% respectively.



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Conclusion:

Today the agro-based industries constitute the backbone of a developing economy. On the basis of analyzing the performance of Agro Based Industries, we can concluded that among these 8 industries, the percentage share of Food products, textiles and Rubber and plastic products industries are highest interms of employment providing industries and also interms of total output produce by these industries. The percentage share of fixed capital, working capital and invested capital is also highest in these industries. The percentage share in aggregate gross value added is also highest in Food products, textiles and Rubber and plastic products industries. So, we can say that Agro based industries will help to diversification of rural economy, it will help to reduce extreme dependence only on agriculture. Agro based industries would help to solve the unemployment and under employment especially among landless agricultural labor and tribal population. Agro-based industries by providing employment and income to rural masses would help to reduce extreme inequalities of income that persist today in Indian economy because industries have got concentrated in urban areas. Agro-based industries would thus be a step in the direction of reducing extreme inequalities of income and wealth both in rural and direction of establishing socialist pattern of society. It ensures to rural people for employment and steady income. Agro based industry is the most important factor of poverty alleviation and developed the socio-economic rural people.



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