CHAPTER II

CONCEPTUAL FRAMEWORK

2.1 Introduction

This chapter presents a brief review of concepts and definitions of the key terms such as ‘entrepreneur’, successful entrepreneur and the important factors leading to success. The chapter also gives a brief account of food processing industry in India and concludes with an overview of industrial infrastructure available to entrepreneurs in Assam.

2.2 Review of Concepts & Definition of Key Terms

2.2.1 Entrepreneur

- The term “entrepreneur” comes from the French word “entreprendre” and the German word “unternehmen”, both means to “undertake” ¹
- The word entrepreneur is derived from Sanksrit word “Antaraprena” ²
- The term entrepreneur” is applicable to one who organizes, manages, and assumes the risk of a business or enterprise (Webster Dictionary)
- a person who makes money by starting or running businesses, especially when this involves taking financial risks ( Oxford Advanced Learner dictionary)
- An Individual who bears the risk of operating a business in the face of uncertainty about the future conditions ( Encyclopedia Britanica)
- Entrepreneur is someone who takes the risk of running an enterprise by paying a certain price for securing and using resources to make a

¹ Entrepreneurship, by Rajeev Roy, Oxford University Press, 2009 p 2
² Charantimath, P. M., Entrepreneurship Development (Small Business Development), New Delhi, Pearson education, 2005 p 52
product and reselling the product for an uncertain price (Irish Economist Richer Cantillon, 1680-1734)

- He is one who innovates, and introduces something new in the economy (Austrian Economist, Joseph A. Schumpeter, 1883-1950)
- He shifts economic resources out of an area of lower to an area of higher productivity and greater yield (J.B. Say, French Economist)
- He searches for change, responds to it and exploits opportunities. Innovation is the specific tool of an entrepreneur. (Peter F. Drucker)
- An entrepreneur is an individual who creates a new organization or establish a new venture. (Gartner, 1985)
- Entrepreneur is someone who perceives an opportunity and creates an organization to pursue it (Bygrave and Hofer 1991)
- An entrepreneur is a person who has possession of an enterprise, or venture, and assumes significant accountability for the inherent risks and the outcome. It is an ambitious leader who combines land, labor, and capital to create and market new goods or services.
- Entrepreneurship is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction. (Hisrich's 1990)
- The Academy of Management defines entrepreneurship as “the creation & management of enterprises, small business & family Business”
2.2.2 Successful Entrepreneur

- Success means achieving something that someone wanted to achieve and have been trying to do or get; the fact of becoming rich or famous or of getting a high social position: (Oxford Advanced Learner dictionary)

- Success may mean a level of social status: achievement of an objective or goal (Wikipedia, The free encyclopedia)

- An entrepreneur who has achieved his/her objective or targeted goal is a successful entrepreneur.

- Entrepreneurial success may not be restricted to economic performance (Cooper and Artz, 1995).

- Ahmad, Wilson and Kummerow (2011) in a study aimed to test the validity and dimensionality of business success constructs as perceived by SME owner-managers in Malaysia. The rationale for such validation is to identify a valid measure of business success that can be utilized in the study of entrepreneurial success among SME entrepreneurs in Malaysia. The finding showed that SME owners in Malaysia perceived business success in terms of the following outstanding headings:
  - Satisfaction with non-financial performance,
  - Satisfaction with financial performance,
  - Performance relative to competitors, and
  - Business growth.

The study also emphasized that, maintaining a certain level of profitability and business growth is important. The studies finally
suggest that obtaining a certain level of financial security is important to guarantee business survival, even if growth is not the prime goal.

- Masuo et al. (2001) in their research work observed that business success is commonly defined in terms of economic or financial measures which include return on assets, sales, profits, employees and survival rates; and non-pecuniary measures, such as customer satisfaction, personal development and personal achievement.

- Entrepreneurial success is defined using financial and non financial measures. Chivukul et. al. (2009) used growth in total sales and growth in employment as the financial measure in their study.

- Successful Entrepreneur\(^3\) - Success can be defined in many ways. In most studies success was defined as surviving the first two or three years that the company was in business.

- the successful entrepreneur is an individual who started a business, building it up where no previous business had been functioning, and continuing for a period of at least five years to the present profit-making structure. (Hornaday and Bunker, 1970)

- Eight various success dimensions pertaining to economic are; efficiency, growth, profit, size, liquidity, success or failure, market share and leverage. (Murphy, Trailer and Hill, 1996)

- Small business success can be defined in the simplest terms as the ability to survive or to remain in the business. (Lussier and Pfeifer, 2001)

\(^3\)The Role Of The Entrepreneur In Small Business Success: The Entrepreneurship Scan. Martyn P. Driessen and Peter S. Zwart

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In the study of Hornaday John A., (2009) entrepreneurs were considered successful if they started their own business, had 8 employees and had been established for at least 5 years.

the simplest definition of success is equivalent to continued business operations and the opposite, failure, means going out of business, (Simpson, Tuck, & Bellamy, 2004)

2.2.3 Definition of Key Terms

• **Age** – For this study age means age of the entrepreneur at the time of starting the venture as well as the attained age as on 31st December 2012.

• **Gender** - The state of being male or female

• **Education** – Education indicates the level of education achieved by the entrepreneur, including academic & professional qualification

• **Community** – The word community simply means a group of people living in the same place or having a particular characteristic in common. Here in this study community refers to ethnic background such as Marwari, Punjabi, Assamese, Bengali & Hindi

• **Religion** – The belief in GOD and particular way of worships includes Hinduism, Islam & Christianity

• **Family orientation towards business** - The action of orienting the family members which help to develop positive attitude, beliefs, interest towards starting a business venture & strive for success.

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• **Role model** - A role model is a person whose behavior, example, or success is or can be emulated by others, especially by younger people. Role models are defined as individuals who influence an entrepreneur’s career choice and style, and include people such as parents, relatives or other entrepreneurs.

• **Need for achievement**- Need for achievement (N-Ach) refers to an individual's desire for significant accomplishment, mastering of skills, control, or high standards. The term was first used by Henry Murray and associated with a range of actions. These include: "intense, prolonged and repeated efforts to accomplish something difficult. To work with singleness of purpose towards a high and distant goal. To have the determination to win". The concept of N-Ach was subsequently popularised by the psychologist David McClelland.

• **Need for power**- The Need for Power (nPow) is a term that was popularized by renowned psychologist David McClelland in 1961. People who exhibit nPow tendencies are most satisfied by seeing their environment move in a certain direction, due to their involvements. Individuals who are high in nPow have a desire to have an impact on others. They also tend to be more argumentative, assertive in group discussions, and likely to hold a position in which they have control over others.

• **Need for affiliation** - The Need for affiliation (N-Affil) is a term that was popularized by David McClelland and describes a person's need to feel a sense of involvement and "belonging" within a social group.
People with a high need for affiliation require warm interpersonal relationships and deserve social recognition, respect & popularity.

- **To be independent** – This is an internal desire to be the own boss or Don’t want to be in a routine job. This is also a pull factor towards entrepreneurial career.

- **Survival need** – The struggle to survive or live as long as alive. An individual having no other source of income generally takes up entrepreneurship venture.

- **Desire to help others / work for the society-nation** – There are people who take business venture for social cause who are called Social Entrepreneur. Business entrepreneurs typically measure performance in profit and return, but social entrepreneurs also take into account a positive return to society. More specifically, social entrepreneurs adopt a mission to create and sustain social values. They pursue opportunities to serve this mission, act as change agents for society, invent new approaches, and create solutions for the social problems.

- **Friends, relatives and family members are successful entrepreneurs**
  
  An individual having successful entrepreneurs in his /her friends, relatives or family members can naturally take up business venture and become successful.

- **Individual smartness** – Smartness simply means Intelligence, brilliance. Capability of making adjustments that resemble human decisions, especially in response to changing circumstances. In the field of
entrepreneurship, smartness is the ability to recognize highly potential business opportunity.

- **Creativity** – Creativity is a process of creating something new, the ability to create, bring into existence, to invent into new form, to produce through imaginative skill, to make to bring into existence something new. Creativity is also an attitude, the ability to accept change and newness, a willingness to play with ideas and possibilities, a flexibility of outlook, the habit of enjoying the good while looking for ways to improve it.

- **Innovativeness** - The process of translating an idea or invention into a good or service that creates value or for which customers will pay. To be called an innovation, an idea must be replicable at an economical cost and must satisfy a specific need. Innovation involves deliberate application of information, imagination and initiative in deriving greater or different values from resources, and includes all processes by which new ideas are generated and converted into useful products. In business, innovation often results when ideas are applied by the company in order to further satisfy the needs and expectations of the customers.

- **Self efficacy** - Self-efficacy is the extent or strength of one's belief in one's own ability to complete tasks and reach goals. Self-efficacy refers to a judgment of one’s capability to accomplish a certain level of performance or desired outcomes. An entrepreneur with a high level of self-efficacy, who truly believes in his or her capability to execute all of the requirements to perform a task successfully is more likely to see the
positive potential outcomes that might accrue from a new venture. As a result, the entrepreneur may sustain more effort through the entrepreneurial process to achieve these positive outcomes.

- **Dedication and hard-work** – Dedication is the quality of being dedicated or committed to a task or purpose. Dedication & hard work are the essential qualities of successful entrepreneurs.

- **Internal locus of control** – It is a belief that actions determine the rewards. In personality psychology, locus of control refers to the extent to which individuals believe that they can control events that affect them. A person's "locus" (Latin for "place" or "location") is conceptualized as either internal (the person believes they can control their life) or external (meaning they believe that their decisions and life are controlled by environmental factors which they cannot influence, or by chance or fate). Individuals with a high internal locus of control believe that events in their life derive primarily from their own actions.

- **Risk taking propensity** – The degree to which an entrepreneur is willing to take chances with respect to risk of loss.

- **Tolerance of uncertainty** – The capacity to run the business in uncertain or ambiguous situation.

- **Endurance** - Continuing for long time.

- **Goal oriented** - A goal oriented person is one who has goals and visions and is constantly working hard to achieve them. These are people who have strict mindset of what they want to achieve or accomplish. They set
their goals and do anything to achieve it. They take risks, do hard work, remain dedicated and keep faith & courage to accomplish the goals.

- **Product knowledge** - An understanding of a good or service that might include having acquired information about its application, function, features, use and support requirements. A food processing entrepreneur is typically expected to acquire considerable product knowledge such raw material quality, storage, grading, processing of finished products.

- **Technical skills** - A skill that is required for the accomplishment of a specific task. For Example – Handling machineries & equipments.

- **Selling skills** – The art of offering to exchange an item of value for a different item or value.

- **Team management** - The administration of a group of people assembled to work on a particular project or to perform a particular function within an organization. Team management typically involves setting team priorities and performance objectives, reviewing performance and methods employed, and spearheading the team's decision making process.

- **Leadership skills** - The activity of leading a group of people or an organization or the ability to do this. Leadership involves - establishing a clear vision, sharing that vision with others so that they will follow willingly, providing the information, knowledge and methods to realize that vision, and coordinating and balancing the conflicting interests of all members and stakeholders.
• **Utilizing skilled manpower** – Getting work done by the efficient workers effectively.

• **Access to early finance** – availability of start-up finance.

• **Law and order** - A State of society where vast majority of population respects the rule of law, and where the law enforcement agencies observe laws that limit their powers. Maintaining law and order implies firm dealing with occurrences of theft, violence, and disturbance of peace, and rapid enforcement of penalties imposed under criminal law.

*Source: The aforesaid definitions of key terms are compiled with help of [http://en.wikipedia.org](http://en.wikipedia.org), Oxford Advanced Learners Dictionary, fundamental books on Entrepreneurship and a number of research articles.*
2.3 Food Processing Industry in India

2.3.1 An overview

Food processing involves any type of value addition to agricultural or horticultural produce and also includes processes such as grading, sorting, and packaging which enhance shelf life of food products. India is the world's second largest producer of food next to China, and has the potential of being the biggest with the food and agricultural sector. The food processing industry is one of the largest industries in India-it is ranked fifth in terms of production, consumption, export and expected growth.

The Government has formulated and implemented several Plan Schemes to provide financial assistance for setting up and modernizing food processing units, creation of infrastructure, support for research and development and human resource development in addition to other promotional measures to encourage the growth of the processed food sector.

Food processing is a large sector that covers activities such as agriculture, horticulture, plantation, animal husbandry and fisheries. It also includes other industries that use agriculture inputs for manufacturing of edible products. The Ministry of Food Processing, Government of India indicates the following segments within the Food Processing industry:

- Dairy, fruits & vegetable processing
- Grain processing
• Meat & poultry processing
• Fisheries
• Consumer foods including packaged foods, beverages and packaged drinking water.

• Dairy
In the dairy sector, most of the processing is done by the unorganized sector. Though the share of organized sector is less than 15 per cent, it is expected to rise rapidly, especially in the urban regions. Among the milk products manufactured by the organized sector, some of the prominent ones are ghee, butter, cheese, ice creams, milk powders, malted milk food, condensed milk and infant foods.

• Fruits and Vegetables
Fruit and vegetable processing in India is almost equally divided between the organized and unorganized sectors, with the organized sector holding 48 per cent of the share. While products like juices and pulp concentrate are largely manufactured by the organized sector, the unorganized sector's foothold is in the traditional areas of processed items like pickles, sauces and squashes. By size, pickles form the strongest category.

• Grains
India produces more than 200 million tonnes of different food grains every year. The major grains such as rice, wheat, maize, barley, and millets like jowar (great millet), bajra (pearl millet), & ragi (finger millet) are produced in the country. About 15 per cent of the annual production of wheat is converted into wheat products. There are 10,000 pulse mills in the
country with a milling capacity of 14 million tonnes, milling about 75 per cent of annual pulse production. The country is self sufficient in grain production and is the second largest rice producer in the world with a 20 per cent global share. Primary milling of rice, wheat, and pulses is the most important activity in food grains processing.

- **Meat and Poultry**

India has a livestock population of 470 million, which includes 205 million cattle and 90 million buffaloes. Processing of meat products is licensed under Meat Food Products Order, (MFPO), 1973. Total meat production in the country is currently estimated at 5 million tonnes annually. Only about 1-2 per cent of the total meat is converted into value added products. The rest is purchased raw and consumed at home. Poultry processing is also at a nascent stage. The country produces about 450 million broilers and 33 billion eggs annually. Growth rate of egg and broiler production is 16 per cent and 20 per cent respectively.

- **Fish Processing**

India is the third largest fish producer in the world and is second in inland fish production. The fisheries sector contributes US$ 4.4 billion to the national income, which is about 1.4 per cent of the total GDP. With its over 8,000 km of coastline, 3 million hectares of reservoirs, 1.4 million hectares of brackish water, 50,600 sq km of continental shelf area and 2.2 million sq km of exclusive economic zone, India is endowed with rich fishery resources and has vast potential for fishes from both inland and marine resources. Processing of fish into canned and frozen forms is carried out
almost entirely for the export market.

- **Consumer Foods**

Consumer food industry includes packaged foods, aerated soft drinks, packaged drinking water and alcoholic beverages.

- **Packaged Foods**

This segment comprises bakery products, ready-to-eat snacks, chips, namkeens (salted snacks and savouries) and other processed foods/snack foods. The market size of confectioneries is estimated at US$ 484.3 million growing at the rate of 5.7 per cent per annum. Biscuits have a market of US$ 373.4 million, growing at 7.5 per cent per annum. Other products like bread, chocolates are also growing at a significant rate.

- **Aerated Soft Drinks**

Two of the biggest global brands in this segment are well established in India. Soft drinks constitute the third largest packaged foods segment, after packed tea and packed biscuits. Penetration levels of aerated soft drinks in India are quite low compared to other developing and developed markets, an indication of further potential for rapid growth.

- **Packaged Drinking Water**

Trends such as shortage of drinking water in the large metropolitan cities, changes in consumer lifestyles leading to demand for convenience and availability of various packaged sizes to suit different needs have led to a spurt in growth and these trends are expected to continue to fuel demand in this sector.
Opportunities and Challenges in Food Processing in India

Opportunities:

- **Alcoholic Beverages**
  India is the third largest market for alcoholic beverages in the world. The demand for spirits and beer is estimated to be around 373 million cases per annum. There are 12 joint venture companies producing grain based alcoholic beverages that have a combined licensed capacity of 33.9 million litres per annum. 56 units are engaged in manufacturing beer under license from the Government of India.

- **Opportunities and Challenges in Food Processing in India**

  Opportunities:

  - Divers agro-climatic conditions lead to a wide-ranging and large raw material base suitable for food processing industries in India. Currently a very small percentage (less than 2%) of these is processed into value added products, leaves opportunity to explore in the sector.

  - Increasing literacy, rapid urbanization and rising per capita income resulting in rapid growth and changes in demand patterns. This is creating great opportunities for exploring the large hidden markets. An average Indian spends about 40% of household expenditure on food items.

  - One of the biggest emerging markets, with more than 1 billion population and 250 million strong middle class sets a large consumer base within the country.

  - Demand for processed /convenience food is constantly increasing

  - Cheaper workforce availability can be effectively utilized to setup
large low cost production bases for domestic and export markets.

- India is the seventh largest country, with extensive administrative structure and independent judiciary, a sound financial & infrastructural network. Stable and flourishing democracy is also an opportunistic attribute of the country.

- Liberalized policies with specific incentives for high priority food processing sector, provide very favourable environment for investments and exports in the sector.

**Challenges:**

- Unprocessed foods are susceptible to spoilage by biochemical processes, microbial attack and infestation. The right post harvest practices such as good processing techniques, and proper packaging, transportation and storage (of even processed foods) can play a significant role in reducing spoilage and extending shelf life.

- The challenges in processing lie in retaining the nutritional value, flavour, aroma, and texture of foods, and presenting them in near natural form with added conveniences. Besides, processed foods need to be offered to the consumer in hygienic and attractive packaging, and at low incremental costs.

- The challenges for the food preservation, distribution and processing sectors are diverse and demanding, and need to be addressed on several fronts to derive maximum market benefits. Presently, the
organizations addressing the educational and R & D requirements are too few, and there is a pressing need for supplementing their efforts.

- In the emerging scenario, the Food Engineering professional needs to develop sufficient awareness and appreciation of the relevant principles of life sciences, and physical sciences, as well as of a wide variety of other topics including: nutrition, preservation and storage techniques, processing unit storage techniques, processing unit management, distribution and supply chain management, food laws and regulations and so on.

- Besides, the professional needs to develop an appreciation of R&D and innovation in critical technology areas such as: newer or novel process development in preservation and storage techniques, rheology, colloids and dispersal systems, packaging-polymers and composites, sensors for detection and process control, bioprocess engineering etc.
2.3.3 Policy Initiatives in Food Processing Sector

Given the size of the industry and the nascent development stage, the food processing sector is a key focus area for the Government of India. The importance of the sector is further enhanced by the fact that over 70 per cent of the population depends upon agricultural activity for livelihood. The government has therefore been focusing on commercialization and value addition to agricultural produce, minimizing pre/post harvest wastage, generating employment and export growth in this sector, through a number of regulatory and fiscal incentives.

The Government has formulated and implemented several schemes to provide financial assistance for setting up and modernizing of food processing units, creation of infrastructure, support for research and development and human resource development in addition to other promotional measures to encourage the growth of the processed food sector.

The Centre has permitted under the Income Tax Act a deduction of 100 per cent of profit for five years and 25 per cent of profit in the next five years in case of new agro processing industries set up to package and preserve fruits and vegetables.

- Excise Duty of 16 per cent on dairy machinery has been fully waived off and excise duty on meat, poultry, and fish products has been reduced from 16 per cent to 8 per cent.
• Most of the processed food items have been exempted from the purview of licensing under the Industries (Development and regulation) Act, 1951, except items reserved for small-scale sector and alcoholic beverages

• Food processing industries were included in the list of priority sector for bank lending in 1999

• Automatic approval for foreign equity up to 100 per cent is available for most of the processed food items except alcohol, beer and those reserved for small-scale sector subject to certain conditions

• Full repatriation of profits and capital has been allowed

• Zero duty import of capital goods and raw material for 100 per cent export oriented units

• Sales of up to 50 per cent in domestic tariff area for agro based, 100 per cent export Oriented units is allowed

• Government grants have been given for setting up common facilities in agro Food Park

• Full duty exemption on all imports for units in export processing zones has been done
2.3.4 Food Safety and Standard Act, 2006

Till the year 2005, thirteen different laws were applicable on the food and food processing sector. Multiple laws/ regulations prescribe varied standards regarding food additives, contaminants, food colours, and preservatives and labeling. In order to rationalize the multiplicity of food laws, a Group of Ministers (GoM) was set up to suggest legislative and other changes to formulate integrated food law, to be a single reference point in relation to regulation of food products. Based on the recommendations of the GoM the ministry of food processing enacted the Food Safety & Standard Act (FSSA), 2006. Salient features of the act:

- FSSA will be aided by several scientific panels and a central advisory committee to lay down standards for food safety. These standards will include specifications for ingredients, contaminants, pesticide residue, biological hazards and labels
- The law will be enforced through State Commissioners of Food Safety and local level officials
- Everyone in the food sector is required to get a licence or a registration which would be issued by local authorities
- Every distributor is required to be able to identify any food article to its manufacturer, and every seller to its distributor. Anyone in the sector should be able to initiate recall procedures if he finds that the food sold had violated specified standards
2.3.5 Infrastructure Development in Food Processing Sector

There is a lack of suitable infrastructure in the shape of cold chain, packaging centres, value added centre, modernized abattoirs etc. In order to address the problem of infrastructure in food processing sector, the Government has implemented the scheme for infrastructure development comprising the following components:

- **Food Park Scheme**

  The idea behind setting up of food parks is that small and medium entrepreneurs find it difficult to invest in capital-intensive activities. Therefore, as a part of the strategy to develop food processing infrastructure, the Ministry has been pro actively pursuing the task of setting up of food parks in different parts of the country. In the food parks, common facilities like cold storage, food testing and analysis lab, affluent treatment plant, common processing facilities, packaging centre, power supply, water supply, seminar / conference / training facilities etc can be assisted. Financial assistance for food parks is also provided. In a bid to boost the food sector, the Government is working on agrizones and the concept of mega food parks.

- **Packaging Centres**

  The Scheme aims to provide facilities for packaging, which may help in enhancement of shelf life of food products and make them internationally acceptable. Assistance at 25 per cent of the project cost in general areas and 33.33 per cent in difficult areas subject to a maximum of Rs. 20 million is provided for establishment of packaging centre.
• **Integrated Cold Chain Facility**

The scheme is intended to improve viability of cold storages and enhance cold storage capacity. Assistance at 25 per cent of the project cost in general areas and 33.33 per cent in difficult areas subject to a maximum of Rs. 7.5 million is provided for establishment of cold chain facilities.

• **Value Added Centre**

The Scheme is intended to enhance value addition leading to enhanced shelf life, higher total realization and value addition at each level of handling and also to facilitate traceability. Assistance at 25 per cent of the project cost in general areas and 33.33 per cent in difficult areas subject to a maximum Rs. 7.5 million is provided for establishment and modernization of value added centre.

• **Irradiation Facilities**

The scheme aims at enhancing shelf life of the food product through irradiation techniques by preventing infestation like in flour, sprouting and change in chemical composition of the product (as in potato). Financial assistance at 25 per cent of the project cost in general areas and 33.33 per cent in difficult areas subject to a maximum of Rs. 50 million is provided for establishment of irradiation facilities.

• **Modernized Abattoir**

The Scheme aims at scientific and hygienic slaughter, causing least pain to the cattle and ensuring better byproduct utilization. Assistance at 25 per cent of the project cost in general areas and 33.33 per cent in difficult areas subject to a maximum of Rs. 40 million is provided to local bodies for
modernization of abattoirs.

2.3.6 Sector-Specific Government Policies

Fruits and Vegetables:

- Though no industrial license is required for setting up Fruits & Vegetable Processing industries, setting-up 100 per cent Export Oriented Units require specific Govt. approvals.
- Many Fruits & Vegetables Processing industries are eligible for automatic approval of foreign technology agreement and up to 51 per cent foreign equity participation.
- This sector is regulated by the Fruit Products Order, 1955 (FPO), issued under the Essential Commodities Act. All processing units are required to obtain a license under this order.
- Some items like: pickles & chutneys, tapioca sago and tapioca flour are reserved for exclusive manufacture in the small scale sector.
- Export of fruit & vegetable products is freely allowed.

Fisheries:

- Foreign equity is permitted in fish processing sector. Fish processing projects with a minimum of 20 per cent value addition can be set up as 100 per cent Export Oriented Units.
- All items can be exported freely except for silver pomfrets of weight less than 300 grams.
- Export of marine products is allowed only after registration of the units.
as an exporter with the Marine Products Export Development Authority (MPEDA), Cochin

**Meat and Poultry:**

- The Meat Products Control Order, 1973 under the Essential Commodities Act, 1954 regulates the manufacture, quality and sale of all meat products
- A license is required under this order to set up of a factory for producing/processing meat products
- Export of meat is subjected to pre-shipment inspection and a certificate is required from State Animal Husbandry Department/Directorate of Marketing and Inspection
- Slaughter of cows is banned in most of the States. Export of beef is prohibited
- A No Objection Certificate (NOC) has to be obtained from the District administration for the slaughter of cattle, buffaloes etc.
- Permission from the civic bodies/State Government (Department of Animal Husbandry) is also required before setting up a meat processing unit integrated with a slaughter house

**Milk and Milk Products:**

- Milk and Milk Products Order (MMPO) regulates milk and milk products production in the country. The order requires no permission for units handling less than 10,000 litres of liquid milk per day or milk solids up to 500 tonnes per annum
All the milk products except malted foods are covered in the category of industries for which foreign equity participation up to 51 per cent is automatically allowed.

Ice cream, which was earlier reserved for manufacturing in the small scale sector, has now been de-reserved. As such, no license is required for setting up of large scale production facilities for manufacture of ice cream.

Subsequent to de canalization, exports of some milk based products are freely allowed provided these units comply with the compulsory inspection requirements of concerned agencies like: National Dairy Development Board, Export Inspection Council etc.

**Grains:**


Rice milling and pulse milling sectors, which were earlier reserved for the small scale sector, have now been de reserved.

Since liberalization, there is no license requirement for setting up or capacity expansion of roller flour mills. The mills can obtain their wheat supply from any source.

There is no license requirement or price/distribution controls on manufacture of wheat products.
**Conceptual Framework**

**Packaged Foods:**

- The industry is de licensed and automatic approval for foreign investment up to 51 per cent of equity (except for items like malted food and items which are reserved for production in small scale sector) is granted
- The setting up of 100 per cent export oriented units requires specific government approval
- The packaging laws and regulations affecting food products are mainly covered under the Standards of Weights and Measures Act, 1976, and the Standards of Weights and Measures (Packaged Commodities) Rules, 1977 (SWMA) specifying the quantity and package labeling regulations for all products
- The Prevention of Food Adulteration Act, 1954, and the Prevention of Food Adulteration Rules, 1955 (PFA) specify food adulteration/contamination norms and permissible ingredients from consumer health and safety point of view
- The Agmark Rules relate to the quality specifications and needs of certain agricultural products to be eligible for Agmark certification.
2.3.7 National Mission on Food Processing (NMFP)

The NMFP outlay for 2012-17 has been kept at INR 16 billion. The following schemes under the NMFP will be implemented by State Governments for the remainder of 12th Five Year Plan:

- Scheme for technology up-gradation / establishment / modernisation of food processing industries.
- Scheme for cold chain, value addition and preservation infrastructure for non- horticulture products.
- Setting up/ modernization/ expansion of abattoirs.
- Scheme for Human Resource Development (HRD).
- Scheme for promotional activities.
- Creating primary processing centres / collection centres in rural areas.
- Modernization of meat shops.
- Reefer vehicles.
- Old Food Parks.

Source: The aforesaid reviews are compiled with the help of various published reports. Details reference is given in Bibliography.
2.4 Industrial Infrastructure in Assam: Opportunities for Food Processing Entrepreneurs

2.4.1 Assam at a glance

Assam is the jewel of the North East. Situated between 90-96° E longitude and 24-28° N latitude. A land of fertile valleys, dense forest and the mighty Brahmaputra and Barak rivers, it is divided into 3 distinct regions with the Brahmaputra valley in the north, the Karbi Anglong and Cachar region in the middle and Barak valley in the south.

The capital of Assam is Guwahati (Dispur), which is the gateway not only to the "Seven Sisters" as the seven states comprising the North Eastern region are popularly called, but also to the whole of South East Asia.

Table No. 2.1: Assam at a Glance

<table>
<thead>
<tr>
<th>Geographical area</th>
<th>78,43,800 Hectares</th>
</tr>
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<tbody>
<tr>
<td>Forest area</td>
<td>20,12,319 Hectares</td>
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<tr>
<td></td>
<td>(25.65 p.c. of</td>
</tr>
<tr>
<td></td>
<td>Geographical area)</td>
</tr>
<tr>
<td>Total population</td>
<td>2.66 crores</td>
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<tr>
<td>Population under poverty line</td>
<td>36 p.c. (India-27 p.c.)</td>
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<tr>
<td>Literacy rate</td>
<td>64.28 p.c.</td>
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<tr>
<td>No. of districts</td>
<td>27</td>
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<tr>
<td>No. of civil sub-divisions</td>
<td>49</td>
</tr>
<tr>
<td>No. of towns</td>
<td>93</td>
</tr>
<tr>
<td>No. of blocks</td>
<td>219</td>
</tr>
<tr>
<td>No. of revenue circles</td>
<td>146</td>
</tr>
<tr>
<td>No. of villages</td>
<td>25590 (Inhabited 24685; Uninhabited – 905)</td>
</tr>
<tr>
<td>No. of tea gardens</td>
<td>2472</td>
</tr>
<tr>
<td>Area under tea cultivation</td>
<td>3.15 lakh hectares</td>
</tr>
</tbody>
</table>
2.4.2 Industrial Infrastructure in Assam - At a Glance

With a view to provide infrastructure facilities to the Prospective Entrepreneurs, the Assam Industrial Development Corporation (AIDC) and the Assam Industrial Infrastructure Development Corporation (AIIDC) have been asked to develop new Industrial parks by procuring more land in the State. Meanwhile various Industrial Infrastructures such as several Industrial Growth Centres, IID Projects, Industrial Parks etc. have already been established in almost all the districts of the State.

The following is a brief list of industrial infrastructures available to entrepreneurs of Assam:

- 1 Export Promotion Industrial Park
- 3 Industrial Growth Centres
- 10 Integrated Infrastructure Depots
- 1 Food Processing Industrial Park
- 16 Industrial Estates
- 17 Industrial Areas
- 11 Growth Centres
- 6 Mini Industrial Estates
- 64 Commercial Estates
- 2 Common Service Workshop
- Food Park at Nalbari
- Bamboo Park at Jagiroad
• Jute Park at Kharupetia, Udalguri
• Textile Park at Silapathar
• Plastic Park at Tinsukia
• Mega Agro-Hub at Boko
• Growth Pole Project at Kamrup

In addition to the industrial infrastructure, Assam boasts of the very well maintained support infrastructure in terms of power, transport and communication.

2.4.3 Incentives Provided to Entrepreneurs under NEIIPP 2007: Some of the major incentives under NEIIPP are -
• Incentives are open for all industrial units, new as well as existing units on their substantial expansion, located anywhere in the North East.
• Industrial Excise Duty Exemption.
• 100% Income Tax Exemption.
• Capital Investment subsidy in plant and machinery @ 30%.
• Transport Subsidy Scheme: 90% on raw materials coming from outside and 50% on finished goods inside the state.
• Interest subsidy @ 3% on working capital loan.
• Reimbursement of 100% comprehensive insurance premium.
• Incentives package also available for the service sector – hotels, nursing homes, vocational training institutes, etc.
• Incentives for bio-technological industry as applicable to other
industries.

- Incentives for power generating industries – incentives under Sec. 81(A) of Income Tax Act to continue.

- Power generating plants (all types) up to 10 MW will be eligible for capital investment subsidy, interest subsidy and comprehensive insurance.

2.4.4 Incentives Provided to Entrepreneurs under Industrial Policy of Assam 2008: The major initiatives are -

- VAT Exemption – for 7 years with ceiling of maximum 200% of fixed capital for Micro, 150% for Small & 100% for medium & large new units and for same period with corresponding ceiling of maximum 150%, 100% & 90% for units undergoing substantial expansion.

- Interest subsidy on Term Loan provided to Micro Industrial Units @ 30% of the amount of interest paid on term loan for a period of 5 years from the date of commercial production subject to a ceiling of Rs. 1.00 lakh per unit/year.

- Subsidy on quality certification/technical know-how to the extent of 50% subject to a ceiling of Rs. 1.00 lakh per unit.

- Power subsidy - 30% subsidy on power tariff on actual units consumed for 5 years up to connected load of 1.00 MW subject to ceiling of Rs.
10.00 lakhs per annum & 25% for connected load above 1.00 MW subject of ceiling of Rs. 25.00 lakhs per annum.

- 100% reimbursement of Stamp Duty and Registration Fees to encourage setting up of industrial park/estate through purchase of private/government land.

- Special incentives for mega projects to encourage the establishment of projects with large capital investment of minimum of Rs. 100 crores or generating minimum 1000 regular employment. All incentives including priority land allotment, the ceiling amount of subsidy and/or the period of validity of tax concessions under this policy will be relaxable on case to case basis.

- Special incentives for revival of sick units in form of exemption upto 99% of tax payable under VAT for 3 years with ceiling of 100% of additional investment made for rehabilitation.

- Reimbursement of 50% rent and transport cost for participation in Trade Fairs both inside & outside of country.
2.4.5 Major Resources in Assam

- **Medicinal herbs and plants:** About 300 types of medicinal herbs and plants are known to exist in abundance in Assam. With the Brahmaputra valley itself having 150 varieties of herbs and plants of commercial value. It is estimated that only about 5-10% of the plants and herbs are currently utilised and the rest hold a vast potential.

- **Agar wood:** Assam’s soil and climatic conditions are most suitable for plantation of Agar wood. All over the world, especially in the Middle East, Assam Agar Oil enjoys a unique brand equity. A large number of farmers in Assam today are planting Agar wood trees as agricultural plantation. Agar wood oil extraction and processing has a vast potential in the state.

- **Agriculture:** An agrarian economy since time immemorial, about 77% of Assam's workforce is engaged agriculture and allied activities contributing roughly 40% to the state's GDP. Roughly 40% of the total area is cultivated.

- **Exotics Assam Lemon:** An unique product of Assam with a high percentage of Vitamin C (10 mg.) besides Vitamin B (0.02 mg.), Niacin (0.1) per 100 gm. Extractable oil content of the peel is around 0.8% and can be used in the cosmetic industry.

- **Hatkora:** An exclusive export item belonging to the citrus family. Peel is used for tenderizing meat and enhancing flavor in culinary dishes.
• **Orchids:** Of the 925 varieties available in India, over 600 can be grown in Assam. Around 200 varieties are unique to this region of which 60% are ornamental in nature.

• **Joha Rice:** Quality comparable with any popular aromatic rice in the world.

• **Bhut Jalakia:** Hottest chili on earth with Scovelli Heat Unit (SHG) of 10,41,047.

• **Sericulture:** The climate and general environment of Assam is well suited to sericulture. Traditional varieties of silk cultured include eri, muga and mulberry. There are vast opportunities in silk processing and spinning units.

• **Horticulture and Spices:** The agro-climatic conditions favors cultivation of wide range of horticultural crops including plantation crops and various fruits and vegetables, flowers, spices, medicinal & aromatic plants, nut crops and tuber crops. Assam also has a vast array of aromatic plants. At present most of the oils extracted are sold in crude form. Some of the plants are Citronella, Lemon Grass, Patchouli and Agar.

• **Forest resources:** With roughly half the forests reserved, the rich forest cover encompasses nearly a quarter of Assam’s land area. Blessed with plentiful rainfall, the forests are a reserve of such commercially useful produce like timber, bamboo, stone, cane, etc.

• **Mineral resources:** Assam is rich in mineral resources like Coal (320 Mn.T.), Limestone (703 Mn.T.), Iron Ore (11 Mn.T) and
Granite (1 Bn. Cu. Mtrs) along many more resources like Fireclay, Lithomarge, Fuller's Earth, Sillimanite and Glass Sand.

- **Energy /Oil /Gas Based Industry**: Assam has over 1.3 billion tones of proven crude oil and 156 billion cu.mt of natural gas reserves.

- **Tourism**: Assam’s natural landscape, lush green forests, wildlife sanctuaries, pilgrimage Spots and tea gardens offer a wide choice to cater to the tastes of a variety of tourists from the casual sightseer to the adventure tourist.

- **Manpower availability and skills**: Assam has numerous educational institutions with a substantial portion of the population in the 15 to 25 age group in the major towns being computer literate.

### 2.4.6 Major Industries in Assam

- **TEA**: Of the agriculture-based industries, tea occupies an important place in Assam. In Assam, tea is grown both in the Brahmaputra and Barak plains. Tinsukia, Dibrugarh, Sibsagar, Jorhat, Golaghat, Nagaon and Sonitpur are the districts where tea gardens are mostly found. Assam produces 51% of the tea produced in India and about 1/6th of the tea produced in the world.

- **OIL**: Assam has the oldest refinery in the country which started commercial production in 1901. Assam was the first state in the country where in 1889 oil was struck at Digboi in Tinsukia district. The refinery, now belongs to the Assam Oil Division
of the Indian Oil Corporation, has a refining capacity of 3 lakh tonnes of petrol, kerosene, diesel and other petroleum products. The second refinery in Assam was set up at Noonmati in Guwahati under the public sector. It started production in 1962. It produces liquified petroleum gas (LPG), petrol, kerosene, diesel, furnace oil, coke etc. The third refinery in the region was established at Dhaligoan near Bongaigaon in 1972. It is known as Bongaigaon Refinery and Petro-Chemicals Limited (BRPL). The fourth refinery in the state was established at Numaligarh of Golaghat district in 1999, with a refining capacity of 3 million tonnes of oil and other products.

- **NATURAL GAS:** Like petroleum, natural gas is a valuable source of power and various other chemical by-products. In Assam, almost all the petroleum producing areas of the Brahmaputra Valley, especially Naharkatia, Moran, Lakuwa and Rudrasagar, contains 'associated natural gas'. There are LPG bottling plants at Duliajan, North Guwahati, Silchar etc. The BRPL also uses natural gas as raw material to produce various chemicals. In addition, a gas cracking company, Brahmaputra Cracker & Polymer Limited is coming up in the Dibrugarh district and is poised to generate opportunities for a huge number of ancillary industries.

- **COAL:** Assam has large reserves of coal too. The State is said to contain about 1200 million tones of coal reserves. The entire coal in this region is unique in the sense that it is highly volatile (36% - 42%), has low ash content (3% - 15%) and possesses high
crackling index (10%-29%).

- **GRANITE:** Assam is endowed with granites of variegated colours, ranging from off-white to grey and pink. It is found in central and lower parts of Assam. The grey granite is extensively used in road making and as railway ballast.

- **LIMESTONE AND CEMENT:** Limestone is an important mineral which is used in the manufacturing of cement, as flux in iron and steel production, and as raw materials for chemical industries. There are now several cement factories which have come up in Assam due to the availability of high quality limestone in the region.

- **TOURISM:** Tourism has become an important industry in many countries of the world, both in the east and the west. Various initiatives are being taken by the Government and other organisations to promote tourism here. Every year the number of visitors to Assam has been steadily increasing.

- **COTTAGE INDUSTRY:** Assam is traditionally famous for its cottage industry, especially spinning and weaving. Pat or pure silk production is essentially confined to Assam. Assam produces about 10% of total natural silk of India, in addition to Muga, the golden silk. The state is also the main producer of Eri or Endi. Weaving is a traditional industry which can be traced back to the very ancient times. There are about 7,00,000 looms in Assam, but only some powered looms of Sualkuchi are used for commercial production of silk cloths. Bell-metal along with brass work is another
traditional cottage industry of Assam. The total production of marketable finished goods annually is about 300 tonnes.

*Source: The aforesaid reviews are compiled with the help of various published reports. Details reference is given in Bibliography.*

### 2.5 Conclusion

Assam has a vast reservoir of resources and opportunities for MSME entrepreneurs. Availability of ample natural resources & horticultural products, coupled with the incentives provided under NEIIPP 2007 and Assam Industrial Policy 2008, make this region highly attractive for Entrepreneurs.