Chapter 2

Objectives, Hypothesis, Research Methodology And Significance of The Study
INTRODUCTION

India is an agriculture predominant country. Naturally the main issue concerning development of this country relates to performance of agriculture. It may undoubtedly be said that the economic performance of this important sector is the main indicator of overall performance of the entire economy. It has been a well accepted fact that a good performance of agriculture is a prerequisite for the healthy growth and development of the rest of the economy. The agriculture sector in India still occupies a place of prominence in the country’s economy because its 70 % of labour force is still engaged in agriculture and allied activities and 30% of the GDP is being originated from this sector. Being broad base of agriculture in the country’s economy, it has a very high potential for providing raw materials to various agro-based industries in India. In past fifty years, the country has seriously made its massive efforts for speedy industrialisation and as a result of this, the industrial sector has ‘made tremendous growth. So far as the role of agriculture in the development of industrial sector is concerned, the contribution can not be underestimated. In the last 50 years, many traditional’ as well as modern industries have made rapid growth. A good number of agro based industries have developed in the country and now they are significantly contributing in raising the production, employment and export earnings in the country. Among these industries, the food processing industry is one of the important industries which has recently shown a good performance in the field of production and export. It is being observed that the food processing industry in India has a very sound base for growth and it would create good possibilities for new food products to meet the growing domestic demand as well as increased marketable surpluses for export. The food processing industry sector in India is one of
the largest economic sectors in terms of production, consumption, export
and growth prospects.

The government has assigned a high priority to the food processing
industry with a number of fiscal reliefs and incentives, to encourage
commercialisation and value addition to agricultural produce and for
minimising pre/post harvest wastage, generating employment and export
growth. Agriculture and agro products remain the most important sector of
the Indian economy. They contributes nearly one third of the GDP and
accounts for 64% of the work force. Recent progress in the agriculture
sector is one of the most important achievements of India's development
strategy. Indian agriculture is in the private sector, but the government has
actively supported its development through the creation of suitable infra-
structure and a system of price incentives and subsidies in terms of
irrigated area and consumption of fertilisers and pesticides. In respect of
agricultural development, India ranks amongst the top few countries of the
world. Indian agriculture is beginning to appear globally competitive. "The
two important policy changes have made this possible, the first is the
deliberate reduction in the high degree of protection earlier accorded to the
manufacturing sector, which has improved the relative profitability of the
agriculture sector. The second is the farming community receive market
prices so as to bring about more equitable terms of trade for this sector"1.

Objectives of the Proposed Study

As the food processing industry is emerging as one of the important
agro-based industries in the country. It was thought proper to undertake a
through and in-depth study of this important industry in order to assess its

1 Managing Food Processing Industry in India, U.K. Shrivastava & N.T. Patel, Published
Products in India and Food Processing Industry in India, p. 1-2.
performance and future potential for growth and its contribution in the field of production, employment and export. The present study has been conducted with the following basic objectives:

1. To assess the importance of food processing industry as a means of value addition to farm produce in India.

2. To examine the growth and present trend of development of food processing industry in India.

3. To review and make a critical appraisal of the existing government policy regarding food processing industry.

4. To evaluate the contribution of food processing industry in terms of production, employment and export earnings.

5. To explore the future possibilities for expansion and growth of food processing industry in India.

6. To identify the existing problems of the food processing industry in India and suggest measures for their solution.

7. To make comparative analysis about the main features of the selected food processing industries.

8. To critically examine the financial performance of these industries in India.

9. To draw a relative priority among the selected food processing industries on the basis of their future prospects.

10. To identify some broad policies to improve development and financial performance of these industries and to enhance their contribution to rural-led economic development.
In recent years the food processing industry has shown a remarkable performance. As a result of this, the country could earn considerable quantum of export earnings of Rs. 25224 crore, during the year 2001-02. Which was around 18% of the total export earnings of the country. In the context of introduction of liberalized, economic policy and furtherance of process of globalization, the food processing industry has got immense potential for development and export.

Hypothesis

"The Hypothesis in respect of a research study may be defined as a preposition or a set forth as an explanation for the occurrence of some specified group of phenomena either asserted merely as a provisional conjecture to guide some investigation or accepted as highly probable in the light of established facts. Quite often a research hypothesis is a predictive statement, capable of being tested by scientific methods, that relates to an dependent variable to some dependent variable"\(^2\). Looking to this basic fact in mind and the objective of the present study, the following hypothesis was to be examined and tested with the help of thorough investigation and survey:

1. The food processing industry has got enormous potential for growth and development in the country.

2. The food processing industry in India has shown good progress in recent years and has contributed satisfactorily in terms of production, employment and export earnings.

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3. The share of food processing industry in India's export trade has considerably increased in recent years and it has good potential for export in future also.

4. The present government policy in respect of promotion and development of food processing industry in India is not satisfactory and it requires substantial change looking to the changing conditions

5. The government of India have not so far provided adequate support, assistance and protection to this industry.

In order to examine the above mentioned hypothesis, a suitable research methodology was to be adopted~ With this view in mind, the statistical informations and adequate literature available on the subject have been collected from various sources. The details of research methodology which was adopted for this study if given below.

Research Methodology

The present study is first of its kind, particularly on the subject of food processing industry. This may be noted here that the food processing industry is highly technical and modernized and have come in to existence in recent years. On the other hand, there are many traditional and small scale units which are working mainly in the unorganized sector. This is the limitation of this study that very few sources are available for getting the adequate statistical informations relating to various aspects of this industry. In spite of this fact, a sincere effort has been made to collect some useful research material and statistical informations from the various primary and secondary sources, for the purpose of this research study. By and large, most of the research material and the statistical informations have been collected form secondary sources. Thus, the research study is based on
the informations and literature collected from, primary and secondary sources. To be more specific, the statistical informations and other relevant literature have been collected mainly from the official sources. The published literature available on the subject have been also widely consulted and procured from the libraries of the Ministry of Agriculture and Industry, Planning Commission, Some other libraries such as Ratan Tata Library (Delhi) the library of the Institute of Economic Growth and libraries of Madhya Pradesh Universities were also visited for procuring the relevant research material. For the present study, the principal sources of information have been the published literature, official reports, books and journals containing informations regarding the subject of research. Some important publications like Economic Survey, Draft outlines of the Five Year Plans and government documents, Annual reports, of the Ministry of Agriculture, New Delhi, Annual Survey of Industries, Publication of the Agricultural and Processed Food Products Export Development Authority (APEDA) and the Directorate General of Commercial Intelligence and Statistics (DGCI & S), Ministry of Food Processing Industry (Government of India), The State of Food and Agriculture (FAO) Agricultural Series, The Hindu Survey of Indian Agriculture (The Hindu), Indian Food Industry – Data Banks (Various issues), have been widely used under this research study. Sources from which adequate literature and statistical information have been collected. Apart from all above publications, the reference material published in bulletins, financial journals, newspapers etc. have also been consulted.

Tabulation and Analysis

The statistical data and literature have been presented in this study very systematically. The literature and relevant data so collected from
different sources, were properly classified and used in the drafting of the chapters of the thesis, so far as the statistical data are concerned they have scientifically tabulated and many master tables and sub tables have been given in the chapters of the thesis with their adequate analysis and interpretations. With the help of the detailed analysis; a good number of realistic and purposeful conclusions have been drawn. The basic problems relating to development, production, employment and export of food processing industry have been very carefully identified and discussed of length and a set of some useful suggestions have also been put forth in this research study with the objective to improve the working and performance of this industry.

The entire study has been presented in a very systematic manner. In the introductory chapter of the thesis, an historical and development background of the food processing industry has been given. A detailed account of the growth and development of the FPI under five year plan of the country has been given and its role in Indian economy has also been underlined in this chapter.

The second chapter, an attempt has been made to present the main objectives of the research study. The hypothesis adopted for this study and research methodology followed have been very clearly and scientifically presented in this chapter.

The third chapter gives a detailed account of the development of food processing industry in India under five year plan and history of food processing industry in India under five year plan. Statistical information relating to production, employment and export earnings of food processing industry in India have been given and analysed with a view to draw some important conclusions. A critical analysis of the government policy and the
food processing industry draft outline of tenth five year plan have also been given in this chapter.

The fourth chapter gives the production performance of food processing industry in India has been discussed in the fourth chapter. A data based description regarding the availability of raw materials, and potential for growth of food processing industry in India has also been incorporated in this chapter. Year wise growth potential and production performance in the last ten years have been given with their appropriate analysis.

The fifth chapter attempts to evaluate the export performance of food processing industry in India. An statistical analysis of export performance of food processing industry has been made, product wise and year wise and detailed description has been given about the export earnings of food processing industry also gives the agricultural exports and the exports of processed foods also given.

The basic problems relating to exports of the products of the Indian food processing industry have been discussed in the sixth chapter. Not only the problems relating to exports of processed food product have been discussed in the context of promotion of exports of the processed food of present scenario but he critical appraisal of the government policy in respect of promotion of exports of these commodities has been also made.

In seventh chapter a critical examination and appraisal of the government policy and suggestions for changes in new policy. Government policy for the development of food processing industry in India, salient features of government's industrial policy with special reference to food processing industry. Role of government in the promotion of food
processing industry in India. Proposed new government policy under the ministry of food processing industry, main features of the government's new policy for food processing industry in India.

The eighth chapter contains the discussion regarding the general problems and suggestions of the food processing industry in India. The problems relating to policy, production, technology, marketing, finance, pricing, personnel, export etc. have been discussed thoroughly and a set of some useful suggestions have also been given.

The last chapter of the research work, the main findings relating to growth and development, production, employment, export performance of Indian food processing industry have been given in a precise manner and the main outcome of the research study has been summarized.

Significance of the Study

This Research study is an humble effort to make a detailed survey of the food processing industry in Indian context. The food processing industry is certainly going to be a key industry in the future industrial development of the country in future. In recent years the food processing industry has occupied a place of prominence in terms of production, employment and export. Many new modernized, technically sophisticated and eco-friendly units producing food products have come in to existence. As a result of this, not only the share of contribution of this industry in total industrial production has considerably increased but also the export earnings have also increased to a great extent. An indepth study on the subject of food processing industry would be certainly beneficial to the researchers interested in this type of research. The present research study will also prove to be helpful to the planners and the Government particularly
in formulating the policies and programmes for future development. The proposed study not only provides a clear picture of the progress of this industry but also analyse the serious problems, being faced by this industry. So that the planners and policy makers may look into them and may take suitable steps for appropriate policy change and measures for removing the basic hurdles in the growth of food processing industry in India. Thus this study will certainly help in providing some basic informations and facts which will help the government in taking appropriate policy decisions and formulation of future plans and policies.

This research study may become the basis for formulation of suitable policy and the programmes for the development of food processing industry in India. If the findings of the research study are take into consideration by the Government of India, the author shall feel her effort fruitful.