

Investment Impact on Business in MSME Food Processing Industry**Uday Sawant****L & T Infotech, Mumbai, India,****Dr. Vinay Chavan****Associate Professor, S. K. Porwal College, Knaptee, Nagpur, Maharashtra, India,****Abstract**

Right investment is extremely important for any business. In a highly competitive environment, investment in right technology and equipment makes a difference between success and failure. In food processing segment, the multinationals dominate this due to their capacity to invest. Their reach to the far corners of India coupled with their financial muscle to create and maintain brand gives them enormous competitive edge. On the other hand, Indian MSME food processing units have very minimal investment in technology. The study conducted underscored this fact. It also emphasized connect between Government has launched various schemes to help MSME units including subsidies for equipment. In spite of this, the overall automation and mechanization remains abysmally low.

Keywords: Brand, Food Processing, Employment, Investment, technology

INTRODUCTION

Study shows that the units that have invested in technology have been able to get a better profit margin due to cost saving on account of reducing wastage of input material and better yield as well. However, since, most of the units are unregistered, they have difficulties in raising finance. The sources of funds are often personal borrowings. This forces them to compromise on equipment and rely on manual processes. The availability of cheaper labor in rural areas also contributes to this tendency.

METHODOLOGY

Reviewed the relevant literature and analyzed secondary data available on food processing sector. The data sources are from several reports of Government, Institutions like ASSOCHAM, KPMG, CCI etc, In addition, a questionnaire was mailed to respondents. The survey was carried out using interview, observation, questionnaire; instruments are used to understand quantification of facts.

LIMITATIONS

Access and availability of same set of data on food processing industry across different years was a big constraint. There was no separate code for food processing industries till 2008 in Annual Survey of Industries and National Sample Survey Organization reports

These units generally record the figures of sales and purchases at total level and break up of this is difficult to establish. The units generally record the sales and purchases but break up likes from farm, from distributor etc. had to be established. Still another area that was not understood clearly is deployment of skilled labor force

Brand building expenditure was again not recorded specifically by these units. These were often clubbed as sales expenses. Wherever it was possible to observe processes and talk to production people and

labor, the processes and their impact of product quality and efficiency could be observed. There is quite a bit of qualitative information that is not possible to be captured by questionnaire.

DATA ANALYSIS

Table 1: Distribution of units under study based on Size

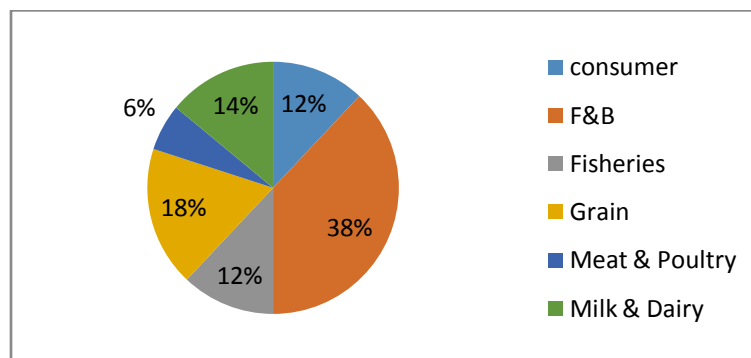
size	frequency	percentage
Micro	8	16
Small	26	52
Medium	9	18

Table No 2: Food Processing Segments

Segment	Percentage	Frequency
consumer	12	6
F&B	38	19
Fisheries	12	6
Grain	18	9
Meat & Poultry	6	3
Milk & Dairy	14	7

Source: Compiled by Researcher

Fig. 1: Segment wise breakup



Source: Compiled by Researcher

Table No 3: Investment in Technology & Process Automation

Year	Investment in Technology (INR Cr.)			Process Automation (INR. Cr)		
	Micro	Small	Medium	Micro	Small	Medium
2009-10	0.02	0.31	1.66	0.01	0.15	0.83
2010-11	0.02	0.34	1.86	0.01	0.17	0.93
2011-12	0.02	0.37	2.08	0.01	0.18	1.04
2012-13	0.02	0.41	2.34	0.01	0.2	1.17
2013-14	0.03	0.45	2.65	0.02	0.22	1.32

Source: Compiled by Researcher

The investment in technology and process automation by these units is quite low. The micro units have invested only INR 10,000 per unit during period 2009 to 2014, whereas small and medium have invested INR 50,000 and INR. 6 Lakhs respectively. This clearly indicates that compared to micro and small, the medium size units have invested higher in the technology. This explains the lesser rise in employment generation as technology investment inversely affects employment creation.

Table No 4: Turnover of Units

Turnover	Micro	Small	Medium	Total
2009-10	1.31	23.04	184.98	209.33
2010-11	1.42	25.41	206.64	233.47
2011-12	1.54	28.04	231.03	260.61
2012-13	1.67	31.03	259.33	292.03
2013-14	1.82	34.5	292.54	328.86

Source: Compiled by Researcher

CONCLUSION

Very small portion of units have registered themselves. Unregistered units have difficulties in raising finance where banks demand collaterals and surety. Many of these unit owners therefore rely on relatives or borrow money at exorbitant cost. This further dents their profitability. Advent of microfinancing in India is expected to ease this situation however, the microfinance as an industry itself needs to be matured first to reach these units.

RECOMMENDATIONS

A determined push from government in microfinance will enable these units to raise capital at small or reasonable cost. This will allow them to invest in equipment and technology. They can then reap the benefits of this automation in terms of reduced wastage, better quality and lower cost of production.

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