

ENTREPRENEURSHIP AND FOOD INDUSTRY

**Anjali Dewan*

**Associate Professor & Head (Retd.), Department of Home Science, St. Bede's College, Shimla*

ABSTRACT

The Food processing sector is critical to India's development, for it establishes an important linkage and synergy between the two pillars of the economy, the Industry and Agriculture. India is the world's second largest producer of food. The enormous growth potential of this sector can be understood from the fact that food production in the country is expected to be double in the next few years, while the consumption of value-added food products will also correspondingly grow. Food industry has an important role to play in linking Indian agriculture to consumers in the domestic and international markets. The growth of this industry will bring immense benefits to the economy, raising agricultural yields, enhancing productivity, creating employment and raising life-standards of a large number of people across the country, especially those in rural areas. The liberalisation of the Indian economy and world trade and rising consumer prosperity has thrown up new opportunities for diversification in the food-processing sector and opened new vistas for growth. Entrepreneurship forms the pillar of a progressive society as it is an activity that creates value through recognizing business opportunities and through communicative and managerial skills to mobilize human, financial and material resources required to bring a definite upsurge to the economic development of a nation.

Key Words: *Entrepreneurship, food industry, economy, development, opportunities*

INTRODUCTION

Food industry has an important role to play in linking Indian agriculture to consumers in the domestic and international markets. The agriculture sector in India contributes a fourth of the country's GDP and provides employment to approximately two third of the population. However, its potential has not been tapped due to underdevelopment of the food industry in India. Entrepreneurship or Self Employment is being increasingly recognized as a highly effective and viable alternative to wage employment which offers limited opportunities. Without entrepreneurship and growing number of entrepreneurs, an economy is certain to become sluggish in growth. Entrepreneurs are the ones who explore opportunities, scan the environment, mobilize resources, convert ideas into viable business proposition and provide new products and services to the society by bringing together and combining various factors of production. An entrepreneurial individual has a distinct concept, vision and a dream, which he/she is able to convert into products. Such individuals are driven by task, challenge and opportunity with very high achievement orientation. Entrepreneurial dynamism forms the cornerstone of a progressive society as it is a purposeful activity that attempts to create value through recognition of business opportunity, management of risk appropriate to opportunity and through communicative and management skills to mobilise human, financial and material resources necessary to bring a project to function. This gives a definite upsurge to the economic growth of a nation. Economic growth is an upward change whereby the per capita income increases over along period of time. One can see small entrepreneurs in the neighbourhood selling dal, vegetables, hot chappatis catering to the labourers, mechanics, shopkeepers etc.

CHARACTERISTICS OF SUCCESSFUL ENTREPRENEUR

The various characteristics of an entrepreneur are as follows:

1. **A strong desire to win** (Need for achievement): Most people dream of success, but seldom do anything to implement it. In contrast, entrepreneurs have a strong desire to continuously think of new goals and do not rest till they win.
2. **An approach of never-say-die** (Perseverance): Once committed to a goal and a course of action, entrepreneurs never retract. Difficulties do not deter them and they work hard till the entire project is successfully accomplished.
3. **Entrepreneurs prefer a middle-of-the-road strategy while handling tricky situations** (Moderate risk bearing): They don't take high risks; they are not gamblers. They prefer a moderate risk to a wild gamble, high enough to be exciting and containing a reasonable winning chance.
4. **Alert to opportunities and seizing them to their advantage** (Ability to find and explore opportunity): Entrepreneurs are innovative and can convert crises into opportunities. But they are realistic enough to ensure that the opportunity suitably dovetails into realising their goals.
5. **They have a dispassionate approach to problems** (Analytical ability): Entrepreneurs will not let personal likes or dislikes come in the way of their taking a business decision. They seek out experts for assistance rather than friends and relatives. Their decisions are objective and not emotional or impulsive.

6. **It is important for them to know how they are faring when they work on their goals** (Using feedback): Entrepreneurs take immediate feedback on performance and prefer prompt and accurate data, irrespective of whether these are favourable or not. Unfavourable news spurs them into making amends to attain their goals.
7. **Entrepreneurs do not get deterred by unfamiliar situations** (Facing uncertainty): Achievement-driven people are optimistic even in unfamiliar situations. Even if they find the odds daunting, they see no reason why they can't succeed with their treasure of abilities. They march undeterred, making the best of fine opportunities that come their way, even without guidelines. They quickly come to grips with the new environment and present a picture of boldness and prudence. They apply their special insight and skill to quickly understand the environment and adapt to it.
8. **They dislike working for others** (Independence): Entrepreneurs do not like to work for others and therefore start off on their own. They wish to be their own masters and be responsible for their own decisions.
9. **They are flexible** (Flexibility): Successful entrepreneurs have an open mind and do not hesitate to change their decisions.
10. **Entrepreneurs think ahead of others and plan for the future** (Planning): Most successful people set goals for themselves and plan to realise them in a time frame.
11. **Entrepreneurs can deal with people at all levels** (Interpersonal skills): An entrepreneur comes across all kinds of people. He has to make them work for him and with him to help realise his objectives. He likes working with people and has skills to deal with them.
12. **They can influence others** (Motivation): Successful entrepreneurs can influence others and motivate them to think and act in their way.
13. **They can work for long hours and simultaneously tackle different problems** (Withstanding stress): As a key figure in his enterprise, the entrepreneur has to cope with several situations simultaneously and take the right decisions, even if it involves physical and emotional stress. This is only possible if one has the capacity to work long hours and still keep cool.
14. **They know themselves** (Positive self-concept): An achiever channelises his fantasies into worthwhile, achievable goals and sets standards for excellence. He can do this for he knows his strengths and weaknesses, and so adopts a positive approach. He is seldom negative.
15. **Entrepreneurs think ahead** (Orientation for future): They have the ability to look into the future. They won't allow the past to bother them and think only of the present and the future. An individual may not have all these qualities, but most will have many. It calls for a positive attitude, an open mind, insight and right perception to remove these barriers and arouse and enhance creativity.

FOOD INDUSTRY

The Food processing sector is critical to India's development, for it establishes a vital linkage and synergy between the two pillars of the economy, the Industry and Agriculture. India is the world's second largest producer of food. The enormous growth potential of this sector can be understood from the fact that food production in the country is expected to double in the

next few years, while the consumption of value-added food products will also correspondingly grow. The growth of this industry will bring immense benefits to the economy, raising agricultural yields, enhancing productivity, creating employment and raising life-standards of a large number of people across the country, especially those in rural areas. The liberalisation of the Indian economy and world trade and rising consumer prosperity has thrown up new opportunities for diversification in the food-processing sector and opened new vistas for growth. A recent study has revealed that there is tremendous potential in India to build a profitable business in this sector. This industry ranks fifth in the country and has started producing many new items like ready-to-eat food, beverages, processed and frozen fruit and vegetable products, marine and meat products, IQF products, etc. The Indian consumer is being fast introduced to newer high quality food products made by using the latest state-of-the-art technology that is also giving the industry a competitive edge.

BROAD CATEGORISATION OF FOOD INDUSTRY

Horticultural crops in India are currently grown on more than 12 million hectares representing more than 7 percent of the country's total cropped area. Annual horticultural production is estimated at more than 100 million metric tonnes, which is over 18% of India's gross agricultural output. India is the third largest producer of fruits after Brazil and the United States, while its vegetable production is exceeded only by China. Mango, Banana, Citrus fruits, Guava and Apple account for 75–80 percent of the fruit production. India's major exports are fruit pulp, pickles, chutneys, canned fruits and vegetables, concentrated pulps and juices, dehydrated vegetables and frozen fruits and vegetables. The food processing sector has been

identified as a thrust area for development. This industry has been included in the priority lending sector. Most food processing enterprises have been exempted from industrial licensing under the Industries (Development and Regulation) Act, 1951, with the exception of beer and alcoholic drinks and items reserved for Small Scale Sector. For foreign investment, automatic approval is given even to 100 percent equity for majority of the processed foods.

THE KIND OF UNITS, WHICH HAVE COME UP, INCLUDE

Fruit and Vegetable – Beverages, Juices, Concentrates, Pulps, Slices, Frozen & Dehydrated products, Wine, Potato wafers/chips etc.

Fisheries – Frozen and canned products mainly in fresh form

Meat and Poultry – Frozen and packed mainly in fresh form, egg powder

Milk and Dairy – Whole milk powder, Skimmed milk powder, Condensed milk, Ice cream, Butter and Ghee

Grain and Cereals – Flour, Bakeries, Biscuits, Starch, Glucose, Cornflakes, Malted foods, Vermicelli, Pasta foods, Beer and Malt extracts, Grain-based Alcohol

Consumer Industry – Chocolates, Confectionary, Soft/Aerated Beverages/ Drinks

GETTING STARTED

An entrepreneur is a builder, one who sees an opportunity, sizes up its value, and finds the resources to make the most of it. Entrepreneurs are innovators introducing something new to the marketplace, putting a different spin on a product or a process. Starting any business is no easy task, and becoming a food entrepreneur is a special challenge. One has to prepare oneself for the hard work and dedication it takes to succeed in the food business.

BUSINESS REQUIREMENTS FOR FOOD INDUSTRY

Starting a food industry or business is not easy. Hundreds of food products are introduced each year in the market. A new product may be a brand, a line of products or an addition to the existing line of products. The initial and repeat purchase of the food item is the ultimate key to profitability. There are three basic questions that an entrepreneur needs to answer before he/she starts her journey into the food business. The three basic questions include:

- What is the entrepreneur's product?
- How will this product be processed and packaged?
- Who will be the ultimate consumer of the product/service?

Besides considering the above mentioned questions, the government requirements also need to be considered.

GOVERNMENT REQUIREMENTS

Both manufacturers and food service providers have to abide by certain regulatory laws in force at a given time consisting of:

- Proposed equipment listing
- Layout of the Facility
- Plumbing specifications
- Lighting specifications
- Source and storage of ingredients
- Processing steps
- Quantity control checks
- Food safety and sanitation training

LABELING REQUIREMENTS

Food label regulations are enforced by the Food and Drug Administration (FDA) and dictate the type of information that must be on the label and where the label can be placed on the package. Before getting the labels printed, one should make sure one has met all labeling requirements. Generally all food labels must contain the following items:

❖ Product identity

This consists of the contents of the package in common terms like apple jam, Mixed Fruit pickle etc. It must also include the form like sliced or whole.

❖ **Net Quantity**

The weight of the actual product in the package must be shown in grams. The weight should be rounded off.

❖ **Ingredient/Content list**

It includes all the items used in creating the product. Common names should be used. Food colouring and preservatives must be identified.

❖ **Name and Place of the Manufacturer/Packer/Distributor**

All relevant details should be included.

❖ **Universal Product Code**

Wherever applicable, a twelve digit numeral code which identifies a particular product must be specified. It also helps in inventory control and tracking sales.

MARKETING

Marketing is the act of communicating the existence of a product with all its benefits to the customers and convincing them want to buy it. The process of marketing is broken down into four elements known as the 4P's or the Elements of marketing. The 4 P's are:

Product: It has to be decided how the product will uniquely satisfy the customer's needs. This can be done through taste, conveniences, packaging, image, price, quality, source of ingredients, processing etc. The important things to consider in product development are:

- Quality Control
- Sourcing of ingredients
- Packaging
- Labeling
- Storage

PRICE

In the Food Industry, pricing decisions can be fairly complicated. Pricing can be set to position the product in the market place. It can determine the image of the entrepreneur's product, his company in the market place. When fixing the price, the following cost components need to be considered:

- Cost of ingredients/raw materials
- Cost of packaging and labelling
- Direct labour
- Cost of shipping
- Broker's commission
- Distributor's discounts
- Retailer discounts

Since cost of the goods sold and cost of marketing are incurred per unit of the product, they may be considered as variable costs. Any set of costs known as the Fixed costs which have no relationship with the number of units produced are:

- Rent
- Utilities
- Salaries
- Insurance
- Equipment

PROMOTION

This is also known as marketing communication. How will the customers get to know about the product and make them want to buy it? The entrepreneur has to communicate to his would be customers about the benefits of his products. The several tools used for promotion include product literature, advertisements in the media, Trade shows etc.

CUSTOMER

The entrepreneur must identify his target market specifically in the terms of who will actually buy or consume the product? This should include information about the lifestyle, attitudes, age, sex, family size, income, occupation, education, social class related to the customers. This information can be collected through product research by the way of taste tests at the festivals, social gatherings etc.

COMPETITORS

Once the entrepreneur knows who the target customers are, he should also find out what the alternatives are in terms of competitors. They may not offer the same product but their products may fulfil the needs and wants of the chosen customers either equally or better. Competition can be analyzed through trade publications or observation.

Once the different aspects related to product, government requirements and marketing have been taken care of, the next step is to develop a Business plan.

DEVELOPING THE BUSINESS PLAN

A business plan charts the current and future components of the business. It must capitalize on the company's assets while also maintain flexibility. It acts as the backbone of a business. It determines the viability of the business and its application in the selected markets. It guides the entrepreneur at three critical junctures which are as follows:

- It simplifies decision making during times of crisis
- It is the road map at points of indecision
- It is the motivational guide during set backs

The business plan helps the entrepreneur to carefully examine the prospective nature at its initial panning stage before a significant capital is invested.

DETERMINE THE RESOURCES NEEDED

The identification of resources need is of paramount importance. The resources are needed to identify, contact and establish a network with appropriate clients and vendors. Sufficient capital is required to sustain for a specific length of time, possibly one or two year period. The resources are needed in terms of financial requirements, technical skills and personal and networking contacts.

MANAGING THE BUSINESS

Managing the business consists of running the business, applying a specific management structure and style to any questions, difficulties and road blocks which may hinder the working of the food industry. Substantial time, money, experience and energy have been the pillars of setting up any business or an enterprise. The entrepreneur must invest in people,

operating procedures and information technology. Highly skilled workers from laid off companies bring with them years of experience and business skills. The entrepreneur may also need to look at the cash flow forecast consisting of the amount of cash coming in (receivables) and payout (payables) during each month.

ISSUES AND CHALLENGES FACING THE FOOD INDUSTRY

The Indian brands have yet to acquire an image in the international markets because of poor global marketing. Poor awareness of most of Indian agricultural produce, seed constraints and India's image and identity of a low quality, unreachable producer of food items ensure that Indian food items are not the most preferred ones. Financial institutions do not have the capacity to appraise hi-tech export-oriented projects. There are no suitable insurance schemes for such projects, most of which deal in export of perishables. In financing projects like high density farming, greenhouse floriculture, controlled environment livestock farming, bio-technology, tissue culture, embryo transfer technology, bio-pesticides and bio-fertilizer etc., the banks face considerable risk like credit risks. With new technology, the risk perception is higher than the existing one. Since it has not been tested in actual situations, the chances of failure of new technology are higher. For risk of rejection by consumer or by sovereign intervention foreign exchange risks, ECGC (Export Credit Guarantee Corporation of India) cover is available only in cases of insolvency/default of importers.

There is a growing disparity between the actual and potential results in the food industry, exposing the gulf between research and extension agencies. The sector is capital starved. Investments in infrastructure and research have been far

from adequate. The sector has been characterised by poor marketing, transport and communication infrastructure. The market density of fruits and vegetables is low and facilities for storage and cold chains in the

are inadequate. Erratic and inadequate power supply, lack of roads, education and health facilities and no or low rural industrialization enhance the problems. There is lack of integration of local markets with national and global ones to support faster and more diversified growth. Lack of maintenance of infrastructure because of limited and declining public resources and the absence of community involvement in the protection of community assets and poor cargo facilities at airports and ports are other bottlenecks. Infrastructure for extension of food technology is hampered. Moreover, there is lack of organised marketing system in meat and poultry products. The system is old, with primitive methods of sale of live birds or unhygienic slaughtered birds. A similar poor system exists in towns and small cities in the case of pork and pork products. Cooperatives and other semi-government organisations are weak and people's participation, either through Panchayat Raj institutions, NGOs, farmer organisations or industries' associations in food sector remains extremely inadequate. Multiple and complicated tax regimes have rendered the food industry uncompetitive. Regulations on the entry operations of private sector in trade, post-harvest facilities and food processing have restricted private sector investment in the agricultural sector. Then, the current land tenancy regulations have frozen the land-lease market and discouraged tenant farmers and share-croppers from investing in the land they till.

With the signing of the GATT and the coming up of World Trade Organisation, this sector is facing internal and external pressures stemming from policies of economic liberalisation. Although India is the largest producer of fruit and vegetables, their processing

has largely remained in primary forms like pickling, sun drying and/or making preserves. Commercial processing is rather poor. Indians largely prefer fresh fruit and vegetables over processed foods because of economic reasons and food habits. High packaging costs make them expensive. Since India has varied agro-climatic conditions, some products are available throughout the year. Fruits and vegetables like banana are non-seasonal, while apples, oranges, potatoes, etc. are put in the cold storages and made available in the off-season as well. Fruits like guavas and oranges have two seasons and so are available fresh almost half the year. Units registered under the Fruit Products Order, 1955, are distributed across the country and most are in cottage and small-scale sector. Liberalisation of the country's economic policies has attracted a few modern processing plants to produce mango pulp and tomato paste in aseptic packing and freeze drying of fruit and vegetables including mushroom. The policy has been supporting such options. Items already being produced in the country include, pulps, particularly of tomatoes and mangoes, ready-to-serve juices, canned fruits, jam, squashes etc, while carbonated fruit drinks, dehydrated and freeze-dried fruits, fruit juice concentrates are poised to pick up. There is varied potential for the demand of processed food.

India is among the world's major producers of food products. It ranks first in the production of cereals, livestock population and milk; is the second largest fruit and vegetable producer; and among the top five producers of rice, wheat, groundnut, tea, coffee, tobacco, spices, sugar and oilseeds. And yet, India's share in international food trade is less than two per cent. Value addition to food by processing is poor. This has encouraged a policy thrust on the sector and enlarged the Food Processing Industry Ministry's scope to promote it. It includes developing fruit/vegetable processing, food grain milling, dairy products and processing of poultry, eggs and meat products and fish, including canning and freezing. This is in addition to developing enterprises in bread, oilseeds, breakfast food, biscuits, confectionary, non-alcoholic beer and aerated drinks. While the Ministry supports investment in R&D and product development, the Agricultural and Processed Food Products Export Development Authority (APEDA) offers subsidy to upgrade laboratory facilities. The Development Commissioner of Small Scale Industries (DCSSI) offers subsidy for implementation of ISO systems in business.

DEREGULATION AND DECONTROL

The policy initiatives include an important incentive that industrial license is not required for most food processing enterprises, except for products like beer, potable alcohol and wines, cane sugar, hydrogenated animal fat and oils etc. and some items reserved for exclusive manufacture in the SSI sector, like pickles, chutneys, bread, confectionary, mustard, sesame and groundnut oil, ground and processed spices, other than spice oil and oleoresin, sweetened

cashew nut products and tapioca flour. Price controls have been removed. Automatic investment approval up to a certain percentage of foreign equity or cent per cent NRI equity is allowed for most of the sector, except in the case of malted food, alcoholic beverages, etc.

FISCAL INCENTIVES WITH ADDITIONAL ENCOURAGEMENT FOR EXPORT

Under this, excise and import duty rates have been reduced. Many processed food items are exempted from excise duty. There are limited-period tax incentives for new manufacturing units, except for beer, wine, aerated water using flavouring concentrates, confectionery, chocolate, etc. A high capital investment subsidy is available for new processing units. Food processing is one of the thrust areas identified for exports. Free Trade Zones (FTZs) and Export Promotion Zones (EPZs) have been set up with necessary infrastructure. Capital goods, including spares, can be imported at concessional customs duty, subject to export obligations under the Export Promotion Capital Goods (EPCG). Export-linked duty-free imports are

also allowed. Enterprises in EPZs and FTZs may retain a percentage of foreign exchange receipts in foreign currency accounts and a percentage of output is saleable domestically.

THE WTO AGREEMENT AND THE SECTOR

Trade liberalisation under the World Trade Organisation (WTO) is expected to improve scope for exports for the Indian food processing industry, while smoothening import barriers on inputs and making enterprises cost competitive. Enterprises will, however, need to improve safety and quality standards to reap the benefits of the new world order and avoid being penalised for nontariff barriers. They will have to progressively follow a food quality management system called Hazard Analysis and Critical Control Points (HACCP). Many developed countries have already made this mandatory. The seafood processing enterprises have already faced the brunt of related bans from importing countries asking them to implement the costly requirements. Be it with regard to the aflatoxin content in groundnut, lead in milk or sulphur in sugar, it is safer to meet the more stringent international norms. Quality, safety and health are the important considerations to be taken into account for the food enterprise of tomorrow.

IMPACT OF POLICY IN TERMS OF INTEREST RATES AND INCOME TAX ON THE STRUCTURING OF A PROJECT

Policy incentives in terms of investment subsidies and duty relief have an obvious impact on project viability. Policy-related variables, such as interest rates on term loans and the working capital, also affect project viability. Similarly do variables, such as income tax on profit or net earnings of an enterprise. These variables have serious implications on the structuring of a project in terms of debt or loan and equity in either 'fixed assets' such as equipment, land, and buildings or with regard to 'current assets' or working capital. The latter may imply cash, stock and receivables for credit sale. The structuring of a business in terms of capital basically involves decisions on the debt and equity mix. Policy variables also have implications on the structuring of costs.

PLANNING A SMALL-SCALE UNIT: WHOM TO APPROACH FOR WHAT

The speed with which one implements one's project is critical during these days of competition. If one has planned in advance and evaluated the resources required, the project will be implemented in the shortest possible time. The first step to initiate planning is to identify a suitable project.

PROJECT IDENTIFICATION

There are no set rules to identify a suitable project, though this is one decision on which the success of your entire venture hinges. So, hasty decisions should not be taken. Most prospective entrepreneurs tend to display the herd tendency and go for a project, which people have already ventured into. This is not a healthy attitude as success of one in a particular field does not guarantee success of the other. While identifying a suitable project, one should make a SWOT analysis of one's own strengths and weaknesses. The next step, after one has selected a project, is to collect all information about it. The most important information is about the potential market of the items one has selected.

PROJECT REPORT: A FORECAST PLAN

The entrepreneur will need to prepare a feasibility report about his project. A feasibility report will broadly contain:

SELECTION OF LOCATION: A VITAL DECISION

This is extremely important. Usually, small-scale entrepreneurs are found to have a predetermined location. The location should be decided according to the proximity to sources of raw materials, consumption centers, availability of infrastructure, necessary skills in surrounding areas and availability of incentives. Sometimes the requirements conflict with one another and a particular location may not match all. Such situations want the entrepreneur to balance out the requirements, while also ensuring that they do not affect the viability of the project. Experience shows most entrepreneurs attaching more importance to available financial incentives and ignoring other important aspects guiding the selection of the location. Such misplaced emphasis may run the project into unviability in the long run.

LAND AND BUILDING: MAKE CORRECT ASSESSMENT

Before assessing land requirements, one must draw up a plant layout based on the type of facilities proposed to be installed. Normally, the land should not exceed five to six times the built-up area; but it all finally depends upon the project. Land in excess of the requirement will block up funds, which could otherwise be utilised for productive purposes. The land should be free from any encumbrances and should be non-agricultural.

SELECT THE RIGHT MANUFACTURING PROCESS

Suitable manufacturing processes have to be identified for production. Some products may need a particular process depending upon raw material availability, the prices and the quality requirement of the end product.

GOVERNMENT FORMALITIES AND PROCEDURES

The process of planning also includes planning for execution of various government formalities. Though the government in the post-liberalisation era intends to reduce permissions/clearances to free the industry from bureaucratic controls, you need to clear specific formalities to avail certain benefits. The following formalities need to be considered for small-scale units:

i) SSI Registration: Required for the Records

Though SSI (Small Scale Industries) registration is not mandatory according to recent changes in the rules, it is advisable that one registers one's small-scale unit with the District Industries Centre (DIC) of the district where the project will be located. The government requires this registration to plan for future needs of the industry and it is important to register the enterprise.

ii) Acquisition of Infrastructure Facilities

If one plans to locate one's project in an industrial estate promoted by a government agency, one may apply for a built-up shed or a plot of land. One can start one's activities once the shed/plot is offered. If the plot has been allotted, one can start construction after the building plans are approved. The entrepreneur has to apply for power connection to the State Electricity Board and for water to the authorities concerned.

iii) Pollution Control Clearance: Obtain NOC or Consent

One should also apply for obtaining an NOC from the State Pollution Control Board (PCB). If one's unit is likely to be a pollution hazard or may discharge effluents, the PCB first issues an NOC with certain conditions to install facilities to check air or water pollution to specific levels. After the necessary facilities have been installed and they are satisfied, the PCB gives its consent to start operations.

iv) Constitution of the Business

One should decide on the organizational form of the enterprise like if it should be a proprietorship, partnership or a private limited company, according to the size of its operations and the degree of risk involved. In proprietorship, the gains and losses of the business rest with the proprietor, while in partnership, all the partners share the gains and the losses except the minor partners, who are exempted from bearing the losses. In a private limited company, the members take the gain or losses as per their holding in the company, for it is considered to be a separate legal entity. Once the business constitution is decided, one may undertake necessary formalities for registering the firm accordingly.

v) Arrangement of Finance for Fixed Assets and Current Assets

After taking these clearances, one may apply for a term loan either to a state level financial institution or a commercial bank, with a techno-economic feasibility report, including market survey, and all documentary evidence justifying the claim for the project being feasible. Once the loan is sanctioned, one may have to execute necessary legal documents mortgaging one's assets. The disbursement of the term loan usually starts after one has fulfilled all the conditions and also after 50 per cent of one's own capital is raised and invested in the project. The institutions generally disburse 75 per cent of the loan sanctioned on a matching basis. Thereafter, one should raise and invest the rest of one's contribution to stake one's claim for disbursement of the balance term loan. Simultaneously, one can also negotiate with your bankers to sanction the working capital requirements. The bankers would, however, consider the working capital loan only after the term loan is sanctioned. If one proposes to locate the project in developing areas eligible for state incentives, one will need to apply for registration and sanction with the state authority to avail the incentives. Only after the sanctions are given, one can start implementing the project.

vi) Government formalities need to be viewed in proper perspective

Experience shows that many people do not give adequate attention to complying with various government formalities. Utmost care should be taken in this connection during the planning stage itself, as in the case of ignorance the project implementation gets delayed and incurs cost deficits and sometimes derails the entire project. One must also be aware of the sequence of steps to be followed while planning a small-scale unit. There are no rigid rules, but experience reveals that nothing important will be missed if the sequence of steps is followed. Some activities can be handled simultaneously. The sequence may vary according to the needs and size of the project. One may decide basing on ground realities. Fine tuning of the project implementation activities at the planning stage will help in coordinating the resources appropriately in keeping with the project needs and avoid slippage in implementation and cost overruns.

CONCLUSION

New entrepreneurs must know where to go for a particular piece of information as this knowledge will help them avoid a lot of running around. For this, they must know clearly what they are looking for. Some may be completely ignorant, a few may know about marketing or production or finance, etc. The completely ignorant will require initial desk work and

discussions with knowledgeable persons like the Electronic data processing trainer, extension officers, businessmen, small-scale industrialists, etc. This will help in accelerating the process of enterprise establishment. Those with some knowledge will require specific information. It will be useful for them to list the various things to be completed to set up their enterprise. But government formalities will have to be completed by the entrepreneurs themselves. They can contact the concerned departments/offices for information. One should only retain the relevant information/data while collecting information. The Expert guidance will help in decision-making process. It will be useful to acquire first-hand information from institutions to get a clear picture of the entire exercise. Entrepreneurs are the ones who explore opportunities, observe the environment, gather resources, change ideas into viable business propositions and introduce new products and services to the society by bringing together and combining various factors of production.

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