CHAPTER V

FINDINGS AND SUGGESTIONS

5.1 Introduction

5.2 Findings of the Study

5.3 Suggestions of the Study
CHAPTER - V
FINDINGS AND SUGGESTIONS

5.1. INTRODUCTION

In this chapter, some of the findings of the study have been analyzed. These findings have related to the bakery industry particularly with respect to financial and marketing problems and other related aspects in general of Belgaum district.

The suggestions put forward are at the instance of some of the shortcomings that have been observed in the present study. These suggestions are intended to take prevention and remove the problems of the bakeries under study and can be used for other areas with similar problems.

5.2. MAJOR FINDINGS OF THE STUDY:

The main findings of the study are:

I. About General Aspects of the Study:

1) Belgaum is the southern west district of Karnataka. It is spread out with 3415 Square kilometer area and holds the fifth position in Karnataka State. The main rivers of the district are Krishna, Malaprabha, Ghataprabha and the small rivers are Dudh Ganga, Hiranyakeshi, Markandye, Mahadai, and Veda Ganga. As per the Census 2001 total population of the district is 42.07 lakhs and Density of Population per square kilometer are 314. In the district there is one bank for every 11000 people. Good educational facility is provided with sufficient number of Primary Schools, Colleges of Academics, Medical, Engineering, polytechnic, Professional, Law and education etc.
2). In the district rainfall is quite good. It is 763.6-mile meter. The water source of the district are through dams of Malaprabha, Ghataprabha, Hippargi Barrage project, Dudh Ganga Irrigation Project, Markandya Project, Harinal Project and Mahadai project. With good district planning many plans and programmes have been carried for removal of poverty and providing other facilities in the district, which is a good sign for development.

3). In Belgaum district there are 51034 Government employees and 41931 private employees working. All other basic amenities of railway, roads, transportation, airways etc. is provided. There are 611 large-scale industries of chemical, engineering, sugar, textile etc. and 25094 small-scale industries. For the year 2000-2001, the total income of the district through all the sources is Rs.343208 lakhs, which is the second highest position in the state. The per capita income is Rs.9127/-.

4). It has been observed that, in the district there are total 205 bakery units working. Out of these, 183 Proprietorship units, and 21 Partnership Units and 1 Co-operative Unit. Out of these 205 units total 100 bakery units have been taken for the present Study out of which 89 units are of Proprietorship Organization, 10 units are of partnership Organization and one unit is of Co-operative type of organization. It is observed that, all of the bakeries under study are of small-scale units and working on small, very small and many bakers continued this business as their family
business. There is one bakery for every 20523 people. It is indicative of the great potential of this industry for growth and expansion to new entrepreneurs in the district. It is also observed that, in the district there is only one co-operative unit but it is most successful unit.

5). It is found that, in the last two decades establishment of 47% bakery units in Belgaum district which is near to 50% of bakery units under study. It is due to increase in demand for bakery products on account of economic development of the country, increasing standard of living of the People, Modern culture education etc. Bakery units established prior to 1980 in earlier 8 decades are very less and trend was also very slow. Now a days there is lot of scope for establishment of this industry as there is a growing demand for bakery products day by day, increase in standard of living, working population, education and changing habits of the people etc.

6). Out of the total bakery units under study, about the religion of the Baker’s majority are Hindus i.e., 63%, and others include 23% Muslims 7% Jains and 5% Christians. It clears that in the study area major religion manages bakery industry in Belgaum district are Hindus and Muslims.

7). Education is considered quite essential, for the successful handling of any business. Hence, bakery industry is also no exception. The present study shows that, there are no baker’s in the district of illiterate. Where as 4% baker’s having post graduation qualification along with a special bakery business course, 19% Baker’s are degree holders, and 77% baker’s are having S.S.C./H.S.C. qualification.
8. It is found that, to start a new bakery unit it is necessary to register its name in the District Industrial Center (DIC) by all bakery units established in the Belgaum district. The city area bakery units who come under the purview of Municipal Corporation, or Municipality have to take permission from Municipal Corporation and Municipalities for starting bakery unit.

II About the Location and Layout of Bakeries Under Study:

Area of bakery premises is in between 500 square feet to 2500 square feet, which is the sufficient area as per their requirement. Out of the bakeries under study, 68% units are having owned property, 27% units are having rented property and only 5% units are having leased property. The factors for choosing the locations of bakery are nearness to the market, locality and availability of Property required. It is observed that all bakery units having rental property is of urban area. The area occupied, more or less is directly linked to the size of operations/volume of business.

III. About the Production of the Bakery Products:

1. Procurement of Maida flour required as main raw material for production of bakery products is from local market. The bakery units in Belgaum area and city obtain maida from flourmills situated in Belgaum. It is observed that in Belgaum there are many roller flourmills producing maida required for bakery industry. There is no Government quota or other source.
2. Mainly there are three types of the bakery products that are to be produced and sold by the bakeries in Belgaum district. They are Bread Items, Biscuit Items and Cakes. The variety of bread items that bakery units produce include mainly, Milk and Sandwich bread of 200 or 400 grams each pack, Plain and Sweet Bun Pavs, etc. Biscuit items consists of Khari, Nankatai, Jam, Coconut, Toasts plain and special, Butter plain and special, Julie, Cream etc. Cakes include mainly Birthday cakes and small cup cakes. Other special cake items include Copra cakes Slice Cakes and Fruitcakes. It is observed that, because of more demand only in city area for special products of Biscuits viz., of Jam, Toast plain and special, Butter plain and special, Julie, Cream and Cake items of Copra cakes, slice Cakes and Fruit cakes only bakery units of urban area produce these type of products. The daily production and sales of the bakery products is in the range of Rs. 500/- to Rs.35000/-. The total daily production and sales of bakery products under study is as given below:

* Bread Items - Rs.5,62,100/-  
* Biscuit Items - Rs. 87,858/-  
* Cakes - Rs. 65,942/-  

Total - Rs.8,15,900/-  

The range of Bread item is between Rs.300/- to Rs.28000/-, Biscuit item Rs.100/- to Rs.5000/- and Cakes Rs.100 to Rs.2500/-. It means that approximate. A daily sale of bakery products in Belgaum district is Rs.16.72 lakhs. It is observed in the study that, bakeries in Belgaum district produce as per market demand only and hence the production and sales are same.
3. Majority of the bakery units in Belgaum district are not maintaining the record of Stock of Raw materials and Cost Accounting Ledger. Only 31% bakery units were record stock of raw materials and do the actual cost calculation with a simple technique of cost statement, explaining elements of cost, which has been used to arrive at the product cost in general, and profitability in particular. With this it is proved that, hypothesis of the study is appropriate.

4. It is found that, yet use of old traditional Brick Ovens was highly famous among most of the bakery units. Most of the bakery units in Belgaum district in rural area and also in taluka area except few units have installed brick oven for production of bakery products. The reason is huge capital investment. Being a small-scale business operating units with minimum capital investment, it is non-economical to install other type of capital-intensive ovens like, Deck or electrical ovens. Out of the bakeries under study, 31% units have installed Deck oven operated by diesel also. There is a shortage and load shedding of current supply in Karnataka, which is a problem to the bakery units because diesel cost is more than the electricity cost.

IV. About the Labour:

1. Bakery industry units in Belgaum district under study provided for people employment opportunities. The range of number of workers is between 1 to 28. It is clear that being a small industry approximately bakery industry in Belgaum district has provided employment opportunities of .

2. It is observed that, 85% of the bakery units of Belgaum district under study are having up to 15 number of workers, of which 21% bakeries are having only
1-5 number of workers which are situated in rural area and few in urban area which are operating on small-scale basis and running the bakery units as a family business and most of all working men are family members only. Only 15% of the bakeries under study of which 10% bakery units are having 16-20 number of workers and 4% bakeries which are running in Belgaum city are having 20-25 number of workers which are working under shift system and 1% of the bakeries under study which is a co-operative unit having highest number of workers i.e. 28 which is a big bakery unit situated in rural area and operating in shift system.

3. The scale of pay being paid to each type of workers is different. It is in the range of Rs.500/- to Rs.3000/- per month. The method and bases of payment of wages is time wage both daily and monthly. It is observed in the study that, the payment of wages to unskilled workers is very less.

4. It is observed that, the normal working hours of the units under study is in the range of 8 to 12 hours per day. Out of the units under study 15% units are working on shift. It is observed that, working hours of the bakery units in Belgaum district is more than normal working hours.

5. Apart from normal wages and salary, every year at the time of Dasara festival all bakery units of Belgaum district pay bonus to all workers. It is observed that in the form of fringe benefit workers get every year only bonus.

V. About the Financial Aspects of the Study:

1. The present study reveals that, the fixed capital investment made is minimum Rs.50000/- and maximum Rs. 30,00000/-. It includes investment on
land and building, bakery furniture sales counter expenditure, bakery machineries, tools and equipment's, oven construction cost and delivery vehicles etc. The study also reveals that, the investment made by city area bakery units is more than rural units as they are bigger than rural units. The total capital investment in the study area by the bakery units under study is Rs.5, 76,08000/- at the end of the year 1998-1999. It is clear that, with a minimum capital investment a bakery unit can be started i.e., with Rs.50000/-. However it is observed that the bakery units with minimum capital investment in the range of Rs.50000/- to Rs.610000/- are 69 units who produce bakery products with traditional method, old technology and traditional items.

2. With regard to sources for accumulation of fixed capital requirements, it has been observed that, all bakery units have contributed owned capital through assistance taken from own family members or friends and relatives etc. 68% units have taken bank and credit society loan, 11% of the units have obtained loans through Government schemes and 1% co-operative unit has obtained fixed deposit apart from contributing owned capital. It is clear that bakers in Belgaum district were not shown any interest to get financial assistance from either Karnataka State Financial Corporation or from any other development banks.

3. The study reveals that, the working capital requirement per day for the bakeries under study is minimum Rs.1000/- and maximum Rs.50000/-. The total working capital requirement per day of all 100-bakery units under study is Rs.9, 27, 500/- in the period 1998-1999. The requirement of working capital of the
bakery units is mainly linked to the size of business operations. It is also found that, Working capital is required for meeting day today obligations of the bakery units. It is mainly required for the purchases of raw materials, payment of wages and salaries, selling and distribution expenses, and other office expenses for smooth functioning of business operations without any problems. Other requirement of working capital is for the payment of repairs and maintenance of the bakery machinery, delivery vehicles, ovens, rent for premises for units having rented property, electricity bill, telephone bill, water bill, advertisement expenses etc.

4. As regards to sources of accumulation of working capital requirement it has been observed that, 28% of the bakery units use only owned capital brought from own family members. 68% bakery units source of working capital is banks and credit societies. 2% bakery units take loan from chit funds (Bhisi) at 3% to 5% rate of interest. It is revealed that, most of the working capital required is fulfilled through owned capital. It is observed that bakery units of rural area, ie. 2% units take loan from chit funds, which is not proper in these days as easy credit facility from banks and credit societies is available.

5. It is observed that, only 31% of the bakeries under study have raised long-term loan and other remaining units raised short term and medium term loans. Most of the bakery unit’s ratio of Owned capital to Debt capital is approximately 1:1, which is an indication of sound financial position.
6. It is observed from the present study that, entire sales of the units under study are on cash basis only. In rural area only 10% units provides one or two days credit. It is very good system for smooth cash flow.

7. Opinion of the Bakers regarding the problems for raising required capital are: a) There is no any special provision by the Government for financial assistance, b) No Provision of financial assistance at low rate of interest from banks and for getting bank loans many formalities of producing documents is required, c) Very few people will get benefits of Government schemes. It is observed from the opinion of bakers of Belgaum that, there should be liberal credit facility from banks with minimum formalities of producing necessary documents, financial statements etc., and as and when financial assistance is required at right time banks should sanction the loan.

8. Profit margin of the bakery industry in Belgaum district is 8% to 12%. It is 10% to 12% on bread items, 8% to 12% on biscuit items and cakes. The daily profit of 100 bakery units under study in the period of 1998-1999 is as given below:

\[
\begin{align*}
&\text{i) Bread items} & -\text{Rs. 95500/- per day} \\
&\text{ii) Biscuit Items} & -\text{Rs. 22500/- per day} \\
&\text{iii) Cakes} & -\text{Rs. 10500/- per day} \\
\hline
&\text{Total} & -\text{Rs.128500/- per day}
\end{align*}
\]

The total annual profit of the bakery units under study is Rs.2, 97,80,120/-. 

9. Only 21% of the units under study use computers and 31% units maintain cash book ledger and final accounts. Most of the bakery units are not maintaining records. It is observed that the use of computers is mainly for accounts and office purposes.
10. The sales tax is only on biscuits and cakes. On bread only turnover tax of 1% is there. Out of the units under study only 33% units pay sales tax. It is revealed that, most of the units are not paying sales tax. If it is observed from the production and sales, most of all bakeries have to pay sales tax but they are avoiding it by showing less sales than actual as they are also not maintaining records of sales, accounts etc.

11. With regard to payment of income tax study reveals that, only 38% units under study Paying income tax.

12. Expectations of the bakers about financial provision for bakery industry. There should be special Government Schemes of financial assistance to bakery industry as a food industry and small-scale industry. On subsidy basis there should be Quota System of quality Raw materials from Food Supply Department at reasonable price. The rate of interest on loan should be lower. Less formalities from the Banks to take loans. The availability of subsidy from Karnataka Industrial Center about 25% of fixed Capital investment is on machines and equipment's only. So, it should be on total capital investment.

VI. About Marketing Aspects of the Study:

1. Marketing of the units under study area has become consumer oriented. It is revealed from the study that, there is no separate marketing department. In the study it is also revealed that, the proprietors or partners own will visit different places in the area for capturing market area for getting more
market for the bakery products and a manager of a co-operative unit will do the same.

2. Marketing system as a channel of distribution in Belgaum district is in two ways: One is a direct sale through own sales counters/showrooms or production centers; and another is direct sales to retailers/wholesale users. The main customers of the units under study are, direct consumers who purchase from separate sales counters or production centers and the retailers/wholesale users to whom direct delivery will be made by all the units under study. The wholesale users include hotels and messes, hospitals, cinema hall centers, canteens of schools, colleges, hostels, mini Wada pav and snack centers, street vendors who purchase in bulk quantities and in rural area grocery shops and pan shops stand good main customers. It is found that bakers themselves or their assistants make direct delivery of bakery products daily.

3. It is observed that, most of the bakery units under study (i.e. 78%) are having area coverage of the market up to local level or taluka level. Only 22% of the bakery units are having area coverage of the market up to district level or state level also. Hence, it is clear that, most of the bakery units of Belgaum district are having their market in the local area only and a minor percentage i.e. 22% bakery units are having their market at district level or at state level area.

4. With regard to marketing policy it has been revealed that, most of the bakeries under study prefer mainly to improve the quality of products by giving special
attention to the likes and dislikes of the customers, appropriate pricing policy, expand the market for products etc. It reveals from the study that, bakers are well aware about the marketing policy and want to achieve more in future also.

5. It was found that, cycles, two wheelers, three wheelers, and four wheelers were being made use by the units under study for making delivery of bakery products. It is found that in rural area and taluka area most of the bakers having very small scale business operations make delivery of bakery products to customers by cycles or two wheelers. Bakery units of urban area having more business operations and a co-operative bakery unit situated in rural area are having three wheelers and also four wheelers for transportation of products to customers.

6. Most of the bakery units in Belgaum district i.e. about 83% do not prefer advertisement as the sales promotional activity. Only 17% units advertise bakery products through media of mainly local newspapers and other media’s such as cable TV, Cine slides and radio.

7. It has been observed that, only 22% units have followed the policy with respect to product planning and development. Majority of 78% units carry the production with conventional design and taste. They had only a particular class of customers of particular area.

8. Following marketing problems have been observed from the study:

   i) Facing the competition in respect of price of the products. Most of the bakery units in Belgaum district do not have a well defined pricing
policy. Only 31% units do the actual cost calculation. The selling price is to be fixed either at the normal competitors price or more or less than the normal competitors price.

ii) Lack of transport facility of the small units of rural and taluka area who make delivery of goods by cycles. It is observed that, it is not possible them to have vehicles as per requirement due to non-economical

iii) Expectation of customers for credit facility. It is found that wholesale users and retailers are demanding one-week credit facility. Presently most of the bakery units make sales on cash basis only and 10% units provide one or two days credit facility. If credit facility is provided as per expectations of customers their will be problem for maintaining smooth cash flow and requirement of working capital will also be more.

iv) Production is as per market demand only but some time at slack season in the period of festivals like Dasara, Diwali and Crismus etc. there will be loss of products being perishable within a short period especially bread items.

v) For maintaining good relations with customers and creating market for the products expert manpower is essential. However it is observed that, there is shortage of expert manpower for above purpose and also for production purpose.
VII. OTHER INFORMATION:

1. It has been observed that, for starting a new bakery unit or for expansion, Government subsidy of 25% of the total fixed capital investment made is available.

2. It has been observed that, bakery industry is under the purview of many acts but most of the bakery units under study avoid the applicability through direct or indirect ways.

3. It has been found that, in Belgaum district there is no Bakers Association at district level.

4. It has been found that, in the opinion of the most of the bakers of Belgaum district reason for choosing bakery business by the baker's under study are; a) Bakery business is very good and profitable business as well as better than service. b) Continued bakery business as a family Business. c) Chosen bakery business due to availability of factors of production.
5.3. SUGGESTIONS OF THE STUDY:

Researcher made the following suggestions:

1. Raw materials like maida, sugar, oil, eggs etc. forms important ingredients of the bakery products. Maida is required at large quantities. It is strongly suggested that, Government should take necessary initiative step by issuing licenses, for procuring quality maida from Food Supply Department at reasonable price. It is also suggested that, Food Corporation of India may set up a central monitoring cell and state-wise warehouses where different grade of wheat variety is stored separately and supplied to the roller mills in the state for supply of graded maida flour to the bakery units as per requirement.

2. The Bakery Development Board functioning under the Union Ministry of Food Processing may undertake promotion of modern bakery technology through regional exhibitions as well as organizing regional level workshops and seminars on various issues of bakery technology, hygiene and sanitation, quality standards and other aspects of bakery industry.

3. It is suggested to all the bakers that, they should not avoid the applicability of many acts such as; minimum wages act, Factory act, Sales tax act, profession tax act and income tax act etc.

4. State Ministry of Finance has levied 12% sales tax on biscuits and cakes with a surcharge of 5% and 1% turnover tax on all bakery items i.e., bread, biscuits and cakes. But now a days bakery products become essential part of the daily food of all class of people. In this context it is suggested that, state Government should withdraw turnover tax of bread and sales tax rate on biscuits and cakes is be to be reduced to some extent.
5. As bakery industry is having wide scope for growth and development, contributes for national economy, provides employment opportunities and day by day demand for baked food is increasing; Government should pay attention towards this industry with concrete policy to establish bakery units under schemes of Jawahar Rojagar Plan etc. and it has to ask unemployed educated prospective young generation to go for bakery business.

6. For enhancement of bakery business, state is advised to encourage the opening of institutions through the Agriculture University or Technical Education Department at the district level or at the university level for starting new courses of bakery technology and management. In Gujrat already Agriculture College, Anand conducts such courses. It is also suggested that, Food Technology Department should conduct regular part time or full time bakery technology reorientation in local regional language.

7. Presently Society of Indian Bakers, New Delhi conducts many seminars and conferences in Delhi, Mumbai, and Bangalore etc by calling many national and international experts in the field of bakery industry and technology on various matters of bakery industry. It also playing a significant role by benefiting the Indian bakery industry by publishing informative and educative literature in the form of journal i.e., ‘Indian Baker’. It is advised that, such seminars and conferences on recent developments in bakery technology, problems of bakery industry, short term training programmes for bakers as well as manpower working in bakery industry in different states in regional languages as per requirement of bakery units should be organized by the Society of Indian Bakers, New Delhi.
8. It is advised to bakers of Belgaum district that, there is a lack of trained and skilled manpower for the bakery industry so, present unskilled workers should be sent for short term bakery courses e.g., courses like Agricultural College, Anand, Gujrat.

9. Besides maintaining up to date statistics about the industries in the district, issuing permanent registration Certificate etc., District Industries Center (DIC) should also play important role between individual units, Government departments/ agencies and development banks for providing necessary guidance to the bakery industry units about Government policy, guidelines and other required information.

10. State should take proper initiative in directing the commercial banks for introducing liberal credit facilities at reasonable rate of interest for enhancement of small-scale units like bakery units.

11. Financial success of any business unit is possible if management manages efficiently working capital management. Presently most of the bakery units make sales on cash basis only. If credit facility is provided as per expectations of customers their will be problem for maintaining smooth cash flow and requirement of working capital will also be more. Hence, instead of fulfilling the demand of credit facility it is better to provide quality products as per demand of the customers at reasonable price with some more profit margins.
12. Adoption of Modern Bakery technology: Every bakery unit should more aware of latest technological developments in raw materials, production processes, new machineries packaging, likes and dislikes of consumers etc. If bakery units consider these, it is possible to produce quality products and satisfy the consumer’s needs.

13. It should be made compulsory for the bakeries to maintain proper record of cost, maintenance of accounts, sales made etc. It is necessary because most of the bakeries will come under the purview of sales tax and income tax by which Government revenue will be increased.

14. It is observed in the study that the working hours for the workers in Belgaum district are 10 to 12 hours, which is inhuman and also legally void. So, it is advised that, the Government machinery should try to stop this type of exploitation.

15. Co-operative movement in the Belgaum district is in many - agro based industries like sugar, textile, banking, milk processing etc. However in bakery industry yet there is only one unit established on co-operative basis, which is the most successful unit in the district being situated in rural area. In this context, considering the suitability of the environmental factors there is vast potential for establishment of co-operative bakery units. Those who are in the co-operative movement are advised to take cognizance of this and establish bakery units on co-operative basis.
16. The competition in respect of price is to be avoided by doing actual cost calculation and fixing the selling price. The fixation of selling price at the normal competitors or less than it is not proper method. For avoiding this and for developmental activities for the sake of the bakery units, it is strongly advised to the bakers of Belgaum district that, there should be a Bakers Association at the district level.

17. It is suggested to all bakery units in Belgaum district that, depending upon the product mix of individual unit the four P’s of marketing mix i.e., product, place, promotion and price, are to be assumed distinctly unique importance. So it is suggested that, every bakery unit should work out a feasible of more result oriented marketing management policy in consultation with marketing experts, after undertaking a careful marketing SWOT analysis (Strength, Weaknesses, Opportunities and Threats) of the present and future trend for bakery products.

18. For product planning and development it is advised for change of method of production with modern technology so that quality of the products can be improved.

19. It is suggested to the entrepreneurs who want to start bakery unit and bakers of Belgaum district that, they should take financial assistance from the sources like Karnataka State Financial Corporation and other development banks available to small-scale units. So, it is not necessary to depend only upon bank finance or private finance.

*****