CHAPTER III
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THE PROBLEM AND METHODOLOGY

THE STATEMENT OF THE PROBLEM:

Kolar district is mainly an agriculture oriented economy. Nearly eighty per cent of the people depend on agriculture for their livelihood. The peculiar conditions like large population, unemployed and under-employed work force, lack of avenues of employment in rural areas adequately, inability of agriculture sector to absorb and provide the means of livelihood to the entire working force of the rural areas have necessitated the development of non-farm sector to draw away surplus labour force from agriculture to various industries. In addition to this, the problem of unemployment is closely associated with the problem of poverty.

Kolar district in spite of being endowed with agricultural resources, has not developed industrially. Absence of adequate incentives and concessions, lack of entrepreneurship and industrial awareness among the people of the district are the
main reasons for this industrial backwardness. Hence the district has been categorised as a industrially under-developed. The rich dividends derived from agricultural resources have not been invested in industries. Therefore, the industrial progress achieved by the district is not significant.

The industry in the district do not have wide base and are not of much diversified in nature. The trend of setting up of diversified and modern industries has yet to set-in the district. The industrialisation by and large confined to a few taluks of the district. It has been observed that lack of capital, trained manpower and entrepreneurship have kept these areas outside the purview of incipient industrial development in most of the areas in the district.

In this context, the development of agro-based industries in multi-dimensional way appears to be an appropriate solution of the problems. Taken the form of industries in decentralised way would create reducing the imbalances and accelerates the process of balanced development between one region to that of another in Kolar district. Further, agro-based
industries are seen as source of generating employment for rural people and enhancement of rural income.

The agro-based industries are expected to play a role particularly in the context of removal of poverty, reduce disparities in income and bring down the regional imbalances.

The industries in rural areas would be accelerated to generate higher per capita income for the villages without disturbing the ecological balances. These industries would receive greater attention to achieve a faster rate of growth in the villages.

These industries suited for the better utilisation of local resources and for the achievement of local self-sufficiency. This sector would assist in the growth and widespread dispersal of industries.
persons has resulted in the economic betterment of the region. The setting up of a agro-based industrial unit involves only low investment, low gestation period and simple technology. It attracts a large number of entrepreneurs to set up different kinds of agro-based industries in the district.

Many existing agro-based industries in the district are suffering from various drawbacks. They are based on traditional method and most of these industries are operating by hand particularly sericulture-based industries and others in general and they do not have modern machines.

Financial problem is also very crucial for the development of agro-based industries in the district. The existing commercial banks and other financial institutions relatively neglecting about the financing for the establishment of agro-based industries. The government has failed to identify the existing sick agro-based industries in the district and recommending to financial institutions for progress of these units satisfactorily. Indeed, the mobilisation of adequate financial resources at reasonable rates of interest is another reason which
hampered the growth of agro-based industries in the district.

Many prospective industrial entrepreneurs in the district do not have proper direction and suitable guidelines which are most necessary for the management of existing agro-based industries and establishment of these industries to avoid wastage. Present development process is unplanned.

The above problems need a comprehensive strategy to promote agro-based industries in the district. This could be done through proper plan as the planned economy always contributes for the development.

Thus, it is necessary to have an in-depth research on agro-based industries of the district. It could be possible from the study to find out problems of the agro-based industries and suggest policy measures in promoting ABIs. The study intends to bring out economic importance of agro-based industrial units in the area under study and thereby it attempts to encourage the development of such industrial units in the backward areas and it tries to create growth impulse in the weak taluks of the
district in order to achieve balanced economic development. Hence our efforts were directed to work out the suitability to set up the agro-based industries.

From the foregoing analysis it has been found that Kolar is predominantly an agriculture district. The resources available for the industrial development are only agricultural raw materials. Therefore, there is a vast scope for the development of agro-based industries in the district.

OBJECTIVES:

The overall objective of the present study is to make an economic analysis of agro-based industries in general and to make an in-depth study of Kolar district of Karnataka state in particular. The specific objectives of the study are as follows:

1. To analyse the factors influencing the concentration, nature and type of management of agro-based industries;
2. To examine the capital and cost structure of agro-based industries;
3. To study the employment level and structure of agro-based industries;
4. To understand the availability of raw materials for agro-based industries in the area concerned;

5. To analyse output and marketing of agro-based industrial products;

6. To examine the problems faced by the agro-based industries in the study area; and

7. To suggest suitable remedial measures to overcome these problems.

HYPOTHESES

Based on the above objectives, the following hypotheses have been formulated:

1. The size of capital in an agro-based industrial units is low.

2. Raw materials constitute the larger component of cost in agro-based industries.

3. Agro-based industries generated more employment opportunities.

4. The contribution of capital per manday employment in agro-based industries is comparatively small.

5. Agro-based industries are labour intensive industries.

6. Agro-based industries obtain raw materials directly from the producers.

7. Annual turnover of agro-based industries is limited.

8. Agro-based industrial units sell their products in the local markets.
METHODOLOGY:

With a view to achieve the above objectives and to prove hypotheses set out above, the following methodology is worked out.

SELECTION OF STUDY AREA:

Kolar district has been selected for the purpose of an in-depth study and to make an economic analysis of the same. For the purpose of primary data collection, five taluks have been chosen. They are viz., Sidlaghatta, Kolar, Chintamani, Bangarpet and Mulbagal.

The rationale behind the selection of these taluks was to spread out the importance of agro-based industries in other parts of the district and also Karnataka State. Another important factor in the selected blocks is to generalise the view of agro-based industries and their working.
PURPOSE OF THE STUDY:

The main purpose of the present study is to outline the operational condition of agro-based industries in Kolar district. This would help in forming a generalised view of agro-based industries and their working in Kolar.

Agro-based industrial units are very much varied in their nature, type of management, capital and cost structure, employment level and structure, availability of raw materials and production and marketing of their products and also problems faced. The present study has been undertaken to examine these industrial units and their specific problems individually and thereby functioning of agro-based industries is better understood.

SAMPLE DESIGN AND ITS SIZE:

For drawing sample units from the universe, a three-stage random sampling design has been followed. In the first stage, agro-based industrial units located in the district have been identified on the basis of information available at district industries centre (DIC). In the second stage
certain taluks/blocks have been identified randomly from the selected district. And in the third stage, among the selected taluks/blocks certain villages where these industrial units were located have been chosen for primary data collection.

Accordingly, Kolar district has been selected for the purpose of study. In the district there are 11 taluks/blocks. Five taluks have been selected randomly for intensive study. They are Bangarpet, Chintamani, Kolar, Mulbagal and Sidlaghatta.

In all five taluks/blocks a sample of 201 agro-based industrial units have been surveyed. For the sake of convenience these sample units have been classified broadly into nine categories. These industries are: 1) Rice Milling, (21 Nos) (2) Flour Milling, (21 Nos) (3) Silk reeling, (77 Nos) (4) Oil Milling, (15 Nos), (5) Decorticating of groundnuts (27 Nos.) (6) Manufacture of bakery products, (18 Nos.) (7) Manufacturing of juice, (8 Nos.) (8) Manufacturing of gur, (5 Nos) and (9) Beedi manufacturing units (9 Nos.). In all, 201 units have been selected for data collection.

Note: Nos given in the parenthesis indicate the samples surveyed in respective categories.
SOURCE OF DATA:

In the present study both primary as well as secondary data have been used. The secondary data were collected from various published sources such as Agro-based and Food Processing Industry in Kolar District, Karnataka At A Glance, Kolar District At A Glance, Karnataka’s Economy In Brief, Index numbers of industrial production in Karnataka and Statistical Abstract and also other various periodicals and books of different periods.

For the purpose of collecting primary data, a field survey was conducted with the help of a detailed Interview schedule. The schedule includes mainly factors influencing the concentration of agro-based industries, nature of agro-based industries, type of management, capital and cost structure, employment level and structure, availability of raw materials and problem faced by the industry, production and marketing of agro-based industrial production. Moreover, the researcher visited personally samples of agro-based industries to get more insight about working conditions of the units.
REFERENCE PERIOD:

The study covers a period of 15 years commencing from 1881-82 to 1995-96 and the agro-based industrial units established during this period have been selected. For this purpose the field survey has been undertaken during the year 1996-97.

STATISTICAL TOOLS AND METHOD OF ANALYSIS:

The data was analysed with the help of various statistical tools such as percentages, averages and linear regression employing the techniques of Cobb-Douglas production function. The Tabular method analysis was extensively used.

Linear regression using the techniques of Cobb-Douglas production function was done for analysis of capital, employment and output. A detailed method of analysis has been explained in the last part of Chapter V.
LIMITATIONS OF THE STUDY:

The present study has certain limitations in collecting data from the respondents. The owners of industrial units are not in the habit of maintaining accounts. Even for the data pertaining to number of workers employed, total production earnings etc., we could get only approximate figures.

The study confined only for a limited area and certain categories of agro-based industries selected in the study area.

The collection of primary data took 7 months beginning from 15th September 1996 to 15th April 1997. Due to seasonal nature of the selected agro-based industries, the data were collected during the season only. The collection of data from agro-based industrial entrepreneurs involved much time and physical strain. Many of them thought that the interviewer was from some government department to enquire about their records. With this fear, a majority of the entrepreneurs refused to be interviewed. This was more so in the case of the entrepreneurs of rice milling, oil milling, manufacturing of beedies and silk reeling. The data
could be obtained only after three to four visits and/or with the help of letters from my supervisor and also letters from persons of acknowledged social status and reputation. However, with patience and sincerity, the researcher collected the needful information from the respondents of the units.

IMPLICATIONS OF THE STUDY:

An in-depth study of agro-based industrial units would help in unravelling the problems inhabiting the growth of these industries and finding solution for them. An examination of capital structure and output would be helpful in the endeavour of the finding way for making agro-based industries viable and progressing, hence they fulfil the goal of employment and income generation.
DEFINITIONS OF THE KEY CONCEPTS:

Some of the concepts used in the study are defined as under:

1. CAPACITY
   Capacity means the maximum level of production of the item that can be attained in a year on single shift (or two/three shifts basis if the process is a continuous one depending on the technologies involved) with the available machinery and equipments and/or labour (and not the capacity for consumption of raw materials).

2. CAPACITY UTILISATION:
   This is a part of capacity which is utilised by the unit during the year and expressed in terms of percentage.
8. CAPITAL STRUCTURE: The Capital structure is generally described in terms of the composition of fixed capital and working capital of an industry.

7. PERENNIAL UNITS: The Industries which operate throughout the year are defined as perennial units.

8. SEASONAL UNITS: Such units which only operate a part of the year are defined as seasonal units.

9. BACKWARD AREAS: Backward areas means areas which are declared backward by Central government or State Government for the reasons like non-existence of large or medium scale industries, hilly, zero industries district eligibility for central
investment subsidy, confessional finance etc.

10. JOB WORK:
Job work means a part of manufacturing process like milling, shaping etc., undertaken by a unit on behalf of another unit on payment basis.

11. EMPLOYMENT:
Employment is comprised of own account workers, direct workers, or contract/casual employees which contribute in the process of production or services. Employment is directly related to the factor of production viz, 'Labour'.

12. WORKERS:
The term 'workers' includes all persons employed for the factory and engaged in work connected directly or indirectly with the manufacturing process. It
also includes working proprietors and their family members who are actively engaged in the work of the factory in any capacity.

13. WAGES: The term 'Wages' includes all remuneration capable of being expressed in monetary term and also payable more or less regularly in each pay period to workers. It comprises basic wages and salaries, payments of overtime, dearness, compensatory, house rent and other allowances.
CHAPTER I

Introduction, need for development of agro-based industries, the meaning and concepts of agro-based industries, classification of agro-based based industries and implication of agro-based industries.

CHAPTER II

Review of literature, classification of review of literature, role of agro-based industries in rural economy, agro-based industries, employment and wages, agro-based industries capital structure, an assessment and research gaps.

CHAPTER III

The problems and methodology, the statement of the problem, objective, hypothesis, methodology, selection of study area, purpose of the study, sample design and its size, source of data, reference period, statistical tools and method of analysis, limitation of the study, implications of the study, definition of key concepts and chapter scheme.
CHAPTER IV

Profile of the study area, introduction, location, area, topography, administration, soil, climate and rainfall, demographic features, occupational pattern of population, literacy, infrastructure, industrial profile and resource profile for development of agro-based industries.

CHAPTER V

Economic analysis of agro-based industries, concentration of agro-based industries, nature of agro-based industries, type of management, investment structure of agro-based industries, cost structure of agro-based industries, employment level and structure, raw materials, production and marketing of agro-based industrial production and regression analysis of agro-based industries employing the techniques of cobb-douglas production function.

CHAPTER VI

Major findings, summary and conclusions and recommendations.