CHAPTER VI
CHAPTER VI

MAJOR FINDINGS, SUMMARY AND CONCLUSIONS AND RECOMMENDATIONS:

Major findings, summary and conclusion and recommendations have been presented on the basis of the analysis made in this chapter.

Major findings:

The following are the major findings of the study that have been identified by analysing data collected from the field survey of agro-based industries in Kolar District.

Most of the agro-based industries such as flour milling, silk reeling, oil milling and decarding of groundnuts are concentrated based on the availability of raw materials and industries like manufacturing of beedies and manufacturing gur units are based on cheap labour force (Table 5.1)

Manufacturing of beedies, flour milling, oil milling, rice milling and silk reeling units have
been observed to be working permanently. The seasonality in the working of manufacturing of gur, juice and decar dicating of groundnut units are governed by the availability of raw materials. The average working days of such units have been found to be 270 mandays (Table 5.2).

Most of the agro-based industrial units are organised as the sole proprietorship and they are managed by the proprietors of the industries themselves (Table 5.3).

The size of the capital in an agro-based industrial unit has found to be low. The total minimum capital of agro-based industrial units varies from Rs.11,000.00 to Rs.21,000.00 and maximum to Rs.5,00,000.00. The proportion of fixed capital to total capital is found to be high. Obviously, working capital forms a small part of the total capital. As a result, not only their capacity utilisation is low but also they are unable to produce more (Table 5.4).

Bulk of the own capital (about 53.73 %) is managed by the entrepreneurs. Where as the availability of finance from the Government agencies
and other financial institutions like banks is inadequate. Therefore, most of the entrepreneurs have to borrow from the private money lenders to meet their requirements (Table: 5.5).

The major problems faced by the agro-based industries in obtaining capital are non-cooperation and corruption, official delay, lack of witness and guarantee and high rate of interest. The most important ones among them are capital (55.72%), Non co-operation and corruption (28.37%) and official delay (12.43%) (Table 5.8).

Raw materials constitute the larger components of cost (36.59%) in all agro-based industries, followed by wages and salaries (14.13%), electricity, repairs and maintenance and depreciation. Similarly, industry-wise, the average cost of raw materials form the major portion and it is in terms of per centage, it varies between 78 and 41. Whereas the average cost of other variables like wages and salaries, electricity are with lower per centage but are of next importance in order (Table 5.7).
The average worker per unit of agro-based industrial units is about 12. Industry-wise, silk and beedi industries provide more employment opportunities with an average worker of 17 and 13 respectively (Table 5.8).

About 40 per cent of the workers get employment for a period of more than six months in a year. The proportion of permanent workers ranges from 23.29 per cent of workers in decorticating of groundnuts to 92.20 per cent in manufacturing of bakery products whereas permanent employment workers are altogether absent in the manufacturing of gur industry. The proportion of female workers both in silk reeling and beedi industries is significant in relation to other industries. Similarly child labour also found to be larger in these industries only (Table 5.9 and 5.10).

58.22 per cent of the total workers come under the wage group of Rs. 700-1000 and workers earning more than Rs. 2000.00 a month is insignificant (Table 5.11)
The fixed capital requirements per worker in agro-based industries is very low. The contribution of capital per manday employment in these industries is comparatively very small. The ratio of employment in factory is higher in all agro-based industries (Table 5.12 and 5.13).

Agro-based industries obtain raw materials directly from producers, followed by local markets, commission agents, consumers and others states. Most of these industrial units purchase raw materials from the whole sale dealers or producers. Majority of the agro-based industries purchase raw materials in cash (Table 5.14, 5.15 and 5.18).

Most of the agro-based industries have reported that lack of finance and irregular availability of raw materials are major problems in obtaining raw materials (Table 5.17).

The annual turn out for most of the agro-based industries is not high. The output level for most of the agro-based industries is between Rs.20,000.00 and Rs.50,000.00 (Table 5.18 and 5.19).
A good majority of the agro-based industrial units sell their produce in the local markets for immediate disposal and are selling their products directly to the consumers. They, usually, follow two norms viz., cost plus system and prevailing markets prices, in fixing of their produce (Table 5.20, 5.21 and 5.22).

Competition from other products, lack of transport facilities, inadequate of storage facilities, high cost of product, Government regulations, low quality and heavy taxes have been reported to be the major problems that agro-based industries have to confront with while marketing their produce (Table 5.23).

Non-availability of adequate and regular supply of electric power is one of the foremost operational problems confronting most of agro-based industrial units. It is followed by lack of adequate finance, irregular supply of raw materials and demand (Table 5.24).

Linear regression analysis was employed to examine functional relations of agro-based
industries in respect of capital, employment and output.

It has been found that agro-based industries would provide more employment to labour and labour significantly contributes to output in all industries. The mandays of employment and total output have been found to be positive and significant in all agro-based industries and capital contribution to employment is too small (Table 5.25).

Summary and conclusion:

In developing economies like India, more than two-third of the population live in rural areas and their main occupation is agriculture. The most important economic problem facing the country is unemployment, particularly disguised unemployment, and this problem is becoming increasingly acute day by day in spite of the planned efforts to tackle it.

The increase in unemployment has been mainly due to the increase in the labour force unmatched by a similar increase in employment opportunities.
This fact highlights the vital importance not only of checking of population growth but also of expanding employment opportunities by means of rapid industrialisation.

At present, the number of unemployed persons in the country is estimated to be substantial, more than 40 million, and with the problems being faced by the industries, the situation is likely to become very serious indeed. The most serious problem in India, therefore, seems to be our inability to utilise, to the fullest possible extent, our manpower resources. A planned and well thought out development of agro-based industries of various type, therefore, seems to be the most effective long term solution of the problem.

The development of agro-based industries has assumed crucial importance in the economic planning and progress of the country because of the defects in the spatial and structural aspects of our economy, the conspicuous feature of which has so far been the concentration of industries in a very few regions and that too in a few urban centres.
Agro-based industries are linked with agricultural activity and have, consequently an inherent tendency towards decentralisation and dispersal.

The development of a network of agro-based industries in districts like Kolar may be expected to not only result in rapid industrial development but also to reduce the inequitable distribution of both income and economic opportunities in different parts of the district and among different sections of the population in the districts.

The agro-based industries assume paramount significance. They are the cornerstone of the economies of the district, for they strike deep roots in indigenous economic environment, and it would not be rational to consider them merely as a hangover of traditionalised ideology.

It is necessary, therefore, that at least an important part of the development effort should bypass the big cities and be directly concerned with the creation of an agro-based industrial structure in rural and small towns areas.
The major problem of a developing economy is high demographic rate, which is the main cause for the existence of both open and disguised unemployment. The existence of open unemployment is due to the fact that the growth of employment opportunities is not adequate enough to absorb the net addition to the labour force year after year following the growth in population.

The disguised unemployment in agriculture is due to the over crowding of people who cannot find gainful employment elsewhere. Hence, the solution of both unemployment and disguised unemployment lies in accelerating the development of agro-based industries.

The development of agro-based industries on massive scale in rural areas is essential for bridging up the widening gap between rural areas and urban areas, for checking the growth of urban areas at the cost of rural areas and also provide a solution to problems like widespread poverty, unemployment and under employment which are undermining the basic foundation of the society
which is limping under the burden of social tension, class conflict and mental distract.

In the chapter on review of literature, it is found that there is not much review work done in so far as economic analysis is concerned and they are macro level studies. It may be necessary but not sufficient to provide the framework for policy formulation. As such, micro level studies are required to throw sufficient light on policy prescription.

To understand the important role played by agro-based industries in providing employment in rural areas and bringing about an improvement in rural economy, Kolar district has been selected for the study with sample size of 201 agro-based industrial units.

In Kolar district availability of land is not a scarce factor unlike in Bangalore and some other industrially progressive places in the state. It is also important to note that there is adequate
infrastructure required for the development of agro-based industries.

The state is rich in various kinds of food and cash crops, horticultural crops and sericultural resources. This has got a vast potential for the development of agro-based industries.

Agro-based industries as a whole in the state account for more than two-third of total industrial units and one-fourth of industrial employment. This shows that these industries occupying a very important place in the industrial map of Karnataka particularly in Kolar district.

After having analyzed the macro picture of economic analysis of agro-based industries, the micro investigation has been attempted in respect of factors influencing the concentration of agro-based industries, in the area under study and their nature, type of management, capital structure, cost structure, employment level and structure, availability of raw materials, output and marketing and problems faced by these industries in the area concerned.
A notable feature of agro-based industries is seasonality. The seasonality in the working of these industries is governed by the availability of raw materials. The permanent industrial units also do not function all the days in a year.

Agro-based industries have a simple organisational structure and they are generally run under ownership and private management. They have not been found using sophisticated techniques of production. The important point here is that the capital required for agro-based industries is small and it consists of a very high fixed capital. Another notable point of agro-based industries is that they are labour intensive and have low capital intensity.

It has been found from the foregoing analysis that agro-based industries are confronted with a number of problems such as poor financial base, non-availability of raw materials, marketing problems, inadequate power supply, lack of transport facilities and non-co-operational attitude of the Government.
It can be concluded that the employment generating capacity of these agro-based industries is mainly depending upon the proper encouragement. This could create a conducive atmosphere in rural areas, which could develop rural entrepreneurship and relieve the pressure on agricultural sector gradually. In addition, the central and State governments should also come forward to provide liberal financing, sound marketing and research support to these agro-based industries with a view to popularise the growth of industries and their products among the people living in rural and urban areas. Thus, agro-based industries could play a greater role in adding to our National output and in generating employment and income that go a long way to ensure the welfare of economically retarded sections of the rural economy.

RECOMMENDATIONS:

On the basis of analysis made, a few recommendations may be put forward for smooth and accelerated development of agro-based industries in the district of Kolar in particular and in Karnataka in general.
It has been observed that agro-based industries have immense potentialities of generating employment opportunities.

The development of agro-based industries stimulates agricultural development, strengthening the process of mutual development of agriculture and industry. It, therefore, ensures all-round prosperity in rural areas of Kolar district providing solutions to problems like poverty, unemployment and inequalities. As such agro-based industries should be developed in a massive way in the study area.

Agro-based industries are not getting sufficient financial assistance from KVIC, Commercial banks and other financial institutions at the rural areas. Most of the agro-based industries are badly in need of working capital.

It is recommended that arrangement of adequate finance at easy terms and conditions is absolutely essential for smooth growth of agro-based industries in Kolar District. Attempt should be made to ensure adequate availability of institutional finance to agro-based industries and its flow should be simple.
and quick in order to free them from the clutches of private moneylenders. Arrangement may be made to deliver institutional finance at the location of an industrial unit.

It has been found that cost of production of agro-based industries in the study area was high. It is suggested that a reduction in cost of production and thereby an increase in the working efficiency of agro-based industries is possible only through an improvement in the management.

However, in most of the cases, it has been found that entrepreneurs do not have full knowledge of different details which affect management efficiency. They are even not able to maintain various accounts properly. Accounting in some case, is absolutely lacking. In this connection, it is recommended that an attempt may be made to train entrepreneurs in these areas so that they are able to manage their units efficiently.

It is also suggested that the level of employment in an agro-based industry could be
further increased only with a heavy increment in capital investment.

The labourers of agro-based industry are getting low wage rates previously in the rural areas. It is mainly because of ignorance of the workers and lack of knowledge of the trade unions. Hence, the Government must formulate suitable wage policy to the workers and in allotting the industries, proper guidelines and instructions must be given to the owners in regard to the payment of wages.

It has been found that most of the producers are wasting their time, energy and money in procuring the raw materials from other districts and other parts of the country and also some time from abroad.

It is suggested that the Government should purchase the raw-materials directly from the producers, various agencies, other states and even from International agencies and supply them regularly at reasonable price to agro-based industries through their own departments.
Adequacy and equitable distribution of indigenous and imported raw materials would ensure the better capacity utilisation and regular production.

The capacity of the existing agro-based industrial units can be enlarged by providing more capital machinery and training, by upgradation of the existing units. They could employ more people which may, in turn, increase total output and income of the people. But finding shows that majority of them have not been able to utilise their capacity to maximum extent. As such, it may be recommended here that they may be given suitable economic incentives like subsidy, working capital component of loan on easy instalment with low rate of interest.

As regarding marketing, an attempt must be made by the Government in collecting the relevant data with regard to number of products engaged in the trade, the volume of arrivals and the market value of products. The Government can open more fair price depots in big villages, towns, taluks and at district levels, where the agro-based industrial products could be collected and disposed off at controlled prices. The producers could be paid once in a week and during some period even advance
payments could also be paid, to enable them to take active participation in producing goods. It also suggested that Government could set up the marketing organisations and other agencies to market the agro-based industrial products which will immediately help the producers.

It has also been found that inadequate power supply is another problem faced by the agro-based industries in the study area. Besides, there are frequent interruptions in power supply owing to inadequate power supply. As a result agro-based industries have to go for diselisation which rise the cost of production and erode their resource base. Hence, it is suggested that the Government should supply sufficient electricity for agro-based industries in the study area.

Agro-based industries have also to face the problem of inadequate and costly transportation which hinders their efficient operation. Attempt should be made to provide easy, cheap and adequate transportation facilities to agro-based industries in Kolar district both for procuring raw materials and for making of their products.
The recommendations suggested above, if implemented sincerely, can ease out the problems of agro-based industries and help their development to a large extent. What is required the most is a positive approach on the part of the Government and the financial and other institutions towards the growth of agro-based industries.

In brief, it may be concluded that the setting up of agro-based industries in or around all the taluks of Kolar district will transform the rural economy completely and improve the standard of living of the rural masses.