

CHAPTER - 6

PROBLEMS IN THE GROWTH OF AGRO INDUSTRIAL UNIT

(I) IDENTIFICATION OF BENEFICIARIES

There is mixed reactions among agro-industrial entrepreneurs with regard to the selection of beneficiaries (Table 6.1). It is seen from the field data that out of the 50 sample units, 35 units i.e., 70.0 per cent of the total agreed that the selection of entrepreneurs by DIC was proper. On the other hand, 15 units i.e., 30.0 per cent of the total units informed that selection of beneficiaries by DIC was not proper. To them proper procedure was not followed in the selection of entrepreneurs. Political pressure and the presence of vested interest group mostly guided the selection of beneficiaries. Furthermore, in the selection of entrepreneurs by DIC, the agencies like DRDA, commercial banks, and Small Industries.

Table 6.1**PROBLEMS REGARDING THE SELECTION OF ENTREPRENEURS BY DIC**

Category	No. of Units	No. of Units who agree that selection of entrepreneur is proper	No. of Units who do not agree that selection of entrepreneur is proper	Selected and established units as approved by DIC	Selected but did not establish units a per approval of DIC
Category-I	20 (100.00)	14 (70.00)	6 (30.00)	16 (80.00)	4 (20.00)
Category-II	14 (100.00)	10 (71.43)	4 (28.57)	13 (92.86)	1 (7.14)
Category-III	10 (100.00)	67 (70.00)	3 (30.00)	7 (70.00)	3 (30.00)
Category-IV	06 (100.00)	4 (66.67)	2 (33.33)	5 (83.33)	1 (16.67)
Total	50 (100.00)	35 (70.00)	15 (30.00)	41 (82.00)	9 (18.00)

SOURCE: COMPILED FROM FIELD DATA.

Development Corporation etc. where not associated; nor their opinions were sought at any stage.

Categorywise, the problem of improper selection of beneficiaries was pointed out more by entrepreneurs in category IV. They accounted for about 33.3 per cent of the total. They are followed by entrepreneurs belonging to category I and III who accounted for about 30.0 per cent each of the respective totals. They even pointed out that there were some beneficiaries, whom they knew, were not selected inspite of the fact that they fulfilled all the conditions of eligibility.

It is further revealed form the field study that nearly 41 entrepreneurs i.e., 82.0 per cent of the total agreed that they had established units which were approved by DIC. On the other hand, 9 entrepreneurs i.e., 18.0 per cent of the total confessed that they had established units which were contrary to the selection made by DIC. As for instance one of the entrepreneurs who was originally asked to establish a sweetmeat unit. Lack of prospect of the agricultural implement unit in the locality was cited as one of the causes for its abandonment. There are several such examples in different localities. Categorywise this type of phenomenon was more pronounced in category I followed by category III units.

(II) RAW MATERIAL

One of the main problems faced by agro-industrial entrepreneurs is non-availability of raw materials in adequate quantity and in time. Inadequate and irregular supply of raw

materials hinders the growth of enterprises. It is seen from Table 6.3 that nearly 40 out of 50 units i.e., 80.0 per cent of the total, considered it as the chief bottleneck. Only 10 units i.e., 20.0 per cent of the total did not consider it as a major problem.

Those entrepreneurs who considered lack of supply of raw material! as a problem offered several reasons for that. Nearly 9 out of 40 units i.e., 18.0 per cent of the total agreed that the supply of raw materials was inadequate and untimely. About 8 units i.e., 16.0 per cent of the total complained about the poor quality of the raw materials. Similarly 7 units i.e., 14.0 per cent of the total informed that the cost of raw materials was very high. Nearly 10 units i.e., 20.0 per cent of the total agreed that absence of storage facilities in the locality mainly prevented them to procure raw materials in bulk quantity.

Table 6.2**CATEGORYWISE DISTRIBUTION OF UNITS CONSIDERING RAW MATERIAL AS A PROBLEM**

Category	Total No. of Units	No. of Units considering it as a problem	No. of units not considering it as a problem	Reasons for ration problem				Others	
				Quantity of supply of rate materials is inadequate and untimely	Poor quality of rate materials	high cost of rate materials	Look of store of materials		Lack of finance
Category-I	20 (100.00)	17 (85.00)	3 (15.00)	4 (20.00)	2 (10.00)	4 (20.00)	3 (15.00)	5 (25.00)	-
Category-II	14 (100.00)	11 (78.57)	3 (21.43)	3 (21.43)	1 (7.13)	2 (14.29)	1 (7.13)	3 (21.43)	-
Category-III	10 (100.00)	8 (80.00)	2 (20.00)	2 (20.00)	3 (30.00)	-	2 (20.00)	1 (10.00)	-
Category-IV	06 (100.00)	4 (66.67)	2 (33.33)	-	2 (33.33)	1 (16.67)	-	1 (16.67)	-
Total	50 (100.00)	40 (80.00)	10 (20.00)	9 (18.00)	8 (16.00)	7 (14.00)	6 (12.00)	10 (20.00)	-

SOURCE: COMPILED FROM FIELD DATA.

Categorywise, lack of finance as one of the causes for inadequate purchase of raw material was felt mostly by entrepreneurs belonging to category I and II. They admitted that the supply of raw material was also untimely. On the other hand, entrepreneurs belonging to category III pointed out that the supply of raw material by dealers was of poor quality. The problem of storage of raw materials was acutely felt by entrepreneurs belonging to categories I and III.

(iii) **FINANCE**

Finance is an essential input for the development of agro-industries. Out of 50 sample units, 32 units i.e., 60.0 per cent of the total considered this as one of the chief bottleneck. On the other hand, about 18 units informed that it was not a problem with them. They constituted about 36.0 per cent of the total (Table 6.3).

Among those who considered finance as a problem, 11 units i.e. 22.0 per cent of the total, informed that the supply of finance was inadequate and untimely. Similarly, 7 units i.e., 14.0 per cent of the total, agreed that they failed to receive finance from banks and other agencies due to rigid loan policies and cumbersome credit procedures. On the other hand 5 units, i.e., 10.0 per cent of the total, informed that there was delay in the sanction of loans by banks and other credit agencies. The gap between the submission of application and final sanction of loan was large. Even they confessed that they had to run several times to get the loan sanctioned by banks and DIC. Although no categorical reply was received with regard to

the amount spent for getting the loan sanctioned, yet some of them confessed that they had to incur some amount for the purpose. The problem of receiving subsidies was mostly felt by 3 units i.e. 6.0 per cent of the total. The problem of high rate of interest as a constraint was pointed out by 5 units i.e., 10.0 per cent of the total. The argued that when the cost of production in all fronts were rising, this high rate of interest charged by banks and other credit agencies had the effect of adding further fuel to the fire.

Category wise, the problem of finance was considered as a major problem by category I units, followed by category III units. In these two categories there were 8 units and 5 units respectively. They constituted about 40.0 per cent and 50.0 per cent respectively of their totals. It is further seen that the problem of inadequate and untimely supply of finance was faced by almost all category of units. The problem of rigid loan policies and cumbersome procedure, though was faced by all categories, yet it was more pronounced in the case of category I and IV units.

Table 6.3**CATEGORYWISE DISTRIBUTION OF UNITS FACING FINANCIAL PROBLEM**

Category	No. of Units	No. of Units considering it as a problem	No. of units not considering it as a problem	Problems of Finance					Others
				Inadequate & untimely supply	Delay in the sanction of loan	Rigid cumber- some procedure & formal- ities	Statistics not re	High rate of interest	
Category-I	20 (100.00)	12 (60.00)	8 (40.00)	4 (20.00)	1 (5.00)	3 (15.00)	1 (5.00)	2 (10.00)	1 (5.00)
Category-II	14 (100.00)	10 (71.43)	4 (28.57)	3 (21.44)	2 (14.28)	1 (7.15)	2 (14.48)	2 (14.28)	-
Category-III	10 (100.00)	5 (50.00)	5 (50.00)	2 (20.00)	2 (20.00)	1 (10.00)	-	-	-
Category-IV	6 (100.00)	5 (83.33)	1 (16.67)	2 (33.33)	-	2 (33.33)	-	1 (16.67)	-
Total	50 (100.00)	32 (64.00)	18 (36.00)	11 (22.00)	5 (10.00)	7 (14.00)	6 (12.00)	5 (10.00)	1 (2.00)

SOURCE: COMPILED FROM FIELD DATA.

(IV) LABOUR

There is also the problem of labour. Nearly 17 units i.e. 34.0 per cent of the total, agreed that they had some labour problems. On the other hand, this was not considered as a problem by the other 33 units i.e., 66.0 per cent of the total. (Table 6.4).

Among those who considered it as a problem, they cite several reasons for the existence of the problem. As many as 5 units i.e., 10.0 per cent of the total, informed that labourers employed in units were mostly unskilled and untrained. Dearth of trained and skilled workers to handle agro-industrial activities in the locality was mainly responsible for this. Similarly, 4 units i.e., 8.0 per cent of the total, confessed that they had employed more of women and children in their units. The reason given by them was that the employment of such labourers was cheaper for them as their supply in rural areas was largely available due to the poor economic condition of rural people. Furthermore, since women and child labourers were prepared to work at a wage below the prescribed minimum wage rate, it was convenient for them to employ such labourers by ignoring the official directive of minimum wage rate. These labourers are mostly found engaged in coir units and food processing units. Three units i.e., 6.0 per cent of the total agreed that the supply of labour was seasonal. After harvest, the supply of labourers was increasing and under this situation they were forced to retain them in their units although many of them had no real work in the units.

Table 6.4**CATEGORYWISE DISTRIBUTION OF UNITS FACING LABOUR PROBLEM**

Category	No. of Units	No. of Units considering it as a problem	No. of units not considering it as a problem	Reasons for Labour Problem					Others
				Labourers are unskilled and lack of training	Seasonality in labour supply	Labourers mostly consist of women & child	Low wage rate	Inconvenient working conditions	
Category-I	20 (100.00)	9 (45.00)	11 (55.00)	3 (15.00)	2 (10.00)	2 (10.00)	1 (5.00)	1 (5.00)	-
Category-II	14 (100.00)	14 (42.86)	8 (57.14)	2 (14.29)	1 (7.14)	2 (14.29)	-	1 (7.14)	-
Category-III	10 (100.00)	2 (20.00)	8 (80.00)	-	-	-	-	1 (10.00)	1 (10.00)
Category-IV	6 (100.00)	-	6 (100.00)	-	-	-	-	-	-
Total	50 (100.00)	17 (34.00)	33 (66.00)	5 (10.00)	3 (6.00)	4 (8.00)	1 (2.00)	3 (6.00)	1 (2.00)

SOURCE: COMPILED FROM FIELD DATA.

They were doing this in order to keep them in good humour for getting their continued availability all the time. This was one of the reasons for low wage rate of the workers. In busy season, the labourers were mostly engaged in agricultural activities and during this period the entrepreneurs used to face acute scarcity of labour. About 3 units i.e., 6.0 per cent of the total however, confessed about the poor working condition prevailing in their units, but they tactfully discarded the issue by saying that the units were non-hazardous in nature and hence the labours faced on health hazards.

Category wise, the problem of unskilled and untrained labourers was mostly experienced by entrepreneurs engaged in category I and II units. The problem of women and child labourers was also faced by the same units. The problem of inconvenient working condition was experienced by units belonging to category I followed by category III.

(V) **TRANSPORT**

Transportation system is the controlling factor for rural development. For the effective mobilization of rural resources and rational distribution of goods and services it is very essential. The main aim of the transportation system is to increase mobility. It develops

human interaction and linkage in the entire hinterland. The development of effective marketing system is impossible in the absence of proper transportation system in any terrain. In the Lucknow district there is a network of various means of transport such as rail and roads. 1. About 66 villages are joined by railway out of 918. One hundred and seventy nine villages have been joined by pucca road , one hundred and eighty seven by kutchra roads and nineteen by kutchra / pucca roads.

Transport bottleneck is one of the major constraint faced by agro-industrial entrepreneurs. Out of the 50 sample units, nearly 14 units i.e., 28.0 per cent of the total, have considered this as a major problem. On the other hand, about 36 units i.e., 72.0 per cent of the total have not considered this as a problematical issue. (Table 6.5).

Table 6.5**TRANSPORT PROBLEM IN DIFFERENT CATEGORIES OF AGRO-INDUSTRIES**

Category	No. of Units Selected	No. of Units considering it as a problem	No. of units not considering it as a problem	Causes of Transport Problem			Others	
				Units not having their own transport vehicles	Limited no. of transport vehicles	High transport cost		Absence of govt. transport facilities
Category-I	20 (100.00)	7 (35.00)	13 (65.00)	2 (10.00)	1 (5.00)	3 (15.00)	1 (5.00)	-
Category-II	14 (100.00)	5 (35.71)	9 (64.29)	1 (7.13)	-	2 (14.29)	2 (14.29)	-
Category-III	10 (100.00)	2 (20.00)	8 (80.00)	-	-	1 (100.00)	-	1 (10.00)
Category-IV	6 (100.00)	-	6 (100.00)	-	-	-	-	-
Total	50 (100.00)	14 (28.00)	36 (72.00)	3 (6.00)	1 (2.00)	6 (12.00)	3 (6.00)	1 (2.00)

SOURCE: COMPILED FROM FIELD DATA.

The units who considered absence of transport facilities as a major bottleneck, offered several reasons for the problem. Most of the units confessed about high transport cost charged by private transport operators for the movement of raw materials and finished products. Nearly 12.0 per cent of such units complained about the existence of high transport cost. On account of this, the overall production cost of the firms were exhibiting a rising trend. Some of the units i.e., 6.0 per cent of the total agreed that their transport problem was due mainly to the fact that they had no transport vehicles of their own. Since they depended upon private transport operators, they had to face high cost of transport. Absence of government transport facilities was considered as one of the major factors by another 6.0 per cent of units.

Categorywise, the problem of transport was more acutely faced by category I units, followed by category II units. In category I, nearly 35.0 per cent of the units faced the severity of transport problem. In category II, the problem was considered to be acute by 35.71 per cent of the units. In category III only 2 units i.e., 20.00 per cent of the total considered transport as a major problem.

For all the categories, high cost of transport charged by private operators was the major issue. Next to this cause, was the issue of the absence of any public transport facilities in rural areas where agro-industries are located. (Fig – 6.1 & 6.2)

(VI) POWER AND TECHNOLOGY

Power is an essential input for industrial development. This is true also for agro-industrial development. It is revealed from Table 6.6 that out of 50 sample units, 33 units i.e., 66.0 per cent of the total categorically mentioned that power shortage was their major problem. It is only in the case of 17 units i.e., 34.0 per cent of the total shortage of power was not considered as a problem.

The pattern of population distribution in a space is primarily governed by the natural, social, demography, economic and historical factors which vary in degree and level of development.

These factors disturb the homogeneity of the population over the landscape . It has been correctly said that population distribution is a dynamic process which is everchanging and cause and effect vary in time and space. Further, the economic characteristics of an area directly influence the population pattern through the resource – nexuses and the nexus of economic interchange . These two nexuses jointly refer to the environmental as well as spatial systems In shaping the pattern of population distribution which may be clearly visualized with the help of a suitable map.

Demography structure is the most important element of geographic study. Man stand at the apex of the science of geography and two base points of the triangle are cultural and physical aspects.

Table 6.6**POWER PROBLEM IN DIFFERENT CATEGORIES OF AGRO-INDUSTRIAL UNITS**

Category	No. of Units Selected	No. of Units considering it as a problem	No. of units not considering it as a problem	Reasons for Power Problem					Others
				Irregular supply	Low Voltage & break-down	Poor Maintenance & repairing of transformers	High Tariff	Leakages by un-scrupulous users	
Category-I	20 (100.00)	14 (70.00)	6 (30.00)	7 (35.00)	3 (15.00)	1 (5.00)	2 (10.00)	1 (5.00)	-
Category-II	14 (100.00)	8 (57.14)	6 (42.886)	5 (35.72)	1 (7.14)	1 (7.14)	1 (7.14)	-	-
Category-III	10 (100.00)	7 (70.00)	3 (30.00)	3 (30.00)	2 (20.00)	1 (10.00)	1 (10.00)	-	-
Category-IV	6 (100.00)	4 (66.67)	2 (33.33)	3 (50.00)	-	1 (16.67)	-	-	-
Total	50 (100.00)	33 (66.00)	17 (34.00)	18 (36.00)	6 (12.00)	4 (8.00)	4 (8.00)	1 (2.00)	-

SOURCE: COMPILED FROM FIELD DATA.

Among the units, who considered power as a major problem offered several explanations for the same nearly 36.0 per cent of the units agreed that the supply of power to their units was irregular and fluctuating. Another 12.0 per cent of the units complained about low voltage and frequent breakdown of power supply. Likewise, about 8.0 per cent of the units further complained about the poor maintenance and repair of transformers by GRIDCO. The problem of high tariff of electricity was also raised by another 8.0 per cent of the units. According to them the high tariff of electricity particularly affected adversely the new and nascent agro-industries. Similarly 2.0 per cent of units confessed that shortage of power was due to the leakages from the mainline by unscrupulous users.

Categorywise, the problem was faced by almost all groups of industries. The problem was, however, acute in the case of the category I units followed by category II units. Percentage wise 70.0 per cent of the category I and 57.14 per cent of the category II units seriously felt about the shortage of power. (Fig – 6. 3)

Among the causes, almost all the adversely affected units in different categories pointed out about the irregular and erratic supply of electricity as the main cause. Poor maintenance and repair of transformers installed in rural areas was also considered another important factor for fluctuating power supply to agro-units. The problem of high tariff of electricity was acutely felt by category I units followed by category II and III units. They confessed that this high tariff would not have been a problem for them had there been a

regular supply of electricity to their units. They considered this problem as the crucial problem.

It is seen from the field study that most of the agro-industrial units had used traditional technology. Use of the improved technology was limited in most of the units. Unless technological upgradation takes place, it would be difficult for the units to complete with others.

Table 6.7 that out of 50 sample units, the use of traditional technology was in vogue in the case of 21 units i.e. 42.0 per cent of the total. In the rest 29 units i.e., 58.0 per cent of the total, there was the application of improved technology.

Units which used traditional technology had offered several explanations for their preference. Nearly 18.0 per cent of such units admitted about the lack of finance as one of the factors preventing them from undertaking up gradation of technology. Another 16.0 per cent of the units confessed that the scope of using improved technology was very limited in their units like grain processing and flour processing units. About 4.0 per cent of the units revealed that they had no information nor guidance encouraging them to go for improved technology. Similarly 2.0 per cent of units pointed out about the non-availability of improved technology in form of machineries, tools and equipments in the locality in spite of their preference for the same. Some of the entrepreneurs who had adopted improved technology admitted that they

had to procure the developed machines and instruments from far-off places like Ahmedabad, New Delhi and Calcutta at a high cost.

Category wise, traditional and improved technologies were found to be used in almost all categories of units. Units which used traditional technology, however, had mentioned about the limited scope of using improved technology in their units. Some of these units are found in almost all categories except category IV, where the technology used was itself improved one.

Table 6.7**CATEGORYWISE DISTRIBUTION OF AGRO-INDUSTRIAL UNITS BY TECHNOLOGICAL PROBLEM**

Category	No. of Units Selected	No. of Units using traditional technology	No. of Units using Improved technology	Reasons for low technological upgradation					Others
				Limited scope	Lack of capital	Technology not easily available	Information & guidance lacking	Ignorance & lack of awareness	
Category-I	20 (100.00)	10 (50.00)	10 (50.00)	4 (20.00)	3 (15.00)	1 (5.00)	1 (5.00)	1 (5.00)	-
Category-II	14 (100.00)	5 (35.71)	9 (64.29)	2 (14.29)	3 (21.42)	-	-	-	-
Category-III	10 (100.00)	3 (30.00)	7 (70.00)	2 (20.00)	-	-	1 (10.00)	-	-
Category-IV	6 (100.00)	3 (50.00)	3 (50.00)	-	3 (50.00)	-	-	-	-
Total	50 (100.00)	21 (42.00)	29 (58.00)	18 (16.00)	9 (18.00)	1 (2.00)	2 (4.00)	1 (2.00)	-

SOURCE: COMPILED FROM FIELD DATA.

(VII) MARKETING

Effective Marketing is a pre-requisite for the successful functioning of agro-industrial units. Marketing helps industrial units to increase their sales turnover and to increase their sales turnover and to increase the profitability of the enterprises. Marketing is also essential to gauge the potential demand of the prospective buyers. This has further the advantage of helping the agro-industrial entrepreneurs in making necessary changes in production function to meet the growing demand of the market. It is seen from Table 6.8 that as many as 22 out of 50 sample units i.e., 44.0 per cent of the total considered marketing as a major problem. On the other hand, 28 units i.e., 56.0 per cent of the total did not consider it as a serious problem.

In the rural areas generally market days differ from place to place. Most of the sellers. Move from place to place on the days fixed for each . Convenience of local sellers and buyers stands at the top in fixing the days and time of the markets. In some cases it is seen that on the same days at the places markets are held in the morning while at other places in the afternoon . This is again to facilitate the people two participate in selling and buying in these markets. Here the standard of the people plays a very important role. Most of the rural buyers are below the poverty line hence they have very little money to spare. The daily wage – earners can make purchases for a day or two only. They have there own limitations. In the same way some sellers have very little capital to invest. They sell there articles in the markets and with that money they purchase other articles of their need.

Table 6.8**CATEGORYWISE DISTRIBUTION OF AGRO-INDUSTRIAL UNITS FACING MARKETING PROBLEM**

Category	No. of Units Selected	No. of Units considering it as a problem	No. of Units not considering it as a problem	Causes of Marketing Problem					
				Lack of publicity & Adv.	Lack of transport	Competition from other producers	Poor packaging	No. govt. agency involved in marketing	Others
Category-I	20 (100.00)	7 (35.00)	13 (65.00)	1 (5.00)	1 (5.00)	2 (10.00)	1 (5.00)	2 (10.00)	-
Category-II	14 (100.00)	8 (57.14)	6 (42.06)	2 (14.29)	1 (7.14)	1 (7.14)	2 (14.29)	1 (7.14)	1 (7.14)
Category-III	10 (100.00)	6 (60.00)	4 (40.00)	-	-	3 (30.00)	-	2 (20.00)	1 (10.00)
Category-IV	6 (100.00)	1 (16.67)	5 (83.33)	-	-	1 (16.67)	-	-	-
Total	50 (100.00)	22 (56.00)	28 (56.00)	3 (6.00)	2 (14.00)	7 (14.00)	3 (6.00)	5 (10.00)	2 (4.00)

SOURCE: COMPILED FROM FIELD DATA.

Among the units who considered marketing as a problem, offered several reasons for that. 7 units i.e. 14.0 per cent of the total complained that their problem in marketing was due to the presence of outside competitors who sell products in the local market at cheap prices. This problem is mostly faced by units like coir, readymade garments and food processing units etc. Similarly 10.0 per cent of units complained that the problem of marketing was more acute due to the absence of any governmental agencies handling especially agro-industrial products. About 6.0 per cent of the units confessed that their problem of marketing was the result of poor packaging. Non-availability of packaging materials in the local market and excessive dependence on outside market for the same greatly affected their marketing prospects. On accounts of poor packaging the units very often failed to get good prices of their products. Another 6.0 per cent of the units, however, ascribed the reason for poor marketing to inadequate publicity and advertisement. In one hand they are ignorant of the several medias available for publicity, on the other, high cost of publicity and advertisement also prevented them from undertaking publicity. Among other reasons absence of transport facilities and delayed payment of dues by borrowers and firms were also considered as important factors.

Categorywise, the problem was acutely felt by category II units. Nearly 57.14 per cent of the units, pointed out that they had positively experienced the problem of marketing. Next to them are the category I units followed by category III units. In almost all categories, the issued of competition from outside manufacturers was considered as the most important problem affecting their marketing prospects.

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