CHAPTER - VIII

CONCLUSION AND SUGGESTIONS

In this chapter, an attempt is made to integrate various threads of the analysis developed in earlier chapters pertaining to different aspects of ABI and its overall impact on Saurashtra's economy. This chapter is divided into various sectors.

VIII.A. MAJOR FINDINGS

VIII.A.1. Findings related to spatial distribution of major ABI in Saurashtra region over a period of time (1970-90)

1. Industrial development of Saurashtra region can be divided into three phases i.e first phase is before 1900, second phase is between 1900 to 1950 and the third phase is after 1950 (1971-71 and 1990-91) in the post independence period. In the first phase development took place mainly in eastern Saurashtra region. In the second phase development was seen between middle and Southern part at Saurashtra region and in the last phase i.e after 1950 it spread over the region, according to availability of raw material like cotton, groundnut and sugarcane and other fruits and vegetables.
2. In 1970, Rajkot and Bhavnagar talukas were under high development group of ABI. Jamnagar was under medium growth and the remaining 66 talukas were under low and very low percentage of development.

3. In 1991, Rajkot, Morvi, Jamnagar and Bhavanagar talukas were under high group of development, Amreli, Gondal and Dhoraji were under medium group and 62 talukas were under low and very low group. Due to better infrastructural facilities than the previous period, the condition of development improved, during 1971-91.

VIII.A.2. Factors that have affected the growth and distribution of ABI over time.

1. The growth of ABI in the region shows the shift of 9 talukas in high category of ABI, 39 talukas in medium group and 21 talukas in low category during 1971 to 1991.

2. The factors that affected the growth and distribution of ABI are mainly backward linkages, that is, connection of supply of raw materials. Due to development of amenities and change in landuse pattern, along with economic facilities i.e. inventory organisations, nearness to the marketing yard, industrial estate. There has been a change of food crops to non food crops. (from 27.85% to 72.15% during 1971-1991). This has helped the development of ABI.
VIIIA.3. Findings related to nature of growth of ABI in Saurashtra Region

1. All industrial units of Saurashtra are in fair category of growth. These are ABI (49.40%), Basic industries (31.81%), Intermediate groups (9.04%). This also shows that the concentration of ABI in Saurashtra region is high.

2. According to size and structure of industries, agricultural economy of Saurashtra region increase the share of ABI i.e. 49.98% in small scale sector, 19.24% in medium scale and 6.52% in large scale sector, out of total industries in a particular group. The concentration of small-scale industries i.e ABI increased at a faster rate with better opportunities. As a result, the share of small-scale industries in the economy of Saurashtra region is comparatively high.

3. The employment structure of the region also shows that ABI is having the highest (47.48%) employees. In Basic industries the employment is 36.66% followed by the Intermediate as 11.7% and in Capital good industries 4.17%. Saurendranagar, Amreli and Jamnagar districts had higher number of employment in ABI.

4. In terms of fixed capital, the Basic industries are having high percentage (54.48%) of fixed capital. But in case of ABI the share is only 31.64%, which is lower than the basic industry.
5. The gross Output of ABI is also comparatively higher than the other three groups of industries i.e low investment gives more output level. That is why it is a profitable industry.

6. The Value added of ABI in the regional economy is 66.77% which is quite higher than the other groups. This is economically beneficial for development of any region from grass root level.

VIII.A.4. Findings related to factors of forward and backward linkage of ABI in Saurashtra region.

1. The problems related to backward linkages are mainly seen with agricultural raw material, that is, either by quantity or by inadequate quality. According to agricultural characteristics, like seasonality, perishability and variability, the cost determinants and its pricing, mechanism in farm, are some of the major problems of backward linkages of ABI. Other than this, illiterate and untrained labour, less developed road network between farm and industry are other problems.

2. The problems related to forward linkages are related to lack of knowledge regarding consumer needs, market segmentation, purchasing power and market research. The other problems are lack of information and analysis of market structure, basis of
composition and institutional constraints etc. The other problems related to forward linkages are elements of product design, pricing distribution and promotion that constitute the industrial marketing strategy. Apart from this, connectivity from farm to market at proper time, sales tax, and packaging and to some extent government policy are some of the other constraints in the forward linkages of ABI.

VIII.A.5. Levels of regional development and its association with its distribution of ABI

1. The composite development potentiality with 34 variables of education, medical, drinking water, communication, connectivity and economic facilities of the region shows that 8 talukas are under high and very high group of development, 13 talukas are under medium group and 48 talukas are under low and very low group of categories in Saurashtra region in 1990.

2. Out of 69 talukas, Jamnagar, Rajkot and Mahuva talukas are in high group of development due to infrastructural facilities and demographic factors.

3. Dasada patadi, Limbdi, Bhavanagar, Talaja and Wankaner have a medium development potentiality due to educational, medical and better connectivity facilities.
4. The remaining 48 talukas are having low and very low group of potentiality, due to severe water deficiency, soil salinity and poor human resource these talukas have restricted development potentiality.

5. The coefficient of correlation with ABI and regional development is + 60, which is moderately positive, showing positive relation between ABI and overall regional development. It is significant at 95% level of confidence.

6. The other development index, such as, Agricultural Development index (ADI), Demographic Index (DI), Population Potential Index (PPI) and Occupational Index (OI) are almost similar relation with ABI as seen in the total Composite development Index ($r = .60$).

VIII.A.6. Findings at micro level (Village level)

1. The micro level study of six villages related with three major crops i.e. cotton, groundnut and sugarcane shows that, under developed Adalser Kotada-Sangani and khapat villages are having problems of inadequate irrigation facilities, lack of infrastructural facilities mainly of marketing yard, inventory facilities etc and product industries and regular power supply.
2. The problems of agriculturist in those villages are lack of amenities and unstable price of crops due to government policy and delay in regular payment by the entrepreneur.

3. In case of industrial workers, problems in these villages are related to their low wage and low incentives, seasonal employment, no training facilities and unsatisfactory treatment (lay off) of employers.

4. The problems of entrepreneurs are related with procurement, processing and marketing factors that are inadequate in quantity and quality of raw materials, no regular supply of raw materials from farmers, lack of transportation facilities, government policy regarding processing cost, sales tax, and packaging material. The plant location is also the major problem regarding development.

5. Developed villages have high socio-economic conditions with the growth of ABI.

VIII.2 Main Problems of ABI

Despite being one of the fastest growing states in the country, Gujarat’s agro and food processing industry is having teething problems. On the brink of uncertainty, food processing industry’s share of the total investment in the industrial sector of Gujarat is
only 1.82% the National average is 6.9%. Some of the factors hindering the growth of ABI and food processing sector are as follows:

1. Lower yield of farm output.

2. Seasonality, Perishability and Variability of ABI.

3. Lack of knowledge about various facilities offered by central / state govt.

4. Instability in pricing of these raw materials.

5. Seasonal demand for these products of recoveries.

6. Higher taxation on ABI and food processing industry.


8. High cost of power.

9. Higher transportation costs.

10. Poor infrastructural facilities.

11. Absence of legal frame work for contract farming.

12. Marketing and other market related problems.

13. Lack of inventory organization.

14. Cumbersome procedure involved in getting financial assistance from financial institution.

15. Lack of coordination in ABI.
16. Selection of wrong location

17. Lack of management in farm and non farm sector and

18. Expensive crop insurance and insufficient development assistance.

VIII.3. Suggestion for Development of ABI

To give a boost to this sector the state govt. has lately placed it in the list of thrust industries. It has set a goal to increase the contribution of this sector, to the extent of 10 percent of total investment in industrial sector with major emphasis on integration with global markets and usage of advanced technology to spur growth rate of the ABI.

A. Suggestion of Confederation of Indian Industry (CII)

1. Power tariff- ABI should not be treated as seasonal and subject to reconnection charges and should have minimum tariff. There should be an increase in the power tariff for agricultural electricity to ensure appropriate pricing and availability to farmers and processors.

2. Appropriate water pricing is also needed to ensure it is used correctly and made available for irrigation. And this should be appropriate for enabling high tech agriculture.
3. Agro waste should not be treated at par with industrial waste eg water used for washing onion and cumin is excellent for the use in the fields. It has also been established that most of the ABI waste is not only biodegradable but also fit for reuse.

4. The research bodies and universities involved in the agro sector are equipped with relevant and up to date research equipment.

5. Under Govt. policy on wasteland development and land Tenancy Act, A list of available waste land’s should be made available to corporate for development.

6. The Govt. should actively participate in marketing. This would contribute in a big way to the industry’s equity building.

7 Minimum wages at ABI should be at par with agricultural wage, as these labourer do not have to travel. These wages should be at par with the industrial minimum wages for labour.

8. Purchase tax on buying seeds/raw material, applicable to processors withing the country needs to be eradicated.
9. An appropriate duty structure is applicable for export and import of raw material from the country. This would automatically lead to purchase of value added products from the country by foreign buyers, rather than purchase of low cost raw material.

B. Other Areas of Investment

1. Primary activities like grading, sorting packaging etc will add value to ABI and horticulture produce in terms of quality assessment, ease of future handling and logistics.

2. Secondary activities like dehydration and processing unit will enhance the value of the product, in terms of change of form and preservation.

3. Food park concept- where an integrated network of multi purposes, multi-users warehouses, adequate transport facilities, horticulture clinic, packaging centers, can be created to help ABI.

3. Areas of Immediate Attention

1. Through out the state has seven different agro climatic region and Saurashtra is having two. These varied climatic conditions of Saurashtra can produce various types of cops.
2. Saurashtra face problems of inadequate irrigation, fragmented processing industry and commodity dominated export. These problems can be overcome by developing irrigation infrastructure, consolidating and building ABI engaged in manufacturing of value added product.

3. Unless the quality and infrastructure issues are taken care of Saurashtra will not be able to take advantage of improved terms of trade due to subsidy reduction and opening of market.

4. There is a need to upgrade processing and packaging facilities.

5. Processed food industry should be placed in the lowest tax slab.

6. To promote indigenous production of packaging materials i.e. tinplate, polylaminates and base materials for making lass/plastic containers.

7. Like other industry under section 80 A, 1 A of the IT Act, 100% income tax exemption should be set up in selected backward areas. So it is advisable to seek 100% income tax exemption for ABI in all areas especially area where agricultural produce is in plenty and not to restrict it to backward areas only.

VIII.4. Future Scope and Application of the Study

According to major findings of the study regarding Saurashtra, it region indicate's that the focus on agro based industries and its impact on regional development has opened up a horizon by integrating macro, meso and micro levels of planning within an interacting system of agricultural and industry. The challenge lies in developing
backward areas into sustainable systems which are economically viable, environmentally sound and socially just. The emphasis has been placed on diversification of economic activities, having land use pattern, based on non farm activities i.e. development of processing, dehydration plant, extraction of solvents, ginning cleaning and processing, which can provide self employment leading to more purchasing power to villages. In order to revised the general standard of living for the agricultural labour or landless labour in the village. Three fields are essential for development of human resources is organization and participation of people, training and technology of know-how, producing quality and quantity wise for that special attention in production, procurement and marketing with proper pricing.

This study is a beginning of a realization of fulfilling of numerous backward regions in India. The government of India is taking interest to develop ABI by providing certain incentives and benefit. So in rural areas and backward village migration can be checked and to avoid imbalance. There is enough scope of doing farther study and application of research in real situation of region. First of all, a proper classification of agricultural crop regions should be done based on the agricultural cropping pattern and physical conditions of land to produce market oriented particular type of crop and its productivity level increases. Within a district a meso level regional framework i.e. taluka wise and a cluster of villages can taken up as micro level study having similar physical, socio-economic characteristics. Secondly an industry wise study is needed with taluka and village wise for long period of time. Coverage of historical as well as present data give the true picture of the industry. Change in occupational pattern, land
use pattern, social infrastructure and other infrastructural facilities can be studied, so that a region can be development. Cost-benefit analysis is an appropriate measure of taking decisions for alternative and productive activities as well as information regarding processing, procurement and marketing for entrepreneur i.e. labour intensive technique, which is beneficial for farmers as well as employment generation for landless labour and agricultural labour. There is a lot of scope for development of integration between agricultural as well as industrial development not only by government and non-government organization also can help to form certain cooperatives to give thrust to ABI and for selling their product and marketing. The biggest problem in Saurashtra region is scarcity of water. There is a need to develop certain modern technique for management of water for sustainable development. Government should start every year programs for soil testing with mobile laboratory for every taluka level, which gives information regarding agricultural inputs and outputs etc. An individual farmer or entrepreneur may not achieve much, but a tremendous scope of development lies in doing jointly and in cooperative form with skilled and trained employees, modern technique and proper organization at village level.

This study is meaningful for its applied form in micro level village development as well as for farmers, and for entrepreneurs in terms of real income from the ABI to make them prosperous on their own land and indirectly provide employment to landless labour and checked rural urban migration. In other words, an attempt to develop each region is its best form.