CHAPTER IV

MAIN CONSTRAINTS OF AGRO-INDUSTRIAL DEVELOPMENT OF UTTAR PRADESH
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In the preceding chapter the growth of agro-industries in the economy of Uttar Pradesh has been dealt with. The conclusions drawn from the study are highly revealing. They indicate that since the beginning of the second plan, these industries have made some headway, but the momentum is not commensurate with the needs of the economic development of the State. The main factors which have slowed down the pace of the growth of these industries are shortage of finance and raw material, lack of skilled workers, paucity of
managerial skill and technical know-how, problems of marketing research and export etc. Again, the regional imbalances have further retarded the growth of these industries. In the light of the above observations in this chapter an attempt has been made to analysis in detail the factors which have hampered the planned development of agro-industries in Uttar Pradesh.

SHORTAGE OF RAW MATERIALS:

The main difficulty of agro-industries in Uttar Pradesh is that of availability of raw materials and their procurement. Although, agro-industries have grown tremendously in number, but they are seriously affected with the shortage of raw materials. The above industries are not getting raw materials and imported components in desired quantity. Similarly in respect of procurement of raw materials these industries are also in disadvantageous position. It is rightly stated that due to competition from the large producers and the lack of financial resources, these industries do not get raw materials of good quality and in some cases they do not get enough supplied even of the inferior quality.
Similar is the viewpoint of the International Prospective Planning Team. The team in its report pointed out that of all the present difficulties, raw materials supplies available at the competitive prices appear to be the greatest. The team pointed out the uneven distribution of raw materials among small agro-units. The report further analyses that nearly 60 percent of firms are facing a severe shortage of raw materials and components. They could only be purchased at higher black market price which is unprofitable for them to expand their production to full utilisation of capacity. The other 18 percent of sample firms stated that they could not get additional supplies at any price. Half of the sample units remarked that they were facing keen competition with large firms producing a similar product and enjoying facilities of allocated inputs at fixed prices. On proper examination, the team found, "on the average, they were allocated 86 percent of their one shift requirements. In contrast, smaller competitors received allotments to cover only 33 percent to 40 percent of one shift requirements."

3. Ibid., p. 134.
4. Ibid., p. 134.
5. Ibid., p. 134.
it can be pointed out that discrimination is done at greater extent between large scale and agro-industries. In order to safeguard the interest of agro-industries and provide them facilities to work to the full rated capacity, the state government should set up a centralised agency to keep a constant and strict vigilant eye on the availability of raw materials. It should also examine the actual raw material requirements of agro-industries and ensure timely and adequate supply through indigenous production or imports. To some extent the Uttar Pradesh State Small Scale Industries Corporation has undertaken the responsibility to distribute raw material against agro-units of the state through its raw materials depots. The actual performance of the Corporation is dealt with elsewhere in this study. It may be mentioned here that the performance of these depots is far from satisfactory.

1. The Estimates Committee of Parliament in its 17th report presented to the Lok Sabha on 27th April 1972, recommended the establishment of a centralised agency for making arrangement of raw material for agro-sector. It has also stressed the need of establishing coordination among the Ministries concerned and the raw material allocation agencies stressing the need of obtaining maximum output from established industrial capacity. Further the committee has argued that licences should be given to parties with the proven record of being able to produce the goods within a time limit.
From the above it may be pointed out that the State has failed to provide for any relief on the issue of adequate supplies of raw materials so badly needed for self-reliance. The survey report submitted to the Government of India by Loknathana Committee revealed that the agro-sector was getting allocation to the extent of one-fifth of its raw material requirements at controlled price and has to buy the rest in open markets. If in future, scarcities of raw materials and power are not relieved the enthusiasm for owing an establishment in the agro-industrial sector may disappear.

The problem of raw material in this sector of economy arose due to augmented Government allocation system. Allocations to agro-industries are generally lower in relation to total production capacity than allocations to large scale industries. As a result of this, agro-industries are forced to buy most of their raw materials in the local black market. In such cases

they are in a comparatively disadvantageous position. At the same time whatever quota is allotted to agro-industries, its despatches are uncertain and erratic. For balanced growth of agro-industries it is required that there should be a rational distribution of raw materials between large scale and agro-industries. The criteria of allocation of raw materials should be based on the requirements of individual units and not on the size of the unit. Due to the shortage of raw materials, many agro-industries are forced to close their production. To avoid such a state of affairs a more pragmatic approach should be adopted to solve the problem.

Since material is a basic factor in every manufacturing process, the continued and economical supply of raw material is of paramount importance. To encourage entrepreneurs to get a responsible return for their efforts and preservance, every effort should be made to provide them necessary assistance in procuring materials. In Uttar Pradesh, most of the agro-industries are of processing nature. As such they cannot produce raw material themselves. Therefore, it becomes the first and foremost duty of the government and other related agencies to arrange for the continued supply of raw materials.
at reasonable price to the agro-industrial sector. In this regard the role of Uttar Pradesh Small Industries Corporation is important. Since its inception in 1968 the corporation, through its depots situated at Kanpur, Meerut, Vavanasi, Agra, Bareilly, Gorakhpur, Maini (Allahabad) and Ghaziabad distributes the raw material to agro-industries registered with the Directorate of Industries of the State. Recently, the Corporation has been appointed as agent for distribution of Rosin and Turpentine to agro-industries of Uttar Pradesh.

To liberalise the import policy of raw materials, new scheme of indenting iron and steel has been introduced by the Government of India. Under this scheme the industrialists can place their indents to producers together with 10 percent advance but most of the agro-industries find it difficult to plead their case at each stage and they also find themselves unable to make arrangement for required finances. Taking these problems into account the Uttar Pradesh Small Industries Corporation has undertaken the responsibility to book indents on behalf of small entrepreneurs. An entrepreneur is required to pay a nominal earnest money of 2 percent of the value of indent material. The material is supplied to the parties
on pro-rate basis on actual receipt of material in the depots. The achievement of the Corporation in this regard can be seen from the following table:-

**TABLE - I (IV)**

**RAW MATERIAL SUPPLIED BY THE UTTAR PRADESH SMALL INDUSTRIES CORPORATION**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Value of raw material supplied (Rs. lakh)</td>
<td>158.22</td>
<td>326.33</td>
<td>456.26</td>
<td>788.02</td>
</tr>
<tr>
<td>Percentage of raw material supplied (based on 1968-69)</td>
<td>100.00</td>
<td>206.36</td>
<td>288.37</td>
<td>498.05</td>
</tr>
<tr>
<td>Percentage increase</td>
<td>-</td>
<td>106.25</td>
<td>188.37</td>
<td>398.05</td>
</tr>
<tr>
<td>2. Total turnover 168.51</td>
<td>343.06</td>
<td>495.35</td>
<td>901.78</td>
<td></td>
</tr>
<tr>
<td>Percentage of turnover (1968-69 as base)</td>
<td>100.00</td>
<td>203.61</td>
<td>294.26</td>
<td>535.15</td>
</tr>
<tr>
<td>Percentage increase</td>
<td>-</td>
<td>103.57</td>
<td>194.26</td>
<td>435.11</td>
</tr>
<tr>
<td>3. Total tonnage supplied 7023</td>
<td>181.94</td>
<td>231.22</td>
<td>N.A.</td>
<td></td>
</tr>
<tr>
<td>Percentage of tonnage (1968-69 as base year)</td>
<td>100.00</td>
<td>259.06</td>
<td>339.23</td>
<td>N.A.</td>
</tr>
<tr>
<td>Percentage increase</td>
<td>-</td>
<td>169.06</td>
<td>229.23</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

**SOURCES:** 1. The Indian Express, New Delhi, May 4, 1972
From the above table it emerges that the corporation supplied materials to agro-industries through its depots to the extent of Rs. 158.22 lakh (about 7023 tonnes) during 1968-69. During 1969-70 the value of raw material increased by 106.25 percent (total tonnage of 18194). The total tonnage of raw material increased by 159.06 percent during the same year. During 1970-71 both value of raw material and tonnage increased considerably. The corporation supplied raw material of the value of Rs. 456.21 (about 23122 tonnes) which is 188.37 percent more than 1968-69 supplies. During 1971-72 corporation's activities increased to nearly five times in this regard and during the same year it distributed raw materials worth Rs. 786.02 lakh which is 308.05 percent more than the value of 1968-69.

Although the corporation is working efficiently in the matters of raw material distribution, the number of depots, which is at present eight, is too less to meet the requirements of 1168 agro units working in a state like Uttar Pradesh. There should be more depots in the rain industrial towns. When the area of each depot will be reduced it would serve well the requirements of raw material of these units. This would no doubt, increase
the overhead charges but they will increase the profitability of small units. The Government may enhance its subsidies on this account. The efficiency of each depot can, thus, be increased and raw material will be supplied to small agro-units at the times of need.

Again, the Corporation does not have any raw material depot in the hilly and Bundelkhand regions. In these regions there is already a lack of infrastructure to set up agro-industries and the shortage of raw materials is highly disquieting. Therefore, it is essential for the corporation to set up some raw materials depots in these industrially backward regions to get success in speedy agro-industrial development.

Moreover, there are malpractices in the working of these depots. Instances are not lacking where they issue raw materials to bogus units and thus reduce the viability of serious concerns. To remove such a state of affairs vigilance committees on regional basis should be organised to examine the physical existence, working and the requirements of the agro-industries applying for raw materials. For justice in the distribution of raw materials cooperative raw material depots should also be set up.
In the case of imported raw materials, small entrepreneurs are required to apply for import licence to the Central Government through state Governments. In such a case an application has to move from various government departments. A small delay in getting the import licence causes considerable loss to these units. Due to non-availability of raw material, these units are forced to close down production process or purchase raw material from the black markets. This leads to higher cost of production and reduces their competitive power as compared with large units. This handicaps can be minimised if application for import licence are processed within time limit, e.g. the application should be recommended by the Assistant Director at District level within 15 days time and thereafter by the Director of Industries at the state level in not more than fifteen days.

The rational distribution of raw material among small entrepreneurs, though is a difficult task, but some positive measures may be adopted to tackle this problem. Among these measures the establishment of raw material depots at regional basis, cooperative raw material stores and liberalisation of import licence are important. The
agro-industries should be allowed to make direct contact with the foreign suppliers because intermediaries have proved ineffective and there occurs an unnecessary delay in the delivery. Besides, when the units of the same size are producing some products, all should get their raw material whether imported or indigenous at the same price and no favouritism should be allowed.

At the outset, it is better to point out that the Government should introduce legislative measures in improving the quality of raw material through quality control in checking adulteration and penalising the defaulters. The setting up of a number of testing houses for different items all over the state would greatly benefit the agro-industries in the production of quality goods for home as well as for foreign markets.

The agro-industries can be rehabilitated if the competition between large and agro-industries in purchasing raw materials is minimised by a clear cut demarcation of the spheres of operation of both the sectors. A common production place may be considered. For example, crushing of certain edible oil seeds such as sesame rape and mustard should be reserved exclusively for the small agro-based oil pressing units while the cotton seed should
be allotted to mill industry. Thus large production of ground-nut should be diverted to small agro-based units. It would be better if the production for the two sectors is fixed: such demarcation should also be tried in other industries and in this way problem of raw material can be solved.

Further, the state Government should encourage industrial cooperatives and establish raw material bank or depot adjacent to every industrial estate for small agro-industries. This is essential in view of the weak of bargaining position of agro-industries. They are unable to deal directly with the factories producing raw materials for them. These raw material-banks should be in a position to procure raw materials for agro-units directly from the mills thus avoiding the middlemen. The production capacity of the agro-industrial sector has not yet been fully assessed. Hence surveys should be undertaken from time to time to assess their production capacity so that allocation of raw material should be made accordingly.

As pointed out earlier at central level, proper liaison should be established between representative of agro-industrial sector and the allocating Ministry. The
distribution of allocated raw materials also needs to be systematised through a central agency because agro-industrial units find it uneconomical to import small quantities of raw materials allocated to them in the process.

Agro-industrial units also need priorities for supplies. It is suggested that this work should be undertaken by small scale industries corporation through their network of raw material banks or depots. They will be able to meet the requirements of the units and arrange import procurements for further distribution amongst the units. The Corporation should be provided with adequate finances either by the State Government or by the State Bank of India or the Reserve Bank of India. The Corporation may be given a subsidy to meet their administrative cost for a short period, say for two or three years. Again, there should be annual inspection of all agro-industrial units requiring scarce raw material.

Thus, if the above suggestions are implemented not only the problem of raw materials would be solved but the management of agro-industrial units in the State would minimise cost and improve quality of products.
Besides the above suggestion, it is worthwhile to examine the role of the state in raising productivity of the agro-industrial sector of the economy. To feed agro-industries with right type of raw materials the state should develop its resources in this direction. A big state like Uttar Pradesh with strong agricultural background, mineral and other resources must be exploited to have an integrated agro-industrial development based primarily on her own resources. This approach of the state will provide sufficient raw material to feed our agro-industries. There is no denying the fact that the Indian Standard Institute, the Council of Scientific and Industrial Research and the Controller General of Defence Production have been doing a good deal of work for the development of the country's resources, but such activities are to be effectively linked up with the overall economic planning in the country. The state should keep constant vigil that every unit of raw material, power, fuel etc. contributes maximum productivity in agro-industries. As both agro- and big industries more or less consume the same type of industrial raw materials, fuel and power, the
requirements of the agro-industries must be judged from their productivity standards.

Needless to mention that agro-industries have been started in Uttar Pradesh with little or no thought of either long term planning or productivity drive. The agro-industrial sector is regarded as an unorganised sector in the State. This is because of the fact, the several agro-industries have cropped up in many parts of the state without proper market research studies, clear thinking about their feasibility, availability of raw materials, technical know-how and personnel training. The State Government under the technical know-how scheme has set up small industries service institutes which prepare improved design and drawing for the products and to help the agro-industries in the optimum utilization of men, material and machine.

But the general trend of progress does not appear to be encouraging. They have so far not succeeded to carry agro-industries towards productivity drive. Although production is steadily increasing, the cost of production is also increasing simultaneously. This trend may be attributed to low labour productivity and lack of technical knowledge. In order to solve the above problem the Government of India has established the Council of
Scientific and Industrial Research at central level, but its services are not available to every state through National Small Industries Corporations. The council develops new technological processes and disseminates the technical knowledge to the agro-industries. But hardly a few industrialists benefit from them. Agro-industries of Uttar Pradesh have focussed their attention on this direction and have started giving training to managers of agro-units so as to develop a progressive outlook towards the efficacy of technological changes. The greatest difficulty for the successful operation of agro-industries arises out of the fact that most entrepreneurs in agro-industrial field lack the necessary technical background and managerial ability required for marking agro-industry successful. Moreover, the keenness and enthusiasm to accept new ideas should come from the management and without which workers cannot be motivated to raise productivity. One of the limitations is that agro-units cannot afford to appoint highly qualified technical personnel. This is why the ownership of agro-units is not in the hands of technically qualified entrepreneurs. This is, of course, true in the case of Uttar Pradesh where agro-industries are largely run by the people who have migrated after partition from Bum Jab and
Sind to Uttar Pradesh. They have initiative but no technical knowledge. It is due to this fact that Uttar Pradesh has lagged behind in the agro-industrial development as compared to other states of the country. As a matter of fact technically qualified personnel do not have money required for investment. They do not have necessary borrowing capacity also. Hence, the state has failed to discover technical experts both from government departments and other banking organisations who could have made a special study of the subject and have devised ways and means of giving the necessary incentives to the technically qualified persons to enable them to aspire for business enterprise. It follows from the above discussion that the state is having low productivity and absence of technical know-how. This problem might be tackled if small entrepreneurs and the state could participate in productivity drive in such aspects as plan and equipment, organisation and production control and personnel policy. In this connection, the importance of selecting equipment suitable for particular purposes cannot be overemphasised. In this state more emphasis is laid on the productivity of labour rather than on the efficient use of plant and equipments. So far as personnel policy is concerned, it is the responsibility of the management to workout plan with the
help of all the personnel. Apart from offering security, good working conditions should also be provided. Right type of personnel should be attracted and retained if agro-industries are to be made competitive and successful. Needless to mention that the success of agro-industrial entrepreneurs largely depend on specialisation which is necessary for the manufacture of the agro-industrial products. This, in turn, depends more on the investment in human resources rather than investment on capital. Even in countries such as Switzerland and the U.S.A. there are many agro-industries but these invariably possess technical knowledge which is of superior order as compared to that possessed by equivalent men in large scale organisations.\(^1\)

It is, therefore, suggested that the statistics of the number of students studying in the universities of Uttar Pradesh in engineering and technology should be collected. Young, ambitious and technically qualified students should be induced to become entrepreneurs so that the structure of the agro-industries is built on sound and permanent footing. These young engineers would create a tremendous fund of new technical knowledge and thus would provide moral boost to agro-industry.

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To sum up the above discussion it can rightly be concluded that the experience of planning in this country as well as in many other countries, has shown that it is not only the financial investments that generates growth in the economy, there are many non-economic factors which are equally important for the promotion and growth. Administrative efficiency for the promotion and growth institutional arrangements and social outlook of the people are a few such factors. Uttar Pradesh will have to pay adequate attention to them. In particular the Government will have to streamline its administration with a view to effectively raise the necessary financial resources and utilize them purposefully. ¹

LACK OF MODERN AND SOPHISTICATED MACHINERY:

Another serious problem which creates hindrances in the production process of agro-industries is the non-availability of modern and sophisticated machinery and equipment. Agro-industries are facing crucial shortage of these machines and equipments. If there is to be a reduction in the cost of production which is sine-qua-non of competitive structure of an industry, there is a scope

for agro-industry for rationalisation through modern machines and equipment and technology. In Uttar Pradesh, although, some positive steps have been taken in this direction, but agro-industrial units are still facing an acute shortage of machinery. The uncertainty of securing right type of machinery at the right time has introduced an element of risk in the agro-industrial sector. Due to this problem young and energetic entrepreneurs who wanted to enter the field had to give up their project on account of long gestation period between the planning of agro-units and actual production. It is, therefore, necessary for the steady growth of this sector to provide necessary machinery and equipment at proper time in easier terms.

In making available the machinery to agro-industries that State Small Industries Corporation and is bearing the burden of National Industries Corporation. They have shown a remarkable performance. The Uttar Pradesh Small Industries Corporation supplies machinery to small entrepreneurs on hire purchase basis on condition that the applicant renders a guarantee bond. He is required to deposit in advance 10 percent of the value of machines (only 5 percent is required from technical entrepreneurs)
as earnest money. In addition to earnest money 2 percent of the value of machines will be deposited as service charges. In case of technical entrepreneurs service charge is not required. They are required 2 percent in advance and balance 3 percent in instalments. For supplying machines on hire purchase, the corporation charges 9.60 as interest and a rebate is also allowed at 2 percent in case of payment of dues. The repayment of the value of machine starts after one year and the whole amount is repayable within five to seven years. The maximum limit to which an entrepreneur can acquire machines from the corporation is Rs. 5.50 lakhs. The following table shows the details of the machines supplied by the Corporations:

**TABLE - III (IV)**

**MACHINES SUPPLIED BY THE UTTRAR PRADESH SMALL INDUSTRIAL CORPORATION DURING 1967 to 1972**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of units</th>
<th>Value of machinery in lakhs</th>
<th>Percentage based on value of 1966-67</th>
<th>Percentage increase or decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966-67</td>
<td>58</td>
<td>12.63</td>
<td>100.00</td>
<td>110.00</td>
</tr>
<tr>
<td>1967-68</td>
<td>55</td>
<td>14.63</td>
<td>113.30</td>
<td>123.30</td>
</tr>
<tr>
<td>1968-69</td>
<td>23</td>
<td>2.70</td>
<td>21.00</td>
<td>31.00</td>
</tr>
<tr>
<td>1969-70</td>
<td>32</td>
<td>10.35</td>
<td>50.50</td>
<td>60.50</td>
</tr>
<tr>
<td>1970-71</td>
<td>81</td>
<td>21.92</td>
<td>170.90</td>
<td>180.90</td>
</tr>
<tr>
<td>1971-72</td>
<td>225</td>
<td>85.00</td>
<td>662.50</td>
<td>672.50</td>
</tr>
</tbody>
</table>

**SOURCE:** Compiled from the Economic Times, Bombay, April 11, 1972. Figures for 1971-72 are taken from the Indian Express, Delhi, May 4, 1972.

The above table indicates that during 1966-67 the Corporation supplied machinery worth Rs. 12.83 lakhs to 68 parties. In 1967-68 the number of machinery increased by Rs. 17 thousands which constitute 13.3 percent increase over 1966-67. The number of parties as well as the value of machines declined continuously from 1966-67 to 1969-70. The reason of such fall was the shortage of funds with the Corporation. The Corporation, consequently, paid much importance to the development of these units and hence the number of units to whom the machinery was supplied increased in 1970-71. Moreover, in the fourth plan it was stressed to develop such agro-units. During 1970-71 the number of such units reached to 81 and the cost of machines to Rs. 21.92 lakhs. During 1971-72 machines worth Rs. 85 lakhs were supplied to 225 parties. It is nearly six times of the value of machines supplied in 1966-67. It is expected that more and more units will avail themselves of the facility for further development. Although the activities of the Corporation are expanding rapidly, the number of agro-units getting machinery from the Corporation is much less than the number of agro-units in the State. The total number of agro-units functioning in the State were 1,060 at the end of 1971-72 while the number of units which obtained machinery from the Corporation stood at 225 only.
LACK OF SKILLED WORKERS:

There is also a scarcity of skilled workers in the agro-industrial sector. Although labour is in abundance in Uttar Pradesh but it does not fulfil the needs of industries. On account of unskilled workers agro-industrials find it difficult to produce quality goods at cheaper rates. Since workers are inefficient, they incur more wastage of raw material, wear and tear of machinery, and consumption of more time. All these factors inflate the cost of production which, in turn, is responsible for heavy losses.

For solving this problem it is required that these units themselves should take positive steps. At the time of allocating a worker a specific job, they should judge his ability. So far as possible, they should provide proper training facilities to their workers. But when an industry is expanding fast it may be necessary for government to make special arrangements to train the workers to meet the requirements of industry. When the training programmes are undertaken by the government it should estimate the probable number of workers required by all industries. It should not arrange the training programmes
only on the assumption that whatever number of the workers
is trained will be absorbed. If it is followed, it will
create a problem of unemployment of educated and trained
personnel which is happening in Uttar Pradesh now a days.

It is not necessary that training and education of
workers will directly benefit agro-industrial sector. Some
times, it happens that small agro-industrial units find
it difficult to accept trained workers due to the meagre
financial resources, for the workers expect higher wages
than the small firms are prepared to pay. For training
the workers in Uttar Pradesh various prototype production
and training centres have been set up with the assistance
of the U.S.A., West Germany and Japan.1 These centres
are providing training in various fields such as handling
modern machines, tools and workshop methods. Under
industrial estates a shed is reserved for training and
research which provides necessary training to workers of
adjoining areas in their spare time.

POOR MANAGEMENT:

Another problem of agro-industries is the poor
management. In this sector there are entrepreneurs who
lack the knowledge of the essential elements of management.
It is found that these industries do not maintain accounts

and their owners do not know exactly whether they are running in losses or making profits. About financial and cost management also they are quite ignorant.

In the matters of marketing the product they are dependent either on large business houses to whom they supply goods or on general market and in both cases they suffer due to lack of knowledge of marketing techniques. On account of faulty management the products of agro-industries do not have standardisation quality. The quality of their products vary widely. Due to variations in quality, agro-industries face the problem of rejection.

In order to overcome the managerial shortcomings there are a number of courses on management run by the Development Commissioner of Small Scale Industries. The training in these courses is conducted by the regular staff of the industrial management and training sections of small Industries Extension Training Institute. A technical consultancy cell was organised at Kampil in 1970 under Uttar Pradesh Small Scale Industries Corporation (UPSSIC) Ltd. This cell is unique of its kind in this state which assists the prospective entrepreneurs.

MARKETING AND EXPORT PROBLEMS

Agro-industries are also facing the problem of marketing their products. Among other things, export manufactured articles deserve special attention. The main task should not be merely to increase the production but to decrease cost per unit. For achieving this objective, it becomes essential for industrialists to take full advantages of programmes of the National and the local productivity councils. It is an urgent need that agro-industrialists should join local productivity council in large number and get their programmes agro-industry-oriented. The export promotion derive should be interlinked with the concept of productivity and quality. On the international market front, countries like Japan, the U.K., and the U.S.A. have the distinction of their product because of quality. Quality, cost and price are three conditional factors which have special significance in the export market. In some cases where demand is specialised or where the labour element in the cost of production of exportable items is high, agro sector has better scope.

1. Development Commissioner, Small Scale Industries in India, op. cit. p. 120-21.
The agro-industries are required to have a vigilant eye on the improvement of quality if they want to capture export market. In this regard strict government quality control is needed.

Buyer can be attracted if quality and price of goods are reasonable. It is an accepted fact that consumer is the king of all products. He is said to be the determinant of what goods and services ought to be produced. The consumers' choice depends upon his income. It is income factor which determines the amount and kind of want satisfying goods and services which the consumers buy. With growing technology and industrial complex the country is exporting a variety of traditional and non-traditional goods to overseas markets. In exports field too agro-units have remained stagnant due to meagre financial resources and inadequate supply of export informations.

In exporting their products, agro-industrialists face many obstacles like market informations, export entitlement licences, shipment, paucity of needed raw material of right type at right time, price difference in drawback, and the refund of draw-back, and cash subsidy. In case of import replenishment, it should be considered how small manufactures can be benefited in the form of more
liberal transfer of import licences. Determining of the cash subsidy through the selection of few items has affected the meagre financial resources of small entrepreneurs. They should be given more cash subsidies by authorising regional authorities to follow liberal policies in this regard. The rules for determining the drawback are so complicated that a small manufacturer cannot easily comply with the procedural rules. Moreover, the benefit is not allowed in case where the manufacturers have not directly imported the raw material and paid the duties. Thus, on account of this limitation many small manufacturers cannot take the advantages of the scheme as they usually buy their raw material in the open market. The criteria of this scheme should be on the basis of imported raw material irrespective of the source of purchase.

The position of export from agro-sector can be made better if small entrepreneurs are given additional facilities. The future programme for the better utilisation of export potential of agro-units should be necessarily aimed at making export business a profitable and easy proposition. For this purpose intensive and integrated assistance is to be provided for achieving maximum production efficiency, removing the hurdle and for active marketing of their product in the international markets. With this, the agro-
sector will emerge as a dominant factor in building our foreign trade. Once this potential sector is properly organised and pressed into action for catering into export trade, it will open a new chapter in gaining export trade.

In the home market too agro-units face many difficulties. They face competition with large scale firms on account of shortage of funds. These units are unable to use wide media of publicity. The product mostly remain unknown to the consumers.

In making the product familiar, the National Small Scale Industries Corporation is playing an active role. It has set up wholesale depots at various centres and organises many sales emporia. Besides the National Small Scale Industries Corporation, States' Small Scale Industries Corporations are also paying much attention in this direction. It is worthwhile to suggest here that State-government-purchase should be made effectively by avoiding delays in payment. Sometimes, it is found that small entrepreneurs have to wait for months for the payment of supplies to Government Departments. In case of these items on which agro-industries have established themselves as sole-supplier to Government, the order should be placed direct to these industries to the fullest
extent. But in regard to other items order should be placed to them according to quality and price of goods.

With a view to encourage the participation in the store purchase programme of the state government, the Uttar Pradesh Small Industries Corporation is playing a significant role. It has formulated a scheme for enlistment of agro-units. Agro-units having investment below Rs. 2 lakh may get themselves registered with the Corporation. Under this scheme no tender fees is required in the Government purchase. The tender information is sent to the practices free of cost, issued by Directorate of Industries and Director General of Supplies and Disposals. Registered units are exempted from depositing the security.

**PROBLEM OF RESEARCH**

The problem of research and development is not less important for agro-units. Besides capital, labour and raw materials, research has its own role in the production. Modern production required newer techniques and methods to produce and sell the goods. Therefore, to make the production effective, research is necessary in the field of production process, procurement and testing of raw material and hiring of labour etc. Market research is equally important
in the case of agro-industries because their articles are tailored to suit individual or group tastes, habits and uses. Therefore, the market researcher must study the consumers' habits which affect the sales of agro-industrial products.

The need for research also arises because it helps in utilising idle resources. In the absence of research, entrepreneurs face various problems of development. These handicaps can be removed if researches are made properly. For seeking and seizing out economic opportunities the activities of state and institutions should aim at associating efforts with reward. The prospects of agro-industries depend upon the improvement of techniques and the extent to which the state and institutions will accommodate themselves to protect incentives and encourage trade.

In the country, various research and development programmes are conducted. At the state level, the Directorate of Industries assist small entrepreneurs in marketing their products and acquiring raw materials. They make small

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1. Parroque, Q.H., Small Scale and Cottage Industries as a means of providing better opportunities for labour in India, op. cit. p. 18.

2. Ibid., p. 18.

entrepreneurs quality conscious by introducing scheme for standardisation, quality marking and testing. These schemes are applicable on voluntary basis and their membership is limited to those units who voluntarily agree to abide by the specifications and standardisation laid down by the Directorate of Industries. The Uttar Pradesh State Directorate of Industries has introduced a scheme for the prevention of infringement of trade marks and sale of superior goods. Directorate of Industries also helps small entrepreneurs in marketing research and raw material research. They also participate in exhibitions organised at district, state and all India levels to publicise the products of agro-units with a view to promote their sale.

The problems of research programmes on collective basis should be chalked out because small entrepreneurs individually cannot afford their expenses.

FINANCIAL PROBLEMS:

One of the important problems of agro-units is their inadequate financial resources. The development plans of agro-units are hampered due to non-availability of funds. It is evident from the table 2 (IV) that the position of supply of machines has improved to some extent after the nationalisation of major fourteen commercial banks. These banks have been directed to have
liberal, generous and forward looking attitude in financing agro-industries. Under the liberal policies of the nationalised banks even a new and young industrialist starting a small venture can avail himself of the financial accommodation without offering any security provided there is credit worthiness of the project.

In a country like India where there is general paucity of investable funds agro-industrial sector suffers from the problem of paucity of funds. Agro-industrial units do not have free entry to the capital market. Therefore they remain in dearth of capital. They depend for finances, upon the owners' savings and the saving of friends and relatives. While examining the causes of paucity of funds in agro-industrial sector the international Planning Team of Ford Foundation pointed out the low productivity and over population in many branches. The methods being primitive it is easy for a worker to start a new business of his own. He does not need many tools and much equipment as his competitors themselves do not have much advantages. They are all bound in the same depressed conditions and are unable to find a way to a better standard inspite of their indisputable skill as workman.\(^1\)

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For removing the paucity of funds of small entrepreneurs our policy is quite liberal. Every year and in every plan increasing allocations have been made for the success of the programme of the development of agro-sector. Under this head government expenditure has increased to Rs. 88.9 crores under the third plan from a relatively small amount of Rs. 5.2 crores during the first plan. A much higher allocation of Rs. 123.3 crores has been made in the fourth plan.¹

Due to lack of finance, the agro-units have to sell their products as soon as they manufacture them and do not get fair prices for their products. Agro-industries generally borrow money at high rate of interest which results in high cost of production. Hence they fail to effect sufficient saving for introducing improvement in their production techniques. It is on account of shortage of finance that the existing agro-units are not working efficiently and at their full rated capacity although their products are much in demand.

The main aim of the government is to provide necessary infrastructure to this neglected sector of the

economy and remove such serious handicaps as shortage of finance, non-availability of suitable working accommodation, inadequacy of facilities for tooling, repair and maintenance and training and lack of techno-managerial advice to improve productive efficiency and reduce cost of production. Therefore, it is imperative that the financial needs of agro-industries are met properly if balanced development is needed.

Under the directives of the government to nationalised banks for financing agro-industries and neglected sectors, agro sector is benefited to some extent. A large part of the loans provided by nationalised banks is used in discounting the bills of supplied made to large organisation.¹ As the payments from the large sized agro-industries are delayed for indefinite period, the borrowing of the small agro-industries from banks have increased considerably. In some cases the delays in getting payments from large industries create the problems of survival for some of the ancillary units. In fact it is required that large units should pursue a sympathetic policy to pay their bills as early as possible and should help in solving the financial problems of agro-industries.

Nationalised and other scheduled commercial banks have liberalised their policies, but they are very much security-minded. These banks should follow more liberal policies in advancing short and medium term loans. An entrepreneur without a substantial security finds it difficult to get credit from these banks. Banks should change their attitude. A general overdraft facility from 20 percent to 25 percent of the capacity should be provided so that these entrepreneurs could face an unexpected situation like recession. A long delay in scrutinising the applications should be avoided. An enthusiastic entrepreneur should be welcomed for undertaking new venture. For the proper solution of the problem, a close link between the banks and the agro-industries should be maintained and frequent dialogue among them is very essential. The voices of agro-industrialists should be heard and respected by financial institutions. Therefore new policies should be formulated to encourage young engineers and other educated people to start small agro-industries and motivate existing industrialists to expand their venture so that more employment opportunities could be generated.
CONCLUSION:

In conclusion it may be said that the main problems of agro-industries are lack of adequate supply of raw materials at reasonable price, meagre financial and credit resources, shortage of modern and sophisticated machinery and equipment, lack of technical know-how, lack of skilled labour, inadequate arrangement of marketing the products, paucity of research and development facilities, heavy burden of taxation etc. In Uttar Pradesh some of these problems are met through institutional resources like Uttar Pradesh Financial Corporation, State Small Industries Corporation, Agro-industrial Corporation etc. These Corporations help agro-industrial ventures in procuring imported and indigenous raw material and machinery on easy terms. Training and managerial lacuna are solved through the training programmes undertaken in industrial estates. Marketing and export problems are also tackled to some extent by industrial estates. Although various services and facilities are available to them, but considering the vast requirements of this sector, there is a need to increase these facilities to a great extent to provide favourable infrastructural facilities to this vital sector. It can safely be remarked that financial needs of agro-industries should be given due attention because in the availability of finances lies the solution of other problems also. The next chapter therefore is devoted to examine the pattern of financing of agro-sector in Uttar Pradesh.