CHAPTER VII

FINDINGS AND CONCLUSION

7.1. Introduction

The agro processing industry has an important role to play in linking the farmers to the final consumers in the domestic as well as the international markets. Agro processing combined with marketing has the potential of solving the basic problems of agricultural surpluses, wastages, rural jobs, and better remuneration to the growers. In the next ten years, agro produce production is expected to double. These produces, if processed and marketed smartly, can make India a leading agro produce supplier of the world.

India with a population of 1.08 billion (growing at about 1.7 % per annum) provides a large and growing market for agro products. Agro processed products are the single largest component of private consumption expenditure, accounting for as much as 49% of the total spending. Furthermore, the upward mobility of income classes and increasing need for convenience and hygiene is driving demand for (a) perishables and non food staples and (b) processed foods. Also, eating out is a booming practice in urban India and processed foods are accepted as alternative to the home cooked food because of the convenience it offers. Also, with the globalization of trade and availability of high speed logistics, food retailers in developed countries are sourcing a year-round supply of fruits and vegetables from developing countries. Thus, both for local consumption as well as for export there is a year round opportunity for fruits and vegetables, milk and bakery, grains and spices, sugarcane products and ready to eat processed foods as well as cotton and textile, paper and pulp, and wood processing products in non-food category. The agro processing industry should introduce innovative new products of high quality at low cost in small package sizes in ready to eat format to cash on this booming opportunity.

In this regard, present research work try to explore the strengths of agro processing industries in Sangli district so that countable threats in front of these industries can be countermanded.

7.2. Major Findings

Following are major findings of this research work.

7.2.1. Findings about Basic Information of the Sample

1. In this study it is observed that almost all industries under agro processing sector which includes food and non-food processing industries are located in rural and semi-urban locations. This is because; these industries can take advantage of availability of fresh raw material, work force and land at comparatively cheaper cost.

2. Majority of agro processing industries in Sangli district have been established in recent past, not more than ten years. The agro processing sector has becoming the sunrise sector in India after introducing the liberalization policy.
in 1991. The industry friendly atmosphere has motivated agro processing units in Sangli district.

3. At present it is found that maximum number of agro processing industries is situated in Miraj Taluka. Some Talukas like, Atpadi, Jath and K. Mahankal being distant from District head quarter may have suffered a set back and hence there are very few numbers of agro processing units. At the same time Miraj and Tasgaon Talukas have locational advantage. Various basic requirements for agro process industries like quality raw material, market network, communication facilities etc. are available in these Talukas.

4. More than half of agro processing units are following the individual ownership business form. The second priority is for partnership format. There are number of constraints as experienced by these units, which compels them to restrict their business up to certain limits. Hence, they can manage the work within these two business forms.

5. Maximum numbers of units under study largely rely on combination of manual labour work and assistance of basic mechanical tools. The most advanced processing techniques are not affordable to them and hence they did not think on it. Similarly, many of the processing units’ owners are totally unaware about ultra modern methods based on information technology.

6. More than half of the agro processing units enjoy benefits through the sales turnover of more than Rs 50000/-. Out of these 55 % units, major share is comprised of industries which have the annual sales turnover ranging from Rs 50001/- to Rs 100000/- and remaining have the sales turnover figure of more than Rs 100000/- a year. The 45 % units are running at lower sales turnover of less than Rs 50000/- per year which indicates that they are just managing their business with slight profit quantum.

7. It is observed that, in spite of, availability of majority of raw material for agro processing industries is seasonal; 65 % of these units work throughout the year. Only a quarter of the industries under this study are using their facilities in respective season. Now-a-days minimum facilities for procurement and storage of raw material are available, so, these units can carry out their work round the year.

8. Half of the agro process industries require to proceed for minimum basic operations in the range six to ten. After careful study, it is possible that some of the non value adding operations can be deleted from the sequence. This will be helpful in improving productivity of these organizations.

9. As disclosed from table 6.10, annual charges on basic resources like power, water and others are between Rs 5000/- to Rs 10000/- for 65 %, 85 % and 70 % of agro process industries respectively. These charges can be controlled by applying various measures like use of alternative and non-conventional sources of energy, re-use of water and other materials etc.
10. More than 55% of agro process industries are facing the problem of power and water supply. This situation imposes limitations on the capacity utilization of these industries.

11. It is found that more than half of agro process industries have tried for alternative arrangement of power supply. This is essential because, interruption in the sequence of processing due to failure of power may affect the quality of end product. Only 29% of industries depend on non-conventional methods of power generation as an alternative energy source.

12. All agro process industries under study have availed all types of subsidies during their life span. Tax exemption facility was used by 97.5% industries while only 32.5% industries were benefited through transportation related subsidies.

7.2.2. Findings Regarding the Workers

1. The human resource pool of unskilled workers is available in large scale at rural area where most of the agro process industries are situated. This has resulted into less labour overheads at one side, while limited quality improvement as the negative consequence on the other hand.

2. Instead of providing non-monetary methods for motivation, agro process industries still trust on monetary measures in token of increased productivity and improved profitability. Concerned employees prefer to have monetary gains than just non-monetary rewards.

3. Majority of agro processing industries are of the view that employees should be provided with appropriate training in general and on the job training in specific. The 15% industries are not in favour of any additional training. This is because; they could not afford training expenses and manage the work during training period of employees.

4. Most of the industries (65%) carry out their work with the help of employees in the age group 20 to 40 years. Remaining 35% of work force in these industries is of the age more than 40 years. The blend of dynamic and enthusiastic young work force with mature and experienced adults can be used successfully for all round development of these industries.

5. Half of the industries wish that their executives should be thoroughly trained; and this training may be of off-the job type. The executives are considered as think tank of these industries.
7.2.3. Findings Regarding the Machinery

1. It is observed that approximately 70% agro process industries are using labour intensive production processes. This is because; unskilled labour can apply these techniques without any special training. This type of work force is easily available in these industries. Further, the maintenance of these processes is easy and less expensive.

2. Three fourth of total agro process industries under study have investment of less than Rs 50000/- in machinery. This fact indicates that, these industries try to manage their work with help of locally available, less costlier and easy to operate technologies.

3. More numbers of industries have to carry out maintenance of available machinery either in each week or in every month. This has simplified the work of preparing maintenance schedule and controlling the cost of maintenance.

7.2.4. Findings Regarding the Materials

1. Large number of agro processing industries (67% +), require to allocate annual budget up to Rs 30000/- for procurement of raw material. Similarly, they have to think seriously for storage of both raw material and finished products. The agricultural produce being perishable in nature, it is not possible to store large volume of material for longer period.

2. Half of the industries under study developed their own facilities for storage of raw material and finished products. The raw material used in these units is perishable in nature. Hence it is required to take due care for preservation of raw material up to its processing and protection of finished products up to dispatch. As compared to other industries in manufacturing sector, the agro processing units require less duration of storage and hence the cost of storage of both for raw material and finished products remains less.

7.2.5. Findings Regarding the Capital

1. As far as initial capital investment is concerned, one fourth of the sample units have the investment of less than Rs 100000/-. These units are managed by individual owners. Majority of units (60%) have invested in the range from Rs 10001/- to Rs 30000/-. Remaining six units have invested more than Rs 300000/-. These units are working either in co-operative sector or managed as large partnership firms.

2. More than 87% of agro processing industries under study have raised their capital either on their own or from partners or from the help by relatives. This situation has restricted the scope and speed of expansion of these industries.

3. The profit earning capacity of 65% agro processing industries under this study is below Rs 20000/- per year. One important reason behind this low profit earning characteristic lies in the fact that more than a half of industries have to give credit facilities to the customers ranging from one month to six months.
But, about 90% of industries restricted to pay suppliers’ bills within six months. This situation compels these industries to face consequences arrived due to acute shortage of working capital.

4. All industries under this study are aware about various financial and non-financial incentives available to them. Some important incentives include tax exemptions, subsidies etc. But, half of the industries prefer to remain away from these incentive measures because they feel corresponding restrictions are troublesome.

7.2.6. Findings Regarding the Market

1. There is predominance of local market as majority of agro processing units under study are located in rural and semi-urban sector. Recently some industries, around 12% have entered into the international market.

2. It is observed that half of the agro processing industries depend on individual contact with customers, followed by the contractual interaction with institutes by 30% of organizations.

3. More than half organizations are facing local competition. Just 7.50% units are fighting to prove themselves in international market. Those experiencing the local competition have their markets in the vicinity of less than 50 kms.

4. The logistic support required by half of the industries under study is provided by automotives like trucks and tempos. In addition other 15% processing units depend on utility of bullock carts. There is network of motor able roads, hence automobiles can be used for transportation purpose for all types of domestic markets.

5. Just less than 50% of organizations can manage their logistics expenditure below Rs 10000/- per year. This is possible because, the market is not far away and many times customers themselves take away the products from the processing units.

6. In present era of competition it has become essential to concentrate on advertising and publicity but maximum number of organizations (62%) does not feel necessity to have separate arrangement for advertising. Still all processing units have made budgetary provision up to Rs 5000/- a year by 80% and more than Rs 5000/- by remaining.

7. Almost 70% of units under study use locally available print media and radio for the purpose of publicity. This is the most cost effective media what they feel.
7.2.7. Findings Regarding the Management Process

1. Most of the organizations trust on previous experience as the basis for making managerial decisions. Employee participation in decision making process is least weighted option by sample agro processing units. Each experience in business dealing sets a guideline for these industries, so they mostly prefer decisions based on experience rather than the help of business consultants. But, for particular area like accounts, legal etc. they depend on consultants’ help.

2. Normally agro processing units design the plans for either short or medium term. It is practically very difficult for these industries to forecast for a long term as there are number of factors beyond their control for which they can not anticipate precisely.

3. Organizations under study use personal contact method dominantly both for maintaining better customer relations and for building sound communication network.

7.2.8. Findings Regarding the Quality Assurance

1. Stereotyped inspection process is popularly adopted by most of the agro processing units. This is because; either total or random sampling serves the purpose of quality control in these units. Further, these organizations are unable to bear additional financial pressure in installing new mechanisms for quality assurance.

2. Majority of agro process industries under study still follow traditional methods for assurance of quality. They are not prepared to accept and practice modern managerial and quality assurance methods like MRP-II, TQM, SCM, ERP etc. as what they feel, are highly expensive, time consuming and needs lot of training.

3. In most of the agro processed products; the measurable quality attributes are very few in number. These industries face number of difficulties in assurance of other non-measurable quality attributes like colour, taste etc. Hence in fact, there is a need to take guidance and assistance of competent authorities for acquisition of quality certification. But, majority of agro processing units being small in size and financially weak, they carry out the business only on response of existing customer base.
7.3. Analysis of Problems

Different problems came on the surface after churning the experiences of various agro processing units. Some of them are discussed in following sections.

A) Analysis of Problems Related with Human Resource Management

1. Majority of agro processing units claim that there is shortage of skilled labour.
2. The labour turnover rate is very high.
3. The absenteeism can not be controlled.
4. Workers almost all the time deny accepting any proposed change.
5. Employees do not participate in decision making process.

The overall pessimistic attitude of workers creates organizational conflicts. One of the reasons for this negative behaviour may be poor financial capacity of these units which compels them to restrict wages at certain level, which ultimately leads to, psychological dissatisfaction at work place.

B) Analysis of Problems Related with Finance

1. The capital is not sufficient.
2. Too short credit facilities restricts business turnover.
3. Significantly minimum returns on investments.
4. Available technologies are highly expensive.
5. Provisions for overheads are not enough.

Some of the findings as mentioned above portraits weak financial condition of majority of agro process industries under study. Continuous existence of these financial shortcomings has restricted the speed of development of these industries.

C) Analysis of Problems Related with Materials

1. Raw material supply is insufficient.
2. Good quality raw material is not available.
3. The supply of raw material is interrupted.
4. It is not possible to maintain safety stocks.
5. There is significant proportion of wastage of raw material.

The negative situation in supply of good quality raw material results into adverse quality of finished products. Consistent production and marketing of substandard final products will damage the image of agro processing units. These units can not withstand in competition.

D) Analysis of Problems Related with Markets

1. Demand pattern is not stable.
2. Production facilities are away from the market place.
3. Cost of advertising is significantly large.
4. Competition is very severe.
5. It is not possible for many industries to use more advanced marketing techniques.

Unstable demand pattern increases difficulty in terms of demand forecasting and production planning. The distant market means excessive transportation cost and more susceptibility towards wastages. In the scenario of cut-throat competition, there is need for advertising, better control over quality and adoption of technological advancements. But, the cost for all these basic requirements is beyond the control of agro processing units under study.

E) Analysis of Problems Related with Infrastructure

1. The work place shortage is not the situation but its productive utilization becomes a problem for many agro processing units.
2. The roads are not good.
3. Sufficient water supply is not available.
4. There are more frequent interruptions in the supply of power.
5. There is limited storage facility.

Much portion of available work place remains either un-utilized or under-utilized, which is one kind of loss to the business. The poor surface transport facilities and non availability of sufficient storage increases expenditure on logistics. Discontinuity in basic needs of water and power, results into inefficient use of all other resources.

F) Analysis of Other Problems

1. Existing technology is obsolete.
2. The site for manufacturing facility is not appropriate.
3. Management policies are less dynamic.
4. The different types of taxes increase burden on the agro processing units.
5. Policies designed by the government are unfavourable.
6. The plants are not utilized with their optimum capacity.
7. Opportunities for value addition are limited.
8. Organizations are not accustomed with IT enabled business practices.
9. There is very little control over processes which results into pollution.
10. The communication system is not strong.

All the above difficulties create number of barriers not only on expansion of the business but also raises question mark on sustenance of these units. Majority of these findings are directly or indirectly associated with financial resource and ability of management.
7.4. Findings about Preparedness to Implement New Solutions

Agro processing units were surveyed on the basis of their reactions about acceptance of new alternative solutions for different problems. The findings in terms of numbers of industries, who are ready to accept new solutions, are displayed in following table 7.1.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Problem Area</th>
<th>Response Percentage</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Human Resource</td>
<td>44.58</td>
<td>V</td>
</tr>
<tr>
<td>2</td>
<td>Finance</td>
<td>60.50</td>
<td>I</td>
</tr>
<tr>
<td>3</td>
<td>Materials</td>
<td>60.00</td>
<td>II</td>
</tr>
<tr>
<td>4</td>
<td>Marketing</td>
<td>49.16</td>
<td>IV</td>
</tr>
<tr>
<td>5</td>
<td>Infrastructure</td>
<td>49.50</td>
<td>III</td>
</tr>
<tr>
<td>6</td>
<td>Other</td>
<td>41.25</td>
<td>VI</td>
</tr>
</tbody>
</table>

Source: Field Study

According to above information it can be concluded that agro processing units under study are facing more serious problems in financial portfolio. Materials related difficulties are at second rank. Infrastructural problems secure moderate weightage followed by market related difficulties. Other problems can be tackled after getting solutions on consequences regarding human resource.

7.5. Multiplicity of Ministries and Agro Process Industries

One of the major problems faced by the rural based agro process industries is that there is no single nodal agency which makes co-ordinated effort to develop this sector. Different sectors of agro process industries are governed by various ministries as mentioned below:

1. Ministry of rural and agro industries: Khadi & Village Industries Commission (KVIC). Coir Board
7.6. Conclusion

It is clear that poor access to credit particularly from formal financial institutions has constrained the agro process industries to invest in capital and technology and expand notably. This has led to low rate of return both in terms of gross value addition and profits. The agro process industries, hence, are taking the help of outsourcing in order to generate respectable earnings. Overall, it seems that the financial viability of agro process industries is featured by low level of technology use, seasonal nature of operation and poor access to formal credit institutions. In fact, there exists an interrelationship between these three attributes and agro process industries are trapped in the vicious circle of low capital base - low credit - low surplus - high dependence on outsourcing - low manufacturing activities -low credit - low capital base. In order to enhance the viability of agro enterprises there is urgent need to provide a big push of capital intervention particularly in the industry groups of food processing and wood prod