Chapter VII

Summary of Findings, Suggestions and Conclusion
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7.1 INTRODUCTION

In developing countries like India, the small-scale industrial sector plays a pivotal role in terms of employment and growth of economy. This sector mainly depends on local raw materials and manpower to produce goods and services in demand, both nationally and internationally. The agro-based small-scale units manufacturing the items identified can meet export demand for the same in reasonable quantities and there is a sufficient export demand as evidenced by the current levels of exports. These are the main reasons that the government of India had stressed on its Industrial Policy to promote agro–based small-scale industries, widely disbursed in rural areas and small-towns. In pursuance of this policy, a programme was evolved for setting up the District Industries Centre (DIC) as an effective nodal agency for the development of small scale industries. Agro-based industries is of enormous significant for India’s development because of vital linkages and synergies that it promotes between the two pillars of the economy namely industry and agriculture. The agro industry is regarded as an extended arm of agriculture.
Hence, the present study entitled “Performance evaluation of small-scale industries with special reference to agro-based industries in Thoothukudi District” has been undertaken to analyze the growth and performance of agro-based small-scale industries, their levels of growth and efficiency, the factors influencing their growth, capacity utilization and problems faced them.

In order to evaluate the growth and performance, 332 agro-based small-scale industrial units were considered as census method. The agro-based SSI units registered in the District Industries Centre are categorized into five namely (i) Food and food processing (ii) coir and coir products (iii) Herbal based units (iv) Cashewnut units (v) Bakeries.

In the foregoing chapters, growth of agro-based small-scale industries in Thoothukudi District, their extent of growth, the factors influencing growth, socio economic factors associated with level of growth, efficiency, viability capacity utilization and problems faced by the agro-based small-scale industries have been discussed. The major findings, suggestions and conclusion are presented in this chapter.
7.2 SUMMARY OF FINDINGS

The major findings of the study are summarized as follows.

The study on socio economic status of the sample agro-based small-scale industrial units revealed that majority of the agro-based industrial units entrepreneurs belonged to the age group of 26 – 45 years followed by 46 – 60 years.

Among 332 agro-based industries 290 were run by male and remaining 42 by female in Thoothukudi district. Out of 332, 93.37 per cent are married and nearly 80 per cent are graduates and 9 per cent are professional degree holders. Family size is between 4 – 5 members.

Regarding family occupation, fifty per cent are agriculturists and 17.47 per cent are traders. Nearly 90 per cent of the entrepreneurs are having income from Rs.20000 to 40000. Out of 332 units, 65.66 per cent of them are sole proprietorships and 27 per cent are private limited company. Only below 15 per cent have attended entrepreneurial development programme due to not awareness. Out of 332, 34.94 per cent of them learnt their technical knowledge through an employment and 33 per cent through family experience. About
59.64 per cent of the respondents are not members in any organization. Only 36.75 per cent of respondents are members in one organization and more than 95 per cent are first generation entrepreneurs. The main reasons for becoming an entrepreneur are because the likelihood of independent living the chance to become rich. Compelling factor is unemployment and prime motivator is self followed by family members.

In order to identify the factors which facilitate the entrepreneurial performance Garrett’s Ranking Technique has been adopted. The results revealed that the previous experience in manufacturing, previous experience in industry and property inherited are ranked first, second and third places.

Regarding the expectations, majority of them (57.83 per cent) have expected financial assistance from Nationalized Bank. Out of 332, 45.78 per cent of them have partly fulfilled their expectation. But nearly 34 per cent have fully fulfilled their expectation.

The analysis of reasons for selecting a particular unit indicates that high margin of profit and no difficulty in technical know-how are the most important reasons asserted by the entrepreneurs.
7.2.1 Analysis of the Growth and Performance of Agro-Based Small-Scale Industries

The total agro-based small-scale industrial units selected for the study were 332 units. Among the 332 units, 267 units were food and food processing units, 18 units were coir and coir products, 17 units belonged to the category of the herbal based units, 12 units belonged to cashewnut units and the remaining 18 units were bakery industries.

To measure the growth of these agro-based small-scale industries, ten growth factors were identified by the researcher. It was found that the highest percentage of fixed assets was owned by the units of food and food processing, followed by the coir and coir product units. The total average growth score for the agro-based SSI units for the fixed assets was estimated to be 8.59.

In the case of the owned funds, the coir and coir products, and herbal based enjoyed a maximum level of owned funds amounting to Rs.15,00,000 and above. The highest growth score in the case of the owned funds was found among the units of the food and food processing. The total average growth scores of agro-based industrial units for owned funds was estimated to be 8.76.
It could be observed from the analysis that had been made that the units of the coir and coir products, herbal based units and bakery enjoyed a maximum of the borrowed funds. The highest growth score in the score of the borrowed funds was 8.97 and the lowest growth score was 7.39. The average growth score worked out to be 8.3.

It could be seen that the highest percentage of cashewnut units, coir and coir products and backery industries were having a working capital of Rs.20,00,000 and above. The maximum growth score for the working capital was found to be among the units of the cashewnut units.

In the case of the value of the raw materials, the maximum value of the raw materials was used by coir and coir products. The average score for the value of raw materials for the under study was estimated to be 8.83.

Regarding the product-mix, the maximum score of the product-mix was found in the units of the herbal based industries (9.16). The average score of the product-mix for the agro-based SSI units was estimated to be 8.73.

In the case of employment generation, the units of the cashewnut and bakery industries had accommodated more number of workers in their
operation compared to the other categories of small-scale units. The average growth score for employment was found to be 8.52.

Regarding the level of production, the highest score value was found in the units of bakery (8.85) followed by the units of cashewnut industries category (8.79). The average score for the level of production was estimated as 8.07.

In the case of turnover, the highest value was found in the units of cashewnut industries (8.96) followed by the units of bakery industries (8.63). The average score value of the sales turnover was estimated as 8.23.

The highest levels of net profit were found among the units of cashewnut industries (8.99) and next in that order were of bakery units (8.75). The average score for the net profit was estimated as 8.43.

Regarding the levels of growth, it could be understood from the analysis made that out of the 332 agro-based units 164 units were under the category of a medium level of growth, 93 units were under the category of a low-level of growth and the remaining 75 units were under the category of the high level of growth.
The analysis of coefficient of variation had indicated that the units which had recorded a high level of growth were more consistent in their growth performance compared to the other two categories, namely, the medium level and the low level growth performance.

The estimated results of the multiple–linear regression model used for identifying the factors that had influenced the growth of agro-based small-scale industrial units, had revealed that among the significant variables, the capacity utilization had a greater influence on the high level of growth of the units of agro-based small industrial units in the study area. In the units of the medium level of growth, the value of production had a greater influence on the growth of agro-based small scale industrial units. It was followed by the variable, ‘capacity utilization’. In the case of the units of the low level growth category, among the various significant variables, the working capital was found to have had a greater influence on the growth of the units of agro-based small scale industries.

It might be concluded from the analysis that the growth of the units of the coir and coir products category in terms of the ten identified growth factors was remarkable. The three variables, namely, capacity utilization, value of
production and the working capital were found to be the most influenced variables in the case of the high, the medium and the low level categories of growth in agro-based small-scale units in the study area.

There is a significant relation between the age of the entrepreneurs and level of growth of enterprises.

There is no significant relation between the gender of the entrepreneurs and level of growth of enterprises. It indicates that level of growth is independent of the gender.

There is no association between the educational qualification and level of growth of enterprises.

There is no association between the forms of organization and level of growth of enterprise.

7.2.2 Efficiency and Viability of Agro-Based SSI in the Thoothukudi District

The technical efficiency and the viability of agro-based small scale industrial units in terms of productivity of capital, profitability, operational efficiency capital intensity and productivity of labour were found to be as
follows. Among the 332 units, the growth wise productivity of capital had revealed that fixed assets were found to be high in the case of high growth category units. Among the industrial group productivity ratio was found high in herbal based units.

The profitability ratios for the small-scale industrial units were found to be high among the high category units and it was found to be higher among the units of bakery industries.

The input-output ratio and the value added input-output ratios were found to be the highest among the high level group of the units and the operational efficiency was found to be higher in the units of bakery industries.

The capital intensity of agro-based SSI units had indicated that the results of both the total assets and the fixed assets per employee were found to be high in the category of the high level growth industries and it was found to be higher in the case of the units of herbal based industries.

Thus, it could be concluded that the high level growth category units were bakery group, and the units of herbal based industries group which have operated very efficiently.
7.2.3 Capacity under -Utilization and Other Problems faced by the Small-Scale Units

The problems faced by agro-based small-scale units could be summarized as follows:

It was found that the annual average unutilized capacity was around 50 to 75 per cent and the mean unutilized capacity was found to be the highest among the units of the food and food processing units, followed by the units of the coir and coir products and bakery units. The major reasons for the unutilized capacity were competition (78 units) followed by the power scarcity (48 units).

As far as the problems faced by the small-scale industrial units were concerned, it could be observed that the marketing of their products was the major problem, followed by the problem of adequate finance and the availability of raw materials and there were found to be mostly concentrated among the miscellaneous category of industries.

The major reason for the problems of marketing was the problem of severe competition faced by the small units. In the case of the problem of getting the raw material, the other major reasons for the problem were scarcity,
followed by the high prices and the other related problems, such as the uncertainty of prices and the seasonal supply of the raw materials.

Turning towards the issue of finance, the main difficulty was the shortage of working capital and the other difficulty was the major problem of finance. The major sources of initial capital were through borrowings from wife and the utilization of the sale proceeds of the agricultural lands and the other professional earnings. The major source for the term loans were the commercial banks (142 units) followed by the Small Industries Development Bank of India (SIDBI) (80 units) and the Tamilnadu Industrial Investment Corporation (78 units).

Apart from the major problems, the small-scale industrial units had also to face the problems of getting suitable labour, power supply. They suffered from lack of managerial and technical guidance. It was found that the absence of skilled labour and trade unionization were the problems in the domain of labour, and the high cost of production. The major reason for not using the available technical and managerial guidance was inconvenience. It was also considered as not very useful for the successful functioning of agro-based small-scale industrial units.
7.3 SUGGESTIONS

In order to overcome the problems faced by agro-based SSI units, the following measures have been recommended.

It was understood from the analysis that the inadequate market demand was the major problem that had confronted the agro-based SSI units in Thoothukudi District. Marketing problem included inadequate market demand, fluctuations in effective demand and cut throat competition from the large – scale industrial units. In order to solve this problem, it is suggested that the existing price preference suggested by the government should be implemented. As far as possible, the large-scale units should be discouraged from competing with the products of the small-scale units. Reservation of a certain percentage of the types of products as is found in the textile sector, between the handlooms and the mills could be through of.

To solve the working capital problem, the present industrial financing pattern should be streamlined by implementing fully the much published and announced single window system to help agro-based small-scale industrialists to have the required funds from the very beginning of the starting of their units.
Government should also conduct training programmes to educate and create consciousness among agro-based SSI entrepreneurs about the scientific packaging techniques, latest design of packaging technology, modern management practices and skill upgradation etc to make Indian market globally competitive.

In order to overcome the constraints in the agro-industries to follow some success factors, creation of incentives for farmers to produce the required quantity and quality of raw materials and supply the produce as stipulated in the contract provision of required farm inputs and technology and clarification of who bears what cost and risks and access to high quality processing technology is required.

A complete operational value addition centre is one of the models in practice in agro-industries, to provide an integrated chain from farm to the market, reducing the number of intermediaries at several stages (consolidator, commission agent, wholesalers). It is suggested that government should take necessary action to form the model centre for agro based industries.


7.4 CONCLUSION

From the overall analysis and from the findings it could be concluded that the food and food processing units and the units of coir and coir products, the units of the herbal based and backery industries were found to have progressed well, with a high level of efficiency. The main problems faced by agro-based SSI units were found to be in marketing their products and in getting adequate working capital. The development of the agro industry can help satellite and make agriculture more lucrative and create employment opportunities both at the production and marketing stages.

7.5 SCOPE FOR FUTURE RESEARCH

The present study has been made for analyzing the performance evaluation of Agro–based industries. Even though it is a primary attempt in this respect, it will provide more scope for future research work in this area. The future research work may focus on food processing industries and its marketing of Agro products. Problems of marketing faced by the Agro industries have to be attempted for further research. The value addition may also be attempted for further research in agro- based industries.