CHAPTER IX.

Summary of finds and suggestions.

Introduction:

We have summarized our findings of the survey conducted of the 100 forest based industrial units of Karnataka in this chapter in the first part. In the second part, we have made various suggestions for the improvement of small scale forest based industrial units using raw material resources from the forest. These suggestions are based on the find and hence relevant to the improvement of the forest based industrial units and for laying down a policy by the Government for their encouragement.

Part-I.

Summary of the findings:

Organisation: The forest based industrial units are all in small sector which may be categorized as tiny sector in case of some units. The age of the units vary from 1-5 to 16 and above. However, majority of the units are in the age group of 6-10.

The organisation pattern reveals that proprietary concerns predominate over all other types of organisation. They form 3/4th of the units surveyed by the researcher. However, there are as many as 16 units which are private limited firms.

The location of the units reveals that majority of the units are located in the premises of the proprietor.
Where there is a combination of workshop with office. This arrangement is not only economical but also leading to the integration of production with marketing and also leading to better supervision and control over production as well as marketing. As many as 67 units were satisfied with the present location of the units only 33 units wanted a better location for their units for various reasons of spacious accommodation, central place for marketing their good, transport convenience, existence of a show room etc.

Management of the units has posed interesting problems. The proprietor has to act as a manager in as many as 80 units, only in case of 18 units, there is a full time paid manager to look after the unit doing managerial functions. There are still 2 units where the partner of the firm act as a manager.

The proprietor functioning as a manager is unique since he is asked to play various roles. He is not only a master craftsman providing capital, but also an entrepreneur, marketing man, a financial expert as well as production manager. This combination of the role of the proprietor with that of the manager makes his job vulnerable as well as lacking in expertise knowledge though it leads to integration of various functions necessary for efficient and effective production and management of the unit.

Even in case of 18 units where full-time paid manager is appointed, the proprietor assumes a greater role in the management of the unit, since the form of the organisation is largely proprietary. A partner, in fact, relieves the other partner of some of the functions of the manager. Thus, the management, by and large, vests with the proprietor or the partner and the paid manager merely assumes some functions of the management especially in the field of marketing.
The qualifications of the manager who is by and large the proprietor of the unit in large number of cases, reveals that they are educated either upto S.S.L.C. or have enough trade experience. In our detailed survey, the analysis of the type of the units and the education of its manager - more particularly- the proprietor-cum-manager reveals that higher the education (and that too liberal education), the better managed is the unit with very problems of personnel, finance and marketing. As many as 70 managers were in the age groups of 30-35 and 31 and 40. This is a very healthy sign as it's age is a mature age for shouldering the responsibility.

The majority of the management numbering 78 units have "the business" and "family occupation" as their background. This established a firm relationship between the experience of the proprietors-cum-managers, involving the management of the firm to their "family and occupation" background in the family itself.

The Yele's coefficient of Association between experience of proprietor-cum-managers and family background is positive. Thus, the study has revealed that family background has a great bearing on the management of the forest based industrial units.

The study has revealed various motivational factors influencing the establishment of the forest based industrial units. They are categorized under internal factors and external factors. "Earning profits and possessing wealth" was a major motivation for 80 units followed by "strong desire to do some independent job". This was again followed by "providing employment to family members including himself".
Composition of the working capital reveals that 52.2% is invested in sundry debtors, including bills receivables, 38.4% in inventories, 2.8% in cash and bank balances and 6.6% in advances and deposits. Thus, it is quite clear that the main heads under which the working capital is invested are sundry debtors including bills receivables and inventories. Sundry debtors top the list in the locking up of the working capital which shows that sale on credit is still a predominant way of marketing of the goods produced by the forest based industrial units. It is rather hard to expect the sales against cash. This is reflected in the poor position of cash and bank balance which is only 2.8%.

The management of the forest based industrial units refused to divulge the interest paid on the borrowings. However, we have tried to verify whether the interest charged on the borrowings were reasonable or otherwise.
As many as 45 respondents replied that the interest charged was reasonable 30 said that it was high and surprisingly one replied that it was low, 6 wanted a revision and 18 had no opinion on the matter. On the whole, it seems, the rate of interest charged on the borrowings is reasonable and conforming to the market conditions. Cash requirement for small units is very important since the credit worthiness is based on the ready cash it can pay to the labourers as well as for the purchases in the market. Cash is required for (i) Salary of wages (ii) bills pending and (iii) outstanding payments if any. As many as 88 units required cash for payment of salary or wages, 49 units for bills pending and 9 for outstanding payments.

Cash inflow for 96 units is through. Sales daily weekly and monthly) through special sales on discount for 12 units, and through special contract orders (any other) for 18 units.
On financial assistance, it was reported that 41 units received the financial assistance through Karnataka State Finance Corporation, State forest-based Industries Corporation, Commercial banks, and small scale industries service organisation.

The financial problems were both supply of long term capital as well as short term or working capital. The dilatory and cumbersome procedure of the financial institutions before sanctioning assistance or loan drove away most of the units from these institutions to become an easy prey to indigenous bankers and money lenders or to rely on their friend and relatives for loans which was always proved to be a fair weather friend.

Production Management:

Raw material requirement which is nearly 80% in case of some units, is purchased from indigenous sources and from within the state. It was further observed that all the units have to purchase raw materials for forest based industrial units are:

(i) Private Timber Depots.

(ii) Govt. Forest Timber Depots.

(iii) Whole-sale merchant in the market.

(iv) Open market and

(v) Forest-based corporation (Karnataka State Forest Industries Corporation Ltd.)
with a view to meeting the growing requirements of forest based industries, the Forest Department of the Govt. of Karnataka has opened 37 bamboo depots and massive plantation forestry. As many as 79 units replied that the supply of raw material is adequate. Only 16 said that it was inadequate and 5 held the opinion that it was erratic. Besides, as many as 89 units replied that the price of the raw material was reasonable. Only 11 units considered the price of the raw material to be unreasonably high. There were 30 units with the godown facility whereas 70 units did not possess any godown facility. Since, large number of units were small, there was no need to have specific godown facility.

The Karnataka State Forest Industries Corporation and the Forest Plantation Corporation Ltd. were very helpful to the industrial units in procuring the raw material. However, they cared more for big units and small units had a lot to complain against them.

Nearly 80 units preferred semi-finished raw material whereas 10 units preferred uncured raw material. The remaining 10 units did not bother since they managed with the available raw material in their own way.

The inventory of the raw material varied with the orders on hand and orders expected. As many as 58 units maintained a stock of raw material lasting for not more 60 day's production, 12 units maintained a stock for 6 month's production.

Actual production in terms of value per year was difficult to estimate as no unit was willing to furnish the annual sales correctly. Therefore, we have covered the monthly turnover of the units.
There were 71 units where monthly turnover ranged between 1000 and 10,000 only 4 units had a turnover of Rs.10,000 and above.

26 units utilised 81 and above productive capacity, 36, between 61-80, 24 units between 41-60 only 2 units were using between 21-40%. However, it may be noted here that utilisation of productive capacity does not give any true picture of the units since the units are all labour intensive and capacity to produce could be increased or decreased depending on the market conditions. However, we have noted that the main reasons for under utilisation of productive capacity are (i) Power shortage, (ii) raw material shortage (iii) financial constraint (iv) fall in demand (v) labour problem; (vi) management problem.

Both innovative and imitative productive technology was adopted. 20 units adopted innovative technology whereas 80 units survey undertook diversification of the products. 7 units undertook change in line of production 16 units undertook addition to the present production and 27 units introduced modification in their production. The remaining units followed the traditional production line only.

The agro-based industrial units are aware of the importance of quality control, but no standard is fixed by the state Govt. for the products manufactured by small units using forest based raw material. Thus, it is very difficult to measure and fix the quality control for the products of the units surveyed by us. The customers satisfaction alone is the hallmark to determine the quality of the product.

Marketing management:

The forest-based industrial units manufactured various products with wood and cane as the basic raw material. Besides, they had considerable job work to do with wood such as body building for lorries or trucks,
boards, furniture with wood or cane as the basic raw material, carpentry for construction purposes etc. The list of articles produced by them is pretty long. There are variations in the production as well as different product mix which have not been spelled out here because each item is produced to the satisfaction of the customers. Marketing, therefore, of these products requires careful selection of salesmen, advertising media, etc.

Majority of the units were in the monthly sales group of Rs.2001-5000 and Rs.500-10,000. Those units below the monthly sales of less than Rs.10,000 number 70. Other units are fairly big. Those units which are bigger amongst various industrial groups include saw mills, agarbatti units exporting their products and some furniture and body building units who have secured orders from the Government departments.

The number of units selling their products on credit is 65. As many as 59 units undertake sales on credit upto 30%. There are only 2 units which are selling their products on credit which form 40% and above. Thus, we find that sales on credit amount to 25% of the total sales. Credit is given for a period of 1 to 3 weeks by majority of the units. However, credit did not normally exceed 11 weeks. Credit irrecoverably, by the units is reported by nil. However, 3 units reported irrecovery of 16% and above. 30 units could not recover their credit to the extent of 1-5% and 18 units 6-10%. That goes to prove that recovery was good on the whole 8 units reported 100% recovery. The reasons for giving credit was trade credit (38 Units), severe competition (22) sales promotion (20) clearing off the stock (16) personal terms with buyers (12) Govt contract (4).
The pricing policies followed by the forest based industrial units were (i) cost plus (ii) competitive price policy and (iii) consumer oriented price policy.

39 units followed cost plus pricing policy prominent amongst them being wood cutting and saw mills. 57 units followed competitive price policy and 4 units followed consumer oriented price policy.

Sales promotion devised adopted by the units under survey were (i) Personal selling through salesmen and (ii) Sales promotion through advertisement media, brand name, discount sales etc.

As many as 54 units undertook personal sales and 46 units resorted to sales through salesmen. Sales men were recruited by various ways. 18 units recruited salesmen "at the door", 8 units "through friends", 6 units "through existing staff", 8 units "through employment exchanges", 5 units through advertisement and only 1 unit by a preculler method included under "any other".

Training of the sales men was mainly through on job. there were no special facilities for training the salesmen. Salesmen were remunerated by way of salary (14 units), salary-cum-commission (11) commission only(9) outright sale with discount (1) and any other (1) Here, "any other method" meant any combination of the four methods stated earlier.

The forest-based industrial units resorted to "personal gifts" as a popular media of advertisement. As many as 34 units used "personal gift" in the form of key chain, fountain pen, penstand, agarbatti stand etc, as a media for advertisement of their products "show room" occupied the next position in advertisement 28 units resorted to this method. Use of calenders and bill writing were resorted bo by 14 and 9 units respectively. Advertising in "local newspapers" was reported by 12 units. thus, various advertising media were used by the units to popularise their products.
Environmental factors were equally important for motivating the management for efficient management of the unit.

Financial management:

The sources of long term capital is examined in detail. 96 units have relied on their own capital as one of the main sources of long term capital to being with followed by "borrowings from friend and relatives" by 50 units. Financial institutions have provided finance for 12 units only and 14 units have relied on indigenous bankers and money lenders included under the category of "any other".

Long term investment is spread such heads as site, land purchase etc. Here, again we find that as many as 67 units owned site and hence did not invest any capital over it. Only 18 units invested long term capital in the purchase of land 15 rented the land and 67 invested in the purchase of machinery.

75 units were satisfied with the adequacy of the long term capital, only 25 units complained about the inadequacy of the long-term capital.

As many as 99 units provided their own working capital supplemented by borrowings in case of 50 units, 4 by deposits and 64 units through trade credit. Trade credit was thus, an important source of working capital for the forest based units.
Besides advertising, 16 units had resorted to brand name as a means to promote the sales. Sales were undertaken with heavy discount once in a year (8 units) twice in a year (21) Four times in a year (3) every festival (12) special grand sale for clearance (3) During the sale, discount was given ranging from 5-9% (2 units), 10-14% (18 Units) 15-19 (21 units), 20-24 (4 units) ad 25-29 (2) No unit offered discount beyond 30%

A few agarbatti units exported their products directly.
4 respondents reported that they got assistance in marketing through Small Scale Industries Organisation.

The difficulties experienced in marketing their products by the units was analysed 24 units experienced the difficulty due to "higher prices" of their products, 32 units due to "competition from bigger units", 31 units due to lack of trained salesmen, 18 units due to lack of showroom, 4 due to inadequate market information, 9 due to domination of middlemen and 4 units due to the combination of various reasons stated above.

Thus, the problems faced by the forest-based industrial units were
(i) too much reliance on middle men (ii) lack of standardisation (iii) less use of brandname (iv) lack of finance (v) need for registration of the unit (vi) training of the salesmen (vii) lack of market consultancy firms, etc.

Personnel management:

100 forest based units surveyed by us, employed in all 1020 workers, thus, having an average of 10-2 per unit out of 1020 employees, services of 140 were utilised for administrative work and the balance 880 for productive purpose. Again, 640 were skilled workers and 380 unskilled, Recruitment of workers was done "directly at the door" by 57 units, "through friend and relatives" by 46 units "through employment exchanges" by 11 unit, "through existing workers" by 8 units and by the combination of the method stated above.
Source of skilled labour was through friend and relatives 160, at the factory gate, 146, through jobbers and middlemen 144, advertisement 90, competing firms 54 and employment exchanges 46.

Training was provided through various methods. 6 units reported "training in the family" 4 units reported that trained men were available in the market, 3 units gave the "training on the job" and only one unit entertained apprenticeship.

Out of the 14 units as many as 13 units recruited the trained technical men from other states than Karnataka. Only one unit recruited trained technical personnel from Karnataka.

69 units reported that labour was organised, in 33 units it was not organised, and 8 units had no idea of the labour union. Only 3 units reported labour resorting to strikes. These were settled by holding the discussions, normally resulting in the raising of the salary.

Salary varied from unit to unit in the same industry and between the forest-based industrial units. It was paid either weekly or monthly depending upon the unit and the prevailing practices.

Incentives were offered to the workers but they again differed from industry to industry and from unit to unit in the same industry. Bonus was paid by 31 units only. The form of bonus again varied from unit to unit.
Sandalwood Economy:

Sandalwood units surveyed by us have revealed that they have neither any financial problem nor the production. The problem faced by them is marketing of their products. The raw material is made available by the Govt. agencies at a highly subsidized price and the articles produced by them fetch a relatively high price.

This has put the units in very comfortable position. In fact it went be an exaggeration, if we say that sandalwood units are the envy of all other industrial units, because of the wide margin of profit. The productive capacity has no relevance as it is an entirely labour oriented industry. It is limited by the availability of the craftsmen.

Marketing is a major problem faced by the sandalwood units. Inspite of the high quality maintained by the craftsmen, marketing of these luxurious articles in a developing economy has posed many complicated marketing problems. The management, therefore, relies on the Gods and Goddesses as the main items of manufacture for marketing purposes. This is not liked by the foreign tourists. They are looking at other items which are to their taste which the local units are not in a position to produce as the market is limited.

Infine, we may say that sandalwood units are in a comfortable economic position compared with the other forest based industrial units.
PART II

SUGGESTIONS.

Based on the observations revealed through the survey undertaken by us, we would like to recommend the following suggestions for improvement of the forest based industrial units as well as the sandalwood units in Karnataka.

Suggestions for improvement of raw material:

Since wood is an important raw material apart from bamboo, there is always a scarcity of the quality wood as the forest is depleted of best variety of trees. It is therefore suggested that:

(i) a long term policy of distribution of raw material should be firmly laid down to be implemented by the forest department and the two corporations established for the purpose.

(ii) The share of the forest based industrial units be raised since their requirement is increasing day by day. The teak wood, rose wood, sandal wood, bamboo is required on a larger scale with the units increasing day by day. It is a labour intensive industry and as such deserves to be encouraged. The role played by the forest department today need to be expanded for a large number of units are dependant on their raw material.

(iii) The attitude of the officials must be changed with a view to encouraging the small scale forest based industrial units including the sandal wood units. These are the traditional units which require the patronage.
(iv) Power has to be assured to the small scale forest based units. The productive capacity has to be maintained.

(v) Training institutions of short term duration should be encouraged for forest based industrial units as well as for sandalwood units. The trained worker is needed today to manage the production based on wood and sandal

(vi) Adequate production subsidy may also be provided for the small units including the sandalwood as it is employment oriented. This encouragement is already given for handloom industry, for Khadi and village industries. On the same lines subsidy could be given to the units based on forest resources including sandalwood.

(vi) Financial requirements of forest based industrial units are unique. The financial institutions are advised to come to the assistance of the forest based industrial units in providing not only the long term capital but also the working capital as the trade credit and the discount sales do not assist adequately the cash inflow. The sandal wood industry has to undertake the sales on credit, as the products are all considered to be luxurious items. The financial units can safely lend the funds both for forest based industrial units as well as for sandalwood units. These units are not risky. They are capable of repayment and hence deserve all encouragement.

(viii) The marketing of the forest based industrial units and the sandalwood units posing a great problem. They require a showroom to display their products. They require the study of consumer's behaviour. It is suggested that the Small Industries Service Institute should undertake a continuous market survey for the forest based industrial units and the sandalwood units. This will result in considerable innovative production as well as diversification of production.
(ix) It should be an annual feature to hold a trade fair of forest based industrial units and the sandal wood units. An annual fair of the products of these units when exhibited will attract large number of consumers and enable the units to study the consumer behaviour.

(x) The units should be registred to avail themselves of the benefits from the financial institutions as well as the Govt.

(xi) The export duty should be lowered on the forest based industrial units and sandalwood units with a view to encouraging the exports to Gulf countries and other advanced nations.

(xii) New designs in can making units including the location of the markets for such designs will go a longway in expanding the cane units.

(xiii) Wooden box manufacturing units are fast losing the market as they are replaced by plastic and other synthetic materials. Govt or Govt-sponsored small Scale Service stations must maintain a R and D section to bring about a Welcome change in this traditional business by various suggestions of improvement. It is then, possible to face a stiff competition and the continuity of the traditional units. This is all the move true incflagg of sandalwood units.
The present small scale forest based industrial units including sandalwood desire to grow in size. This is possible only when assistance such as raw material, trained labour, including the craftsmen, market information etc., is made available by the chamber of Commerce or Association or a government agency.

The forest based industrial units are traditional including the sandalwood units. They required to be modernised if they are to face the competition. It is, therefore, desirable that greater assistance in technology, finance, and marketing is made available by government agencies which have been created for the purpose.

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