CHAPTER : III :

PERFORMANCE EVALUATION OF MINI INDUSTRIAL ESTATE- KANKAVLI

i. Critical Review Of Locational Decision

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PERFORMANCE EVALUATION OF MINI INDUSTRIAL ESTATE- KANKAVLI

i) CRITICAL REVIEW OF LOCATIONAL DECISION :

INTRODUCTION :

Maharashtra is one of the industrialised states in India. But there has been regional imbalance as far as different regions are concerned; this is especially so in case of Konkan; Vidrabha and Marathwada. Therefore, the balanced industrial development of these regions has been the policy of the Government of Maharashtra. In pursuance of the decision to achieve overall balanced development of the state; the industrial development act of the state empowers different Regional Corporations to take all such steps in furtherance of the objective of balanced industrial development of the state. According. The Development Corporation of Konkan Limited is established in 1970 to achieve the industrial development of this backward region. The Konkan Region comprises four districts viz. Thane; Raigad, Ratnagiri and Sindhudurg. This Corporation has undertaken the number of projects including that of rubber plantation.

This corporation took an important decision to establish Mini Industrial Estate at Kankavli in 1978 in Sindhudurg District.

This attempt was madw with a view to providing infrastructural facilities to small entrepreneurs, so that they may achieve initial economies in capital expenditure. This technique of Mini Industrial Estate was followed to motivate the entrepreneurs an and to create social overhead capital (Soc). One question needs clarification at this stage only. When an organisation like Maharashtra Industrial Development Corporation is already in the field oto establish industrial estates in different parts ofthe state, what is the rationale behind the move of DCKL to start Mini Industrial Estate, ECKL runs 4 mini industrial estates in Kokan Region DCKL has ventured into this area because this region has been declared as industrially backward region of the state, wherein private capital is not forthcoming in the way it should be. The private capital is shy and on account of lack of infrastructural facilities the initiative of small entrepreneurs is stifled. In order to give a special boost to small entrepreaure. DCKL has ventured into this area.

The total area of the estate is 76 ares on which 17 galas have been constructed in the estate. The galas have got different dimensions. These galas have been allotted to 14 small scale units out of which 50% are functioning. The remaining 50% units has vintually stopped their production activities. It clearly brings out of fact that the mortality rate has been very high.

Any investment decision needs cost and benefit analysis. Since this technique of cost and benefit analysis is a pre-investment technique; theoretically it can not be applied as post-investment technique. Still then it would be interesting to undertake cost analysis of this estate. The details of which have been mentioned below in Table No. 3.1

TABLE NO.3.1

COST OF VARIOUS ITEMS

(Elements of Fixed costs)

Particulars	Cost in Rs.
1. Construction of road(length 500 meters)	32,500.0
2. Cost of acquisition of land (78 gunthas)	35,100.0
3. Construction of well	28,000.0
4. Electric Motor pump	13,600.0
5. Construction of sheds(17 galas)	5,80,000.0
6. Construction of water tank	38,000.0
7. Cost of electricity	17,500.0
Total	7,44,700.0

$$\frac{7,44,700}{17} = 43,805.88$$

The cost worked out for each gala comes to Rs. 43,805.88. It may be noted that the fixed cost incurred by DCKL right from the stage of land acquisition to the provision of electricity comes to Rs. 7,44,700.0. From the income accruals, it is clear that DCKL has fully recovered the fixed cost in the form of premium. It's details are as under. :

TABLE NO.3.2

TOTAL INCOME FROM THE GALAS

Sr. No. Area of Gala	No.of Galas	Cost of each Gala (Rs.60.0 per Sq.ft.)	Total Price (in Rs.) (2 X 4)
1	2	3	4
1. 330 Sq. ft.	3	19,800.00	59,400.0
2. 490 Sq. ft.	4	29,400.00	1,17,600.0
3. 980 Sq. ft.	4	58,800.00	2,35,200.0
4.1470 Sq. ft.	4	88,200.00	3,52,800.0
5.1960 Sq. ft.	2	1,17,600.00	2,35,200.0
Total			10,00,200.0

The total income accrued to DCKL comes to Rs. 10,00,200.0. It obviously means it has not only recovered the fixed cost, but has been a net source of gain for the corporation. This shows that economic viability aspect has been fully taken care of by

Development Corporation of Konkan Limited.

As far as income side of the Mini Insustrial Estate is concerned it has got three main components :

a. Premium to be paid by the Lassee. This amount of premium is paid by the lassee to the lassor as a consideration for the property leased out to a lassee.

b) Annual charges of Rs. 300 to be paid by lassee. In fact, this can not be considered to the source of income for the corporation, since it has to bear certain recurring charges in the form of Government revenue; Lessor's share of cesses and the owner's share of Municipal or village Panchayat rates or taxes, which the lassee has agreed to bear.

c. Rental income at the nominal rate of Rs. 1 per annum. This is just a token charge in order to comply with the technicalities.

It is clear from these three components that Mini Industrial Estate can not be considered to be permanent source of income for the corporation Rather it has not been the objective of corporation. From table Nos. 3.1 and 3.2 we can work out per guntha cost and price. The per guntha fixed cost which includes not only the cost of acquisition of land but also other expenses including those of construction of sheds comes to Rs. 9,547.35.

On the basis of premium received by DCKL, it has also been worked out the price received by DCKL which comes to Rs. 12,823.076 per guntha. It clearly follows from this that DCKL has received a margin of Rs. 3,275.72 per guntha. In terms of percentage this margin is 34.31. This margin received by the corporation is quite sufficient. Inspite of this margin there is fair room to say that this Mini Industrial Estate has certainly offered initial economies of scale. The following points will substantiate this line of argument.

1. In order to acquire the land out-side the industrial estate small entrepreneurs would have been required to pay at the rate of Rs. 1,000.0 per guntha which was the then prevailing market rate.
2. Certain fixed costs like construction of road, construction of well, electric motor pump; electricity fittings have been shared by all the entrepreneurs. The individual cost would have been much higher. As the fixed charges have been shared by the entrepreneurs they are certainly at an economic advantage. This may be considered to be initial economies in their capital expenditure. They accrue from the fact that each individual entrepreneur gets external economies from this Mini Industrial Estate.

II. <u>CAPACITY UTILISATION OF THE INDUSTRIAL ESTATE AS A WHOLE</u> :

Development Corporation of Konkan Limited has constructed 17 galas in this Mini Industrial Estate. All of them have been allotted to small entrepreneurs and DCKL has received income from the same in the form of premiums. It means that there is 100% utilisation rate for this Mini Industrial Estate. This is certainly a welcome feature against the background that in the programme of industrial estate at macro level, utilisation rates have not been very satisfactory. The utilisation rate is an indicator of economic viability of an industrial estate. If there is 100% utilisation rate, it means that there is 100% recovery of the fixed cost incurred by the organisers or sponsoring agencies. This higher rate of utilisation must be appreciated against the background that this percentage has never been as high as 100% as per the half yearly progress report for the period ending 31st March 1971 published by the Development Commissioner (small scale Industries Ministry of Industrial Development Government of India). In fact in another report. it has been mentioned that, the utilisation ratio was generally higher for urban estates than for the rural estates.

It is stated that the rural industrial estates do not have easy access to market i.e. both the markets viz. factor market and product market. The factorb of proximity to market in turn determined the rate of utilisation. In case of mini industrial estate the rate of utilisation is higher as the village Kankavali is located on Goa Bombay highway and hence its access to market has been ensured to a considerable extent.

The Mini Industrial Estate at Kankavli can not be considered to be urban industrial estate; because it comes within Gram Panchayat Area. Therefore the rate of utilisation obtaining in a semi urban area is certainly a point of appreciation. This has also contradicted the finding of the sample survey conducted by Reserve Bank of India.

COST ANALYSIS OF MINI INDUSTRIAL :ESTATE : KANKAVLI :

For the development of any industrial estate whatever the fixed costs are incurred have got three main components. :

a. Cost of acquisition of land.

b. Construction of Sheds.

c. Cost of provision of infrastructural facilities.

The researcher has attempted the cost analysis with reference to above three components in case of Mini Industrial Estate at Kankavli. The cost of acquisition and development of land constitute 4.71% in the total costs incurred for the development of this Mini Industrial Estate. This percentage is very reasonable as the land was acquired not at the market rate, but at the rate fixed by the Government. In case of Mini Industrial Estate at Kankavli the rate was Rs. 450 per guntha which was for lower than the prevailing market rate of Rs. 1,000.00 per guntha. It is clear from this that this percentage of the cost of acquisition and development is certainly within the reasonable limits. This may be due to the fact that in a rural areas the cost of acquisition and development is generally lower as compared to that in urban areas. It was mentioned by the DCKL authorities that they have not incurred any significant expenditure for the development of this land.

The second important component is the cost of provision of infrastructural facilities. The basic idea behind industrial estate is to provide infrastructural facilities for the entrepreneurs at the subsidised rates. Naturally this cost element may be a significant one. In case of Mini Industrial Estate Kankavli this cost constitutes 17.40% which can be considered to be quite reaso nable. Generally the cost of provision of infrastructural facilities is higher in rural and semi urban areas than in the urban areas. Against this background the cost ratio for infrastructural facilities obtaining in this Mini Industrial Estate is certainly reasonable. The cost of infrastructural facilities has got three main elements. :

a. Construction of approach road (length of 500 meters).
b. Provision of water (construction of well and fitting of electric motor pump and construction of water tank.)
c. Provision of electricity.

The third element in the fixed cost that is the cost of construction of sheds constitute 77.88% which is certainly very high. This high construction cost obtaining in Mini Industrial Estate at Kankavli confirms the findings of the sample survey of Reserve Bank of India. Which states that the cost of construction of sheds in rural areas is higher than in urban areas. This construction cost is higher because of two main factors.

1. As the material is not locally available it has to be brought from outside. The cost of transportation is high in this case.
2. As per the statement of the contractor scarce materials like cement; steel rods were not made available at the subsidised rates.

In short the decision of Mini Industrial Estate taken by DCKL has been economically viable on the basis of cost and income analysis. There is fair ground to say that this decision of DCKL has not been influenced, by political considerations.

The following table gives percentage share of different component of cost to the total fixed costs incurred in the development of mini industrial Estate at Kankavali.

TABLE NO.3.3

TABLE SHOWING THE PERCENTAGE SHARE OF DIFFERENT COMPONENTS

Sr. No.	Components	Percentage
1.	Cost of acquisition of land	4.71
2.	Provision of infrastructural facilities	17.40
3.	Construction of sheds	77.88

A BRIEF OUT LINE OF THE ACTIVITIES CARRIED OUT BY THE UNITS LOCATED IN MINI INDUSTRIAL ESTATE AT KANKAVLI :

In all there are 17 galas in this industrial estate out of which 16 galas have been allotted to small entrepreneurs and one has been retained by DCKL for office purpose. The allottment of galas is on the basis of one gala per unit. But two small units have been allotted double galas. These units are as under.

1. The Konkan Laboratories.
2. Sawant Book Manufacturing Company.

These two units have taken one more gala each for the purpose of expansion and diversification of their activities. Out of 14 units located in industrial estate 7 units are functioning and 7 units are not functioning. Table No. 3.4 gives us a brief outline of the activities carried out by these small units.

TABLE NO.3.4

THE TABLE SHOWING A BRIEF OUT LINE OF THE ACTIVITIES CARRIED OUT BY THESE SMALL UNITS

Sr. No.	Name of the Unit	Activity
1.	Laxmi Industries	Manufacturing of fire Extinguishers with ISI Specifications.
2.	R.K.Engineering	Manufacturing of Rotary gear pumps, Vaccum pumps; agitators and flexible coupling stirrers.
3.	Bhavani Aluminium Industry	Manufacture of Aluminium utensils.
4.	Sawant Book Manufacturing Company.	Manufacture of Exercise Books and Files.
5	Reliable Engineering Industry	Manufacturing of Hydrant Valves and Spare parts of fire fighting equipments.
6	King Deteogent and Company.	Face powder only.
7.	Girija Shankar Vidhut Company	Switch alling roses lamp.
8,	SRSK Chemicals	Fine Chemicals Varnish.
9.	Auto Air Conditioning Corporation.	Auto Air Conditioning parts.
10	Konkan Laboratories	Cosmetics Shampoo, Talcum powder.
11.	Swan Products	Wax Candles.
12	Ashok Enterprises	Laproscopic Aplicoter.
13	Firetch Industries	Refills for Extinguishors.
14.	Ashok Plastic Products	Polythene tubing bags.

It is clear from this table that their activities are so varied and diversified that they hardly support each other. These activities can not be stated to be complementary or supportive in nature. Since Mini Industrial Estate is a general type of Industrial estate, it is quite understandable. Table No. 3.5 gives the division of functioning and non functioning units.

TABLE NO.3.5

FUNCTIONING AND NON FUNCTIONING UNITS

Sr.No.	Names of the functioning Units		Names of the Non Functioning Units.
1.	Laxmi Industries	1.	Bhavani Aluminium Industry.
2	R.K.Engineering	2.	Girija Shankar Vidhut Company
3	Sawant Book Manufacturing Company	3.	SRSK Chemicals.
4.	Reliable Engineering Industry	4.	Auto Air Conditioning Corporation.
5.	King Detogent and Company	5.	Swan Product.
6.	Konkan Laboratories	6.	Ashok Enterprises.
7.	Ashok Plastic Products	7.	Firetch Industries.

As the 50% of units are defunct, the mortality rate for small scale units is very high which needs immediate attention.

THE REASONS FOR NON-FUNCTIONING :

The reasons cited by small entrepreneurs for closure of their activities are as under :

1. Lack of adequate finance for fixed as well as working capital.
2. Lack of suitable raw material from the local markets.
3. Lack of skilled and experienced workers.
4. Increasing competition of big industrial units in the market.
5. It may be noted that these are the general reasons for inbreeding industrial sickness in the small scale sector. It may be noted that these reasons are out of the purview of industrial estate and as such they do not reflect the efficiency or otherwise of the functioning of this Mini Industrial Estate. As 50% of units are not functioning we can not say that the decision of DCKL to locate the Mini Industrial Estate at Kankavali was not correct. These reasons are not adequate to prove this point. As far as availability of raw material and skilled labour is concerned, they are not sufficient grounds to question .

The rationality of establishing industrial estate at Kankavli. If the raw material is not available locally small entrepreneurs will be required to buy them from the outside and transport it to the point of production. Naturally the cost of transportation would be high.

The data collected in the course of survey is not sufficient to attribute this phenomenon of sickness to the organised locational facility provided by DCKL in the form of Mini Industrial Estate Kankavli.

REFERENCES

1. Report of The Working Group on Financing of Industrial Estates : Reserve Bank of India Bombay, 1972 P.No. 22.

2. Ibid. P.No. 22.

3. Ibid. P.No. 22