CHAPTER V

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C H A P T E R - V

CONCLUSION AND SUGGESTIONS

[5.1] Resource Utilization

Both the types of units i.e. mango processing and fish-meal units belong to the category of resource-based units. Their raw material is available locally and naturally from the point of view of utilisation of natural resources they offer a vast potential in the region. Since these units are raw material based, the cost of raw material constitutes a significant portion of their total cost which comes to move than 50 % of the total cost. The promotion of those resource-based units in Devgad taluka will ensure the necessary "spill-over effect" in the regional development.

[5.2] Idle Capacity

It has been observed that these processing units are working at less than 50 % of their capacity. This is mainly because of seasonal nature of their production. Since the raw material is available only during the particular period of the year, these units can function only during that period. In the rest of the year their capacities are idle. In case of mango processing units it may be suggested that these units may utilise the similar kind of raw material like chilly; konkum and process them during the idle period. They can utilise the existing machinery with the help of some minor

variations in their jig and fictures. The existing machinery has got necessary flexibility in this regard which can be exploited by introducing diversification.

[5.3] Capital-output ratio

The capital output ratio i.e. the amount of capital required per unit of output varies in both the types of processing units. In case of fish meal it works out to be 0.95 while in case of mango processing it comes to 1.84. These ratios are higher than these obtaining for other small scale units. In case of other small scale units the range of variation is from 0.13 to 0.68 depending upon the nature of industry.[1] We have found that these capital-output ratios are significantly high as revealed in our survey. This can be attributed to two main factors.

i) Both fish meal and mango processing units are seasonal in nature. Their output is not available throughout the year. In case of mango processing production takes place for three months while in case of fish meal production is carried out for six months.

Naturally at the time of calculation of output some kind of underestimation would be there because of seasonal

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1. Bedabati Mohanty - "Economics of Small Scale Industries", Ashish Publishing House, New Delhi, Page No.179.

nature of production. If we calculate the output on the basis of three and six months respectively for mango processing and fish meal units and divide the original ratios by 4 and 2 (i.e. $\frac{1}{4}$ of the year and $\frac{1}{2}$ of the year) the ratios will be similar to those of other small scale units.

ii) Secondly, in the term 'capital' we have combined both fixed capital as well as working capital. In short we have taken the term 'capital' to include the entire amount of productive capital. This fact has affected capital output ratio significantly indicating higher trend in respect of both the types of units.

[5.4] Capital Labour Ratio

It has been found out in course of the present survey that capital labour ratios are significantly higher in both the types of units. In case of mango processing average total capital per manday of labour works out to be Rs.356.1 and in case of fish meal it works out to be Rs.300.5. In case of other regional studies for agro based units the ratio is quite moderate.[2]

In developing countries like India, the crucial factor

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2. In case of Mohanty's study for Agro and Marine based units the average total capital per manday of labour works out of Rs.58.5 .
Mohanty Bedabati - "Economics of Small Scale Industries", Ashish Publishing House, New Delhi, Page no. 119.

before the planners is not, how to make use of abundant labour resources but how to best utilise the scarce factor of capital.

Naturally we advocate the promotion of small industry not only on the ground that they are labour-intensive but also on the ground that they are also capital saving in character. With a view to estimating how far the small scale units are capital saving in character; the capital labour ratios i.e. capital investment per manday of labour have been calculated for both the categories of small scale industry i.e. mango processing and fish meal units. Capital labour ratio is an indicator of the range of capital intensity, and we find that in the present study this capital intensity is significantly high (when we compare this intensity in case of rest of the small scale sector). The high ratio found in the present study is mainly because of high working capital requirements for processing units.

While calculating the capital labour ratio the term 'capital' is used embrance both fixed and working capital invested for providing employment for one unit of labour (In terms of per manday of labour).

[5.5] Co-efficient of correlationship in investment and profit

It is often hypothesised that profit goes with investment. Investment determines the size of profit and there is correlationship between these two variable.

It is found out in survey of Orissa by, 'Bedabati Mohanty', that co-efficient of correlationship between investment and gross profit is higher i.e. 0.94 in chemical industry; which implies that a change in investment probably brings a great change in profit of this industry.[3] The present study also shows that profit goes with investment. The co-efficient of correlationship in investment and profit is higher i.e. 0.07 in fish meal units, and in case of mango processing units; it is 0.01. There is higher investment in fish meal units than mango processing units.

[5.6] Working capital

In case of these resource-based units, the requirements of working capital are quite significant as compared to those of fixed capital. In terms of ratio of fixed capital to working capital, it may work out to be 1:3 in case of both mango-processing and fish meal units. The requirements of working capital are not only greater in magnitude but they are also peculiar. These units are required to purchase their raw material during a particular season and naturally working capital needs during this period are at their peak.

Generally working capital is made available for these units on cash credit basis and CC limit is prescribed in

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3. Mohanty Bedabati - "Economics of Small Scale Industries", Ashish Publishing House, New Delhi, Page No.103.

individual cases. The banks expect that this CC limit may be evenly distributed throughout the year. This may not be possible in case of both the types of unit since availability of raw material is seasonal. Hence it is recommened that some tailor-made approach may be followed in meeting their working capital requirements. To be more specific they may be allowed to use their CC limit at maximum during a particular time in a year.

[5.7] Octroi duty

At present octroi duty is lavied by major city corporations ranging from 8 to 10 % in some cases. Whereas the milk category of processed food products are exempted by the city corporations from octroi; why should fruit-processed be taxed so heavily?

It is suggested that some relief may be provided by these corporations. It has been observed that, because of these octroi duty the basic ex-factory prices escalate to a very significant extent.

[5.8] Infra-structural facilities

As per the norms prescribed by Pande Committee to identify the backward district, Sindhudurg has been declared as industrially backward district. It was expected that adequate infrastructural facilities would be made available in due course of time. But on the score of transportation

and power the arrangements are not satisfactory. Infact the constant power failures has caused a lot of inconvenience to the entrepreneurs.

This is especially so in case of mango processing units as the raw materials is perishable and suffer in quantity if the 'waiting period' is too long. It is therefore suggested that a constant flow of power is made available to these processing units. If at all there is need to have staggering it may be done with prior consultation of entrepreneurs.

[5.9] Transport subsidy

Likewise it is the complaint of most of the entrepreneurs that transport facilities are not adequate in the region, may be because per one thousand of population the road length may not be adequate. It is therefore suggested that some components of subsidy may be introduced in case of these units on the lines of 'Transport subsidy' which is in practice in Kashmir region.

[5.10] Foreign Collaboration

In case of food processing industry it has been found that there is tremendous potential for export. Unfortunately these export potential is not being tapped adequately. The Govt. of India has decided to give priority to food processing industry and has also announced a liberal policy towards Foreign Collaboration in case of food processing sector.

Mango processing units offer opportunities for such kind of collaboration.

It may be suggested therefore that the State Govt. may take up the initiative in starting a unit with foreign collaboration so as to ensure maximum utilisation of locally available resources for meeting the pressing need of foreign exchange.