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**MANAGEMENT OF CASH, INVENTORIES AND RECEIVABLES IN FOOD AND AGRO BASED INDUSTRY
(A CASE STUDY IN BAGALKOT DISTRICT)**

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ABSTRACT

The small-scale industries have been getting all the possible encouragement and assistance from the Government of India since independence in the country. The small-scale enterprises are generally labour intensive with a short gestation period and create many job opportunities. It was realized that with a low investment per worker, they have a high productivity of capital than large-scale capital-intensive enterprises. These industries held in dispersal of industries, rural development and in decentralization of economic power and at the same time acting as outlets for entrepreneurial talents and other skills. The Karnataka State occupied an important place in the industrial sector in the country. The State has made certain progress after the independence of the country and the industrial scene has undergone structural changes in the past few decades. This dynamic role played by the Small Scale Sector of Industry, many studies have been undertaken to assess the role of Small Scale Industries in the economy and to evaluate its performance, problems and prospects. Most of these studies have pointed out that finance is one of the major problems faced by the Small Scale Industry. The study undertaken is entitled as Food and Agro based industry in Bagalkot district. Data Analysis on this article the management of cash, inventories and receivables in various factors and drawn on conclusion.

KEYWORDS

management of cash, inventories, receivables.

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INTRODUCTION

The industrial sector is declared by the government of Karnataka as the priority sector, because growth of industrial sector is not at the desired rate. So the present study involves the analysis of the factors leading to practical problems to the processing units in the study area, and suggests the suitable remedies. It also involves the forecasting prospectus of this industry and identifies the areas, which offers better scope to set-up new units. Hence, the present study undertaken is entitled as Food and Agro based industry in Bagalkot district.

The Food based industry covering large spectrum of industrial units producing food based products, have to play key role in stimulating economic development, particularly 70 percent of the people live in rural areas and depend upon agricultures. Food based industry can also be used as an instrument for improving food supplies through prevention of post harvest losses of 15 percent to 20 percent of durable foods and 20 percent to 30 percent of perishable food and generating employment specially the rural area. Establishment of food processing industry can trigger improvement in productivity in agricultural and improve income of farmers. They can also provide a boost to many downstream industries and generate foreign exchange through exports.

REVIEW OF LITERATURE

Venkaiah very important of agro-based industries rural economy, Himalaya publishing house Bombay 1987. According to Venkaiah "Economic development in most of developed countries as already noted is crucially dependent on progress of the agriculture. Agriculture development assumes to priority in development efforts. As agricultural production is largely a carried on millions of firms to promote its progress must be perceive & most more through the market forces in the context of a developing economy rapid growth of food & agriculture production assumes carried importance due to a arising demand for them generated by the growing population & rising levels of income".

Shrivastava U.K Agro-processing industries potential for employment generation productivity vol 32, No. 1, april June 1998). Shrivastava U.K in his article examined the role of agro-based industries in employment generation. According to him "these industries provide the crucial form industry linkage which helps to calculate agricultural development by creating backward linkages (supply of credit input & other production enhancement services) & forward processing and marketing adding value to the farmers production generating employment opportunities & increasing farmers net income, These industries are generally labor intensive & can contribute to the export earnings".

According to Roa "agro industries need govt. attention in aspects relating to a structured rationalization technology up gradation & quality improvement".

OBJECTIVES OF THE STUDY

1. To examine the nature and extent of Food Based Industrial activity in Bagalkot district.
2. To explore the existing problems of the food and agro based industry in Bagalkot district.
3. To explore opportunities for industrial units in this field.
4. To suggest suitable measures necessary for improvement in the industry.

METHODOLOGY

For the analysis, information about industrial estate, a well-structured questionnaires has prepared which consisting of 100 questions, which cover all the field of infrastructure problems.

COLLECTION OF DATA

- **Primary data:** - visiting the various food processing industrial units carried out a comprehensive survey and administering the well-structured questionnaires schedules to the identified sample respondents.
- **Secondary data:** - collected from the records of sample food processing industrial units, government office and zilla parishad office, district industries center.

DATA ANALYSIS

1. FOOD AND AGRO BASED INDUSTRIES IN BAGALKOT DISTRICT

The study covered a total of 100 food based industrial units in the Bagalkot District of Karnataka. The respondent units were chosen on a random sample basis. The composition of the units based on the natures of production is in the following table.

TABLE NO. 1: FOOD AND AGRO BASED INDUSTRIES IN BAGALKOT DISTRICT

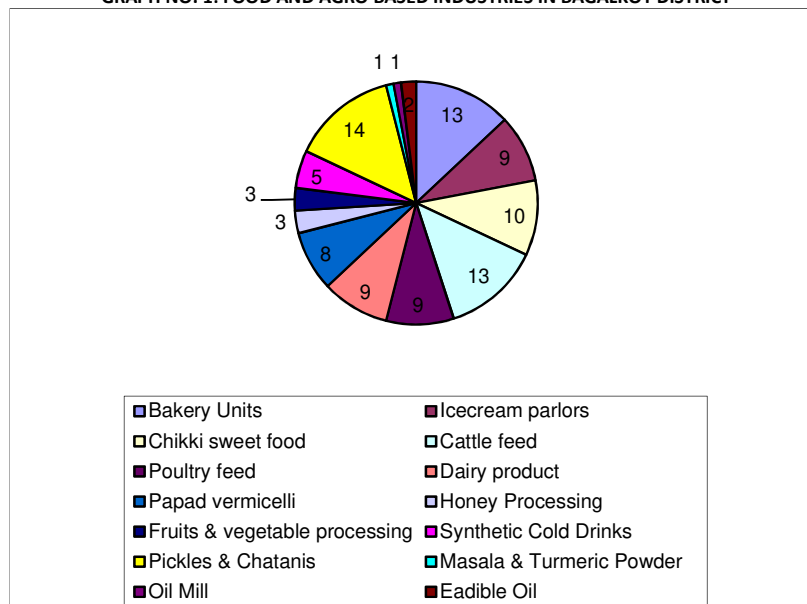
Product	No. of Units
Bakery units	13
Ice-Cream parlors	9
Chikki sweet food	10
Cattle feed	13
Poultry feed	09
Diary product	09
Papad vermicelli	08
Honey processing	03
Fruits and vegetables processing	03
Synthetic cold drinks	05
Pickles and chutneys	14
Masala and turmeric powder	1
Oil mill	1
Edible Oil	2
Total	100

Source: Office of District Industrial center

This kind of study was necessary to acquit oneself with the nature of the units as well as the extent of difficulties in the management of working capital. The researcher visited not only the enterprises of the above units, but also Government agencies, trade associations, chamber of commerce etc., for collection of the required data.

The table shows that study covered of 100 units of food based industries in Bagalkot District. The product wise classification of units surveyed. They fall into 14 categories, majority of the units engaged in low tech basic like food masala, and turmeric powder, of the units are in the food category. In all category of food like chikki sweet, synthetic cold drinks, pickles and chatanis, which are largely homemade cottage units.

GRAPH NO. 1: FOOD AND AGRO BASED INDUSTRIES IN BAGALKOT DISTRICT



From the above table we infer that the clusterization of units requiring low technology has taken place. On the other hand, the high technology food processing units have not yet made their in roads in Bagalkot District. Hence, most of the entrepreneurs seem to be following the path of safety rather than risky and trying to play the business game safely.

Since concentration process is absolutely necessary for all the agricultural products, its distribution channel involves a large number of marketing middleman or market functionaries. This is inevitable in the marketing of agricultural products. This is one of the reasons for the agricultural product between what the primary producer get and the final consumer pays for it.

2. MINIMUM CASH BALANCE PER MONTH

One of the most important functions of the business unit is to maintain sufficient liquidity to enable the firm to pay off its obligations when they fall due. The frequency of conversion of input into finished products with more frequent turnover rate, the lesser will be the cash requirement. In other words, the shorter the operating cycle period, the lesser will be the cash requirements.

Minimum cash balance required also depends upon the synchronization of receipts and payments. If there is an ideal situation where all receipts and payments have been synchronized business can operate with a minimum cash balance.

TABLE NO. 2: MINIMUM CASH BALANCE PER MONTH

Amount	Hunagund	Mudhol	Jamakhandi	Badami	Bagalkot	Bilagi	No. of units
Up to 2,500	0	0	0	0	0	0	0
2,500 – 3,000	2	2	1	2	2	1	10
3,001 – 4,500	0	0	0	0	0	0	0
4,501 – and above	15	5	18	12	10	20	80
Not applicable	1	2	2	1	3	1	10
TOTAL	19	9	21	15	15	22	100

Source: Survey Data

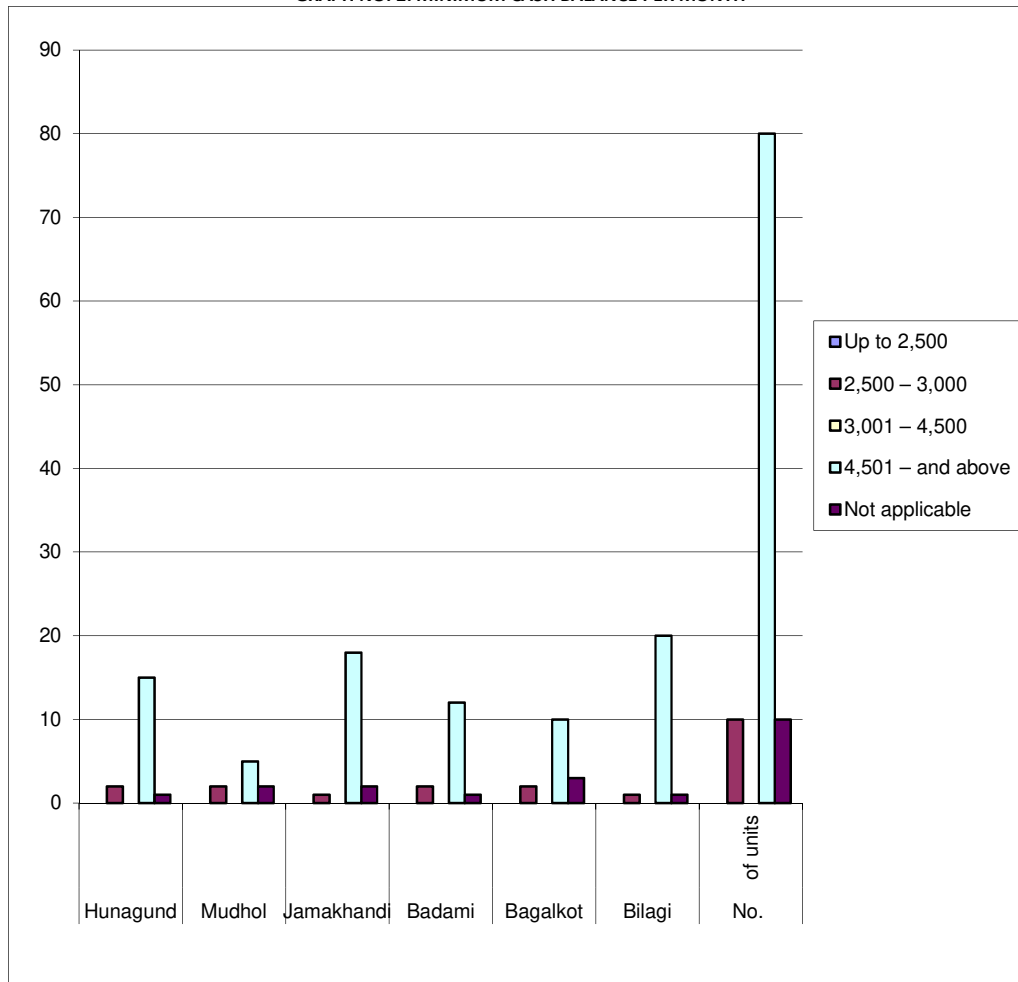
Study reveals that out of 100 units, 10 percent units are maintaining a minimum cash balance between Rs. 2,500 – Rs. 3,000 per month and 80 percent units are maintaining more than 4,500 per month. Remaining 10 percent units are not maintaining exact minimum cash balance.

The table shows maintenance of the minimum cash balance per month in different Taluka’s of Bagalkot Dist. Hungund, Badami Mudhol, and Bagalkot taluk have 2 units each. With minimum cash amount of Rs. 2,500 to 3000 each, while Jamkhandi, Bilagi talukas have 1 unit each, with Cash balance of Rs. 2500 to 3000/- per month.

Out of 80 units maintaining more than 4,500 per month the Hungund taluka has 15 units, while there are 5 units in Mudhol taluk, 18 in Jamkhandi taluk, 12 in Badami taluk, 10 in Bagalkot taluk, and 20 in Bilagi taluk.

Hungund, Badami, Bilagi, Taluk’s have 1 units each. Mudhol, Jamakhandi, Taluks are having 2 units each and Bagalkot, with 3 units come under the “not applicable category”.

GRAPH NO. 2: MINIMUM CASH BALANCE PER MONTH



3. MAXIMUM CASH

Though it is necessary to maintain minimum cash balance to meet business obligations, business units must not hold more than the maximum limit. Higher the amount of idle cash, the greater is the cost of holding in the form of loss of interest which could have been earned either by investing it in some interest bearing securities or by reducing the burden of interest charges by paying off the past borrowings, besides inflationary conditions. Therefore, proper planning is necessary to maintain cash.

TABLE NO. 3: MAXIMUM CASH BALANCE PER MONTH

Amount(Rs.)	Hunagund	Mudhol	Jamakhandi	Badami	Bagalkot	Bilagi	No. of units
Up to 5,000	0	0	0	0	0	0	0
5,501 – 6,000	2	2	1	2	2	1	10
6,001 – 8,000	0	0	0	0	0	0	0
8,001 and above	15	5	18	12	10	20	80
Not applicable	1	2	2	1	3	1	10
TOTAL	18	9	21	15	15	22	100

Source: Survey Data

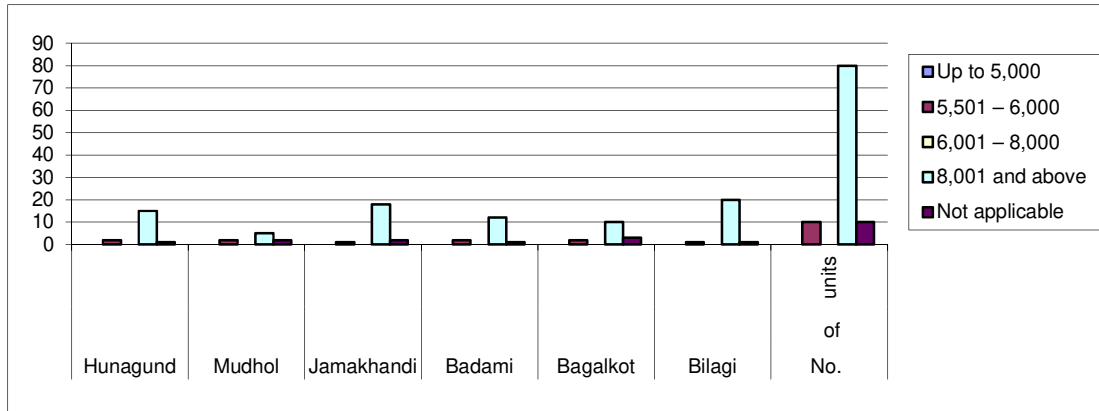
Above table shows that, out of 100 units 10 percent units are maintaining maximum cash balance per month between Rs. 5,001 – 6,000 and 80 percent units are maintaining a maximum cash balance per month more than Rs. 8,000. Remaining 10 percent units are not maintaining minimum or maximum cash balance.

Out of 10 units, Hungund, Mudhol, Badami, Bagalkot talukas are having 2 units each. which are maintaining minimum cash balance between 500 to 6000/- per month.

In case of maximum cash balance per month from Rs. 8001/- and above, Hungund taluka with 15 units, Mudhol with 5 units, Jamakhandi with 18 units, Badami with 12 units, Bagalkot with 10 units and Bilagi with 20 units, have maintained maximum cash balance per month of Rs 8001/- and above.

Of the 10 units, 1 Hungund, Badami, Bilagi, taluks with 1 unit each. Mudhol, Jamkhandi 2 taluks with 2 units each. and Bagalkot. with 13 units come under the "not applicable category".

GRAPH NO. 3: MAXIMUM CASH BALANCE



4. DETERMINATION OF LEVEL OF INVENTORY

Inventories will have their own systems and standards of manufacturing the level of inventory irrespective of the level of raw material supply and quantum of the finished goods produced. Some industries requiring a quite lengthy time for the conversion of raw material, into finished goods. The requirement of raw material will be more if the process of manufacture is lengthy and vice-versa. The inventory of a concern constitutes raw material, work in progress and finished goods.

Table indicates that out of 100 units, in case of 70 units owner/entrepreneur will decide the level of inventory. In 10 percent units manager will decide the level of invest in case and the remaining 20 percent units they are not maintaining the level of inventory due to their ignorance of maintaining the level of inventory.

TABLE NO. 4: DETERMINATION OF LEVEL OF INVENTORIES

Persons	Hunagund	Mudhol	Jamakhandi	Badami	Bagalkot	Bilagi	No. of units
Self	7	10	15	13	10	15	70
Accountant	0	0	0	0	0	0	0
Manager	1	2	1	3	2	1	10
Not applicable	4	1	2	8	2	3	20
TOTAL	12	13	18	24	14	19	100

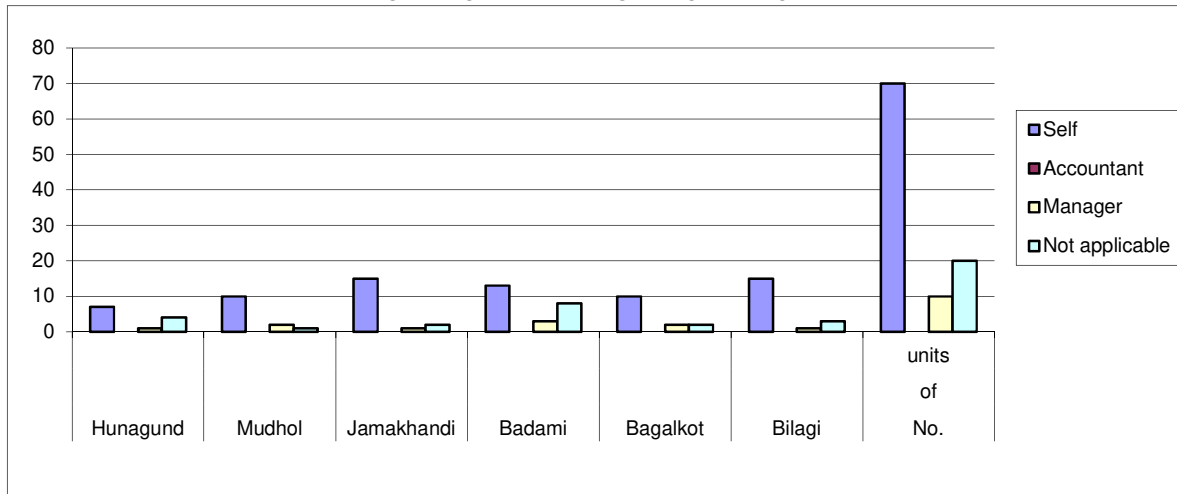
Source: Survey Data

The above table shows that, 'self' determination of level of inventories is indicated by to respondents units, of which, Jamakhandi and Bilagi have 15 units each while. Badami with 13 units, Mudhol and Bagalkot with 10 units each and, Hungund with 7 units are involved in 'self' termination of level of inventories.

Manager to determine level of inventory, in 10 units of which Badami has 3 units, Mudhol and Bagalkot 3 units each. Hungund, Jamakhandi, Bilagi talukas have 1 unit each.

Badami taluka having 8 units, Hungund 4 units, Bilagi 3 units, Jamakhandi and Bagalkot 2 units each, and Mudhol with 1 unit belong to category of 'not applicable' group.

GRAPH NO. 4: DETERMINING LEVEL OF INVENTORY



5. RECEIVABLES MANAGEMENT PRACTICE

With the advent of Industrial Revolution, production was carried in large scale with the help of latest machineries. Present entrepreneur problem is not the production. But the marketing of such products at the appropriate price to get a margin of profit. In order to attract the potential customer's varieties of goods has been produced which increases the competition, among the manufactures. To overcome such though competition, entrepreneur is forced to sell goods on credit also other than cash. It is clear that sale is the primary criteria on which the survival of firm depends.

Following table makes it clear that out of 100 units only 10 percent units are selling cash, 10 percent units are selling on credit and 80 percent units are selling both for cash and credit. In other words, more than 80 percent of 100 units are selling both for cash and credit. Hence, credit sales are dominant in small-scale food and agro industries of Bagalkot District.

TABLE NO. 5: METHODS OF SALES ADOPTED

Method	Hunagund	Mudhol	Jamakhandi	Badami	Bagalkot	Bilagi	No. of units
Cash sales Only	2	2	2	1	2	1	10
Credit sales Only	1	2	3	1	1	2	10
Cash and Credit sales	10	15	10	20	20	5	80
TOTAL	13	19	15	22	23	8	100

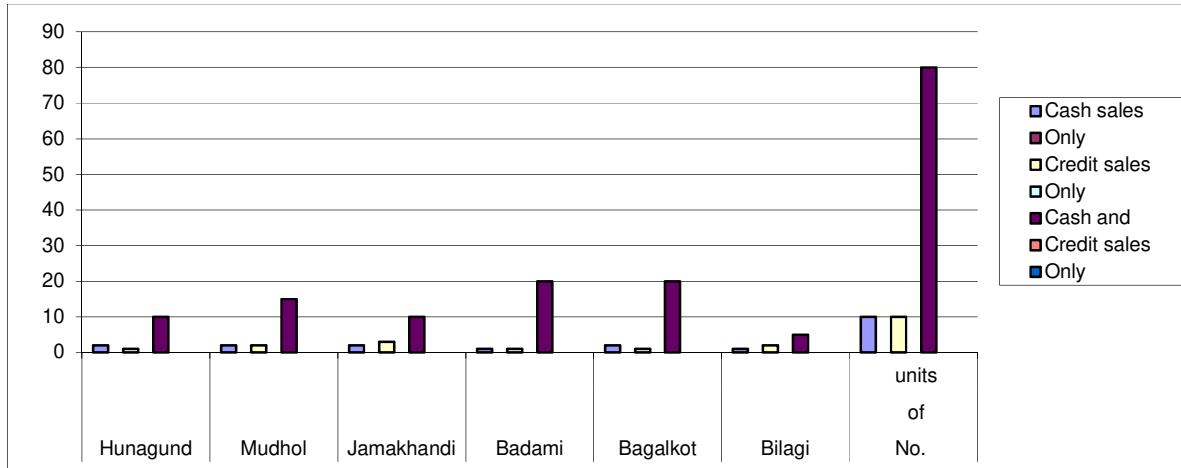
Source: Survey Data

The above table shows that methods of sales adopted 64 units in different taluka’s of Bagalkot Dist. Of the 10 units “cash sales only” is adopted by 2 units in Hungund, 2 in Mudhol, 2 in Jamkhandi, 1 in Badami, 2 in Bagalkot and 1 in Bilagi.

In ‘credit sales’ adopted by 10 units, 1 unit each in Hungund, Badami, and Bagalkot, taluk’s 2 units each in Mudhol and Bilagi and 3 in Jamkhandi are covered as reported by respondents.

‘Cash and credit sales’ adopted by the 80 units, include 10 units each in Hungund, and Jamkhandi, 20 units each in Badami, Bagalkot and 15 in Mudhol, and 5 in Bilagi.

GRAPH NO. 5: METHODS OF SALES ADOPTED



CONCLUSION

The progress of small-scale industry in India has been quite low. Less than 50,000 in the early Sixties the registered small-scale units have by now exceeded 5,00,000. Including unregistered units; their number is estimated to have crossed 10 lakhs. The govt. of India has formulated a number of schemes for the development of Agro based industries; State Govt. are still to take up suitable policy measures for promoting the food processing industry which has tremendous scope for employment and export. In this direction, the Government of Karnataka has established with joint venture of Government of India in 1967. That is “Karnataka Agro Industries Corporation Ltd.”

An analysis of the majority of food and agro industries of Bagalkot district under examination shows that attempt has been made to fill up the gap created by the decline in bank credit by resorting to other borrowings. But the other borrowings have not been able to compensate fully the decrease in bank credit. As a result, the share of short-term borrowings in the total working capital is less. The necessity for some kind of restraint on the availability of bank credit was felt by national credit council study group.

It has been found that in the absence of any restraint on bank credit, industry used to avail bank credit much more than justified by their production performance. An excessive dependence of industry on bank credit for working capital requirements is undesirable and industry must find alternative means particularly long-term sources capital market for meeting a large portion of working capital.

In order to discourage the speculative holding of necessary commodities under selective credit control only 7 percent to 8 percent of total working capital advances go to the food units.

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