FINANCIAL MANAGEMENT OF THE SMALL TEA GROWERS IN ASSAM :

(A Case Study of Undivided Sibsagor District)

By

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SCHOOL OF SOCIAL SCIENCE

A Dissertation

SUBMITTED IN THE PART-FULFILMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTER OF PHILOSOPHY

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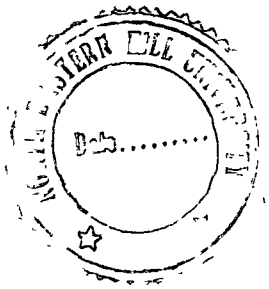

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JUNE, 1990

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This is to certify that this dissertation entitled **Financial Management of the Small Tea Growers in Assam : A Case Study of Undivided Sibsagor District** submitted by Shri Prokash Chandra Sarmah for the award of the degree of Master of Philosophy is an original piece of work carried out by him under my supervision. This work or part thereof has not been submitted for the award of the degree of any other University nor has it ever been published anywhere.

The thesis is worthy of being considered for the award of the Degree of Master of Philosophy in Economics.

June 25th, 1990

(K. Bez)
Superviser

CONTENTS

ACKNOWLEDGEMENTS

It is my pleasure to acknowledge with gratitude my former supervisor Dr. N. Srivastava who had been guiding me for about a month. After that Dr. K. Bez has been supervising upto the end of this work, for which I am grateful to him.

I am also indebted to Principal R.P. Chaliha of Nahorkatiya College, Assam, who gave me not only encouragement but also helped me to obtain the UGC Fellowship to continue this study.

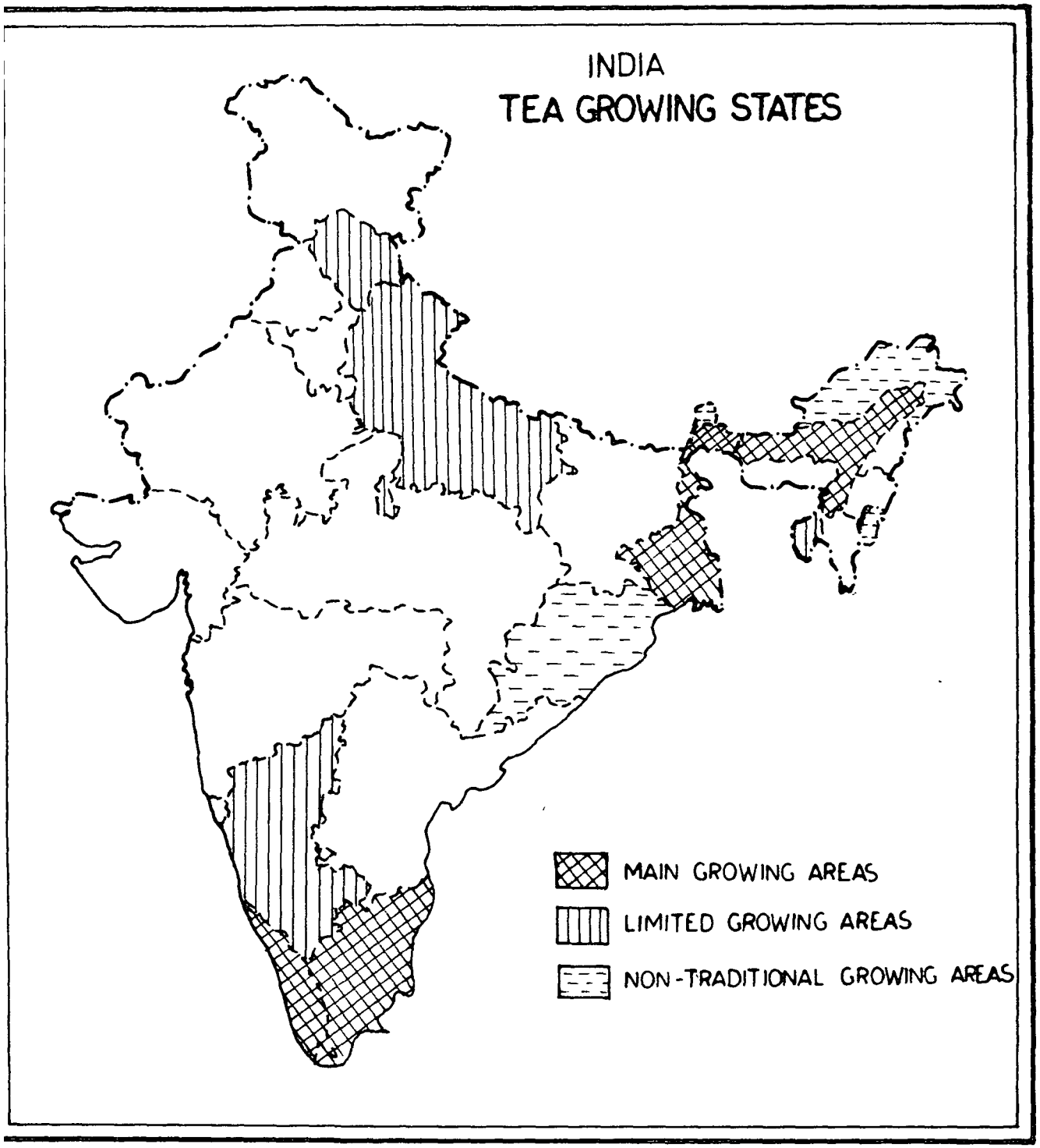
Further, I am grateful to all the members of the staff of the Department of Economics, NEHU, Shillong, and also the office staff, Mr. Godfrey Pathaw and Mrs. B. Sarma who have all the time helped me with relevant information and other official work in connection with this study.

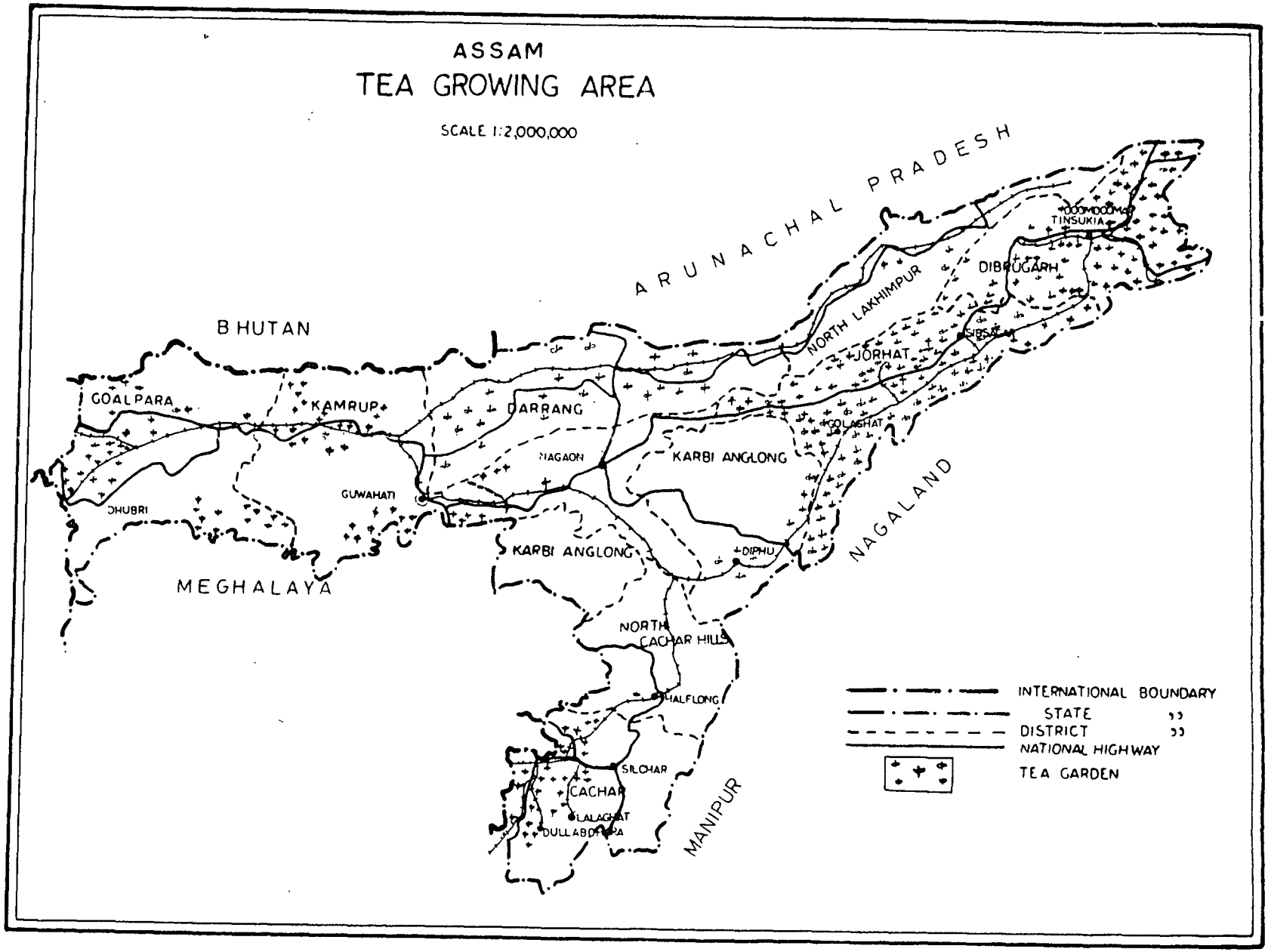
Finally, I express my sincere thanks to Mr. Godfrey Pathaw who typed and gave this manuscript a fitting shape.

I dedicate this work to my parents, who are no more in this world.

Prokash Ch. Sarmah

June 25th, 1990 **PROKASH CHANDRA SARMAH**


INDIA
TEA GROWING STATES
MAIN GROWING AREAS
LIMITED GROWING AREAS
NON-TRADITIONAL GROWING AREAS


ASSAM
TEA GROWING AREA
SCALE 1:2,000,000
ARUNACHAL PRADESH
BHUTAN
NORTH LAKHIMPUR
DIBRUGARH
TINSUKIA
JORHAT
GOLAGHAT
GOALPARA
KAMRUP
DARRANG
NAGAON
KARBI ANGLONG
GUWAHATI
DHUBRI
KARBI ANGLONG
DIPHU
NAGALAND
MEGHALAYA
NORTH CACHAR HILLS
HALFLONG
SILCHAR
CACHAR
LALAGHAT
DULLABCHERRA
MANIPUR
INTERNATIONAL BOUNDARY
STATE ,,
DISTRICT ,,
NATIONAL HIGHWAY
TEA GARDEN

Chapter - I

INTRODUCTION

1.1 Next to oil, tea industry occupies a central place in the industrial map of Assam. Tea has been playing a very significant role in the economic development of Assam in particular and India in general. Every year it contributes a considerable amount to the Government revenue from export and excise duties and income tax, besides earning valuable foreign exchange.

1.1.1 Importance of Tea Industry in the National Economy

India is the largest exporter of tea in the world market today. It is next to jute industry in respect of foreign exchange earning. On an average the industry is fetching annually Rs.400/500 crores of foreign exchange. Tea industry is important both in respect of providing employment to a large number of people and as a source of earning of sufficient amount of foreign exchange. India derives more than Rs.180 crores per year as a contribution to the national income from this industry. The tea industry is a labour intensive industry providing gainful employment to a large number of people. It has its specific importance in India where unemployment is one of the serious economic problems. It also contributes substantial amount to the central revenue by way of excise duty, tea cess and also export duty. The central government collected a sum of about Rs. 82 crores as revenue from Central Excise duty and Cess levied on tea during 1986-87. The internal consumption of tea is also increasing. It is estimated that more than 45 per cent of total production of tea in India is locally consumed. Tea has now become the world's cheapest and most widely used drink. No other drink except water is consumed by so many and so much.

From what has been stated above it becomes absolutely true

that the tea industry has acquired a pride of place in our national economy. Unlike other industries, tea is an agro-based industry whose import content is practically nil. As most of the gardens are located in rural, interior parts of the country so its contribution towards rural development is very significant.

1.1.2 Importance of Tea Industry in the Economy of Assam

There are about 844 tea gardens in Assam. Nearly one-fourth of world's total production of tea is produced in Assam. It is estimated that more than 54% of the total area, 53% of the total production, and 54% of total employment in the tea industry of the country are provided by Assam. That is why the industry occupies a very important place in the economy of Assam. The most important feature in the growing prosperity and commercial importance of the state of Assam has been the remarkable expansion of the tea industry since the early part of the 20th Century. It is still contributing more than 10 per cent to the total state income of Assam. The state income has generally been fluctuating with the rise and fall in income from the tea industry. The state collects a substantial amount in the form of taxes and duties. The state Government levies Agricultural Income Tax on 60 per cent of the total income while on the remaining 40 per cent the Central Government levies income tax and super tax. The other taxes and duties which the state receives from the industry are land tax, professional tax, factory licence fee on the production and manufacture, and sales tax on tea sold in the local market. It is estimated that the state Government collects about Rs.1 crore on these taxes and duties. Tea

industry directly offers employment opportunities to about 4.5 lakh people. It is estimated that about Rs.390 crores is paid annually by way of pay and wages alone to the various categories of workers engaged by the industry of this region. This huge amount of money have a tremendous impact on the economy of the region. The special feature of this industry is that it not only employs the male members of the family but also the female members and children above the age of 14 years. Moreover, it supports substantially for the growth and development of a number of ancillary industries in the state. Many ancillary industries such as plywood, tea machinery, etc. are supported by this industry. As a large bulk purchaser of fertilizer, pesticides, coal, petroleum products, cement, polythene, film, etc. tea is contributing susbstantially to support employment in various other sectors of the industry. It is worked out that approximately Rs. 4 million worth of plucking and leaf carrying buskets made of bamboo and cane; Rs. 351 million worth of tea chests made of plywood; Rs.223 million worth of fertilizers; and Rs. 23 million worth of pesticides and herbicides are consumed annualy by the tea plantations in North-East India.

The industry has been the potent factor in the improvement of means of communication. Most of the roads have been constructed by tea gardens, joining the main link roads of Assam. Its contribution is also substantial to the transport earnings in the region. The Indian Railways and the Road Transport industry find a resourceful client in the tea industry which utilizes rail and road transport for carrying tea and other inputs every year on a regular basis. The industry contributes

more than about 6 crores annually to the transport earnings. It has also played a valuable part in opening up and developing what were previously inaccessible jungles and forest. Moreover, the development of trade and commerce in Assam is mainly due to the prosperity of this industry. Thus, it is seen that economic development and prosperity of Assam very much depend on the growth and development of this promising industry.

1.2 Scope and Limitation of the Study

The facts stated above highlight the need for sustained growth of the industry. But the most tragic picture is that in spite of having tremendous role in the national as well as in the regional economy, there are certain gardens which are languishing year after year and not able to contribute their due towards national economy. These gardens are confronted with so many problems that their future existence itself become a doubtful proposition. If we analyse the various problems faced by these estates we may find that all problems centre round on finance. Any plan for future development of the industry involves the availability finance and its optimum utilisation for increasing crop yield per hectare. If the national target of production at 1400 million kgs of tea in 2000 A.D. has to be realised the intensive cultivation is the alternative for the planters. It is desirable that bulk of the future demand for tea is met from the existing area as the supply of land is fixed. The population has been also increasing and with the increase of population, there is increased demand for land. Intensive cultivation needs finance. For big gardens financial problem is not so severe as

the small growers have been facing. Because the big growers by virtue of their size can reap many benefits of large scale production. The commercial banks and other financial institutions do not hesitate to finance big growers. Moreover the big gardens have the scope of internal generation of resources. The problem is mainly for the small growers to increase production in the existing land structure. We, therefore, have taken the problem of financial management of the small growers only, through this present attempt. Of course there are differences in the opinion regarding the definition of small tea gardens.

It may be mentioned here that the Tandon Committee on Tea marketing in its reports submitted to the Government of India in November, 1978, has generally categorised planters with land holding up to 100 hectares (250 acres) as small and only few of them have their own processing units. We have accepted this definition in toto and considered as most authentic keeping in view about the peculiar patttern of land ownership and other factors specially suited in Assam. So, for the present purpose of analysis we will call small growers as those who have land under tea upto 100 hectares irrespective of the possession of manufacturing units. In Assam the total number of the estates registered with the Tea Board is around 844 (1985), out of which, the total number of such small gardens is around 200 (1985). This number has been increasing. The total number of small tea estates in undivided Sibsagar district is 111 which accounts for about 55% of small tea estates in Assam. It is clear that small tea estates are highly concentrated in this district and justify the area chosen for this study. Generally

speaking these small estates have very limited resources and as a consequence their productivity is low. They find it difficult to get credit on reasonable terms and are unable to spend adequate amounts in manuring and plant disease control. The small tea estates has productivity of about 1200 kgs per hectare as compared to the productivity of all Assam average of 1521 kgs per hectare. This is a reflection of the problems faced in every stage of production by the small growers. A basic requirement for development is the provision of adequate finance. The cultivation techniques and bush management are poor and therefore, the small growers' teas fetch poorer price. The existence of obsolete tea bushes is one of the factors which inhibits the growth of the industry. The high percentage of the vacancy and old age of the bushes weakens the productivity. The little increases of productivity - the cropped area being static - have been overtaken by higher costs and taxes. The resultant low profit margin has put a brake on the availability of internal finance for undertaking development and expansion at the desired level. However, regarding welfare obligations to the workers, they are treated at par with big and prosperous estates. This inflicts a harship on this segment of the industry. On the whole, tea industry under this group is neither sinking nor swimming but barely able to keep its head above water. But potentialities exist for raising productivity and income of these small gardens. Inputs are not utilized to the optimum available capacity. There remains some excess capacity. Producers are not efficient allocators of resources in exploiting fully the economic opportunities available to them. Even under existing technology, sufficient potentials exist for improving the productivity with proper allocation of the

existing resources. There is also under employment in some gardens. Some redundant labour is carried on the rolls due to poor management. If attempts are made to reduce these ails of management particularly financial, the small growers will surely be able to contribute their dues to the national economy.

1.3 Objectives of the Study

i) To analyse some of the important aspects of the financial management of the small tea growers of undivided Sibsagar District of Assam.

ii) To analyse the role of various financial institutions and the extent to which these institutions satisfy the financial needs of the small tea growers.

iii) To evaluate the ability of the small tea growers to meet its short-term and long-term financial obligations.

iv) To study the efficiency of the small tea growers in managing its resources.

v) To identify the financial constraints and problems of small tea growers and its impact on farm efficiency.

vi) To offer certain suggestions based on our findings for the overall development of the small tea gardens.

1.4 Presentation of the Study

In our attempt towards the aforesaid ends, we have divided the

whole study in five chapters.

Chapter I deals with the introduction, importance of tea in national as well as in regional economy; scope and limitation of study, objectives of the study etc. A short description of the presentation made in the subsequent chapters is also given in this chapter.

The second chapter deals with the review of literature. In the beginning of this chapter we have given an introductory idea of the growing areas in India and the world. India vis-a-vis world production and export of tea has been presented with illustrated tables and diagrams. Estimate of internal consumption, percentage increase or decrease are also shown in this chapter. Moreover, the production, internal retention and probable exports in 2000 A.D. are also shown with tables in this chapter. Financial aspects of the industry mainly the small gardens are also discussed in this chapter. Size-wise production (under 100 hectares tea land) is also shown for better appreciation of the problems of small growers. Potentialities of increasing production and income of the small growers are also explained. Books and literature on financial aspects of small and medium growers so far made in different times both within and outside India are being reviewed and critically evaluated. Necessary comment on the lacuna of those books and literature is also made in this chapter.

Chapter III deals with the data base. Types of enquiry and the relevant sources of data are being described in this chapter. Sampling unit, sample size etc. are explained in this chapter. This chapter also discusses the method of data collection, types of questionnaire and

also the arrangement of data. Problems and difficulties faced in the data collection are also explained in this chapter. Various sources of secondary data are also mentioned. Places, offices visited in connection with data collection are also referred. Various tables relating to data on financial aspect of the small growers under study are attached in this chapter.

Chapter IV covers the methodology and empirical analysis of the small growers under study. Analysis and interpretation of data regarding Balance Sheet and Profit and Loss account are made in this chapter. The percentages and averages are calculated in order to materialise our objectives of the study. Here, we have calculated the available working fund, growth of capital, trend of profit, net fixed assets etc. of the small growers under study. We have also estimated certain financial ratios like liquidity, profitability and activity ratios.

Chapter V is the concluding chapter of our study. Here we made a humble attempt to review the foregoing chapters. Important findings are narrated and some concrete suggestions are made for the financial health of the small growers.

The type of questionnaire used in the investigation, various sources of secondary data, some important photographs, tables, etc.are attached in the last part of the thesis.

Bibiliography is also given in the last part of the thesis.

Chapter - II

REVIEW OF LITERATURE

2.1 Introduction

Tea is one of the most popular beverages. In India tea is grown in an area of 3.82 lakh hectare spread mainly over Assam, West Bengal, Tamil Nadu and Kerala. Besides these states, Tripura, Karnataka, Himachal Pradesh and Uttar Pradesh also grow tea on a limited scale. Manipur, Sikkim, Arunachal Pradesh and Orissa are some of the non-traditional tea growing areas which have taken up tea cultivation. The soil pH range of 4.0 to 5.5 is ideal for growing tea. Table 2.1 shows the number of tea gardens in different states of India since 1951 upto 1985.

Tea industry has been playing an important role in the national economy. It contributes over Rs.1,000 crores per annum to the G.N.P. It has been earning over Rs. 400 crores per annum as foreign exchange, with no import content in the product. It provides employment directly to nearly one million workers, most of whom belong to weaker section and backward classes, while the majority of these are women. An additional one million workers are employed in ancillary activities. Tea, therefore, deserves all the care and consideration.

With the rise of tea production in India from 285.39 million kg. in 1951 to 585.5 million kg. in 1984, India continues to retain its position as the world's largest producer and exporter of tea.

Table 2.1

Number of Tea Estates in India

States	1951	1961	1971	1973	1975	1980	1981	1982	1983	1984	1985*
Assam	785	744	750	751	756	777	777	793	802	808	844
West Bengal	296	301	296	297	297	305	305	307	311	311	323
Tripura	55	55	53	54	54	49	50	50	50	50	55
Bihar	9	3	3	3	3	3	3	3	3	3	4
Uttar Pradesh	45	33	30	31	31	31	31	31	31	31	31
Himachal Pradesh	1,115	1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385
Manipur	-	-	-	-	-	1	1	2	2	2	2
Sikkim	-	-	-	-	-	1	1	1	1	1	1
Arunachal Pradesh	-	-	-	-	-	1	1	1	1	1	3
Nagaland	-	-	-	-	-	-	-	1	1	1	1
Orissa	-	-	-	-	-	-	-	-	-	1	1
Tamil Nadu	2,772	4,989	6,450	6,521	6,520	6,704	6,725	6,750	6,782	6,783	6,791
Kerala	1,125	1,976	3,032	4,061	4,203	4,110	4,109	4,081	4,080	4,080	4,080
Karnataka	12	13	16	15	15	15	15	15	15	15	15
All India	6,214	9,499	12,015	13,117	13,264	13,382	14,403	13,420	13,464	13,413	13,536

Note : Figures refer to number of Tea Estates registered with Tea Board

* Provisional

Source : Tea Statistics

2.1.1 India vis-a-vis World Production and Export of Tea

Table 2.2

Countries	Production (million kgs.)		Exports (million kgs.)	
	1984	1985	1984	1985
India	640	656	217	214
Sri Lanka	209	205	204	198
Indonesia	126	132	86	90
Bangladesh	38	43	23	30
China	414	432	145	137
Kenya	116	147	91	126
Malawi	38	40	37	37
Argentina	42	33	42	32
Others	554	559	98	93
Total	2,177	2,267	947	957

Source : Tea Statistics

From table 2.2 it is clear that although India's tea production is increasing but the volume of export is not increasing at the same time. India's tea exports are showing a declining trend of nearly 10 million kg. per annum. Provisional estimates show that exports during January to May, 1989, were about 49.77 million kg. compared to 59.14 million kg. in corresponding period of 1988.

With the passage of time India was able to increase tea production but her exports could not increase. The industry and the govern-

Table 2.3

Production and Exports of Tea in India and World

(Quantity in Million Kgs.)

Year	Production		Share % of Col.2&3	Export		Share % of Col.5&6	% of increase/decrease Production		Export	
	India	World		India	World		India	World	India	World
1	2	3	4	5	6	7	8	9	10	11
1947	227	430	54	175	330	53	-	-	-	-
1951	285	681	41	205	400	51	25	58	17	21
1960	321	988	32	193	600	32	42	130	10	81
1970	419	1309	32	202	720	28	122	204	15	118
1976	512	1521	34	234	788	30	125	259	33	138
1981	560	1932	29	241	853	28	147	349	38	158
1986	624	2233	28	214	933	22	175	419	23	182

Source : Various issues of Tea Statistics, Tea Board, Calcutta.

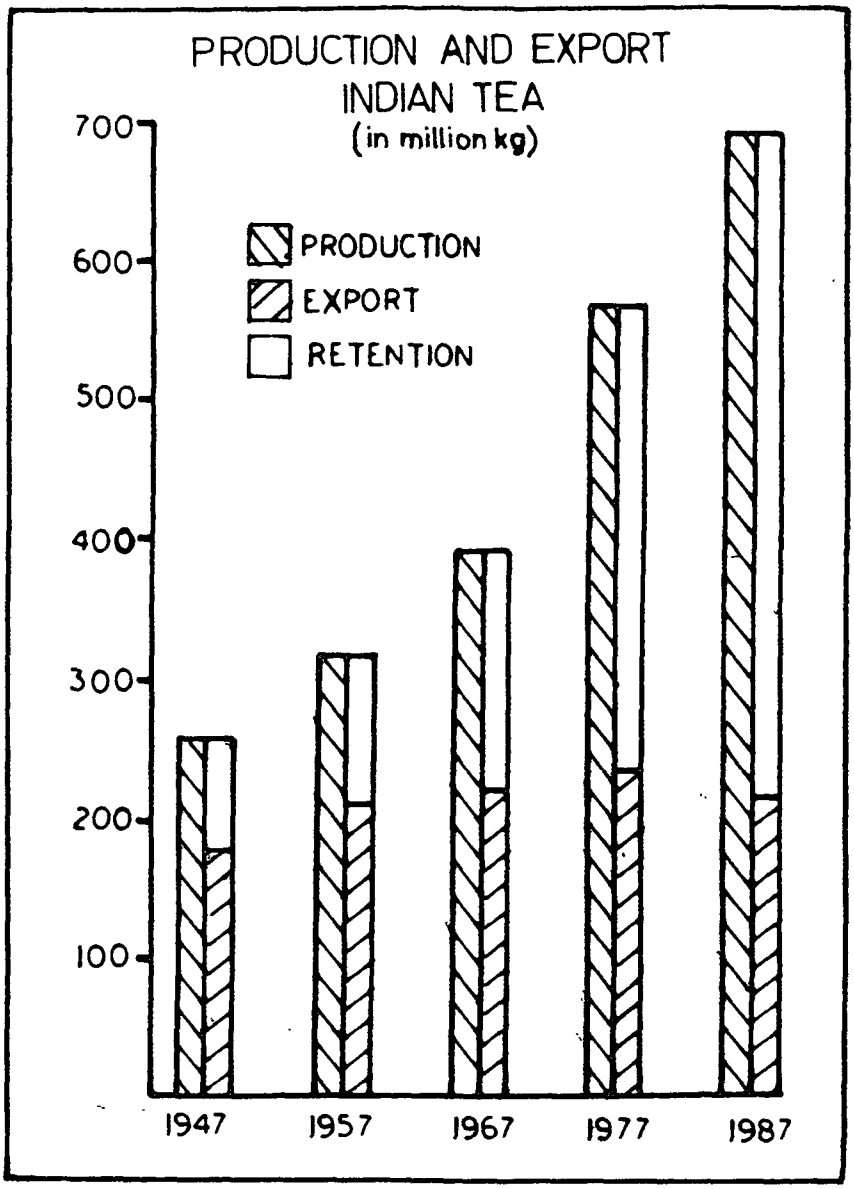

PRODUCTION AND EXPORT
INDIAN TEA
(in million kg)
PRODUCTION
EXPORT
RETENTION
700
600
500
400
300
200
100
1947
1957
1967
1977
1987

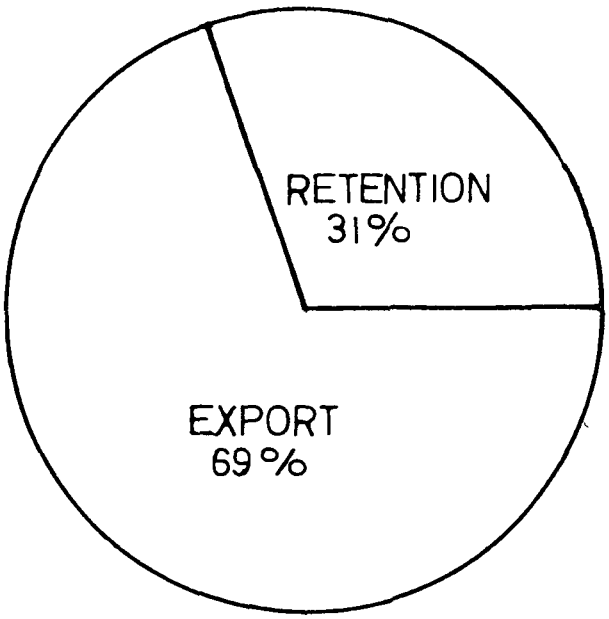
Table 2.4

Estimate of (internal) Consumption of Tea in India
(Quantity in million kgs.)

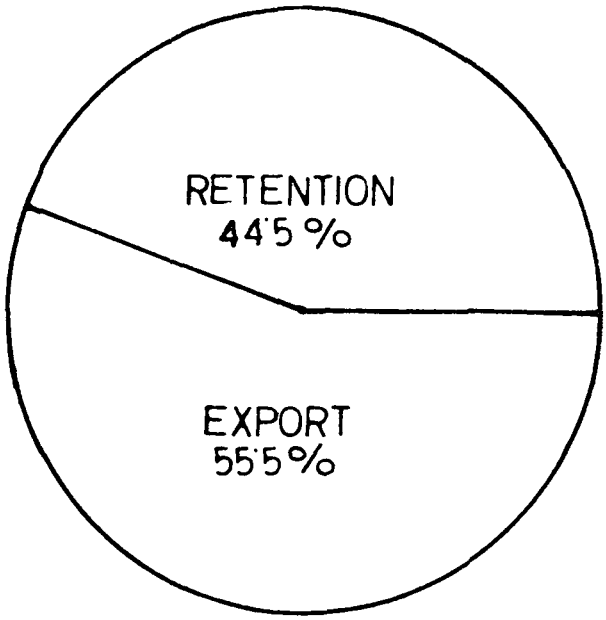
Year	Quantity	Increase/decrease	Increase/decrease %
1971	221	-	-
1972	233	12	5.43
1973	244	11	4.72
1974	258	14	5.73
1975	272	14	5.45
1976	287	15	5.51
1977	302	15	5.22
1978	320	18	5.96
1979	322	12	3.75
1980	346	14	4.22
1981	360	14	4.05
1982	372	12	3.33
1983	386	14	3.76
1984	400	14	3.62
1985	415	15	3.75
1986	430	15	3.62

Source : Estimated by Indian Institute of Management, Calcutta

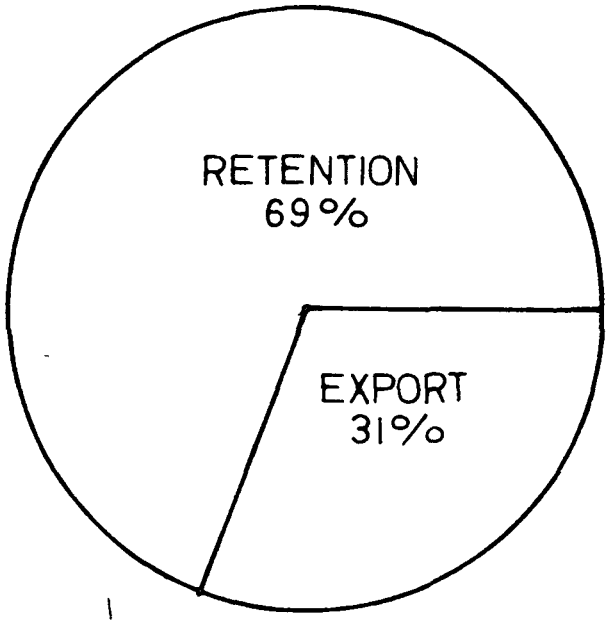
INDIAN EXPORT AND RETENTION OF TEA



1947



1967



1987

ment are worried about continuing stagnation of exports. In the year 1986, total production of tea in India was recorded at 624 million kgs. Consisting 28% of world production, export was however at 214 million kgs forming 22 percent of total exports (Table 2.3).

It is, therefore, worthwhile to place India's export objectives which differ from that of other producing countries where there is less demand in internal market.

2.1.2 Tea Production and Internal Consumption

The policy of the Government of India on tea has been guided by providing tea to the domestic consumers at a resonable price and earning maximum foreign exchange from exports. India's domestic demand is increasing at an estimated 15 to 20 million kgs a year and with considerable demand pull in the internal market, it is extremely difficult to find surplus for exports.

It appears from table 2.4 that quantity of tea required for meeting the domestic consumption was at the level of 221 million kgs (1971) which increases to 430 million kgs in 1986 representing an increase to the extent of 95 per cent over 16 years period. These are important indicators, which must form the basis for realistic planning for the future development of the industry.

Das (1989) in his article 'Prospects of Tea Industry in India' published in "Cha ki Bat" has estimated the production, internal retention and exports of tea upto 2000 A.D. in the following table (Table 2.5).

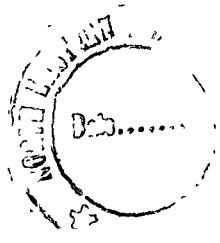


Table 2.5

Estimated Tea Production, Internal Retention and Export upto 2000 A.D. (in thousand kg.)

Year	Production	Internal Retention	Export
1988	700,286	478,746	221,540
1989	724,796	502,491	222,305
1990	749,306	526,237	223,069
1991	779,278	548,602	230,676
1992	809,250	570,967	238,283
1993	839,222	593,332	245,890
1994	869,194	615,697	253,497
1995	899,167	639,063	261,105
1996	926,139	660,428	265,712
1997	959,111	682,793	276,319
1998	989,083	705,158	283,926
1999	1019,056	727,523	291,534
2000	1049,028	749,888	299,140

2.1.3 Financial Aspects

There is a need for all round development of the Indian tea industry. Serious attempts must be made towards the increase in area, productivity and quality through the following measures :

1. New Planting
2. Replanting and Replacement Planting
3. Rejuvenation Pruning
4. Infilling
5. Modernisation of tea factories

6. Improved production technology.

Management of all the input resources for optimising the productivity of land, labour and capital will be required to meet the high targets of the production. For this, an essential requirement is the availability of adequate finance to the tea industry.

The growth rate of tea industry, as the statistics say, has not been satisfactory and if the national target of production at 1400 million kgs of tea at the end of the century has to be realised then there must be an increase in the tea area and production and productivity must be increased by replacement and replanting requiring additional funds in the form of development expenditure leading to asset formation and growth.

The situation of demand and supply 1983 and so far in 1984 has clearly shown that there is just not enough tea. Tea Board and industry's projections for future show that in 2000 A.D. there may be three possibilities :

i) The country may have to import tea to the order of 114 million kg.

ii) The country may just meet its internal consumption. No import No export.

iii) The country may be in a position to make only reduced exports of 79 million kg.

All the three prospects are frightening unless effective action by all concern is taken as fast as possible.

Finance tends to pre-occupy our mind when we think of a

plan for development. Lack of finance does not allow the management, however, experience or rather technically qualified he may be, for practising various modern practices for increasing yield with quality. Moreover, in a country where land is going to be the constraint in future, every bit of land must be used for the maximum possible production.

In the literature, the area acquired by the tea estate plays an important role in determining the size and scale of production of tea growers. It may be mentioned here that the Tandon Committee on Tea Marketing in its reports submitted to the Government of India in November 1978, has generally categorised planters with holding upto 100 hectares (250 acres) as small and only few of them have their own processing units. We have accepted this definition in toto and considered as most athentic keeping in view about the peculiar pattern of land ownership and other factors specially suitable in Assam.

In case of well run tea estates, there are not much difficulties in securing institutional finance for developmental purposes. But the small and medium gardens are likely to experience considerable difficulty in obtaining finance for their rehabilitation. Present financial problems have no doubt put a brake on extension, replanting, etc., on existing estates, but it is obviously necessary that every possible financial assistance, and available technology must be used to its fullest extent to utilize our existing land and to improve the yield of areas already under tea.

Small plantations have to face problems mostly because they are small in size. The small planters are generally hard pressed for

funds as a result of which they can not afford to buy modern expensive machines. They cannot always afford the wages demanded by skilled experienced workers necessary for pruning.

Sufficient potential exists, even under the existing technology for improving production with proper allocation in small plantation. Inputs are not utilised to the optimum available capacity. There remains some excess capacity. Producers are not efficient allocators of resources in exploiting fully the economic opportunities available to them.

The ability of the Indian tea plantation industry to meet its requirements of finance encountered no major difficulty until the mid seventies. The working capital requirements were being adequately met and as far as long term financing requirements are concerned, capital expenditure was generally being met out of internally generated funds. The increase cost of production and simultaneous static nature of price in the market are now acting as a barrier for non-availability of surplus fund to plough back.

The existence of obsolete tea bushes is one of the factors which inhibits the growth of the industry. The high percentage of the vacany and old age of the bushes weaken the productivity of the plantations. These point to the need for undertaking in filling, replanting and replacement planting. But the planters are sometimes somewhat reluctant to go whole-heartedly for such expensive replantation because of loss of crop and expenses involved.

Table 2.6

Area under Tea Bush Age Group below 50 and over 50 years
(in Hectare)

Districts	Below 50 years	Over 50 years
Darrang	21,179	15,529
Goalpara	1,834	828
Kamrup	2,037	1,233
Lakhimpur	1,694	2,077
Dibrugarh	41,371	20,754
Nowgong	5,124	1,833
Sibsagar	43,175	17,202
Cachar	15,184	17,854
Total	13,1598	77,315

Source : Tea Statistics

Small plantations constitute a significant portion of those engaged in the production. But these gardens are yet to contribute their due to the national economy. The overall health of the industry very much depends upon the economic viabilities of these small and medium plantations.

These small and medium gardens are also to be developed in order to contribute more to the national economy. But these gardens are confronted with so many problems that their future existence itself become a doubtful proposition. If we analyse the various problems faced by these gardens, for which their productivity and income are being affected, we will find that these mainly centre round on finance. All economic problems of these gardens cluster round financial

Table 2.7

Sizewise Area and Production of Tea in Assam

(Only upto 100 hectares)

Districts	Upto 8.09 hectares			Above 8.09 hectares and upto 50 hects.			Above 50 hectares and upto 100 hects.		
	No. of estates	Area in hects.	Production in '000 kg	No. of estates	Area in hects.	Production in '000 kg	No. of estates	Area in hects.	Productn. in '000 kg
Darrang	-	-	-	-	-	-	3	216	164
Goalpara	-	-	-	-	-	-	-	-	-
Kamrup	-	-	-	-	-	-	-	-	-
Dibrugarh	16	72	85	24	650	1,579	29	2,122	3,791
Lakhimpur	-	-	-	1	18	-	1	72	187
Nowgong	-	-	-	1	49	-	5	378	408
Sibsagar	4	18	127	53	1,882	3,588	47	3,383	8,280
Cachar	2	7	302	6	236	37	8	493	99
Total	22	97	514	85	2,835	5,204	93	6,664	12,929

Source : Tea Statistics

stringency. To enhance production under the same acreage of land-holdings, scientific method is a must which requires huge capital investment.

Tea plantation is very expensive at preliminary stage, such as land purchase, land preparation, land survey, drainage system, plants and plantation. Long term finance is necessary for factory construction or improvement, construction of labourers' quarter and hospitals, etc. Further to run smoothly it needs fertilizer, medicine, chemicals, implements, road transport and communication, nursery, etc. The short-term finance is needed as a working capital for defraying the seasonal expenses of production and distribution of teas.

Adequate finance plays a vital role in the development of the health of an industry. Development being the function of capital, as the tempo of development grows, so does the requirement for capital. The need for finance is continuous and also boundless. However, capital is not only necessary for development but capital is also generated by development. There are basically two types of finance short-term and long-term. Between these two categories of finance, there is a a third category which is called 'medium-term finance'. The medium term finance has considerable flexibility in its uses. It may be sought for investment in plant and equipment and/or semi-permanent or permanent additions to current assets.

A tea estate, whether it is owned by an individual proprietor or partners or shareholders, undertakes the works of production in anticipation of future gain or returns from it. In the initial stage the estate has to make advance expenditure before it receives any

return. The machines are to be purchased, the land is to be purchased, plantation will have to be done, wages and salaries are to be paid to the employees for their services. Finance is needed to undertake all such activities of the estate. The money which the garden commits on its production is expected to come in due course of time. The garden has to wait for this. Finance is thus a necessary pre-condition for tea industry, both for its initiation and smooth running. Besides, the requirements of finance for short-term and long-term purposes, the industry would need money to meet future uncertainities and risks. Fraud, embezzlement, flood etc. are some examples of business risks and uncertainties. The tea industry generally spends a lot of money in discharging various social security measures like old-age, pension, maternity benefit, provident fund, gratuity, medical etc. However, the garden will have to provide education facility, drinking water, provision of ration at concessional rate, fuel besides observing various statutory obligations.

2.1.4 **Importance of Financial Management**

The financial management is an important aspect for small tea growers. There are two major dimensions of this study. One is the sources of finance and the second its effective utilization. Due to lack of finance the small growers are unable to do their scheduled works in time, as a result they incur considerable amount of loss every year.

It is very interesting to study the financial management of such small tea growers. But the literature specifically dealing with

financial aspects of such small growers is practically scanty.

2.2.1 Works done abroad

In Kenya, extensive and elaborate works on small tea growers have been carried out by the Kenya Tea Development Authority. The findings of such works were published in the form of a book entitled "An Appraisal of Tea Production on Small Holdings" by N.H. Stern (1972). These works have focussed the various problems faced by the small tea growers and suggested measures for their development. It can be mentioned here that the major portion of Kenyan tea is contributed mainly by the small tea growers.

In Sri Lanka (1980) a committee was constituted by the Ministry of Plan Implementation to identify the problems affecting the small tea growers in Sri Lanka and to recommend appropriate measures.

The Government of Sri Lanka felt the numerous problems of the small holders caused by the institutional deficiencies and to rehabilitate the small farmers, a special authority known as the Small Holding Development Authority was established in 1975. The organization has taken several steps to reduce the monopolistic element of the market in certain producing areas by organising leaf collecting centres and providing transport facilities to the small growers. In addition, this organization assists small holders by paying subsidies for planting, replanting, in filling and providing vegetative propagation plants and fertilizers and also provide advisory services (Anon, 1983).

Again, C.K. Karanja (1984) in an article published in "International Tea Journal" observes that tea can be grown economically

and successfully on small scale. The amount produced by the small scale tea growers is increasing steadily. In countries like Kenya it is now envisaged that in due course the tea produced by the small scale tea growers, which is now contributing approximately one third of national production, would increase to fifty percent in the not far distant future. One notable feature of small holder tea project is the complete financial inability on the part of the farmers under the project, to raise the required development capital and their total dependence on government for such capital. The other prominent distinction is that such projects serve areas where the establishment of large tea plantation is not possible due to the complete unavailability of large viable land units.

The importance of small holder tea development to the national economies and to farmers as individuals can, therefore, hardly be overemphasized. The small holder tea development involves heavy capital investment by the government and considering the large number of people served by these projects, it is clearly important to keep in view the social, economic and political interests which are at stake.

2.2.2 **Works done in India**

Much efforts have not been made to study the financial management of the small tea growers in Assam. However, from various official reports and studies conducted by different committees appointed by the Government time to time, some information on small tea growers is available. On the basis of which a brief review of such literature is made in the following paragraphs.

The first official study on small tea growers was carried out by the Plantation Enquiry Commission in the year 1956. The Commission found that nearly 80.40 per cent of the estates in India were less than 40 hectares in size. It observed that though in absolute numbers the small tea growers outnumbered the bigger gardens, their production was as low as 1.34 per cent of the All India production. The Commission also recognised the special measures needed for the development of the small tea growers and recommended that the Tea Board should promote co-operative efforts amongst growers and manufacturers.

The working group under the chairmanship of B.K. Dutt recommended that co-operative factories with up-to-date manufacturing arrangements may be established to cater to the needs of vcarious groups of small growers. The NABARD/Tea Board should help in the setting up of more co-operative factories. Commercial/Co-operative Banks should finance the co-operative factories and bought leaf factories both for improving the working of the factories and for meeting the short-term credit requirements of small growers. The lead bank in each of the tea growing districts should take the initiative and ensure that no garden suffer for want of adequate finance.

The P.C. Barooah Committee (1968) during its study on tea industry was of the opinion that the small growers had not efficiently cultivated their lands and the yield obtained was only a quarter of the average yield of a big garden in the district. The committee found that the Bought-Leaf-Factories were mostly ill-equipped with old and work out machinery and has inadequate facilities for manu-

facturing good quality tea.

According to Dr. Awasthi the uneconomic units have come into being primarily through inheritance of gardens under continuous process of sub-division and promotion of high costs-low-returns companies under the porch of the International Tea Agreement. The low yield is logical because in most cases small lands used for plantation under proprietory or small company management are rejected lands with poor capital endowment, factory facilities, financial resources and management experience.

The Agricultural Refinance Corporation undertook a detailed study of the small tea growers in Southern India during the year 1964. It was revealed that the small tea growers recorded low yields because they follow outmoded cultivation technique. The study group found that the small growers had not been functioning in an organised way and that they had been exploited by the private Bought-Leaf-Factories.

An UPASI study on tea in south India reveals that the tea industry has been neither sinking nor swimming but barely able to keep its head above water. Impressive increases in productivity - the cropped area has been static in this period - have been overtaken by higher costs and taxes and the resultant low profit margin has put a brake on the availability of internal finance for undertaking development and expansion at the desired level. This trend is more evident in Kerala and, to a lesser extent, in Tamil Nadu.

The UPASI study examines the performance of the sample companies during the review period by analysing the growth of para-

meters like paid up capital, reserves and surpluses, net worth, assets and liabilities, profits, taxation, dividends, etc. and then subjects them to certain accountancy ratios to determine the underlying trends.

The Tandon Committee has suggested that in order to protect the interest of small growers, more co-operative factories should be opened. At the same time, the relief granted to small growers by the central excise duty should also be increased. Further, the Committee has suggested that some priority should be given in the matter of cateloguing of teas at auctions in respect of producers with holding upto 100 hectares which will enable them to realise their sale proceeds a little earlier.

The Chairman of the Assam Tea Planters' Association (ATPA) while addressing the 51st Annual Conference observed that many demands made under the Plantation Labour Act, 1951 and the rules framed there under by the State Government of Assam are not co-related to the needs and financial capacity of the gardens. It is beyond the capacity of many small gardens employing even 500 or more workers, to provide and maintain a Garden Hospital with full time medical officer and other para-medical staff. It is also observed that the provision for appointment of a welfare officer in the Tea Gardens employing minimum 300 workers, with the Executive status and other terms and conditions of source, is beyond the means of small gardens. The Chairman emphasized the need for further reduction of subscription rate for the small and medium planters to avail the services of Tea Research Association (Baruah, 1988).

Sarma (1975) in his paper published in the Seminar on "Require-

ment and Availability of Term Finance for the Tea Industry" has emphasized a new pattern of financial management with a view to retaining a higher percentage of profits for fixed capital formation. Over-aged plants and use of obsolete machinery get reflected in falling output and quality which, in turn, result in a continuously falling trend in profitability.

As regards the relatively small and weak sections of the industry, he earnestly hoped that suitable policy measures would be evolved to bring them out of red. "I think it was Aristotle who, in a different context, said that injustice arises when equals are treated unequally and also unequals are treated equally".

In 1979, a study was conducted by the Tea Board, with a view to knowing the various problems faced by the small tea growers of Himachal Pradesh. The study has shown that about 98.5 per cent of the area under tea has the bushes of more than 50 years of age which passed the economic age and around 35 per cent of total grant area was found unutilised. Vacancy ratio was estimated to be as high as 50 oer cent. The yield rate for the small tea gardens was estimated at 177 kg per hectare which is the lowest in the country.

Misra, 1986 observed that some capital inputs of the small plantation cannot be utilised to the optimum available capacity. There remains some excess capacity. Again, some redundant labour is also carried on the rolls due to poor management. He emphasized the need for reorganisation and consolidation of the small units into optimum size undertakings. Because, large-size units can enjoy some economies of scale, mainly because of vertical integration.

The Chairman, ATPA, in his address in the 47th Annual General Meeting observed that the state government must reduce the prohibitory rate of agricultural income tax which has made tea the most heavily taxed industry in the country. This has resulted in the post-tax profits of the industry being reduced to such an extent so as not to leave adequate fund to plough back and any incentive to do so.

S. Manoharan (1974) observed that the yield of the small proprietorial unit is small because of their limited resources. As the cultivation techniques and bush management of these gardens are poor, so the price obtained therefrom is also not satisfactory. However, regarding welfare obligations to the workers, they are treated at par with big and prosperous estates. This inflicts a hardship on this segment of the industry. Since these gardens are burdened with multitude of obligations, their profitability is greatly reduced.

Bora (1975) in his paper 'Problems of Tea Industry in North Eastern Region" published in a seminar has emphasized the need for setting up of a separate Tea Finance Corporation as recommended by Chari Committee (1964) considering the industry's special nature of financial requirements.

Sarkar (1972) has stated that the governments of the producing countries may be prone to protect and encourage the small holders through fiscal and other incentives, as has actually been the case in several tea producing countries. According to him tea is a crop ideally suited for large-scale production in plantation. The improved scientific management and the superior input-mix which are possible in plantations are absent in small holdings, so that the former are

generally assured of higher yield and lower cost per acre.

2.3 Conclusion

There is no doubt that we have gained valuable insight by a systematic analysis of the problems and result presented by earlier investigators on the subject. Most of the studies conducted in different times relate to different geographical areas. Tea plantation is such a crop which vary even state to state, district to district depending upon the geographical, topographical and climatic conditions of different places. Our study is a departure from the earlier study in the sense that we have concentrated only in one district (former SIBSAGAR District) almost having homogeneous geographical and climatic conditions. Moreover, most of the earlier studies tried to analyse the financial problem irrespective of the size of the gardens. They offer the same treatment to big garden as well as to the small gardens. Their definition regarding small garden is also ambiguous. Sources and uses of fund of the big growers significantly different from the sources and uses of fund of the small growers. To overcome these conceptual difficulties we have taken the financial management of the gardens having tea land upto hundred hectares only. No attempt was made till recently to analyse the financial problem of these small indegeneous planters whose number has been increasing. Few studies made in this direction have been trying to put an elephant in an earthen pot. They try to relate many problems in one attempt at the same time forgetting to deal one problem exclusively and elaborately. Another departure of our present attempt from the earlier works is that our attempt regarding analysis of Balance Sheet and Profit

and Loss Account of the small growers is a pioneering one. Our study is based mainly on primary data whereas the earlier works were based mainly on secondary data.

Chapter - III

DATA BASE

3.1 Introduction

This chapter is devoted to data source. There is no available recorded data on financial aspects of the small tea growers in which we are primarily interested. The main objective of our study as has been mentioned earlier is to see the financial viability of the small tea growers to continue production. The study requires data on different sources of finance and its effective utilization. The study also requires data on financial constraints and problems of the small tea growers and its impact on garden efficiency. Moreover, the study also requires data on the ability of the small growers to discharge their financial obligations arising from time to time. It is also equally important to have data in order to assess the efficacy of the small gardens to survive at critical period. As the published data on financial aspect of the small tea growers are not available in government offices including Tea Board, hence collection of primary data becomes imperative.

In our study we have considered the following types of enquiry in order to fulfil the basic objectives of the present study on the small tea growers of the undivided Sibsagar district of Assam.

i) Balance sheet and profit and loss account of the individual garden for the last three years, i.e. 1986, 1987 and 1988.

ii) Scope of ploughing back profit.

iii) Composition of cost and its impact upon efficiency of the garden.

iv) Profits before tax and profits after tax.

v) Amount of working capital necessary for a garden in a year.

vi) Financial assistance so far received.

vii) Problems in getting financial assistance from different sources.

viii) Total sales proceeds of the garden concerned.

ix) Stand on tax payment.

x) Total capital assets of the growers.

xi) Cost involved in replantation and extension.

xii) Amount of cash money required for day to day transaction in garden affairs.

xiii) Size-wise production of small garden.

xiv) Present price of green leaves and made tea.

xx) Cost of transportation.

xvi) Utilization of profits.

xvii) Ability of the small growers in the implementation of employee compensation schemes.

3.2 Sampling Frame

For collection of primary data it was first decided to select the gardens having tea land under cultivation below 100 hectares. Such gardens may have their own processing unit or selling the leaves to the neighbouring garden. So having or not having the processing unit is not our criteria of the selection, but the land under cultivation is the only criteria for selection of gardens. For the present study, the district of undivided Sibsagar is selected in view of location of majority of small gardens in this district. The study is carried out in fifteen

small tea gardens located in the district. As per the Tea Board's statistics, there are 111 tea estates holding tea land below hundred hectares in the undivided Sibsagar district. Details of the gardens such as location, Tea Board registration number, area, crops, etc. have been collected from "The Assam Directory and Tea Areas Handbook 1988-89", published by the Assam Review Publishing Company, Calcutta. It would have been much better if we could visit each and every small garden of the district. But due to the financial and time constraints we have decided to visit fifteen gardens only. The respondents of the gardens are mainly the growers themselves or the proprietors. But we talked and discussed with the accountants and/or clarks of the tea estates. Data were collected from the Head office only where it was easier to meet the growers or proprietors directly. Since data relating to financial aspects are more reliable if supplied by the proprietors themselves, the investigator had to spend more time trying to meet the proprietors personally. Businessmen generally are not so ready to supply data relating to finance and so is the case with the small tea growers. The investigator, therefore, had to make constant and frequent visits to the estates and through persistent efforts he was able to collect data even on their Balance Sheet and their Profit and Loss account.

3.3 Questionnaire

At the time of collection of primary data, a comprehensive questionnaire was used. The Questionnaire consist of seventy questions covering almost all aspects of financial transaction. Types of questions that we asked to the respondents are given in the appendix. Sufficient time was allowed to the respondents to fill up the questionnaire as

it involves proper accounts and calculation. The author was compelled to go to the same respondent for three to four times in order to collect the necessary informations. The survey was conducted during the summer months of 1989.

3.4 Secondary Data

Over and above primary information, information from secondary sources are also collected to supplement the data collected from field survey.

3.4.1 Tea Board

'Tea Statistics' one of the premier publications of Tea Board supplied us sufficient data on various issue relating to our subject of enquiry like size of the garden and production of tea; area under different age groups of tea bushes; rates of daily wages for tea plantation labour, districtwise production of tea in India, etc. Besides 'Tea Statistics', there are other publications like Five Year Plan for tea industry (Seventh Plan 1985-86 ro 1989-90), replantation subsidy scheme, research articles published in different books and journals, newspapers etc. which helped us immensely for undertaking an indepth study of our subject of enquiry.

3.4.2 Other Sources of Data

In regard to other published data we have visited the office of the Directorate of Economics and Statistics, Government of Assam, Guwahati. At our request the office supplied us 'Statistical Abstract, Assam 1987' and other reference books. Concerning data for research work, we also visited the Book Depot section of the Assam Government

Press and collected handbooks and journals namely, 'Statistical Hand Book, Assam 1987', and 'Economic Survey, Assam 1985-86'. Other books like 'Assam Plantation Labour Rules, 1956', 'The Plantation Labour Act, 1951', the 'District Gazetteer' etc. are also collected from the same source. A few published data regarding financial needs of the gardens are collected from the branch office of NBARD, Guwahati. We also visited the Planters' Co-operative Society and Co-operative Tea Growers' Association, Jorhat and collected data on monthly needs of working capital of the individual gardens.

Some other published data are also collected from books, magazines, seminar papers etc. in the libraries of Assam Agricultural University, Jorhat, Tochlai Tea Research Experimental Station, Jorhat (Assam), and in the Central Libraries of North-Eastern Hill University, Shillong, and Dibrugarh University, Assam. In order to have an idea about the recovery capacity of the small growers in case of already existing loan, we visited the Head Office of the Co-operative Apex Bank, Guwahati, Assam. We also visited the Regional Office of the United Bank of India, Jorhat and Branch Office of Tea Board, Jorhat, Assam. Valuable information and data are also collected from Assam Tea Planters Association, Jorhat, Bharatiya Cha Parishad, Dibrugarh, Assam and also from Assam Tea Employees' Industrial Co-operative Organization Limited (ATEICOL) Dibrugarh, Assam.

3.5 Data Arrangement

3.5.1 Survey Data

From our survey we have tabulated primary data of the samll

growers according to ownership pattern. Again data are further stratified into having processing unit and not having processing unit. Average land holding of the sample gardens is calculated as 49.93 hectares. Out of the sample gardens it is found that most of the tea gardens are inherited from their forefathers. Out of the 15 sample gardens 7 gardens are proprietorial type, 4 are partnership and the remaining 4 gardens are shareholders. The number of garden producing only green leaves are 12 and the remaining three have their own manufacturing units. The other twelve gardens are to sell their leaves to their neighbouring big garden. The 12 leaf growing gardens are in the opinion that they are being exploited by big growers as price has been fixed before plucking starts.

3.5.1.1 Data on Sources of Finance

The number of gardens haveing borrowed capital is 7 and the number of garden investing their own capital is 7 and the only garden investing both the owned and borrowed capital is one which have comparatively highest amount of land under cultivation (95.63 hectares) in our sample gardens. Internal or self-finance scheme is preferred by 6 gardens, short and medium term external funds are preferred by 2 and the remaining 7 gardens prefer a combination of both internal as well as long term external finance. Most of the green leaf producers generally take loan from the neighbouring gardens on the condition that they will sell the green leaves to them only. Out of the 15 sample gardens 3 have been so far receiving financial assistance from the Co-operative Apex Bank Ltd., Assam. One is getting financial assistance from Commercial Bank and another from the Tea Board. The privileged

garden which has the highest land in our sample has been enjoying loan f om three sources, namely NABARD, Tea Board and Commercial Bank. So only one garden out of 15 has so far received loan from NABARD, although NABARD has started the scheme of tea financing to small growers since long. The role of the Tea Board is also not creditable in financing these gardens although it has schemes to finance the small growers. The remaining 8 gardens have been applying for loan from Tea Board, NABARD and Commercial Banks. But no response had been received, atleast upto the time of our investigation. This inordinate delay in granting the loans has many a times hindered the development of small tea gardens. With regard to the difficulties in obtaining public loans, almost all the respondents are of the opinion that the existing long formalities stand as a barrier in getting loan for adopting developmental activities in the gardens. Second comes the problem of high rate interest charged by the financial institutions. Problems like lack of good security, disputed land, recovery, defaulters in Provident Fund and other statutory schemes have nothing to do with obtaining of loans by the small growers.

3.5.1.2 Data Regarding the Financial Need

Ranking was made in order to determine the priority for which they want financial assistance from various institutions. It is seen that highest rank was placed for enlarging the size of the garden. Rank II was placed for rejuvenation and replantation. Subsequent ranking order was placed for purchasing fertilizer, seed, pesticide, irrigation, fencing etc., for the development of labour quarters, schools, etc. One important observation made was that the green leaf producers

have given almost a negative reply about the construction of factory. if finance is granted to them.

3.5.1.3 Data on Cost of Production

Factors responsible for high cost of production are also converted into ranking order. Rank I was assigned the highest contributing factor in the cost of production. Rank II will indicate the second leading factor and similarly Rank III, Rank IV and Rank V, will indicate the third, fourth and fifth factors consecutively leading to high cost of production. About 12 out of 15 of the growers under study are in the opinion that labour wages is the principal cause of high cost of production. By observing the Rank order it is clear that the increasing prices of fertilizer, pesticides and other inputs and high rates of taxes and excise duty are the second and third factors respectively contributing to the high cost of production.

3.5.1.4 Problems of Small Growers in North-East Region

Considering our objectives of study we have assumed twelve problems of the small growers arbitrarily in the North-Eastern Region. About 11 out of 15 gardens under study are of the opinion that lack of suitable land for extension is the basic problem of the small growers in the North-Eastern Region. Similarly on priority basis other problems are also assigned with numbers like 2nd, 3rd, 4th, 5th, etc. Lack of financial facilities is the second important problem of the small growers in this region. Similarly, high cost of production is the 3rd, higher incidence of taxation is the 4th, and so on for the other problems in the region.

3.5.1.5 Data on Balance Sheet and Profit and Loss Account

We have collected the Balance Sheet and Profit and Loss Account of the gardens for the last three years, i.e. 1986, 1987 and 1988. Of course, it would have been much better if we could have collected data for five years consecutively. It is of course very difficult to get Balance Sheet and Profit and Loss Account from the person or organisation concerned. Many times they do not want to give it. Moreover, the small growers do not maintain scientific account also, mainly because of the cost involved in keeping an Accountant. However, we were able to get these data and analysed them in order to have an idea of inflow and outflow resources of the garden concerned. The data on Assets and Liabilities are arranged in a systematic way for the calculation of net assets and net liabilities. The necessary addition and substruction were done to find out current assets and current liabilities. From gross fixed assets depreciation is being deducted in order to have net fixed assets. For the calculation of available working fund current assets are substracted from current liabilities. Similarly the data required for operating profit is calculated by substracting administrative and selling expenses from gross profit. Again data on profit before tax is calculated by substracting interest from operating profit. Similarly data on profit after tax is calculated by taking the difference between profit before tax and tax paid by the growers. Moreover, data regarding net sales, cost of the crops sold, gross profits are also computed for the last three years. From the above data we have calculated further data on various ratios like current ratio, quick ratio, operating profit to sales, net profit to sales, fixed assets turn over, total assets turn

over etc. For the data on current assets, we have added the figures of (1) Inventories; (2) Loans and advances; (3) cash and bank balances; (4) advance of income tax in excess of tax provision, from the Balance sheets. Again for data on current liabilities we have taken the figures from Balance sheets like (1) tax provision in excess of advance of income tax and other current provisions; (2) borrowing from banks; (3) 'Other borrowings' other than those against own debentures, other mortgages, different payment liabilities; (4) Trade dues and other current liabilities.

3.5.1.6 **Information on other Related Issue**

Information like cash flows, security arrangement, cases of robbery or theft, premium on insurance payment, commission paid to the Tea Research Association, financial loss due to employee strike, small growers' association and its beneficial aspect, profit sharing, determination of price all have been collected and were placed at the necessary parts of the thesis. The financial loss due to theft or robbery is almost nil in our sample garden except where one generator machine was missing. It was also noticed in field collection that the nursery tea plants some times were stollen by the neighbouring garden although they maintain night chowkidars. Financial loss due to employee strike is also reported by the sample gardens. Moreover the basic information like total output, total sales, total cost, prevailing price per kilogram are also collected for the last three years of the gardens under study. The summation, substraction and averages are calculated in order to relay more information necessary for our subject of enquiry.

Assistance received from different Financial Institutions

No. of Sampled Tea Estates	1	2	3	4	5
1	-	-	-	-	-
2	-	-	-	√	-
3	-	-	-	-	-
4	-	-	-	-	-
5	√	√	-	√	-
6	-	-	-	-	-
7	-	-	-	-	√
8	-	-	-	-	-
9	-	-	-	-	-
10	-	-	-	-	-
11	-	-	-	-	√
12	-	-	-	-	√
13	-	-	-	-	-
14	-	-	-	-	-
15	-	√	-	-	-

1 = NABARD; 2 = Tea Board; 3 = State Financial Corporation; 4 = Commercial Bank; 5 = Co-operative Apex Bank

Need of Financial Assistance

Rank Order

No. of sample Tea Estates	1	2	3	4	5	6	7
1	-	II	-	-	-	VI	-
2	I	III	VII	VI	II	IV	V
3	I	II	-	III	-	IV	V
4	I	-	III	-	II	-	-
5	I	II	VII	-	II	-	-
6	I	II	-	-	III	IV	-
7	I	-	-	-	-	II	-
8	-	II	-	-	-	-	-
9	IV	I	II	-	-	-	-
10	-	I	-	-	-	-	-
11	-	I	V	-	II	III	Iv
12	II	III	-	-	-	-	-
13	I	II	-	-	III	IV	-
14	I	III	IV	-	-	II	-
15	I	III	IV	-	II	II	-

1 = extension; 2 = replantation; 3 = for building of factory; 4 = for repaying old debt; 5 = for development of labour quarters, hospital, school, etc.; 6 = for purchasing fertilizer, seed, pesticide, irrigation; 7 = for payment of bonus, *P.F., etc.*

Factors Responsible for High Cost of Production

Rank Order

No. of sampled Tea Estate	I	II	III	IV	V	VI	VII	VII	IX
1	1	-	-	-	-	-	2	-	-
2	1	2	8	7	5	3	4	9	6
3	1	2	5	-	-	3	4	-	-
4	3	4	1	-	-	-	2	-	5
5	3	2	7	6	4	5	1	9	8
6	1	-	8	2	7	3	4	5	6
7	1	-	4	-	-	3	2	-	-
8	1	5	2	-	3	4	6	-	-
9	1	4	-	3	-	-	2	-	-
10	1	-	-	3	-	-	2	-	4
11	2	4	5	6	7	1	3	8	9
12	1	-	2	-	-	-	3	8	9
13	1	6	5	3	-	4	2	7	-
14	1	-	-	-	-	-	-	2	-
15	1	2	3	4	5	6	-	-	-

I = Increasing wages and salary

II = Increasing prices of power and fuel

III = High establishment cost

IV = Increasing prices of building materials

V = High prices of capital goods and assets

VI = High rates of excise duty and taxation

VII = Increasing prices of fertilizer, pesticide and other inputs

VIII = Increasing office expenses of selling cost

IX = Higher transporting and marketing charges.

Difficulties in obtaining Government Loan

No. of sampled Tea Estates	a	b	c	d	e	f
1	-	-	√	-	-	-
2	-	-	√	-	-	-
3	-	-	√	-	√	-
4	-	-	√	-	√	-
5	-	-	√	-	-	-
6	-	-	√	-	-	-
7	-	-	√	-	-	-
8	-	-	√	-	-	-
9	-	-	√	-	-	-
10	-	-	-	-	-	-
11	-	-	√	-	√	-
12	-	-	√	-	√	-
13	-	-	√	-	√	-
14	-	-	√	-	-	-
15	-	-	√	-	-	-

a = lack of good security; b = disputed land; c = long formalities; d = defaulters in P.F. and other statutory schemes; e = high rate of interest; f = problem of recovery.

Future Plan of the Garden

No. of sampled Tea Estate	1	2	3	4	5	6	7
1	√	-	-	-	-	-	-
2	-	√	√	√	-	-	√
3	√	√	√	-	√	-	√
4	√	√	√	-	-	-	-
5	√	√	√	-	-	-	-
6	-	√	-	√	√	-	√
7	-	√	-	-	-	-	-
8	-	-	-	√	-	-	-
9	-	√	-	-	-	-	√
10	-	-	-	√	-	-	-
11	-	√	√	√	-	√	√
12	-	-	-	√	-	-	-
13	√	√	-	-	-	-	√
14	-	-	-	√	-	-	-
15	√	√	-	-	-	-	√

1 = bringing more mechanisation; 2 = enlarging the size of the garden; 3 = employing more labour; 4 = continuing present tempo of development; 5 = planning to sell the garden; 6 = replacing tea by some other; 7 = rejuvenation and replantation.

Ranking o: Problems of Small Tea Growers in N.E. Region

No. of sampled Tea Estates	1	2	3	4	5	6	7	8	9	10	11	12
1	1	-	-	3	-	-	2	4	-	-	-	-
2	1	10	3	6	5	4	12	8	2	11	9	7
3	1	-	2	3	4	5	-	6	7	-	8	9
4	-	-	1	4	3	2	-	5	-	-	-	-
5	1	2	3	4	5	11	6	12	9	10	7	8
6	1	-	-	2	3	-	4	-	5	-	-	-
7	1	-	3	-	2	-	-	-	4	-	-	-
8	2	-	1	-	-	-	4	-	3	-	-	-
9	-	-	1	-	-	-	4	3	2	-	-	-
10	1	-	-	-	2	-	-	-	-	-	-	3
11	-	-	1	-	2	-	4	-	3	-	-	-
12	1	-	2	-	3	-	-	-	4	-	-	-
13	1	-	2	-	3	-	4	-	5	6	7	8
14	1	-	2	-	3	4	5	-	-	6	-	-
15	1	-	2	-	3	-	-	-	-	4	5	6

1 = Lack of suitable land for extension
2 = Underutilization of machineries
3 = Lack of financial facilities
4 = Labour problems
5 = High cost of production
6 = Lack of efficient management
7 = Exploitation by big growers
8 = Problem of transport and communication
9 = Higher incidence of taxation
10 = Defective marketing system
11 = Poor quality of tea produced
12 = Poor techniques of cultivation and manufacture

Chapter - IV

METHODOLOGY AND EMPIRICAL ANALYSIS

Introduction

Financial management is primarily concerned with optimal use of capital funds. There are two major dimensions of such study. One is the sources of finance and the second is its effective utilization. A business firm takes decisions on various issues of these two dimensions of financing. Such decisions will have widespread ramifications as the activities of the firm are interrelated and finance is involved in all of them. The money for expansion may be raised by borrowing from the markets or by reductions of dividend payments or by curtailing expenditure on some other activities of the firm. If the firm borrows from the market it has to return the money with interest in due course of time. A risk is involved in this. Moreover, the firm is subjected to the pressure of the creditors which may affect its efficiency. If the money is raised by lowering dividend, the price of the firm's share in stock market may fall. The firm, thus, loses its goodwill and eventually faces a difficulty in meeting its requirement of fund from outside. In making the choice of financing the firm will examine all such possible effects of the decision on its positions and performance. There will be similar effects of utilizations side of finances on the performance of the firm. A firm having greater proportion of liquid assets in its financial structure may lose profitability. On the other hand. too much fixed assets may lead to situation when the experiences shortage of working assets due to poor liquidity. Considering all such possibilities, the firm has to maintain a proper balance in its assets, that is uses of funds in the light of its objectives. How financial decisions are made for

this as well as for procurement of finance is a comprehensive subject for study which is covered under business finance or financial management.

Diagrammatic presentations of the management approach to finance given below will help appreciate the approach.

MANAGEMENT APPROACH TO FINANCE
OBJECTIVE OF ENTERPRISE ACTIVITIES (CORE IDEA)

	Fund sources	Fund application
1.	Internal cash flows from operations and special transactions	1. Assets Expenditure A. Current B. Fixed
2.	External Debt or equity funds supplied by : A. Individual B. Financial Institutions C. Other business enterprises D. Government	2. Non-asset expenditure A. Labour B. Interest and debt service charges 3. Distribution of profit to owners.

The management approach to finance is blanced one having given equal weightage to both procurement and utilisation aspects of finance and has received wider recognition in modern world. The following chapter will give a brief outline of the financial analysis which will be adequate to understand the financial behaviour of the small gardens under study.

4.1 The Need for Finance

A garden, whether it is owned by an individual proprietor or partners or shareholders, undertakes production in anticipation of future gain or return from it. Tea plantation is very expensive at preliminary stage, such as land purchase, land preparation, land survey, drainage system, plants and plantation. After plantation

young plants should be kept free from other small vegetation and diseases. Further, to run smoothly it needs fertilizer, medicine, chemicals, implements. labour, road transport and communication, nursery, water drainage system etc. (the cost of a hectre of tea plantation is shown in the appendix). Moreover, most of the surveyed estates have old and dilapidated tea bushes which needs to be uprooted and replanted with clones and improved seed jats. About 50 per cent area under tea of the gardens contained bushes which have crossed 50 years of age. Producitivity of such old uneconomic bushes is low. Moreover, average vacancy was found to be 22 per cent which is quite high. This high percentage of vacancy on the other hand does not economise the producers in respect of use of manures and fertilzers, chemicals used for controlling weeds, pest and diseases, etc. This leads to unnecessary increase of cost of production. Lack of necessary finance for the purchase of fertilizers were found to be the reasons for non-application of fertilizer by most of the surveyed small gardens. Cost of production of tea has been increasing without simultaneous increase in the market price. The expenditure incurred on cultivation, plucking and manufacturing constituted 50 to 60 percent of the total cost. The producers can control some of the variable expenditures but they cannot go for controlling expenditures which are fixed in nature. Cost has been rising in view of enhancement of prices of various essential inputs such as chemical fertilizer, chemical for controlling weeds, pest and diseases, etc. With the increase of prices of inputs, recent rise of wages has also contributed towards increasing trend in cost of production. Various fringe benefits which are to be given to the garden labourers on account of enactment and the implementation of the provisions of the Plantation

Labour Act have also contributed towards the increase of cost of production. Acts imposed by the Government on Tea plantation is appliable to all when plantation is concerned, particularly Plantation Act, Wage Act, Bonus Act, Gratuity Act, Medical Benefit Act, etc. The small gardens find extreme trouble and difficulties in implementing these Acts because of the paucity of finance.

4.2 Types of Finance

There are basically two types of finance; short-term and long-term. Tea industry requires both long term and short-term finance. Long-term finance is necessary for financing capital expenditure, e.g. planting and replanting, factory construction or improvement, construction of labour quarters and hospitals, etc. The short-term finance is needed as working capital for defraying the seasonal expenses of production and distribution of tea. Assam where tea is seasonal product short-term borrowings have a special importance.

4.3 Sources of Finance

A more important enquiry in connection with the financial analysis is to examine the source of short-term and long-term finances. Wherefrom the growers get the finance and at what cost, is a highly relevant question. The increased cost of production and simultaneous static nature of price in the market are the factors responsible for non availability of surplus fund to plough back. The estates under study have been suffering in view of non-availability of sufficient surplus. Every effort was made to collect detailed information on finance, but such information could not be collected from all the tea estates. Working finance requirement in case of the estates

without having processing unit is met from the green leaf purchasing garden on condition that green leaf would be supplied to that garden at the price fixed before the season starts. Price is generally fixed every year before the plucking starts giving no opportunity to the green leaf sellers to fix price taking into account the market condition. Due to dearth of increased gardens for purchasing green leaves, green leaf selling small gardens can not expect remunerative price in view of the lack of competition. The greatest difficulty in getting finance is that if the total green leaf production according to agreement is not supplied to them, the purchasing garden stops financing at the end of the season, as a result the estate has to suffer a lot. In such a situation, tea estate has to take loan from the private sources at high rate of interest. This has affected the small growers in the management of the affairs of the garden smoothly. Normally tea estates receive working finance from the commercial banks. But small growers hardly get such fiance from the commercial banks. With regard to long term finance the gardens under study have not received any loan for meeting various expenses such as purchase of equipments, construction of quarters, permanent fencing, etc. Further, it was also recorded during field investigation that only one sample tea garden has received financial help from the Tea Board, though the Tea Board offers subsidy under Replantation Subsidy Scheme and loans for the development of the estates under Tea Plantation Finance Scheme and Tea Machinery-Irrigation Equipment Hire-Purchase Scheme. Although some of these small tea estates had applied for under replantation subsidy scheme only one sample estate had so far received. Others are yet to receive communication from the

Tea Board. Further, some of the estates have pointed out that there are various formalities to be observed in getting the subsidy from the Tea Board for which these estates cannot avail of the financial benefit offered by the tea board. Among the selected tea estates two have given the information on requirement of working finance for the year 1989 which is shown in the appendix. The amount as required by these estate has been received from the Cooperative Apex Bank Ltd. through Planters' Cooperative Society. The Planters Co-operative on behalf of the individual gardens have to forward the application after careful scrutiny to the Co-operative Apex Bank Ltd. The Cooperative Apex Bank generally use to lend money on the basis of hypothecations of crops and the pledge of the durable assets of the estates, which creates problems to the producers. Because, once the crops and other assets are hypothecated, the estate cannot go for other sources for seeking loan. While inquiring it was found that the Co-operative Apex Bank has offered tea loan to 20 such small growers (below 100 hectares) up to the year 1989 excluding of course the gardens above 100 hecters. It was also noticed that the bank is also not getting any difficulty in realising the loan. According to bank official the planters are well responsive and no defaulters were noticed so far. The Bank generally offers 75% of the working finance. The remaining 25% will have to be arranged by the planters themselves. For the remaining 25% of the working finance the tea growers are compelled to approach the private agencies which charge an exorbitant rate of interest. To get a loan from the Apex Bank an individual garden must have registration with tea board.

Internal Sources of Finance : Tea gardens should get adequate term loans to keep the industry viable. Just as a farmer with a small holding is at a disadavantage compared to another with a large holding, the small proprietor often with just one small sized garden suffered from this inherent handicap of small holding. By and large the internal generation of resources is not adequate to keep the small growers on sustained viability and pleaded for additional resources and borrowings. The impact of increase of cost of production not supported by the enhancement of prices is that the producers have no surplus to plough back which directly affects in the various development works in both field and factory.

4.4 The Balance Sheet

In accounting a financial statement that gives a classified list of assets and liabilities at a moment in time, i.e. as on a stated date, is called 'Balance-Sheet'. It is also called 'Statement of Financial Position' or simply 'Position Statement'. An asset in business, is defined as any physical or financial property or other possession of value to which the enterprise is entitled, i.e. ownership by virtue of acquiring that. Similarly, a liability in business accounting is the money value of an obligation to somebody as a result of business transaction. A balance sheet will show us precisely the sources and uses of funds in the form of liabilities and assets. All liabilities are shown on the credit side of the sheet and assets on the debit side. The two sides in sum will balance each other. That is why the table is called as the

balance sheet.

A Balance Sheet reveals the following :

1) The nature and the value of the assets.

2) The nature and extent of unabsorbed expenditure.

3) The nature and extent of capital and liabilities.

4) The amount of changes as such assets and liabilities caused by the working of the business concern.

5) Whether the concerned firm is sound or solvent.

The balance sheet is an indispensable financial statement. It is needed by the owners of the firm to assess financial soundness of their firm. In what form capital is realised and how it is used is clearly shown in the balance sheet. For control of the capital structure, such information is vital. It is also called as the index of the business firm. By a comparative study and analysis of some Balance Sheets of the concerned gardens, the trend of the small tea gardens can also be easily ascertained.

For this purpose we have examined seven balance sheets out of fifteen surveyed gardens for three years, i.e. 1986, 1987 and 1988. The other eight gardens are reluctant to submit necessary data of balance sheet. The position of the current assets and current liabilities of the seven gardens are shown in table 4.1.

Growth of Assets : The total fixed assets after deducting the depreciation accounted for Rs. 93,12,121 of seven small gardens out of fifteen under study. The total depreciation deducted amounted to Rs.52,3145

Table 4.1

Available Working Fund with Some Small Tea Growers in Undivided Sibsagar District during 1986-88

Tea Growers	Current Assets: Name of the items	1986 Rs.	1987 Rs.	1988 Rs.	Total of current assets Rs.	Current liabilities: Name of the	1986 Rs.	1987 Rs.	1988 Rs.	Total of the current liabilities Rs.	Available surplus (C.A.-C.L.) Rs.
A	Cash	216393	56259	54615	327267	Liabilities	135000	-	-		
						Rent	2728				
							137728				
B	Cash	898	1298	1231		Other C.					
	Debtors	87190	79997	39997							
		83085	81295	41228	210611	Liabilities	1834162	1949106	1885922		
						Creditors	256194	168270	171072		
						Rent	818	13667	3853		
						Provision for Tax	71330	71331	71331		
							2162504	2202374	2121173	6497056	(-)6286445
C	Cash	20280	11072	22720		Creditor	982365	542818	1645889		
	Debtors	3065827	2397510	1647222		Other liabilities					
	Inventories	-	-	53873	7218504	Prov	31850	20000	37328	3260250	(+)3958254
		3086107	2408582	1723815			1014215	562818	1683217		
D	Cash	138423	49802	24039	212264	Liabilities	56825	-	-		
E	Cash	327	3588	500		Liabilities	-	232409	-		
	Debtors	520087	631856	Nil	1156358						
		520414	635444	500							
F	Cash	-	-	568090		Creditors	-	-	261764		
	Loans & Advances	-	-	116552							
									261764	261764	(+)969410
	Inventories	-	-	546532							
		-	-	1231174	1231174						
G	Inventories	-	-	100000	100000	Liabilities	-	-	540000	540000	(-)4400

Source : Data estimated by the author based on information supplied by the estates.

for the years 1988. The fixed assets formed a 'arge percentage of the total assets. Due to re-evaluation, the fixed assets of most of the growers have gone up and this has marked considerable increase in their values shown in the balance sheets. The actual position of the fixed assets of seven gardens is shown in table 4.2.

The growth of capital invested in the 7 gardens supplying figures on balance sheet is shown below. The growth of capital invested during the three years is also not satisfactory.

Profitability in the Small Tea Gardens

The small gardens unlike the big tea company are not in a position to accumulate large sum of money in the form of reserves out of profits earned. The small growers have not been able to plough back profits preserved in the form of reserves. Creation of reserves depends upon the profitability of the industry which has shown a declining trend in our present study during the last three years. Area covered and capital invented are given in table 4.3.

4.5 The Profit and Loss Account

The profit and loss account shows the revenue and expenditure account for a period of time. The sources of revenue income and expenditure items are separately indicated in the profit and loss account. The difference between total revenue and total expenditure during the period constitutes the profit to the firm. There will be loss when the expenditure exceeds total revenue. Revenue of a small tea growers mainly depends upon the production of tea. Revenue of a garden without manufacturing unit comes from the sales of green leaves

Table 4.2

Net Fixed Assets of some Small Tea Growers in Undivided Sibsagar District During 1986-1988

Tea Grower	Name of the items	1986 Rs.	1987 Rs.	1988 Rs.	Total Rs.
A	Gross fixe assets	1000326	912516	862572	
	less - Depreciation	102431	74680	70237	
	Net fixed assets	897895	837836	792335	2528066
B	Gross fixed assets	2129750	2325743	2597899	
	less - Depreciation	45982	47111	48179	
	Net fixed assets	2083768	2278632	2549720	6912120
C	Gross fixed assets	870909	947348	1321411	
	less - Depreciation	13938	72901	379823	
	Net fixed assets	856971	874447	941588	2673006
D	Gross fixed assets	427173	3566525	304835	
	less - Depreciation	50381	35396	24906	
	Net fixed assets	376792	321129	279929	977850
E	Gross fixed assets	1030997	1099369	1007772	
	less - Depreciation	-	91596	-	
		1030997	1007773	1007773	3046543
F	Gross fixed assets	-	-	2340777	
	less - Depreciation	-	-	-	
	Net fixed assets	-	-	2340777	2340777
G	Gross fixed assets	-	-	1400000	
	less - Depreciation	-	-	-	
	Net fixed assets	-	-	1400000	1400000

Source : Field Survey

Table 4.3 : Capital Investment of Some Small Tea Growers in Undivided Sibsagar Districts

Tea Grower	1986		1987		1988	
	Area covered (Hectare)	Capital invested	Area covered (Hectare)	Capital invested	Area covered (Hectare)	Capital invested
A	52	987051	52	931421	52	992767
B	95.93	10000000	95.93	10000000	95.93	10000000
C	66.63	100000	66.63	100000	66.63	100000
D	35	503390	35	470931	35	508568
E	82.29	630829	82.29	690829	82.29	630829
F	60.13		60.13		60.13	360000

Source : Field Survey

only. Other sources of revenue are production of paddy, thatch growing, bamboo growing, etc. But in our present investigation we have taken the revenue which comes mainly from production of either green leafs or manufactured tea only. The expenditure sides includes all administrative and operating expenses incurred by the gardens during the period.

Profit and Loss Account for the year 1986, 1987 and 1988 of the six sample gardens are shown in Table 4.4.

The profit and loss account has two important uses :

i. The share-holders get precise knowledge about the earnings of their company, and

ii. The government can determine the tax liability of the company for the concerned year. The creditors will also be interested to know the profit and loss account of the garden in order to assess its credit worthiness.

4.6 Ratio Analysis

Ratio analysis is the process of determining and interpreting numerical relationships based on financial statements. A ratio is a statistical yardstick that provides a measure of the relationship between variables or figures. This relationship can be expressed as percent or as a quotient. The ratios are derived from the balance sheet and the profit-loss account of the firm. Investors desire primarily with liquidity and ability to pay interest and redeem loan within a specified period. Management is interested in evolving analytical tools that will measure costs, efficiency, liquidity and profitability with a view

Table 4.4 : Trend of Profits (Profits before Tax, after Tax) of six small growers of Sibsagar District, Assam

Tea Grower	Profits before Tax 1986	1987	1988
A	25,316	62,658	72,962
B	12,650	1,62,182	3,00,094
C	40,301	40,555	55,164
D	18,262	18,601	19,637
E	9,000	18,000	28,000
F	4,165	65,406	96,188
Total profits before Tax	1,09,694	3,67,402	5,72,045
	Profits after Tax		
A	19,096	35,086	41,506
B	12,650	1,12,182	2,60,094
C	10,521	8,750	30,164
D	14,894	15,070	15,796
E	7,500	16,400	26,200
F	4,165	55,402	80,188
Total profits after Tax	77,826	2,42,890	4,53,948

Source : Estimated by the Author on the basis of information supplied by the estates

to making intelligent decisions. Commercial bankers and trade creditors and the institutional lenders are mostly concerned with the ability of a borrowing enterprise to meet its financial obligation timely. As a result, they are more interested in ratios like the current ratio, acid test ratio, turnover of receivables, inventory turnover, coverage of interest by the level of earnings, etc. Long-term creditors would be interested in the working of capital position of the borrower as an indication of ability to pay interest and principal in case earnings decline. They may also find the ratio of total debt to equity, net worth to total assets, long-term debt to net working capital, fixed assets to long-term debt and fixed debt to total capitalisation, to be useful for further financial analysis. Investors in shares are primarily interested in per share ratios like earnings per share, book value per share, market price per share, dividends per share, etc.

Considering the aforesaid importance of calculating various ratios in the financial analysis we have been using the following ratios considering strictly our objectives of study and the availability of data.

4.6.1 Liquidity Group

Liquidity ratios provide test to measure the ability of the industry to cover its short-term obligations out of its short-term resources. Interpretation of liquidity ratios provide considerable insight into the present cash solvency of the firm and its ability to remain solvent in times of adversities. Two commonly used liquidity ratios are current ratio and quick or acid test ratio.

a). Current Ratio

The current ratio is computed by dividing current assets by current liabilities. Current assets normally include cash, marketable securities, sundry debtors (accounts receivables) and inventory; and current liabilities consist of sundry creditors (account payable), short-term loans and advances, current liabilities and provisions for tax and other accrued expenses. This ratio is generally an acceptable measure of short-term solvency as it indicates the extent to which the claims of short-term creditors are covered by assets that are likely to be converted into cash in a period corresponding to the maturity of the claims.

This relationship is of prime importance to the short-term creditors since it gives an indication of borrower's ability to meet his current obligation. A current ratio of 2:1 has long been considered generally satistactory. A higher current ratio explains that the company will be able to pay its debts maturing within a year. On the otherhand, a low current ratio points to the possibility that the company may not be able to pay its short-term debts. However, from the management's point of view higher current ratio is indicative of poor planning since an excessive amount of fund lie idle. On the contrary, a low ratio would mean inadequancy of working capital which may deter smooth functioning of the enterprise.

However, an excess of current assets over current liabilities does not necessarily mean that debts can be paid promptly. If current assets contain a high proportion of uncollectible inventories, there will be slow-down in the inflows of cash. Therefore, it would be pertinent to take note of, while computing the current ratio, the nature

and proportion of various types of current assets, the nature of current liabilities, the nature of cash flows and the future expectation.

$$\text{Current ratios} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

b). Acid Test or Quick Ratio

It is a measure of judging the immediate ability of the company to pay off its current obligations. It is obtained by dividing quick current assets by current liabilities. Quick current assets comprised of those assets which can be liquidated immediately and at minimum loss in order to meet the pressing financial obligations. Thus quick current assets consist of cash marketable securities and accounts receivable. Inventories are excluded from quick assets because they are slower to convert into cash and generally exhibit more uncertainty as to the conversion price. This ratio is a better test of financial strength than the current ratio as it gives no consideration to inventory which may be very slow moving. A quick ratio of 1:1 has usually been considered favourable since for every rupee of current liabilities there is a rupee of quick assets. But accounts receivable may not be convertable into cash at face value on a short notice. Like current ratio, a reasonable standard for the acid test ratio varies from season to season in a company.

$$\text{Quick assets ratio} = \frac{\text{Current assets-inventories}}{\text{Current liabilities}}$$

4.6.2 **Profitability Ratio**

Profitability ratios are, as a matter of fact, best indicators

of overall efficiency of the business concern because they compare return of value over and above the values put into a business with sale or service carried on by the enterprise with the help of assets employed. Thus profitability ratio are of two types - profitability as related to sales and profitability as related to investments.

(i) Operating Profit to Sales

This ratio expresses relationship between operating profit and sales. It is worked out by dividing operating profit by net sales. With the help of this ratio one can judge the managerial efficiency which may not be reflected in net profit ratio. For example, an enterprise may have a large amount of non-operating income in the form of dividend and interest which represents major proportion of the company's net profit. The net profit ratio may, in such cases, show high efficiency even though the efficiency is extremely low as non-operating income has no relation with operating efficiency of the management. The lower the operation ratio, the higher the margin of profit. This ratio is very useful for purpose of internal analysis in detecting the areas of difficulty.

(ii) Net Profits to Sales

This ratio is also called as the net profit ratio and net profit margin. It is determined by relating the net income after taxes to the net sales for the period and measures the profit per rupee of sales. Higher the ratio the better the profitability of the firm.

4.6.3 Activity Ratios

The ratios in this category compare sales or cost of goods sold to some assts such as total net assets, total fixed assets working assets and inventory. This ratios are also called 'turn over ratios' as they reflect the turn-over of the concerned assets. The popular ratio of this class are as follows :

(i) Assets Turn-Over Ratio

This ratio is computed by dividing net sales by net assets of the firm. Alternatively, it is called 'Capital Turn-Over Ratio'. A high ratio reflects better use of the tangible assets.

(ii) Net Fixed Capital Turn-Over Ratio

This reflects the efficiency of fixed capital utilisation. The ratio is computed by dividing net sales by the net fixed capital. The interpretation of the ratio is similar to that of the assets turnover ratio.

4.7 Limitations of Ratio Analysis

There are some general limitations of ratio analysis which should be understood clearly, these are :

1) The ratios are derived from the past data but business always takes into account the future expectations. Even if the ratios for a firm show its poor performance, it may expect good future and therfore like to continue in business. It is true that the ratio analysis is not an end in itself. It provides guides and clues in spotting trends towards better or poor performance. The firm attempts to make impro-

vements in its working in the following year if its performance has been poor in the current year. The ratio analysis, therefore, helps in this regard considerably.

2) It is argued that disproportionate changes in the prices of assets, outputs and inputs including inventory valuation over time seriously affect the comparability of the ratio, particularly in the case of those ratios, whose numerators and denominators are expressed in value terms with different prices such as turnover of fixed assets where numerator (sales) will be a current price but the denominator (fixed assets) at historical costs. In financial accounting no provision is made for inflation accounting so such problem in comparability of the ratios over time is bound to come. Inspite of such limitations, which are of trivial nature, the ratio analysis has its utility for performance evaluation and business decision-making by a firm.

The close relationship between certain business ratios provides an integrated framework for assessing the financial position of a firm.

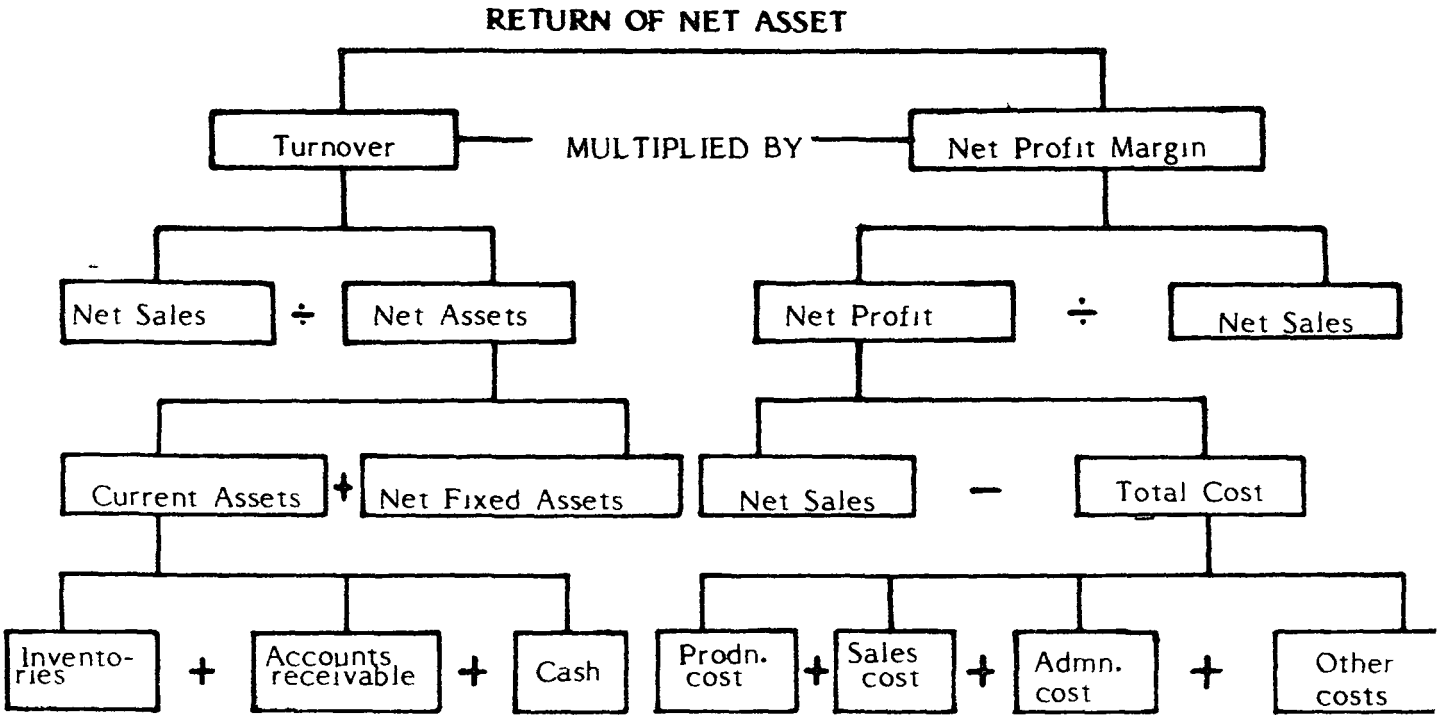


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Table 4.5

Ratio Analysis of some Small Tea Gardens under Study in Undivided Sibsagar District in the Year 1988

Tea Grower	Current Ratio = Current Assets / Current liabilities	Acid Test or Quick Ratio = C/A - Inventories / Current liabilities	Operating Profit to Sale = Operating Profit / Net Sales	Net Profit to Sale = Net Income After Tax / Net Sales	Fixed Assets Turnover = Sales / Fixed Assets	Total Assets Turnover = Sale / Total Assets
	r_1'	r_2'	r_3'	r_4'	r_5'	r_6'
A	.....	.....	$\frac{72962}{2852437} = .026$	$\frac{41506}{2852437} = .015$	$\frac{2852437}{792335} = 3.60$	$\frac{2852437}{992767} = 2.873$
B	$\frac{41228}{2121178} = .019$	$\frac{41228(\text{no inventory})}{2121178} .019$	$\frac{300094}{1602509} = .187$	$\frac{300094}{1602509} = .187$	$\frac{1602509}{2549720} = .629$	$\frac{1602509}{2864154} = .561$
C	$\frac{1723815}{1683217} = 1.024$	$\frac{1723815-53873}{1683217} = .992$	$\frac{58758}{1580189} = .037$	$\frac{30164}{1580189} = .019$	$\frac{1580189}{941588} = 1.678$	$\frac{1580189}{3455049} = .457$
D	.....	.....	$\frac{19637}{673518} = .029$	$\frac{15796}{673518} = .023$	$\frac{673518}{279929} = 2.406$	$\frac{673518}{50856} = 1.324$
E	.....	.....	.....	.....	$\frac{1684025}{100?772} = 1.671$	$\frac{1684025}{1008272} = 1.670$
F	$\frac{1231174}{261764} = 4.703$	$\frac{1231174 - 546532}{261764} = 2.615$	.....	.....	$\frac{2532566}{2340777} = 1.082$	$\frac{2532566}{4984342} = .508$
G	$\frac{100000}{540000} = .185$	.....	$\frac{74275}{619275} = .120$	.....	$\frac{619275}{1400000} = .442$	$\frac{619275}{1500000} = .413$
H	.....	.....	.....	.....	$\frac{582750}{100000} = 5.828$	$\frac{582750}{100000} = 5.828$
I	.....	.....	$\frac{28000}{240000} = .117$	$\frac{26200}{240000} = .109$	.....	.....
J	.....	.....	$\frac{96188}{1408319} = .068$	$\frac{80188}{1408319} = .057$	.....	.....
	$\sum r_1' = 5.931$ $\bar{r}_1 = \frac{5.931}{4}$ $\bar{r}_1 = 1.483$	$\sum r_2' = 3.626$ $\bar{r}_2 = \frac{3.626}{3}$ $\bar{r}_2 = 1.209$	$\sum r_3' = .584$ $\bar{r}_3 = \frac{.584}{7}$ $\bar{r}_3 = .083$	$\sum r_4' = .410$ $\bar{r}_4 = \frac{.410}{6}$ $\bar{r}_4 = .068$	$\sum r_5' = 17.336$ $\bar{r}_5 = \frac{17.336}{8}$ $\bar{r}_5 = 2.167$	$\sum r_6' = 13.633$ $\bar{r}_6 = \frac{13.633}{8}$ $\bar{r}_6 = 1.704$

Source : Ratios are estimated on the basis of information supplied by the small estates

1) Current ratio : The current ratio calculated in the above table (No. IV-5) which is 1.483:1, is neither very near nor very far from the standard of 2:1 laid down for the current ratio. It is neither high nor low. Marginally the small growers can be able to pay its debts maturing within a year.

2) Acid Test : The calculated ratio under this head is 1.209:1, is also to some extent favourable, when we compare the standard ratio for quick ratio or Acid Test i.e. 1:1. Taking into consideration the collectibility of receivables it can be said that the small growers have the ability marginally to pay off its short term obligations.

3) Fixed Asset Turnover : The calculated ratio of Turnover of fixed asset amount to Rs. 2.12 for every rupee worth of fixed assets. This ratio cannot be termed as strong ratio indicating the poor utilisation of the existing plant capacity.

4) Total Assets Turnover : (1.70:1). This implies that the net sales amounted to Rs.1.70 for every rupee worth of total assets. This is also very weak ratio indicating that the assets of the gardens are not utilised efficiently.

5) Operating Profits to Sales : The calculated ratio under this head in the above table is .08:1. This implies that out of every Re. 1 worth of sales .08 paise is the operating profit, i.e. profit before interest and tax. This also cannot be judged as favourable. Considering the size of the ratio, it can be said that the small gardens have not been efficiently managed. Moreover, non-operating income has no relation

with operating efficiency of the management.

6) Net Profit to Sales : The net profit to sales ratio is .06:1 of the gardens under study. This means that for every Rs. 1 worth of net sales .06 paise is the profit for the gardens under study. This also cannot be termed as high ratio signifying that the low level of overall efficiency of the gardens and poor utilization of resources. It also implies the poor financial planning of the small growers under study.

The calculation of other ratios like Retention Ratio, Pay-out Ratio, the Internal Allocation Ratio etc. which are also indicative of the financial strength of the gardens is not possible because of the paucity of data relating to finance. It was observed in field survey that few growers are not maintaining accounts of their production and sales in a scientific way. But the recording of financial transactions of a garden is very essential. Such recording is needed (1) to ascertain the profit or loss (ii) to facilitate control of operations and surveillance of plans; (iii) to present a periodic statement of the assets and liabilities of the garden; iv) to ascertain the sources and uses of funds; v) to satisfy many legal requirements. So, maintenance of proper accounts of the gardens irrespective of the small or big is of immense help for undertaking future plans and programme for their development. The Break-even Analysis which we consider as a basic tool in production and financial planning is not possible to present in this attempt because of the lack of necessary information and data mainly the amount of fixed cost, variable cost etc. of the small growers in the district.

4.10 Our enquiry about the financial management of the small tea growers under study relate to many other interesting findings which are also to be taken into account while assessing the economic viability of the small tea growers.

A. Capital Structure

i) The average land under tea of the sample gardens is 49.90 hectares. The land under tea ranging between 95.63 hectares as maximum and 4.85 hectares as minimum in our sample gardens. The garden which has highest land under tea in our sample gardens is comparatively economically viable as it enjoys to some extent the economies of scale.

ii) Out of fifteen (15) sample gardens only three have the processing units and the remaining twelve (12) gardens are selling green leaves to its neighbouring big garden or to its sister concern. Hence, 20% of the sample growers having processing units and 80% do not have tea processing units.

iii) Regarding the ownership pattern it is found that seven (7) gardens are proprietorial in nature, four (4) are partnership and four (4) are shareholders. The number of gardens investing own capital is 3 (three) and investing borrowed capital is 7 (seven) and investing both borrowed and owned capital is 5 (five).

B. Cash Flows

The amount of cash money required for day to day transaction is ranging between Rs.500/- to Rs.2000/-. Most of the small growers

are maintaining current account and only two in our samples have been maintaining saving bank account.

C. Security Arrangement

The financial loss resulting from theft or robbery in the sample gardens is almost nil. Only two gardens reported in field investigation that their nursery plants have been stolen once or twice. One of the two also reported that their power generating machine is also missing from the factory premises. Regarding security arrangement it was found that the most of gardens are far away from police station. They are to spend Rs. 2000/- to Rs.5000/- monthly in security arrangement by keeping day chowkidars as well as night chowkidars. Out of 15 (fifteen) gardens only three (3) gardens have insured their machinery and other appliances, crops and products. The remaining 12 (twelve) gardens have not insured the crops and other appliances.

D. Investment of Profit

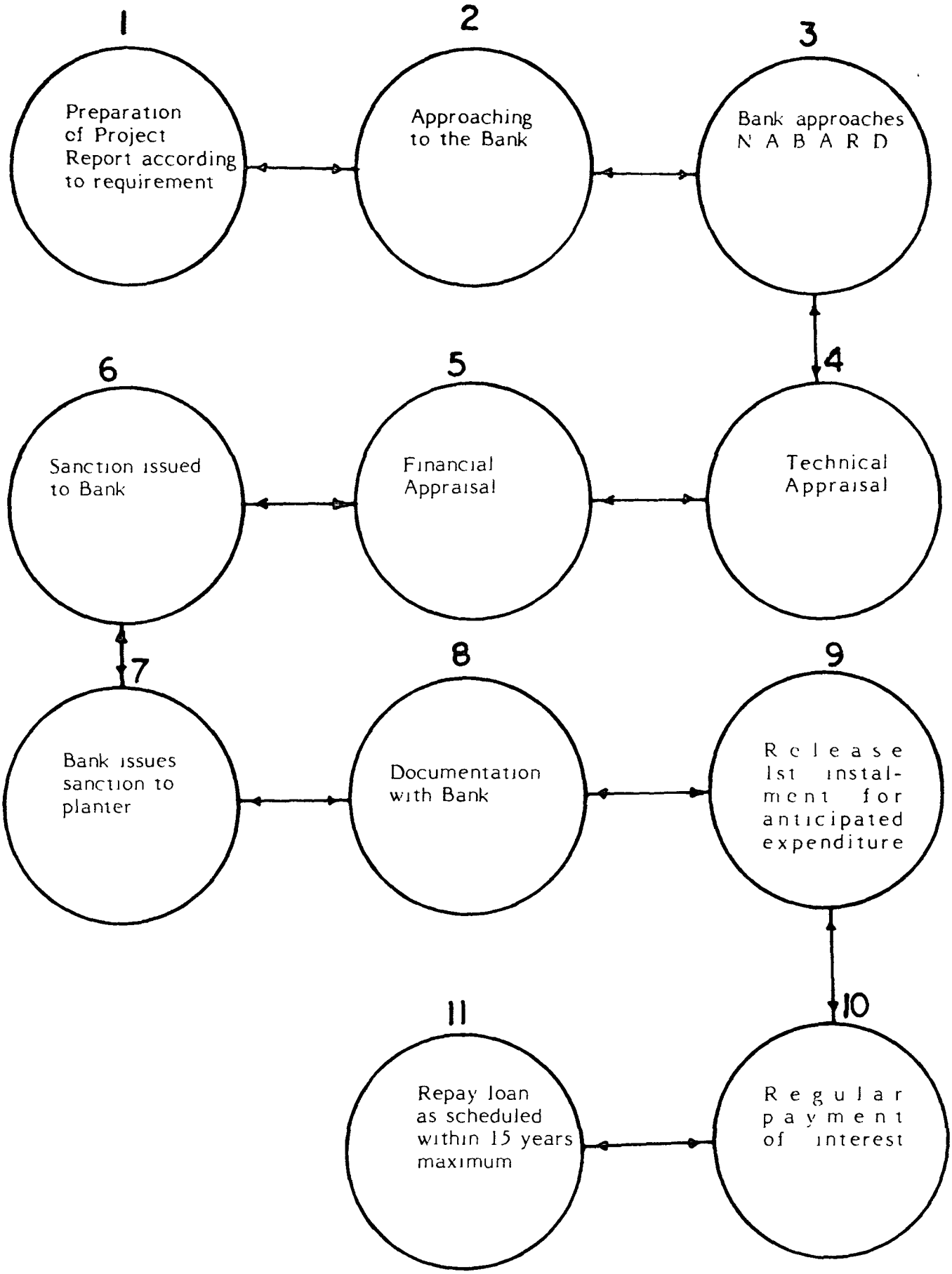
Regarding the investment of profits most of the growers are in the opinion that they like to invest profit for the overall development of the garden. But it was found after thorough investigation that few gardens if they earns profits in certain year that is spent in further accumulation of wealth and property. As a result the development activities of the concerned gardens have to suffer.

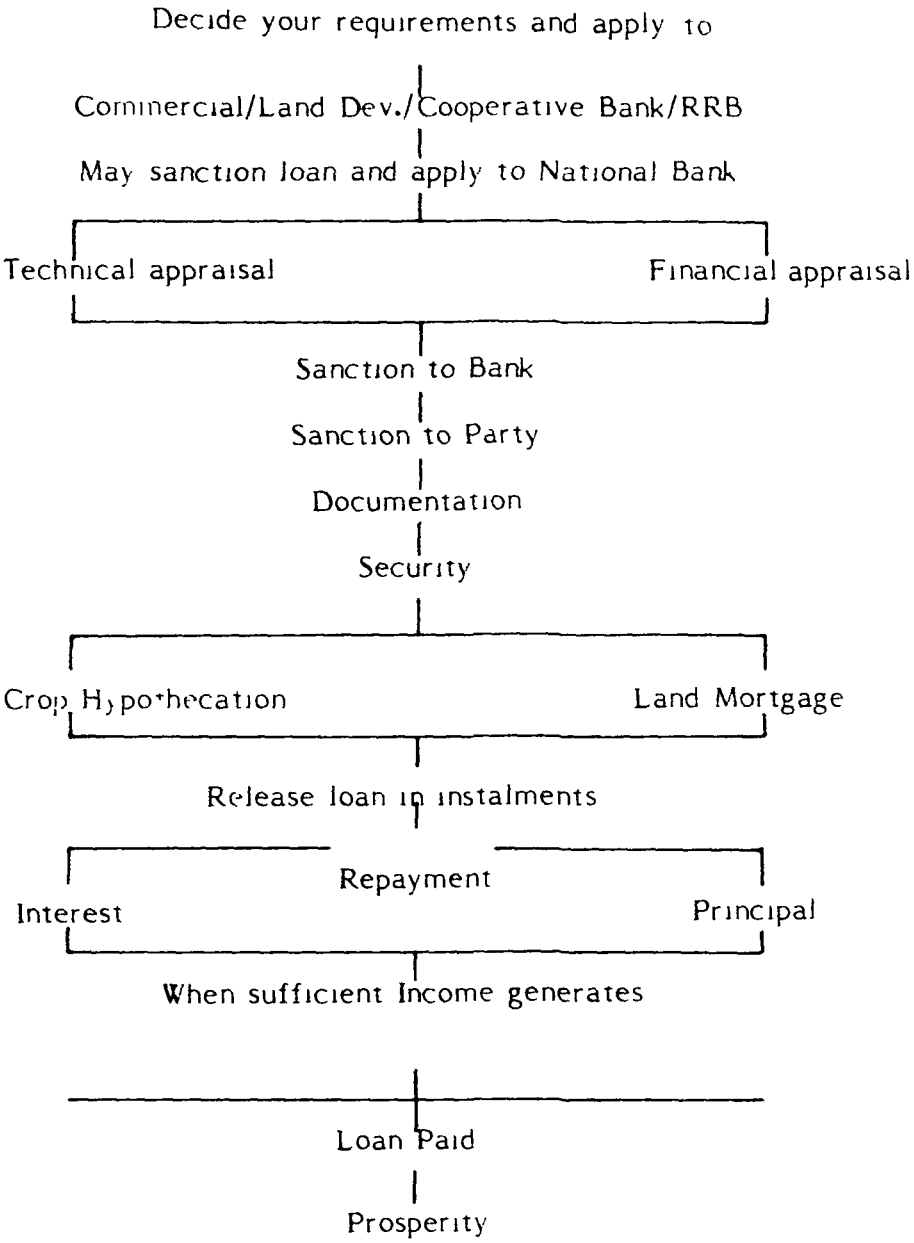
E. Loan Issue

i) The first priority for which the small growers are in need

of financial assistance is assigned to replantation. It is found that most of the tea bushes are old and uneconomic giving less amount of crops with poor quality. So, replantation of old and uneconomic tea bushes is the main objective for which the small growers are in need of finance. It was also reported in field investigation that financial assistance is required for purchasing fertilizer, high yielding variety, pesticides, arranging irrigation, fencing etc. It was really interesting to note that the small growers showed less interest in building up factory as it might be the reason for uneconomic in factory construction. For extension purposes the small growers are in the opinion that they do not have required additional tea land.

ii) While investigating regarding financial assistance so far received it was very pathetic to note by the author that only one garden out of 15(fifteen) has received tea loan from NABARD and Tea Board respectively. The number of tea gardens under study receiving financial assistance from Co-operative Apex Bank is three(3) and the number of tea garden receiving financial assistance from Commercial Bank is one(1). The rate of interest varies between 15% to 18% per annum. The others are receiving financial assistance from neighbouring big gardens to whom they are to sell their green leaves. Generally, the small growers need not pay any interest for the finance offered by the big growers. The difficulties faced by the small growers in obtaining a loan from government institution is the long formalities which are to be observed by the small growers. For example, the NABARD while sanctioning a loan it will not give


1
Preparation of Project Report according to requirement
2
Approaching to the Bank
3
Bank approaches N A B A R D
4
5
Financial Appraisal
Technical Appraisal
6
Sanction issued to Bank
7
Bank issues sanction to planter
8
Documentation with Bank
9
Release 1st instal-ment for anticipated expenditure
10
Regular payment of interest
11
Repay loan as scheduled within 15 years maximum



The present rate of interest is 12.5%.
However, for small farmers it is 10%

Source : NABARD

directly to the growers. The growers will have to approach first the nearby Commercial Bank. The Commercial Bank after careful scrutiny generally forward the loan proposal to the NABARD. Then NABARD will finance to the sponsoring bank, provided the loan proposal found to be sound. The growers on the other hand, will have to pay 25% as margin money against the loan to be sanctioned. This 25 per cent margin money requirement is itself a problem for the small growers. Again, out of the remaining 75 per cent loan eligibility, 30 per cent is supposed to be financed by Commercial Banks through whom applications are sponsored to NABARD. The Commercial Banks sometimes are not forthcoming enough to NABARD loans due to the 15 year tenure of the facility and to committing 30 per cent of their own funds which may not give them sufficient attractive returns.

F. Internal Source

Regarding the scope for ploughing bank profit it is also stated that the little profits if they earn in some years it is generally exhausted in paying taxes and bonus. The agricultural income tax is the highest in Assam. The capacity for internal geneation of funds largely depend on the taxation policies and such punitive rates of taxation hardly leave adequate funds to look after development activities properly.

G. Major Hurdle of Small Growers in N.E. Region

While investigating the major hurdle for the overall develop-

ment of the small gardens in general, it was reported by almost all that the lack of suitable land for extension is the main impediment for the small growers in the North-Eastern Region. Additional lands taken away through ceiling act from tea gardens in Assam have paralysed the growers for increasing production by extending area under tea. So the growers are of the view that the intensive cultivation is the alternative for them.

H. Research and Development

Most of the small growers are not the members of Tea Research Association, because of the high rates of subscription charged by the Tea Research Association. But the growers agreed with the view that the membership of the tea research is essential to get necessary advice and suggestion from time to time. There are various areas of research like machineries and tools best suited to the small growers, cultivating techniques, bush management etc. Four(4) out of fifteen(15) growers are not having membership of even any union or association among themselves. As a result they do not get a common forum for discussion of various acts and regulations passed by government from time to time.

I. Employee Compensation

Regarding employee compensation like wage Board regulation, vardicts of the plantation Act, payment of Bonus Act, P.F. Act, etc. the small growers are in the opinion that they cannot avoid the regulation and also at the same time find it difficult to abide by these

regulations due to their poor resources. The growers also have been discharging various social security measures like old age pension, maternity benefit, sickness benefit etc.

The financial loss due to employee strike is reported by two gardens only. The others have a congenial relationship between the employers and employees.

J. Marketing Aspect

Regarding marketing aspect of the small growers, it is observed by the author that all the three estates having processing units have taken the advantage of auction market. The cost per trip in transportation is about Rs.2000/- only. The average price realised is around Rs.45/- per kg. of made tea. Regarding the selling of green leaves by the gardens which do not have processing unit, the buyers generally determine the price giving no opportunity to the sellers of green leaves. The price of green leaves varies between Rs.3.25 to Rs.3.50 per kg. In certain gardens the cost of transportation of green leaves is generally realised from the buyers. But, few growers will have to bear the transportation cost also amounting to Re.0.20-Re.0.45 per kg. The distance between the green leaf selling and green leaf buying gardens ranges between 1 km to 5 kms. Thela, Rikshaw, tractor are the modes of transport carrying green leaves to the production centres from green leaves growing areas. The seven(7) growers out of 15(fifteen) under study are of the opinion that they are being exploited by the big growers as they do not have processing units by paying less for their green leaves where price is fixed long before the plucking

starts. The alternative they think is the establishment of a co-operative factory.

Chapter - V

CONCLUSIONS AND POLICY IMPLICATIONS

The tea industry in India is one of the oldest and well-organised industries in India. An aspect of this industry's performance which causes concern is the gradual decline in the share of India's exports as a percentage of world exports. In the past few years, domestic consumption of tea has been rising faster than the increase in output and if this trend were to continue, the position of Indian tea in world markets would be further eroded. These highlight the need for growing more tea. A rise in the tea output requires an extension of the area under tea, replanting, replacement and the improvement of yield through measures of intensive cultivation. A basic requirement for development is the provision of adequate finance. However, an increase in the quantum of finance need not itself result in an increase in production. The con-comitant factors necessary for attaining optimum results are good management and planned financial discipline on the part of the industry and co-operation of labour.

The problems of small gardens are not only financial. The inferior quality of planting material used, the adoption of antiquated method of cultivation, harvesting and manufacturing, poor management and employment of not properly trained labour result in the production of poor standard tea. In certain cases labour is seldom available in time and generally comprises minor. The size is uneconomic to support a factory and they are obliged to sell their produce to their neighbouring big garden often at unremunerative prices.

Our investigations on the size-efficiency relationship bring to light the fact that unlike the annual crops here in the case of tea, large sized units are more efficient than the small sized units.

The explanation for this relationship may be the fact that large sized units enjoy some economies of scale, mainly because of vertical integration of productive units implying the combination of ownership of land holding factories and transport arrangement in a single hand. But generalisation, on the basis of across the field comparison of yield is not desirable since size is not only determinant of yield or efficiency. If we examine the data, we might at once discover that many small sized units have higher yield than some other large sized plantation. Size is not the only factor which determines the yield. Yield is the product of a large variety of factors, such as extent of technical efficiency achieved, advantages of location, degree of financial administrative and managerial integration. Not all of these are common to all the units of different sizes. Some of the small plantations may be able to achieve some advantages and may thus be able to counteract some of the diseonomies of small size. Secondly, by the very nature of historical development of plantation the best areas were planted first in large area and cultivation was later extended to less productive areas.

Cost Structure

Cost of production not only regulates the structure of the industry but also indicates the growth of the industry. It furnishes the real basis for making a policy decision. In spite of such role of cost and of the fact that the industry is one of the oldest organised industries of India, no attempt has so far been made to study the cost pattern in India. Of course, Tea Board has made all India cost

and financial surveys that included 110 companies of Assam. The study reveals that Sibsagar district of Assam has the highest cost of production in India. Though Sibsagar is equally famous for quality tea production yet the cost is very high which ultimately affects the profit margin of the producers.

There has been all-round escalation in the cost of production. The price hike of coal and petrolium products has had direct effects on the cost of production. The prices of foodgrains, fertilizers, chemicals, tea chests, building materials, other capital goods and assets, etc. have increased significantly. Labour wages constitute 60-70 per cent of the cost of production. The yearly rise of the wages structure unmatched by increase in production is built on guarantee for increased cost. All these have a cumulative effect on the cost of production. The compulsory amenities and perquisites of the plantation labour Act acts as a further burden on the cost of tea in India. It is not disputed that the living conditions of the plantation labour require all efforts to be improved. However, we may point out that bad habits like drunkenness and negligence of duty, and lack of planning for a small size family are some of the factors which affect the socio-economic condition of the plantation workers.

Again, the Department of Labour, Government of Assam have also been pressing the management time to time to implement various social welfare measures, other facilities and amenities remaining the same. Now it is interesting to note that whereas the garden owners who were unable to implement these schemes during the last

three decades, how they can introduce all these schemes within a year or two. To appoint a welfare officer, a chemist, to maintain a hospital with a doctor, compounder and nurses is really a pinching element to the small growers, considering their present financial viability.

Tea plantation crop by its very nature, lends itself to easy taxation and taxation takes many shapes and forms. The main taxes and duties which the state government has imposed are land duty, professional tax, factory licence, factory licence fee on the production and manufacture and sales tax on the tea produced and sold in the local market of Assam. In the beginning, of course, the plantation crops were only taxed indirectly through a levy of excise and export duties, besides a simple local land tax. The multiplicity of taxes to which tea is subject has been a long standing grievance of the industry. The Agricultural Income-Tax in Assam is the highest in India. There is no other tea producing state in India which is charging such a high percentage of tax on tea. Under such situation, the Government of Assam has recently promulgated three ordinances giving a further blow on the small and medium planters, these are (1) levy of fifty paise per kg on green leaves, (2) enhancement of agricultural income tax; (3) enhancement of land revenue. The proposed 0.50 paise tax on per kg of green leaf and Rs. 2.50 for the made-tea per kg will surely affect the profitability of the indigenous small and medium planters in Assam. A small garden which produces 2,00,000 kg of green leaves has to pay Rs. 1,00,000 as a result of promulgation of this Act. Again, the increased agricultural

income tax from 75 percent to 83 percent will surely hamper the expansion and development of the tea industry particularly the small and medium gardens. It is really an absurd case whereas the other industries other than tea have to pay 58% as income tax but the tea industry will be paying 83% as agricultural income tax. Moreover, the land revenue has also been increased significantly. The gardens which have been paying Rs. 5,000 as land revenue will now be compelled to pay Rs.25,000, five times than before. On the other hand tea garden labourers have also been demanding the management to raise their daily wages upto Rs.25.00.

The cost of additional facilities and fringe benefits have also been increasing by leaps and bounds. The workers are provided additional facilities and fringe benefits like free housing, free medical facilities, free fuel, free water supply, free education to children, free sanitary arrangements, chowkidars to look after cattles, grant of festival expenses, maternity benefit allowance, sickness allowance, open air cinema show, etc. Although some of the benefits and facilities may not give any additional source of income in cash but certainly add to the health and welfare of the tea garden labourers. In providing such facilities and benefits to the workers, monetary value per capita works to a very high figure in Assam. The concession of cheap food staff has become the most important concession in view of high prices of rice and other food staffs in the market. With the increase of prices of various inputs and other items in running a tea garden, the prices of tea have not increased proportionately. The problem is more acute in case of green-leaf selling garden. Because the green leaf selling garden have to sell leaves at the same contract price.

Moreover, the increase in the prices of green leaf is very negligible ranging between (Rs.3·25-Rs.3·50) while the expenses incurred in producing has been increasing. This has affected the health of the industry badly.

Sources of Finance

Adequate finance plays a vital role in the development of health of the industry. The increased cost of production and simultaneous static nature of price in the market are the factors responsible for non-availability of surplus fund to plough back. The estates under study have been suffering in view of non-availability of sufficient surplus. A peculiar feature of these gardens is hereditary type. As a result of the division and subdivision of the estates, the total land under tea of an individual planter or unit is going to be small. So, the law of inheritance is also responsible for the low economic viability of these gardens.

There is no dearth of institutions to meet the credit requirements of the big tea gardens. The commercial banks have been traditionally providing working capital and export finance. They have also ventured into the field of term finance, particularly after introduction of special plantation scheme by NABARD. State financial corporations, the Assam Co-operative Apex Bank Ltd. have rendered some assistance. The Tea Board, although not a financial institution has certain schemes to help the industry. But the sources of finance for the small tea gardens is extremely limited because of its very nature of operation. Working finance requirement in case of the

estates without having processing unit is met from the green leaf purchasing garden on condition that green leaf would be supplied to that garden at the price fixed before the season starts. Price is fixed generally every year before the plucking starts giving no opportunity to the green leaf sellers to fix price taking into account the market conditions. Of course, generally no interest is charged by the financing garden from its green leaf selling garden. One more difficulty in getting finance is that if the total green leaf production according to agreement is not supplied to them the purchasing garden stops financing at the end of the season, as a result the estates have to suffer a lot. In such a situation, the estates have to take loan from the private sources at high rate of interest. This has affected the small growers in the smooth management of the affairs of the gardens. The small growers hardly get working finance from the commercial banks. The role of the Assam Co-operative Apex Bank Ltd. as a financer of working capital to these indigeneous small and medium planters should be worth recording. After investigation it was also found that the garden which have been taking loan from this source are very regular in the repayment of the loan. In regard to long-term finance the gardens under study have not received any loan for meeting the various expenses such as purchase of equipments, construction of quarters, permanent fencing etc. Further, it was also recorded during field investigation that except one sample garden, no other gardens have received so far any financial help from the Tea Board. On the other hand, the Tea Board offers subsidy under replantation subsidy scheme and loan for the development of the estates under tea plantation-finance scheme and tea machinery irriga-

tionequipment hire-purchase scheme. The subsidy under replanting scheme is payable at the rate of Rs.10,400/- per hectare for the estate in the plains and Rs.12,400/- per hectare for the estates in the hills. Though some of these small tea estates had applied for subsidy under replantation subsidy scheme, the tea estates concerned are yet to receive communication from the Tea Board. Some of the tea estates have pointed out that there are various formalities to be observed in getting the subsidy from the Board for which the estate cannot avail of the financial benefit offered by the Board. Sample tea estates having processing unit take financial help after hypothecation of the crops together with mortgage of durable assets and deposits of title deeds. Once they have deposited the title deeds in one institution, then it becomes difficult to apply for further loan to meet the working finance. It was also observed that that one garden has to stop manufacturing due to financial hardship. Thus lack of required finance affects equally both the field side as well as the manufacturing side. Hence, extension of financial help needs to be emphasised keeping in view the present deplorable financial condition of the small growers.

Suggestions for Improvement

i) Co-operative factories with up-to-date manufacturing arrangments may be established to cater to the needs of the small growers. NABARD, Tea Board should help in setting up of these co-operative factories. It will definitely help to develop competition among the buyers of green leaf which may give reasonable price

to the growers. The various commercial and co-operative banks should finance the co-operative factories and bought-leaf factories for improving working of the factories and for meeting the short-term credit requirement of small growers. The Rural Banks established recently should also come forward to offer financial assistance to the small growers, considering their impact in rural development.

ii) *The Land Ceiling Act, as applied to the gardens is another* blow to the tea industry. The land taken away from the plantations cannot sustain a crop more productive than tea. Garden owners seem apprehensive about availability of land needed for expansion and replantation. So, the additional land should be redistributed to the small growers to make their size economic in the interest of the overall development of the economy of the state.

iii) It is essential for the gardens to apply methods of modern scientific management to achieve the plan target. The implementation of cost control and cost reduction measures, schemes to improve labour productivity are important matters for the prosperity of the industry. Existing wornout machineries of the tea factories (gardens having processing unit) are to be replaced with modern machineries so as to avoid wastage and to obtain quality tea with quantity. Proper care in handling of green leaf is to be taken during plucking and transportation so as to minimise leaf damage, which may otherwise cause pre-fermentation, resulting in production of inferior quality tea. A continuous research into better types of bushes, the growing and manufacture of tea leaf, will eventually result in cost reduction quality production which are essential for the ultimate survival of the small growers.

iv) The research activities of the Tocklai Research tation should also be extended to the economic problems. So far the researches on technical aspects are carried on by the station. Tea industry is not only facing technical problems of production and manufacturing but equally experiencing the difficult problems which relate to the economic aspects of the industry. There should be management training facilities. The successful training will not only provide opportunity to the trainees alone but will be equally beneficial to the estates which require qualified persons in their management cadres. The trainees can acquire complete knowledge in different branches, which are essential to maintain efficiency, cost and quality of the tea produced in the respective estates.

v) Considering the future growth and development of the tea industry as well as to increase profitability the Government should reduce the tax burden to some extent so that cost of production is reduced and the producers are able to get a surplus which can be ploughed back particularly in replantation of old uneconomic tea areas for production of quality tea. "It was Aristotle who, in a different context, said that injustice arises when equals are treated unequally and also when unequal are treated equally". Acts imposed by the Government on tea plantation is applicable to all when plantation is concerned, particularly, Plantation Act, Wage Act, Bonus Act, Gratuity Act etc. The small gardens neither can afford to fulfill nor can avoid these regulations. So, the government should allow certain relief to small growers for certain period or some other alternative are to be made for the survival of the small growers in the State.

vi) The biggest asset of a tea garden is its bushes which are not expected to live beyond a certain period of useful economic life, usually 50 years. For extension purpose the land is not available with majority of the tea producers. The only alternative is to uproot the old uneconomic tea bushes and to replant with high yielding varieties. It is revealed from the study that finance and loss of crop during the gestation period are the main hurdles attached with the producers. The quantum of subsidy offered by Tea Board does not cover the cost of replantation and the loss of revenue during the period to the attainment of maturity of the bushes. So the Tea Board's subsidy should be increased so that it can cover the cost and loss involved in replantation. Over and above the replanting of subsidy schemes, Government should introduce some other schemes by which replacement and extension can be done at a quicker pace.

vii) Considering the increased internal demand for export, rate of limit of term finance by the lending institutions not only the Tea Board but also other term finance lending institutions like the Life Insurance Corporation of India, State Finance Corporation, NABARD, Industrial Development Bank of India, Co-operative Bank Limited, Nationalised Commercial Banks, etc. should be raised. Present formalities of the Tea Board should be reduced so that the benefits of finance under Plantation Finance Scheme and Irrigation and Hire-Purchase of Equipment Scheme can be reaped by the small tea producers also.

viii) Rather than granting cash loans by the Tea Board and other institutions, it may be better to supply major stores and capital items such as fuel, packing materials, food stuffs, fertilizers, machinery

and the cost realised under convenient liberal scheme.

ix) Few tea gardens under study suffers from chronic difficulty like lack of communication. It, therefore, has to purchase its most expensive inputs and other materials months in advance of the actual consumption, merely to ensure delivery at the correct time. Thus a large inventory has to be carried over a long period, adversely affecting the finances of the estate. It is, therefore, important that this department is managed by adequately qualified and experienced person. Quite often this is not the case and large sums are lost, frequently without even being realised.

x) The producers also on their part should remember that the fund for replantation and development should be utilized for the purpose and not to be made for general expenditure excepting for development purposes. Similarly, the long term finance should not be made for development purposes. Stress is to be given on the need of improving the management efficiency for increasing production at a cheaper rate. The old and obsolete machineries should be replaced to reduce cost of production.

xi) There should be research on the plants and machieneries best suited the small growers. The machineries suitable for big garden is not all adjustable to cater to the needes of the small growers considering the quantum of green leaves produced by them. There should be proportionate relationship between the green leaf produced and the capacity of the plant and machinery. Proper use of inputs would help reduce cost of production.

xii) It is also equally important to have representative of the small growers in the committee of Tea Board, Tea Research Association, State Government Boards and other concerned bodies as well for better appraisal of their problems. An inter-institutional framework with growers, Tea Board, Research Associations, Banks, etc. is necesary for quicker development of these gardens.

xiii) Other measures like soil testing, infilling of vacant lands, hedge planting, optimum level of land/labour ratio, irrigation, application of pesticides/weedicides, uses of high yielding seed, fertilizer, etc. will also improve firm production and income. Loss incurred as a result of the frequent failure of electricity should also be taken into account by adopting alternative measures like installation of generation machine. The membership under TRA should be made compulsory to all and the TRA should lower its subscription rate to enable the small growers to share the research and development activities.

By prudent management and by increasing the quantity and by improving the quality of tea sufficient internal resources may be generated for development purposes. This needs proper evaluation of investment resources and identification of the direction in which the investment process is to be taken up. The various external resources that come on the way need be tapped properly to augment the resources for further development. Present financial problems have no doubt put a brake on extension, replanting, etc., but with the improved techniques of production and manufacture it is considered possible to raise production and income of these gardens. Therefore, the growers must take heart to plan their resources in the right direction for the overall development of the estates.

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Appendix

TABLES

QUESTIONNAIRE

Working Capital Requirement of a Garden (Amount in Rs.) 1989

Sl. No.	Heads of expenditure	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
1	Labour wages	50,000	50,000	50,000	54,000	54,000	64,000	64,000	64,000	30,000	50,000	44,000	30,000	6,40,000
2	Staff salary	10,000	10,000	10,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	1,32,000
3	Food stuff	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
4	Provident fund contribution	-	10,000	-	10,000	-	10,000	-	10,000	-	-	-	-	40,000
5	Bonus	-	-	30,000	-	-	-	-	-	30,000	-	-	-	60,000
6	Gratuity	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Excise duty	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Entry Tax	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Agricultural Income Tax	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Other tax	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Fertilizer and Chemicals with Freight	-	40,000	30,000	-	-	-	-	-	-	-	-	-	70,000
12	Coal with Freight/Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Tea Chest with Freight	-												
14	Other stores	-	30,000	20,000	-	-	-	-	-	-	-	-	-	50,000
15	Oil & Lubricant	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Electric energy	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Land revenue	-	8,000	-	-	-	-	-	-	-	-	-	-	8,000
18	Insurance premium	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Instalment of term loan and interest due to the bank, if any	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	64,000	1,52,000	1,44,000	79,000	69,000	89,000	79,000	89,000	1,04,000	74,000	59,000	51,000	10,53,000

Source : Field Survey

Working Capital Requirement in a Garden (Amount in Rs.) 1989

Sl. No.	Heads of expenditure	Jan.	Feb.	May	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
1	Labour wages	27,000	27,000	27,000	33,000	33,000	35,000	35,000	35,000	34,000	34,000	23,000	21,000	3,64,000
2	Staff salary at garden	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	72,000
3	Food stuff	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
4	Provident Fund Contribution	-	12,030	-	-	-	-	-	12,030	-	-	-	-	24,060
5	Bonus	-	-	7,500	-	-	-	-	-	7,500	-	-	-	15,000
6	Gratuity	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Excise duty	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Entry tax	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Agricultural Income Tax	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Other tax	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Fertilizers & Chemical with Freight	-	20,000	15,000	-	-	-	-	-	-	-	-	-	35,000
12	Coal with Freight/Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Tea Chest with Freight	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Other stores	-	10,000	-	-	-	-	-	-	-	-	-	-	10,000
15	Oil and Lubricant	-	-	-	-	-	-	-	-	-	-	-	-	
16	Electric Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Land Revenue	-	6,500	-	-	-	-	-	-	-	-	-	-	6,500
18	Insurance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Instalment of Term Loan and Interest due to the Bank if any	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	36,000	84,530	58,500	42,000	42,000	44,000	44,000	56,030	50,500	43,000	32,000	30,000	5,62,560

Source : Field survey

Cost of Extension per hectare

Labour rate of wages
Prevailing at the time of investigation
Man Labour (M/L) = Rs.13.10 per day
Female Labour (F/L) = Rs.12.92 per day

15,000 plants per hectare
Spacing - 120 cm x 70 cm x 60 cm (For Tea planting)
Spacing - 36' x 36' (for shade planting)

	Operations	Labour Mandays	Materials		Expenses (Rs.)
			Item	Quantity	
	A				
1.	Clearing jungle (mediur jungle)	150 M/L	...	....	Rs. 1965/-
2.	Ploughing and harrowing etc. (for 6 days only)	Driver - 1 Jugali - 2	Fuel	40 ltrs.	Rs. 430/- (310+120)
3.	Drainage (20' apart)	150 M/L	...	....	Rs. 1965/-
4.	Levelling (by manpower)	100 M/L	...	....	Rs. 1310/-
5.	Other crop, if any	Mimosa planting	Mimosa seed or 500 Gueterolla cuttings	10 kg	Rs. 500/-
6.	Rehabilitation (to include cost of rehabilitation crop, fertilizer, labour involved in planting, weeding, establishing & rehabilitation crop)	200 M/L	....	....	Rs. 2620/-
	B				
7.	Planting operations (Tea plants clone)	100 M/L 200 M/L	....	....	Rs. 3912/-
8.	Preparation of land	200 M/L	....	....	Rs. 1310/-
9.	Making trenches and pits	100 M/L	....	....	Rs. 2620/-
10.	Cost of clones or seeds			15,000 plants costing .40 paise per plant	Rs. 6000/-
11.	Cost of carrying and planting plants	75 F/L	....	....	Rs. 969/-
12.	Cost of mulching	30 F/L	....	....	Rs. 387/-
13.	Cost of manuring	....	....	Cost of fertilizer and applying cost	Rs. 1000/-
14.	Cost of shade plants	....	Shade plants	1200 (Re. 1/- each)	Rs. 1200/-
15.	Cost of planting shade	24 M/L	....	....	Rs. 314/-
16.	Weed control (cost of weedicides and labour cost)	....	....	....	Rs. 545.50
17.	Pest and disease control - cost of pesticides and labour cost	....	....	....	Rs. 646.50
18.	Any other operations - Miscellaneous expenditure other than above	....	....	....	Rs. 1300.00
				Total	Rs. 28,994/-

Source : Data estimated by author on the basis of information supplied by an estate

Rs. 28,994/- per hectare of new plantation

Cost of development of tea in one hectare of land by small planters in Assam

Sl. No.	Items of expenditure	Year 1	2	3	4	Total
A.	Labour mandays :					
1.	Uprooting/clearing, land preparation and levelling	140	-	-	-	140
2.	Contour survey, marking drains	10	-	-	-	10
3.	Drain digging	65	15	15	15	110
4.	Organic matter application/liming	10	-	-	-	10
5.	Planting including stocking pit digging etc. and infilling	350	20	10	-	380
6.	Planting shade trees - permanent and temporary	20	-	-	-	20
7.	Manual cultivation	50	80	60	60	250
8.	Chemical weed control	-	25	36	15	76
9.	Mulching	80	30	-	-	110
10.	Manuring	10	10	10	10	40
11.	Plant protection	10	10	12	12	42
12.	Irrigation	20	15	12	12	54
13.	Shade maintenance	10	10	10	10	40
14.	Pruning and frame formation	25	25	25	48	123
	Total mandays/Total labour cost @ Rs.15/- per manday	800	240	190	180	1410
B.						
1.	Planting materials (tea) @Rs.1.00 per plant including transportation	15,000	1,500	750	-	17,250
2.	Shade tree materials 100 permanent 365 temporary	600	-	-	-	600
3.	Plant protection chemicals	800	800	900	900	3,400
4.	Weed control chemicals	-	800	800	400	2,000
5.	Fertilizer	1,600	2,000	2,500	2,500	8,600
	Total cost (A + B)	30,000	8,700	7,800	6,500	53,000

Data from Secondary Source

Section A : Identification Particulars

1. Serial number of the sample estate _____

2. Name of the garden : _____

3. Year in which garden was established _____

4. Ownership pattern :

☐ Proprietorial ☐ Partnership ☐ Shar holders

(Please give ✓ mark in appropriate box)

5. Address in which the garden is situated _____

6. Name of the respondent _____

Section B : Capital Structure

1. Total land area under tea : _____

2. Whether having own manufacturing Unit : Yes/No

3. To what extent you process tea in your garden :

a) collecting tea leaves

b) drying them

c) process them

4. State your problem for not having your own manufacturing unit or factory:

_____

5. Your total capital assets : _____

☐ Borrowed capital

a) Short-term loan

b) Long-term loan

c) Any other

☐ Owned capital

a) Land

b) Richness

c) Buildings

d) Infrastructure

(give ✓ mark which one is applicable)

6. If borrowed, what is the rate of interest (%) ?

7 a). Using the information below complete the balance sheet and also the heads of profit and loss account for the last three years:

Liabilities	1986	1987	1988	Assets	1986	1987	1988
Share capital Preferential/Ordinary				Gross Fixed Assets			
				Less-depreciation			
Reserves & Surplus				Cash			
Long-term loan				Investment			
Creditors				Debtors			
Other current liabilities				Inventories			
Rent							
Provision for taxes							

7 b) Profit and Loss Account for the Year, 1986, 1987 and 1988

(in Rupees)

	1986	1987	1988
Net sales:			
Cost of goods sold			
Gross profit			
Less: Administrative and Selling expenses			
Operating profit			
Less : Interest			
Profit before tax			
Less : Tax			
Net Profit after tax			

Section C - Cash flows

1. How much cash money do you think safe for meeting day to day transactions:

2. Type of Bank Account maintain : Current ☐ ; Saving ☐

3. Whether the concerned bank is a : Nationalised ☐
(please give √ mark only) Purely private ☐
Cooperative ☐

Future plans

1. What is your plan for the future :

1. Bringing more mechanisation ☐
2. Enlarging the size of the garden ☐
3. Employing more labourer ☐

4. Continuing present tempo or development [ ]

5. Planning to sell the garden [ ]

6. Replacing tea by some other [ ]

(Please √ mark in appropriate box)

Security

1. What is your security arrangement for your gardens

1. Keeping chowkidars [ ]

2. Near police station [ ]

3. Any other arrangement [ ]

2. Whether insured or not :

1. Machinary and other appliances [ ]

2. Crops and products [ ]

3. Not insured [ ]

(Please √ mark only)

3. Total amount spent in security arrangement : Rs. _____ (Rupees only)

4. Do you remember any case of theft or robbery in your estate ? If there is any please supply the following information :

1. Exact amount of lost incurred : Rs. _____

2. Year of robbery or theft :

3. Any compensation

5. How do you invest your profit :

1. It is exhausted in paying bonus [ ]

2. It is for accumulation of further wealth and property [ ]

3. It is invested for the overall development of the garden [ ]

4. It is mostly spent in exploring market potentiatlities [ ]

5. It is not invested [ ]

6. As an entrepreneurs, what is your objective or motive :

1. Maximising profit [ ]

2. Maximising revenue [ ]

3. Maximising sales [ ]

4. Maximising labour welfare [ ]

5. Maximising wealth [ ]

(Please give √ mark)

Section D : Loan Issue

1. For what purpose you are in need of financial assistance : (Rank the following by 1,2,3 ... etc.)

1. For extension [ ]

2. Replantation [ ]

3. For building up factory [ ]

4. For repaying old debt [ ]

5. For the development of labour quarter, hospital, schools, etc. [ ]

6. For purchasing fertilizer, seed, pesticide, arranging irrigation, fencing etc. [ ]

7. For payment of bonus, P.F., etc. [ ]

2. Do you receive any financial assistance from any or more of the following sources (Please give √ mark)

1. NABARD [ ]

2. Tea Board [ ]

3. State financing corporation [ ]

4. Commercial banks [ ]

5. Cooperative Apex Bank [ ]

3. What according to you are the difficulties in obtaining a loan from the Government Institutions ?

a) Lack of good security [ ]

b) Disputed land [ ]

c) Long formalities [ ]

d) Defaulters in P.F. and other statutory schemes [ ]

e) High rate of Interest [ ]

f) Problem of recovery [ ]

(Please give ✓ marks)

4. Do you take loan from private finance ?

1. Never [ ]

2. Once in a while [ ]

3. Quite often [ ]

4. Every session [ ]

5. Do you prefer private finance ? If yes, please state the reasons.

6. Do you take loan from both private and public sources simultaneously, if yes what proportion

Yes [ ]; No [ ]; Public [ ]; Private [ ]

7. If you have already taken a loan, then what are the terms and conditions imposed on you ?

Year	Sources of loan	Terms and Conditions	Monthly instalment (in Rs.)
1986			
1987			
1988			

8. Any mortgage for loan specify :

9. Are you able to repay your loan regularly? Yes [ ] No [ ]

10. Do you feel any difficulty in repaying loans ? Yes [ ] No [ ]

If yes, specify the type of problems :

i)

ii)

iii)

iv)

11. Do you prefer any Government subsidy like D.R.D.A., I.R.D.P., etc.? If yes, specify it : Yes [ ] No [ ]

12. Do you advocate a special treatment for the small tea growers from the lending institutions ? If yes, specify the treatment : Yes [ ] No [ ]

13. Do you have any union of small tea growers to deal with financial disputes with the finances or to look after other welfare aspects of small tea gardens

Yes [ ] No [ ]

Are you a member of the Association ? Yes [ ] No [ ]

Is the membership so far been useful to you and why? Yes [ ] No [ ]

14. In the opinion of respondent, how does the proprietor of newly opened garden finance during gestation period ?

15. Which sources of finance you prefer most and you are following in your estates :

1) Internal or self-finance [ ]

2) Short and medium term external funds [ ]

3) Long term external funds [ ]

(Please give ✓ marks)

Section E - Other Issues

1. Do you feel yours is a financially viable tea gardens/enterprise ?

Yes [ ] No [ ]

2. Is there any financial loss due to employee strike

Yes [ ] No [ ]

3. What according to you are the main problems of the small tea gardens in the N.E. region (rank them by 1,2,3 ... etc.):

   1. Lack of suitable land for extension [ ]
   2. Underutilization of machineries [ ]
   3. Lack of financial facilties [ ]
   4. Labour problems [ ]
   5. High cost of production [ ]
   6. Lack of efficient management [ ]
   7. Exploitation by big growers [ ]
   8. Problems of transport and communication [ ]
   9. Higher incidence of taxation [ ]
   10. Defective marketing system [ ]
   11. Poor quality of tea produced [ ]
   12. Poor technique of cultivation and manufacture [ ]

4. "The small tea growers have not plough back its profit and have neglected developmental work". What is your opinion in this regard ?

5. Give an estimate of your stand on tax-payment. Do the tax levies cause concern for your capitalisation issue?

   Yes [ ] No [ ]

6. What according to you are the main factors responsible for the high cost of production ? (Rank them 1,2,3 ... etc.)

   1. Increasing wages and salary [ ]
   2. Increasing prices of power and fuel [ ]
   3. High establishment cost [ ]
   4. Increasing prices of building materials [ ]
   5. High prices of capital goods and assets [ ]
   6. High rates of excise duty and taxation [ ]
   7. Increasing prices of fertilizer, pesticide and other inputs [ ]

8. Increasing office expenses of selling cost [ ]

9. Higher transporting and marketing charges [ ]

7. Suggest some suitable measures for minimising the cost of production:

8. "The old and obsolete machineries should be replaced to reduce the cost of production and better quality". What is your comment on it.

9. Give an idea of the rate of profit sharing.

10. "The Industry on its part should also remember that the funds for replantation and development should be utilized for the purpose and not to be diverted for any other purpose". What is your opinion in this regard ?

11. For raising productivity and income of the small tea growers give few suggestions :

Section F : Employee Compensation

1. Do you abide by the wage Board regulation, verdicts of the plantation Labour Act, Payment of Bonus Act, P.F. Act etc.? State your difficulty in implementing these acts.

Yes [ ] No [ ]

2. Whether you have the following social secutiry schemes ? If you have, how do you finance them ?

Name of the scheme	Yes or No	Source and mode of financing
Old age pension		
Maternity benefit		
Sickness benefit		
Any other		

Section G : Marketing Aspect

1. a) Sales boast up cash resources under competitive situation can you cope with the larger organisation? If you have any problem mention it -

Yes [ ] No [ ]

b) What are your selling efforts ?

c) Do you take the advantage of auction market ? Yes [ ] No [ ]

d) If 'No' then state the problem :

2. Do you think that you are being exploited by the big growers as you do not have processing unit by paying less for your green leafs where price is fixed before plucking starts ?

a) If you think, then what alternative do you want for removal of such exploitation ?

We think [ ] We do not think [ ]

(Use √ mark)

3. Do you have modern marketing practice like quality control, packaging, labelling etc. If 'No' give the reasons

Yes [ ] No [ ]

4. Increased marketing cost will reduce the return on capital. What are your measures of cost-economy ?

5. What is the distance between your plantation area to the marketing centre?

6. What is the mode of transport ?

7. How far your garden is from the main Road ?

8. What is the cost per trip in transporting ?

9. Mode of payment on sales

10. Distance between your garden and instrumentation repairing centre :

11. Who determines the price and on what basis ?

i) Seller [ ] ii) Buyer [ ] iii) Market condition [ ]

a) Quality of tea [ ] b) 1st come 1st served basis [ ] c) cost basis [ ]

Section H : Basic information

1. Supply the following information for the last three years :

(Total output, Total sales, Total cost, etc.)

	1986	1987	1988
Total output (in kgs)			
Total sales (in Rupees)			
Total cost (in Rupees)			
Prevailing price per kg.			
Return on Investment (in Rupees)			
Profit sharing or dividends			

2. Do you maintain scientific accounting procedures - costing, management accounting for cost computation and ratio-analysis for financial decision making on matters of investment of more capital:

Yes [ ] No [ ]

If 'No' what is the problem ?

3. As an entrepreneur what is your main objectives ?

i) Maximising wealth [ ]

ii) Maximising your profit [ ]

iii) Maximising your sales [ ]

iv) Maximising returns [ ]

4. Your future plans :

i) More mechanisation of present stage [ ]

ii) Backward expansion [ ]

iii) Forward expansion [ ]

iv) Employment of more labour [ ]

v) Any other [ ]