

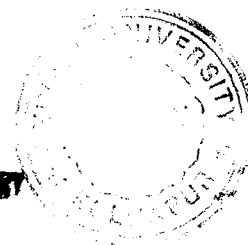
**CHAPTER NO. V****CONCLUSIONS, OBSERVATIONS AND RECOMMENDATIONS**

5.1 Conclusions

5.2 Observations

5.3 Recommendations

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## 5.1 Conclusions

After gathering, analysing and interpreting the secondary data through the audited annual accounts of M/s Ratna Sea Foods, Ratnagiri for a period of 5 year i.e. 1989-90 to 1993-94, and after testing the 4 null hypothesis with the help of regression analysis and chi-square test following conclusions have been drawn.

- 5.1.1: The first null hypothesis, *“Government polices have no relation with the working capital requirements of export oriented units.”* was rejected under the chi-square test. The observed value 28.24 is quite high than chi-square (n-1) at 5% level of significance 9.49. It gives a conclusion that Government polices do have a direct relation with the working capital requirements of export oriented units.
- 5.1.2: The second null hypothesis. *“Working Capital Management has no relation with receivables turnover or collection period”* was also rejected under chi-square test. The chi-square table value (n-1) at 5% level of significance 9.49 which is less than the observed value 41.12 gives a conclusion that Receivables turnover or Collection period has a direct relation with the working capital management.
- 5.1.3: The third null hypothesis *“Increased revenue (earning) has no relation with the working capital Management”* was also rejected. The chi-square (n-1) at 5% level of significance value 9.49 was much less than the observed value of 55.69. It gives a conclusion that increased revenue has a direct relationship with the working capital management.

5.1.4: The fourth null hypothesis, "*Working Capital Management has no relation with the borrowings of the unit.*" was also rejected. The chi-square table value (n-1) at 5% level of significance 9.49 is less than the observed value of 19.47. It gives a conclusion that Working Capital Management has a direct relation with borrowings.

5.1.5: On the basis of analysed data and supporting information following other conclusions are drawn-

- a) After the introduction of LERMS and after withdrawal of CCS the export oriented units have to become cost conscious to maintain the profitability.
- b) The effect of rupee devaluation and dual rate of Foreign Exchange conversion was helped for a short time. The real gain was for the exports already in pipe line. It has no positive effect on subsequent exports. On the other hand some competitive products have to loose after introduction of LERMS.
- c) The objectives of passing on the premium to the exporters though the LERMS has created adverse impact on unmanaged firms like M/s Ratna Sea Foods, Ratnagiri. Their cost of production increased where as earnings remain same. The gap between cost of production and export price was previously bridged through CCS after LERMS the firm could bridged the gap. The firm having no professional management had to face difficulties.
- d) After LERMS and after withdrawal of CCS the management of M/s Ratna Sea Foods, Ratnagiri has taken strict steps to reduce debt collection but could not extend creditors and had to rely on heavy bank borrowings.

- e) The huge installed capacity has resulted in increasing the administration expenses which has resulted in reduction in profitability.
- f) Introduction of LERMS has reduced government burden for export subsidy but the exporters have not gained except for the premium on Exim Scrips in 1991-92.

## **5.2 Observations**

During the come of study following observations are done.

- 1) The firm is closely held partnership. The decisions are taken on the basis of past experience and not on scientific basis.
- 2) The staff is selected form relatives and friends. It is not enjoying any professional services.
- 3) What so ever quantity of fish received is processed despite demand. So some items consignments are not possible because of shortage. This has resulted in accumulated stocks.
- 4) The importers (buyer) and the suppliers both have pressed the unit on price bargain in the year 1992-93 and 1993-94. This is because they knew that the benefits of LERMS should be shared by all and not by the firm alone.
- 5) These was no control over increasing cost. Even after withdrawal of CCS no cost consciousness was shown.
- 6) The unit survived the transition period because of its old reputation or goodwill and not because of efficient working capital management.

### **5.3 Recommendations**

After going through the case-study following recommendations are suggested for the unit.

- a) The unit should hire or avail the services of professional management.
- b) The accountability should be increased and cost centres should be identified to control the costs.
- c) The huge installed capacity, that remains idle should be restructured and put to most effective use.
- d) The decision process should be scientific and information backed. It should not be on guess work.
- e) The unit should develop a concrete action plan to restructure it for accepting the challenges of future.