



# CHAPTER - VI

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### FINDINGS AND SUGGESTIONS

In this chapter we present the findings of the study and recommendations based on it.

#### FINDINGS OF THE STUDY

The study of Sangole Soot Girni for the period 1994-95 to 1998-99 leads to following conclusions.

- 1) The textile industry was given adequate protection and support after independence. This has resulted into substantial expansion in quantitative terms. There is also diversification and modernization of the units.
- 2) The textile industry in the field of spinning and composite sector observed growth of co-operative sector. The various concession given to this sector and the leadership contributed for co-operative textile sector.
- 3) Although heavy protection was given to textile industry. This could not result into emergence of strong, vibrant textile sector in India. It can be attributed to different restrictions on the industry and the negligence of textile mill owners to modernization.

- 4) The opening of World Trade due to establishment of World Trade Organisation the textile sector will experience new opportunity and challenges. The end of multifibre agreement will open vast export opportunity but this requires strengthening of the textile sector. There is also possibility of emergence of new competitors in this field.
- 5) The textile sector in Maharashtra and more particularly in Western Maharashtra had shown its inherent capacity to grow.
- 6) The growth of spinning mills in terms of number of mills and spinning capacity had shown a very satisfactory growth in the field of co-operative spinning mills. There is a regional concentration having larger share with Maharashtra. The co-operative spinning mills in Maharashtra is the result of efforts made by the co-operative leaders supported by required inputs like labour and raw material.
- 7) The Sangole mill which has completed nearly two decades was established with larger proportion of external funds. The contribution of the owners and manager was nearly 5%. The 95% share capital was contributed by Government subsidy, loans from financial institutes and government participation in share capital.

- 8) The trend in the production of the mill shows that the mill has succeeded to diversify its production as it is producing yarn of all counts. In the production there is fluctuation during the period under study. The internal problems alongwith the external problems had contributed for the fluctuations in production.
- 9) On the production front the mill has succeeded in diversifying the product as now it produced nearly 55 counts yarn. The diversifying of production is the result of upgradation of the unit. This gives competitive strength to the unit. It can respond to the changing demand and maintains the profitability. The revenue of the mill shows that the liberalisation of the textile industry has affected its receipts.
- 10) The trend in sales of the mill shows that the yarn sale is sensitive to the price changes. The fluctuation in sale price and its total scale shows the degree of the price elasticity of yarn sale.
- 11) The supply elasticity study regarding the mill shows a mixed picture there are large variations in supply elasticity. This may be due to smaller sample size of the years. However, the overall supply elasticity as measured to 5.53% shows that yarn sale is price sensitive.

- 12) In the case of cost structure of the mill it was observed that the variable cost is predominant and it is increasing in relative terms also. The increasing variable cost is attributed to increasing in wages, raw, material cost and the cost of electricity.
- 13) The financial structure of the mill shows that the mill has very small proportion of owners contribution. The large part of capital is funded by the State. This is the result of State policy the absence of strong stake of the owners invites financial problems.
- 14) The profit ratio analysis shows that there was a steady decline in gross profit ratio from 12.78% to 4.12%. Moreover, the net profit negative and it has increased. This shows worsening position of the mill. This can be attributed to internal inefficiency and external problems. (market problems)
- 15) The break-even analysis shows that the mill could not manage its cost and revenue effectively as the break-even was 47% in the year 1996-97. The break-even fluctuated between 48% to 27% as a result of fluctuations in revenue decline and cost increase. This imposes additional responsibility on the firm in the competitive market.

- 16) As the mill is working in co-operative sector it has offered liberal benefits to the workers. This has increased the cost of production.

## **RECOMMENDATIONS**

On the basis of the observations made above following recommendations needs to be follow to improve the economic health of textile sector in general and Sangole mill in particular.

- 1) In open liberal and global market the rules of the game have changed for the textile sector working in protected regulated and promoted market. This calls for need for adoption of a broad textile policy where our competitive strength in the spinning would be utilised appropriately. There is a possibility of emergence of new competitor at the end of multifiber agreement. This breathing time should be utilised for creating competitive strength by reducing the distortions created by the earlier policy resume.
- 2) The co-operative sector provides benefits of industrialization alongwith social justice in the process of production. There is an involvement of local people and resources. We cannot neglect these benefits and hence there is need to revitalize the co-operative sector.

- 3) The working of Sangole Mill for the period under study shows that the firm succeeded on account of product diversification and technological improvement.
- 4) However, the firm/mill failed miserably on the front of economic efficiency. The fluctuations in the production negative net profit ratio increasing losses and high break-even shows basic problems of the unit.
- 5) The labour productivity also is declined this requires urgent attention as the unit is in the co-operative sector workers participation in improving the performance of the unit is called for.
- 6) The management should concentrate on controlling and rationalizing the variable cost. On the other hand it should make every effort to increase the sale as and when the yarn prices are improved. This will increase the supply elasticity of yarn and it will help to reduce the break-even point.
- 7) In a competitive market there is urgent need to create brand name for the product. The assurance quality and quantity for the free conditions for the such efforts. Hence, quality control measures needs to be adopted on all fronts. The mill can adopted ISO mark for its product.

- 8) At present the mill is in loss. This can be converted into profit by all round efforts. By all the members involved it. It is the internal strength that can bring this turn round. The management and the workers together have to fight this battle of survival.