

CHAPTER - VI

OBSERVATIONS & SUGGESTIONS OF THE STUDY

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**CHAPTER - 6****OBSERVATIONS & SUGGESTIONS OF THE STUDY****6.1 OBSERVATIONS OF THE STUDY**

Based on the data analysis given in preceding Chapter whatever observations have been made, are divided into following three groups:

- (1) Observations regarding investment of shareholders.
- (2) Observations regarding returns to shareholders.
- (3) Observations regarding investment of the factory.

**6.1.1 OBSERVATIONS REGARDING INVESTMENT BY THE SHAREHOLDERS**

From the data analysis given in the preceding Chapter following observations have been made-

1. An increase in share capital on account of increase in membership indicating participative efficiency is observed during the study period. The increase in membership has registered a growth rate between 0.50% to 13.68%.
2. During the period of study, total increase in the share capital aggregates to the extent of 32 % as compared to share capital in the year 1985-86. The total share capital is 15.22 % of total capitalization.
3. The factory has incurred losses during the study period except in the year 1981-82, 1983-84 and 1984-85.
4. The factory has successfully paid higher price per

ton than the minimum price per ton fixed by the Government as a result financial reports show the losses than the profits. Average rate per tonn of sugarcane supplied is Rs. 256.37.

**6.1.2 OBSERVATIONS REGARDING RETURNS TO SHAREHOLDERS**

1. The factory incurrees high expenditure on area development leading to regional developments and thus extending benefits even to those who are not members of the factory. At the same time, it is observed that fullest utilization of area development fund is not made.
2. The factory is successful in developing sugarcane cultivation in the area of operation by providing advanced seeds, giving remunerative prices for sugarcane supplier and other benefits like subsidy etc.
3. The factory has provided soil testing facility in ordef to help farmers in farm management leading to high prices for the crops taken and lower cost of production.
4. As regards to supply of fertilizers, the organisation under study could increase the supply three times in the year 1985-86, as compared the fertilizers supply in the first year of the study i.e. 1980-81.
5. The factory has successfully implemented " Landless Backward Classes, Cane Development Scheme", and thus

extended benefits to the weaker and depressed classes of the society.

6. The factory has also undertaken road construction in the area of operation and constructed many roads and contributed to transport in the area.
7. The factory helps the farmers in purchase of advanced agricultural equipments in the last year of study, the factory has helped the farmers in purchase of equipments to the extent of Rs. 4,28,000/-.
8. The workers of the factory have received bonus, consistently. A highest rate of bonus is paid in the later part of the study i.e. 20 %.
9. The factory has generated 120 permanent employment and 345 seasonal employment in the year 1980-81, which is increased to 182 and 461 in the year 1985-86, majority of the workers engaged in production department.
10. It is observed that 3.22 % of the total expenses constitutes salary expenses during the study period.
11. Though the employment generation is increased, it has not affected much on percentage of salary expense to total cost indicating a good labour utilization and labour policy. Average salary expenses of the organisation remains around 3.22 % of the total expenses.

12. The money deducted of development fund is not fully utilised in the respective year. It is observed that during the study period to the extent of 38 % of the total development fund have been utilised, indicating diversion of funds for some other activities.

6.1.3 OBSERVATIONS REGARDING INVESTMENT OF THE FACTORY

1. The investment in fixed assets has registered continuous growth and the average growth rate is 9.26 %.
2. The investments in the current assets have been increasing in conformity with the increase in turnover and annual growth rate of investment in current assets is around 199 %.
3. The factory has invested its funds in buying the shares of co-operative organisation at State level and some local organisations. But such investment aggregates around 1 % of the total investment in assets of the factory.
4. As regards to sources of financing, "Funds from Operations", remained to be a major source of financing followed by deposits from farmers and borrowings made.
5. It is observed that on one hand, factory has stopped Bank Borrowings and on the other hand it has adopted a policy of raising funds through deductions from sugarcane bills of the farmers called as "Compulsory Fixed Deposits" @ Rs. 12.5 %.

## 6.2

SUGGESTIONS OF THE STUDY

Based on the data analysis presented in Chapter Number 5, and the observations made therefrom few suggestions are offered in this part of the Chapter.

1. Membership allotment policy needs alteration. As it is observed that a large number of sugarcane suppliers are not members of the factory, therefore they have appeared in the analysis as non-member sugarcane supplier, should be given membership. At the same time a farmer who supplies sugarcane consistently for three years may be given membership if he wants which will help to strengthen the equity base of the factory.
2. Compulsory deposits from sugarcane suppliers is unjust therefore it is suggested that compulsion in this respect may be stopped and voluntary deposits may be accepted. If attractive return is promised, sugarcane suppliers may take keen interest in investing in deposits on one hand and on the other hand sugarcane suppliers will be at financial gain.
3. Taking into account the cost of production of the sugarcane cultivation at market price, a remunerative sugarcane price to be given to sugarcane cultivator which may be fixed so that the sugarcane cultivators can plan their economic activities in the light of minimum remunerative prices which are going to get for sugarcane supply to the factory.
4. To implement the suggestion given above a 'reserve'

may be created to adjust the reverse kind of situation relating to sugarcane price to be given to the farmers.

5. Area development fund collected and utilised is not matching and indicates diversion of funds for some other purposes, this practice may be stopped and fullest utilisation of funds for planned activity may be done.

6. Though some special schemes are introduced to involve backward class farmers in sugar cultivation, the response is not so good, therefore it is suggested that some more effective steps should be taken in this respect like water supply at concessional rate, assurance of minimum price which is remunerative and liberal advance payment policy etc. Some 'cash awards', may be declared for sugarcane suppliers belonging to backward area.

7. Soil testing may be made as a compulsory aspect Once in a period of five year, arrangement for soil testing may be made by the factory to develop and control the productivity of lands.

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