

CHAPTER 'VII'

CONCLUSIONS AND SUGGESTIONS

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7.2 SUGGESTIONS

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The textile industry is divided into two sectors i.e. organised and unorganised. The organised sector consists of spinning mills and composite mills. The powerloom and handloom sector is considered as unorganised sector. The establishment of spinning mills in cooperative sector is relatively of recent origin. One such spinning mill named as Shree Swami Samartha Shetakari Va Vinakari Sahakari Soot Girani Niyamit, Valsang (Dist-Solapur) was established and registered on 14th November, 1979.

The researcher has conducted the study in respect of financial management of Shree Swami Samartha Shetakari Va Vinakari Sahakari Soot Girani Niyamit, Valsang (District Solapur) confined to financial analysis to find out financial strength i.e. short term and long term financial strength and the sources of finance raised by the said Soot Girani.

After close scrutiny of the present study the following conclusions are drawn :

The major part of share capital of Soot Girani under study consists of redeemable preference share capital contributed by Government of Maharashtra.

The Swami Samartha Soot Girani is classified into major class ' Processing Society ' subclass 'Agricultural Processing Society' and having six classes of members i.e. grower member handloom weaver member, handloom weavers producers cooperative societies, nominal / symphathiser / associate member and government. The management of the Soot Girani is in the hands of board of directors which is formed by the shareholders of the Soot Girani. The average spindle capacity utilisation for production is 67.75 percent during the study period. The Soot Girani started production in the year 1983-84. The financial statements of the soot girani show losses for the year 1984-85 and 1985-86, 1986-87 and profits for the year 1987-88, and 1988-89. As per Income Tax Act, the soot girani has to create Investment Allowance Reserve Fund and because of the creation of this allowance, there appears a loss for the soot girani. Otherwise the soot girani shows profits for these

years also. By taking into consideration this provision it can be said that the soot girani is in profit during the study period.

7.1 a) SOURCES OF FINANCE-

The main sources of finance of the soot girani were equity share capital, redeemable preference share capital contributed by Government of Maharashtra, reserves and surpluses, long-term loans from I.F.C.I. Bombay, I.D.B.I. Bombay, I.C.I.C.I., Bombay, interest-free loan from C.I.C.O.M. and short term loans from District Central Cooperative Bank, Solapur.

The soot girani is financed by long-term sources to the extent of 91% on an average during the study period. Whereas financing with short-term sources is 9% on an average during the study period. It can therefore be said that the major sources of financing during the study period is long-term loans, share capital and reserves.

The major capital investment of soot girani is in fixed assets as compared to current assets. The average investment in fixed assets is 79% in current assets 21%

during the study period.

It is noted that on an average 12% of the long-term financial sources are utilised for investment in current assets.

7.1 b) SHORT-TERM FINANCIAL STRENGTH

For judging short-term financial strength current ratio and quick ratio were calculated.

The current ratio of Swami Samartha Soot Girani shows a fluctuating trend during the study period. The standard ratio is considered to be 2:1 and as such the ratio is more than two times in the year 1986 and 1989. Hence the short-term financial strength is satisfactory during these two years. However in the year 1985, 1987 and 1988, the ratio is less than two and therefore it can be said that short-term financial position of the soot girani is unsatisfactory during these three years.

The quick ratio is much below the standard for the years 1985, 1986, 1987 and 1988 which shows unsatisfactory short-term financial position. However in the year 1989, the ratio is more than the standard which indicates

satisfactory short-term financial position.

The inventories constituted major portion of current assets of the Soot Girani. As such the rule of thumb that the current assets should not be less than twice the current liabilities will apply. The average current ratio during the study period is 1.97:1. It is near to the standard norms. It is observed that the Soot Girani maintained this ratio at this level throughout the study period. On the other hand average quick ratio during the study period is 0.41:1 and it is below the standard. But considering the two ratios together it can be said that the short term financial position of the Soot Girani is better.

7.1 c) LONG-TERM FINANCIAL POSITION :

For judging long-term financial position debt-equity ratio, fixed assets to networth ratio and ratio of capital gearing were calculated.

According to debt equity ratio the long-term financial strength of Swami Samartha Soot Girani was very sound during the study period as the proportion of debt is

is always less than the equity.

According to capital gearing ratio, it is observed that the soot girani was highly geared during the study period. This can be mainly because in the initial stages the soot girani has borrowed large amounts from government, S.F.C, I.D.B.I. and I.C.I.C.I. whereas equity capital is very less.

The fixed assets to net worth ratio of the soot girani shows a decreasing trend . In the year 1985 and 1986 the ratio is more than 100. It can therefore be said that fixed assets are financed by borrowed capital to some extent. But in the year 1987, 1988 and 1989 almost all the fixed assets were financed by net worth. It shows good financial position from the creditors point of view.

It is examined that the proportion of debt is always less than the equity and almost all the fixed assets were financed by net worth except in the year 1985 and 1986. So it can be said that the overall performance in respect of long-term financial strength is satisfactory.

7.2 SUGGESTIONS

The researcher would like to make some important suggestions for improvement that (a) the soot girani should try to reduce the proportion of inventories in current assets, (b) the huge cash balances carried by the soot girani should properly utilised, (c) the soot girani is advised to take steps for fuller utilisation of spindle capacity for production.

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