

CHAPTER 1

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CHAPTER 1

INTRODUCTION

1.1 SELECTION OF THE PROBLEM

Textile industry is one of the largest centralised business unit of industrial production. This industry plays a very vital role in Indian economy. Out of the total capital invested in industrial production, textile industry takes a major chunk. About one million people find direct employment in this industry and millions more find their sources of livelihood indirectly from this industry.

The job consists of cotton growers, farm workers, workers working in paint industries and chemical industries, workers working in sizing and processing units, workers working in machine building and equipments required for textile industry also get jobs. In this way, this industry has wide scope for employment.

The textile industry is divided into two sectors, organised and unorganised. The organised sector consists of spinning mills and handloom sector. The powerloom sector is considered as unorganised sector. Textile industry is scattered in various parts of India. Hence, proper control

over the established units is essential. Considering this need, Textile Committee has been established under the Textile Committee Act, 1963 of the Indian Parliament. This committee is consciously aware of quality control performance.

Food, clothing and shelter are basic needs of living textile industry fulfils the need of food and shelter by creating employment opportunities. Textile industry is also responsible for the development of allied industries like machinery, spares, chemicals and spare parts industries.

The establishment of spinning mills in co-operative sector is relatively of recent origin (in 1951, the first co-operative spinning mill was installed at Guntakal). Since then large number of co-operative spinning mills have been installed and registered in different parts of the country. At the end of 30th June 1987, there were 102 co-operative spinning mills in India, out of which 8 were in Karnataka. In view of large number of handloom and powerlooms working in the State of Karnataka, there was a need, to setup more and more spinning mills in co-operative sector.

The spinning units in co-operative sector have contributed much to the development of rural area especially

since the efforts had been to establish such units in backward areas. The area co-operative spinning mill helps to create employment opportunities and encourage development and investment. One spinning mill of 25,000 spindles capacity not only gives direct employment to about 1000 people but also encourages ancillary industries, housing and other activities in the surrounding areas. This gives a real encouragement for the overall development of the area.

Spinning mills are functioning in a co-operative sector, private sector, and public sector. Some of them are larger units, some of them are medium sized spinning units and the rest of them are small units.

The impressive progress of some of such spinning mills in Karnataka made the researcher to study the Banhatti Co-operative Spinning Mill Limited., Banhatti. The said spinning mill was registered on 3rd February 1975 in rural and backward area of Bijapur District to provide employment opportunities to the unemployed people and give good prices for the cotton of cotton growers.

1.2 STATEMENT OF THE PROBLEM

Financial strength of the Banhatti Co-operative Spinning Mill Limited, Banhatti is specifically studied for

the period of five years from 1985-86 to 1989-90 to determine the short-term and long-term financial strength. Hence, the study is titled as "A STUDY OF FINANCIAL MANAGEMENT PRACTICES OF THE BANHATTI CO-OPERATIVE SPINNING MILL LIMITED, BANHATTI, DIST. BIJAPUR (KARNATAKA)".

1.3 SCOPE OF THE STUDY

The present study of the financial management of the Banhatti Co-operative Spinning Mill Limited, Banhatti is confined to the analysis and the interpretation of financial statement with the help of ratio analysis to judge the short-term and long-term financial strength of the said spinning mill. For this purpose, a period from 1985-86 to 1989-90 is taken into consideration.

1.4 OBJECTIVES OF THE STUDY

The present study is aimed to fulfil the following objectives.

- [1] To review the historical background and the present working of the Banhatti Co-operative Spinning Mill Limited, Banhatti.
- [2] To study the sources of finance raised by the mill.

- [3] To study and examine short-term and long-term financial strength of the Banhatti Co-operative Spinning Mill Limited, Banhatti, during the period from 1985-86 to 1989-90.
- [4] To offer suggestions to improve the financial strength of the spinning mill.

1.5 METHODOLOGY

In the field of management field, a research has to follow necessarily the methodology of social science research. Just as the scientist derives his hypothesis from the available knowledge and proceeds further to obtain data to study his hypothesis, the researcher in management field has to draw available knowledge and begin to examine the situation he is studying through the data collected by him.

In the present study, the data is taken from the primary and secondary sources. The attempt has been made to collect primary data through the discussions with the spinning mill's officials, which include Managing Director, Finance Manager, Chief Accountant and the Section Manager. Whereas, the secondary data is mainly collected from the published materials viz. Annual Reports, handbooks, periodicals and office records of the spinning mill.

1.6 LIMITATIONS OF THE STUDY

The study is undertaken as a part of the partial fulfilment of the Degree of Master of Philosophy in Commerce and Management. Due to limited resources at the disposal of the researcher, there are following mentioned limitations of the present study.

- (1) This is a case study and the study is limited to one spinning mill, viz. The Banhatti Co-operative Spinning Mill Limited, Banhatti.
- (2) The study is mainly concerned with the analysis and interpretation of the financial statements through ratio analysis to judge short-term and long-term financial strengths of the mill under study.
- (3) The period of study is limited to five years from 1985-86 to 1989-90.

1.7 CHAPTER SCHEME

The present study is divided into six chapters. The chapterwise contents are shown in the following paragraphs.

- CHAPTER 1 : The first chapter deals with the introductory part comprised of selection of the problem, statement of the problem, scope of the study, methodology, and limitations of the study.
- CHAPTER 2 : This chapter focusses on the history and the origin of the mill. It highlights the growth of the spinning mills in India and Karnataka State.
- CHAPTER 3 : The organisation profile of the mill is discussed in the third chapter.
- CHAPTER 4 : The financial strengths of the Banhatti Co-operative Spinning Mill is analysed in fourth chapter.
- CHAPTER 5 : The sources of finance raised by the mill are analysed and interpreted in this chapter.
- CHAPTER 6 : The conclusions of the study and the suggestions offered to the management of the mill are mentioned in the last chapter.