
CHAPTER VII

CONCLUSIONS AND SUGGESTIONS

CHAPTER - VII

CONCLUSIONS AND SUGGESTIONS

7.1. CONCLUSIONS AND SUMMARY:

EXISTING WORKING CAPITAL SYSTEM IN B.S.S.K.N.:

The factory maintains both fixed and variable working capital. The fixed working capital is financed by ploughing back of profits and by issuing of shares. The variable working capital is obtained from the Apex Bank on-special clean cash, pledge and Hypothecation basis.

CURRENT ASSETS:

The factory maintains its cash balance uniformly and efficiently. The factory has been able to get the required finance through the realisation of its stock-in-trade. Advances against purchases, Receivables and stores and tools inventory occupy a major portion of the current assets.

The stock in trade occupies a substantial portion of the current assets. This is under the control of the Central Government. From time to time the Government gives the permission to release it on levy and free-sale basis.

Prepaid expenses form a small portion of Current Assets except two years. Taking into consideration, the volume of operation the factory has the amount of prepaid expenses which is not large.

The Current Assets show a downward trend from 1984-85 to 1986-87. The reduction in current assets has not brought about a similar reduction in Current Liabilities.

CURRENT LIABILITIES:

Sundry Creditors has uniformity with slight variations over the years. The bills payable have been decreasing

over the years. The accrued expenses indicates erratic nature in its position.

The increasing trend of interest payable on deposits upto 1986-87 and 1989-90 shows that the factory has been able to get large amount of deposits from members and non-members. Thus the depositors have shown great devotion and admiration to the co-operative movement. These deposits form an ideal source of raising funds as the rate of interest 9% p.a.

The factory has acquired the short-term loans to finance its working capital needs. During the years of increased production and stock in trade the factory acquired more short term loans.

The purchase tax payable on sugar cane has been increased due to increased purchase of sugar cane and due to the State Government restrictions. This tax will be payable by the factory in instalments.

The current liabilities during these years increased without bringing a similar increase in the Current Assets. This resulted in an adverse working capital position. This was due to the continuous incurring of net losses and provisions for the unproductive purposes by the factory.

NET WORKING CAPITAL:

The factory had a positive net working capital only during 1988-89 and 1989-90. The net negative working capital is due to increased short term loans and continuous net losses incurred by the factory.

FINANCIAL STATEMENT RATIO ANALYSIS:-

This indicates that the factory has not been able to meet its current liabilities out of its current assets and quick liabilities out of its quick Assets. The slow inventory turnover is due to Government restrictions on the release of sugar. The factory has a satisfactory receivables turnover ratio and its average collection period is desirable.

The higher Current Assets to net sales ratio reflects the time consumed in the release of sugar by the Government. Since sugar is generally released on ready cash basis, the receivables do not account a large proportion even during the years of increased sales. The payables form a small portion with regard to the purchases made.

SUGGESTIONS:-

In the light of the above summary and conclusions the following suggestions would be made and these may help to improve the working capital management of the factory.

1. Attaining the crushing rate as per the installed capacity. *
It increases the quantity and profitability of the factory.
2. Reduction of milling losses: It increases the sugar recovery percentage by giving more imbibition at mills.
3. Reduction of molasses purity: It increases the quantity of sugar by refining the bagasse.
4. Reduction of extra fuel consumption: It reduces the working capital burden to the factory by using bagasse for its boiling of juice.
5. Expansion of Daily cane crushing capacity: It increases the crushing capacity and also the quantity of sugar it causes to run under higher profitability of the factory.
6. Balancing the plant and machinery: It improves the

7. Balancing the power and steam consumption: When the power and steam used equally then it is possible to save the power consumption which is scarce in supply.
8. Reduction of high unknown losses: When the unknown losses are avoided to the least level then it is possible to get higher financial help from other by showing higher profitability.
9. Improving the quality of Sugar : Improving the quality i.e., colour and size of sugar will improves the rate of sugar and it causes to higher profit.
10. The investment in stores and tools may be minimised by inventory management and inventory control technique.
11. Collection of deposits from the members and non- members may be stepped up, considering the low interest at 9% p.a.
12. The factory may scrutinise its increased working capital requirements in the light of its business operation and ever increasing inflationary pressures.
13. The introduction of various financial statement ratio analysis may help the factory to ascertain its financial performance from time to time.