

**CHAPTER – V**

**REASONS BEHIND THE SICKNESS IN YASHAWANT  
COOPERATIVE SUGAR FACTORY**

**5.1. INTRODUCTION:**

Yashawant cooperative sugar factory was in a good condition and progressive at the first six year. But from 1991 factory has faced so many problems. Due to this the economical condition of factory become severely critical, one of the major problems was inadequate supply of sugarcane, high cost of production.

**5.2. REASONS BEHIND THE SICKNESS:**

Following are the many reasons of the sickness of Yashwant cooperative sugar factory.

**1) High cost of sugar production:-**

Yashawant cooperative sugar factory's average sugar production cost of sugar has been remain always higher than the average price of sugar, which caused into the factory suffered losses.

**TABLE NO. 5.1.**  
**AVERAGE COST OF SUGAR PRODUCTION AND AVERAGE PRICE  
OF SUGAR (Rupees)**

| <b>Sr. no.</b> | <b>Season</b> | <b>Average cost of sugar production</b> | <b>Average price of sugar</b> |
|----------------|---------------|---|-------------------------------|
| 1.             | 1991-92       | 700.07                                  | 680.32                        |
| 2.             | 1992-93       | 879.4                                   | 773.17                        |
| 3.             | 1993-94       | 1276.65                                 | 988.28                        |
| 4.             | 1994-95       | 1086.72                                 | 1111.87                       |
| 5.             | 1995-96       | 1164.88                                 | 1082.95                       |
| 6.             | 1996-97       | 1156.41                                 | 1118.96                       |
| 7.             | 1997-98       | 1467.18                                 | 1257.75                       |

|     |           |         |         |
|-----|-----------|---------|---------|
| 8.  | 1998-99   | 1398.95 | 1252.1  |
| 9.  | 1999-2000 | 1408.95 | 1274.05 |
| 10. | 2000-01   | 1489.60 | 1302.51 |
| 12. | 2001-02   | 1830.12 | 1293.55 |

**Source** – Annual report of Yashwant cooperative sugar factory Ltd. Khanapur.

In above table No-5.1 shows average cost of sugar production and average price of sugar from 1991-92 to 2001-02.

From 1991-92 to 1993-94, the cost of sugar production was higher than price of sugar. In 1994-95, the price of sugar is higher than the cost of sugar production. That's why factory got the benefit of Rs. 81.93 rupees per quintal.

From 1995-96, the cost of sugar production was higher than price, so consequently the factory was in loss.

In the study period, the higher cost of sugar production and the lower price of sugar was the important reason for the sickness of the factory.

## **2) Inadequate supply of sugarcane:**

Up to 2002, there were 96 villages under in the operational area of Yashwant cooperative sugar factory; which almost all villages belong to drought area. There was no ever flowing river in the operational area of factory. There are not canals and other irrigated area is low as compared to the other districts. As a result of these, sugarcane cultivation is very low. Due to the inadequate sugarcane in crushing season, sugarcane can't be provided. It is resulted into factory remained sealed for long time in the year.

On an average one lakh tonne, sugarcane is produced in the operational area of factory. 3 lakh tonne sugarcane is needed to the factory for working efficiently. Inadequate produce of sugarcane in the operational area of the factory is the main reason for the sickness of the factory.

During the period under study actually 38 per cent sugarcane was available from operational area on the one hand and on the other hand more than 62 per cent sugarcane crushed out of operational area. In year 2001-2002 only 6 per cent sugarcane available. Due to his actual crushing season was not taken in this year.

In this way due to lack of sugarcane in operational area of the factory carry caused to lot of sugarcane from other areas or state also. Therefore the expenditure on transportation is automatically remained higher. Consequently the total production cost of sugar is increased. This is one of the causes of the sickness of the factory.

### **3) Increasing Expense of interest:**

The long and middle term loan was taken by Yashwant cooperative sugar factory. Factory had taken loan for working capital also. Therefore they have paid excess interest of all loans. In 1991-92 a 44.84 per cent amount of total expenditure was spend on interest payments. In 1992-93 it has increased up to 55.98 per cent. In the 1995-96 season the share of interest expenditure remained highest in period under study which was 64.92 per cent.

From 1996-97 to 2001-02 out of total expenditure 10 to 15 percent amount spend on the interest. In 2001-2002 it was 22.82 per cent.

From the foregoing discussion we come to the conclusion that the factory took loan for working capital therefore the extra amount paid on the expense of interest. The expenditure on interest grew gradually and finally it was more than 50 per cent and the situation on financial level became more critical.

### **4) Extra expenditure on sugarcane cutting and transportation:**

Yashawant cooperative sugar factory carried sugarcane from out of operational area because there is inadequate of sugarcane in operational area. Sometimes factory carried sugarcane from out of state which caused extra amount on sugarcane cutting and transportation. Due to long distance of transportation the factory spend extra amount on transportation.

In 1991-92 the expense of sugarcane cutting and transportation was Rs. 99.50 per tonne. In 1994-95 it was increased up to Rs. 136.03 per tonne. As compared to 1991-92 the expense on cane cutting and transportation in 1994-95 was increased by 36.09per cent. In the year 2001-2002 the expenditure on sugarcane cutting and transportation was Rs.270.54 per tonne. It has increased by 170.67percent as compared to 1991-92.

On the basis of foregoing discussion we come to conclusion that factory expenses on sugarcane cutting and transportation increased has been frequently. Factory is now suffering losses because production cost is more than price of sugar.

#### **5) Rising salaries and wages:**

There is constant rise in the payment of laborers and employees of Yashawant cooperative sugar factory. There is shortage of laborers for sugarcane cutting that's why factory paid extra payments and dearness allowances to employees who worked in administration. While factory paid more than 16.66 percent bonus with payment to employees and laborers. Consequently expenses incurred on salaries reached upto 30 percent of total expenditure.

In 1991-92, out of total expenditure 35.85 percent amount was spent on salaries. In 1992-03 this amount reduced but it remained 30 percent. While 1994-95 the portion of salaries & wages was 30.81 percent out of total expenditure.

On the basis of the above discussion we conclude that there is constant increase in expenditure of salaries and wages. As a result there is growth of production cost and it affects the financial condition of factory. It fails so many financial problems.

#### **6) Rising in the Management expenditure:**

Yashawant cooperative sugar factory spend extra amount on the management. Under this head the factory has been spent big amount on function, party and hospitalities of guests. Factory spends lot of money which is not requires on guest and functions.

In 1991-92 out of total expenditure 25.32 per cent amount was spend on management. During the year 1992-93 and 1993-94 it was 19.84 per cent.

From 2002-2005 factory was closed but the expenses on management was not stopped. It has spent 2.91 per cent amount on this head.

#### **7) Lazy laborers and officials:**

In Yashawant cooperative sugar factory the laborers and many employees in various departments are found lazy. Most of laborers are belongs to the operational area. The laborers and employees were not given proper training. Consequently; they do not work very hardly and efficiently. In the factory there is strong union of laborers

and employees hence factory take the decision according to legislation of laborers. Some of the laborers who are connected in operational area they do misuse of their political power, which result into under the gap between active laborers and passive laborers. Due to negligence of Board of Director in factory management the idle laborers are shirk their work, and the attitude of idleness is obviously increased in laborers. The laborers are always indulging in the increment of bonus and payment they uses their weapon of strikes for this demand. Therefore the problems of factory remains as it is some laborers come on their duty lately or some time remains absent or go on leave without any reason and those laborers are present they does not work within fixed time.

In this way in the factory there is excess number of lazy laborers and employees. Due to their idleness the efficiency of factory is not maintained and expenditure is increased. Therefore factory troubled with sickness because the main reason of sickness of factory is idle laborers and dull employees and their selfish nature.

### **8) Failure in the development of sugarcane for the factory:**

In the Yashawant cooperative sugar factory has a specific agriculture department. Through this department factory do some important works such as the registration of cultivated sugarcane, to give proper guidance for share holder, to provide seed of sugarcane, fertilizer, agriculture tools & implementations. In this department there are serving 60 permanent and 46 contract basis employees. Through extra workers done their work but they do not change the situation in the production of sugarcane. Factory also failed in the incense of the production of sugarcane in operational area. Because the policies which were formulated by the factory remained on paper. While the facilities of provision fertilizers, agricultural tools, and drip facilities are applied for other crops rather than sugarcane. The employees of agriculture department are related to operational areas therefore they can not control those farmers who misused their materials.

Due to frequent changes in the prices of sugarcane, farmers are turned to the vegetable cultivation; the filed under the sugarcane has been reduced on account of other crops. Consequently the factory has not got regular sugarcane form operational area. Therefore it can not run as much as effcientially.

Factory becomes totally unsuccessful in the production of sugarcane in operational area. Consequently, factory carried out sugarcane from out of operational area with extra wages and transportation cost. Due to this the production cost of sugar has been automatically increased. As a result factory becomes considerably weak financially.

### **9) Drought:**

In recent ten years, factory faced drought for 2 to 3 times in the operational area. Consequently the production of sugarcane is lowered due to lack of water resources, to some extent the available sugarcane was used as cattle's feed in the drought situation. As a result of this industry lacks enough shortage of sugarcane and it suffered.

### **10) Non-Production of by- product plant:**

In the industry sugar is produced but baggas and molasses were the waste for the factory. There is no any plant on the baggas and molasses. There is non existence of the units like wine industry, paper industry or electricity plant which can use to this waste material can't be used. Therefore the factory can't get any benefit.

The factory has not reduced their cost of sugar production because it doesn't get any by product. As a result of this the factory is facing the industrial sickness.

### **11) Mismanagement:**

The factory has failed in the development of sugarcane area because of mismanagement. The factory had to give more importance on the irrigation facilities. To expand irrigation, was necessary to give more stress on irrigation facilities in the operational area but factory has failed to make proper use of deposits and debt's, consequently it adds interest expenditure. The political interference is one of the major causes of management failure.

In this manner, Yashawant Cooperative Sugar Factory falls in sickness.