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CHAPTER-I

INTRODUCTORY

1.1 INTRODUCTION :

The Co-operative movement has proved to be a revoluntionary measure in transforming the rural economy into industrial one in many parts of our country. The essence of co-operative business undertaking is that they function for the promotion and protection of interest of members. Especially in India agro-based Co-operative industries have special role in rural economy. Co-operative organisations are voluntary organisatons where people with common objectives join together to carry out certain economic activity for the enhancement of their individual life standards. In such organisations the profit objective has got secondary importance while providing services for advancement of the weaker groups is the essence of such organisations. Such organisations are democratic in nature & provide services with equality to all the members. They prove to be useful in improving the conditions of economically weaker sections of the community.

In India, Co-operative movement has rooted during the first decade of the 20th century with the passing of Co-operative societies Act of 1904. Though it has rooted long ago, it reached to its prosperity after getting independence. It has been proved as an oasis in the desert in terms of rural economy. After independence, the Central Government has made consistent efforts through planning

for the development of Co-operation movement. The Co-operation movement has proved as an effective tool in transforming the rural economy and providing it a booster. In each five year plan, the Govt. has set upper targets, provided larger funds and broadened the scope of Co-operative activity.

The Co-operation movement has been spread in diverse fields such as credit, marketing, processing & storage for agriculture, credit processing, manufacturing and distribution of supplies for small and medium industries, rural electrification, housing, transport, fisheries, dairying, and public distribution of goods and foodgrains; controlled cloth and selected essential commodities through co-operative sector. The beginning of Co-operative processing industry in real sense was with the establishment of co-operative sugar factory at Pravaranagar in Maharashtra.[1]

Today the co-operative industry has spread itself in various directions covering different forms such as mentioned under -

1) Organised by the producers (e.g. Co-operative sugar factories by sugarcane growers, co-operative spinning mills by cotton growers etc.)

2) Organised by consumers (e.g. Co-operative Spinning Mills of Weavers, consumers Co-operative stores etc.)

3) Organised by worker (e.g. industrial co-operative of self employed people)

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1) Management of

1.2 CO-OPERATIVE SPINNING ACTIVITY :

In India co-operative spinning activity has emerged & grown after independence. The first co-operative spinning mill was established in India in 1951 at Guntkal sponsored by the Madras State Handloom Weavers Federal Co-operative Society. In 1958, another co-operative spinning mill was registered in the state of Madras.[1] The increase in the number of Co-operative spinning Mills can be analysed as under -

TABLE NO.1.1

Table showing the growth of spinning Co-operatives and their spindleage

Year	No.of Mills	Total Spindleage
		(In Lakhs)
1954	1	0.25
1962	33	4.36
1972	53	7.82
1982	63	15.54
1992	118	29.89

SOURCE : Spinners year Book 1993

The Co-operative Spinning mills as shown in the above table are increasing steadily

1 Management of Co-operative Spinning Mills in Maharashtra

These mills consist of three classes of memberships -

1. Organised by cotton growers where cotton growing farmers are members;

2. Organised by weavers where loom owners are members; and

3. Organised jointly be cotton growers and loom owners; where farmers & weavers are members of the organisation.

1.3 ROLE OF SPINNING ACTIVITY IN TEXTILE INDUSTRY :

In textile industry cloth is manufactured from raw cotton. For such conversion of cotton into cloth the entire textile industry can be divided in two major groups - A) Organised composite mill sector & B) Decentralised Weaving sector.

In the organised composite mill sector, all the manufacturing processes are carried out within one and the same mill. This provides for all the processes within one organisation. Such units are capital intensive, sophisticated & hence centred in traditional industrial centres. In composite mills, two basic functions in textile industry are carried out under the same roof; a) Spinning & b) Weaving; where conversion of raw cotton into cloth is undertaken.

On the contrary the decentralised weaving industry

comprises of two sections. a) Spinning industry & b) Weaving industry. In spinning industry cotton yarn is obtained from raw cotton. Such spinning mills are capital intensive and they produce yarn on large scale. Such yarn is provided to the weaving industry where cloth is woven on looms from these yarns. In weaving sector also there are three types of classes - a) Handlooms b) Powerlooms & 3) Automatic looms.

In the modern textile industry, the trend is favourable to decentralised weaving sector while the number of composite mills is declining gradually as is seen from the table given below -

TABLE NO.1.2

Table showing the Development of Textile Industry

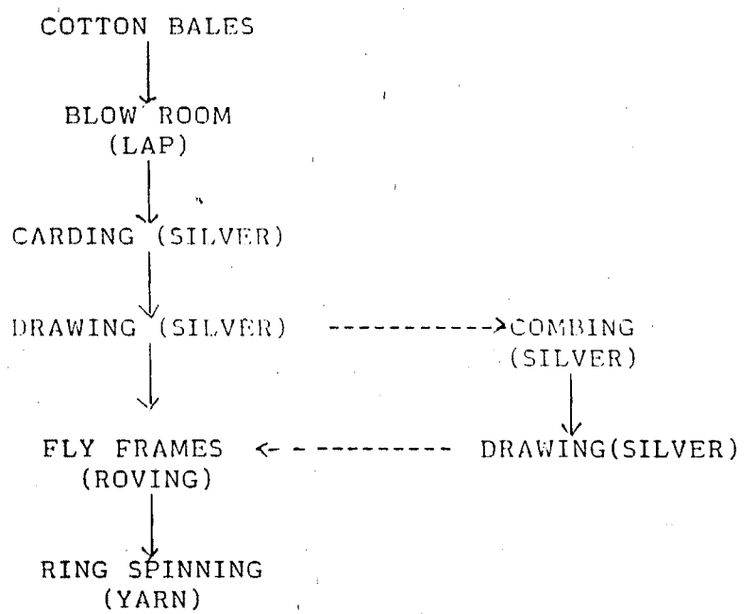
Year	Number of Mills			Installed spindles		
	Spinning	Composite	Total	Spinning	Composite	Total
1981	400	291	691	8.47	12.61	21.08
1982	442	291	723	9.35	12.43	21.78
1983	525	280	805	10.13	12.40	22.53
1984	595	280	875	11.35	12.47	23.82
1985	674	281	955	11.94	12.48	24.42
1986	702	282	984	12.98	12.59	25.57
1987	741	283	1024	13.69	12.33	26.02
1988	752	283	1035	14.40	11.90	26.30
1989	766	282	1048	14.83	11.63	26.46
1990	764	281	1045	15.05	11.53	26.58
1991	777	285	1062	15.07	11.60	26.67
1992	862	271	1133	16.43	11.49	27.92

Source: Spinners Year Book, 1993 Page ... .

From the above table it is clear that the number of spinning mills has more than doubled during a period of 12 years reviewed, while that of composite mills has reduced from 291 to 271. The installed spindleage has also increased from 8.47 lakhs to 16.43 lakhs in the spinning sector, while that in composite mill sector has come down from 12.61 lakhs to 11.49 lakhs.

1.4. PROCESS OF PRODUCTION IN SPINNING INDUSTRY :

A. Process Chart Showing the conversion of Cotton into yarn



B) **DESCRIPTION OF THE PROCESS :**

For conversion of cotton into yarn there are departments like Blow-room, Carding, Drawing frames, Fly Frames and Ring Frame. For the purpose of producing better quality and finer counts of yarn an optional process i.e. Combing Process is also undertaken. A brief description of the process is as under :

1) **Blow Room** :

The cotton received in the spinning mills is in a hard-pressed baled form. The blow room machinery performs the function of opening hard-pressed bales of cotton and cleaning the cotton. Trash and foreign matter is to be extracted from the cotton with the least amount of lint loss. Another important function carried out in this process is the 'mixing'. Two or more different varieties of cotton are generally mixed thoroughly to get a proper blend. The loose cotton passing through the blow room machinery is converted into regular sheets called laps.

2) **Carding** :

The cotton laps received from blow room are processed on the carding machines for the purpose of effecting individualisation of fibres, extracting sand, leaf etc. left in the cotton and converting the laps into thin webs called slivers. These slivers are stored in cans.

3) **Draw Frames and Speed Frames** :

The fibres in the carded sliver lack uniformity as regards weight per unit of length and they are placed in haphazard manner. For ensuring better quality yarn it is essential to improve the uniformity of slivers fed and to parallalise the fibres before they can be drawn out in the finer yarn form. When the carded slivers are processed on the drawing frame, they are made uniform

in thickness by the doubling process and the fibres get drawn parallel to the axis of sliver by the drafting process.

Now these slivers are to be thinned out to the level required for the yarn to be spun. This process of attenuating the slivers is done in several steps on the speed frames or fly frames. While converting slivers into roving, a small amount of twist is also inserted so that the roving could withstand the winding and unwinding tensions. The roving is wound on suitable bobbins.

4) **Ring Frames** :

This is the last process in manufacture of yarn. In order to convert the roving into yarn of the required count, main operations which are simultaneously carried out on the ring frames are drawing, twisting and winding.

The roving received from the Fly Frames Deptt. is still much thicker than the thickness of the final yarn required. Therefore the first process on the Ring Frame is drafting. The other operations which are done in the Ring Frame are twisting and winding. The amount of twist inserted here is larger than at any other previous stage in order to give sufficient strength for the end use required. The twisted yarn is wound on bobbins.

COMBING : **An Optional Process** :

This process is optional and required when yarn

of better quality and finer counts is to be produced. For improving the quality of yarn short fibres contained in the cotton have got to be removed. The combing process carries out this function. Moreover, this straightens out the fibres and lays them parallel to the axis of sliver. The combing process ensures better luster and better strength to the yarn. But a considerable amount of waste takes place on account of removal of short fibres. The combing is done after carding and before the fly frame process. The carded slivers are converted into small laps and these laps are fed to the combing machines. The combed sliver are then passed through usually two passages of drawing before they are delivered for the fly frame process.

The yarn manufactured in Ring Frame could be further processed depending upon its required use. If it is to be sold in hank form, it has to be got reeled, and if it is to be sold in cones, it is got winded. If the yarn is needed additional strength, it is got to be twisted in a doubled form which is called doubling process.

Meaning of the tern 'Count' in Spinning industry

The fineness of yarn is measured by the number of hanks of yarn that weigh One pound. This is known as its count. A hank is 840 yards long and so for example One pound of number 10 count cotton yarn would unwind to 8400 yards. Thus numbers for yarn are based

on length per unit weight and are higher for fine yarns than coarse. The breaking load of cotton varn depends only a minor extent on the intrinsic strength of the cotton, the important factors being the count and the twist. The count to which a given type of cotton can be spun commercially depends mainly on its staple length. Long stapled cotton yields finer yarns.

1.5 THE SCOPE OF THE STUDY :

Ichalkaranji is an important industrial centre in Kolhapur district and has created its own identity in the Western Maharashtra in Industrial Development. Ichalkaranji is known for textile industry for many years. Particularly it is known for production of dhoti, greycloth, printed sarees, cambric and mulmul.

In Ichalkaranji at present 7 co-operative Spinning Mills are existing. They are :

1) The Deccan Co-op. Spinning Mills Ltd.,
2) Kolhapur Zilla Shetkari Vinkari Sah. Soot Girani Limited.
3) The Ichalkaranji Co-op. Spinning Mills Ltd.,
4) Nav Maharashtra Sahakari Soot Girani Ltd.,
5) Janata Sahakari Soot Girani Ltd., and
6) Ganesh Co-op. Spinning Mills Ltd.,
7) Datta Shetkari Sah.Soot Girani Ltd.

Inspite the above working mills, there are 6 proposed spinning Mills also. In the existing legal framework these spinning mills are not required to maintain separate set of cost books. As the same work is not compulsory, the spinning mills are not having cost records relating to its production performance. In such a situation there may be tendency of neglecting the costs. In this situation I have selected two co-operative spinning mills to study the cost structure and cost accounting systems followed in practice by them. These are -

1) The Deccan co-op. Spinning Mills Ltd. and
2) Kolhapur Zilla Shetkari Vinkari Soot Girani Ltd.

The study attempts to focus on the growth, the present performance in relation to purchase of cotton, production and marketing of yarn and lastly on the comparative results disclosed.

1.6. OBJECTIVES OF THE STUDY :

The study in hand has been carried out with following specific objectives -

1) To study the growth of Spinning industry in Ichalkaranji.
2) To study the present cost structure for three years in respect of each unit covered under study.
3) To study the cost accounting practices followed by the units under study.
4) To study the control procedures followed in the functional areas of management such as purchase, stores, personnel etc. in the units covered under study.

5) To sutdy the overall performance of the units covered.

6) To undertake a comparative study of the units covered.

7) To suggest ways & Means to overcome weaknesses in the functioning of the units studied.

1.7. METHODOLOGY :

Two types of research methods are utilised for the prupose of study in hand.

1) **Case Study Method** :

Here two units selected randomly are studied in depth, assuming representative samples of the spinning units operating in region and results are drawn.

2) **Inter-Firm Comparison** :

Another research method adopted is the inter-firm comparison in which the costing system of the Deccan Co.op. Spinning Mills. Ltd and Kolhapur Zilla Shetkari Vinkari Sahakari Soot Girani Ltd. are compared in order to evolve strengths and weaknesses of the units studied.

1.8. DATA-COLLECTION :

Primary and Secondary data have been utilised for the study in hand.

Primary Data :

Primary data is obtained from the inspection of record, observations made by the researcher during his field visits and through personal discussion with the officers of the concerned spinning Mills.

Secondary Data :

This type of data is collected from published material by the concerned mills like Annual Reports, Introductroy Notes, Special Bulletins Published, etc. This process is further supplimented by the extensive libary research carried out by the researcher in which trade journals, magazines, newspapers etc are made use of .

1.9. **HYPOTHESIS** :

Based on the study undertaken, the following hypothesis is evolved -

" The Cost accounting systems , practices and procedures followed by these two spinning mills do not differ from each other."

1.10. **ORGANISATION OF THE STUDY** :

The present study has been divided in seven chapters as under :

1) The first chapter is introductory and provides an overview of textile industry.

2) Second Chapter deals with the Textile Activity in India with special reference to spinning.

3) Third chapter deals with Development of Textile Industry in Ichalkaranji.

4) Fourth chapter deals with the conceptual discussion of cost accounting system in general and spinning industry in particular.

5) Fifth chapter focusses on the organisational profile of the two co.op. spg. mills in this research.

6) Sixth Chapter deals with the comparative results disclosed by the study .

7) Seventh chapter deals with the conclusions and suggestions based on the present study.

1.11. **LIMITATIONS OF THE STUDY** :

1) The study in hand is in respect of co-operative spinning mills in Ichalkaranji only. Conclusions drawn on the basis of this study may or may not be applicable to all over in the industry.

2) The study is undertaken knowing that by the existing law these spinning mills are not required to keep separate set of cost books assuming that being a manufacturing organisation some sort of costing function must be there resulting into availability of some sort of costing records and represent the same as costing system of the respective organisation.

3) Costing officers were not ready to part with enough costing data required for the study in hand which may form into a limitation of the study.

4) Time was also a limiting factor which made the researcher to wind up his activity which has also affected the quality of the study.

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