

## **C H A P T E R - I I**

### **CONCEPTUAL BACKGROUND**

- 2.1 Introduction
  - 2.2 Definition of Resource
  - 2.3 Study of Physical Resources
  - 2.4 Summary
- References

## C H A P T E R-II

## CONCEPTUAL BACKGROUND

## 2.1 INTRODUCTION

All resources are defined by human understanding. Even wilderness resources are important as a general class of amenity resources, and have a long period of trial and error in resource use and management. In India sugar industry is the second largest agro-based processing industry. In the process of producing sugar by sugar-cane the use of certain physical resources is required. These resources can be defined as anything that contributes to output. Generally, resources are classified into two subparts. One is Natural resources and the other Non recoverable resources. But for sugar industry resources mean physical resources. It contains land, capital, men, material and machinery.

The classical economist distinguishes three main resources viz. land, capital and labour. But the problem with these strict three fold categorisation is that, investment can be used not only to increase the capital goods, but also to educate human beings and this factor is not considered as a resource.

Consequently economist today define the resource in a much broader sence. They includes not only those things which are usually land, labour and capital, but also raw

material and human capital to represent improved labour quality resulting from investment in formal academic education.

According to modern economists resource includes land, material, money, machinery and men.

## 2.2 DEFINITION OF RESOURCE

### A) MARSHALL

"The resources includes natural resources namely, men money and machinery".<sup>1</sup>

In the mind of Marshall human resource or natural resource are the important things. Without them no production would be possible.

### B) WEBSIERS DICTIONARY .

"A source of help or supply of wealth, the various means within a nations possession for meeting the needs of its people"<sup>2</sup>

According to Websters; resource means which are going to help to produce commodities to satisfy the needs of people, it includes men, material, machinery and money. These four 'M's are basically helps to produce which is under taken by a firm.

### C) OXFORD DICTIONARY

"Resource means of supplying what is needed, stock that can be drawn on available assets."<sup>3</sup>

It means supplying needed things to produce; it includes material, machinery, men, because they are must to produce commodities.

**D) A.S.HORNBY**

"Resource means wealth supplies of goods, raw material etc. which a person, country or industry can use".<sup>4</sup>

According to this definition resources are divided into two sub groups. Natural resources and non physical resources.

**E) WATSON AND VIEY**

"Resources means a source of supply quick-wittedness in mastering a difficult situation or something to which one resorts for comfort or to gain an end."<sup>5</sup>

**F) PETER DRUCKER**

"Resources management is an organ of society specifically changed with making resources productive, that is, with the responsibility of organised economic advance."<sup>6</sup>

The above definitions are going to explain that for every production industry requires certain physical resources modern thinkers and economists define resources means factors of production, these factors of production includes men, material, machinery and money.

Sugar industry is one of the largest agro-based industry in india. Sugar industry resource contain land, labour, capital, and machinery, material etc. These resources taken important place in the progress of sugar industry. So study of above physical resources is very important in this study.

## 2.3 STUDY OF PHYSICAL RESOURCES

### A) LAND

The term "Land" has been given a special place in sugar industry. Land is a natural resource, being gift of nature, its supply is fixed and limited. In sugar industry, land is utilised for installation of factory, office, gardening, road, sugarcane development plant; so land is an important resource in sugar industry. In the words of Marshall, land means "The materials and the forces which nature gives freely for mans aid". Land stands for all natural resources. It represents those natural resources which are useful and scarce actually and potentially.

While selecting land for sugar industry it is necessary to give importance not only to the cost, but also to availability of irrigation facilities i.e. rivers or lake etc. availability of basic raw material. closer to industry i.e. sugarcane; availability of skilled, semiskilled, and unskilled labour. All these points must be taken into consideration while selecting land. The following points explain the importance of land.

- a) Land is a natural gift to man
- b) Land is fixed in quantity. It is said that land has no supply price, the price may be high or low its supply remains the same.
- c) Land is permanent, there are inherent properties of the land which called 'original and indestructible.

d) Land provides infinite variation of degrees of fertility and situation, so no two pieces of land are exactly alike.

#### **B) MATERIAL**

Material takes an important and basic resource in sugar industry. It is necessary to keep cost of material in control and reduce cost by using this scarce resource intensively and reducing wastage. Materials cost are important cost in production in sugar industry raw material takes 60 to 65% of the total cost of production. Materials includes not only sugarcane, but also buggas, molasses etc. Materials are classified as direct and indirect. Direct materials goes directly into the production of sugar; while indirect material is used in processing or packaging the direct materials.

#### **DEFINITION OF MATERIAL**

"Material management is a body of knowledge which helps the manager to improve the productivity of capital by reducing material costs, preventing large amounts of capital being locked up for long periods and improving the capital turnover ratio."

Material is required in every industry in different proportion; but it is necessary in maintaining continuity of productive operations by uniform flow of material. Modern sugar industries are using scientific techniques for intensive use of material and reducing cost of material.

In sugar industry availability of material is from the month of October/November to April/May . In this period requirement of working capital is high as compare to slack period. Sugarcane is not a storeable material. So intensive, immediate and without loss of material is necessary in sugar production.

### **C) MEN/MAN POWER/HUMAN CAPITAL**

The part of management which deals with human element in the organisation is known as human resource management. Human resource are known as the only dynamic factor of production. Other factors of production are worthless without the involvement of this factor. Without the efficient use of human resources, management can never accomplish organisational objectives. It is necessary to keep good relation with workers and make good management of human resource to achieve the organisational objectives. In sugar industry there is a separate department for seeking cooperation from workers is known as personnel department.

### **DEFINITION OF HUMAN RESOURCE**

Human resource development is more broad based. Manpower planning concerns itself with the development of human resource in an sugar industry in the right quantity, of the right place, with right utilisation, right skills". Human resource is the process by which a management determines how an organisation should move from its current manpower position to its desire manpower position."

**1) ACCORDING TO VETTER**

Human resource management as "the process by which a management determines how an organisation should move from its current manpower position to its desired manpower position."

**2) COLEMAN**

"Manpower planning is the process of determining manpower requirements and the means for meeting those requirements in order to carry out the integrated plan of the organisation."

In modern sugar industry advanced science and technology and mass production has given employment to thousands of workers. The performance of the company depends on the quality of the people employed. This has increased the significance of human resource management.

**D) MACHINERY**

In all physical resources, machinery is also important resources in sugar industry. It is important next to capital, because for purchase of machinery and installation of machinery huge fixed capital is required. In machinery management not only purchase of machinery but its utilisation and maintenance is also important. The performance of sugar industry depends upon the capacity of machinery and its continuous running. Sugar industry machinery is utilised in the seasonal period i.e. at the time of availability of sugarcane.



In this period its high capacity utilisation is necessary for utilising machinery with their full capacity, requirement of skilled labour for handling them; and continuous supply of electricity power. To-day many sugar plants have turned into a production of power through a process under development in Brazil that generate electricity in excess of their own requirements.

In cooperative sector sugar industries, are using their full capacity in Maharashtra, but while the whole country, they are using less capacity.

After independence sugar mill machinery has made impressive progress. The ban on the import of entire sugar plants imposed by the Government in 1955 encouraged the development of the indigenous industry and by 1979 there were 7 units in the country. At present there are 26 units in production for the manufacture of sugar plants and the components. The industry has successfully exported sugar plants of 2500 TCD and 3500 TCD to South Asian countries, Africa and Carribean Countries.

#### **D) MONEY/CAPITAL**

The primary objective of cooperative sugar industry is to provide services by crushing cane and develop the area around factory. For all these purpose, industry requires huge capital for purchase of plant and machinery, land etc. and to keep in

process the sugar industry. So it is the responsibility of the capital management to ensure the supply of needed funds. One of the functions of financial manager is to raise the needed funds for his industry. Cooperative sugar factories come under the category of cooperative industry. The cooperative sugar factories in Maharashtra are formed by the association of sugarcane growing farmers for the purpose of establishing a common facility i.e. crushing the sugarcane produced by them and for their best advantage. A wide variety of sources is available to raise the needed capital. These sources are generally two folds in Maharashtra i.e. (i) Capital owned (ii) Capital borrowed.

**1) CAPITAL OWNED**

- a) Share capital
- b) Reserve and surplus
- c) Ploughing back
- d) Bonus shares

**2) CAPITAL BORROWED**

- a) Debenture issue
- b) Borrowing from financial institutions
- c) Public deposits
- d) Trade credit from banks
- e) Loan from Governments.

Effective allocation of capital is more important than raising them. In sugar industry capital is divided in two forms namely, (a) Fixed capital and (b) Working capital.

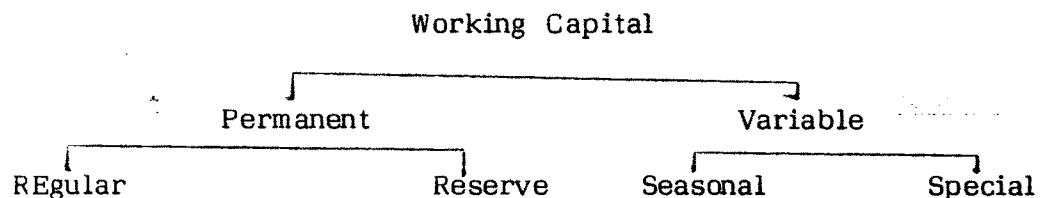
#### A) FIXED CAPITAL

Fixed capital is committed to acquire fixed assets like plant and machinery, land and building, furniture. Fixed capital is fixed for the entire life time of sugar industry. In sugar industry, large fixed capital is required than other industry.

#### B) WORKING CAPITAL

Working capital is the capital required for day-to-day affairs of the business concern. It is required for current need of business concern like purchase of materials, stock of finished goods, cash balance etc. Amount invested in current assets is known as working capital. An effective control of working ensures comparatively slow growth or no growth in working capital requirements of a firm with the increase in its turnover. In sugar industry large working capital is required in the seasonal period for purchase of sugarcane and payment of wages.

#### CLASSIFICATION OF WORKING CAPITAL



#### 2.4 SUMMARY

Resources are important as a general class of amenity resource. Resources are in two forms, Natural Resources and Physical Resources. Sugar Industry is largest industry and utilises different physical resources. Resource generally defined are land, capital, men and machinery.

The various definitions are given by Marshall, Websters Dictionary, Oxford and Peter Drucker.

From their definitions, it was concluded that, every production industry requires certain physical resources.

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