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# CHAPTER---I

## RESEARCH METHODOLOGY

### 1.1 INTRODUCTION

The principle of Co-operation is as old as human society. But Co-operation is an economic concept is of recent origin. Co-operative movement is outcome of economic and social imbalance brought about by the industrial revolution. Large-scale production through factory system and extensive coverage of market led to the rich capitalist classes who exploited the weaker section of the society for their personal gain. Poverty and hardship experienced by the weaker sections of the society forced them in to organize on co-operative principle for mutual help in order to improve their economic condition. The beginning of co-operative movement can be traced to middle of the nineteenth century in the philosophy of Robert own. The first co-operative was started in England in 1944. A group of unemployed workers (weavers) started a co-operative, known as Equitable pioneers of Rochadale. Its objectives were to provide consumer goods to the workers at fair prices.

In 1949 F. W. Raiffeisen, a retired Government servant started a loan society for the benefit of German farmers who were in the clutches of moneylenders. This led to a world wide Co-operative movement in different fields of business.

The co-operative movement in India has been initiated by co-operative legislation of 1904. Co-operative has been working in India for more than hundred years.

## 1.2 MEANING, DEFINITION AND HISTORY OF CO-OPERATION

The following are the some definitions of co-operatives

1.2.1 “Co-operation is a form of organization where the persons voluntarily associate together as human beings on the basis of equality, for the promotion of economic interest of themselves.”

E. H. Calvert.

1.2.2 Co-operative is self-help made effective by organization.

Horace Plankatte.

1.2.3 “A Co-operative is an association of persons usually of limited means who have voluntarily joined together to achieve common economic and through the formation of a democratically controlled business organization, making equitable contributions to the capital required and accepting a fair share of risk and benefits of the undertaking.”

International Labor Organization.

1.2.4 “A co-operative society is a society which has as its objective; the promotion of interests of its members in accordance with Co-operative principles.”

Indian Co-operative societies act 1912

Co-operative means voluntary concern with equitable participation and control among all concerned in any enterprise. A co-operative society is a voluntary association of persons on the basis of equality for the promotion of their common economic interest. It is an attempt of weaker section of the society to join hands against those who are relatively more powerful. The general guiding principle of co-operation is the voluntary joining together of people for mutual help. “One for all and all for one” is the slogan of co-operators. The association

should be registered under co-operative societies act. Thus co-operative society is a form of business organization, which enables the economically weaker section of the people to protect themselves through mutual help from the exploitation by the stronger. For example poor farmers from a town may form a co-operative credit society and protect themselves against the exploitation of the moneylenders. Small producers may form a marketing society to sell their products at proper time, at proper place, at proper price and protect themselves against exploitation of middleman. After independence union government at the center accepted the socialist pattern of the society as the base for implementing mixed economy planning is considered to be a tool for achieving the development in 1951.

Our planned economic development from 1951 onwards has boosted co-operative in India since independence co-operation has been recognized as one of the development segments of our country. Our first seven-year plans have incorporated specific guidelines for setting policy for the development of co-operatives.

The first five-year plan recognized the importance of co-operative as an instrument of economic planning. The second five-year plan emphasized the building up of a strong co-operative sector as an important part of national policy. The diversification of co-operative activities took place during the third five-year plan.

During the fourth five-year plan multi-agency approach was introduced in co-operation and weaker sections were given importance. The fifth five-year plan recognized co-operative as an institutional agency for the development of weaker sections and as an important organizational mechanism to implement Public Distribution system. Sixth five-year plan gave importance to the strengthening of primary co-

operative societies and co-operative federal organization and development of professional manpower in co-operatives. The seventh five-year emphasized the strengthening of institutional structure of co-operatives at all levels and democratization of professional management. Thus the Indian co-operatives have grown more and more and have tremendous reach throughout length and breathe of the country by way of their vast network. As a result the rural economy has improved and shown radical and rapid development in it.

The co-operative movement has now deeply rooted in almost all sectors such as manufacturing, processing, input supplying and servicing. The agro-processing sector involves cotton, sugarcane, oil seeds; fruits, vegetables, milk agricultural produce exchanges etc. the co-operative sector has developed rapidly during last 60 years. It has given impacts to the industrial development of the rural economy as well as it has proved beneficial in improving the economic conditions of the farmers, especially the rural population.

### **1.3 PRINCIPLES OF CO-OPERATION**

For clear understanding of the co-operative ideology and differentiate it from other business enterprise, the founding fathers of the co-operative movement laid down some definite principles which are expected to serve as a guide post for the future development of the co-operative movement. These principles in the words of ICA commission are: " Those practices which are essential, that is, absolutely indispensable to the achievement of the co-operative movements purpose."

In the opinion of late prof. D. G. Karve, a co-operative principle " is a way of organizing and conducting co-operative activity which is an

inherent and indispensable corollary of the ideal or the objective of the co-operative movement."

Co-operative principles in fact, are fundamental characteristic features, which determine the character of co-operation as a form of association. They are the guidelines and ground rules for co-operative enterprises. In the absence of these principles no lasting co-operative is possible. These principles are summarized in the following table:

Table No. 1.1

Rochadale Principles	Raiffeisen Principles	Schulze-Delitzsch Principles
1) Voluntary and open Membership	1) Self without exculsion of the state help, provided co-operative independence is preserved.	1) Self-help with exculsion of any outside help, private or public.
2) Democratic control by "one member, one vote".	2) Limited area (parish or village).	2) Large territory of operation.
3) Division of the surplus in proportion to patronage.	3) Allocation of entire surplus to indivisible reserves.	3) Division of the surplus in proportion to operations.
4) Limited interest on capital.	4) Membership without subscription of shares.	4) High interest on shares to attract large subscription of shares.
5) Political and religious neutrality.	5) Unlimited liability of members.	5) Limited liability of members.
6) Cash trading.		6) Business

7) Promotion of education	6) Limitation of business to members only. 7) Voluntary work by board members.	specialization.  7) Allocation of 10% of the surplus to reserves.
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## 1.4 TYPES OF CO-OPERATIVES

### 1.4.1 Processing co-operative

The primary objective of co-operative processing is to reduce the price spread between the producer and the consumer and thereby to ensure that the producer gets his legitimate share in the final price paid by the consumer. Co-operative processing helps economic development in general. It is essential for the development of co-operative marketing, co-operative credit and also consumer's co-operation.

### 1.4.2 Marketing co-operative

In case of farmers, the proper marketing of his agricultural produce is of great importance. The need of co-operative marketing arises from a variety of factors. These factors are, in the first instance, connected with the malpractices in the existing system of agricultural marketing some of these are arbitrary deductions, manipulation of weights and scale, and collusion between the broker and the buyer. To avoid the above co-operative marketing is essential.

### **1.4.3 Co-operative credit**

The co-operative credit is essential for the purpose such as generating the income of farmers and improving the productivity, delivery of inputs, mobilizing savings in rural areas and to avoid the exploitation from moneylenders. Attaining the above objectives co-operative credit societies are established in India.

### **1.4.4 Dairy co-operative**

To provide fair rates to the milk producers, rural women's empowerment, to provide agro base allied business the dairy co-operative is essential. It provides employment opportunities to rural women's and farmers.

### **1.4.5 Housing co-operative**

Co-operative housing offers several advantages. The beneficiaries can make substantial savings in cost through group action. Architectural planning can be done on a large scale. Building materials can be obtained more cheaply when purchased in bulk. This is useful for the low and middle class peoples and it reduces the slum areas.

### **1.4.6 Labor Co-operative**

A co-operative labor society is a form of organization for the employment of group of workers who associate to work together for a joint reward. Its main feature is that the workers choose their workmates, selects their leader and made the division of the proceeds of their collective labor in accordance with their choice. There is a freedom to work in it and the method of payment for its work is of the type of piece-wage in so specification.



#### **1.4.7 Industrial Co-operation**

An industrial co-operative is an undertaking of craftsman of skilled workers engaged in the cottage or small-scale industries to undertake production purchases of supplies and raw materials, marketing of products and supplying other services to the members.

#### **1.4.8 Other Co-operatives**

Other co-operatives include Fisheries, Transport, Poultry and consumers co-operative societies. The common interest groups establish the above as per their needs to serve each other. To avoid the exploitation from the middleman's such as wholesalers and retailers, peoples of the same trade meet together and form a consumer co-operative society. The importance of fishery co-operative lies in rendering economic assistance to the dispersed and disorganized fisherman, whose dependence on merchants and middlemen. The transport co-operative useful to the peoples who having insufficient resources and to render efficient and cheap service to the persons engaged in it. Development of Poultry co-operative is helpful to the small farmers

### **1.5 IMPORTANCE OF CO-OPERATIVE SPINNING MILLS**

After Co-operative sugar industry the Co-operative spinning is important one. It creates employment opportunities, develops rural entrepreneurship, Co-operative spinning provides proper price to cotton growers. It reduces regional imbalance of rural industrial development. It provides cheap and constant supply of raw material to garment industry. Co-operative spinning industry also obtains foreign currency from export of Yarn; it is very significant on behalf of nation.

## 1.6 GROWTH OF CO-OPERATIVE SPINNING MILLS IN SANGLI DISTRICT

In Sangli district co-operative spinning activity in initial stage rapidly growing, but latter it goes on decreasing due to various reasons. At present as on 31-03-2008 the number of co-operative spinning mills in Sangli district is 21 out of them 8 mills have started there functioning 6 are waiting for starting for a long time and remaining 7 are liquidated due to various problems. The following lists and Tables showing the present position of the co-operative spinning mills in Sangli district.

### 1.6.1 PRODUCTION STARTED CO-OPERATIVE SPINNING MILLS

Table No. 1.2

1	Dongrai Co-operative Spinning Mills Ltd, Kadepur
2	Jay Maharashtra Magasvargiya Co-operative Spinning Mills Ltd, Islampur
3	Rajarambapu Co-operative Spinning Mills Ltd, Islampur
4	Mahalaxmi Co-operative Spinning Mills Ltd, Kadepur
5	Sagreshwar Co-operative Spinning Mills Ltd, Kadegaon
6	Dindayal Magasvargiya Co-operative Spinning Mills Ltd, Islampur
7	Krishna-Verla Co-operative Spinning Mills Ltd, Kundal
8	Swami Ramanand Bharati Co-operative Spinning Mills Ltd, Tasgaon

## 1.6.2 UNDER CONSTRUCTION CO-OPERATIVE SPINNING MILLS

Table No. 1.3

1	Yashwantrao Chawan Co-operative Spinning Mills Ltd, Tung
2	Babasaheb Deshmukh Co-operative Spinning Mills Ltd Atpadi
3	Shirala Taluka Shetkari Co-operative Spinning Mills Ltd, Shirala

## 1.6.3 ONLY REGISTERED CO-OPERATIVE SPINNING MILLS

Table No. 1.4

1	Kisan Co-operative Spinning Mills Ltd, Sakharale
2	Sangli District Indira Magasvargiya Co-operative Spinning Mills Ltd, Sangali
3	Hutatma Kisan Ahir Magasvargiya Co-operative spinning Mills Ltd, Walva

## 1.6.4 LIQUADATED CO-OPERATIVE SPINNING MILLS

Table No. 1.5

1	Sharadchandra Pawar Co-operative Spinning Mills ltd Malgaon
2	Manmandir Shetkari Co-operative Spinning Mills ltd Vita
3	Ahilyadevi Lokar Manufacturing Co-operative Spinning Mills ltd Jambhulani
4	Siddheshwar Workers Co-operative Spinning Mills ltd Madhavnagar
5	Miraj Taluka Co-operative Spinning Mills Ltd Miraj
6	Ganesh Co-operative Spinning Mills ltd Budhgaon

## 1.6.5 CLOSED CO-OPERATIVE SPINNING MILLS

Table No.1.6

1	Khanapur Taluka Co-operative Spinning Mills Ltd, Khanapur
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## 1.7 PRODUCTION SCENARIO

At Maharashtra level there are total 123 Co-operative spinning mills are selected for finance from Government of Maharashtra. Out of them 36 spinning mills are liquidated and 54 co-operative spinning mills are functioning effectively and 34 are under construction. Today 54 effective functioning co-operative spinning mills having 11.08 lakh spindles and 5304 rotors are used for production purpose. The turnover of these spinning mills is one thousandth cores and produces 1300 lakh Kg. of Yarn and these spinning mills pays 200 cores as taxes to the government. In Sangli district 8 effective functioning mills produces 44 to 52.5 tons Yarn per day. The swami Ramanand Bharati Co-operative spinning Mills ltd Tasgaon produces 6500 Kgs. of yarn per day. (Source daily sakal)

## 1.8 EMPLOYMENT GENERATION

As like spinning mills Textile industry is big industry and important one. The co-operative spinning mills provide lacks of employment opportunities to the peoples at Maharashtra level directly and indirectly. The Swami Ramanand Bharati Co-operative Spinning Mills Ltd, Tasgaon provides 350 employment opportunities excluding top level managers. Alone in vita city the annual turnover of textile industry is 125 cores and the investment in textile industry is 50 to 60 cores, and it provides 3500 employment opportunities in this region.

## **1.9 PROBLEMS OF CO-OPERATIVE SPINNING MILLS**

- 1) The co-operative spinning mills have lack of sufficient capital
- 2) Lack of effective government support
- 3) Wrong location of spinning mills
- 4) Non-availability of raw material in local region
- 5) Load shading of power supply
- 6) Competition with private spinning mills
- 7) Competition between co-operative spinning mills
- 8) Monopoly of Kapus Ekadhar Yojana
- 9) Low rates of Yarn from outside states
- 10) Improper utilization of capital
- 11) Co-operative corruption
- 12) Lack of professional Management
- 13) Threats of Globalization

These are the various problems faced by the co-operative spinning mills in the Maharashtra state.

## **1.10 STATEMENT OF PROBLEM**

The numbers of co-operative spinning mills are registered in Sangli district at the same time some mills are growing sick units due to various reasons. There has been continuous rise in prices of cotton, increase in electricity tariff, increase in salaries and wages of employees and other factors as well this has been lead to increase in cost of production. In modern competitive world Co-operative spinning mills are not capable to face the challenges of globalization due to various reasons such as old technology, lack of professionalism, lack of government support. In addition there has been compulsion on the co-

operative spinning mills to buy cotton from the Maharashtra state cotton marketing federation, which has been given monopoly in cotton marketing at an increased price. The burden of interest on spinning mills is increasing continuously due to wrong capital structure. The mills have been under utilization of their existing capacities. Such problems are there and they are increasing day by day. The present study is the depth study devoted to analyze these problems and focusing the probable solution for them.

### **1.11 OBJECTIVES OF STUDY**

The main objectives of the study are to make depth financial analysis of present state of co-operative spinning mills.

1.11.1 To present the correct and actual financial position of spinning mill.

1.12.2 To study the managerial and financial performance of Swami Ramanand Bharati Co-operative spinning mills ltd, Tasgaon.

1.12.3 To find out strength and weakness of the spinning mill.

1.12.4 To suggest the remedies for better performance of spinning mills.

### **1.12 HYPOTHESIS OF THE STUDY**

The present study is based on the following hypothesis

1.12.1 The Co-operative spinning mills are necessary for the development of rural economy.

1.12.2 The Co-operative spinning mills are helpful in providing employment opportunities to larger population.

1.12.3 Wrong capital structure affected on the profitability of the firm.

1.12.4 Lack of professionalism in financial management of the firm.

### **1.13 REVIEW OF LITERATURE**

Research study of the Co-operative sector has got very less importance in past. Most of the researches in co-operative sector are related to co-operative sugar factories, credit societies, dairies and co-operative movement. Following are the studies related to the proposed research study.

1.13.1 Dr. S. V. Kadavekar- His title for thesis is “Management of Co-operative Spinning Mills in Maharashtra.” He has strongly advocated that the spinning mills brought under professional management for efficient and effective working.

1.13.2 Dr. S. A. Patil – In his thesis entitled “A Study of Managerial Aspects of Co-operative spinning mills in Ichalkarangi.” In his thesis they give Suggestions for the proper management of spinning mills.

Taking in to account the topics covered by the previous researches it is clear that these studies have not given due weightage to the increasing problems in co-operative spinning mills. In this situation the researcher proposes to analyze the various problems with a view to suggest remedial steps.

### **1.14 RESEARCH METHODOLOGY**

The researcher has selected case study method for the research, and for the selection of spinning mill the researcher has used purposively selecting sampling method for detail investigation. Because the researcher is more familiar about the geographical area and the co-operative spinning mills.

### **1.14.1 DATA COLLECTION**

Collation of data is most important step of any research work. The Research Study is based on the survey and observation method. There are mainly two types of data.

#### **1.14.1.1 PRIMARY DATA**

Primary data is mainly collected through Schedules, interviews and discussions with the staff and other top-level personnel's of the spinning mills.

#### **1.14.1.2 SECONDARY DATA**

Secondary Data is collected from the annual report, published financial record, documents, journals, and Internet & daily newspapers. Field visit to observe routine work, production process and managerial operations of the organization.

### **1.15 SCOPE OF THE STUDY & REFERENCE PERIOD**

#### **1.15.1 SECTOR & AREA**

The scope of the study will be limited to the analysis growth & problems of Swami Ramanand Bharti Co-Operative Spinning Mills Ltd. Tasgaon.



### **1.15.2 REFERENCE PERIOD**

A Period 6 years commencing from 2002 to 2008 will be considered as the base period for the purpose of research. But actually the mill will started the production as on 1<sup>st</sup> June 2006 therefore the study period is only 2006-07 and 2007-08.

### **1.16 LIMITATIONS OF THE STUDY**

The Co-operative is wider movement it covers banking, marketing, credit, production. The study covers only financial aspects of Swami Rananand Bharati Co-operative Spinning Mills, Ltd Tasgaon.

### **1.17 CHAPTER SCHEME**

#### **1.17.1 Introduction and research methodology**

The first chapter entitled introduction and research methodology. This chapter deals with nature and importance of co-operative societies. It covers brief history about growth and development of co-operation and co-operative management of Swami Ramanand Bharati Co-operative Spinning Mills Ltd, Tasgaon. The researcher determines deliberately these objectives, scope and hypothesis etc. Finally the research methodology and chapter scheme is involved briefly.

#### **1.17.2 Profile of swami Ramanand Bharati Co-operative Spinning Mills Ltd, Tasgaon .**

The second chapter relates to the growth and development of SRBCSMLT. It covers profile of SRBCSMLT. It also covered all types of operations of the spinning mills, brief history of the organization, departments, manufacturing process, quality control and organizational structure along with profile of directors and top-level personalities.

### **1.17.3 Financial Management in Swami Ramanand Bharati Co-operative Spinning Mill Ltd, Tasgaon**

The third chapter includes the information of about financial management of SRBCSMLT. It also includes functions of financial management objectives of financial management along with tools and techniques of financial management.

### **1.17.4 Strength and weaknesses of the spinning mills**

The fourth chapter entitled strength and weakness of the spinning mills. It includes strong points and weak points of the spinning mill. The SWOT analysis is helpful to determine the positive and negative findings.

### **1.17.5 Analytical study of financial management of Swami Ramanand Bharati Co-operative spinning mills Ltd, Tasgaon.**

The fifth chapter entitled analytical study of financial management of Swami Ramanand Bharati Co-operative Spinning Mills Ltd, Tasgaon. It involves financial statement analysis, ratio analysis, and inter-firm comparison with top-level firm in Sangli district.

### **1.17.6 Summery**

The sixth chapter it includes summary and positive and negative findings. The summary about key result areas such as production, sales, net working results etc. The important findings are working capital management, value added projects, plants projected capacity utilization and non availability of raw material in local region.

### **1.17.7 Conclusions and suggestions**

At the end the last chapter is very cautiously and deliberately concluded along with conclusion and suggestions. The researcher arrived there is low utilization of plants planned capacity; therefore researcher gives suggestion to improve the projected capacity. To avoid non-availability of working capital it is to be suggested that working capital must be collected through NCDC at a lower rate of interest. To reduce interest Burdon of loaned capital the firm must increase its member share capital, government must called off Hank Yarn Obligation, which is one of the reason of loss. And the mill must start the value added projects such as ginning, pressing, weaving, dying, garmenting and processing units for employment generation and for value addition.