CHAPTER- 9

SUMMARY, CONCLUSION AND SUGGESTIONS:

CHAPTER–1:

9.1 Profile of the Textile Industry of India

The Indian textile industry has a great legacy, which is perhaps unmatched in the history of India’s industrial development. India’s textile industry evolved and developed at a very early stage and its manufacturing technology was amongst the best. Prior to colonization, India’s manually operated textile machines were among the best in the world, and served as a model for production of the first textile machines in newly industrialized Britain and Germany. Indian textiles were sought after for their finesse, quality and design. According to Chouta-Kuan, the Chinese observer preference was given to the Indian weaving for its and delicacy’ Prestige trade textiles such as Patola from Patan and Ahmadabad, coast were sought after by the Malaysian royalty and wealthy traders of the Philippines. Textiles have historically formed an important component of India’s exports. Marco Polo’s records show that Indian textiles used to be exported to China and South-East Asia. Textiles have also comprised a significant portion of the Portuguese trade with India. These included embroidered bedspreads, wall hangings and quits of embroidered wild silk on a cotton or jute ground. The textile Group of Companies in India plays an important role to develop the Indian
A Study of Productivity and Financial Efficiency of Textile Industry of India

economy. Which are mainly engaged in manufacturing the textile, So the brief profile of textile industry is also given in this chapter, which includes the Introduction, Historical Background, Colonization-An end of the Indian textile legacy, MFA Quota Removal and Indian Textile Exports, Overview of the global textile market, Changing Shares in World Trade, Share in World trade by region, Indian Textile Industry – Present Scenario, Process of Globalization, Reforms Era: Re-emergence of the Indian Textile Industry, Influences of Fashion, under current in Indian textile Industry and Vision for the future

CHAPTER-2:

9.2 Conceptual Framework of Financial Efficiency and Productivity Management:

Present research deals with the study of “A study of productivity and financial efficiency textile industry of India” which is mainly engaged in the production of different types of textile.

The study is made to analyze financial efficiency and productivity management effectiveness of various activities in different areas of operation of an organization. In the interest of getting good working results, every enterprise should have a periodical analysis of its performance of efficiency. The areas of the analysis are, financial efficiency, and productivity. For that the conceptual framework of
Performance, Efficiency, Financial Efficiency, Performance Efficiency, Performance Appraisal, and productivity is given. The objective of this study is detailed cause and effect study of the efficiency and effectiveness in the use of resources available in the business enterprise. The importance and usefulness of operational efficiency financial efficiency analysis and productivity of business are different for various users of the information such as for Financial managers, investor, and shareholders, creditors, employees, Big Business Houses, Government, Society etc. For Financial managers this study is devised to measure the over all effectiveness of their own plans and policies. Investors and Shareholders are interested in the current and long term profitability of their investment. The employees, Shareholders, and Government are interested in the profits of a company. The society also expects to know about the social performance such as environmental obligations, employment, avenues, Social welfare etc.

The techniques, which are commonly used for the study, are such as ratio analysis, trend analysis, comparative statement analysis etc. Statistical techniques are also used for the purpose and they generally include the average, index, ANOAV test, Chi-square test, Standard deviation, variance etc. Diagrams, Graphs and Charts are also prepared and made use of.
CHAPTER-3:

9.3 Research Methodology:

The subject of the present study is “A study of productivity and financial efficiency textile industry of India”, which covers the period of the last six years from 2002-2003 to 2007-08. The study covers the large plants of textile group of companies. The study is based on secondary data published by the textile group of companies in their annual reports and accounts. The main objective of the study is to know the financial efficiency, analysis of productivity of the 7 (seven) selected units of textile group of companies. The chapter covers the Problems related to public sector enterprise, Relevance of the study, Review of the literature, Statement of problem, Objectives of study, Hypothesis of the study, Universe of the study, Period of the study, Sampling design, Data collection method, Tools and Techniques which included Various statistical measures like mean, standard deviation, regression, index number, have been used and least-square trend, qui-square of productivity have been fitted, -ANOVA test have been applied to test the validity of two hypotheses namely (1) Null hypothesis (2) Alternative hypothesis., Outline of Study, Finally the limitations of present study have been shown.
CHAPTER-4:

9.4 Analysis of Financial Efficiency:

Financial efficiency is a measure of the organizations ability to translate to its financial resources into mission related activities. Financial efficacy is desirable in all organization of individual mission. It measures the intensity with which a business uses it assets to generate gross revenue and the effectiveness of producing, purchasing, pricing, financing, and marketing decisions. At the micro level financial efficiency refers to the efficiency with which resources are correctly allocated among competing uses at a point of time. Financial efficiency is a measure of how well an organization has managed certain trade of (risk and return, liquidity and profitability) in the use of its financial efficiency. The present study has been made in order to analysis the efficiency through the profitability ratio of the textile group of companies in India and also of the individual textile Group of companies. The profitability ratios which have been discussed in this chapter are: (1) Gross profit ratio: (2) Operating profit ratio: (3) Net profit ratio: (4) Return on gross capital employed (5) Return on net capital employed (6) Return on net worth (7) A study of earning per equity share of the company under study has been also made.
1. The gross profit in terms relative terms as percent of net sales. As regard the textile group, the gross profit ratio ranged from --5.5 percent in 2004-05 to 13.47 percent in 2007-08. After first year of study period the ratio showed an increasing trend from 2005-06 to 2007-08 with an average of 4.5 percent. In this ratio, the management was very much interested. As regards this ratio the WIL, SDML, SSML and OS&WML textiles group showed good profitability. It suggests that the DGL and SKNL should reduce the cost of goods sold.

2. The calculated value of ANOVA test is less than the critical value. So it is concluded that there has not been significant difference between gross profit ratios of the selected units.

3. The operating profit ratio of textile Companies of India showed fluctuated trend during the study period. The average ratio is 10.67 percent, which was satisfactory. The ratio varied from 1.14 percent in 2004-05 to 17.99 percent in 2005-06. The ratio was not good except in 2004-. The trend in textile Companies of India fluctuated during the study period.

4. The operating profit ratio was the highest in WIL. Among all the companies, the lowest ratio is seen in the SKNL. A higher operating profit ratio is favorable for the company. Further it can be said that WIL has achieved good remarks in the case of operating profit ratio.
5. ANOVA test for operating profit ratio showed that the difference is insignificant between the groups and within the group.

6. The net profit ratio in textile industry was not satisfactory. The average ratio of SDML was highest among all the textile companies. The average ratio of WIL (5.78 percent) followed by SSML (2.66). The average ratio of DGL, O S & W ML, and MFTL showed negative profit margin. The average ratio of SS M L and WIL indicated a very low profitability.

7. ANOVA (F) test indicates that there is insignificant difference in net profit ratio of textile units under study.

8. The earning per share registered a fluctuated trend during the period under study. The highest earning per share was in SS M L and SDML. The combined average earning per share of DGL, MFTL, and O S & W, and S K N L indicated a worst profitability position of unit.

9. ANOVA Test indicates the calculated value was lower than the table value. Hence null hypothesis is accepted and alternative hypothesis is rejected. Hence the difference in EPS of textile companies was insignificant.

10. The study shows that return on the capital employed in the textile companies India has marked fluctuating trend during the whole year of the study period. The average was 22.02 percent. In the group this ratio was satisfactory.
11. The analysis of the return on gross capital employed in individual textile Companies of the study period reveals that it was the highest return on gross capital employed in MFTL followed by O S & W ML, SDML, SS M L and S K N L. In DGL, return on Gross Capital Employed Ratio of the company was not satisfactory during the study period.

12. As compared to the textile companies the performance of MFTL was better while the performance of S & W ML, SDML, SSM L and SKN L was lower. ANOVA test for return on gross capital employed ratio showed the difference is insignificant.

13. Return on Net Capital Employed is the best test of overall profitability and efficiency of the business firm. A company with high rate of return on capital employed would be in a position to capitalize; e.g. it can take advantage of all favorable market opportunities.

14. The study shows that returns on capital employed in the textile companies in India had marked a fluctuated trend. The average was 5.28 percent in textile companies in India. This ratio was not satisfactory. On the whole MFTL. had the highest return net on capital employed of 23.40 percent on an average in a span of six years followed by SDML, SS M L, O S & W ML, SDML and S K N L followed by other selected units. As compared to the textile companies in India, the performance of SS M L, O S & W ML and SDML were better. While the performance of DGL, S K N L, and WIL was lower. In the light of the above
discussion, it is suggested that DGL, S K N L, and WIL should undertake cost control measure so that increase net profit before interest and taxes of the company might enhance the return on net capital employed

15. Since F calculated value is lower than F critical (at 5% significance level), the null hypothesis is accepted and alternative hypothesis is rejected and hence it is concluded that the Return on Net Capital Employed ratio does not differ significantly.

16. Return on net worth indicates how well the company has used the resources of the owners. On making an analysis of the performance of the textile Group, the return had been on average 1.87. It showed highly fluctuated trend during the whole years of study period. The return on net worth in the covered period ranged between -130.4 in 2003-04 and 139.4 in 2007-08 the textile group of companies under study. MFTL, SKNL and DGL had to make a struggle for achieving the standard. Other companies under study had however, come up to the standard. On the whole OS & WML had the highest return on net worth of 155.0 percent on an average in span of seven years followed by SS M L, SDML and WIL.

17. The calculated value of H is less than the critical value. Therefore, the null hypothesis based on ANOVA test at 5 percent level of significant is accepted. The acceptance of null hypothesis would mean that there is
not significant difference between the return on net-worth of textile group of companies.

Chapter-5

9.5 Analysis of Material Productivity

Productivity:

Productivity may be defined as the ratio of output to input. Higher the productivity also stands for proper utilization of available resources to achieve the best result with the minimum cost of expenditure. Measurement of productivity is pre-requisite of improvement of productivity in the present study.

MATERIAL PRODUCTIVITY:

Productivity accounting in the case of material involves the following:

1. Material output (net sale)

2. Material input

Computation of material productivity ratio, material productivity indices, co-efficient factor, and material input required per rupees of output. Productivity ratio reveals output per rupees of any specific or total whatever the case may be as such the ratio indicates the present productivity of textile Group of Companies. However it does not tell us
about the efficiency achieved during the period, which is the main point of concern in this study. So the productivity indices are worked out as percent of base year productivity ratio. The percentage index comes to more than 100; it means the efficient utilization of resources as compared to the base year or vice-versa. It may, however be noted that the changes in productivity data have been worked out with reference to the base year of 2002-03

1. The average of material productivity in textile group was 4.03. Material productivity average index was 103.21 in the group. The combined average of material input required per rupee of out-put was 0.80. The material productivity index ranged between 88.57 percent and 123.4 percent.

2. In SSML average material productivity was 4.43. The material productivity average in SSML was above the combined group and productivity index average was higher than the group average. The company’s average of material input required per rupee of output was below the combined average of group. So the company was able to use its material efficiently.

3. The average of material productivity in DGL was 4.22. The average of material productivity in DGL was more than average of group. The average material productivity index was below than the group average. The company’s average of material input required per rupee of output
was below the combined average by 12.5 %. So the company was efficient in utilizing its material.

4. In OS&WML the material productivity was 2.83 which low compared to average of group. The average index was 95.04 percent which was also less than the combined average of the group. The coefficient was 4.89 and the combined average of material input required per rupee of output was above than the average of group. So the company was not efficient in utilizing its material.

5. The material productivity ratio on an average was 5.86 in SDML and the average ratio was less than group’s average by 31.23 percent. The average of material productivity index in the SDML was also below by the textile group by 7.03 percent. The combined average of material input required per rupee of output was below 37.5 percent of the combined group average. So efforts should be made by the management to improve material productivity.

6. In WIL, the average material productivity ratio was 3.69 which were below the combined average of textile group. The average index was 101.92 percent which lower than the combined average of textile group. The $\chi^2$ was 0.191 which showed the difference was insignificant. The input required per rupee was 0.80 which was equal to the combined average of textile group. The growth rate was negative of -0.13 percent and total rank for productivity is 5th in group.
7. The average material productivity ratio was 2.32 in SKNL which varies from the combined average of textile group. The average productivity index was 114.04 which were lower than the combined average of textile group. The $\chi^2$ was 0.97 which showed that the difference is insignificant. The per unit consumption of raw material was 1.28 which was lower than the combined average of textile group. The growth rate was very positive in the company. The company has not utilized its material properly.

8. The material productivity ratio on an average was 4.84 in MFTL and the average ratio was less than group’s average by 16.74 percent. The average of material productivity index in the MFTL was above 20.19 by the textile group. The combined average of material input required per rupee of output was below 20 percent of the combined group average. So the company was efficient in utilizing its material.

9. The Material productivity ratio of textile group of companies was on an average 1.01. The productivity ratio was found highest in WIL (1.35) followed by SS M L, SDML, SKNL, DGL, OS & WML and MFTL all these companies were efficient in utilizing its material.

10. As pointed out earlier the indices are the true indicators of the progress made during the period. For material productivity, the highest average index (116.06) was recorded for MFTL. This means the MFTL substantially improved its material productivity during the period over
the index of base year 100. On the other hand, SDML, and S K N L showed the index more than the 100. SSML (99.63), DGL (89.93), OS & WML (95.81), WIL (95.33), performed below the combined average (107.94). It is suggested that the all three companies should take necessary steps to improve their material productivity by aggressive and economical material management.

Chapter-6

9.6 Analysis of Labour Productivity:

Labour productivity is considered to be the most important factor in productivity accounting. Labour productivity is calculated by convert input and output to the monetary terms. The ratio between the output and input expressed in terms of money output per rupee of input is the measure of labour productivity. Output per rupee of input shows the efficiency in utilizing the manpower resources input in the production. Labour productivity and capacity utilization could be general indices, which are easily understandable and could be the basis for measurement by mass of the employee. Apparently there is some substance in the contention that labour productivity may be regarded as one of the basic indicators of economic development. It is rightly considered to be one of the major determinants of national income.

1. The average of labour productivity in textile group was 21.21. labour productivity average index was 92.80 in the group. The combined
average of labour input required per rupee of output was 0.12. The labour productivity index ranged between 72.8 percent to 113.84 percent.

2. Average of labour productivity in SS M L was 26.25. The company’s average index was 82.73. It was below the combined group average by 10.07 percent. The output increase during the study period but input decreased. It shows efficiency in utilizing the manpower resources in the years 2002-03 to 2007-08. The labour input required per rupees of output in later years showed efficiency and improvement in labour productivity in SS M L.

3. In DGL the average of labour productivity was 6.0. The company’s average index was 99.8. It was above the combined group average by 7.01. The output decreased by 49.07 percent but the labour input decreased by 46.67 percent during the study period. It showed the inefficiency in utilizing the manpower resources in the year 2002-03 to 2007-08. The company’s average labour input required per rupee of output was below the combined group average by 0.29 percent. So the company was not that much efficient in utilizing the manpower.

4. In O S & W ML the average of labour productivity was 17.41. The company’s average index was 93.04. It was above the combined group average by 0.24 percent. The output increased by 28.70 percent but the labour input decreased by 12.19 percent during the study period. It
showed the efficiency in utilizing the man power resources in the year 2002-03 to 2007-08. The company’s average labour input required per rupee of output was below the combined group average by 50 percent. So the company was efficient in utilizing the manpower.

5. Average of labour productivity in SDML was 29.6. The company’s average index was 96.43. It was above the combined group average by 3.63 percent. The output increase by 32.64 percent during the study period but input decreased by 36.63 percent. It shows efficiency in utilizing the manpower resources in the years 2002-03 to 2007-08. The labour input required per rupees of output in later years showed efficiency and improvement in labour productivity in SDML.

6. The labour productivity on an average has been of 27.4 in WIL Company. The average index of the WIL was 72.8 percent which was very lower than the average of group. The $\chi^2$ was 0.32 which the difference is insignificant. The growth rate was minus -6.99 and the output was showing increasing trend and input was also showing the same trend during the study period. The input per rupee was 0.113 which showed efficiency in utilization of man power.

7. Average labour productivity was 37.11 in SKNL and average index was 113.84 percent in SKNL. The co-efficient was 13.39 percent and $\chi^2$ was less than the table value hence the null hypothesis is accepted and alternative hypothesis is rejected. The growth rate was positive
4.62 percent and the labour input required per rupees of output in later years showed efficiency and improvement in labour productivity in SS ML.

8. The MFTL showed average labour productivity 4.66. The average labour productivity was very lower than the combined average of textile group. The $\chi^2$ resulted in insignificant difference. The coefficient was 18.82 percent and growth rate was 0.32 which was very lower than the average growth rate of textile group.

9. On the basis of labour productivity analysis. It is found that the average of labour productivity ratio was the highest among the selected units in S K N L (37.11) followed by SDML (29.6) WIL. (27.4), SS M L (26.25), O S & W ML (17.41), DGL. (6.06), and MFTL. (4.66), while other units such as MFTL and DGL have very low labour productivity ratio. So these companies have not been utilizing its manpower efficiency.

10. The co-efficient of variation was seen very lowest in SDML (2.2 percent), whereas input out ratio was the lowest in SS M L, WIL. DGL, WIL and SKNL. The chi-square test support the assumption of the labour productivity indices follows trend value in SS M L, DGL, O S & W ML, and WIL.
Chapter-7

9.7 Analysis of Overheads Productivity:

Accounting for overhead costs should be done in such a manner that would help management in controlling cost and decision-making. Thus efficiency in overhead is one of the basic objectives of accounting for overheads. It should be noted that net sales divided by total overhead input gives overhead productivity ratio indices, input-output ratio etc. For the textile Group of Companies in India for the seven periods covered under this study.

1. The average of overheads productivity in SS M L was 2.49. The average of overheads productivity index during the period under study was 98.24 above the combined average of the group by 7.8. The company’s average of overheads input required per rupee of output was below the average of the group by 2.05 percent.

2. In DGL, the average of overheads productivity was 2.92. The average of the index during the period under study was 87.67 percent. It was below the combined Group’s average by 18.37 percent. The total output increased by 49.07 percent during the period under study but the overheads input decreased by 34.22 percent. Thereafter, the overheads productivity ratio decreased during the study period due to inefficiency in utilizing overheads in production, the overheads input
required per rupee of output increased in six years of the study period to due to decrease in productivity and efficiency.

3. The average of overheads productivity in O S & W ML 3.76. The average of overheads productivity index during the period under study was 98.81. It was lower than the combined average of group by 7.23 percent. The output increased by 28.79 percent during the period under study but the overheads input 26.83 percent and therefore the overheads productivity increased by 1.31 percent. It shows efficiently in utilizing the overheads. The highest productivity ratio was achieved in 3.9. The overheads input requirement per rupee of output decreased in the year 2004-05 and 2003-04 showing efficiency and improvement in overheads productivity in O S & W ML.

4. In SDML, the average of overheads productivity was 2.9. The average of the index during the period under study was 114.04 percent. It was below the combined Group’s average by 8 percent. The total output increased by 32.64 percent during the period under study but the overheads input decreased by 27.20 percent. Thereafter, the overheads productivity ratio decreased during the study period due to inefficiency in utilizing overheads in production, the overheads input required per rupee of output increased in six years of the study period due to decrease in productivity and inefficiency.
5. The average of overheads productivity in WIL was 4.87. The average of overheads productivity index during the period under study was 90.81 above the combined average of the group by 13.03. The company’s average of overheads input required per rupee of output was below the average of the group by 80 percent.

6. The average of overheads productivity in S K N L was 9.06. The average of overheads productivity index during the period under study was 131.4 above the combined average of the group by 27.55. The company’s average of overheads input required per rupee of output was below the average of the group by 63.33 percent.

7. The average of overheads productivity in MFTL was 2.43. The average of overheads productivity index during the period under study was 106.04 above the combined average of the group by 2.18. The company’s average of overheads input required per rupee of output was below the average of the group by 28.66 percent.

Chapter-8

9.8 Analysis of Overall Productivity:

Overall productivity ratio measures the total productivity of the combined resources input used by an enterprise. In order to resolve the problems of calculation of the overall productivity ratio the data needed are: output (net sales) and total input. Total input includes the elements of costs such as material, manpower and overhead. Total input calculated
with the base year 2002-03 prices to indicate the change in productivity efficiency over the base year.

1. The average of overall productivity in SSML was 1.21. The overall productivity index in SSML indicated fluctuated trend during the period under study. The overall average ratio of SSML was above the combined average by 4.96 percent and the average overall productivity index was below the combined average by 1.49 percent. The total input required per rupee of output had shown a fluctuated trend throughout the period under study. As the overall productivity was improving, so the material, labour and overheads had been utilized efficiently by the company during the period under study.

2. The average of overall productivity in DGL was 1.09. The average overall productivity ratio in DGL was below the combined average of the textile group by 5.21 percent. The overall productivity index average of the company was below the combined average of the textile group by 11.19 percent.

3. The average of overall productivity in OS &WML was 1.08. The overall productivity index in OS & W ML indicated rising trend during the period under study. The overall average ratio of OS &WML was above the combined average by 8.08 percent and the average overall productivity index was below the combined average by 5.20 percent. The total input required per rupee of output had
shown a fluctuated and decreasing trend throughout the period under study. As the overall productivity had improved in the last year of the study period, so the material, labour and overheads had been utilized efficiently by the company during the last year the study period under study.

4. In the SDML the average overall productivity ratio was 1.19 which was higher than the group average. The average index was 103.15 percent which also higher than the average of group. The $\chi^2$ value is lower than the table hence the null hypothesis is accepted and concluded that the trend followed the total productivity indices can be represented by the line of the best-fit based on least square methods. The growth rate was 1.48 and co-efficient was 6.31 percent.

5. In WIL the overall average productivity ratio was 1.35 and average overall productivity index was 95.33 which were lower than the average of group. The input output ratio was 0.74 which was also lower than the average of group. The co-efficient was 6.02 percent and growth rate was minus.

6. The overall average productivity ratio was 1.14 in SKNL and overall average index was 116.06 percent. The co-efficient was 11.3 percent and Chi-square was lower than the table value which showed that the difference was insignificant. The growth rate was 0.89 which was very lower than the average of group.
7. In MFTL the overall average productivity ratio was 1.01 and average index was 107.94 which were very lower than the average of textile group. The co-efficient was 20.2 percent and input out ratio was 1.02 which higher than the average of group. The growth rate was positive during the study period.

8. The average of overall productivity in the textile group of companies was 1.15 and overall productivity index was 101.12 percent. The WIL was the best in utilizing the overall productivity resources followed by SS M L, SDML, S K N L, DGL, O S & W ML and MFTL.

9. The overall productivity was the highest in WIL (1.35) and it was found very lowest in MFTL (1.01). Thus textile Group of Companies SS M L and SDML was efficient and effective to utilize the overall components of men machine and material. In this connection it may be suggested that in order to increase productive efficiency, the cost reduction programme currently in operation should be intensified. It should be ensured that the level of efficiency once achieved does not go out of hand. There should be continuous measurement of efficiency for each and every aspect. The productivity data should be supplied in periodic reports with standard, actual and variance together with causes responsible for such variance.
9.9 Suggestions: (company specific)

As a researcher on the basis of analysis, the researcher has found the following suggestions for the betterment of the selected textile group of companies.

1. Gross profit margin was the highest in WIL throughout the study period in comparison to other companies under study. It was the highest (18.22%) in WIL during 2006-07. The ratio was negative in SKNL, DGL and MFTL during the first two years of the study period in input costs which were largely administered prices. The gross profit margin increased continuously in all the companies under study except DGL, OS&WML, SKNL and MFTL during the last two years of study period. Thus, on the basis of gross profit margin profitability of almost all the companies has gone up over the year during the period under review especially during the last two years.

2. The company like DCL, SKNL and MFTL did not have good gross profit margin. Therefore these companies should lower down their labour cost, and other manufacturing cost. The companies should use raw material properly to increase material productivity.

3. SKNL, MFTL and DGL should try to operate over and above their rated capacity so as to reduce the percentage of factory overheads and administrative over heads.
4. The proportion of administrative overheads in SKNL and DGL should be reduced by decreasing its travel and conveyance expenses as it had increased considerably during the study period.

5. The textile companies like DGL, OS & WML, SKML and MFTL should reduce power and fuel consumption by using low ash content coal, lignite and agro waste product especially ground nut husk and beggass should be used as coal substitute.

6. The operation break downs due to mechanical problems and labour problems should be avoided.

7. The net profit of DGL, SKNL and MFTL were very poor and showed downward trend due to rising price of raw material, labour cost and power and fuel cost.

8. Earning per share indicated highly fluctuated trend the EPS was negative in DGL, SKNL and MFTL. These companies should use debt in affordable proportion to have the benefit of trade on equity.

9. The return on gross capital employed is very low because of the low operating profit. Therefore DGL is advised to accelerate the sales and lower the cost of production.

10. The return on net capital employed was negative in DGL, and SKNL. The policy of borrowed financing in textile companies under study was not proper, particularly in DGL, SKNL and WIL. So, these companies should widely use the borrowed funds and
should try to reduce the fixed charges burden gradually by decreasing borrowed funds and by enhancing the owner’s fund. For this purpose these companies should enlarge their equity capital by issuing new equity shares, whereby a low capital –gearing ratio could be maintained.

11. The return on net worth was negative in DGL and SKNL. The return on net worth was nil in MFTL. The ratio was negative in DGL and SKNL due to net loss and negative net worth. This shows defective leverage policy, ineffective and inefficient production and sales. Moreover, these companies largely depend on borrowed funds. These companies could not earn on borrowed funds sum even to repay the interest thereon.

12. The material productivity ratio is the lowest and below group average of OS & WML, WIL and SKNL. Therefore, these companies are advised to increase the efficiency level of material consumption. These companies should use latest technology to increase material productivity and to decrease the production cost. These companies should purchase bulk raw material in season.

13. The labour productivity was very low in DGL and MFTL. So these companies should increase labour productivity by adopting modern manufacturing process—dry process and a productivity based wage policy should be implemented by the textile companies. Moreover,
the use of computer should be increased in such a way that it does
not prevent employment opportunities. The concept of “Work
organization should be adopted by the selected textile companies.
14. The overheads productivity ratio was very lower in SSML, DGL,
SDML, and MFTL. So these companies should increase output in
proportion to increase in overheads expenses. The overheads
expenses should be reduced by these companies.
15. The overall productivity ratio is very low in MFTL, DGL and
SKNL. These companies should try to increase the overall
productivity. Moreover to increase overall productivity, company
should increase financial efficiency and operational efficiency.

Suggestions: (Overall)

As a researcher on the basis of analysis, the researcher has found
the following suggestions for the betterment of the selected textile group
of companies:
1. The company should try to increase the production so as to get
economies of large-scale production. It will assist in raising the rate
of return on capital employed.
2. In order to increase the financial efficiency of the companies, it is
suggested to control the cost of goods sold and operating expenses.
3. The management should try to adopt cost reduction techniques in their companies to get over this critical situation.

4. The quantum of sales generated should be improved impressively in order to enjoy better operational efficiency of the assets and capital employed.

5. The selected textile Group of Companies is the capital intensive in nature but the policy of purchase of fixed assets should be carefully planned and reviewed so that the funds may be properly utilized.

6. To reduce power and fuel cost, Company should find out other alternatives for this.

7. The selected textile companies should try to match the amount of working with the sales trends. Where there is a deficit of working capital, they should try to build on adequate amount of working capital. Where, there is an excessive working capital, it should be invested either in trade securities or should be used to repay borrowings.

8. The management should try to utilize their production capacity fully in order to reduce factory overheads and to utilize their fixed assets properly.

9. The burden of interest has produced a deteriorating effect and reduced the percentage of net profit. It is suggested that the
companies should try to reduce the interest burden gradually by increasing the owner’s fund.

10. The few companies, which did not follow a definite policy of financing fixed assets, should follow such policy.

11. To strengthen the financial efficiency, long-term funds have to be used to finance core current assets and a part of temporary current assets. It is better if the companies can reduce the over sized short-term loans and advances and eliminate the risk by arranging finance regularly.

12. The policy of borrowed financing in selected textile group of companies under study was not proper. So the companies should use widely the borrowed funds and should try to reduce the fixed charges burden gradually by decreasing borrowed funds and by enhancing the owner’s fund. For this purpose, companies should enlarge their equity share capital by issuing new equity shares.

13. For regular supply of raw materials and the final product infrastructure facilities require further improvement.

14. Cost accounting and cost audit should be made mandatory for these units and cost sheet along with annual financing statement should be prepared.
15. The public sector enterprises set up in backward areas were not guided by commercial considerations. They were set up to fulfill the aim of balanced regional development.

16. There has been too much of government interference in policy and day-to-day working and decisions. This leads to delays in decision-making. This should be abolished.

17. There is no incentive to the employees to perform better. Also there is no accountability because no one is held responsible for a failure in achieving targets. For this kind of problem, responsibility centre should be created.

18. Improper planning and delays in implementation of projects lead to rise in their cost. So proper planning should be made.

19. Public sector enterprises have long enjoyed a monopolistic position. Private sector was not allowed entry. This, in the absence of any competition, means that any performance was good performance. Due to absence of competitor there was no incentive to cut down costs or improve the quality of the product.

20. There is overstaffing in public enterprises. The number of persons employed is more than what is required to run the public enterprises efficiently. This increases the cost and reduces profitability of these enterprises.
21. The labour productivity should be increased by adopting modern manufacturing process and productivity based wages policy should be implemented by textile companies.

22. The textile companies should reduce power and fuel consumption by using low ash content coal (imported coal), lignite and agro waste product especially ground nut husk and beggass should be used as coal substitute.

23. To regularize and optimize the use of cash balance, proper techniques may be adopted for planning and control of cash. The investments in inventories should be reduced and need to introduce a system of prompt collection of debts.

24. Selected textile companies should try to use properly their operating assets and should try to minimize their non-operating expenses.

25. The government should minimize the subsidy and encourage the capital market for the textile companies.