CHAPTER – VI

ANALYSIS AND FINDINGS OF PRIMARY RESEARCH
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6.1 INTRODUCTION
To study the structure, potential and performance of marketing and financial mechanism of small scale enterprise of textile value chain in Gujarat, interview-administered questionnaire is developed and circulated for feedback / views to various small scale units by the Researcher. This chapter presents the findings and analysis of responses which are taken from various small scale units of textile in Gujarat.

This questionnaire contains both open-ended and close-ended questions. The close-ended questions are selected in the case in which possible sets of outcomes are almost well defined and statistical analysis is applicable and relevant. The open-ended questions are used in the case in which outcomes are many with huge variations and difficult to compare (i.e by statistical techniques) by single yardstick. In few of the cases intentionally open-ended questions are used to provide opportunity to interviewee to elaborate his response in comprehensive manner.

As most of the small scale units of textile value chain are situated in Ahmedabad and Surat regions in Gujarat, the response are taken from 35 organizations of these two regions.
6.2 ANALYSIS AND FINDINGS
These following sections present, question wise analysis and findings of the questionnaire.

1. In terms of employment, how big is your organization?
Name: ____________________________________________________
Locations: Manufacturing ____________________________________
Marketing (domestic) ______________________________________
Marketing (export) _______________________________________
Number of employees ______________________________________
Sales in Yr. 06-07 in INR ________________________________

Results and inferences:

![Market Penetration Graph]

The results show that the very few organizations are serving global supply chains (11% of sample survey) of textile sector. All organizations have manufacturing units in Gujarat and proportion of outsourcing of the activities is comparatively low (9% of sample survey) as manufacturing
activity is core activity / identity of the organization. Another finding is higher level penetration of labour intensive technology in manufacturing units. This has also created serious problem for SSIs to maintain their competitive position in the market specifically after removal of quotas in Indian market as per WTO guideline. The numbers of employees are varied from organization to organization. Most of the units (65% of sample survey) are operated in two shifts, each of eight hours. At operational level in many units, (40% of sample survey) the labors are employed on contract bases and support is taken of third party contractors for the same. In that situation, the payment is directly made to the third party contractor on shift bases and that contractor is looking after the payment to individual labor. The major drawback of this type of arrangement is that the workers are not covered by the any insurance or any other medical and/or fatal liabilities.

The researcher has observed that in few cases, the raw cotton is imported from the country like Bangladesh, Taiwan, Pakistan, China and Afghanistan as the cost is comparatively less than domestic supply. Same way, V-797 cotton which is traditionally known as Kalyani cotton is exported from India to Pakistan and Bangladesh as these countries are not producing cotton crops of short fiber.
2. Please list out various activities and roles of different functional areas (Departments) of your organization.

Results and inferences:

The researcher has found that in very few Textile units, the activities are distributed in different heads / functional areas. For convenience and analysis, the researcher has distributed activities in different heads / functional areas. Almost all SSI focus on four different activities, 1. Finance, 2. Purchase/ Procurements, 3 Manufacturing and 4 Marketing. As the applicability of advance IT tools is comparatively less due to size of the organization, a few organizations (6% of sample survey) have IT department. The researcher has also found that the big players of the value chain of the Indian textile sector have taken less interest in higher level integration of information network to cover all the channel members, specifically SSI units in upstream network. The reason is frequent changes
in channel members by the dominating firms as business is done with SSI purely on order bases. It has also observed that the many organizations (40% of sample survey) focus on purchase and manufacturing operations only, as they have specified list of customers and order are frequently placed by the customers on regular interval. The researcher has come to know that these organizations have long term business relationship with these customers. Another reason is the order size. The size of the requirements of the big players (Textile manufacturer) is huge which is fulfilled by the numbers of SSI units.

The role of individual departments is as under,

**Finance department:**
- To prepare annual budget (100% of sample survey)
- To identify sources of fund i.e cash credit, bank loan, special financial packaged offered by governments etc (100% of sample survey)
- To allocate fund in different heads / departments (100% of sample survey)
- To prepare various documents for submission for income tax and other duties. (100% of sample survey)
- To conduct audit by taking support of external auditors(100% of sample survey)
- To submit report of financial positions to top management on weekly (34% of sample survey) and monthly bases (100% of sample survey)

**Purchase department:**
- To identify suppliers of various raw materials (100% of sample survey)
✓ To get quotation from qualified suppliers & evaluation and negotiation with the suppliers specifically in procurement of capital goods. (74% of sample survey)

✓ To make contractual agreements (normally order base) with the suppliers. (9% of sample survey)

✓ To make necessary arrangements for logistics (100% of sample survey)

Manufacturing Department:

✓ To design production plan according to order size and type of the product. (100% of sample survey)

✓ To deploy machine operator on shift bases(100% of sample survey)

✓ To inspect process equipment prior to process and during the process in case of break down maintenance. (82% of sample survey). The production process in most of the unit is in batch form and normally preventive maintenance of the process is done twice in a month.

✓ To measure the quality and quantity of production during the process and of final product by taking appropriate samples from different process stages. (46% of sample survey)

✓ To make necessary arrangement for packaging of finished product and its quality inspection after packaging. (100% of sample survey)

✓ To issue packaging list to marketing department for final dispatch. (100% of sample survey)

Marketing Department:

✓ To network with customers for identifying their annual requirement. (34% of sample survey)
✓ To network/communicate with agents for identifying order capacity of export cargo. (6% of sample survey)
✓ To forecast market potential for various product category. (17% of sample survey)
✓ To identify potential customers for available stock on hand. (5% of sample survey)
✓ To calculate total cost of the production and marketing with the support of the various department for individual product. (9% of sample survey)
✓ To calculate minimum price for individual product as a base line. (6% of sample survey)
✓ To get order from the customers and communicate/transfer it for production (100% of sample survey)
✓ To communicate production department about packaging requirements which are specified by the customers. (82% of sample survey)
✓ To make suitable arrangement for transportation. (It depends on condition specified in the order / acceptance of the order) (88% of sample survey)
✓ To issue perform invoice for the processing of letter of credit by customer. (6% of sample survey)
✓ To communicate agent to prepare documents for export (6% of sample survey)
✓ To provide necessary training to sales persons to improve their marketing skill. (20% of sample survey)
✓ To evaluate performance of sales people on monthly basis. (54% of sample survey)
✓ To prepare product catalog for promotion (77% of sample survey)
✓ To collect feedback from the customer about the product and services.
   (17% of sample survey)
✓ To organize monthly meeting to communicate other departments about market requirements and market trends. (6% of sample survey)

3. Rate the extent of cooperation and interaction among the departments of your organization.

Results and inferences:

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Cooperation/Interaction between</th>
<th>Mean Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Purchase and Manufacturing</td>
<td>4.57</td>
</tr>
<tr>
<td>2</td>
<td>Purchase and Logistics</td>
<td>3.43</td>
</tr>
<tr>
<td>3</td>
<td>Purchase and Marketing</td>
<td>2.77</td>
</tr>
<tr>
<td>4</td>
<td>Purchase and Design (or R &amp; D)</td>
<td>2.06</td>
</tr>
<tr>
<td>5</td>
<td>Purchase and Quality Control</td>
<td>3.66</td>
</tr>
<tr>
<td>6</td>
<td>Purchase and IMC (Advertisement)</td>
<td>1.46</td>
</tr>
<tr>
<td>7</td>
<td>Purchase and finance</td>
<td>4.57</td>
</tr>
<tr>
<td>8</td>
<td>Manufacturing and Logistics</td>
<td>3.23</td>
</tr>
<tr>
<td>9</td>
<td>Manufacturing and Marketing</td>
<td>4.20</td>
</tr>
<tr>
<td>10</td>
<td>Manufacturing and Quality Control</td>
<td>4.00</td>
</tr>
<tr>
<td>11</td>
<td>Manufacturing and Design (or R &amp; D)</td>
<td>1.69</td>
</tr>
<tr>
<td>12</td>
<td>Manufacturing and Finance</td>
<td>3.00</td>
</tr>
<tr>
<td>13</td>
<td>Marketing and IMC (Advertisement)</td>
<td>4.54</td>
</tr>
<tr>
<td>14</td>
<td>IMC (Advertisement) and Finance</td>
<td>1.69</td>
</tr>
<tr>
<td>15</td>
<td>Marketing and Quality Control</td>
<td>1.83</td>
</tr>
<tr>
<td>16</td>
<td>Marketing and Design (or R &amp; D)</td>
<td>2.00</td>
</tr>
<tr>
<td>17</td>
<td>Marketing and Logistics</td>
<td>3.69</td>
</tr>
<tr>
<td>18</td>
<td>Marketing and Finance</td>
<td>3.86</td>
</tr>
</tbody>
</table>
The researcher has found that in most of the small scale companies have only four basic departments / activity center like finance, purchase, manufacturing and marketing only (71% of sample survey). The researcher has collected relevant information for this question by distributing information in different heads (department) on the basis of activities. As an outcome of primary and secondary research, the researcher has developed model of Textile’s value chain, which is presented in next chapter. The value chain covers all size and type of the organization. It has been observed that the value chain starts with small and medium size enterprises, most of them are part of unorganized sectors and traditional means and tools are used in marketing practices with lower level approach of scientific techniques in analysis and evaluation of financial health of the organization. The survey results clearly shows that the level of co-ordination between the purchase and manufacturing is very high than other departments and reason is in SSIs, the core activity is manufacturing. Second best coordination of purchase department is with logistic department as it directly deals with procurement of raw materials. Purchase department is not having direct interaction with marketing as marketing department in most of the organizations directly interacting with manufacturing department and necessary follow up is done
by manufacturing department with purchase department for the procurement of the raw materials. The purchase department is having less interaction with design department as most of the product requires standard raw materials and source of these raw materials (i.e. suppliers) are well identified. Again the purchase department is having close interaction with quality control, as the quality of raw materials influence directly on quality/performance of finished goods. As IMC is part of marketing department, the role of purchase department in IMC (Integrated marketing Communication) is negligible. The manufacturing department has high level of interface with marketing, logistics, quality control and design departments and very less involvement in IMC programme. As in most of the organizations, advertisement and sales promotion is one of the activities of marketing department. The results show that the advertisement is given less importance in SSI units, as client list is well specified and business growth is dependent on consistent supply of quality product and price as prescribed by the client. Occasionally, brochures are developed and updated with additional information for client and these brochures/ pamphlets are circulated to clients. Level of integration between marketing and quality control department / activity is low, as quality control is considered as an activity/responsibility of manufacturing department. Results also show that the involvement of marketing department in designing of product is also low. This is because of the organization structure, which is highly centralized and there is high level of involvement of top management in product related decisions. This is also a unique feature of the Indian small scale industries. There is higher level of coordination between marketing and logistics, as marketing department is accountable to deliver finished goods up to customers' locations. Between quality control and IMC, poor coordination is
shown, as these activities are performed in different departments and lack of professional approach in operations of these SSI units. Higher level of integration between and design and quality control clearly shows that these activities are interdependent and interrelated. The integration between logistics and quality control is low, and the argument is most of the time, these organizations are dealing with routine products and they have developed expertise in packaging of finished goods. There logistics partners are also skilled and having sufficient knowhow in inward and outward cargo handling. Research also shows that the level of integration between logistics & IMC, logistics & design and design & IMC are low. Out of these three results, the critical one is between design and IMC. This lower level integration clearly communicates in indirect way that most of the SSI deals with routine products. The results clearly show that the finance department is having higher level integration with purchase and manufacturing department as finance department deals with sources of fund and application of fund, while production department deals with utilization of capital resources and portion of working capital in their operations.

4. Please define critical success factors of the value chain of your organizations.

Results and inferences:

The outcome of the research shows that SSI of Textile Value chain gives highest importance to quantity and quality of the finished product (77% of sample survey) and total cost of production and distribution (88% of sample survey). They have given equal importance (82% of sample survey) to
timely fulfillment of the orders. This result clearly shows that for SSI units of textile value chain, manufacturing is core activity and highest importance is given to activities surrounded to this core area.

5. Based on your experience, select one of these alternatives to define term “value” for your organization.

![Bar chart showing the results of the survey.](image)

**Results and inferences:**
The results show that the highest importance is given to operational excellence (88% of sample survey). A few organizations were confused and denied the answer by selecting fifth option of not applicable. (11% of sample survey). The another reason behind selection of operational excellence is nature of demand, which is derived by nature and from client side timely supply of processed goods with good quality, sufficient in quantity and price as per agreement is more important than other attributes and business practices.
6.3 MARKETING DEPARTMENT

6. Describe the structure of marketing department along with roles and responsibilities of individual designation.

Results and inferences:

Sample survey demonstrates that (77% of sample survey) in small scale units of textile industry, marketing activities are performed at three different levels. Most of the time the approach is top down and active involvement of top management in almost all activities. The operations are highly centralized and intuition, personal goals, skills, knowledge and experience of the CMD (i.e owners) plays decisive role. Marketing Manager works directly under guidance of chairman and managing director (CMD). And his main job is to coordinate activities pertaining to order confirmation & its processing within the organization. The person (i.e Marketing Manager) directly deals with production department for the same. Here in Textile SSI units, commercial activities are handled by commercial staffs that are under the guidance and orders of marketing department and CMD. The researcher has not found single unit in sample survey which has separate commercial
department. The prime jobs of commercial staff are preparation of commercial documents, collection of payment from the customers, communicating and coordinating various activities with the agents in case of export cargo, submission of various documents to auditors for audit, submission of various documents to various state and central government agencies, communicating and coordinating various activities with forwarding agent (freight forwarder) in case of export cargo. Almost in all SSIs, (94% of sample survey) the CMD interacts directly with commercial staff to get status of various orders and payment condition. The sales executives work at operational levels and directly interact with customers to get orders, communicate status of the orders to customers, get feedback from the customers and communicate all these things to marketing manager for further communication and actions. In order acceptance process, CMD and marketing manager play active and decisive role with close communication with managers of other departments, sales staff and commercial staff. The commercial staff gives information regarding credit status of existing client and historical record of payment cycles. The sales staff also provides information pertaining to market growth, level of competition etc.

7. Define the role of marketing department in strategic and operational levels planning.

Results and inferences:
The results show that the role of marketing department in strategic level decision is negligible (11% of sample survey) as most of the strategic decisions are taken by top management, i.e CMD and other directors. At operational level, the marketing department plays very important role. The
survey shows that (100% of sample survey) the marketing department works very closely with production department in monthly production scheduling and dispatch planning. In export cargo, (11% of sample survey) the planning of marketing department plays very vital role in communication with agents and forwarding agents and in coordination activities like preparation of documents for processing of letter of credit, packaging slips etc.

8. Describe the role of marketing department in sales forecasting. How many people and at what levels are involved in forecasting process from marketing department and from other departments? (Name their designations)

Results and inferences:
The survey result shows that the SSI units of textiles in Gujarat are not providing sufficient importance to forecasting (88% of sample survey). Mainly two reasons are responsible, firstly the client list is pre-defined and growth of the organization (SSI unit) depends upon customer satisfaction and retention. (85% of sample survey) The second reason is lack of professional approach of management towards systematic advance planning. (28% of sample survey) The sample survey explains that only 74% of respondents are involving production department and purchase department, 57% of respondents are involving production department and none of the respondents are involving all the departments in forecasting process. In marketing department 67% of organizations are involving marketing manager, sales executives and commercial staff in forecasting and 82% of organizations are involving marketing manager and sales executives.
9. Tick mark the methods of sales forecasting used in your organization

Results and inferences:

The result clearly shows that in most of the SSI units of textile, use of scientific methods in forecasting is very less. The researcher has found that the forecasting process and figures significantly depends on knowledge, experience, intuition of top management and outcomes are more qualitative and less quantitative in nature. This result is clearly visualized as maximum numbers of respondents are using expert opinion method – simple for forecasting and again the expert in most of the cases CMD / owners of the organization. Again the focus of this forecasting process is more on short term targets. The researcher has also found that in many cases, lack of scientific approach in forecasting has put many SSI in disreputable position, where they are not in position to respond change in market place and have paid bigger cost for the same. The researcher has also found that during last
decades many SSI have realized the importance of forecasting and they have taken initiatives in that direction. But still the initiatives are in infant stage and it demands more willingness and affords of the top management for concrete results.

10. Which are the Principal factors taken into account for forecasting?

Results and inferences:

The researcher has asked open ended question to cover all possible sets of factors which play decisive role in forecasting process.

- 100% of respondents have given importance to rolling forecast and confirmed order list. Infect, only 34% of respondents are getting rolling forecast from their customers.
- Another important factor is past payment record of the client and 65% of respondents have highlighted this as an important factor.
- The 57% of respondents has given importance to product category and line capacity though the manufacturing processes are comparatively simple in SSI but wastages like labor hours, raw material and in process wastage of semi-finished raw material due to process incompetency play crucial role.
- The 34% of respondents has given importance to process capacity and capability.
- The 57% of respondents has given importance to raw material cost, available stock of raw materials and procurement time.
- The 26% of respondents has given importance to availability of skilled and semi skilled labors for different products.
11. Is advertisement / IMC (Integrated Marketing Communication) under marketing department?
Yes_______ No_______
If yes,
What are the modalities of promotion programmes?
How coordination is made between timing of media promotion with actual supply of goods in the market?
If no,
How marketing department coordinates different activities with advertisement department to perfectly synchronize physical flow of goods with media promotion?

12. Is IMC (Integrated marketing communication) in-house activity or this activity is transferred to external agency (Third party organization)?

13. Which are the tools and techniques used in media promotion?

14. How effectiveness of the media promotion is measured?

Results and inferences:
The researcher has found that 65% of respondents are doing advertisement/IMC. The 57% of respondents are conducting this activity under the marketing department. It is also observed that the majority of the SSIs are not giving higher significance to integrated marketing communication, as in most of the product categories, it is derived demand and majority of customers are pre-specified. The 57% of respondents is publishing product catalogue/ brochure / pamphlets for technical details for clients. Again 57% of respondents has clarified that there is no specific guideline for publication of brochure. Normally top management takes all
decisions pertaining to brochure and there is no specific time frame for publication. The 54% of respondents is taking support of external agencies for designing of the brochure/leaflet.

15. Describe the process of sales force recruitment, selection and training?

16. How performance of sales force is evaluated? Which are the factors taken into consideration in this evaluation process?

17. Describe the structure of distribution channel along with role and responsibilities of individual channel members.

18. How performance of individual channel members is evaluated? Which are the tools used for the same?

Results and inferences:
The survey results show that there is direct involvement of top management in sales force recruitment, selection and training. (94% of sample survey) The qualification (31% of sample survey) and past experience (100% of sample survey) are two major criteria in selection process.

The researcher has found during interaction with various executives that the past experience of the sales executive plays vital role in dealing with clients. The position of the sales executive is crucial in SSI units and any blunder in terms of wrong commitment or order failure creates significant impact on business, as bargaining power of SSI units are comparatively insignificant with their customers.
The performance of the sales executive is evaluated on business volume, feedback/query from the customers and overall coordination with other functional areas & third party logistic services.

19. Rate the importance/applicability of following factors/activities for your organization

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Statement</th>
<th>Mean score (1 to 7)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>MARKETING</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Representatives from marketing department meet with customers on regular basis to find out product/service needs they will require in the future.</td>
<td>5.229</td>
</tr>
<tr>
<td>2</td>
<td>Marketing department collects and assesses information concerning general social trends (emerging lifestyles, changing value structures) that might affect our business</td>
<td>1.286</td>
</tr>
<tr>
<td>3</td>
<td>Marketing department regularly collects and studies information pertaining to level of competition in different markets.</td>
<td>3.543</td>
</tr>
<tr>
<td>4</td>
<td>Marketing department has established a channel to get feedback of end users on regularly basis to determine their satisfaction level with our products/services</td>
<td>1.857</td>
</tr>
<tr>
<td>5</td>
<td>The activities of the different departments in this company are well coordinated and well focused towards marketing</td>
<td>4.029</td>
</tr>
<tr>
<td>6</td>
<td>We attempt to resolve all reasonable customer complaints</td>
<td>5.629</td>
</tr>
<tr>
<td>7</td>
<td>If our company developed a great marketing plan, we would implement it in a timely fashion</td>
<td>1.857</td>
</tr>
<tr>
<td>8</td>
<td>We quickly detect fundamental shifts in our industry (e.g. competition, market knowledge)</td>
<td>1.114</td>
</tr>
</tbody>
</table>

216
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>We periodically review the likely effect of changes in our business environment (e.g. regulation) on customers.</td>
</tr>
<tr>
<td>10</td>
<td>Our company quickly responds to price changes made by our competitors.</td>
</tr>
<tr>
<td>11</td>
<td>We tend to respond rapidly to changes in our customers' product or service needs.</td>
</tr>
<tr>
<td></td>
<td>Level of integration within the organization</td>
</tr>
<tr>
<td>12</td>
<td>We have cross-functional meetings very often to discuss market trends and developments (e.g. customers, competition, suppliers etc.)</td>
</tr>
<tr>
<td>13</td>
<td>When something important happens to a major customer or market segment, the entire company knows about it in a short time.</td>
</tr>
<tr>
<td>14</td>
<td>Data on customer satisfaction are disseminated at all levels in this company on a regular basis</td>
</tr>
<tr>
<td></td>
<td>Information network</td>
</tr>
<tr>
<td>15</td>
<td>In our company, we periodically circulate documents (e.g., reports, newsletters etc) that provide information about our customers.</td>
</tr>
<tr>
<td>16</td>
<td>When one department finds out something important about a competitor, it alerts other departments quickly.</td>
</tr>
</tbody>
</table>

**Results and inferences:**

The results shows that the high level of integration / interaction of marketing departments with customer to understand the requirements of the clients properly. The main reason behind higher interaction is the client list is pre specified and retention is more important for the business growth compare to identifying new client base for the sustainable growth of the business.
The result also highlights that SSIs are apathetic towards scanning of macro environment and to measure effect of macro factors on business. The argument is that for SSI the demand is derived by nature and low business volume. Certain extent, it is not financially viable and beneficial for SSI units to deploy resources for environment scanning.

The researcher has found that the approach of SSI in interaction and in business practices with customer is not very professional. During survey, the researcher has found that the SSIs have not developed closed loop/ feedback system to measure satisfaction level of the customers. In most of the cases, the SSIs only interact with customer if any query/ complain is placed by the client.

Results also communicate lower level of integration among various fictional areas / departments. It also shows that information system within the organization is not sophisticated, well integrated and technologically advanced.
6.4 FINANCE DEPARTMENT

20. Describe the structure of Finance department along with roles and responsibilities of individual designation.

21. Define the role of Finance department in strategic and operational levels of planning.

Results and inferences:

The researcher has observed that in SSI the financial and commercial activities are highly centralized and under continuous monitoring of top management. There are mainly two levels in finance department which are under direct observation and control of top management. The 31% of organizations of sample survey has appointed financial manager. For auditing, 91% of respondents are taking services of external auditors.

The major functions of finance department are sources of fund, application of fund, working capital management and auditing. The sources of funds mainly include loan, cash credit and owners’ fund. In application of fund
contains investment of land, building, plant, plant equipments and deployment of working capital in routine activities.

The prime sources of fund collection are cash credit and term loans. The interest rate on these modes of financing is between 12 to 13 percentages. Normally, 65 to 75 percentages is financed by the Bank through these modes. For remaining amount owner has to make necessary contribution. Again the deal is also depends upon various other factors like the past history of relationship between these two parties, type of project/unit, the mortgage status etc. if the mortgage is required and the existing property is already mortgaged for the same or for some other purpose then the owner has to mortgage his/her other property to get this financial support. This has also been observed that normally the SSI units prefer to take loan from Co-operative banks even thought the interest rate is approximately 1 percentage higher. They also take loan from nationalized bank but the proportion is low.

The respondent also observed that for the new unit, the loan procedure is comparatively easy and fast. If imported machines like “Shuttle-Less Machine” are new and if they have taken loan of more than 1 crore for the same, the unit is eligible to get subside of 5% on accrued interest. If the amount of loan is less than 1 crore then the unit is eligible to get cash subside of 20% or to get subside of 5% on accrued interest on loan. These options are open and owner and/or Board of Directors have to take decision for the same. The SSI units are not getting any financial support from governments in case of procurement of old machineries.
The new SSI unit of textile are eligible to get subsides of 10% on government duties in electricity bill for five years from the date of commencement of the manufacturing unit. In case of textile units of industrial fabrics, subsides is up to 10% on interest and technically they will have to pay only 2% interest on loan.

In loan processing, initial six months after getting loan is known as monitorial period and during this period the unit has to pay only interest. And after this tenure, the installation amount and number of installments are finalized.

It has also been observed that in case of raw material, maximum 70% of total requirement is financed by the bank in form of loan presently. For remaining 30% owner/s has to use personal source. But in certain cases banks are allowed to use their discretionary powers. In application of fund, the researcher has found that the approximately 75% of fund is utilized in raw material procurement and in production process. Remaining amount is spent in wages and in other expenses.
22. Do you keep sufficient and accurate financial records that give a clear picture of your income and expenditure, assets and liabilities?
Yes_______ No_______
If No, Why? Have they identified corrective actions to improve the performance?

Results and inferences:

The result shows that almost all SSI units are providing top level importance to financial records. Infect the researcher has found that the methods of record keeping is very traditional and use of computerize systems is comparatively less in SSI units. The SSI claims that they have gained expertise in data analysis even though the traditional tools are used. Another argument is of on volume and quality of data which are less complicated in nature and less in quantity.
23. Are financial statements prepared for the entity, in accordance with which accounting standards?

Results and inferences:

The results clearly show that in majority of cases the financial statements are prepared according to accounting standards. The exceptional cases are in which small units are not in positions to take direct and continuous services of administration staff to keep all these record precisely according to accounting standard. These units take support of external agencies on weekly / monthly / quarterly bases to update database according to accounting standards. These units keep data in different registers and submit it to external agencies to transfer it in different heads (i.e. accounting)
24. What is the frequency of preparation of financial statements?

Are the reports prepared in a timely fashion so as to be useful to management for decision making?

Yes ________ No ________

If No, Has the management identified corrective actions to improve the performance?

Results and inferences:

The research has found that all SSI are preparing financial budget on yearly bases. It has also been revealed that the 40% of respondents are preparing financial budget on quarterly bases, 14% of monthly bases and 30% in half yearly bases. During interaction with executives, the researcher has come to know that the seasonal variation in market demands, forces SSI to prepare interim budget to respond against market change. Other reasons behind preparation of monthly, quarterly and half yearly budgets are

- To check status of liquidity,
- To make comparison on quarter to quarter bases
To get credits from various financial institutions
To take decisions pertaining to credit limit
To take decisions to provide special monitory incentives to employees.
To take decision for inventory management
For allocation of short term resources to various functional areas
To make recommendation as to whether the existing pattern financial working capital requirements by cash or over draft system

The survey shows that in most of the SSI units, the budgets are prepared on timely manner and in regular interval.

25. Do you have appropriate financial controls and management mechanisms, including annual external audits of your accounts, to prevent fraud and malpractice?
Yes_______ No________
If No, Why? Have they identified corrective actions to improve the performance?
Do they have a database of these?
Yes_______ No________
How accurate is this database?
Results and inferences:

The survey result proclaims that the SSI units have appropriate financial control to avoid any type of commercial and financial mistake and fraud. The argument is that all the financial activities are under direct control of top management and top management is depositing maximum affords to optimize performance of the financial system. Another reason is the stack of owners’ fund and liability. The research has observed that in SSI, stack of owners’ fund is very high and owners’ reputation and past performance play decisive role in processes of getting financial help from external agencies. All these factors compel and motivate owner/s to closely monitor and control financial system.
The results show that the majority of SSI units are maintaining database but the tools and means of the database management are very traditional by nature. The use of computers for data storage is comparatively good (65% of sample survey). But use of computerized database management system is almost nil. (2% of sample survey)

Even though, the traditional tools are used for database management, majority of respondents agree that the accuracy level of database is high. The researcher has observed that the respondents are quite satisfied with the accuracy of database, but data extraction time from database is
comparatively long as traditional tools are used. But they feel that this effect is balanced by expertise and past experience of decision makers and expertise of the auditors/analyzers.

26. Are the accounting policy and procedure manual updated regularly for your organization?
Yes_______ No_______

Results and inferences:

The results clearly show that in majority of SSI units the manuals and policies are not updated regular bases. The reasons given by majority of respondents are, firstly they are not forced by the regulatory authority for continuous up-gradation of policies and/or manual (65% of sample survey) and secondly the users are not sufficiently skilled and competent to adjust according to change in policy and/or manual frequently. (46% of sample survey)
27. Are you using electronic banking channels?

Yes_______ No_______

Results and inferences:

The results show that the penetration level of electronic banking channel is very low in SSI. The units which are mainly in export prefer to use electronic banking channels for transaction.
28. Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?

Results and inferences:

As these are very critical documents for any organization for commercial and financial transactions, the SSI units are also giving higher importance to the preparation and maintenance of these documents.

The record keeping system of accounting and financial information in textile and specifically cotton ginning units of Gujarat has changed substantially in last five years. Now they are using computers and other peripheral devices for record keeping. The staff is now comparatively trained and the cost of establishment of such kind of facility has reduced substantially due to market competition and continues innovation at supplier side.

The researcher has observed that in textile and ginning units, accounting data are kept up-to-date as the cash is directly used for purchase of raw materials from farmers. Specifically in ginning units, every day the raw material is purchased in season time and before evening normally all
processes are performed on raw materials and finished goods are dispatched on same day. The researcher has also observed that in some cases raw materials are purchased through URD (unregistered dealers) and that case also direct cash payment is done. Overall as this procurement cycle is short, the accounting play extremely vital role on performance of the units.

Regarding Value Added Tax (VAT), the respondents have given negative feedback. They believe as well as experienced that the older system of Tax was quite simple for administration compare to recently implemented VAT. The units are not fully equipped with the human resource to implement it in prescribed format and to do that they have to take support of external expert. Temporarily, this has increased their overall administrative cost. Again, this change is not affected their business or market growth but it has raised administrative cost and for this type of small unit is unbearable. In yarn, 4% sales tax in Gujarat & 2% central sales tax. In yarn excise duty is nil. In depreciation, 10% is calculated on furniture, 50% to 60% on plant and machineries, 10% on building and 40% on new commercial vehicles.

29. To whom does the internal auditor report?

Results and inferences:

The researcher has found that in 66% of cases (samples survey) the internal auditor reports to owner/s of the organizations, 34% of case the internal auditor reports to owner/s and financial manager. The 74% of sample survey shows that the reporting is done twice in a year and 26% of respondents say that the reporting is done quarterly.
30. How do you measure the financial health of your organization?

Results and inferences:
The results clearly show that in SSI units, the ratio and common size statements methods are extensively used to measure financial health of the organization. It also shows that very few units are using inter and intra comparison to find competitive position of the organization in industry. The use of trend analysis techniques is less and it communicates that these SSI units are focusing more on short term strategies.
31. Which of the following sources of capital are preferred by your organization?

Results and inferences:

The term loan and owners’ fund, these two are major source of capital in case of SSI units of textile in Gujarat. The secondary source of capital is cash credit.

In ginning and processing unit, the scenario is little bit different. For finance, very few units take term loan. The cash credit is a prime source of fund and they take mainly from cooperative and nationalized banks. They get 10% on turnover, 50% on collection & 70% on stock. The owners normally get remaining amount from other traditional sources with interest rate of 11%. In ginning and processing unit, 70% of fund is spent in working capital.

For ginning and processing units, the loan processing task is very tedious and time consuming from nationalized bank. Because of that, these units
prefer to apply in cooperative banks, though the interest rate is 0.75% higher in private and cooperative banks. Another good thing in case of private and cooperative bank is zero percentage annual renewal charge on loan compare to 0.05% in nationalized bank.

For ginning and processing units, sales tax is 4% on cotton plus 1% additional tax. The central sales tax on cotton is 2% plus 1% additional. These units do not have to pay octroi and excise duty. For ginning and processing unit, 10% subside is given for initial five years from the date of establishment of the unit.

32. Do you prepare budgets?

Results and inferences:

The research outcome clearly indicates that the 83% of organization prepares budget. This result communicates that even though SSIs do not have very advanced database management system and state of the art data analysis techniques still, majority of SSI units prepare budget.
33. Which of the following budgets are prepared?

Results and inferences:

The production budget is prepared by all SSI units. It shows that SSI units give highest importance to their core activity of manufacturing. The second most important budget is cash budget and the owner/s play dominating role in the preparation of cash budget. The results also communicates that many organization prepares raw material requirement budget.

The financial budget and production budget are closely related in case of Textile SSI. In textile SSI units, traditionally they are known as financial budget and production target budget. In financial budget, decisions are taken on two things. Firstly cash on hand and other available owners fund. Secondly the loan capacity and interest rate on loan. The total fund is distributed in two different heads. Firstly, the budget to procure raw materials and secondly budget to process raw materials. As these units are price taker and having very less control over market mechanism, the interest factor on loan plays very vital role. Because of this complex situation, cash
on hand and other owners fund are used very selectively to maximize their profit in totality specifically during season period of six to eight months.

The production budget is also very crucial for these units, as during season, these units have to maximize their production efficiency to generate revenue to balance the expenses of entire year.

For process costing, quantity analysis is done on order bases. And in this process projection are made of finished quantity on available stock and quality of raw materials. Like from raw material 35% cotton and 60-61% cotton seed are normally produced. Remaining 2% gives natural short fibers & 2% is considered as a process loss. Like 100 Kg raw cotton, gives 35Kg cotton, 60-61 Kg cotton seed and 2 Kg natural short fiber.

Roughly, in ginning units for process of every 20Kg of raw materials Rs. 30 is processing cost. The bifurcation of these expenses is given below.

Rs. 8/- Interest rate on loan
Rs. 4/- Electricity bill
Rs.3/- Labor charges
Rs.3/- Packaging cost
Rs. 3/- Amount paid to intermediate agent
Rs. 4/- Fuel and administration expenses
Rs. 5/- Depreciation, other expenses
Total Rs. 30/-
If the annual cost to operate one unit is Rs. 3,00,00,000/- yearly, then the production quantity is projected in Kg. with average expense of Rs. 30/- per 20Kg. This backward calculation gives very important data to decision makers to set figures of financial and production budgets.

Another important point is that the whole process is heavily depends upon the quality and quantity of timely supply of raw cotton. Sometime this macro factor create disreputable situation for these small units.

These ginning and processing units get raw materials from Gujarat and Maharashtra. The procurement cost is less from Maharashtra compare to Gujarat. But due to high transportation cost units prefer to purchase raw material from Gujarat. This transportation charge plays very vital role because only within Gujarat it is Rs. 45 to Rs. 50 per 20 Kg. This amount is comparatively very high to allocate by the cash crunched small units. Most of these units tack insurance on transportation for the safety of their cargo.