Sugar industry in recent time has acquired great significance in India. It has been developing by leaps and bounds. The sugar industry is the second largest agro-based industry in India. From this point of view its' contribution to the national wealth and employment generation cannot be set aside. The effective administration of working capital helps in understanding the survival and growth of the sugar industry. Apart from this many a time problem arises as to how effectively the working capital be managed to obtain the end results in terms of higher return on investment. Very often paucity of working capital is considered as the potent factor for the failure of a unit.

Keeping in view all the above facts, I have selected the topic entitled "FINANCIAL WORKINGS OF SUGAR INDUSTRY IN INDIA" for my Ph.D. thesis. This study attempts to evaluate the working capital management, specifically the trade credit and its' determinants in sugar industry. The analysis is based on the secondary data published by the Stock Exchange Official Directory, Bombay. This study aims at the analysis of the problems concerning the management of working capital in private sugar industry in India.
Objective of the Study:

The object of the present study of the Financial workings of sugar industry in India is to obtain the real insight into the financial workings of the industry. It seeks to study the changes in the working capital management of sugar industry over a period of eleven years from 1974 till 1984. It attempts to study in general the management of working capital and in particular the study of trade credit and its determinants. Efforts are made to analyze working capital, specifically the trade credit through trend analysis, ratio analysis and correlation and regression analysis. Attempts have also been made to evaluate the performance of sugar industry relating trade credit with profitability over a period of study.

The main objectives of study are listed below:

1. To find out the relationship between sundry debtors and sundry creditors which form the basis of trade credit in sugar industry in India.

2. To study the trends in relation to the credit extended and credit received by the sugar industry over the stipulated period.

3. To examine the trends of the determinants of sundry
debtors and sundry creditors.

4. To study the relationship in between the various variables which determine the trade credit.

5. To examine the relationship through:

i) Simple correlation between original values.

ii) Logarithmic correlation and inverse correlation.

iii) Regression analysis and

iv) Multiple correlation.

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Methodology of the Study:

The secondary methods of collecting relevant data have been used.

The statistical data relating to the growth and development of sugar industry in India has been collected by studying the following published reports:

1) Sen Commission Reports.


3) Tandon Committee Report.

4) All India Survey Reports.

5) Co-operative Sugar Reports, 1983 - 84.


The analysis of the data has been done by using the techniques, such as trend analysis, ratio analysis, simple correlation, regression and multiple correlation analysis.
Scope of the Study:

The scope of the study as far as the coverage is concerned, has been described as follows:

This study covers thirty seven units in private sector spread over in India. In this coverage the differences exist due to the period of commencement or operation from company to company. This change of period of operation has significant bearing on the analysis of working capital management of all the units in India. Barring this limitation, the study of the working capital management has been made for the period during 1974 to 1984. The details of the companies regarding their names, years with month of incorporation are given. The selection of the companies has been done on the basis of the availability of the data pertaining to the problem under study on a uniform basis right from 1974 till 1984. The period covered by this study extends over eleven years. Attempt has been made to cover the data upto the latest period i.e. 1984. This was possible because of the coverage of Stock Exchange Official Directory, Bombay, through the issue of weekly leaflets as and when reporting is done by the concerned private companies.
Limitations of Study:

This present study attempts to cover thirty seven sugar companies all over India. Of the thirty seven units included in the study two have the calendar year as their accounting year, five have the official financial year (as accounting year), fifteen have their accounting year ending on 30th June, and ten on 30th September. Of the remaining firms three close their books of account on 31st October and one on 30th April and another on 30th November. In order to facilitate the analysis and interpretation, the data have been arranged and adjustments have been logically made to avoid discrepancies. The special adjustments have been made in case of three companies, namely:

1) Modi Industries.

2) Bhagat Industries, and

3) Skol Industries.

In case of Modi industries, the data for the year 1979 was not available, so it has been excluded for that year. This is because of the change in the accounting year. The data available for the said industry is for seventeen months which has been covered in the year 1980.
Similarly, in case of Bhagat Industries, the data for the year 1981, was not available, so it is excluded for that year. This also is due to the change in accounting year. The data included in the year 1982 is for seventeen months.

And in case of Skol Industries the data was not available for the year 1983 due to the change in accounting year. Consequently, the data for the said industry was for seventeen months, which has been included in the year 1984.

Moreover, in case of Arlem Breweries, Gobind Sugar Mills, Nizam Sugar factory and Ravalgaon Sugar factories, the gross profit amount was not available according to the new method of presentation adopted by Stock Exchange Official Directory, Bombay after 1981. So the figures for gross profit for the year 1974 for these four companies and for the year 1975, for Arlem Breweries, have been obtained from the old Stock Exchange leaflets and converted according to the new method of presentation as follows:

Gross Profit minus administrative and general expenses plus selling agents commission.

The values of creditors for Arlem Industries and Premier Industries were very much low in 1978 and 1980. Due to this the ratio of debtors to creditors was coming more
than unity. To avoid such extreme effect, an average value of creditors is calculated as follows in proportion to the values of debtors and creditors for the preceding and succeeding year.

i) The ratio of debtors to creditors is calculated for the year 1977 in case of Arlem Industries.

ii) Similarly, the ratio of debtors to creditors is calculated for the year 1979.

iii) The average of these two ratios is calculated.

iv) Finally, the value of debtors for the year 1978 is divided by the average ratio arrived in step (iii) to get the average value of sundry creditors for the year 1978 in Arlem Industries.

Similar procedure is adopted to get the average value of creditors for Premier Industries for the year 1980. This adjustment is done to avoid extreme effects of low values on the ratios.
Resume of Content:

This study is presented in eight chapters excluding the bibliography and Appendix. The study of the data-base chapters is an integrated so as to fulfil the objective of the study.

The first chapter deals with the different types of work done by the eminent scholars in the field of finance and sugar industry. It covers the comments on how the review of literature could be classified in a different ways.

The growth and development of sugar industry in India has been discussed in second chapter. This part deals with the historical background of the sugar industry and its development in India and abroad. It covers the development of this industry before and after independence in India. The study of the growth and development of this industry in private and co-operative sector in India, has been covered in this chapter.

The third chapter deals with the conceptual frame work of the working capital management. It includes type, and importance of working capital. It covers the ratio analysis and its types and classifications. Moreover, it includes the conceptual study of trade credit and its determinants.
The fourth chapter entitled study of trade credit and its determinants in sugar industry, includes, the study and analysis of the different trade credit determinants. It attempts to make the comparative study of the related variables.

The fifth chapter deals with the ratio analysis. It covers the study of different variables by computing the important ratios of trade credit and its determinants to analyze and interpret. It highlights the comparative study of these calculated ratios for analysis purposes.

The sixth chapter is the study of trade credit and its determinants, through correlation analysis. It attempts to study the trade credit with the help of correlation technique. It covers the log and inverse relationship study. It includes the study of trade credit with the help of regression analysis. Moreover, the study of trade credit with the help of multiple correlation technique, has been done.

The chapter seventh is exclusively devoted to deal the study of trade credit and profitability. It is the study of trade credit in sugar industry in relation to profitability. It covers the study of trade credit with trend analysis, ratio analysis and correlation analysis.
The eighth chapter includes the summary of the important conclusions and findings on the basis of the analysis of the study. It covers suggestions also.