CHAPTER - VI

SUMMARY AND CONCLUSION

In this chapter, a Summary of the various findings of the study is presented and on the basis of the findings, suggestions for improving the purchase system are presented.

First chapter deals with introduction, statement of the problem, objectives of the study, need and scope of the study, methodology and limitations.

Second chapter makes a brief review of the existing literature. The studies are relating to the analysis of performance, modernisation, exporting, standardisation and re-structuring of textile industries. Besides the above area, purchasing also play significant role in the development of textile industry because purchasing involves huge amount and thus buying function becomes important. A study on buying behaviour, therefore, becomes relevant.

Third chapter reviews an outline of industrial buyer behaviour, in terms of nature of industrial buying and inter-personal dynamics of buying behaviour. Industrial buying is different from individual buying in respect of the way in which the decisions are taken, the factors considered and the authority who takes the decisions. Understanding the industrial buying helps the industrial
marketer to know the behaviour of buyers and it enables them to evolve a good industrial marketing strategy.

The buygrid, a conceptional model incorporates three types of buying situations viz., new tasks, straight rebuy and modified rebuy which revealed the different buying situations under which purchase decisions are taken in industries. In the buying process selection of supplier is a vital issue. Selection of supplier is done after careful evaluation. The evaluation process involves analysis of buying centres, influencing factors and relevant criteria for selection. However effective industrial buying depends on how the organisations create and develop the purchasing system in which the suppliers performance is also evaluated.

Fourth chapter presents an overview of the textile industry in terms of historical background and growth of textile industry. There were two major crisis for textile industry during 1960s and 1970s. The major crisis in 1960s was on account of economic recession which was due to lowering of the purchasing power of an average man consequent on the steep increase in food prices. Food accounted for nearly 60% of the expenditure in a working class and any increase in the vital area meant that, they have to economise some where. Textile is a postponable item of purchase and therefore the textile industry is first to be affected in a marginal economy like India's.
On the other hand, the cost of production of textile itself increased due to increase in prices of cotton, increase in prices of stores and increase in the rates of electricity. The cumulative effect of all these was a rise in price of textiles to the consumer at a time when he was least able to afford it. The other reasons for the recession were pattern of production of textile mills and credit squeeze which contributed to already worsening situation. The result was that stocks began to accumulate, the new mills faced lot of financial difficulties due to which they were unable to meet their commitments and some of them had to close them. These were latter taken over by National Textile Corporation (N.T.C.).

The second recession hit the industry in 1974. Though it was perhaps even more severe in its effects than the recession in 1960s, not many mills closed down. It was possibly because most of the weak units had fallen victims during the first recession and the rest of the industry was probably in a better position to withstand its effects while the first recession was a great shock and mills did not know how to cope with it, by the time the second recession came, they, as well as the banks were better able to adjust themselves to the difficult situation. They also felt that if they closed their mills, they would most likely be taken over.
One of the most pressing and difficult problems was the modernisation of the textile industry. The end of the second world war found the industry with old and wornout machines in great and urgent need of rehabilitation. This had been pointed out by successive committees, provision was also made by financial institutions for lending money to the industry for this purpose. But a number of factors such as low profitability, high cost of machinery, non-availability of equipment in certain years etc. have been hindrance to large scale modernisation.

From 1980 onwards, the textile industry has picked up in each and every segment. It has witnessed phenomenal growth of man made fibre/yarn industry, particularly the non-cellulosic segment. A substantial growth of number of spinning mills is found except composite mill in 1980’s. The peak level growth is found after 1990’s liberalisation policy of Government of India had accelerated the rate of growth of textile industry after 1990. In particular, the massive growth have been found in spinning and man-made fibre industry in the organised and decentralised weaving sector.

Thus the annual growth of number of mills is around 4% in 1980’s, 90% in 1990’s as against 0.8% in 1970’s. Similarly the spindlage growth rate has increased to 2.2% in 1980’s and to 3.6% in 1990’s from 2% in 1970’s. Regarding cotton production the growth rate is 3% in 1980’s whereas it is
8.0% in 1990’s as compared to the growth rate of 3.5% in 1970’s. The textile industry is facing the crisis again from 1996 onwards on account of increase in the prices of cotton and the fact that the demand for textile products have decreased to a very great extent.

Moreover Indian industry is not maintaining the quality of international standards and thus the exporting also is severely affected. Thus, it requires immediate attention of the government to bring necessary measures to help the textile industry to come out of these hurdles.

Fifth chapter presents the data analysis in two parts viz., Section A and Section B. Section A deals with analysis relating to textile mills and they are as follows.

Majority of the mills (51.3%) belong to company form organisation and that is applicable to both small mills and big mills. As regards composite mills, all of them belong to company form organisation.

Majority of the small mills (52%) has the capital of above 50 lakhs and majority (25%) of the big mills has the capital of above 25 crone.

Majority of the textile mills work on three shifts, the size in terms of spindlage is 2000 to 3000 in majority of small mills and 20,000 to 30,000 in
majority of the big mills and their turnover is below one crore in majority of small mills and above 50 crore in majority of big mills.

Majority textile mills (63.8%) deal in domestic markets. For the fact that the textile mills are not able to manufacture yarn or cloth at international standards as the result of cost of production. The higher cost of production due to major hike in cotton prices and spares, higher electricity tariff and more tax burden in the form of sales tax and excise duty.

In majority of the mills (90.6%), for purchasing machinery, the decision is taken by the management. That is, the authority of purchase is retained by the Management itself. This may be due to the fact that the purchase of asset is a vital area in which they alone should take decision. This point is clear from one more observation that only in 50% of the mills, there is a purchase committee and even in these committees Managing Director is one of the committee’s members [majority of the textile mills (50%) in which Managing Director is a member].

Majority of the textile mills go for domestic markets for the purpose of purchasing cotton. It is advantageous to go for importing because high quality of cotton with better credit terms are available to buyers. But the difficulties of obtaining letter of credit and maintaining cash credit for this purpose are the causes for these mills not availing importing facilities.
Majority of the textile mills (66.9%) buy machineries both for cash and credit. The credit arrangement is found to be convenient mode of purchase of machinery by textile mills. Out of those mills availing credit facility, majority of them avail through banks which the mills approach easily compared to other sources.

Out of those mills who import machinery, majority of them opined that majority import for reasons of quality and sophistication. This is due to the objectives of textile mills in going for modernisation. The modernisation of textile mill become important today in view of heavy competition in global market. To compete with global markets, the textile mills, as one of the attempts, purchase machineries which is of high quality and sophisticated. Majority of textile mills (37.5%) buy cotton from brokers. Ginners normally buy directly from marketing federation whereas the mills buy from brokers because of the other advantageous that the mills want to enjoy which are credit facility, bulk purchases timely supply, etc. Its also for fact that the mills make advance purchases which requires more funds.

As regards purchase of spares, majority of the mills (87.5%) buy only on requirement basis unlike cotton where advance purchases are made. It may be for reasons that spares availability do not pose any problem and also the prices of spares are not fluctuating randomly.
The prices of spares are finalised through negotiations in case majority of mills (59.4%). There are large number of supplies for spares and there are large number of items of spares to be purchased. This helps mills to fix the price on the basis of negotiation.

Weighed average rank technique reveals that for deciding the sources of supply of machinery, criteria for purchase of cotton and spares. All the types of mills gave top priority to quality factor. In case of selection of equipments the rank technique reveals that the small mills and non-composite big mills gave top priority to cost of equipments and so on.

The analysis of satisfactory level through weighted average ranks shows that all the types of mill gave top priority to quality factor.

Regarding the criteria for evaluation of supplier of spares, top priority was given to quality factor by all the types of mill.

Weighted average ranking analysis reveals that all the types of mill gave top priority to regularity in supply while expressing opinion about suppliers attitude. Regarding buying several sources rank technique reveals that small mill and non composite mill gave top priority to quality advantage. Whereas composite big mills gave top priority to price advantage. Therefore it is found that for selection criteria quality factor is predominant in case of all the types of
mill due to the fact that quality is basically required for textile purchases. Correlation analysis reveal that both in small and big mills experience, capital invested and maintenance of the mill has significant relationship with all the variables considered in the study. it also shows that number of employees has significant relationship with all the variables considered with study expect number of shifts and number of spindles and so on.

As regards small mills, size of spindles has significant relationship with all the variables considered in the study expect number of employees but in case of big mills, size of the spindle has significant relationship with all the variables considered in the study excepted capital invested and number of shifts and so on.

Chi-square analysis reveals that regarding purchase of machinery by small mills, type of organisation has significant influence over quality, technology, maintenance cost, cost of equipments and actuals amount spent on maintenance. Also capital has significant influence over quality, previous experience and cost of machinery and so on.

In case of purchase of machinery in big mills, chi-square analysis reveals that experience has significant influence over satisfaction for simplex machinery. Also capital has significant influences over cost of equipment,
satisfaction for blow room machinery and actual amount spent on maintenance and so on.

Regarding purchase of cotton by small mills, chi-square analysis reveals that experience has significant influence over satisfaction for transport. Also type of organisation has significant influence over satisfaction for transport and availability factors and so on.

In case of purchases of cotton by big mills, experience has significant influence over satisfaction for transport as in the case of big mills. Also capital has significant influence over satisfaction for price, transport and availability and so on.

Chi-square analysis reveals that in case of purchase of spares by small mills, the type of organisation has significant influence over location of suppliers and financial standing whereas in case of big mills, number of employees has significant influences over financial standing and so on.

Regarding general purchase behaviour of mills chi-square reveals that experience has significant influence over problems of credit terms in small mills, capital has significant influence over price advantage and supply advantage in big mills and so on.
The weighted average score analysis reveals that the agreeability level with respect to ten factors is high because the average score is between 3 and 4.

Section 'B' deals with analysis relating to suppliers and they are as follows.

Majority of suppliers (58%) has started their business in the form of partnership. Nature and size of business might have influenced the suppliers to start in the form of partnership. Majority of them started the business earlier to 1970 and that may be the reason why the size of their capital is below 5 lakhs. However they are able to make a turnover of 25 to 50 lakhs on account of their experience, financial policies, etc. Higher turnover and nature of ownership may be a possible factors for determination of mode of sales, credit terms. Higher credit terms may be influenced by size of annual turnover.

Majority of the suppliers (82%) supply on credit to textile mills. Offering a credit facility is bound on important factor by suppliers. The credit offered by majority (36.6%) was 30 days.

It is found that the suppliers do not look at the size of the mill alone but many other factors such as previous experience, promptness of payment etc. Majority of the suppliers (82%) approach directly the management for fixing for
customers. The direct approach was also for the reason that the textile mills are run on proprietorship basis and it is easy to approach directly the proprietor. Even in the case of partnership and company, the suppliers approach directly the managing partner and MD respectively for purpose of maintaining direct contact and to win their confidence.

Majority of the suppliers (92%) fix the terms of trade only through negotiations. In the process of negotiations there is a possibility of the supplier to go closer to buyer and submit the facts personally rather than through documents. Personal contact is ensured by negotiation process and with which long term supply is aimed by suppliers.

Majority of the suppliers (27%) offer discount as an incentive package by textile mills. The buyers, in the opinion of suppliers, are more interested to take incentives directly and financially rather than in any other form. In order to get more orders and maintain long term relationship, the suppliers offer discount as incentives.

In case of selection of customers by different types of suppliers, weighted average rank technique reveals that among the factors considered, ginners gave first priority to business experience, traders and brokers gave first priority to size of business, shopkeepers gave first priority to financial status and manufacturers gave first priority to profit margin.
Regarding opinion about reasons for loosing customers, weighted average rank techniques reveals that traders and brokers gave top priority to personal factors whereas ginners and manufacturers gave top priority to credit terms.

Correlation analysis reveals in case of ginners that the experience has significant relationship with annual turnover and credit terms. Also capital invested has significant relationship with annual turnover and so on.

In case of traders the correlation analysis shows that capital invested has significant relationship with annual turnover and credit term. Also annual turnover has significant relationship with capital invested and so on.

Correlation analysis shows that in case of brokers its found that experience has significant relationship with normal credit terms. Also annual turnover has significant relationship with capital invested and so on.

In case of shopkeepers, the correlation analysis reveals that experience and turnover has significant relationship with normal credit terms and so on. In case of manufacturers, the correlation analysis shows that the experience has significant relationship with capital invested. Also capital invested has significant relationship with experience and annual turnover.
Regarding ginners, chi-square analysis reveals that the experience has significant influence over getting to know customers, financial status and past experience and so on.

Regarding traders, chi-square analysis reveals that nature of establishment has significant relationship over personal factors and credit terms and so on.

Regarding brokers, chi-square analysis reveals that nature of establishment has significant influence over financial status, past experience and size of business and so on.

Chi-square analysis reveals that in case of shopkeepers, nature of establishment has significant influence over financial status and size of business and so on.

Regarding manufacturers, chi-square analysis reveals that nature of establishment has significant influence over getting to know customers, size of business, personal factors and good relationship.

Weighted average score analysis reveal that the agreeability level is between 3 and 4 for eight factors. It shows common thinking of suppliers irrespective of their categories.
While comparing the weighted score between mills and suppliers, it is found that agreeability level is between 3 and 4 in respect of seven factors. Therefore it is known that the buyers and suppliers have the same attitude.
Suggestions

On the basis of the results of study, the following suggestions are made to improve the purchase system in textile mills. The suggestions are presented under these heads.

A. From the buyers point of view:

1. Authority level change

The study reveals that under the present system, the purchase decisions is normally taken by sole proprietor or managing partner or managing director depending on the form of ownership exists in the mills except National Textile Corporation Mills where a committee is constituted for purpose of taking, purchase decision. No doubt, purchase is a very important activity of a textile organisation but the top level management has got responsibility not only over purchases but also on overall functioning of the organisation. It is suggested that the authority may be delegated to functional heads with defined responsibility where the amount involved is heavy or the item to be purchased is very significant, the individual authority or committee may be required to seek the approval of the management, if necessary, at each stage.
2. Forming a Committee

It is surprising to note that in 50% of total sample mills considered for study, there is no purchase committee exists. Forming purchase committee become necessary in the context of changing complexities of managerial functions. The committee would offer more expertise and more involvement in the purchasing activity of mills and thereby, efficiency in the purchase activity might improve.

3. Cotton purchase system requires change

The study shows that the textile mills buy mostly from brokers, traders and ginners. Buying either directly from farmers or buying from marketing federations by these mills are not found at all. The prices of cotton purchased from brokers, traders ginners are found to be higher than the prices available at farm level and marketing federation level. Even though these purchase involved ginning process, yet the mills can save 5 to 7% of cost of material. Due to transporting problems and problems of credit arrangement, the mills buy from brokers or traders or ginners. But costwise this is not an advantageous system. Therefore, it is suggested that they can try to make direct purchase rather than from intermediaries.
4. Quality orientation in purchase

It is found that majority of the mill do not go for periodical review of the quality of cotton purchased. The quality of yarn or cloth more depend on the quality of cotton purchased. The output such as yarn and cloth must be at international standards otherwise, it will not sell in both domestic or global market. Ensuring quality of output becomes essential and therefore ensuring quality of cotton becomes a must.

It is suggested that suitable steps to be initiated to ensure quality of the cotton purchased.

5. Payment system and purchase system are inter-related:

No doubt that purchase of machinery, cotton and spares are important activities of a textile mill. These purchases are generally made on credit basis. Effective purchasing involves identifying right supplier to ensure the supply at right time in right quantity and right quality. The researcher could find that there is a lack of promptness in settlement of payment. This would result strain in the vendor-buyer relationship and cause considerable problems. To avoid this, it is suggested that the mills are to pay attention for prompt settlement of dues.
6. Government intervention is required

From 1996 onwards, the textile business in India is gradually poor. Among the various reasons, the following three reasons are prominent:

i. The demand for cloth have come down drastically.

ii. The prices of cotton have increased.

iii. Power tariff had also gone up.

Therefore, it requires immediate intervention on the part of Government of India to save the textile mills from the crisis by means of the following measures.

a. Power subsidy for a period of 10 years or more.

b. Sales tax payment can be made after 10 years or more.

c. The present Central Excise rate of 9.2% may be reduced.

d. Arrangement for bank financing with a lower interest rate as against the existing rate of 18 to 20%.
7. Aiming Global market

The demand for cloth in India has come down very badly. It recalls the incidence of crisis during 1960's and 1970's, when the demand for textile mill was so poor but that was due to reduction in purchasing power of individuals unlike now. Any way the impact is that there is a lower demand for cloth in domestic market. Therefore the option for Indian textile industry today is to tap the global market. It is very much possible provided, Indian textile mills have to produce yarn and cloth equal to or above that of international standard of quality.

8. Periodical audit of purchasing function

The purchase function of the organisation should be subjected to periodical audit by personnel within and outside the organisation. This will definitely, help the mills to improve the present purchase system and suit to changing environment, because purchase function should also be viewed as result oriented activity. deferral

B. From the suppliers point of view

1. Adhere to terms of supply strictly

The study shows that there are deviations in the terms and supply given by the suppliers. In fact for smooth running of textile mills, the role of supplier
is important. Any deviation in any aspect of terms and conditions would certainly provide hardship to the mills. Therefore it is suggested to suppliers to adhere to the terms and conditions strictly and even in circumstances where there are some unavoidable difficulties for the suppliers.

2. Care for "Lost customers"

Buyer - Supplier relationship is very much important in textile business also, without which smooth functioning of textile mills is not possible. There may be occasions for buyers to get dissatisfied with suppliers, but the suppliers should see that such occasions should not result in loosing customers. Customer creation is an important and difficult activity of business. The suppliers, thus cannot ignore the customers going out of business. It is suggested therefore suppliers have to make adequate and possible steps to ensure good relationship with the customers in order to retain them.

In the light of the above, close interaction of customers becomes necessary. The following steps are suggested to avoid or minimize loosing customers.

i. Frequent personal contact.

ii. Free after sale services wherever necessary.
iii. Incentives like free transport.

iv. Free market information etc.

3. Professional approach in business activity

No doubt, suppliers activities in textile business are business activities but even these business activities should have professional approach which will help effective customer selection, customer relationship and supply function.

4. Technology upgradation is warranted

In case of machinery suppliers, they have to update the technology to bring out more sophisticated and advanced type of machinery so that the customers may not go for importing machinery for the above reasons. More personal contact or previous experience may not help the machinery suppliers significantly to retain customers because they may be attracted to go for introduction of new advanced machinery, if they come across without showing their loyalty.
C. General

1. Buyer - Supplier relationship is important

Both the buying textile mills and the suppliers must understand that both of them are playing significant role and any default by any of them will result in substantial loss to both of them if not in the short run but atleast in the long run. Therefore buyer - supplier relationship is an important factor which influence the success of textile mills.

2. Responsibility oriented

Buying and selling in textile is not simply process oriented. But it is more functional and responsibility oriented. In the sense, both buyer and seller should realise their roles and responsibility in their business, so as to avoid controversies and misunderstanding in the field of buying and selling. This will provide an effective system under which both the buyer and seller will be benefited.
Directions for further studies in this area

On the basis of the study conducted, the following area is identified for further studies.

i. An indepth study of textile mills relating to all issues could be attempted.

ii. A further study of buyer behaviour in other industries like engineering, automobiles etc. could be attempted and a comparison could be made with textile industry.
Conclusion

Industrial buyers decision assumes dominant role, from the view point of entire organizational efficiency of textile mills. The study indicates that in general there is lack of scientific and professional approach in the purchase related activities of textile mills in the study area. The study also reveals the need for overall improvement in the relationships between suppliers and buyers. In general there appear to be a specific need for impressing the functional heads at all levels towards the essential of systematised attempt for industrial buying. In this context, it is hoped that the study would serve as a fact finding exercise and provide needful directions for improving industrial buying system of textile industry and there by to march towards attaining overall efficiency.