Chapter V

Conclusion
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After the attainment of independence, the Indian society faced a daunting task of economic development. The political leadership of the country undertook the challenge to take the underdeveloped economy to the path of prosperity by adopting the planned utilization of national resources. The successive Governments showed their commitment to the speedy economic development of the country and raising the living standard of the masses, but the Governments can tackle the economic and social problems with collective and active co-operation of the masses. The economic prosperity cannot be achieved unless the people are involved in various economic activities. Keeping in view the importance of the participation of the masses in the economic development of the country, the co-operatives were assigned a major role in the development of the rural economy. The co-operative movement played an important role in the transformation of the rural India. The co-operatives create environment for the people to help themselves and enable the state to provide the people the requisite support and adequate resources without hampering their individual initiative, which is visible in public sector enterprises or which is creating the problem of concentration of wealth as is found in case of private sectors.

Agricultural processing occupies an important place in any programme seen on co-operative basis and it provides twin benefits to farmers by paying them remunerative prices for their produce and providing them with a share in the profits of the unit. Our government adopted various policies to encourage such undertakings. Such institutions were accorded preferential treatment with regard to licensing and institutional financing.

In the pre-independence era, only four co-operative sugar mills were established. The true beginning in terms of growth could only be seen after independence when the five-year plans became operative. The significant factor which was witnessed during the early period was the Government’s attitude towards the co-operative sector in granting licenses under the Industries Development and Regulation Act 1951. Since then a number
of co-operative sugar mills has been set up in various sugarcane growing states like Maharashtra, Andhra Pradesh, Tamil Nadu, Punjab, Haryana etc.

There were 553 sugar mills in the country till 2006-07 with an annual sugar production capacity of about 185.11 lakh tones. Out of these 259 sugar mills with an annual sugar production capacity of about 104.99 lakh tones are in co-operative sector.

Haryana came into existence on first November 1966 as a result of bifurcation of erstwhile state of Punjab. But, now days, Haryana is one of go ahead state in the country with ample infrastructure for the development of economy. Haryana is rich not only in mineral resources but agricultural development has also taken place to a large extent. Since Haryana is an agriculture dominated state, the best alternative for its industrialization is the setting up of agro based industries like sugar mills, cotton mills, rice mills, spinning mills etc.

There has been significant contribution of co-operative sugar mills in the economic development of Haryana. Sugarcane is main cash crop of the farmers in the state. This is the reason that Haryana Government has established co-operative sugar mills at various places. In case of sugar production, Haryana is ranked 8th among all the states. The bulk of sugar production in the state (328 thousand tones) comes from co-operative sugar mills. This is obvious from the fact that out of 15 sugar mills operating in Haryana 12 are in co-operative sector.

Although the number of co-operative sugar mills is increasing but the farmers by and large do not seem to be happy or gaining much from these mills. It is, therefore, imperative to examine the functioning of these mills, the extent of their achievements and to know how they are organized and managed. Further it is necessary to look deeply into shortcomings responsible for heavy losses and to see how these shortcomings can be removed so that these mills can be converted from loss making unit to profit earning ventures. It is against this background that the present study entitled “A Study of the Administration of A Co-operative Sector of the Co-operative Sugar Mill in Haryana” has been taken up.
The study in hand, though a very modes and sincere attempt by an individual researcher with all the limited resources in terms of time, money and energy, has been a very rewarding and novel experience. Major findings of the study and suggestions are briefly stated as under:

**Findings**

Sugar industry under co-operative sector has not been working in true spirit of co-operation, as some principles of co-operation are overlooked in the functioning of these mills.

- One of the very important principles of co-operation is co-operation education. This principle is being ignored by these mills. No training programme has been initiated to provide formal or informal education to the members of the co-operative sugar mills in Haryana.

- The doctrine of democratic management is also overlooked as total control of the mills is in the hands of state Government.

- One important ingredient for smooth functioning of co-operatives in co-operatives is co-operation among co-operatives. The co-operative sugar mills of Haryana are not following this principle also. As a result, there is no uniformity and coordination in the working of various sugar mills.

- As a matter of fact, of all the resources needed for development of co-operatives, the most important resource is competent management. This was the obvious conclusion when it was found during the study that the Government has in fact been providing all assistance for their development, the raw material and necessary funds have been continuously increasing, and cheap labour have always been available and yet the earnings of the sugar industry are low. Over dues are increasing and people have not developed much faith in the co-operative industry. Under such circumstances, the only factor, which needs special attention for smooth progress of these industries, is management.
During the study it was observed that the management of the co-operative sugar industry, in accordance with the Haryana co-operative societies Act 1984, is comprised of three wings, viz. (i) General Body (ii) Board of Directors and (iii) Managing Director.

As a matter of fact, the byelaws of these sugar mills provide very simple and clear rules and procedures for calling the meeting of the General Body of the society. But it was found during the study that neither the Board of Directors nor the Registrar have ever cared to hold these meetings regularly in accordance with the provisions of the byelaws of these mills. The General Body, in any of the mills under study, has not been functioning properly. No regular meetings of the General Body are held in accordance with the provisions of the by laws of these societies. In case of Panipat and Rohtak mills, not even a single annual general meeting has been held during a long period of 20 years. It is also fond that the members of co-operative societies do not take much interest in the functioning of their undertakings. Moreover the attendance is generally very low in the general meetings of the mills. These are different reasons, which are responsible for the indifferent attitude of the members. Some of the most common owners are as follows:

These societies are composed of weaker sections of the society. Majority of the members are semi-illiterate, socially backward and lack resources. They are very often ignorant of the rules and regulations of the co-operative movement and are unaware of the procedure for obtaining the facilities to which they are entitled. They depend heavily on the field staff of the co-operative department and their participation is limited to the extent to which guidance from experts is made available to them.

Some of the members think that co-operation is merely a theoretical concept and is not practicable in our set-up. They carry this impression because they have not seen the true spirit of co-operation.
• Another reason for their indifference is the general impression that the co-operative movement is too much government-dominated.

• It was found that members too are generally apathetic, and do not take interest in the activities of their society. This is clear from the fact that whenever the board failed to hold the meeting according to the provisions of bye-laws, the members never cared to call the requisition meeting. Moreover, whenever these meetings were held, many members did not come to attend the same. There were certain instances when such meetings were postponed because of lack of quorum. Members do not take much interest in the activities of their society and this is the fundamental problem. It is necessary to know why this happens. If this situation continues, the whole co-operative movement may come to standstill. During the study, three main reasons were found responsible for the casual attitude of the members. These reasons have mentioned above in detail.

• Next wing of the management of the co-operative sugar mills is the Board of Directors. In fact, it is the Board of Directors, which decides the policy, matters of the co-operative sugar mills through its periodical meetings. In a co-operative concern elected Board of Directors is preferred than the nominated one. During the study of the selected mills it was found that byelaws of these mills are in favour of an elected Board. However, there are also some provisions under which some directors are to be nominated by state Government, and other co-operative institutions, which have subscribed to the share capital of the mill. There also exists a provision in the byelaws under which the Registrar of co-operative societies is empowered to supersede the elected board and can replace it by nominated one if the former is not running the mill effectively and efficiently. Except these few provisions, the byelaws of these mills provide for the democratic management.

• According to the byelaws the elections of directors should be held at regular intervals i.e. after a period of five years and the elected board must meet at least once in every three months. In spite of provisions for democratic management it
was found that the affairs of the mools were controlled by the nominated board. The elections of directors were not held in time. The board of directors in almost all the sugar mills play as puppet in the hands of the state Government and sugarfed. The state government unduly interferes with the management of these mills through its nominated directors who so not possess even the required qualifications. Directors representing Sugarfed and Registrar of co-operative societies hold the office by virtue of their position and not because of their co-operative background, aptitude or experience.

- The government, while nominating the members to the Board of Directors, must keep in mind that nomination is only to increase the efficiency of the Board. But it has been observed during the study that the Government nomination is frequently made on the basis of political considerations, which turn the board into an arena of politics. The efficiency of management is very adversely affected if politics and casteism play their role in it.

- It is found during the study that state Government enjoys the sole right of appointing a person to hold the office of the managing director. He is never elected from among the members. It is also found during the study that all the sugar mills were being managed by the deputationists. All of them were of H.C.S. cadre, without any co-operative or managerial background. Further, none of them had any experience of working in a co-operative organization at the time joining in concerned mill. As a result these executives could not give proper direction to the mills. The tenure of these M.D.’s is also not fixed. Rather it depends on the sweet will of the appointing authority. They enjoy their position so long as they play as puppets in their hands.

- The above practice are not conductive for the healthy growth of co-operative sugar mills and hence should be discontinued. Being deputationists these civil servants do not take keen interest in the activities of the mill because of their basic commitment to their parent department. Lack of interest on the part of the top management leads to casual attitude on the part of the middle management.
such circumstance the efficiency of the enterprise is bound to suffer. In fact, this problem is mainly responsible for low efficiency of the co-operative concerns under study.

- Each sugar mill enjoys autonomy in the sphere of Human Resources Management. No common cadre policy has been evolved to integrate all the sugar mills in this regard. Recruitment of personnel is mainly confined to the open advertisement, ignoring other useful resources such as institutional and campus recruitment, private employment agencies and employment agencies and employment exchange. No specific criteria is laid down for inviting peoples for the job. Because of this reason so many applications come for a few posts resulting in wastage of time and financial resources. Absence of any systematic and specific yardstick for appointment motivates political bosses to exercise their muscle power in this regard.

- Training of employees is one of the most neglected aspects of personnel management. So far training is concerned, the mills provide training by making use of two methods, viz. on the job and apprenticeship. However, of the two methods, the mill has heavily relied on 'on the job' training system. There is hardly any assessment of training needs of various categories of employees.

- The wage structure of the employees at present is in line with direction of Central Sugar Wage Board 1988 after 1988 there has not been any revision in the wage structure of the employees. Daily wage employees get remuneration on the basis of D.C. rate and remuneration to the managerial staff employees is determined on the basis of Government pay scale.

- To protect the interest of employees there is at least one registered trade union in each mill. In some mills there are more than are registered trade unions, which create internal bickering among them.

- Availability of raw material is one of the chief requisites for the successful operations of any processing unit and the sugar mills are no exceptions to it. During the study it was found that all the mills have been facing the problems
regarding the quality price and duration of sugar cane supply. Some of the
important problems faced by the sugar mills in their production process are:-
(i) The inferior quality of sugarcane as it contains low sugar content,
(ii) Shorter duration of cane supply, and
(iii) High prices of sugarcane supplied to the mills.

• The study also indicates that co-operative sugar mills in Haryana are facing the
problems of raw materials and the increasing cost of products. In these industries,
sugarcane constitutes the main raw material and accounts for 60% to 70% of the
total cost of production of sugar. As far as the supply of sugarcane is concerned,
the sugar mills in Haryana have rarely experienced any shortage. But the
problems, which these mills face are, among other, the lack of variety balance of
sugarcane, the low sucrose content, the shorter sugarcane crop season and the
consequent short duration of the crushing season etc.

• Co-operative sugar mills in the stage have failed to establish distillery unit either
jointly or individually to make an appropriate use of molasses, an important by-
product of the mill.

• An analysis of working result of all the mills showed that the cost of production of
the mills has been increasing every year because of the fact that the cost of sugar
cane which constitutes about 70% of the total cost of production has been
constantly increasing because the price of cane is fixed by the Government in the
larger interests of the growers. The mills authorities are compelled to pay a price
much higher than the price fixed by the Central Government only to dissuade the
growers from diverting to other cash crops like wheat & paddy.

• Moreover, the cost of production in the units has increased due to over burden on
interest, overheads like power and fuel and managerial expense, which are eroding
the profitability of these mills. High cost of production, poor crushing efficiency,
low sugar recovery, lack of proper cane development measures, low crushing
period, excessive break downs and high wastage of materials are some of the
reasons responsible for the poor performance of these mills.
• The two decisive factors in determining development and growth of the co-operative sugar mills are the prices of input (sugarcane) and output (sugar). But both these factors are beyond the control of the mills. Because of this fact, these mills cannot meet their twin objectives of providing remunerating prices to the cane suppliers and serving the demands of the consumers at a reasonable price.

• It is also observed during the study that recovery rate in all the co-operative sugar mills had been quite low. Though during a few years sugar recovery percentage achieved in the states like Maharashtra, Tamil Nadu and Andhra Pradesh etc.

• The examination of sale based profitability ratio suggests that the co-operative sugar industry on an average reported a low profitability. The factors responsible for it were shortage of appropriate variety of sugar cane, lower recovery rate, heavy interest burden and excessive investment in inventories.

• Surprisingly in sugar industry in the state of Haryana stock of sugar is valued at cost including interest on borrowing and selling & distribution overheads, overlooking accounting standard in this respect. This issue was raised with accounts officers of sugar mills. They showed their ignorance in this context. Because of this reason, in some mills, the gross profit ratio accounted for more than 100%, which is hard to believe. If the closing stock as compared to sale is higher would be gross profit ratio.

• An analysis of the financial structure in the co-operative sugar mills in the state of Haryana led to conclude that the majority of the sugar co-operatives mills are not in a sound position to meet the claims of creditors under current economic conditions.

• The study reveals that main sources of finance of co-operative sugar mills are share capital, long term borrowings and short-term borrowings. In share capital the stage Government has contributed substantial amount towards the share capital of each mill with an understanding that the entire amount contributed by the government shall be returned gradually, which of course never happened. It is also
observed that long-term loan has accounted for the major share in the capital structure. The fixed assets of these mills have mainly been financed from borrowed capital.

- Further, it was found that these mills depended too much on borrowed funds. In fact the share of borrowings is continuously increasing. This type of financial structure is not desirable for such concerns whose earnings are very low. Internal and external equities are not increasing at the desired rate. Poor earnings and ineffective share deduction money policy are largely responsible for all these.

- For their working capital requirements these mills have arrangement with central co-operative banks and State Bank of India. Cash credit limit is arranged against the hypothecation of sugar stock. An analysis of the liquidity position made through the technique of ratio analysis revealed that liquidity position of all the ten mills is unsound. The current ratio is less than one in almost all the concerns. The funds are unnecessarily blocked in larger closing stocks of sugar. The composition of the working capital suggests that inventory is the main factor in shaping it as it accounts for 88% of current assets. This fact has also been reflected by the current ratio and liquid ratio. This has hampered the liquidity position of the industry.

- It is noticed in the study that sugar industry in the co-operative sector in the state of Haryana is losing ground on financial front. Overall owner’s equity is negative which a matter of great concern is really. Haryana’s economy depends largely on agriculture. This industry has been supporting the rural economy of the stage. But with the trend available it is obvious that future of this industry is not bright.

- It was found that the industry over invested in inventories, as quick ratio much below than the current ratio. The position is worst in many cases, as the ratio is even less than one sixth of the standard ratio. No doubt, there is an excessive share of inventories in the current assets management (particularly in inventories) in the co-operative sector.

- During the study it was found that the sugar industry has incurred accumulated losses during the period under study. There are number of causes responsible for
its unsatisfactory performance. It has to maintain a heavy inventory of both sugar and molasses thereby blocking huge funds of working capital. Due to these reasons the mills are compelled to borrow funds heavily from the cash credit account. The interest commitment of these borrowings has its impact on the cost pattern of the societies, which resulted in reduced profits or even losses. Slow turnover and longer retention of inventories result in undue blockage of money. The investment plan of the mills is not systematic.

- It was found in the course of the study that byelaws of these societies, especially the sugar mills, provide for issue of shares to the growers. This is really very good as there are certain unique advantages in issuing shares to the growers. For example, firstly, the sugar mills get the value of shares in the from of ‘share Deduction Money’ while making payments for cane to the cane growers and thus they are not required to issue all the shares through the stock exchange. Secondly, as the growers become the members of the societies, they take the factories as their own and try to deliver adequate supplies of sugarcane to their factories as their but this policy is not implemented properly. Neither management nor growers have shown any interest in the scheme.

- Sugar mills in Haryana, technically, are facing insolvency, as their liabilities are more than assets. These mills are creeping with the crutches of financial aid from state Government co-operative Banks are providing short term borrowing to these mills to strengthen the weak financial position of sugar industry. But this is like giving an ordinary painkiller to a patient of cancer.

Suggestions

To tone up the managerial effectiveness in the selected units and to improve their working results some suggestions have been given as under:

- It is the sincere duty of Government as well as the authorities of the mills to ensure that growers and other members must be provided with co-operative education. With these training members may be acquainted with the awareness
that these mills do not belong to Government but in true spirit they are their real owners.

- Co-operation among co-operatives should be motivated and a common cadre among all co-operative mills should be made to integrate their working, so as to avoid the problem of overstaffing in one mill and understaffing in other. Co-operative among co-operatives may also be translated by commencing distilleries and paper mills at premises of one mill with the by products of nearby situated mills. With this method industry can also enjoy the economies of large scale and rationalize the usage of by-products like molasses and baggage.

- To give representation to the members in the working of mill there should be a free and impartial election at regular intervals and in the case of failure by the Board of Directors to hold elections, one month before the expiry of its term the Registrar should order the elections immediately.

- These mills should be allowed to function purely as independent business concerns with least state Government interference in their internal working.

- The management should ensure that the meetings of the General body are convened regularly and according to the byelaws. Moreover, provision for attractive gifts should be made to encourage members for attending the meetings.

- Whenever Managing Director fails to hold the meetings within the stipulated period the Registrar co-operative societies should intervene and take necessary steps that the meeting is held.

- Members should come forward to hold a requisition meeting in the case of Managing Director or Registrar fails to convene the meeting, on one ground or the other.

- The practice of imposing H.C.S./I.A.S. officers on these concerns should be discouraged because it is difficult for a person to do not take keen interest in
the activities of the mills because of their basic commitment to their parent department. Lack of interest on the part of top executives develops among the middle level executives a casual attitude toward their work, which reduces their efficiency.

- Majority of the mills are overstaffed. Moreover the unskilled and semi skilled labour force is comparatively on the higher side. So management should announce voluntary retirement scheme among permanent employees and retrench the temporary employees whose services are no longer required.

- The recruitment policy of the co-operative sector should also undergo a change. Right type of qualified, experienced and professional persons should be selected at least for the key position and they should also be sent for further training from time to time.

- There must be proper guidelines in black and white as regards recruitment cum promotion and training programmes. There must be a centralized recruitment Board with common cadre among employees of all mills. A written test and interview by professionals may be taken as criteria for selection. Off and on the job extensive training must be imparted to the employees before and after their placement to the job.

- A time bound promotion scheme should be given to the employees in the industry so as to attract talented people to join it.

- The mills should take necessary steps to improve the quality of sugarcane through research and development activities in collaboration with Chaudhary Charan Singh Agricultural University, Hissar. In this direction sugar mills also made an attempt but proved futile. More serious efforts are required on the part of Government, sugar mills and Agriculture Scientists.

- The price of sugarcane should be fixed by the mills keeping in view the quality of sugarcane and price of the finished product they receive from the market. It is further recommended that for the well being of the industry Government
must not intervene in determining the price of sugar cane and sugar but let the market forces be free to decide. The Government job should be confined to have a close vigil on it.

- As our economy is passing through the era of globalization and liberalization, the sugar industry should also be allowed to taste its sweetness up to a larger extent and the Government should not give it a step-motherly treatment.

- To popularize their product, sugar industry should undertake publicity campaign so as to remove whims and myths. It is further suggested that industry must innovate its product development.

- The cane bonding policy should be strictly followed by the mills to ensure regular supply of sugarcane.

- It is also suggested that the Government should not motivate new units to come up but should also offer incentive to the existing units to raise their existing capacity to the level of their licensed capacity.

- Presently, the marketing related activities of sugar industry are highly controlled and are subject to excessive Government interference. The whole gamut of marketing activities such as pricing of sugar, stocking, packing, and delivery, release of sugar, distribution and movement are strictly regulated by the Government. In addition to it, sugar exports should be encouraged.

- Closing inventory of sugar must be valued at total cost of production excluding interest and selling and distribution overheads.

- The share deduction money policy should be strictly followed by the mills. It is suggested that the management of the concerns should try to increase share capital and capital invested by Government should be repaid at the earliest so that unnecessary interference of the Government can be avoided and the concern may become self-sufficient.

- If the stage Government really wishes to review the sugar industry, Government must take an urgent measure. It must not postpone reconstruction
of sugar industry otherwise ultimate death of this industry is in pipeline. Giving a simple pill of financial aid in terms of short-term borrowing will not be effective to cure financial disease of this sector at this stage. Major surgery is required to transform this industry. Growers must be motivated to contribute as share capital towards the payment of short-term borrowing under an internal reconstruction scheme.