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CONCLUSIONS AND SUGGESTIONS

Paper production is a core sector industry in India. The importance of paper and paper products in modern life can not be overemphasised. Paper plays a key role in any developing economy like that of India. The present work is concerned with the study of the growth and working of the Indian paper industry, various problems associated with its growth, etc. The concluding chapter attempts at summarising and consolidating the major findings and observations of the researcher. However, at the outset a quick overview of the genesis, objectives and methodology followed may be made.

9.1 GENESIS

Definite information is lacking in respect of the manufacture of the paper sheet in the world but historical authenticity is claimed that the true paper was first manufactured in China in the year 105 A.D. Like many other matters of antiquarian interest the history of paper making in India is also a matter of research. Great teachers of India imparted knowledge of the arts and the sciences to their disciples verbally through lectures and the latter used to memorise them. However, with the change of time the structure of knowledge grew vast and wide that the limited capacity of human memory could not cope with the situation. Therefore, necessity arose to preserve the huge mass of ever increasing knowledge in

writing in the form of books.

The beginning of modern paper industry in India is related to Dr. William Carey, the renowned Baptist Missionary of Serampore. In 1867, the first commercial paper mill - the Royal Paper Mill was established at Bally (near Calcutta). This mill took over Dr. Carey's plant and machinery in 1870. During the first World War (1914-18), the industry progressed well on account of heavy demand for paper in the country. The industry developed under protective duty and the production which was 33,000 tons during 1924 increased to 59,200 tons in 1938-39.

During the Second World War (1939-45), the restricted availability of imported paper provided further fillip in the industry with respect to the establishment of new paper mills and expansion of the existing ones. Till the beginning of the First Five Year Plan the Indian paper industry had undergone many ups and downs. With the launching of the first plan in 1951, the Government had a two fold objective regarding paper industry viz. to achieve self sufficiency in the production of paper, and to increase the per capita consumption of paper.

9.2 OBJECTIVES

The principal objectives of the study were :

- * to examine the growth and structure of the Indian paper industry,
- * to study the various managerial aspects such as human resource management, marketing, finance, and profitability, and

- * to look into the various problems and to suggest measures to overcome the same.

9.3 METHODOLOGY

9.3.1 Data Base : The present piece of research was pursued with both primary as well as secondary data. The Official Directory of the Bombay Stock Exchange formed the primary source for data on inventory management and control, finances and profitability of the paper industry.

9.3.2 Sample Design : A semi-structured questionnaire was administered among 20 large, 12 medium and 20 small paper mills. Data were collected from 6 large, 4 medium and 4 small mills. Personal interviews were also conducted with senior executives of the industry to supplement the authenticity of the secondary data.

9.3.3 Techniques used for Analysis : Percentages, coefficient of correlation and financial ratios have been taken help of for interpretation of data.

9.4 MAJOR FINDINGS

9.4.1 Marketing

The market for paper and paper boards is made up of several customer groups with varying requirements and different patterns of behaviour. The market for paper is segmented into groups like paper merchants, private organisations, public sector organisations, service establishments, foreign buyers and consumers. The present study revealed a perceptible shift in the

trend of product-mix towards higher production of packaging and wrapping paper. Product modifications are also taking place to make the paper attractive to the buyers. The product appeal is directly pointed at specific target market. The strategy that is being followed is more of quality improvement rather than feature improvement.

It is observed that the principal pricing objective has been to earn a specific return on investment. Most of the mills followed their own pricing policies. Of course, a few mills have favoured the cost-demand-based pricing because of its realistic characteristic. Trade discount is an important element of the price mix in the mills covered under the present study. Only two responding mills have the provision for granting cash discount. Except very few all are found to have the provision for credit sale. The credit period has varied between 15 to 60 days.

9.4.2 Human Resource Management

Majority of the large paper units in the sample are found to conduct job analysis. Internal promotion news paper advertisements and institutions constitute the main sources of recruitment. In addition to interview, tests such as performance tests, intelligence tests, aptitude tests, etc. are also conducted to facilitate a scientific selection. The small and medium mills have yet to realise the benefit of man power planning.

The present study revealed that performance evaluation is regularly conducted by most of the units for their managerial

personnel. Appraisal forms are used for undertaking timely evaluation. Except in one unit, self-appraisal system does not exist. A lot has to be done for further improvement in the prevailing system.

It is a healthy sign that almost all the large mills are aware of the importance of training. The J.K.Paper Mills and Orient Paper Mills in Orissa have already set up their HRD centres and a lot of training programmes are being conducted by the former mill at regular intervals. Some other mills arranged training programmes for their employees with the help of management educators and trainers. On the whole, a growing faith and confidence is noticed on the part of the management in HRD activities for qualitative improvement in employee performance.

Participative culture is being encouraged almost in all the paper manufacturing units in some form or other. However, there still prevails a lack of sincerity in encouraging workers' participation through works committees and other joint committees. Among the non statutory tools and mechanism quality circles (QCs) have been formed in 31.2% of the responding paper mills. Straw Products Ltd. (Orissa) is said to be the first paper mill introducing and experimenting with QCs so far as the Indian paper industry is concerned. The functioning of the scheme has brought about a welcome change in the employees' attitude. Collective bargaining has gained popularity almost in all the paper units under the present study. Suggestion schemes, quality improvement teams communication meetings joint management councils also exist to facilitate develop participative culture.

9.4.3 Inventory Management and Control

Inventory management and control is another important aspect which has been brought within the scope of the present research. It is revealed that the average inventory in paper mills in India has varied significantly over the period 1980-81 and 1989-90. A close relationship existed between inventory and sales. The rapid rise in the size of the average inventory was due to an increase in total volume of production and also total sales in the paper mills. There is no uniformity with regard to maintenance of inventory. A high degree of positive correlation was witnessed between the average inventories and cost of goods sold. The wide fluctuations were owing to growing cost of inventory, irregular railway movement, stock built up by purchasing inventory from local market at a higher cost. A general deterioration was also observed in the net working capital as a percentage of inventory. A few paper units like that of Ballarpur Industries Ltd. could take effective steps to maintain inventories as a reasonable percentage of current assets. Wide fluctuations were noticed in the ratio of gross profits to inventory in the sample units which varied between 48 and 74%. Again, the sales of sample units were very much influenced by the consumption figures.

The overall picture of inventory management and control in the paper units covered in the present study was not satisfactory during the period 1980-81 to 1989-90. Ample scope exists for improvement.

9.4.4 Financial Structure

Both internal as well as external sources have contributed 51.4% and 48.7% respectively for financing paper industry in India. External sources of finance have played a major role during the period under study both in medium and small mills. It is revealed that the equity capital of all the sample units was very high in large mills and it was minimal in case of small mills. Between equity and preference capital the former played the most important role in the financing of paper industry.

"Shareholders' reserves" have played a very significant role in large mills, the share of which ranged between 63.3 to 85.%. The "provisions" as an item of internal source has not been effective for the large mills under study. Provision for depreciation played a better role in medium mills.

As regards the role of retained earnings it is seen that some of the medium-sized and all small mills could not accumulate any reserves during the period under study. Due to continuous losses these mills used the past reserves for the payment of dividend. On the whole, the paper industry could not retain any significant amount due to marginal profits after payment of taxes.

The internal sources have contributed substantially towards the accumulation of a major portion of gross capital formation in the sample paper units which ranged between 39.1% in 1983-84 and 60.8% in 1985-86. About 52% of the internal sources

could finance the fixed assets of the units.

The external sources contributed around 49% of the total funds. Loans and advances constituted on an average, 26.5% of the total external sources. Debentures and other long term loans constituted 20.2%. Since 1985-86 the former have been playing an increasing role. Borrowings have also played an important role in financing the paper industry. The paper units covered under the present study also depended upon trade credit as well as current liabilities to a reasonable extent.

9.4.5 Profitability

Profitability is a meaningful measure and can be used as an effective standard of performance. The present study was intended to analyse whether the industry paid and diverted more of its profits instead of retaining them for modernising and stabilising the industry. But in the absence of adequate data for medium and small mills no definite conclusions could be arrived at. The key profitability ratios computed revealed as follows.

- * No definite trend could be visualised in the profitability of the sample paper units in terms of gross profit ratio.
- * Net profit margin which establishes a relationship between net profit and sales, and also an indicator of management's efficiency in manufacturing, administering and selling the products shows a better position in case of medium mills.

Thus all the key profitability ratios were low except in few years when compared to average of the sample units. It was revealed during visits that the increase in manufacturing

expenses was the main reason for the fall of profitability in the industry. It is said, the increasing interest burden also resulted in lower projects to be distributed among the shareholders and retained in the industry itself. The levy paper scheme also negatively affected the profitability and financial position of the paper units.

9.4.6 Problems and Prospects

The paper industry in India is confronted with problems of raw materials, low capacity utilisation, technological obsolescence, sickness and so on.

The tremendous increase in the population and the demand for land for cultivation have resulted in the shrinkage of forest areas. The demand for wood for fuel and constructional purposes has also gone up. Shortage is being felt as it is being put to other uses like use in the boilers for generating steam etc. The use of the rice and wheat straw has remained limited. Scattered and seasonal availability, high transportation cost, use of straw as fodder for cattle, etc. are the limitations being faced by the mills. Very few small mills used waste paper as their raw materials. On the whole, the problem of raw material is quite serious. The government policy enunciated from time to time on paper industry has affected the industry on the raw material front.

Low capacity utilization is another important problem facing the paper industry. The rate of capacity utilisation has been steadily declining over the years. This was principally due

to non-availability of forest-based raw material at reasonable prices on a sustained basis .The position of small mills is still worse. They suffer from inadequate and inappropriate equipment, managerial deficiency and skill of workers, etc. The production costs have increased by 186 per cent and the selling price by 139 per cent over the decade under study. Rise in excise duty inconsistent with the selling prices and recurring hikes in power tariffs have also acted adversely.

On the other hand, the estimated aggregate demand for paper in 2000 AD is expected to be in the range of 30 to 34 lakh tonnes of paper. The spread of education growing business activity and governmental administration and the increasing per capita income of both rural and urban population are some of the factors responsible for increasing demand for paper. The per capita consumption of paper in India which is 2kg at the present is likely to go up to 3.4kg by the turn of 2000 AD. Hence the necessity of a sound management of the mills in raw materials, marketing, human resources, finance, profitability and inventory.

9.5 SUGGESTIONS

A few important suggestions may be highlighted for an around development of the paper industry in India.

9.5.1 The need of the hour is a sound raw material planning. It is necessary to draw up a well balanced research programme for the development and supply of raw materials. It is necessary to go for man-made forest plantation. Development of plantations by government agencies, joint sector companies, farm

forestry schemes and captive plantations will go a long way to solve the problem of acute shortage of raw materials.

9.5.2 Modernisation of the old plants and more R & D activities are called for increasing productivity and capacity utilisation.

9.5.3 A rational orientation in the government policy is also called for. Suitable enactments should be made to facilitate the leasing of forest lands to paper mills. The state governments should invite representatives of the industry to serve on the boards of Forest Development Corporations so that purposeful links between the two are established. For the survival of the paper industry, the government should exempt excise duty on printing and writing varieties used for student community and for printing of periodicals. Import of wood pulp, machinery, spare parts, etc. should be exempted from import duty so that the Indian paper industry could be in a position to produce high quality paper to compete in the indigenous and foreign markets.

9.5.4 The corporate objective of every manufacturer of paper should be to ensure rational and equitable distribution of paper at fair prices. To achieve this objective the main thrust should be to make right quality paper available to actual consumers at the right time and place according to their needs. What is needed is that the mills should resort to an intensive marketing efforts. The industry needs to segment the market and develop new products to meet the changing needs of the users. They should carry out demand analysis of their users region-wise.

and product-wise. Pricing policy should be linked with demand, utility and the relative price of other similar products. The price-mix should concern itself with the prices offered, trade terms and discounts and timely credits be given to major customers. As the newer applications are expected to push the demand for paper and paper products, the marketing-mix strategy should be a well-blended one. The manufacturers should not be complacent with the feeling that whatever they are manufacturing at present are sold with least marketing efforts. They must do an excellent job, if they are to succeed in markets characterized by slow growth and fierce competition.

9.5.5 To meet the challenges posed before the paper industry, it is essential that human resources management should receive due attention. Beside, proper manpower planning, recruitment and selection the need of the hour is to create adequate facilities for training and development. To cope with the changing needs HRD activities on a sustained basis should be undertaken especially by the large mills. It should be born in mind that the academic training should fit into the national pattern of technical education and the trained manpower should be assured job opportunities. "**Excellence**" should be the watch-word in resource building. Every large and medium mill must prepare a blue print of its own in-house manpower development programme.

9.5.6 There exists ample scope for improvement in inventory management and control almost in all the units. The management ought to pay adequate attention to improve working capital inventory relationship which presently indicated a general

deterioration. The medium and small mills should be careful in keeping low inventories percentage in current assets.

9.5.7 Greater emphasis on sound financial planning and control is greatly needed in the paper industry. Through this, the medium and small mills could be in a position to generate some profits and plough back a part of it for strengthening their capital base. Expansion, rationalisation and other development schemes can also be facilitated. The small mills should strengthen their equity base. The managements of the paper units should bear in mind that though trade credit is a good source of finance, substantial increase in trade credit not followed by a corresponding increase in loans and advances, is likely to create more liquidity problems for the industry.

Though the paper industry is confronted with manifold problems, the overall outlook at least in the immediate future, remains bright. Concerted efforts by the industry and the government should be made to overcome these problems. The government would do well to rationalise the existing excise duty and tax structure, and also to give scope to units wanting to boost output. It may for the time being consider carefully a moratorium on creation of new capacities and also extend at the same time financial assistance at a concessional rate to the sick and closed mills which are technically feasible and economically viable. If these materialise, the next few years could well witness the paper industry emerging from under the cloud that has shadowed it for so long, and stepping out into the Sun.

9.6 SCOPE FOR FURTHER RESEARCH

Each of the major problems such as human resources management, inventory management and control, financing and profitability can further be investigated into independently by the future researchers. Ample scope exists for research in the area of export marketing of paper so that necessary strategy could be evolved to open up new markets abroad in the larger interest of the nation. The financial management, particularly that of the medium and small paper units could be studied in greater indepth.
