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I N T R O D U C T I O N

Paper is one of the basic needs of modern life. The per capita consumption of paper and paper board is taken as an index of a country's social and economic development. In the context of such importance, the government of India has rightly accorded the paper industry the status of a core sector. India produced almost all varieties of industrial and cultural papers. At present, the per capita consumption of paper in India is 2 kg. and is expected to go upto 3.4 kg. by the turn of 2000 AD [1]. The paper sector plays a key role in a developing economy like ours and in fact, the use of paper is said to reflect the development of literacy in a society not to mention its impact on the socio-economic scenario. Thus, the importance of paper and paper products in modern life cannot be over-emphasised.

The present research is concerned with an examination of the growth and development of Indian paper industry and problems related to this industry such as marketing, human resource management, inventory management, etc. In this introductory chapter a brief background of the origin of paper, review of literature, objects and scope of the study, and methodology adopted have been highlighted.

1.0 ORIGIN OF PAPER-MAKING

Paper forms the basic vehicle for written

communication, and the need for paper was felt because human capabilities to memorise the accumulating wealth of information and knowledge was limited. This limitation was overcome by Babylonians by the use of Tamra Patra, Tada Patra, Loha Patra [2]. Cured reptile and animal skins and silken fabrics were also employed for preserving philosophical creations, wills, laws, treaties and agreements among peoples and nations. Etymologically, the word 'paper' is derived from the Latin word Papyrus and French word Papier [3] which means a web composed of vegetable fibres, roughly oriented and matted together to form sheets. In some countries, Papyrus and Parchment first appeared as writing materials. Documents written on Papyrus dating back to 3000-2000 B.C. have been found in Egypt. The Persians and Greeks used Parchment to write upon [4]. No definite information is available in respect of the manufacture of the first paper sheet in the world. But historical authenticity claims that the first true paper was manufactured in China in the year 105 AD by T'si Lunan, an officer who later became a minister under the Han Dynasty [5]. In 751 AD the Arabs took the Chinese as prisoners and from them the art of paper making reached the middle East and Europe [6]. In Japan the paper industry grew due to the efforts of the Buddhist monks. The first modern paper mill was erected in Germany in 1336. More and more factories came up in Switzerland and Holland during 1856 and later. The paper industry in the modern times has made considerable headway and has been getting more and more sophisticated day by day.

In India, the art of making paper reached us through

the Arabs who initially learnt it from Chinese prisoners when they raided parts of China [7]. Prior to this the Aryans settled in North India used tamra patra (Copper plates), talapatra (Palm leaves) as writing material. Later they used metals such as lead, copper and bronze for the purpose of written communication. The records show that before the advent of machine made paper, a sizeable number of hand made paper industry flourished in India.

1.1 REVIEW OF LITERATURE

Literatures are available on paper and pulp industry in India on a limited scale and most of these relate to the problems and prospects [8] of the industry. The reports of the Development Council for Paper and Allied Industries deal with only specific issues such as raw materials (1983), energy audit and conservation (1983), demand forecast (1983), modernisation and rebuilding of existing paper mills (1984) and investments for paper industry (1983).

The studies on paper industry conducted by various scholars from time to time are more or less specific in nature. A few comprehensive attempts have been made to evaluate the growth and prospects of the industry in its entirety.

Rao (1989) [9] has made a comprehensive presentation of various issues relating to the development of paper industry in India. He traces the growth of the industry during the plan era, its structure and sectoral characteristics. Besides examining the problem of raw material Rao also outlines the various facets of government policy such as industrial licensing,

fiscal incentives and statutory controls on pricing and distribution. However, he does not examine the two important aspects of the industry, viz. marketing and the financial working of the industry. The examination of human resource management is also limited in the study undertaken by him.

Poddar (1979) [10] in his study in the same area covered the various aspects of the paper industry in India. Starting with the history, discoveries and use of paper this study presents all general aspects such as an appraisal of the industry, future trends, and analysis of mini paper plants. The author has contributed by highlighting various raw materials vital to the manufacture of paper and the wealth of forests in India.

Gupta and Shah (1987) [11] in their study have identified the higher demand forecasts for paper and paper boards. They are of the view that there appears to be a lack of distinction between need and demand in planning process. They have been able to make a case for generating adequate and reliable data on consumer profile to enlighten the analysis on how much of different types of paper and paper boards are consumed by different socio-economic groups for different purposes. This, they argue would help in better policy formulation and improved management of the industry, the forests and other resources.

Jha (1988) [12] in his study has examined the profit planning and control in 15 paper manufacturing units in India.

His research has taken into account product marketing as the main source of revenue, composition and behaviour of product cost, inventory management and control, profit-volume relations, profitability performance and control.

Bose [13] has examined the development of paper industry in India, the problem of raw materials, demand and supply of paper, financial structure of the industry, marketing, labour and industrial relations, etc. At the end Bose has made a number of suggestions towards the better working of the paper industry. His work also reveals some of the aspects of the industry in the global context.

Bathwal [14] has done an overall review on Indian Paper Industry during the period 1948-65. In his thesis he had shown the average annual growth of industrial production in comparison to the paper industry in India.

Kush's [15] work deals with manufacture of paper and paper board in details including both large scale and small scale manufacturers but presents only a limited analysis of the growth of paper industry in India.

S.Bhoothlingam [16] analysed the demand of paper in India and makes a review of the problems of the paper mills in India in general. He examines more generally factors like structure, future costs and profitability.

Singh [17] in his study " Paper Industry : Problems Are Not Over Yet " has attempted at giving a brief overview of the

growth of Indian paper industry till 1988-89, the various reliefs and concessions sanctioned in favour of the industry, the problems of transport and raw materials. Singh has made a few suggestions to overcome the problem of raw materials. These include among other things development of farm forestry, special forestry and captive plantations.

Ansari and Talha [18] in their study " Paper Industry in India - Problem of Sickness " analyse the various growth dimensions of the industry. They especially highlight the problems of sickness which is a result of shortage of raw materials, technological backwardness, financial crunch and infrastructural inadequacies.

Reddy and Reddy [19] in their study "Indian Paper Industry - Problems and Prospects" trace the origin and development of the industry under plan periods. They deal with the problems such as unremunerative operations, infrastructural difficulties, industrial unrest, obsolescence of machinery and market resistance. They go on to make a number of suggestions to overcome the problems of the paper industry.

The present study is a comprehensive one covering the various aspects of Indian paper industry such as human resource management, inventory management, marketing management, capital structure, profitability, etc.

1.2 OBJECTIVES OF THE STUDY

The broad objectives of the study are :

1. to examine the growth and structure of the Indian paper industry with an historical perspective,
2. to study the human resource management and development policies and practices,
3. to make an assessment of the marketing policies and practices followed by the paper manufacturers,
4. to study the financial working of the industry in terms of its capital structure and profitability, and.
5. to look into the various problems such as raw material shortages, obsolete technology, government policy, low capacity utilisation and to suggest measures to overcome the same.

1.3 SCOPE OF THE STUDY

The present study is an exploratory one and is limited to paper and paper boards. Newsprint has been excluded from its purview. The period of the study ranges between 1951 to 1989 so far as the history and growth of the industry is concerned. Because of such greater time length, plan-wise data have been taken. Yearly study is made from 1980 onwards upto the end of the period of study i.e., 1989. The upper limit is chosen for the simple reason that the comprehensive data are available upto this period when the study was taken in hand.

1.4 RESEARCH METHODOLOGY

1.4.1 Sources of Data

The present study has been pursued with both primary as well as secondary data. The publications of the Development Council for Paper, Pulp and Allied Industries, Directorate General of Technical Development, Ministry of Industry,

Government of India, Indian Paper Makers' Association, National Productivity Council, F.A.O., etc. have been used which comprise the major source of secondary data. The Stock Exchange Official Directory, Bombay was the primary source for data on inventory management and control, and finances of the paper industry. In addition, the study is also based on primary data and seeks to directly address the problems faced by the industry. Necessary information have been drawn through the questionnaire.

1.4.2 Sample Frame

Primary data were collected through a semi-structured questionnaire. It was issued to 20 large, 12 medium and 20 small mills. While selecting the sample units a two-stage stratified random sampling technique has been adopted. In the first stage, the industries covered under the study have been stratified into three broad categories viz. Large, Medium and Small on the basis of their installed capacity [20], and in the second stage, it was decided to select 8 units from large mills (40%), 4 medium (33.3%) and 4 small (22.2%) paper mills. Thus a balanced mix of all categories of mills was taken so as to make the sample a representative of the population. A profile of the sample units is presented in Appendix II.

In addition to the collection of data through questionnaire the present researcher had personal interviews with senior executives of the mills to gather a correct picture of the scenario. For financial data, reliance was put on the Bombay Stock Exchange Directory.

1.4.3. Techniques/Tools Used for Analysis

After the information having been processed from primary and secondary sources, the same were sorted out in appropriate tables according to requirements and each table in the study has been critically analysed, interpreted and inferences have been drawn. For a correct interpretation of data various statistical tools such as percentage, coefficient of correlation and financial ratios have been duly followed. For the qualitative data, inferences were drawn based in a qualitative analysis. Tables, graphs and charts have also been used at places to represent the data.

1.5 CONTOUR OF THE STUDY

The subject matter of the present study is contained in 9 chapters.

The introductory chapter contains the history of paper making, objectives, scope of the study, and the methodology employed for the purpose.

Chapter 2 deals with the structure and growth of the paper industry in India.

Chapter 3 embodies the marketing policies and practices followed by the manufacturers of paper and paper boards.

Various aspects of human resource management and industrial relations have been put in Chapter 4.

Chapter 5 deals with the problems of inventory

management and control.

The capital structure of the industry and profitability have been examined in Chapter 6 and 7 respectively.

The various problems like raw materials, capacity utilisation, modernisation, etc. and the prospects of the industry have been put in Chapter 8.

Summary and conclusions which *inter alia* contain the important findings and suggestions form the last Chapter.

The chapter outline is followed by appendixes and a select bibliography.

1.6 LIMITATIONS OF THE STUDY

The present piece of research which confines itself to the paper and paper boards is an exploratory study based on information collected by means of questionnaire. The size of the sample is restricted to 14. So the limitation of small representation applies to the study. Further, to reduce the length of the period of the study planwise figures have been used to examine the growth of the paper industry.

As some of the sample units were composite mills, having activities of varied nature and located at different localities data were not available separately.

Despite the above limitations care has been taken to bring in necessary objectivity in the discussions and interpretation of the data. All the same, the present researcher

cannot claim that all the dimensions of the paper industry in India have been fully covered. Yet, it is believed that the findings of the study will throw adequate light on the growth, problems and prospects of the Indian Paper Industry.

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