CHAPTER VII

SUMMARY AND CONCLUSIONS
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The analysis of the performance of the selected spinning mills served as the basis to generalize the performance and development of selected spinning mills in Andhra Pradesh. The following are, in brief, the important findings of this study based on the survey results. A set of suggestion has been presented hereunder to improve the effectiveness of selected spinning mills.

7.1 Findings of the study

The handloom industry in India is, by far the largest cottage industry with having high employment potential. It provides employment to millions of artisan weavers and is only second to agriculture in providing livelihood.

The first cotton textile mill was set up on the banks of the river, Hooghly near Calcutta, by an Englishman in 1818, and was followed by another mill in Broach later in 1854. The first spinning mill was set up in the same year in Bombay (Now Mumbai) with spinning capacity of 30,000 spindles. The growth of cotton production and the development of textile industry have greatly influenced the economy of the country.

Though cotton is being grown in over 60 countries all over the world, India ranks first in the area under cotton accounting for nearly one-tenth of the global production.
The textile industry is the single largest foreign exchange earner for India. Currently it accounts for about 8% of GDP, 20% of the industrial production and over 30% of export earnings of India and it have only 2-3% import intensity. About 38 million people are gainfully employed with the industry making it the second largest employment providing sector after agriculture.

The cotton textile industry has spread to a number of other states in India such as Maharastra, Gujarath, Tamilnadu, Madhya Pradesh, Bihar, Kerala and Uttar Pradesh.

The installed capacity of spindles in 1986-87 was 25.93 millions, of which only 72 per cent was realized. There has been a very marginal increase in the capacity of installed spindles in the subsequent years.

There is a clear evidence of increasing incidence of sickness in the organized mill sector reflected in a large number of closed units. The per capita availability of cloth still remains at a very low level. There is also a large unsatisfied demand for durable synthetic and blended fabrics, which is not being met by indigenous production. The mill export potential of textile product remains to be achieved.

The textile industry has been de-licensed as per the Textiles (Development and Regulation), order 1993. The current Export Entitlement Distribution Policy known as Quota Policy, effective from January, 1994 to December, 1996, aims at
making the system of quotas more transparent, simple and realizing increasing unit values from textile and garment quotas and encourages non-quota export of garments.

The new textile policy is formulated with a view to ensure the progress of different segments in this basic industry keeping in view the growth of any particular sector, not at the expense of another. Because of the erosion of profit margins and losses incurred by many cotton textile undertakings in the organized sector, the modernization program, which has not been implemented has got inflated in the process.

The history of the textile industry in Andhra Pradesh can be traced with the first weaving mill was established in 1921 at Rayadurg of Anantapur District. The first spinning mill established at Pandalapaka, in East Godavari district has started its production in the same year. The first composite mill was the D.B.R. Mills Limited, established in 1922 at Hyderabad.

The first textile mill “Akkamamba Textiles Limited” was established at Tanuku of West Godavari district in 1956. Another textile mill “Sri Venkatachalapathi Mills Limited” came into being in 1957 in Chittoor.

Area under cotton cultivation recorded a significant growth in Andhra Pradesh during 1991-2001 and the yield per hectare was more in Andhra Pradesh than any other state in the country.
There are 60 spinning mills in Andhra Pradesh of which 24 are located in Rayalaseema with an investment of Rs.16,065 lakhs providing employment to more than 8000 workers. In Telangana 22 spinning mills with an investment Rs.19,915 lakhs are providing employment to more than 7000 workers in 2001-02. There are only 14 spinning mills, in Coastal Andhra having low investment of Rs.8,883 lakhs compared to other regions of Andhra Pradesh.

The per unit employment provided in Coastal Andhra Region is 253 workers, in Rayalaseema Region is 333 workers and in Telangana region is 316 workers.

Cotton cultivation in Andhra Pradesh has become increasingly risky, owing to the high pest incidence resulting in winding of the realizable Potentiality, the diminished fiber and seed quality, the inflated cost of cultivation and erosion of profits.

53 of 60 spinning mills in Andhra Pradesh are functioning in their own buildings and the remaining are being operated in rented buildings. Thus, 88.00 percent of the spinning had own buildings while 12.00 percent of the mills are located in rented buildings.

The total capital of the selected spinning mills is Rs.409.33crores. On an average the capital of each selected mills is Rs.34.01crores. Among the regions the mills located in Coastal Andhra Region have the highest capital of
Rs.157.18crores, followed by the four mills located in Rayalaseema Region with capital of Rs.141.15crores.

It is found that owned capital of the selected spinning mills to total capital works out to 48 percent and that of the borrowed capital accounts for 52 percent.

Of the 60 units of the state, 33 mills are being covered by the commercial banks, which is 55 per cent of the total finance of the mills, followed by the APSFC financed other 19 mills (33.66 per cent) and the IDBI to only 8 mills (13.34 per cent).

The mills in Costal Andhra region had a highest debt-equity ratio of 0.72 in the year 2000, but in the subsequent year the ratio declined to a minimum of 0.63. The debt-equity ratio has remained at the same level, although it varied marginally in the subsequent years. The debt-equity ratio of mills in Rayalaseema region is lowest in 2000 compared to coastal Andhra mills, ratio in 2001.

Fixed capital is barrowed mainly from four sources namely Commercial Banks, APSFC, IDBI and Own capital. Fund borrowed from all the 4 sources had been utilized by all the mills, except the mills in Guntur, Vijayanagaram, West Godavari, Mahaboob Nagar and Ranga Reddy districts.

The size of spinning mills, by and large are smaller and hence their capacity to provide employment is also limited. On the other hand, nearly 47.00
percent of the total spinning mills in Andhra Pradesh has the fixed capital ranging from Rs.4.0 crores to Rs.5.0 crores. These are all said to be medium sized mills catering to the needs of the people.

Majority of the employees of the spinning mills are workers who are engaged in manual and non-technical works. Naturally, they may be earning wages either on daily basis or weekly basis.

The technical and skilled labourers account for 45.07 per cent of the total employees.

It is found that spinning mills are catering to the needs of untrained and unskilled workers to a larger extent.

Of the 4058 workers employed in the selected spinning mills 3013 workers accounting for nearly three quarters of the total workers are employed in the production division.

71.56 per cent of labours draw low wages of less than Rs.800 per month and only 0.54 per cent of employees draw a very high salary of more than Rs.1400 per month.

The educational qualifications of large proportion of employees are below S.S.C (81.90).
In some of the selected mills the investment doubled during the 4 year period and in some other mills it increase by more than three times.

The growth of investment in the selected spinning mills is uneven and fluctuating over a period of time.

The cost of raw material accounts of more than 70 per cent of the manufacture cost of the firms in Rayalaseema and Coastal Andhra Regions and a little less in Telangana Region.

The capital-output ratio for the Adoni Mill appears to be very high and indicating a high efficiency of capital i.e., each rupee of capital produces 8.73 units of output.

The relationship between capital and value added is positive and significant in all mills of Andhra Pradesh. An increase of one rupee of capital leads to increase in value added by Rs.7.21 in Adoni Mill, Rs.1.86 in Sathavahana Mill.

More employment can be generated with less capital investment on plant and machinery in Adoni Mill and Vijayanagaam mills in Andhra Pradesh.

An increase in employment level by one person contributes to value added by a substantial amount of Rs. 20,590, in case of Surya Jyothi Mill followed by the Madanapalle Mill Rs. 20,503.
The dominant determinants of output can be ranked as labour, power/fuel, raw material, capital and miscellaneous including transport cost.

There is a high a degree of relation between raw material and output for all the spinning mills, more so it is evident for Cuddapah Mill (0.81), Mahaveer Mill (0.78) and Kallam Mills (0.72). However, the situation is opposite in the context of Parturu Mill and Super Mill.

In case of Kallam Mills, Adoni Mill, Super Mill, Mahaveer Mill and Vardaman Mill, the marginal returns of labour are decreasing significantly at 95 per cent or more. In other spinning mills, the returns are decreasing at a slower rate.

Since labour productivity in relation to wage rate per worker has been adverse in these mills, the performance is also not satisfactory compared to other spinning mills.

The principal sources of debt capital to these spinning mills are commercial banks followed by state finance corporation. It is found that subsidy component has been major factor of attraction to borrow from the commercial banks. Own capital invested by the spinning mill owners ranged from 25 to 30 per cent of the total capital investment. Spinning mills owners are encouraged to borrow heavily due to the lower interest rate charged by the commercial banks.
Many owners are interviewed revealed that they raised long-term loans of 15 to 20 years to meet their capital requirements.

It is found that nearly one half of the selected spinning mills owners have undertaken the task of modernizing their firms with new machinery and technology.

Interference the trade unions in the industrial affairs are affecting the smooth functioning of the labour force. Many a time owners find it difficult to deal with the striking workers supported by the trade unions. However, owners have not resorted to the extreme action of declaring lock-out.

Large number of Mangers working in the spinning mills is in the age group of 40-60 years. On the other hand very significant number of Assistant Managers is in the age group of 30-40 years.

Facilities provided by the spinning mills for the medical checkup and consultation seem to be satisfactory according to the majority of the Managers and Assistant managers.

No spinning mill installed capacity has been fully utilized. This is mainly due to increasing maintenance and working expenses.

In this era globalization 90 per cent of the spinning mills have not venture to adopt new technologies including imported ones.
One-third of the Managers revealed that their product is of moderate quality to maintain adequate demand for the product.

Among the new techniques adopted by the Managers to promote the sales, credit sales method seem to be the important one. 44 per cent of the Managers are using this technique to promote the product sales.

Among the causal workers engaged by the selected spinning mills 20 per cent are skilled workers and the rest are unskilled labour. It is observed that workers employed on regular basis are regular to their duties and are receiving their salaries regularly.

More than 70 per cent of the regular casual workers are in the productive age group of 25-40 years and the remaining are in the age above 40 years.

Spinning mills management is providing adequate machines and other implements for them to work.

Many spinning mills are providing medical facilities to the regular and casual workers. Apart from this insurance facility is also extended to a portion of the regular employees by the spinning mills.

The accident benefit amount varies from time to time depends upon the seriousness of the injury. Lower amounts of accident benefits offered to the
casual labourers. However, many workers are not satisfied with the accident benefit amounts provided by the spinning mills.

The interference of trade unions in the affairs of the spinning mills needs to be reasonable to prevent strikes and disturbances.

7.2. SUGGESTIONS

The spinning mills in Andhra Pradesh are scatteredly located in many districts. It is suggested that cotton growing districts are to be preferred for the location of spinning mills. Cotton spinning industry has been recognized as traditional industry with long historical background. For this reason in the past spinning mills was dispersal and located in many districts of the state as cotton was grown in many districts in the past. However, the meteorological changes rendered some of the districts in the state cotton dry. Further charges in the cropping pattern led to the steep decline the area under cotton cultivation. For this reason some of the spinning mills are starving for adequate supply of cotton in time. This must have led to the closer of some of the spinning mills in the state.

Adequate supply of cotton is to be ensured to some of the spinning mills located away from the cotton growing districts. For this purpose Cotton Corporation of India shall open cotton procurement centers in the nearby districts to facilitate regular input feeding to these spinning mills.
The performance of the cotton spinning mills has been discouraging over the years and hence firm decision may be taken to stop the establishment of new cotton spinning mills in the state more especially in the non cotton growing districts. Necessary arrangements are to be made for the timely supply of cotton by the Cotton Corporation of India to the existing mills.

In many of the cotton spinning mills the share of own capital is less than the share of debt capital. This trend needs to be checked and the ratios of ownership capital and debt capital are to be made equal to impose adequate responsibility on the owners to run the industry.

The subsidy component has been the driving factor to established spinning mills in the backward regions. It is suggested that the subsidy amount to be rationalized so as to identify the interested investors. This step further contributes significantly to reduce the indifferent attitude of industrialists.

Capital lending process of the banks needs to be revised to ensure proper utilization of the debt by the owners for the desired purpose. For this sanctioning of the loan in installments by the banks after verifying the utilization of earlier installment grant for the specified purpose.

It is suggested that banks may extend increased amount of loans to the cotton spinning mills to meet their ever increasing working expenses. Spinning mills with a good record of repaying the loans may be provided with larger
amounts of funds for working capital. Banks may think of providing "input loans" by playing the cost of cotton input to the Cotton Corporation of India purchased by the spinning mills.

Cotton spinning industry, the traditional industry needs to be updated in its productive technology to increase the level of production. For this purpose new technology, if necessary imported from other countries, is to be injected into the production process of spinning mills. For this purpose also banks may provide additional loans to modernize the cotton spinning industry.

It is noticed that in many existing spinning mills installed capacity is not utilized fully. The less productive plant and machinery may be replaced by more productive, technology inbuilt, new machinery. This process of modernization needs to be taken by the spinning mills in a phased manner.

Modernization of spinning mills enables them to produce high quality, attractively designed products orders in tune with the changing tastes of the customers and to withstand competition from the firms within and outside India. This measure may contribute significantly to earn foreign exchange through quality exports.

In the survey analysis it is found that many managers and assistant managers are of degree standard. The managements may think of employing highly qualifying competitive mangers, the vital agent of production for efficient
functioning of the industry. Reasonable salaries may be offered to these qualified managers. Apart from these more technically qualified and skilled workers may be employed to handle the sophisticated and high quality machines. This enhances the proper utilization of machinery to drive home increase in the production.

In order to enhance the enthusiasm to work of the managers and assistant managers reasonable leave facilities, medical allowance, fuel allowances may be extended by the managements of spinning mills.

Reasonable freedom to work may be granted to managers to decide upon some of the issues at the gross root level to facilitate smooth functioning of the firm and also to prevent unwanted disturbances.

Periodic supply of factor inputs particularly raw material is to be made available by cotton procurement centers operating within the state.

In order to ensure full utilization of existing capacity and higher level of production power supply to the industries needs to be regularized. Frequent power cuts that disturb the functioning of the spinning mills may be reduced. The power tariff rates are to be rationalized and maintained at a reasonable level.

In view of severe competition from the power loom sector the quality of spinning mill products is to be promoted to push up the sales in the market. Specially qualified personnel are to be employed as sales agents to promote the
sales in the market. Preferably young and dynamic personnel are to be employed in the marketing division.

Without any compromise only skilled workers are to be employed in those slots that need technically qualified personnel to handle the production activity.

Technically qualified or skilled workers are to be distinguished from other workers on some counts. They may be offered higher wages and other allowances. Payment of salaries and wages to all the employees are to be periodic and regular to save discontentment and to avoid unrest particularly among the workers. Reasonable level of working environment is to be maintained in these spinning mills by providing certain facilities like rest houses, drinking water, ventilation etc.

Management shall take care of the medical facilities like first aid to meet the emergencies and arrange for the treatment of injured in the local hospitals. In order to earn the loyalty of the workers reasonable accident benefits and compensations are to be offered to the employees of the mill. Workers are to be granted operational freedom to discharge their duties effectively.

If necessary, workers may be permitted to participate in the management affairs of the firm to enhance workers cooperation in the functioning of the industry.