

CHAPTER- VIII

Summary and Conclusion :-

In the previous chapters (I to VII) a review of the financial management in sugar co-operatives with reference to the study of sugar co-operatives in Ahmadnagar District from the aspects such as an analysis and interpretation of financial statements of the factory, a critical survey of financial structure and an examination of organisational set up created for financial planning and decision making has been attempted. In this chapter it is proposed to summarise the findings of the study and conclusions flowing from the study, along with suggestions made earlier at appropriate places in the preceding chapters.

In the " Introduction " chapter, it was observed, co-operative sugar factories were in the process of development. There was an urgent need for new literature that would influence the development in the co-operative movement. There was also diversity of conditions prevailing in the different subsectors of the movement, Studies were few in these fields and were not significantly related to problems of financial management.

Considerable research is possible in the various areas of management of co-operative sugar factories.

Chapter II reviewed the finance function. The financial features of co-operative management were also elaborately analysed.

Finance function was seen to be the most sensitive area of management of sugar-cooperatives. As it covered the economy of sugarcane cultivators and the protection incentives for more production. Moreover, the finance was raised mainly from members, Government and the public Financial Institutions and co-operative Banks.

Chapter III Viz. "Growth of sugar Industry brought home the development of sugar industry with the main thrust on the development profile of Ahmadnagar District. It was also noticed as to how the district of Ahmadnagar came forward as a pioneer area in sugar Co-operatives with the establishment of first Co-operative sugar factory at Pravaranagar in 1948.

Chapter IVth was on "Requirements and sources of Finance for sugar co-operatives". In this chapter financial needs,

sources of finance, borrowed from various financial Agencies etc. were considered. It was seen here as how initially the members raised the share capital partly, while the gap was met by borrowing loans from various Institutions.

Chapter Vth was on "Organisation and Information system for finance function." A study of system of recording the financial transactions was made in the chapter, and enquiring into :-

- (a) Method adopted for recording financial transactions.
- (b) Various forms, statements etc. used for reporting the accounts information etc., &
- (c) The organisation and working of accounts department were made.

A study of methods of financial control, internal check and audit etc. was presented in the VIth Chapter.

Chapter VIIth dealt with some important problems of sugar co-operatives.

Now the main findings of the research can be summarised as follows :-

1. The different ratios drawn from balance sheet Profit and loss Account and Techniques, such

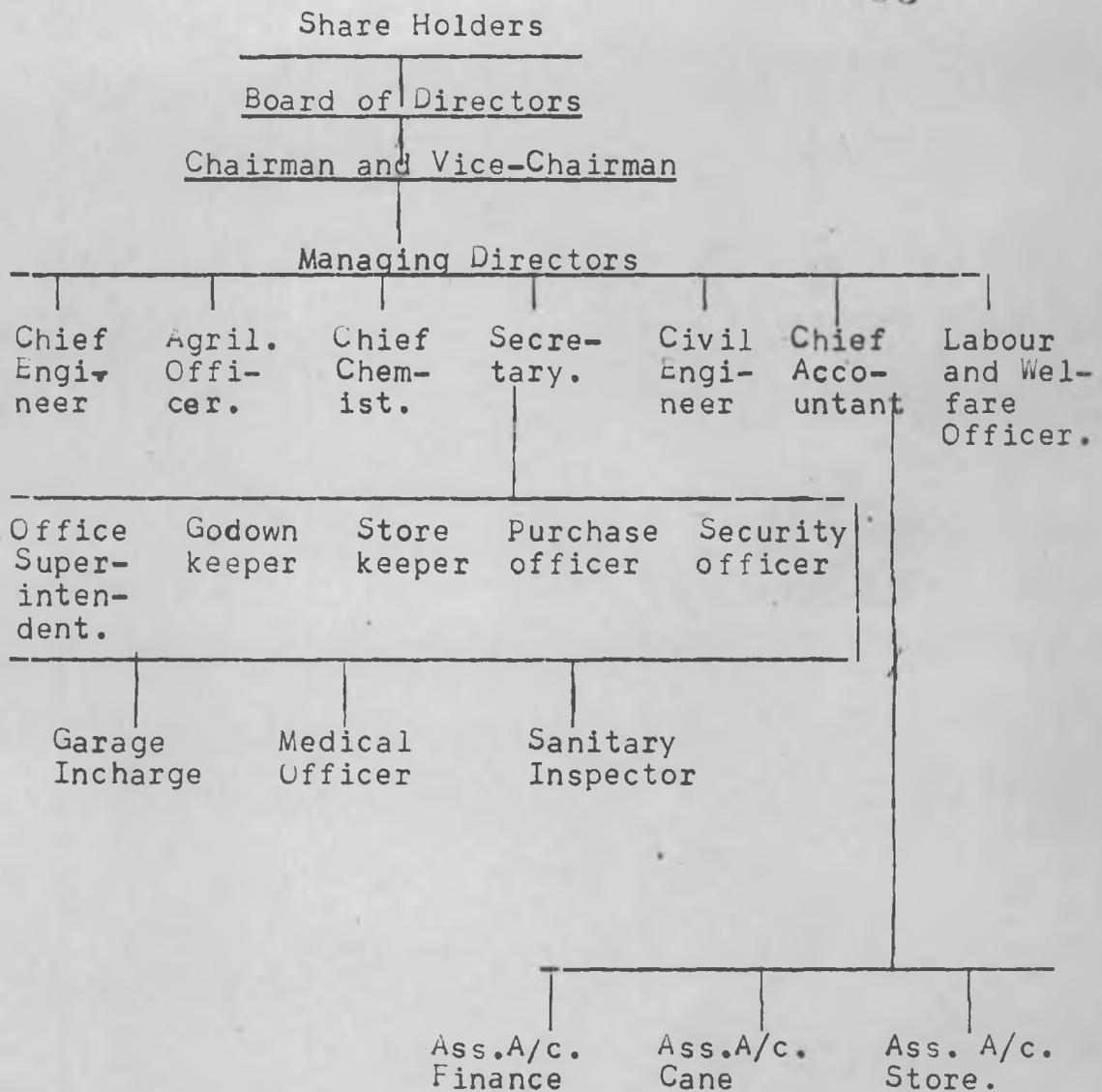
as current, inventory, production, show that the financial position of twelve co-operative sugar factories is not sound, In other words most of the factories are in cash losses every year. The financial position of Shri Dnyaneshwar Co-operative Sugar Factory and Sangamner Bhag Co-operative Sugar Factory is better than other factories.

2. It is found that financial structure of all the factories is almost the same. The project report shows the analysis of project cost as follows :-

- (a) 20% is raised as capital from individual members.
- (b) 20% from State Government and
- (c) 60% from Co-operative Banks and various Financial Institutions.

Thus, the individual sugarcane growers 'share is just 20% while 80% of the funds are from Government, Public and co-operative Banks.

The organisation structure of management is again uniform which can be seen from the following typical organisation chart.



It is seen that grower members cannot participate in day-to-day activities of the factory. That is why they elect Board of Directors. The Board of Directors hold various meetings during the year but they discuss issues such as politics, Chairman's political position, employments instead of financial planning of the factory. The Board of Directors follow

the cut-throat competition and bring sugar cane from out of factory's area instead of their area. In this way, the board of Directors bear the extra transport expenditure and naturally it is a loss to members. This happens due to lack of proper and effective financial planning. There is M.D. to guide or advise to Board of Directors but it is not compulsory on the part of Board of Directors to take his advice into consideration. So also in many cases the M.D. happens to be the technical expert. He hardly gives any expert advice in financial management. It is necessary to appoint financial expert or to create post of financial expert in co-operative sugar factory.

The survey shows that spirit of co-operation and co-operative principles were crushed at the time of execution by the Board of Directors who were the apostle of co-operative movement. The sugarcane grower members are the owners of the factory. Their wishes and aspirations must be reflected in financial management and decision making. That is why the Government enters in and controls the financial

position through the Director of Sugar and audit department. By studying all these factories, it has been found that Director of sugar is unable to direct effectively the financial management. Due to insufficient staff of the audit department, the audit of the sugar factory is not held every year. So they take long time to rectify the points raised in audit note. Mean while, the Board may change and that the audit reports reduced to a legal compliance. In short, it affects the financial performance and finally leads to financial indispline.

There is a need to increase the meaningful participation of members for better accountability. This can be done by improving better communication on financial results.

The following suggestions can be considered in this regard :-

(a) The audited statements such as Balance-sheet, Profit and Loss Account can be prepared in simple non-technical language preferably in Marathi. It would be more effective if Trading, Profit and Loss Account are shown by picture, Slides, Maps, Graphs or

illustrations etc at the annual general meeting. It will be helpful to present analysis of sources and uses of funds, trends in sugar recovery, cash losses etc in simple language.

- (b) Before the date of annual general meeting a small area wise meeting to educate members can be held.
- (c) The Director of sugar may explore possibility of communicating directly to members and making them understand economics of co-operation.
- (d) For better financial management there is a need to evolve a common platform for interaction at officials and non-officials levels.

A uniform costing, standard costing, common tools equipments, sapres chemicals etc can be achieved through pooling together the expertise of sugar technicians at district level. It is therefore advisable to form District Federation of Co-operative Sugar Factories with sugar Technologists cell. This may go a long way towards improvement in financial management in particular and the productivity of the Industry in general.