Abstract

Financial Distress in West Bengal Jute Industry: An Analytical Study

Jute industry plays an important role in Indian economy in general, and eastern region particularly. West Bengal occupies the first position as regards production of raw jute and jute products in India. It has 70 composite mills at present. But, the dismal fact is that a good number of jute mills from West Bengal jute industry have been closed down in recent times due to financial problems mainly. This situation possesses serious threat to the industrial economy of West Bengal. The present dissertation, therefore, aims at identifying the exact reason for such financial crisis of the jute mills operating in West Bengal and recommends some policy measures to save West Bengal jute industry from falling sick.

The present dissertation is divided into five chapters, accordingly. Chapter I describes the nature of the problem, identifies the research gap, summarizes the objectives and research method, and prepares the plan of work. Chapter II explains the concept of financial distress of an industrial unit, its causes and symptoms, and examines the legal framework for corporate bankruptcy prevailing in U.S.A., U.K., and India and thereafter, tries to find out the most suitable model for bankruptcy prediction in the present context by evaluating the various bankruptcy models evolved till date. Chapter III gives an overview of world jute industry and trade thereby highlighting the role and significance of Indian and West Bengal jute industry therein. Chapter IV empirically ascertains the magnitude of financial distress in West Bengal jute industry based on a sample of 18 sick and 18 non-sick jute mills, and identifies liquidity crisis as the main source of financial anomalies in West Bengal jute industry with the help of graphical analysis, multivariate discriminant analysis and logistic regression technique. The concluding Chapter V recommends proper working capital management and revision of production and marketing policies as safeguard against the prevailing situation in West Bengal jute industry.

The present dissertation suffers from some limitations too, and data non-availability is the major reason constraining sample selection and choice of the financial predictors. Nevertheless, the present dissertation makes a modest attempt to justify the basic needs and objectives with which it has been initiated thereby creating enormous scope and opportunities to apply the bankruptcy prediction model developed in this dissertation, in Indian context and help its jute industry to revive and flourish.