CHAPTER – 8

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INTRODUCTION

The Textile Industry is the oldest and single most important industry in India. It helps in providing employment as well as meeting out one of the essential needs of the people. Indian textiles have been enjoying a unique and enviable worldwide reputation for more than 2,500 years.

In ancient times, India had an active trade in textiles among other items, with Rome. India had been the home of textiles from time immemorial. The fabrics produced by Indian handicraftsmen were so extra-ordinary, beautiful and refined that these were universally demanded. In the 19th century, M/s Fergusson and Company, a leading firm of English traders in Calcutta put up the first cotton manufacturing in India. The first Mill, the Bowrean Mill, situated 15 miles away from Calcutta, comprised 20,000 spindles and 100 looms. The growth of Mills during 1869 to 1892 was phenomenal. By the end of 19 century the textile Mills were
spread over many parts of the country particularly in centres like Ahmedabad, Sholapur, Bombay, Surat, Nagpur and Kanpur.

The number of Mills in 1929 went up to 344 and 389 in 1939. During second world war the textile industry made a slow progress.

After partition 22% of the total cotton producing area came under Pakistan which resulted in a deficit of about 20 lakh cotton bales of Indian textile Mills.

The five year plans were formulated for an all round development of the country. The Indian textile industry has a significant presence in the Indian economy as well as in the international textile economy. As per data released by International Textile Manufacturers Federation for the year 1999, the Indian textile industry contributes significantly to the world textile production capacity and availability of textile fibre/yarns. The industry contributes about 21 percent to the world spindleage and 6 percent to the world rotorage. The Industry also has the highest loomage in the world and contributed about 57 per cent to the world loomage. This industry also contributes significantly to the world
production of textile fibres and yarns including jute. It also contributes significantly to the world production of textile fibres.

A study by the International Textile Manufacturers Federation also indicated that this industry enjoys comparative cost advantage is raw material cost and labour cost in the production of various textile items. Textile industry in our country is one of the few industries which has the potential to emerge as a true global player. Recognising the fact the Industry needs a concerted strategy and time bound action plan to convert its core competence in availability of raw materials, skilled man-power, managerial competence and entrepreneurial skill to a competitive strength, the government initiated several policy measures. The government is fully active to the problems and prospects of the vital sector of the economy. During the last few years considerable progress has been made. New textile policy has been framed, several significant programmes have been launched to align and restructure the industry.

There are many companies engaged in this industry in Uttar Pradesh. Among these, three companies have been taken for the present study. The period covered under the study extends over six
years 1998-99 to 2003-2004. The companies included in the study are the British India corporation Ltd., The Elgin Mills Company Ltd., and Cawnpore Textiles Ltd.

The main purpose of the study is to examine, analyse role of financial institutions in the development of textile Industry in U.P., working capital trends, inventory management and control, management of receivables and cash and financing of working capital.

For the study, we have followed a proper research methodology. We selected a sample of textile Industry on random basis and accordingly we have selected three Industries out of all industries operating in Uttar Pradesh.

We have made use of number of official reports and relevant data. Annual reports and accounts of the companies are duly studied and analysed. We have laid greater emphasis on secondary data made available to us through the published articles and reports. To analyse, the relevant statistical techniques such as sampling, mean, graph and charts etc. have been used.
TEXTILE INDUSTRY IN INDIA & U.P.

Indian textiles displays a very complex sectoral dispersal matrix with hand spun and hand woven sector on one end of the spectrum and the capital intensive sophisticated Mill sector at the other, with the decentralised powerloom and knitting sectors coming in between.

The diverse structure of the industry coupled with its close linkage with our ancient culture and tradition provides it with the unique capacity to produce, with the help of latest technological inputs and design capability. It is perhaps the only industry in the Indian industrial arena which is self-reliant and complete in the value chain. Its contribution to the Indian economy is manifested in terms of its contribution to the industrial production, employment generation and foreign exchange earnings.

India has already completed more than 50 years of independence. The analysis of the growth pattern reveals that the growth of the industry during the first two decades after the independence had been gradual. The growth picked up significantly during the fourth decades. The peak level of its growth was, during
the fifth decade. Export friendly government policies and positive efforts by the exporting country, textile exports increased substantially from US $ 5.07 bn in 1991-92 to US $ 12.10 bn. during 2000-01. In India’s textile export, the readymade garment sector is the biggest segment. Textile trade, over the last decade has contributed a substantial and rising share of India’s total exports.

The Growth of the most of the segments of the Industry during the year 2000-01 has been positive, the production of cotton declined, production of man-made fibre increased, production of spun yarn increased to 3160 million, production of man made filament yarn registered a growth of 2.91%. Production of fabric registered a growth of 2.7%, per capita availability of fabrics increased from Rs.45504.8 crore to Rs.55242.4 crore. Textile industry witnessed significant growth during the last decades. The number of cotton/man made fibre textiles mills rose from 1175 in 1994 to 1787 by the end of March 2004.
After the announcement of the liberalised Industrial policy in July 1991 and the issuance of the Textile Order, 1993, the pace of setting up of textile spinning mills increased.

The growth in the composite Mill sector has been stagnating almost since independence. The total number of composite Mill, which was 276 in 1951, gradually declined to 223 in 2004. The textile industry has been facing the problem of sickness and closure and 468 units were lying closed out of 1787 units as on 31.03.2004. There are 1135 small scale spinning units with installed capacity of 3.01 million spindles and 98717 rotors.

The primary product of the organised textile industry is spun yarn. Its production has consistently been increasing, due to increase in the spinning capacity and growing demand for textiles.

During the year 2003-2004, the share of the private sector mills in cotton yarn production was 92% while in private sector and co-operative sector mills produced 2% and 6% respectively. In the case of 100% non-cotton yarn category, polyester spun yarn is the major constituent contributing 56% to the total production followed
by viscose spun yarn (22%) and acrylic spun yarn (19%). The overall cloth production in the country has increased by 52% between 1993-94 and 2003-2004.

The annual sectoral growth rate during the above period in case of different sectors has been around 8% in the case of hosiery and 5% in the case of powerloom.

In the case of handlooms the production was fluctuating with increasing trend till 2001-02, then it showed a declining trend. There has been a gradual change in the pattern of cloth production over the last ten years period with significant increase in production of 100% non-cotton cloth equaling the percentage share with that of cotton cloth.

Following the increase in the overall cloth production, the per capita availability of cloth in the country has also increased. The per capita availability of cotton cloth which was 15.92 Sq.Mtr. in 1993-94, fluctuated and decreased to 13.41 Sq.Mtr. in 2003-2004. The production data of cotton for the last 10 years shows that cotton
production from 121.50 lakh bales in 1993-94 to 177.00 lakh bales in 2003-2004.

The man-made fibre and yarn industry plays a very important role in domestic textile industry as about 43 per cent of the raw material consumed is manufactured by the man-made fibre and yarn Industry. The total installed capacity of man-made fibre and yarn industry grew to 2,329 million Kg. by 2003-2004 which was 911 million Kg. during 1993-94. The capacity of viscose staple fibre has also increased from 223 million Kg. to 305 million Kg. capacity of acrylic staple fibre also showed increase in 1993-94. The capacity of nylon filament yarn also grew to 24.00 million Kg. during 1997-98. The capacity of polypropylene has also increased.

The production of man-made fibres, i.e., PSF, VSF, acryling and polypropylene taken together was 953 million Kg. during 2003-2004 as against 453 million Kg. during 1993-94. Growth in production of PSF has been significantly more than the other fibres. The VSF production grew by an annual rate of growth of around 2 per cent during last ten years. The growth of acrylic fibre has been the modest. The production of acrylic staple fibre registered a
growth in production by 11% in 2003-2004. The rise in production of PFY has been so rapid that the annual compound growth rate during the last decade is 13 per cent and the production during 2003-04 is three and a half times more than during 1993-94. The production of polypropylene filament yarn has increased around 10% in last decade and polypropylene filament yarn production has decreased by 4% and 5% respectively over 2002-03. The combined contribution of wool, silk and khadi to the fabric production in the country is negligible. India’s export performance in the textile sector in the recent year has been remarkable. Textile exports has emerged as the largest gross and net foreign exchange earner. The textile exports is rupee terms have grown at an annualised growth rate of 8.52 per cent during the last five years.

The cotton textiles have generally been contributing significantly towards the export earnings. The trade in garments has grown not only in value terms but there has been a remarkable diversification in the range of products. The textile Industry has been plagued with one problem or the other at different points of time. The main reason for sickness in textile industry could be
attributed to the structural transformation in the mill sector and competition faced from powerlooms having greater cost advantage. The other reasons would be excess employment, lower productivity of labour and machine, lack of modernisation and technological upgradation, increase in cost of inputs and also lack of working capital.

Some programmes have been launched during last few years to overcome problems of closure and sickness. Deen Dayal Hathkargha Protsahan Yojna is there to support and assist the total gamut of handloom activities.

To tackle the problems of industrial sickness in general, a Board for Industrial and Financial Reconstruction was established under the Sick Industrial Companies Act, 1985.

Considering the felt need to upgrade technology in different segments of the textile industry, Government of India has launched a technology Upgradation Scheme for Textile and Jute Industries. The identified sectors in the textile industry, including spinning, cottonginning and pressing, silk reeling and twisting, woold
scouring and combining, synthetic filament yarn texturing, crimping and twisting, manufacturing of viscose filament yarn/viscose staple fibre, weaving/knitting including non-wooven and technical textiles, garments, made-up manufacturing etc.

The functioning of the scheme is being periodically monitored by an inter Ministerial Steering Committee chaired by Secretary Technology Mission on Cotton has been launched to improve the production. The mission consists of four Mini-Missions with specific objectives.

To give economic relief to the workers rendered jobless due to permanent closure of textile mills, the Government had created the Textile Workers’ Rehabilitation Fund Scheme in pursuance of the Textile Policy of June 1985.

**ROLE OF FINANCIAL INSTITUTION IN THE DEVELOPMENT OF THE TEXTILE INDUSTRY IN UTTAR PRADESH**

Financial institutions are the specialised institutions working and operations of which are so designed that best suited to the long term financial requirements of the industrial enterprises.
In early days, in absence of term lending institutions, industrial enterprises had to depend solely on the foreign agency houses and the managing agency houses.

It was only after independence that a long term financial corporation, i.e. Industrial Financial Corporation could emerge as the first development bank of India in 1948.

Towards the end of first five years plan, few development banking institutions were set-up, namely, National Industrial Development Corporation, the Industrial Credit and investment corporation of India and The National Small Industries Corporation. The first state financial corporation was set up in Punjab in 1953. Today, 18 state Financial Corporations are functioning in the country. State Industrial development Corporations were also set up in various states either under the Companies Act or under a special enactment made by the state government. In 1955 L.I.C. was set up and during Third Five year plan industrial Development Bank of India under a special Act passed by the parliament in 1964.
Unit Trust of India was also set-up in 1964 during the third five year plan. During the decade after 1970, two important financial Institutions were set up in the country. One was the Industrial Reconstruction Corporation of India in 1971 and other the General Insurance corporation in 1973.

Export-Import Bank of India was set-up in January 1982, to provide finance specially for export purpose. NABARD was set up in July 1982.

The main function of these institution is to sanction loans, provide financial, promotional and consultancy functions. They make direct subscription to the shares and debenture of industrial companies. They underwrite new issue of shares, bonds and debentures. They give guarantee for loans. They provide industrial and technical consultancy services and assist in project planning and preparation for feasibility reports.

Assistance sanctioned by All India Financial Institution during 1995-96 to textile Industry amounted to Rs.5060.2 crore which came to Rs.5494 crore in 1997-98. The sanctioned amount
was Rs.5696.8 crore in 1999-2000. It decreased in 2001-02 and 2002-03 to Rs.2197.5 crore and Rs.779.2 crore respectively. Assistance sanctioned and disbursed to textile Industry by All India Financial Institutions. The total amount sanctioned in 1995-96 was Rs.4595.1 crore which increased in 1997-98. It decreased in 1998-99 to Rs.4544.7 and again showed an increase in 1999-2000 to Rs.5597.0 crore.

The sanctioned amount decreased from 2000-01 to 2002-03 to Rs.3905.3 crore to Rs.625.8 crore.

The amount sanctioned to textile Industry by IDBI also fluctuated from 1997-98 to 2002-03. It was Rs.2119.2 crore in 1997-98 which came down to Rs.133.2 crore. It was the highest in 1999-2000 which was Rs.2799.2 crore.

The amount sanctioned by IFCI was Rs.576.4 Crore which showed decrease till 2000-01. It came down to Rs.18.7 crore in 2001-02 which again increased in 2002-03 to Rs.71.7 crore.
ICICI sanctioned amount to textile Industry to the tune of Rs. 793.9 crore which showed increase till 2000-01. It decreased in 2001-02 to Rs. 961.6 crore.

SIDBI started from Rs. 441.6 crore in 1997-98. It decreased in the year from 1998-99 to 2002-03.

Financial Institutions sanctioned amount more in early years like in 1997-98 but it decreased till 2002-03.

Finance is called the backbone of any business. The main emphasis of S.S.I. sector was on meeting the financial needs of large and medium industries, trade and commerce. S.S.I. sector was provided direct support from State level financial institutions and indirect financial support from SIDBI.

Nationalisation of major commercial banks was made by the Government in 1969 and again in 1980 and the banks started providing medium term loans taking advantage of the refinance facilities.
For sick industrial companies, a fresh rehabilitation package was prepared by the financial institutions.

In case of companies under study, Elgin Mills Ltd. and Cawnpore Textiles Ltd. has been ordered, winding up. No support was given to these companies by these institutions.

The Elgin Mills Company Ltd. has availed bridge loan against soft loan scheme from IDBI, IFCI and ICICI. As the certain items of soft loan scheme could not be complied with, this has resulted in additional interest charged by these institutions. The Ministry of textiles had granted loan of Rs.1.10 crore to Elgin Mills Company Ltd. In case of the British India Corporation Ltd. Financial Institutions decided to grant of interest-free funds and grant of financial concessions by way of reduction in the rate of interest.

In a nutshell, these companies could not get proper financial support of these institutions as they are declared as Sick Companies.
FINDINGS REGARDING WORKING CAPITAL TREND

Trend analysis brings out the various changes that occur in any business concern from time to time.

Working capital is one of the important areas of financial management, therefore, the analysis of trend and direction of working capital is very important for it.

For the analysis of working capital trends of textile industries of U.P., the indices of current assets, current liabilities and working capital taking 1998-99 as base year have been calculated for each company separately during the study period from 1998-99 to 2003-04.

For the purpose of analysis of working capital trends the linear least square trend values of current assets, current liabilities and working capital have also been calculated.

The current assets of the British India Corporation Ltd. marked an increasing trend throughout the study period except in 2001-02. The indices of current assets increased continuously from

The deviations were positive in 1998-99, 1999-2000, 2002-03 and 2003-04 and were negative during the remaining years. After applying the $X^2$ test the value come to 161.75.

The current liability in the British India Corporation Ltd. showed increasing trend after 2000-2001. The indices of current liability increased in the year 2001-02, 2002-03 and 2003-04 and decreased in remaining years. The calculated value of $X^2$ is 61.7. The working capital of the British India Corporation Ltd. registered an increasing trend throughout the study period. The indices of working capital marked a fluctuating trend.

The calculated value of $X^2$ comes to 44.21.

2000-2001 & 2001-2002 and were negative in 1998-99 and 2002-03.


The difference in trend value were negative in 1998-99, 2000-01 and 2002-03. In 1999-2000 and 2001-2002 the deviations were positive. The calculated value of $X^2$ comes to 1.41.

The current assets of the Cawnpore Textiles Ltd. showed an increasing trend in 1999-2000. It decreased in 2000-2001 and 2001-2002 followed by an increase in 2002-03. The indices of current assets increased in 1999-2000 and 2000-01 and showed decreasing trend in 2001-02 with again increase in 2002-03. The trend values of current assets differ significantly in all years. The deviations were

The value of \( X^2 = 1.62 \).

The current liabilities in the Cawnpore Textile Ltd. showed increasing trend throughout the study period except in 2000-2001. The indices of current liabilities also showed increasing trend except in 2000-2001.

The trend values of current liabilities differ and show negative trend in 2001-02 while positive trend in the remaining years. The calculated value of \( X^2 \) is 8.58.

There was decreasing trend in working capital during the study period. The indices decreased in 2000-01 but showed an increasing trend during remaining years.

The trend values of working capital differ materially from actual values of working capital. The deviations were negative during 2000-2001 and 2001-02 whereas positive during remaining years.
The calculated value of $X^2 = 19.57$.

**FINDINGS REGARDING INVENTORY MANAGEMENT AND CONTROL**

Inventories occupy very important position in the structure of working capital of most business enterprises. Inventory management is a technique of controlling the purchase, use and transformation of material in an optimal manner.

The main objectives of inventory management are minimising funds locked up in stock of goods, ensuring smooth and unhampered production without any obstructions, ensuring regular and continuous sale of finished good and checked-upward or downward fluctuations in output.

The share of inventories in the British India Corporation Ltd. in percentage was higher in 2001-2002. The share of inventories as a percentage of total current assets has an increasing trend in 2001-2001 and 2003-2004 and decreasing trend in 1999-2000 and 2002-2003.
In case of The Elgin Mills Company Ltd. the percentage of inventories to total current asset was lower in 2002-03 as against 1998-99. The share of inventories as a percentage of total current assets has an increasing trend in first three years and decreasing trend in the two out of five years. This shows that Management improved its inventory in these years.

The percentage of inventories to total current assets in Cawnpore Textiles Ltd. showed decreasing trend in first three years. It increased in 2001-2002 and again decreased in 2002-03. The progressive base year, percentage of growth has also been calculated to know the growth of the ‘Total’ inventory which says that the size of inventory of the understudied textile manufacturing concerns showed an increasing trend except in 1999-2000. The rate declined in 1999-2000. It increased in 2000-2001 and decreased in 2001-2002. In last two years of study the trend increased.

Inventory Turnover Ratio is the method of reviewing performance and controlling inventories periodically to check the inventory turnover of each type of raw materials, supply and
finished goods. It helps to judge the efficiency of inventory management.

The position of inventory turnover in The British India Corporation showed increasing trend in 1999-2000 and decreased in 2000-2001. It again increased in 2001-2002 and decreased in last two years of study which shows there was no improvement in the efficiency of inventory management of the company.

In case of Elgin Mills, it increased in 1999-2000 followed by decrease in 2000-2001. It decreased badly in 2001-02 and was found NIL in 2002-03.

In Cawnpore Textile Limited, it showed decrease in first three years of study and was found NIL in 2002-03.

On the basis of average, it can be concluded that the British India Corporation Ltd. has the highest turnover ratio.

There are many factors which influence the size of inventory. Inventory includes raw material, work-in-process, stores and spare
parts and finished goods. The structure of inventory can be analysed in two ways:-

1) Each component’s share may be related to aggregate inventory.

2) Appropriate indicators about the adequacy or inadequacy of each type of inventory may be developed and applied to the actual position obtained in textile Companies.

Raw materials are those materials, which are used to produce a commodity by a manufacturing concern. The share of raw materials in aggregate inventory was 7.98 per cent in 1998-99 which decreased in 1999-2000 and 2000-2001. Again it increased in 2001-2002 with a decrease in 2002-03 with again showing an increase in 2003-2004. In case of Cawnpore Textiles Limited that ratio was 36.59 per cent in 2002-03 as against 34.05 per cent in 1998-99. It increased in 1999-2000 and was same in the remaining years.

On the basis of average of all companies, it was observed that the share of raw materials to “aggregate inventory” was lowest in
the British Corporation Ltd. and was the highest in Cawnpore Textiles Ltd.

Work in process represents value of inventory tied up in the process of manufacture. The size of funds invested in work-in-process inventory depends considerably on the duration of production cycle. The factors which influence investment in processed goods inventory are:- Volume of production, price levels of raw materials used, usages and other items that enter into production costs.


In case of Elgin Mills Company Ltd. it showed increasing trend during study period. It was 47.42 per cent in 1998-99 and then increased in 1999-2000, 2000-2001 and 2001-2002. It remained same in 2002-03 as compared to 2001-02.
In case of Cawnpore Textiles Ltd. the trend was increasing through-out the study period. On the basis of average per centage of work-in-process to aggregate inventory in all companies taken together, it is clear that The British India Corporation had the lowest inventory.

It is essential that efforts should be made to keep the size of finished goods inventory at the optimum level. Finished goods inventory has a direct relationship with sale. If sales decline then the finished goods inventory will pile up because proper adjustment in production schedule will take sometime to materialise.

The percentage of finished goods to aggregate inventory in The British India Corporation Ltd. showed fluctuating trend during the period of study. It was 57.94 per cent in 1998-99 which increased in 1999-2000. It again decreased in 2000-2001 followed by increase in 2001-2002. In the remaining years it showed decreasing trend.

In The Elgin Mills Company Ltd., the per centage of finished goods to aggregate inventory in 1998-99 was 15.13 per cent which

In case of Cawnpore Textiles Ltd., in first years, there was decreasing trend in the percentage of finished goods to aggregate inventory. It showed increasing trend in the year 2000-2001, 2001-2002, 2002-2003.

Here it can be concluded that average ratio was the highest in The British India Corporation Ltd. and the lowest in The Elgin Mills Company Ltd.

Stores and spares include a variety of goods such as fuel, lubricants, chemicals, detergents, cleaning materials and number of waste products and affluents. If there is not proportionate investment in stores and spares, it reduces the profitability of a concern.

The study reveals that the percentage of stores and spares to aggregate inventory in The British India Corporation Ltd. showed increasing trend in 1999-2000 as compared to 1998-99. It showed


In case of Cawnpore Textiles Ltd. it showed increasing trend in first three years of study. It decreased in 2001-2002 and remained constant in the year 2002-2003. The study of average percentage of stores and spares to aggregate inventory of all companies showed that the highest percentage of stores and spares was found in The Elgin Mills Company Ltd. and was the lowest in The British India Corporation Ltd.

FINDINGS REGARDING MANAGEMENT OF RECEIVABLES AND CASH

The term receivable is defined as "debt owed to the firm by customers arising from sale of goods or services in the ordinary course of sale. Management of receivables represent a sizeable
portion of circulating funds. The objective of receivable management is achieving a balance which results in the combination of sales and profit rates which maximises the overall return on the investment of the firm.

The performance of receivables management in the selected textile companies in U.P. has been evaluated by analysing the size and composition of receivables. Receivables include sundry debtors and loan and advances.

It is evident from Chapter-6 that there was an increasing trend in the size of receivable of the British India Corporation Ltd. In case of Elgin Mills Company Ltd. the size of receivable was fluctuating during the study period. Cawnpore Textiles Ltd. also showed fluctuating trend during study period.

The growth rate in receivables was lower than sale in 1999-2000. In 2000-01 the growth rate in receivables was more but the sales decreased. In 2001-02, the sales increased but receivables rate decreased. In 2002-03 the sale growth showed a declining trend whereas in 2003-04 sales showed increasing rate than
receivables. The study of the composition of receivables helps to locate where receivables concentrated the most.

In case of British India Corporation Ltd. there was an increasing trend in the size of sundry debtors in the first two years of study. In 2001-2002 and 2002-2003 it showed decreasing trend. It showed an increase in the last year of study which was 22.91 per cent.

In case of The Elgin Mills Company Ltd. sundry debtor showed a fluctuating trend. The size of sundry debtor in case of Cawnpore Textiles Ltd. also showed fluctuating trend during the study period.

On the basis of the analysis, we may conclude that all the companies, under study, showed a fluctuating trend in case of the size of sundry debtors.

In case of The Elgin Mills Company Ltd. registered a rising trend during the period of study except in the year 2000-2001.

There was fluctuating trend in the size of loans and advances of Cawnpore Textiles Ltd. It showed increasing and decreasing trend during study period but showed a remarkable increase in 2002-2003.

Cash is the basic input needed to keep the business running on a continuous basis. Cash management is concerned with the managing (i) Cash flows into and out of the firm, (ii) Cash flows within the firm and, (iii) Cash balances held by the firm at a point of time.

The aim of cash management is to maintain adequate cash position to keep the firm sufficiently liquid and to use excess cash in some profitable way.

In order to test a firm’s liquidity and solvency, current and quick ratios are commonly used. The ratio generally indicates the adequacy of cash for meeting current liabilities.
The British India corporation had a fluctuating trend in the cash position ratio through-out the study. It increased in 1999-2000 and decreased in 2000-01 followed by another decrease in 2001-02. It was 0.35 times in 2002-03 which decreased again in 2003-04. The cash position ratio in The Elgin Mills Company Ltd. again there was fluctuating trend. In case of Cawnpore Textiles Ltd. there was an increasing trend in the ratio through-out the study period.

The ratio of the British India Corporation Ltd. showed a fluctuating trend. It increased in 1999-2000 as compared to 1998-99. It decreased in 2000-01 and 2001-02. It was 39.54% in 2002-03 and 22.92 per cent. This shows a slack control of the company over cash. In case of The Elgin Mills Company Ltd. the ratio was the lowest in 2002-03 and the highest in 1998-99 Here also study indicates slack control of the company over cash.

In case of Cawnpore Textiles Ltd. again there was fluctuating trend in the ratio of cash to total current assets. It increased in 1999-2000, 2000-01, 2001-02 followed by decrease in 2002-03.
The sound Cash Management is the one where rate of growth in cash holdings is lower than the growth rate in sales. In the British India Corporation Ltd. growth rate of cash was higher than the rate of growth of sales. Cash balance in the Company has gone by 327.75% and sale had gone up by 221.01% in the year 2003-04 as compared to base year 1998-99.

The Elgin Mills Company Ltd. registered a decrease in 1999-2000. It showed an increasing trend in 2001-02 and again in 2002-03. The rate of growth in sales marked an increasing trend in 1999-2000 and decreasing trend in the remaining years of study.

In case of Cawnpore Textiles Ltd. there was increasing trend in the rate of growth in cash holding upto 2001-02 and it decreased in 2002-03. The rate of growth in sales was higher in 1999-2000 and decreased in 2000-01.

The British India Corporation Ltd. showed fluctuating trend in the cash to sales ratio. It decreased in 2000-01 and in 2001-02. Again it increased in 2002-03 and decreased in 2003-04.
The Elgin Mills and Cawnpore Textiles Ltd. showed increasing trend in the cash to sales ratio except The Elgin Mills in the year 1999-2000.

In case of The Elgin Mills Ltd., the High court decision of winding up of company was taken but due to stay order dated 13.10.99 shall remain in operation till 18.8.2000.

Cawnpore Textile was declared sick company and remained operative till 18.8.2000.

FINDINGS REGARDING FINANCING OF WORKING CAPITAL

In addition to fixed capital, working capital is also essential for conducting day-to-day business operations. Adequate amount of working capital is essential to meet the following needs of business.

(i) To finance purchase of raw materials.
(ii) To finance process of manufacturing of finished products.
(iii) To finance credit sales.
(iv) To meet day-to-day expenses of petty nature.
(v) To meet unforeseen contingencies.
The term net working capital refers to difference between current assets and current liabilities. Working capital can be financed with two types of sources of funds (a) long term and medium term, (b) short term sources of funds.

A proper study of working finance can be made from its size adequacy and the sources from which it is procured. The working capital of The British India Corporation registered an increasing trend during the period of study except in 2001-02.

In case of Elgin Mills Company Ltd. it showed decreasing trend. It slightly showed increasing trend in 2000-01.

In case of Cawnpore Textiles also it showed decreasing trend in the size of working capital.

For more clarity whether the working capital was adequate or inadequate we can keep a check on the adequacy aspect of working capital. Working capital in terms of month’s average, sale is better indicator that shows the adequacy of working capital as there is a close relationship between working capital and sales. As sale increases, working capital also increases as investment in
inventories and receivables also increases. In case of The British India Corporation Ltd. showed a rising trend and in case of Elgin Mills Company Ltd., the working capital in terms of month’s average sale was in negative. The figures of 2002-03 and 2003-04 were NIL. In Cawnpore Textiles Ltd. the working capital in terms of month’s average sale rose negative in 2000-2001 as compared in 1998-99. The sale was NIL since 2001-02 to 2003-04.

The size of any business can be determined by its production as well as sales. The pattern of growth of the total sales and total working capital of selected textiles companies covered under study, was that in 1998-99 working capital was negative where sales was Rs.69169418.00. In 1999-2000, the working capital was again negative and growth rate in relation to preceding year was 0.86% whereas sales was Rs.110998146 and its growth rate in relation to preceding year was 60.4%.

In 2000-2001 working capital came down to Rs.774950798 and growth rate also came down to negative. Sales in this year was Rs.114816287 and growth rate was 3.4%.
In 2001-2002, the view was more negative, working capital was Rs.860052813 and growth rate was 10.98%. Sales, this year was Rs.152558142 and growth rate in relation to preceding year was 32.87%. In 2002-03, the total working capital was Rs.822215955 and growth rate was 96.74%. Sales was Rs.140017394 and rate of growth in relation to the year 2001-2002 was – 8.23%. In 2003-04, the working capital of the British India Company Ltd. was Rs.26855741 and growth was 96.74% whereas sales was Rs.147400103 and its rate was 5.27%.

The predominating share of inventories in the current asset of the British India Corporation Ltd. marked a decreasing trend in first three years of study. It increased in 2001-2002 and decreased in 2002-03. inventory occupied more than 50% share in current assets during 2003-04. In case of The Elgin mills Company Ltd. the percentage of inventory to current asset showed increasing trend in first three years of study. It decreased in 2001-2002 followed by another decrease in 2002-2003. After computation of the average percentage of inventory to current asset it is concluded that the
highest percentage was of Cawnpore Textiles Ltd. and the lowest was of The Elgin Mills Company Ltd.

After computing the percentage of receivables to total current asset, it is clear that the percentage of receivables to total current assets in The British India Corporation showed decreasing trend in 1999-2000 as compared to 1998-99. In 2000-2001 and 2001-2002, it showed an increasing trend. It declined in 2002-2003 followed by another decrease in 2003-2004.

There was fluctuating trend in the percentage of receivable to current assets in The Elgin Mills Company Ltd. during the period under study. It was 24.17 per cent in 1998-99. it increased in 1999-2000 followed by a decrease in 2000-2001. In 2001-2002, it increased followed by another increase in 2002-2003. In case of Cawnpore Textiles Ltd., in first four years of study, it showed decreasing trend. In 2002-2003, it increased to 28.65%. After computation of average percentage of receivables to total current assets. one comes to know that the highest percentage was of The Elgin Mills Company Ltd. followed by Cawnpore Textiles Ltd. and then the British India Corporation Ltd.
FINDINGS REGARDING FUNDS

FLOW ANALYSIS

The purpose served by a funds flow statement cannot be served by a balance sheet or an income statement. Funds flow statement indicates the sources of requisite funds from which they were procured and the uses to which funds so procured were put to use. The information regarding sources and uses of funds, during a given period, provide meaningful clues for proper assessment of the financial policy of a firm.

In case of The British India Corporation Ltd. in 1998-99, there was funds flow of Rs.3778462299. The main source of funds this year was loans and shareholders funds during this year was Rs.451570903. To purchase fixed assets, the total funds utilized was only 0.64%. Loss from operation during this year was Rs.3739906704.

In 1999-2000, the funds flow rose to Rs.4151832306, here also the main source of funds was loans. Shareholders fund remained same. Working capital decreased as compared to 1998-
99. The funds utilized for fixed asset was 0.51%. Again there was loss from operation.

In 2000-2001, the total amount of funds to be disposed of was Rs.4529124108. There was no funds from operation like the year 1998-99 and 1999-2000. The main sources of funds were loan and shareholders fund. There was decrease in working capital. This year, the funds required to finance the expansion was only 0.54%. Loss of operation during this year was 99.14%. In 2001-2002, the fund flow was Rs.4976714165. The main source of funds raised through long term borrowings. There was decreased in working capital to 2.78%. The funds utilized for purchase of fixed assets was Rs.24981936 i.e. only 0.50%. The loss from operation, this year was 99.49%.

In 2002-2003, the fund flow of the company was Rs.4324041814. The sources of funds were same borrowing which was 88.27% and shareholder's funds was 10.44%. The decrease in working capital this year was 1.29%. In this year also the funds required to finance the expansion programme was Rs.25982212 i.e. 0.60% and loss from operation resulted to 99.39%.
In 2003-04, the total amount of funds to be disposed of was Rs.1554714265. The sources of funds this year was loans 79.28% and shareholder’s funds 20.72%. During this year, the money utilized for fixed asset came to Rs.61769643. There was increase in working capital and loss from operation this year was 93.56%.

The funds flow of The Elgin mills Company Ltd. in the year 1998-99 was Rs.5913959985. The funds were raised through loans and shareholder’s fund. There was decrease in working capital. The funds required to finance the expansion programme was only 0.08% and loss from operation this year was 99.92%.

In 1999-2000, the funds flow was of Rs.6600493445. The money raised through loans was 90.02% and also shareholder’s funds being Rs.11957111. Decrease in working capital this year was 9.62%. The money utilized to purchase fixed assets was Rs.4160685 and loss from operation this year being 99.93%.

During 2000-2001, the fund flow was Rs.7215615388. Long term borrowing this year was 91.18% whereas shareholder’s fund remained same as other years which was Rs.11957111. This year
decrease in working capital recorded to 8.65%. In 2000-2001, the amount used to acquire fixed assets was only 0.05% whereas loss of operation this year resulted to 99.94%. In 2001-2002, the total amount of funds disposed of was Rs. 8497823556. In this year long term borrowing came to 92.17% and shareholder’s fund to Rs. 11957111. This year decrease in working capital was 7.69%. The funds used for fixed assets was only 0.04% and loss from operation this year was 99.96% and investment this year came down to 0.00020%.

In 2002-2003 the total funds disposed of was Rs. 9249098547. This year the fund raised through loans was 92.99% and shareholder’s fund being 0.13% and shareholder’s fund being 0.13%. This year decrease in working capital resulted to 6.88%. The funds utilized for fixed asset was only 0.031% and loss from operation was 99.97%. Investment this year was only 0.00018%. Data for the year 2003-2004 are not available.

The flow of funds of Cawnpore Textiles in 1998-99 was Rs. 1001160597. The source of finance was loan (95.72%) and shareholder’s funds (0.62%). The decrease in working capital
resulted to 3.65%. The amount utilised to purchase of fixed asset was only 0.50%. Loss this year was 99.45% and investment being 0.04%. In 1999-2000 the funds flow was Rs.1185633942. The major source of finance was long term borrowings. Decrease in working capital was 4.06% and amount used to purchase fixed asset was only 0.40% whereas loss from operation was 99.56%.

In 2000-2001, the fund flow of the company was Rs.1325187556. The loan this year being 96.23% and shareholder’s fund was 0.47%. There was decrease in working capital (3.28%). The amount used to purchase of fixed asset was 0.34% and investment was 0.03%. Loss from operation this year was 99.62%.

In 2001-2002, the amount disposed of was Rs.1797865183. The long term-borrowing this year was 95.83% and shareholder’s fund was Rs.6259425 and decrease in working capital was 3.81%. Investment this year was 0.02% and loss from operation was 99.73%.
In 2002-2003, the amount of funds flow was Rs.1983507043. The main source of finance was loan (93.36%) and shareholder’s funds was 0.31%. Decrease in working capital was 6.31%. The amount used for expansion programme was Rs.4262162 and investment was 0.02%. Loss from operation this year was 99.76%.

**SUGGESTIONS FOR IMPROVEMENT**

The textile industry has been the oldest and has been holding a pride of place in the economy of the country. However, due to several reasons several textile mills became sick and are in the verge of being closed down. National Textile Mill, a public sector undertaking, was set up to take over 125 such textile mills by the Government. BIFR was also established to tackle the problems of sickness. The three units, under study, are also not healthy one. To tackle their financial problems, several all India Financial Institutions were set up but they could not provide necessary funds, specially working capital.

Following suggestions, in this regard are being given for tackling their financial problems.
1. One important challenge faced by the textile mills in the modernization and technical upgradation of these mills. For this, there is a need for creating special funds so that the adequate funds may be available to those mills.

2. The powerloom and handloom sectors also need technical upgradation but they find it quite difficult to manage necessary funds for it. As they have greater cost advantage, there is a special need for providing funds for these sectors also.

3. Besides modern machines, they also face problems of increasing cost inputs. For this, the buffer stock be made available and the supply of inputs at reasonable rate be provided to them.

4. Enough funds be made available to them for training, necessary man-power so that their productivity may increase, as lower productivity has also been one of the problems faced by textile industry, specially in Uttar Pradesh.

5. Main problems faced by the textile units is lack of adequate working capital, financial support for adequate working capital is urgently required. However, the financial institutions do not provide
working capital. It is the commercial banks which help in tackling this issue. However, they have their own limitations for providing necessary working capital. Uttar Pradesh State Financial Corporation, which itself is not in a very sound financial situation, is not coming forward to help in this direction. There is need for creating special funds for providing working capital to these units.

6. Government has created the Textile workers' Rehabilitation Fund Scheme for the rehabilitation of workers, rendered jobless due to sickness and closure of textile mills. But this scheme has not been able to tackle this problem quite successfully. There is a need for taking more active interest in this regard by the Government.

7. The Companies under study, have not been able to get proper financial support from various agencies providing funds to them. We have found that as these units could not pay back the loans given to them, the financial institutions started charging additional interest. This increased financial burden further. It aggravated their other problems also. It is suggested that the financial institutions should provide to them grant of interest-free funds. They should
also give financial concessions by way of reduction in the rate of interest.

8. The inventory management in the units under study has not been found to be satisfactory. With the result, the funds got locked-up in the inventory of the companies concerned. It is suggested that the various items in the inventory have to be controlled scientifically with the help of computer.

9. On the analysis of various related data as well as the relevant ratios regarding the receivables and cash, it has been found that the receivables showed a fluctuating trend and not properly managed. Similarly, liquidity crunch is often visible. This requires proper and sufficient attention has to be given on these two counts, as both the items affect the working capital.

10. Size of maintaining adequate working capital is quite essential for smooth operation of any business unit. Most of the sick units, in fact, suffer from inadequacy of working capital. Management of companies, under study, also find it difficult to maintain adequate working capital and face a lot of difficulty in
carrying on day-to-day operations. This also creates several problems in the organization. They are unable to manage related issues efficiently and effectively. Banks and other financial agencies, providing necessary funds for it, should be liberal in this respect and the lease penalty should be imposed in case of default. Government should also adopt such policies liberally in this respect to check the growing sickness in such business units.

Thus, we find that the financing textile units, specially those of sick units, has not been properly and adequately undertaken. This has been causing financial crunch and problems before those units. The Government, financial agencies and the management should find out suitable solutions and frame such policy which may put these units as healthy one.