



## “CO-OPERATIVE COTTON SPINNING MILLS IN MAHARASHTRA: ITS PROFITABILITY AND PROBLEMS”

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### **ABSTRACT**

*Maharashtra contributes about 10.4 per cent to India's textiles and apparels output. Around 3 million farmers are engaged cultivation in the state mostly in the backward region of Marathwada and Vidarbha. Spinning mills have great importance in co-operative sector of Maharashtra. This industry is undergoing a very challenging time since the beginning of this century. In 2005 the traditional quota system for textiles and clothing finally phased out. The global financial and economic crisis in global recession period had a negative effect on this industry. In 2011 export of cotton yarn was banned by govt. of India. Mill in co-operative sector is going towards the sickness. Considering the all above facts, it is necessary to study the cotton industries.*

**Keywords:** Co-op. Cotton Spg. Mills, Strength, Weakness, Profitability.

### **Introduction:**

The textile sector plays a significant role in Indian economy through its contribution about 14% to the industrial production, 4% to the GDP and 11% to the export earnings. Maharashtra has ranks second in India in respect of production of cotton; accounts for 20% of the country's total cotton production. Maharashtra has average 30% of the country's total land under cotton crop. Vidarbha, Marathwada, and North-Maharashtra (Khandesh) are the main cotton producing areas in the state. Cotton is an important cash crop in the state comprises around 3 million farmers in cultivation. The losses of spinning mills are increased. Although numbers of spinning mills are rising, even then gap between

registered and actual working mills increasing continuously. The government share capital is increasing in co-operative spinning mills.

**Objectives of the research paper:**

1. To study the growth in net profit/loss of co-operative cotton spinning mills in Maharashtra
2. To study the problems and weakness of co-operative cotton spinning mills in Maharashtra
3. To study about strength of co-operative cotton spinning mills in Maharashtra

**Research methodology:**

**Sources of data:** Primary source like field survey as well as secondary source like annual reports, used for gathered data about spinning mills. Researcher conducts field survey through questionnaire, observation and partly interviews with authorities of that particular mills. Researcher conducted filed survey of nine co-operative spinning mills, which are located at different location of different regions in Maharashtra.

**Data collection:** Numerical data was collects from annual reports of total nine spinning mills those are: **A.** Sahakar Maharshi Swargiya Bapuraoji Deshmukh Shetkari Shakari Soot Girni Maryadit (SMSBDSSSGM), Wardha. **B.** Yashwant Sahakari Soot Girni Maryadit (YSSGM), Ambad. **C.** Shetkari Sahakari Soot Girni Maryadit (SSSGM), Sangole. **D.** Shankarrao Mohite Sahakari Soot Girni Ltd (SMSSGL), Akluj. **E.** Mahatma Phule Anusuchit Jati Jamati Shetkari Sahakari Soot Girni Niyamit (MPAJJSSSGN), Wagholi. **F.** Shetakari Mahila Sahakari Vastranirman Soot Girni Maryadit (SMSVSGM), Sangole. **G.** Shri Mungsaji Maharaj Sahakari Soot Girni Maryadit (SMMSSGM), Chikhali. **H.** Rokadeshwar Sahakari Soot Girni Maryadit (RSSGM), Vasmat. **I.** Jawahar Shetkari Sahakari Soot Girni Ltd (JSSSGM), Dhule

**Analysis & interpretation:** For analysis of collected data, some statistical tools used such as simple growth rate in percentage which was calculated by the formula i.e.  $\frac{\text{current year amount} - \text{previous year amount}}{\text{previous year amount}} * 100$ .

**Cotton Industry in Co-operative Maharashtra**

Maharashtra is a foremost cotton producing state particularly in Vidarbha, Marathwada, and North part (Khandesh) of Maharashtra. Spinning mills have great importance in co-

operative sector of Maharashtra. As per economic survey of Maharashtra (2012-13), there were 166 co-operative spinning mills having 13.16 lakh spindles in 2012. Only 59 (35.54%) spinning mills were in production in the state.

**Table 1: Growth Trend of Co-op. Spinning Mills in Maharashtra (1981 to 2011)**

Particulars	1981	1991	2001	2011	Growth rate		
					1981 - 1991	1991 - 2011	1981 - 2011
Spinning mills	70	125	229	168	7.86	1.72	4.67
S. Mills under production	20	31	46	59	5.50	4.52	6.50
S. Mills under loss	16	18	70	73	1.25	15.28	11.88
No. of spindles	19297	15524	13656	13740	-1.96	-0.57	-0.96

Source: Govind Pansare, "Maharashtrachi Arthik Pahani-Paryai Drushtikon-2012"

Although numbers of spinning mills are rising, even then gap between registered and actual working mills increasing continuously. During 1981 to 2011, the spinning mills under losses increased by 11.8 percent (table 1). The growth rate of government share capital is high into co-operative spinning mills as compare to their own share capital.

**Table 2: Growth Trends in Net Profit & Loss of co-op. Cotton spinning mills (in lakhs)**

Mills Name Years	A (SMSBDSSSGM)		B (YSSGM)		C (SSSGM)		D (SMSSGL)	
	Net profit	Growth %	Net profit	Growth %	Net profit	Growth %	Net profit	Growth %
2002-03	62.32	-	---	-	---	-	---	-
2003-04	70.52	13.15	-288.06	-	149.73	-	-205.92	-
2004-05	256.65	263.93	-314.16	9.06	225.82	50.81	-173.76	-15.61
2005-06	86.71	-66.21	-337.48	7.42	814.57	260.71	-148.75	-14.39
2006-07	-15.79	-118.21	74.30	-122.01	875.69	7.50	-77.44	-47.93
2007-08	-145.20	819.56	-23.79	-132.01	311.90	-64.38	-123.45	59.41
2008-09	-410.04	182.39	-285.36	1099.49	-140.58	-145.07	-164.98	33.64
2009-10	-309.78	-24.45	22.22	-107.78	15.42	-110.96	-154.36	-6.43
2010-11	-172.78	-44.22	-82.73	-472.32	474.25	2975.55	-181.64	17.67
2011-12	-1246.66	621.53	-179.44	116.89	-1853.59	-490.84	-234.06	28.85
2012-13	---	-	20.70	-111.53	414.53	-122.36	-194.79	-16.77

Source: Annual reports (2002-03 to 2012-13)

Note: 1. the symbol --- indicates that data were not available.

2. Simple growth rate indicating the growth % of net profit/loss as compare to every previous year.

**Table 3: Growth Trends in Net Profit & Loss of co-op. Cotton spinning mills (in lakhs)**

Mills Name Years	E (MPAJSSSGN)		F (SMSVSGM)		G (SMMSSGM)		H (RSSGM)		I (JSSSGL)	
	Net profit	Growth %	Net profit	Growth %	Net profit	Growth %	Net profit	Growth %	Net profit	Growth %
2006-07	-270.37	-	---	-	---	-	---	-	---	-
2007-08	-305.65	13.04	-260.57	-	---	-	---	-	---	-
2008-09	-302.38	-1.06	-44.79	-82.81	19.01	-	-175.41	-	---	-
2009-10	-59.45	-80.33	-76.97	71.85	19.08	0.36	-132.92	-24.23	---	-
2010-11	-20.08	-66.22	65.68	-185.33	36.14	89.41	-257.06	93.42	22.39	-
2011-12	-870.42	4234.76	-789.40	-1301.89	-361.48	-1100.22	-831.69	223.53	-2821.96	- 12703.66
2012-13	-529.04	-39.22	-268.56	-65.98	-123.73	-65.77	-188.48	-77.33	495.85	-117.57
2013-14	-537.51	1.60	-297.59	10.81	-92.01	-25.63	---	---	-291.74	-158.83

Source: Annual reports (2006-07 to 2013-14)

Note: 1. the symbol --- indicates that data were not available.

2. Simple growth rate indicating the growth % of net profit/loss as compare to every previous year.

**Table 4: Major problems among the Selected co-op. Cotton spinning Mills in Maharashtra**

Sr. No.	Major problems ↓	Name of the Mills→	A	B	C	D	E	F	G	H	I	Total		
												√	#	*
1	Labour Absenteeism		#	√	√	#	√	√	#	#	#	4	5	0
2	Deeply Losses in 2011-12		√	√	√	√	√	√	√	√	√	9	0	0
3	High Production Cost		√	√	√	√	√	√	√	√	√	9	0	0
4	Affected by Global Recession (2007 to 2009)		√	√	*	√	#	#	√	*	√	5	2	2
5	More Debt on Equity		√	*	*	*	√	√	*	*	*	3	0	6
6	Lack of Modernization		#	√	√	*	#	√	*	*	*	3	2	4
7	Shortage of Required Cotton		*	*	*	#	*	*	*	*	*	0	1	8
8	Excess Stock		#	*	#	*	#	*	#	#	#	0	6	3

Note: 1. √ Symbol indicates a Problem was Present. 2. # Symbol indicates that Problems Partly Present. 3. \* Symbol indicates that Problem was Absent.

**Source:** Field Survey (2013-14).

**Note:** Alphabets 'A to I' indicates the Name of Selected Mills.

**Table 5: Major Findings among the Selected co-op. Cotton spinning Mills in Maharashtra**

Sr. No.	Presence of Object ↓ Name of the Mills→	A	B	C	D	E	F	G	H	I	Total		
											√	#	*
1	Better Performance in Spindles Utilisation	√	*	*	√	#	*	√	√	√	5	1	3
2	Sales in Domestic + Exports (Both)	√	√	*	√	√	*	√	√	√	7	0	2
3	Sale in Domestic Market Only	*	*	√	*	*	√	*	*	*	2	0	7
4	Modernised Quality Testing Lab	#	#	*	√	√	*	√	√	√	5	2	2
5	Modern Cotton Contamination System	√	√	*	√	√	*	√	√	√	7	0	2
6	Yarn Conditioning Plant (YCP)	√	*	*	√	√	*	√	√	√	6	0	3
7	Modernised Humidification Plant	#	#	*	√	#	*	√	√	√	4	3	2
8	Automatic Autoconer Machine	√	√	√	√	√	√	√	√	√	9	0	0

Note: 1. √ Symbol indicates the Presence of that Particular Object. 2. # Symbol indicates that Partly Present of Object. 3. \* Symbol indicates that Object was absent.

**Source:** Field Survey (2013-14).

**Note:** Alphabets 'A to I' indicates the Name of Selected Mills.

The analysis (table 2 to 5) and summary of observations & field survey of co-operative cotton spinning mills those were select as a case study from Maharashtra; summarized as following ways:

**[A] SMSBDSSSGM, Wardha:** During the ten years of 2002-03 to 2011-12, accumulated losses increased by 12.45 percent. The noticeable growth observed in net losses in the year 2011-12; as a result, industry deeply becomes accumulated loss (table 1). In 2011-12, this mill suffered huge difficulties like disparity in prices of cotton yarn, huge increment in raw cotton prices, and economic recession in global market leads to excess stock in industry. New modernised additional plant was under construction. It was observe that absent of labour representative on director body. To avoid all these things; appropriate measures should catch such as quality improvement in production, cost control of production, watch on labour productivity etc. latest machineries is necessary for quality production and improvement in labour efficiency as well as healthy atmosphere in plant.

**[B] YSSGM, Ambad:** The YSSGM has absence of modern machines except Autoconer. Thus, huge investment is remaining even mill suffering losses in every year. Labours not satisfied about wages and basic facilities like canteen, cleanness, and inadequate efforts for dust free environment in plant. Labour absenteeism is also basic problem. Labours are working into two shifts of 12 hours each and on low wages rates. In the board of directors, have not labours representatives. The latest machineries are necessary for better quality products. YSSGM need to focus on exports quality production for getting competitive prices in global market it will assist to reduce the losses. Therefore, computerized quality testing lab is required for quality checking of product as per standard norm. There is need to control production cost to make profit margin on sales.

**[C] SSSGM, Sangole:** Net profit increased and accumulated losses decreased except the year 2011-12 during respective years. The trend of Net profit is in good position except of 2011-12. In 2011-12, yarn prices were low as compare to cotton prices, competition generates in domestic market consequently industry occurred losses in particular year. Besides this it is one of the unique cotton industry in co-operative sector of Maharashtra; producing 100% cotton. It has labour representatives on board of director. This mill conducting different types of schemes which for labours such as consumer stores, credit society, insurance policy, employee's group life insurance, group gratuity, nutritious foods, labour welfare trust, allowance for regular attendance etc. There are grievance prevention committee, security committee and canteen committee for smooth relation

between labour, staff, and management. On the other hand, industry constantly growing its production with quality, efficiency, modern machineries leads to save electricity.

**[D] SMSSGL, Akaluj:** The government of Maharashtra had started 10 'Open-End Projects' at experimental basis in 8<sup>th</sup> five year plan, SMSSGL was one of them. This type of projects required short staple cotton fiber. It is able to produce only 4 to 20 counts of yarn. The SMSSGL not working with their full capacity because of shortage of short staple raw cotton; as a result it does not generate full employment. It producing low quality counts of yarn and get losses every year. Mill had shown continuously Net losses and accumulated losses increasing continuously since 2003-04 onwards.

The cotton grower farmer cultivates BT-Cotton after 2002, and producing long staple cotton so mill experienced shortage of short staple raw cotton. There was lack of labours representative on board of directors. The 'open-end' type of projects has been face several difficulties like shortage of short staple raw cotton, high power consumption, lack of spare parts, limitation about high quality counts, etc. The overall conclusion is that 'open-end project' cannot compete with global market; it has occurred cash losses naturally push towards the sickness and automatically in closure position.

**[E] MPAJJSSGN, Wagholi:** The Board of directors have lack of labours representatives. This mill always has shown Net losses since 2006-07 to March 2014 and accumulated losses growing continuously from 2009-10. In the present industry spindles utilisation percentage come down upto 45.69 percent. Labour absenteeism was major reason for less utilisation of spindles in concern industry even though a mill has implementing various labour schemes at reasonable rate. Quarters for workers to living on mill sites those are daily came from long distance. It is also necessary rest hall and canteen facility at reasonable rates. Properly implementation of modernize humidification plant is requiring for working performance and quality yarn. Modern humidification plant is necessary for clean and dust free environment in work shed it will lead to labour attendance.

**[F] SMSVSGM, Sangole:** This is the unique women co-operative cotton-spinning mill, which established for rural women producing of 100% cotton yarn since 2005-06. There are two women labour representatives on board of director. It reveals that high net losses occurred in the year 2011-12; after that, it remains continuous. Similarly, accumulated losses increased continuously in that period. The SMSVSGM is connect with global market thus affected by global recession and global prices during 2007-08 to 2009-10 and

extremely affected in 2011-12. The cost of raw material is increasing in total production cost due to high cotton prices, spindles utilisation is coming down due to labour absenteeism, and authorities of SMSVSGM reported that the electricity cost is not affordable as a result total production efficiency is affected. All these issues are lead to generate Net losses and accumulated losses are growing every year. However, SMSVSGM constantly growing its production with quality, efficiency, saves electricity cost because of modern machineries and modern laboratory.

**[G] SMMSSGM, Chikhali:** one thing noticed that this mill occurred losses since 2011-12. Consequently, the growth trends came in negative position during respective years. An average Net profit and Accumulated profit have shown negatively. The industry tried to increases export oriented production. It is continuously growing production and repaying its loans while growth govt. shares capital. Low rate of wages leads to labour absenteeism in mill, lack of some facilities for labours like lack of canteen facilities observed in mill.

**[H] RSSGM, Vasmat:** The tremendous net losses was noticed in the year 2011-12; consequently accumulated losses was increased in respective year. They paid lower wages as a result labour absenteeism is major problem lead to reduction in production. There was lack of labours representatives on board of directors. This mill has shown unhealthy situation in respect of debt- equity ratio. There was inadequacy about facilities for labours such as canteen; travelling etc. there is need to modernised humidification plant, dust free and clean atmosphere in work shed which will helpful for health thus for avoid lungs disease. The RSSGM purchased cotton bales on high prices in the year 2011-12; due to this deeply losses occurred in mill.

**[I] JSSSGL, Dhule:** lack of labour representatives on board of directors. The sub committees established for decision-making. In the year 2011-12, tremendous losses observed. The industry experienced great Net losses. Researcher concluded that the cash and Net losses occurred in the year 2009-10, 2011-12 and 2013-14, were due to lower yarn prices and high cotton prices in market, labour absenteeism is also one cause for these losses. Spindles utilisation not reached up to 95 percent in respective years. There was no any strike form labour unions while labours representatives should on board of directors.

### **Conclusion:**

Field survey results summarized as following way (table 4 & 5):

### **Growth in Net Profit/Loss of Co-Op. Cotton Spg. Mills:**

All the mills in the present study were gone in deeply losses for the year 2011-12. The export of cotton was free at the same time a yarn export banned; as a result, cotton prices gone high level during April 2011 to Sept. 2011. Automatically industry get realize insufficiency of working capital; greatly affected to the reserves and funds of the industries. Subsequently it was observe tremendous losses in cotton textile industry. It can be conclude that wrong government policy about exports of cotton was responsible for losses in cotton textile industries. All the studied mills in the present study; shown high cost of raw material. The cost of raw material should not more than 50 to 55%; whereas respective mills shown it more than 55%, some time it raised up to 70 percent. Instability in cotton and yarn prices besides growing electricity rates are responsible factors to bringing difficulties in cotton textile industries. Mills were affects by global recession during 2008-09, besides those mills does not shown this effect because they sold their products totally in domestic market. The exports percentage of some mills was much less than domestic sales which partly affected by recession. During recession period the prices of finished products were not increased as compare to raw material thus industry occurring net losses.

### **Problems and Weakness of Co-Op. Cotton Spg. Mills:**

The cotton textile industry in the state facing problems such as high prices of raw materials, labour deficiency, costly power, outdated technology, slow pace of modernization, rising cost of production, low level of profitability etc. consequently going towards the sickness. Lower utilisation of machineries because of outdated machines and labours absentee. This is the evidence that several mills have old machinery gives not standard production and not possible to compete with world market. Some mills need to be established modern testing lab, contamination system, yarn conditioning plant and newly humidification plant. The rotors base projects want to be short fibre cotton that is not available as require quantity. Farmers are growing BT cotton and producing medium and long staple cotton. Therefore, open-end base spinning mills that has rotors instead of spindles will not survive. The numbers of mills fight problems about excess stock when an export was ban by Government of India. The numbers of mills located in rural areas, providing employment to local peoples those are connects with farming activity thus; attendance goes down during the cultivation period. Moreover, workers not satisfied about wages due to high inflation.

### **Strength of Co-Op. Cotton Spg. Mills:**

Facts behind well-managed mills observed as like, new Technology upgradation of plant and machinery, skilled and experienced personals, Healthy relation with labours through providing better facilities like canteen, travelling allowance, dry foods, consumer stores, credit society and also clean and dust free environment in plant which leads to labour attendance simultaneously improving utilisation of spindles and looms. Those mills have updated and latest machineries, looms which shows better utilisation and sharpness in quality products. Healthy relation with labours through providing better facilities and also clean and dust free environment in plant which leads to labour attendance simultaneously improving utilisation of spindles and looms. Modernisation shows industries ability to produce export oriented standard production that is way earning foreign currency to the country. Some of the mills have imported latest machines along with humidification plant. They maintaining clean and dust free, control environment in work shed.

### **Recommendations:**

To reduce the labour absenteeism welfare facilities should provide by Mills like Canteen, Travelling Facility, Consumer Stores on credit base, Dry Foods at reasonable rates, Quarters for living, and Health Checkup etc. for improving labours attendance. The mills should have imported latest Humidifier System to maintain cleans and dust free environment in plant which leads to improve the labour attendance. Proper training programmes also necessary for improving labours efficiency and productivity. Twelve hours shifts should not conduct. The policy about export and import of cotton and textiles should fix at least for cotton season and announce in early starting of cotton year at every year. It will better for this industry to planning about procurement, production and exports in each cotton season. The electricity charges hold on fix rate by the government and should not impose excess rate on that. Those mills have debts over than equity, should maintain proper ratio between debts/borrowings and equity/reserves. Modern equipments should establish in Testing Lab to improve quality in yarn and cloth as per market orders. Latest Colour Contamination System to remove unwanted objects, Yarn Condition Plant for improves sustainability in yarn quality and Automatic Looms for standard fabric/cloth to meet global demand. The ‘open end’ rotors base mills can updates themselves through

installed spindles as a replacement of rotors to survive and update itself to compete in global market. Mills should have modern technology that shows better utilisation of machines and sharpness in quality products. By this way industry can improve its ability to produce export oriented standard production that's way earning foreign currency to the country. The government should accelerate TUF scheme, quick assistance procedure for sanctioned and disbursement finance, slack to the documentary procedure. It will be practical to the imports of modern technological equipments. The rate of interest at purchasing updated plant and machinery under TUF scheme should be reduced by the government of India. The compulsion of hank yarn on mills should remove by the government. Hank yarn may produce separately in handloom clusters and in that particular area of respective states. It is recommended that mills management should give top priority to the areas of management such as, capacity utilisation of looms and spindles, cost control, labour safety and welfare practices, personnel management, quality control and marketing etc. There is need to established new textile industries in cotton growing districts to consume raw cotton. There is a need to take initiative for additional special training centres in rural areas to fulfill the requirement of trained manpower for mills. There is need to conduct the textile degree, diplomas and training based practical oriented courses in the institutions, college or universities in cotton growing districts to create the cotton textile entrepreneurs. There is need to revised National Textile Policy 2000, and central govt. of India should prepare new National Textile Policy as per changing global scenario.

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