7

CONCLUDING OBSERVATIONS

7.0 INTRODUCTION

The textile industry is among the oldest and largest manufacturing industries in Bangladesh and occupies a dominant position in the country. The employment provided by it is a source of livelihood for millions of people in rural and remote areas. The country with its extensive trained manpower and cheap labour has great potential in textile manufacturing. There exists a huge market for textile products to meet one of the basic needs of 120 million people with a growth rate of about 3%. However, the Current status of the primary textile sector of the country is not competent to compete in the global textile market. Garment is the most successful textile sub-sector. To continue the growth of garments and to survive in a competitive environment, a strong base of the primary textile i.e., spinning, weaving and dyeing-finishing is necessary.

It is very unfortunate that the performance of running textile mills under BTMC is far from satisfactory and they failed to contribute positively to the national economy. Rather they became a burden on the economy with their continual huge amount of losses. The total loss incurred by the corporation during 1991-97 was Tk. 776.07 crore. The nationalised industries including textiles have been being criticised in the public media for mismanagement, inefficiency and corruption. Planning Commission in its Fifth Five-Year Plan document mentioned *low capacity utilisation, excess manpower, lack of management efficiency, high cost of production etc.* as the main causes of chronic losses of public sector textile mills. The situation in the private sector mills was also not good but seemed to be relatively better than the public sector mills. The Government formulated *the Textile Policy-1995* which identified some major problems pertaining to various sub-sectors of textile industry. Major problems of textile spinning sub-sector as identified in the policy were obsolete technology, frequent interruption of

electricity, scarcity of raw materials, high percentage of wastage, slow progress of privatisation of public sector textile mills.

As the textile industry is the most significant import substituting sector and it has ever present large domestic market, necessary measures must be taken for the development of this sector to save the drainage of country's hard earned foreign exchange and to meet the requirement of large Readymade Garment (RMG) industry and handloom sector as well as the domestic markets.

The present study aimed at evaluating the performance of cotton textile industry in Bangladesh during the period of 1987-88 to 1996-97 and also at comparing the same between the public and the private sector. The review of prior studies confirmed no in-depth study in this field which aroused interest in the researcher to select this topic. The sample of the study comprised ten cotton textile spinning mills from each of the public and private sector. Both primary and secondary data were used to evaluate and compare the performance of the selected textile mills under both sectors based on the main indicators of production and productivity, cost and sales, profitability and working capital management. A detailed discussion on the related terms was also made. Variation in operational performance and financial performance, poor management as the crucial factor hampering the performance of public sector and individual discriminating abilities of the performance indicators were the major hypotheses of the study.

7.1 FINDINGS OF THE STUDY

The major findings of this study can be summed up under the following heads :

7.1.1 Production Performance and Productivity :

Sobhan and Mahmood in their study found that the annual average yarn production during 1980-82 prior to denationalisation decreased by 8.7% in the 21 private sector mills during 1983-85 following denationalisation as against 4.2% increase in public sector mills. The per spindle per shift production were also seen to be lower in the denationalised mills relative to public sector mills. Saha, S. K. observed in his work that average production of six disinvested spinning mills decreased by 6.28% during 1984-89, after privatisation as compared to the average production for five years immediately before transfer to private sector; but the installed capacity and its utilisation rate in these mills increased 23.53% and 37.26% respectively. The present effort, however, observed the following :

i) The production performance of the textile mills under private sector was better than the public sector and it remarkably better in the second half of the study period. The average production of all the public mills registered a continuous decreasing trend since 1992-93 while in contrast, the trend of increasing production was continued in all the private mills throughout the period of study. During 1992-97 the average production decreased by 30% to 60% in as many as ten public mills while the same increased by 80% to 200% in four private mills and it was generally by 25% to 50% over 1987-92. The annual average production of all the public mills as a whole was 12.02 lakh kg and 8.46 lakh kg during 1987-92 and 1992-97 respectively as against the corresponding figures of 18.39 lakh kg and 31.09 lakh kg in private sector.

ii) Production efficiency in terms of per spindle per shift production was also better in private sector as compared to the public sector mills during 1992-97. The average per spindle per shift production of all the public sector textile mills generated a falling trend during 1992-97 as it was found in case of average production, while the same of all the private sector textile mills registered a rising trend during this period. But during 1987-92 there was no

significant difference in production efficiency between the two sectors. The private sector average per spindle per shift production was 75.90 grams and 96.11 grams during 1987-92 and 1992-97 respectively as against 75.54 grams and 74.79 grams in public sector.

iii) Overall a better utilisation of capacity was observed in private sector textile mills as compared of public sector's. The private sector average rate of capacity utilisation was much higher than that of public sector during all the years under study. The maximum average utilisation of capacity in public sector was 85% during 1990-91 while the private sector achieved the maximum rate of 92% during 1989-90 and 1993-94. In 1996-97, there was a massive decline in capacity utilisation in case of all the public sector mills and as a result, the average rate went down to only 23% from 53% in 1995-96. The private sector average rate of capacity utilisation fell down to 85% from 89% in 1995-96.

iv) Labour productivity per man-day in terms of production, value of production and value added in the public sector textile mills were much lower than that of private sector textile mills. The average labour productivity in all the terms in all the private sector mills taken together generated a rising trend throughout the period with only a few sudden break; while a reverse trend was generated in public sector during the second half of the study period. In terms of production, average labour productivity in private sector was 9.64 kg, more than double from the corresponding figure of public sector. The productivity in terms of value of output and value added in private sector was almost three times higher than the corresponding figures in public sector. The increasing labour productivity in terms of production, value of production and value added in private sector was encouraging during the study period.

v) Efficiency of capital utilisation i.e., capital productivity was not good in public sector textile mills. The capital productivity in terms of value of output

decreased in most of the public sector mills during 1996-97 from the year 1987-88. The average productivity of all the public sector mills taken together was negative in five years owing to negative capital employed while the same happened to be positive in case of private sector mills during those particular years. But the average productivity in public sector mills was higher than that of private sector's in four years of study period. The private sector average of capital productivity decreased by 76.05% over 1987-88.

Capital productivity in terms of value added also showed a notable decrease in 1996-97 in all the public sector mills except two. The public sector average productivity rose to Tk. 0.05 in 1996-97 from (0.08) negative in 1987-88. The private sector average productivity declined to Tk. 0.26 in 1996-97 from Tk. 1.27 in 1987-88. Thus, capital resources were not utilised efficiently in private sector mills too.

vi) Idle capacity or man hour loss and production hour loss due to power failure, absenteeism, shortage of spare parts, machinery breakdown or maintenance, electric defect, shortage of raw cotton, strike, religious affairs etc., and stock piling resulting from poor sales performance and availability of foreign yarn at comparatively lower price were traced as the factors which affected the production performance of public sector textile mills as well as some private sector mills. Productivity of these mills hence came down. Higher labour productivity in private sector was resulted mainly because of better training on a motivation, effective utilisation of spindles with comparatively fewer number of workers engaged in production. Power shortage affected the production performance and productivity to a great extent in both public and private sector. Labour absenteeism was higher in public sector mills due to poor supervisory control over workers resulting in higher production loss, lower spindle utilisation and more unnecessary stoppage of machines as compared of private sector's.

7.1.2 Cost of Production and Sales Performance :

The cost affects the price of output and profitability ratios of an enterprise. Therefore, the analysis of cost of the enterprise is of utmost importance. Saha, S. K. compared the cost of production per lb. of yarn in the selected textile mills between the year of prior (1981-82) and after privatisation (1986-87) and found that, in all the mills both materials cost and conversion cost increased in 1986-87 from 1981-82. The change in material cost varied between 3.03% to 105.57% and it was 151.38% in conversion cost. His study further showed that out of six, three mills showed an upward trend in sales performance making the total increase in average sales by 7.32% as against decrease in average production by 6.28%. The present study, however, had the following findings :

i) The accounting system followed by the cotton textile mills under both public and private sector is integrated accounting system under which financial accounting and cost accounting system are integrated into a single system. Cost accounting system has been developed and used in practice in industrial sectors mainly to control the resources used in production process; whereas the financial accounting system has been developed to determine the results of business activity as a whole and also to fulfil the legal requirements of the state. But in the textile sector in Bangladesh, there is absence of effective and efficient cost accounting system. The cost accounting system is used simply to prepare a cost of goods sold statement by the management as a part of the annual reports. The cost information available from the cost accounting department of BTMC as well as member mills of BTMA was very poor and inadequate for planning and control purposes and for analysing cost of production. The management information system (MIS) of BTMC mainly assimilate the information supplied by the mills under the corporation but do not verify and justify the reasons for incurring such costs and thus the reports and statements prepared by MIS of BTMC are also not dependable and

trustworthy. Most of the member mills of BTMA do not maintain proper costing records. The informations available from the cost accounting department of these private sector mills were not dependable and reliable. So it can be said that the cost accounting system which is in practice in the mills under BTMC and BTMA does not ensure effective management control of cost of production.

ii) The material cost occupies the highest place in the cost structure of the textile mills. The public sector average relative share of material cost to the total cost of production changed in the same direction as their total material cost changed during the study period. But the private sector average relative share of material cost to the total cost of production decreased in 1988-89 and 1993-94 with the corresponding increase in their total material cost. The public sector average share of material cost to the total cost of production, as a whole was 51.74% while the respective figure was 62.57% in private sector. Use of interior quality raw material resulted in lower share of material cost in some public mills and production of low quality yarns, lower productivity, higher wastage and higher loss of value resulting in higher cost of production.

iii) Percentage of increase/decrease in average material cost in public sector mills was not in line with the corresponding changes in their average volume of production. But the average material cost increased/ decreased in the same line with the corresponding increase/decrease in average production of the private sector mills in almost all the years under study.

iv) The public sector average material cost per kg registered an increasing trend and the cost of all the public sector mills for the entire period was Tk. 52.62 per kg of yarn while the respective figure in private sector was Tk. 63.86. The overall trend of material cost per kg in private sector was towards increase but its range of variation was lower, indicating a steady trend as compared to that of public sector.

v) The wages and salary cost increased in the public sector mills in absolute amount and also in relative sense during all the years under study. But in private sector, although a minor fluctuation was observed in the relative sense during the period, the overall trend was towards decrease in as many as mills. The public sector average percentage of wages and salary cost to total cost of production for the entire period was 26.61% as against 13.83% of private sector.

vi) In public sector, the rate of increase in wages and salary cost was much higher than the rate of increase in production. Even in more than half of the years, the cost increased at a higher rate against the decrease of production. But in private sector, the situation was far better. The rate of decrease in cost was much higher than the rate of decrease in production; again the cost decreased as against increase in production, and in some years the rate of increase in wages and salary cost was much lower than the rate of increase in production.

vii) The wages and salary cost per kg of yarn was continuously rising in all the public sector mills during all the years under study. The public sector average cost per kg went upto Tk. 155.40 in 1996-97 from Tk. 16.63 in 1987-88. But the private sector average wages and salary cost per kg of yarn registered a downward trend and came down to Tk. 9.67 in 1996-97 from Tk. 16.39 in 1987-88. Thus the above findings leads one to conclude that private sector mills achieved better efficiency in labour management as compared to the mills under public sector.

viii) The average share of power and fuel cost to total cost of production in all the public sector mills as a whole was Tk. 9.13 during the period varied between Tk. 5.55 to Tk. 11.19; while in private sector, the share was Tk. 7.83 varied between Tk. 6.59 to Tk. 9.39. The average power and fuel cost per kg of yarn was also higher in public sector compared to private sector. The average per unit cost in all the public sector mills taken together was Tk. 14.81 in 1996-

97 registering 91.59% increase over 1987-88, while in private sector it was Tk. 7.29 in 1996-97 generating around 10% increase over 1987-88.

ix) The average percentage of conversion cost to total cost of production in all the public sector mills as a whole was Tk. 48.19 during the period, much higher than the respective figure of Tk. 37.45 in private sector. The average conversion cost per kg of yarn in all the public sector mills taken together increased to Tk. 224.35 in 1996-97 from Tk. 34.49 in 1987-88 and the same decreased to Tk. 32.01 in 1996-97 from Tk. 33.96 in 1987-88 in private sector.

x) The cost of yarn per kg in all the selected cotton textile mills under public sector registered an upward trend throughout the period of study with a very few sudden breaks. The average cost of yarn per kg in all the public sector mills taken together went up to Tk. 304.84 in 1996-97 registering 312.27% increase over 1987-88. The overall trend of per unit cost of yarn was increasing in private sector also but the same went up to 104.44 in 1996-97 registering only 36.13% increase over 1987-88.

xi) The reasons for higher cost of production in public sector compared of private sector were mainly increase in price of raw materials, higher wastage percentage, over staffing, labour disturbance, increase in wages and salaries due to implementation of Wages and Pay Commission Awards, low labour productivity, excess store consumption in some mills, low utilisation of capacity and under recovery of fixed overhead due to decrease in production. Moreover, power disturbance affected the production and thus cost of production to a great extent in both public and private sector mills.

xii) Sales achievement of the mills under private sector was also superior as compared to their counterparts in public sector. The average sales declined during the second half of the study period in all the public sector mills. In contrast, all the private sector mills could be able to increase their sales

remarkably during the second half of the period over the first half; and the average sales taking all the private sector mills as a whole showed a continuous increasing trend throughout the period. The average sales of the public mills fell down to Tk. 412.55 lakh in 1996-97 from Tk. 854.93 lakh in 1987-88 showing a decline of 51.74%. But the average sales of private sector went up to Tk. 4397.33 lakh in 1996-97 from Tk. 1383.40 lakh in 1987-88 registering an increase of 217.86%.

xiii) Our investigation through sales per employee also indicates a better efficiency of manpower in terms of sales in private sector mills as compared to public sector's. The average sales per employee taking all the private sector mills together went up to Tk. 335.73 in 1996-97 from Tk. 92.28 in 1987-88 registering an increase of 263.82%; but the same of all the public mills taken together went down to Tk. 49.19 in 1996-97 from Tk. 93.88 in 1987-88 showing a decline of 47.60%.

xiv) The factors resulting in the poor sales performance of the public sector mills are low productivity and poor quality yarn due to old and irretrievably outdated machinery, conventional technologies and methods in many of the public sector mills and poor quality of raw cotton, high price of yarn, administered pricing system, smuggled yarn at lower price, poor marketing capability etc. Per employee sales was lower in public sector than in private sector mainly due to higher rate of employee and decreasing sales quantum.

7.1.3 Profitability :

Sobhan and Mahmood observed in their study that financial performance was also seen to have declined in the textile mills in 1983-84, the year following as compared to 1981-82, the year before denationalisation. Saha, S. K. found a

better situation in his study. The average rate of return on total assets employed was 6.12% in 1986-87 as compared to average rate of loss of 18.37% in 1981-82 in the selected six disinvested mills.

But our evaluation of profitability of performance of the public and private sector textile mills during 1987-88 to 1996-97 witnessed the following :

i) The various measures of profitability reveals that the profitability position of cotton textile mills under public sector was extremely poor throughout the period of study; they were not running efficiently and they became financially sick. The situation was more serious during the second half of the study period. This is born out by the fact that despite the best-possible efforts, all the public sector mills could not earn even any gross profit during this period with only a very few exceptions. In the public sector as a whole average gross profit margin ranged between negative (5.24%) and (141.29%) during the second half of the period while it was between 2.05% and 16.91% during the first half; but the respective ratio ranged between positive 13.23% and 21.81% in private sector during throughout the period. Net profit margin ratio was negative during all the years except 1988-89 in public sector and it varied between negative (2.26%) and (219.24%) during the years other than 1988-89. The ratio was positive in six years and was negative in four years varied between negative (6.25%) and positive 6.52% in private sector.

ii) As regards operating expenses, the average ratio in public sector was much higher than in private sector during all the years under study. In public sector the operating expenses ratio varied between Tk. 91.15% and 267.70% during the period and in private sector the respective figures were 85.87% and 93.29%.

iii) Similarly, average return on investment and return on capital employed in the public sector textile mills were also negative in most of the years under study.

As against this, the private sector textile mills as a whole earned positive return on investment and capital employed during all the years under study. Return on their total investment ranged between 3.22% and 9.08% and on capital employed ranged between 2.71% and 45.30%.

iv) Return on shareholders equity and paid up capital also indicates better performance of private sector mills compared to public sector mills. The prior was inconsistent in almost all the public mills and in many of the years due to negative return and negative net worth while the same situation was observed in case of only one private mill. The average return on paid up share capital in public sector as a whole was highly negative in all the years except 1988-89 ranged between negative (63.63%) and (150.97%) while private sector mills showed positive return in four years ranging 23.24% to 69.45% and negative return in six years ranging (37.55%) to (314.68%).

v) The factors which adversely affected the poor profitability performance in public sector textile mills were: poor production performance and low productivity resulting from idle capacity mainly due to power failure, absenteeism, shortage of spare parts, shortage of back process and shortage of raw cotton; poor sales performance, increasing cost of production, shortage of working capital, increasing bank loan due to excessive idle fund in increasing stock piling and heavy interest burden there on, etc. As a whole, inefficiency at all levels due to absence of effective and purposeful management resulted in the poor profitability of public sector textile mills compared to private sector.

7.1.4 Management of Working Capital :

Hossain's study on BTMC textile mills concluded that the percentage of gross working capital to total assets is very high but turnover of gross working capital is very low and the use of working capital appears to be highly

unprofitable in the selected units. The inefficient handling of the different components of working capital of the individual units has resulted in losses in most of the selected units.

However, our study reveals that the working capital position and its management in the public sector textile mills were poor and inefficient as compared to private sector mills. This was reflected by the following facts:

i) The average size of gross working capital in all the public sector mills increased to Tk. 603.25 lakh in 1996-97 from Tk. 565.08 lakh in 1987-88 registering a growth of 6.75%, while the private sector average went upto Tk. 355.32 lakh in 1996-97 from Tk. 1085.46 lakh in 1987-88 generating a growth of 190.69%.

ii) It is surprising that almost all the public sector mills had an acute shortage of working capital during the study period. The position was more serious in some cases in which their net working capital deficit registered an upward trend. The public sector average of net working capital was negative during all the years except 1987-88 and 1988-89 ranging from negative Tk. (19.69) lakh to Tk. (615.02) lakh. On the other hand, only four mills of private sector experienced net working capital deficit during more than half of the years under study. The average size of net working capital taking all the private mills together was negative Tk. (70.38) lakh only in 1992-93 but thereafter it turned to be positive and increased to Tk. 937.03 lakh in 1995-96 and further decreased to Tk. 483.69 lakh in 1996-97.

iii) In the public sector, the year wise percentage of working capital to total assets was highly adverse during 1987-88 to 1996-97. The percentage of working capital deficit to total assets reached at 86.89% in 1996-97 generating 638.86% increase over 1987-88. But the private sector average

percentage of net working capital to total assets went upto 8.36% in 1996-97 registering 71.31% increase over 1987-88.

iv) As regards liquidity, the position was unsatisfactory in almost all the mills under both public and private sectors as their current and quick ratios were below the standard norms of 2:1 and 1:1 respectively in almost all the years under study. But the position was better in private sector. The overall trend of current ratio in public sector was towards decrease while it was towards increase in private sector. The average current ratio in all the public mills as a whole was 0.79 times during the period of study while the respective figure was 1.21 times in private sector.

v) There existed positive correlation between current assets and current liabilities in both the sectors but the degree of correlation was higher in case of private sector (r = 0.936) compared to public sector (r = 0.619).

vi) The average quick ratio in public sector came down to 0.29 times in 1996-97 and registered 57.97% decrease over 1987-88 while the same in private sector went up to 0.60 times in 1996-97 generating 15.38% increase over 1987-88. The private sector average ratio for the entire period was 0.55 times as against 0.43 times of public sector.

vii) A positive correlation was existed between quick assets and current liabilities in both sectors but the degree of correlation was higher in case of private sector (r = 0.922) as compared to that of public sector (r = 0.574).

viii) Private sector textile mills achieved better efficiency in cash management compared to public sector. Public sector average ratio of cash and bank balance to current assets ranged between 3.70% and 19.34% indicating an erratic position in cash management while the ratio varied in a smaller range from 3.18% to 9.22% in private sector. However, the

average ratio during the period as a whole was 5.82% in private sector as against 11.63% in public sector.

ix) Working capital turnover ratio showed an overall better efficiency of private sector mills in managing the working capital as compared to public sector's as there was a large amount of net working capital deficit in more than half of the public sector mills in many of the years. The public sector average working capital turnover ratio ranged between 0.57 to 117.43 times in negative sense except in 1992-93 and 1995-96 when the ratio was positive i.e., 0.67 and 14.83 times respectively. The private sector average ratio ranged between positive 0.92 times to 239.92 times except in 1987-88, 1991-92 and 1992-93.

x) Inventory turnover helps in determining the efficiency of the management in an enterprise and gives the rate at which inventories are converted into sales and then into cash. The greater the number of times per year that inventory turns over, more the efficiently it is being used. The average turnover of inventory of finished goods in all the public sector mills as whole was 30.97 times during the period ranging from 5.78 times to 79.35 times whereas it was 49.17 times in private sector ranging from 12.87 times to 38.62 times except 1990-91 when it was abnormally high. The higher turnover on an average indicates better use of inventory of finished goods in private sector.

xi) Continuous heavy operating losses, low and decreasing sales, shortages of working capital, inefficient handling of the different components of the working capital etc. made adverse impact on working capital management in public sector textile mills, whereas initial years of operation, inadequate working capital and inefficient handling of the working capital components affected working capital management in the private sector textile mills.

7.2 TESTING OF HYPOTHESES

Hypothesis-1 : *Private sector textile mills are far better in operational performance compared to public sector textile mills.*

To test the above hypothesis the following indicators relating to operational performance in respect to public and private sectors are compiled below :

The table depicts that the average production efficiency in terms of per spindle per shift production capacity utilisation rate, labour productivity in terms of production, value of production and also value added were much higher in private sector. The average cost of production recorded Tk. 95.21 per kg of yarn in private sector as against Tk. 117.63 in public sector. The sales per employee were also much greater in private sector. Thus the above hypothesis can be said to be valid.

Sl. No.	Operational performance indicators	Public sector	Private sector	't' value
1	Per Spindle Per Shift Production (in grams)	75.21 gm	86.85 gm	3.290*
2	Capacity Utilisation Rate	69%	89%	3.324*
3	Labour Productivity (production)	4.14 kg	8.16 kg	4.091*
4	Labour Productivity (value of production)	Tk. 388.32	Tk. 942.80	4.113*
5	Labour Productivity (value added)	Tk. 127.43	Tk. 327.31	4.979*
6	Cost of Production (per kg of yarn)	Tk. 117.63	Tk. 95.21	0.988
7	Sales Per Employee	Tk. 101.29	Tk. 239.49	3.955*

Notes : i)* denotes significant at 0.05 level of significance.

ii) Figures in brackets indicate negative values.

Hypothesis-2 : *Financial performance in terms of profitability of public sector textile mills is extremely poor than private sector textile mills.*

The following information relating to profitability of the public and private sector textile mills are grouped under in order to test the above hypothesis :

Sl. No.	Profitability Ratios	Public sector Mean Values	Private sector Mean Values	't' value
1	Gross Profit Margin (%)	(15.65)	18.19	2.316*
2	Net Profit Margin (%)	(41.12)	2.23	2.106*
3	Operating Expense Ratio (%)	127.85	90.10	2.312*
4	Return on Investment (%)	(10.02)	5.95	3.211*
5	Return on Capital Employed (%)	(24.71)	11.34	2.705*
6	Return on Shareholders Equity (%)	(12.24)	4.84	1.70
7	Return on Paid up Capital (%)	(3553.93)	(114.29)	2.112*

Notes : i) * denotes significant at 0.05 level of significance.
ii) Figures in brackets indicate negative values.

It is witnessed from the above table that the profitability ratios were highly negative in case of public sector as against the positive ratios in private sector. The negative return on paid up capital also showed a large variation between the two sectors. The operating expense ratio was much higher in public sector than that of private sector. Thus the hypothesis is worthy of support.

Hypothesis 3 : *The crucial factor hampering the performance of public sector textile mills is the poor management.*

In order to test the above hypothesis the following information relating to cost and working capital management are used :

Sl. No.	Indicators	Public sector Mean Values	Private sector Mean Values	't' value
1	Conversion Cost as % of Total Cost	48.19	37.45	3.674*
2	Wages and Salaries as % of Total Cost	26.61	13.83	4.856*
3	Power and Fuel Cost as % Total Cost	9.13	7.740	2.132*
4	Stores and Spares as % of Total Cost	2.74	2.63	0.266
5	Net Working Capital as % Total Assets	(27.51)	3.87	3.884*
6	Ratio of CA to CL (in Times)	0.793	1.213	4.452*
7	Ratio of QA to CL (in Times)	0.432	0.553	1.576
8	Cash as % of Total Current Assets	11.63	5.82	2.814*
9	Turnover of Working Capital	(11.84)	15.36	0.943
10	Turnover of Inventory of Finished Goods	30.97	49.17	0.763

Notes : i) * denotes significant at 0.05 level of significance.

ii) Figures in brackets indicate negative values.

The above information provide substantial support in favour of the third hypothesis as it is found that public sector textile mills faced higher conversion cost. Particularly power & fuel cost, wages & salary and stores & spares costs were higher in public sector. The ratios relating to liquidity and efficiency of working capital were relatively better in private sector. Hence the hypothesis holds good.

Hypothesis 4 : *Individual performance indicator has the ability to discriminate the performance between public and private sector.*

To determine the discriminating power of individual indicator, the sectoral mean value of the indicators were calculated in individual chapter and 't' test was also applied to measure the significance of the mean differences of the indicators

between public and private sector at 0.05 level of significance. The 't' values of the indicators used in the hypotheses testing reveals that out of 24, the 't' values of the 18 indicators are greater than the tabulated value of 't' (2.101) at 0.05 level of significance which means 18 indicators have the power to discriminate the performance of public sector textile mills from private sectors, and thus, this hypothesis can also be accepted

7.3 CONCLUSION

The above findings lead us to conclude that the overall performance of private sector textile mills is better than that of public sector textile mills in terms of better efficiency in production, higher labour productivity, lower cost of production, greater sales income, better profitability and better efficiency in cost and working capital management.

The profitability of public sector textile mills was extremely poor, as all the ratios were highly adverse during the last five years of the study period. The difference between the performance of two sectors was statistically significant. High cost of production, low capacity utilisation, low labour productivity, working capital shortage, poor sales performance etc. resulted in heavy losses in almost all the public sector textile mills. Operating expenses in these mills were so high that they could not earn even any gross margin during the later years. The privatisation of these mills are recommended to be faster.

The wind of the free market competitive economy is blowing all over the world. In view of the signing of GATT and WTO agreement, textile sector would have to face new challenge and strong competition. In order to survive in such competitive environment necessary measures must be taken to improve the overall performance of cotton textile industries in both public and private sector in a

variety of areas, e.g., modernising the present status of the textile industries, using appropriate technology, following acceptable pricing strategy, cost effectiveness, maintain quality standard, and privatisation of heavy loosing textile mills of public sector. However, it is expected that the 'Textile Policy-1995' would help the existing textile mills emerge from the crisis to perform better.

Our specific suggestions to improve the performance of cotton textile industries in public and private sector in different areas are provided in the next section.

7.4 SUGGESTIONS

In view of the major findings of the study, the following suggestive steps in various areas of operation are mentioned below for remedial action and rapid improvement of performance of both public and private sector textile mills in Bangladesh :

7.4.1 To Raise Production Efficiency and Productivity :

1) All the selected textile mills under public sector became uneconomical and sick. They have been using old and irretrievably outdated machinery in production. Replacement and modernisation of this machinery is essential in order to turn out quality yarn and to increase machine productivity. Though the government has taken up the programmes of balancing, modernisation, replacement and expansion (BMRE) but the progress in this regard has been rather slow. It thus requires revamping with greater efforts on the part of the government, financial institutions and other concerned agencies.

2) Planning should be introduced in each department of each individual mill for carrying out their operations. The functional areas like production, finance and personnel need to be thoroughly investigated at the mill level and corrective measures to be taken accordingly.

3) Effective production planning should be fixed timely in the light of demand, buyers preferences and needs.

4) On the basis of knowledge about the installed, planned and actual capacity to produce, measures should be adopted to optimise production capacities in the textile mills under both sectors. To increase the utilisation of capacity the following measures may be taken :

   i) Power failure is probably the most serious impediment to optimum utilisation of capacity and thus productivity improvement. Installation of power generators would only encounter the problem of power shortage and power cuts.

   ii) Adequate supply of spare parts and raw cotton should be assured at the mills particularly in public sector. Since scarcity of raw cotton is a plain truth in Bangladesh, the mills should search the probable substitute for cotton. viscose, rayon, polinosic, jute, various chemicals etc. should be blended with cotton in such a way that the requirement of cotton is lessened.

   iii) Preventive maintenance system should be developed in order to prevent the mechanical and electrical trouble.

   iv) It is necessary to look at the public sector textile mills as business ventures rather than as meant for creating employment for

workers. Concerted attempts should be made to pull down the labour force to the optimum level.

v) Absenteeism of workers may be removed by way of providing incentives or awards and increased salary to best performers to improve labour productivity.

vi) Labour disturbance emerges from the low living conditions, price hike, political motivation etc. which affects productivity should be solved through national policy planning.

vii) Workers participation scheme at different levels of management, revision of wages agreement, formulation of grievance committee and provision of welfare amenities are the steps which should be taken to harmonise industrial relations.

5) Productivity being the key factor, influencing the profit level, efforts must be taken towards improving the same. Maximum utilisation of the existing machines should be given top priority as against increasing the work load of the workers as it is relatively easier to achieve the former than the later.

7.4.2 To Reduce Cost of Production :

1) It is needed for the public sector textile mills to show better cost management efficiency by reducing the operating cost. Cost consciousness is lacking in the management of public mills in Bangladesh. For controlling the mounting cost, standard costing system should by introduced in all the public sector textile mills so that

a regular reporting on actual performance as compared to standard or budgeted costs can be possible.

2) To reduce the cost of production, maximum emphasis should be given on raw material and labour cost, which constitute a major part of the total cost of production. Material, human and monetary resources should be used in the production process more efficiently and effectively. Efforts should be taken to minimise wastage of materials and idle time. Strict supervision is necessary in the production process and excess manpower should be removed.

3) Inter-firm comparison should be made in case of both the sectors. The expenditure incurred by the various mills under each sector on this account should be compared and a free and fair discussion amongst the top officials should be made so that they could improve their performance. Through introduction of a good costing system with the objective of cost control, inter-firm comparison can be assured in both sectors.

7.4.3 For Larger Sales Realisation :

The better the management of the assets, the larger will be the amount of sales and brighter the profit possibilities. To obtain more sales realisation per employee it is suggested that :

1) Particularly public sector textile mills must pay due attention towards channels of distribution, market surveys, quality control system and sales promotion efforts to improve their sales performance.

2) Mills should produce fine varieties and high quality of yarn at minimum cost. A separate research and development wing must be established in all the textile mills.

3) Selling price should be competitive in the market and the cost of production and the market demand should be taken into account while fixing the prices of the textile products. The prices of the products in case of public sector are fixed by the BTMC. The individual mills should be of soul authorities to fix up the prices of their products.

4) A new kind of marketing strategy will have to be adopted to meet the new needs of growing RMG industries and there will be a need to intensify marketing efforts. Exploration of new markets and strengthening of old markets in the country as well as exploration of export markets will help considerably.

5) Textile being highly competitive industry and price being a sensitive factor, to maintain high profit mills must prefer lower margins and higher sales volume rather than the other way out.

6) Modern technology should be implemented to upgrade the quality of yarn produced in public sector mills so that market of the product may be expanded. Engineers should be sent to foreign countries for availing latest technology and developments in various areas.

7) All sorts of efforts must be made to prevent smuggling of yarn from the neighbouring countries and strict government policy is necessary in this regard.

8) The management of the public sector textile mills as well as of some private textile mills should raise funds to build up adequate working capital and they should also reduce the level of inventories in current assets, which will assist them in raising their turnover of inventories.

7.4.4 For Better Management of Working Capital :

1) Public sector textile mills have been facing acute shortage of working capital. Working capital should be increased by retained earnings in current assets or raise additional capital by sale of stock.

2) For better control of inventories, modern inventory control techniques like ABC analysis, economic order quantity, minimum and maximum level of inventory should be followed.

3) There should be proper co-ordination in planning of production and sales, and inventories should be estimated on the basis of production and sales requirement.

4) Turnover of inventory of finished goods may be increased by expanding net sales and/or reducing the inventory level.

5) The huge cash balances carried by the respective textile mills under both the sectors should be properly utilised.

6) Maintenance of reasonable current assets may increase the efficiency of working capital management on both public and private sectors. The frequent analysis of current ratio and liquid ratio may help in controlling of the volume of current assets.

7.4.5 To Improve Profitability :

1) The worst profitability position of public sector textile industry became a matter of serious concern both to the industry, BTMC and the government. With the view of improving profitability, it requires vigorous efforts to be made not only by the textile units and BTMC but also by the government.

2) Efforts should be made to reduce net deficit and to increase profit margin and efficiency in using capital employed in all public textile mills as well as some private textile mills, so that they can increase their overall profitability.

3) The performance and operational efficiency of public sector textile mills should be improved by closely monitoring the performance and analysing cost of each individual mill through a monitoring cell. The individual mill, BTMC as well as the government should take necessary preventive and curative measures to prevent and cure the sickness in the textile mills under public sector.

4) In the end it may be concluded that by implementing a cost reduction programme, improving production efficiency, increasing sales, inducting efficiency in the management of working capital, the profitability and overall performance of the cotton textile industry in both public and private sectors of Bangladesh can be improved and all this is sure to give fillip to national economy.