



# A Descriptive Research Study On “Financial Performance Of Sugar Industries In India”

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## ABSTRACT:

The Indian sugar industry is India's second largest agricultural industry after the cotton textile industry; It plays an important role in establishing the economic process and bringing economic change to underdeveloped regions. The sugar industry accounts for 7.5% of the total rural population and provides employment to 500,000 rural people. About 450 million farmers in India are involved in rice cultivation. Sugar mills (cooperative, private and public) have played an important role in many commercial projects in India. This article attempts to examine the progress of the Indian sugar industry to understand the issues and challenges in the ongoing liberalization process. The Indian sugar industry can become a global leader if it breaks free from the cycle of sugar shortage and surplus, reduced sugar production, reduced sugar, increased production costs and increased losses. It requires effective management at all levels of operations to increase production and productivity. Attention should be paid to reducing costs and commitment in the production of product.

**Keywords: Financial Performance, Indian sugar industry, Performance Indicators**

## INTRODUCTION:

India is the largest producer of sugar in the world, followed by Russia, Brazil and Cuba. Sugar industry has an important place in the Indian economy. Sugarcane industry is one of the major agro based industries in India and plays an important role in generating resources, employment, income generation and social networks in rural areas. In fact, sugar industry has stimulated and accelerated the growth of rural economy. At present, there are 553 sugar mills with a capital investment of Rs 10 million. 50,000 Crore with an annual production capacity of 180 million tonnes (ISMA Report, 2004). Its annual turnover is around Rs. 250 billion. The central and state governments receive Rs. 2,500 crore annually for excise duty, purchase tax and more. 4. Currently, more than 50,000 farmers are involved in plantation and approximately 500,000 rural people are directly employed. The sugar industry has brought about economic change in urban India by supporting businesses such as dairy, poultry, fruit and vegetable processing and by providing education, healthcare and credit facilities. Sugarcane has been one of the most important crops of India since ancient times. The word Iksu, meaning sweet, is found in the Atharvaveda<sup>1</sup>, Vajasaneyii<sup>2</sup>, Maitrayani<sup>3</sup> and Taittiriya, Samhitas and later Sutras<sup>5</sup>. The plant was known to the Aryans for a long time, and it is not signifi-

nt that sugar cane is indigenous to India. The word Iksu has no equivalent in other Indo-Aryan languages, indicating that the Indo-Aryans knew about the plant only after they entered India. The Five-Year Plan and the Sugar Industry The sugar industry was protected until the 1950s. Meanwhile, sugar increased rapidly. In order to meet the increasing sugar demand in different periods, the target production of sugar was determined as shown in the table below.

Table -1 Progress of Sugar Industry During Five Year Plans

Plan Production	Actual Production(lakh tonnes)	Target (lakh tonnes)	No. of Sugar Mills
First Plan (191-56) last year	18	19.34	138
Second Plan (1956-61) last year	25	30.29	175
Third Plan (1961-66) last year	35	35.32	200
Fourth Plan (1969-74) last year	47	39.50	229
Fifth Plan (1974-78) last year	54	58.42	298
Sixth Plan (1980-85) last year	76	61.78	356
Seventh Plan (1980-85) last year	102	109.90	414
Eight Plan (1992-97) last year	143	-	412
Ninth Plan (1997-2002) last year	148	185	434
Tenth Plan (2003-04) last year	-	170	461

Source : Yojana Nov. 2023, ISMA Report 2023 and Internet.

Before the commencement of First Plan there were 138 sugar factories

## SUGAR POLTCY OF THE GOVERNMENT

Sugar is a controlled commodity in India under essential commodities act, 1955. Government of India initiated de-licensing policy in sugar industry on 11th September, 1998 in view of globalization process, and since then industry has experienced significant changes. De-licensing of sugar industry has led to mushrooming growth of sugar mills. During 1988-89 to 1991-92, government had introduced partial control in accordance with levy-free sugar ratio was 45:55. It was 40:60 during 1992-93 to 1996-97. Decontrol of sugar trade got momentum in due course and at present (2005), levy free sugar ratio is 10:90. The Committee appointed by government under chairmanship of S.K. Tuteja recommended decontrol of free sale sugar by October, 2005. Central government announced statutory minimum prices (SMP) of

sugarcane and on this basis state governments fix state advised prices (SAP). Unfortunately, SAP is being used as a political tool and has been main concern of sugar mills as it results in escalation of production costs.

## CRITICAL ASSESSMENT

Sugar Industry occupies an important place among organised industries in India. Its main raw-material is sugarcane. The special thing for all kinds of the raw material is that it should contain the highest percentage of the content for which it is used as raw material. But the quality of sugarcane of our country is not so good and researchers are trying to update it but due to lack of interest and proper attention from the government side, they are not succeeded yet today. Per hectare production of the sugarcane is also not improving which is a matter of great concern. It is probably due to lack of land fertility and lack of irrigation facilities. Other countries of the world such as Cuba, Fizzy & Caribbean's, which are very small in comparison to India, are producing much more sugarcane per hectare than India. The share of India in the total production of sugarcane in the world is 37%. But the production of sugarcane is only 15 tones per acre whereas in Java it is 56 tones and in Hawaii it is 52 tones i.e. almost four times than India. The production cost of sugar is also high due to inferior quality of Indian sugarcane. Since sugar mills are running to loss so they are unable to pay the cane grower growers timely. So the quality improvement in cane grower is the need of the time. The sugar policy of the Government has been seriously lacking a long-term perspective. Controls, decontrols, partial controls, etc. have bested in past in an ad hoc manner. It is necessary to assure supply of sugar to poorer sections at reasonable rate. But government policy on cane prices, control of price of sugar, dual pricing etc. have been designed and implemented for the benefit of sugar mill owners and distributors and rarely for benefits of cane growers or for benefit of consumers of sugar. Much of the illness and problems of sugar industry are the result of the government's policy. In the sugar industry several by-products specially bagasse and molasses are found. At one time bagasse was used as fuel, which sugar factories did not know what to do with the accumulating molasses, a health hazards. Small cottage industries may be established for disposing these by-products in a positive way for preparing paper, cardboards, alcohol, fertilizers, cattle field etc. Apart from it manufacturing process of sugar also needs certain modification so that yield may be improved.

## CHALLENGES FOR SUGAR INDUSTRY

India ranks first in sugar consumption and second in sugar production in world but it's share in. global sugar trade is below 3%. Indian sugar industry has been facing raw material, and resource as well as infra-structural problems. Globalization has brought a number of opportunities but at tire same time posed certain challenges before sugar industry. Most of sugar units in India utilize production capacity below 50%.

Low capacity utilization and inadequacy of raw material led to closer of 100 sugar factories in India. Mounting losses and decreasing net worth of sugar factories have been responsible for sickness of sugar industry. Sickness in sugar industry has reached to an alarming proportion. Indian sugar industry has been cash striven for decades. Low cash inflow due to piling stocks leads to serious financial crisis and finally to closing sugar factories. Sugar prices have been a political issue rather than economical issue. Many a times it worsens economy of sugar factories.

The main concern of sugar industry in India is fluctuations in sugarcane production due to inadequate irrigation facilities, lower sugarcane yield, and frequent droughts in tropical and sub-tropical areas where sugarcane is grown on a large scale. In addition, sugarcane yield has been lower (59 Mts per hectare). Sugar recovery is also lower in comparison with other sugar manufacturing countries.

## CONCLUSION & SUGGESTIONS

Sugar industry is the second largest agro-based industry in India. Sugar factories, particularly cooperative sugar factories in Maharashtra and other states have been instrumental in building confidence among rural people and strengthening industrial base in rural India. In the era of globalization, sugar industry needs more competitive edge which can be given by way of modernization, enhancing productivity, and manufacturing excellent quality sugar at competitive prices. It needs quality management at every level of activity to enhance its performance. The need of the hour is to liberalize industry from clutches of unprofessional people. Most of the sugar units do not have by product utilization plants. Projects based on bag asses and molasses should be initiated, Ethanol, alcohol, and paper projects have tremendous scope for development in India. In future, 10-15% ethanol may be allowed to be blended with petrol. Bag asses based power generation projects installed adjacent to each sugar factory would fulfil need of power. NABARD should provide adequate and timely refinance to these projects at concessional interest rates. New sugar units should be set up taking into consideration sugarcane availability. Research programme should be undertaken in area of sugarcane cultivation, enhancing sugarcane productivity, and sugar recovery. Sugarcane prices should be fixed on basis of sugar recovery. Attention is to be given on manufacturing quality sugar as per international standards at competitive prices.

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