IMPACT OF THE CHANGING STRUCTURE OF JUTE INDUSTRY ON STRATEGIC MANAGEMENT OF BUSINESS FIRMS

ABSTRACT

THESIS
SUBMITTED FOR THE AWARD OF THE DEGREE OF
Doctor of Philosophy
IN
BUSINESS ADMINISTRATION

BY
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Under the supervision of
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The thesis deals with the study of two major jute industries: Bangladesh and India. But much emphasis has been put on the strategic management areas of jute business firms with the proposition that the strategic factors are being influenced by the changes in the structure of jute industry. This particular study area of interest has been explored after an extensive literature review related to several aspects of jute industry. Though the major area relates to business policy, the present study is confined to the consideration of micro-level strategies of jute business firms.

Literature review reveals that the changes in both internal and external environment factors of industry have led to the changes in business strategies of individual business firm. This relation between the macro-level industry factors and micro-level strategic factors has been conceptualised graphically (given as Exhibit 2.1 in Chapter II) in the thesis.

The study has paid special attention to the nature and direction of changes in five selected industry factors (evolution, ownership and management pattern, market characteristics, state of competition, and technological development) of both Bangladesh jute industry (BJI) and Indian jute industry (IJI) over the period since mid-sixties till date. The impact of changes in these selected industry factors on seven selected strategic factors (growth, management structure, marketing, production, personnel, finance and future prospects) have been evaluated in this study to suggest some policy measures beneficial for the
strategists, government authorities, planners, entrepreneurs, academicians, researchers, and others who are concerned with the jute economy and industry.

The study is descriptive and qualitative in nature, and based on the case study method. Information regarding industry factors have been collected through scanning various secondary sources while primary sources are used for collecting information regarding strategic factors. In collecting information from primary sources, a total 70 operating jute business firms of Bangladesh and 67 firms of India have been considered as population sample. Six jute mills from BJI and five from IJI are selected as sample for the case study. The sampling has covered jute mills of both private and public sectors having equal representation from large, medium and small sizes according to the installed capacity of production. Data and information have been collected through field study by the researcher himself and a preplanned Checklist was used in order to include all important aspects in the semi-structured interviews of jute industry executives both in Bangladesh and in India.

For the purpose of systematic presentation, analyses, and interpretation of data, an analytical framework (given as Exhibit 2.2 in Chapter II) has been followed. Thus, the different aspects of the study have been documented in this thesis under eight different chapters.

The first chapter of the thesis presents general information followed by the historical background and present situation of jute industry in global perspective. Further, the process of jute cultivation, production and distribution of jute goods, have been included in this
chapter. It aims at providing the reader an overall idea about the nature and activities of jute industry.

The second chapter consists of extensive literature review to establish the need for study. The scope of study, data collection methods and procedures, operational definitions, general hypotheses, analytical techniques, limitations of the study etc. have been included in this chapter, under separate sections.

The qualitative description of the changes in industry factors, which constitute the structure of jute industry, have been made in chapter three. According to the analytical framework, it includes changes in five selected industry factors of BJI. Separate sections and sub-sections are maintained to facilitate the uncovering of spectacular changes over the life span of jute industry since mid-sixties till date. The same style and order have been followed in developing the fifth chapter wherein changes in industry factors of IJI have been described. To make these changes more concise and instrumental for purpose of showing their impact on strategic factors two analytical sheets (Appendix 2 and 4) have been prepared separately for BJI and IJI. These sheets are appended with the thesis.

The fourth chapter compiles the information related to six selected Bangladeshi jute business firms. The case studies are presented separately. Each case study describes the seven selected strategic factors. The same pattern has been followed in developing case studies relating to five Indian jute business firms in the sixth chapter. Two separate analytical sheets (Appendix 3 and 5) have also been developed wherein consolidated results of case analyses are
presented in order to specify various shifts in strategic factors. These shifts are used to make the analyses and interpretation further.

Chapter seven presents the analyses and interpretation of industry factors and their impact on strategic factors under changing circumstances. Two separate sections are maintained for BJI and IJI in this chapter. The analysis of impact of each industry factor is made in different subsections each followed by an Exhibit showing the intensity of impact on different strategic factors of jute business firms.

The eighth and final chapter contains the findings, recommendations and directions for further study. The findings related to BJI and IJI are shown separately followed by general findings. But in all cases, these findings are justified in terms of the general hypotheses developed in the study. The specific references appear at the end of each chapter. In the later part of the thesis, a list of relevant books, journals, magazines, research reports, periodicals, Annual reports etc., consulted by the researcher, have been appended in the form of a Bibliography.

The main findings of present study are stated as follows:

1. The evolutionary changes have a high intensity of impact on the growth, management structure, marketing, production and finance areas of the strategic management of both Bangladeshi and Indian jute business firms. As a result, the
overall performance of both the industries has been declining. The other strategic factors are moderately affected by evolutionary changes in jute industry structure.

2. The ownership and management patterns have undergone rigorous change in BJI and partial change in IJI. However, this industry factor has greatly influenced the management structure of both Bangladeshi and Indian firms. Introduction of nationalisation, divestment, and cooperative management concepts are resulting from the effect of changes in ownership and management structure of jute industry. Other strategic factors have also been impacted but not to a great extent.

3. The strategies relating to growth, marketing, production, and finance have been impacted by the changes in different components of market. The shifts in market segment, promotional measures, and products' demand, are some of the examples of such an impact.

4. The changes in the state of competition have a high intensity impact on the growth, marketing, and production strategic areas of both Bangladeshi and Indian jute business firms. The ongoing threat from synthetic substitutes, entry of new competitors, and major importers' apathy towards jute products are the instances of the impact of changes in this industry factors. Other strategic factors like management structure, personnel, and future prospect of jute business firms are moderately impacted.

5. The strategic factors of production and finance of both Bangladeshi and Indian jute business firms are more
impacted due to the changes in technology. Most of the firms of both BJI and IJI have undertaken schemes for modernisation and upgradation of technology but the schemes are constrained by financial supports. Government of India have declared some policy packages for financing such technological improvement programmes. But Indian firms are partly accepting these packages. Bangladeshi firms are not getting financial supports for developing the technology used in jute processing. Product diversification policy is gaining momentum but in a restrictive manner. Production of non-traditional items needs new technology. Indian jute firms are again far ahead of Bangladeshi firms in this regard. The other factors of strategic management are moderately influenced by the changes in technological aspects.

On the basis of above-mentioned findings, the present study has offered some suggestions and recommendations delineated as below.

A. Suggestions Related to Jute Industry in General

1. Both Bangladesh and Indian jute industry should formulate long-term jute policy under present scenario.

2. It is important to modernise plant and machinery of both Bangladesh and Indian jute industry to increase productivity, cost-effectiveness, and product-quality.

3. The manufacture of non-traditional value-added items would have to be expedited.

4. The renewed interest in jute as environment-friendly and biodegradable fibre should be fully exploited to boost the demand for jute products.
5. The promotional measures would have to be strengthened in external and internal market segments.

6. The hand-loom and handicrafts sectors of both Bangladesh and India would have to be stimulated to produce jute-made products.

7. The Embassies and High Commissions of both Bangladesh and India should take steps to popularise jute products in the countries they are functioning.

8. Joint efforts with respect to marketing and R&D activities would have to be given greater importance than of present.

B. Suggestions Related to the Firm Level Management

1. Each jute business firm should practice the concepts of strategic management under changing business environment.

2. More autonomy should be provided to the firm-level management to ensure better commitment.

3. The sick and economically infeasible units should either be closed down or handed over to the private sector.

4. Jute business firms should allocate more resources for extensive R&D works.

5. Indian firms should seek new importers other than erstwhile USSR and Bangladeshi firms should expand their internal market for jute products.
C. Suggestions Related to the Functional Level

1. Better management practices would have to be resorted to by jute business firms. The corporate planning practice would be of much helpful in the formulation and implementation of functional strategies.

2. The jute business firms would have to improve marketing techniques. Marketing personnel should be adept in dealing with different components in the marketing mix.

3. Jute business firms should adopt product diversification policies in order to combat overdependence on traditional items.

4. All firms should mobilise internal resources for funding the business.

5. Overmanning problems would have to be eradicated without disturbing industrial relations' environment.

In sum, the present study and its findings and recommendations would be beneficial for the rejuvenation of the two major jute industries and their member units. Thus, they may be able to regain the past glory in terms of better economic performance, and play an important role in the development of their respective economies.
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CERTIFICATE

Certified that Mr. Siraj Uddin Ahmed, a candidate for the degree of Doctor of Philosophy in this Department, has completed his thesis entitled "IMPACT OF THE CHANGING STRUCTURE OF JUTE INDUSTRY ON STRATEGIC MANAGEMENT OF BUSINESS FIRMS" under my supervision.

To the best of my knowledge and belief the research work is based on the investigations made, data collected and analysed by him and it has not been submitted in any other University or Institution for the award of any degree or diploma.

Dated: May 22, 1992

(Dr. AZHAR KAZMI)
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Aligarh, (INDIA) (SIRAJ UDDIN AHMED)
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APPENDIX 5: CASE ANALYSES OF INDIAN FIRMS 293
The present study includes both Bangladesh jute industry (BJI) and Indian Jute industry (IJI) which are the two major jute producing, processing, exporting, and competing industries of the world jute economy. The industries have played a significant role in developing their own economies over a long period of time till mid-sixties. Thereafter, the overall growth of industries has been declining in terms of productivity, sales volume, and profitability because of several changes in business environment both internally and externally. The changes which are internal in nature and relate to the structure of jute industry have been influencing the strategy formulation and implementation process of the management of jute business firms at the micro-level.

This study is designed to analyse the changes in five selected industry factors of evolutionary changes, changes in ownership and management patterns, changes in market characteristics, changes in state of competition and changes in technological development and their influence on seven strategic factors. The strategic factors are: history and growth, management structure, marketing, production, personnel, finance and future prospects, operating at the firm-level management. The evaluation of the intensity of impact of changes in macro-level factors on micro-level factors is the main theme of the present study.

The study is, in fact, a continuation of researcher's M.Phil. work conducted on the comparative analyses of jute industry profiles of Bangladesh and India. The researcher
has adopted some matter in changed and updated form, from his M.Phil. work while developing the section of literature review in Chapter II (Research Methodology), and also in developing changing structure of Bangladesh jute industry in Chapter III, and changing structure of Indian jute industry in Chapter V of the present thesis.

The study is based on information collected from both secondary and primary sources. The macro-level information have been gathered from various reliable and authentic published sources while micro-level information has been collected from eleven selected jute business firms through field study. The relevant information and data thus collected, have been systematically presented and analysed in this thesis in order to find out the varying impact, the end objective of the study. The presentation, analyses and interpretations of information have been incorporated in the thesis under eight different chapters along with related appendices.

Chapter I of the thesis traces out the historical background of jute industry and provides general information about cultivation, manufacturing, and distribution processes of jute and jute products in both national and international perspectives. The last section describes some management aspects of jute industry.

Chapter II deals with the methodology of research. The section-wise descriptions of reviewed literature, need for study, general hypotheses, sample design, data collection procedures, analytical framework, and the limitations of study have been made in this chapter.
Chapter III consists of details about the changing structure of Bangladesh jute industry. The five selected industry factors are described under five different sections comprising of several sub-sections related to each factor. The qualitative details are made to find out major changes in the industry factors over the life-time of Bangladesh jute industry since mid-sixties till date.

The information collected through field study on six selected jute business firms have been compiled in Chapter IV. Equal number of firms/cases are studied from both public and private sector of the industry. The development of one case study of public sector firm has been followed by the development of one case study of private sector firm. However, facts and information are described under seven selected strategic factors. The analyses of case studies are made in Chapter VII of the thesis.

Chapter V describes the changing structure of Indian jute industry. The sections and orders followed in Chapter III have also been maintained in developing this Chapter. Chapter VI provides case studies of five Indian jute business firms surveyed through field study. The style and design followed here, in presenting the collected information, are similar to those of Chapter IV.

Chapter VII analyses and interprets the impact of changes in industry factors on strategic factors of both Bangladeshi and Indian jute business firms in two separate sections. In each section the impact is again assessed under five separate sub-sections. On the basis of analyses and interpretations presented in the preceding chapter, the findings, recommendations, and directions for further study have been incorporated in Chapter VIII. Findings related t:
BJI and IJI are reported separately in two sub-sections followed by another sub-section for general findings. Suggestions and recommendations are presented in second section followed by a third, and the last, section indicating directions for further research. References made in the subject matter are documented at the end of respective chapters. Three appendices have been attached at the later part of the report followed by a list of books, journals, periodicals, magazines, reports etc. that have been appended in the form of a Bibliography.

The study of impact of changes in industry factors would help the policy makers of both Bangladeshi and Indian jute business firms to have an idea about the existing strengths and weaknesses as well as future opportunities and threats of their business firms. Accordingly, the business firms would be able to adjust their strategies relating to different functional areas with the changing environment in the jute industry. Moreover, this descriptive and qualitative study suggests measures which would benefit the Governments, planners, academicians, researchers, and other authorities relating to jute economy and industry.
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CHAPTER ONE

INTRODUCTION

1.1 GENERAL INFORMATION

1.2 HISTORICAL PERSPECTIVE

1.3 JUTE CULTIVATION

1.4 JUTE MANUFACTURING

1.5 MANAGEMENT ASPECTS OF JUTE INDUSTRY
CHAPTER - I

INTRODUCTION

1.1 GENERAL INFORMATION

Jute ranks next to cotton as the most important natural fibre. It is an agricultural crop growing abundantly in the regions of South Asia that constitute a contiguous geographical entity in this regard. Over sixty million farmers in Bangladesh, India, Nepal, Burma, and Thailand are critically dependent on jute and its allied fibres for their income. More than ninety percent of global output of jute comes from these countries including China. But internationally, jute cultivation and production of jute goods are limited mainly to India and Bangladesh. It is the most important cash crop and the biggest foreign exchange earner of the same countries.

In India, nearly 20 lakh acres of land is devoted to jute cultivation producing around 80 lakh bales (14.5 lakh tonnes) of fibre valued at about Rs. 650 crores at current (1990) prices. The total value of finished products in the industry sector is around Rs. 1200 crore of which about Rs. 300 crore worth is exported annually. Being a labour intensive agro-based industry, it provides sustenance to millions of cultivators, workers, and to others engaged in the manufacturing, transport and marketing activities relating to jute industry. At present, the industry provides direct employment to about 2.5 lakh workers and some 40 lakh rural farmers dependent on it for a living. Indeed, jute industry is generating significant foreign exchange earnings and intimately concerned with the wellbeing of the social fabric of the Eastern States of India.
Jute had its preeminence as the single largest item of Indian exports and contributed nearly 23 per cent to the total export earnings in the late 1960s. But in recent years that percentage has fallen to 5-6 per cent owing to extremely adverse conditions like rising costs, depressed prices, labour forces' aversion to modernisation, severe competition from jute exporting countries and synthetic fibres, production cuts, antiquated technology, etc. Even then, Indian jute industry is earning precious foreign exchange of around Rs. 300 crore annually. The health and viability of the industry and trade are, therefore, a matter of deep concern.  

In Bangladesh, jute is a leading sector of the economy. Its importance in agriculture, trade and manufacturing as well as country's gross domestic product (GDP) has hardly been overemphasised. Although jute occupies hardly ten per cent of total area under crops in Bangladesh, it is the chief cash crop for a large number of farmers. A total of 50 lakh farmers are estimated to be involved in jute cultivation along with their dependents. It provides employment to 2.50 lakh people equivalent to about 45 per cent of the total workforce engaged in the large-scale manufacturing industries.

A few years ago, Bangladesh jute industry was the only earner of huge foreign exchange. It contributed 88 per cent of the total export earning during 1970s. Presently, this rate has declined to only 40 per cent due to the shrinkage of jute goods market both in domestic and overseas segments. Still the annual turnover of jute industry amounted to Taka 783 crore equivalent to Rs. 500 crore of Indian currency.
Bangladesh jute industry is now in the grip of countless serious problems, and its overall performance and conditions have been deteriorating. As per latest reports, the Bangladesh jute sector is plagued with an accumulated loss of nearly Taka, 3600 crore since 1972.

1.2 HISTORICAL PERSPECTIVE

The historical evolution of jute industry from its early days till the recent period has been traced out in this section. To facilitate understanding and systematic presentation the evolution period has been divided into three distinct phases.

1.2.1 Phase I (Ancient Period till the Advent of Industrial Revolution)

Jute has been a part of the Eastern Indian economy since time immemorial. Through sixteenth to eighteenth centuries, jute fibre was produced as a garden plant and its leaves were used as vegetables or as medicine. The use of raw jute plant as the material of making twine, ropes, matting, and clothing for the poor was not known to the people. It was, however, produced for domestic consumption in the villages of Eastern Bengal (now the state of West Bengal and Assam in India, and Bangladesh). The fibre value of the plant came to be known later. In other words, over 125 years ago jute was not at all an important crop to be grown by the farmers on a large scale. The farmers just used to grow jute for their domestic use along with other fibre crops.

Infact, before the advent of Industrial Revolution which was characterised by scientific inventions and technological development, the growth of jute industry was
not so remarkable. The concept of industry in general and jute industry in particular emerged during the period of Industrial Revolution. Hence, information regarding different aspects of jute like acreage, yield, production, consumption trade etc. for this phase are not found in the literature.

1.2.2 Phase II (Development from Advent of Industrial Revolution Till World War II)

Jute industry was in its embryonic stage during the early eighteenth century. It undertook the shape of handloom industry and created the ground for hand-spinning and hand-weaving. Ropes, screen, matting and gunny clothing for garments and bedding materials were the outcome of the industry at this stage. Domestically invented jute processing devices helped Bengal to export hand-made jute fibre to American market as early as the eighteenth century.12

It was East India Company which made the jute and jute products familiar to the customers/users outside India. In 1793, the Bengal Board of Trade sent a small quantity of 100 tonnes of jute fibre sample to the UK for experimentation related to mechanical processing.13 But till 1830 the manufacture of gunny bags, and jute cloth was the monopoly of Bengal hand-loom weaver.14 The breakthrough came in 1830 when the first steam-powered jute mill was set up and jute fibres were spun mechanically at Dundee in Scotland. Thus the years following 1830 saw a rapid decline in jute handloom industry in Bengal.

The first weaving mill was set up in 1938.15 Jute industry soon mushroomed all over Western Europe with Dundee
as its main centre. To meet the rising demand of raw materials of Scotland based jute industry, British-India was impelled to produce and export raw jute rather than produce gunnies in the Bengal handloom. From 1840s to 1870s, Dundee had a near monopoly of the world's factory made jute cloth based on sub-continental supplies of raw jute.\textsuperscript{16}

The rise of jute manufacturing in Indian sub-continent started around 1855 at Rishra on the river Hooghly, 21 kms. upstream from Calcutta. That machine-manufacture of jute textile based on steam power was a small jute spinning mill and was established by a Scottish merchant, George Ackland.\textsuperscript{17} For this new achievement, in fact, India furnished land and labour; Scotland the brain and careful oversight.\textsuperscript{18} Ackland's unit was not successful, but it apparently showed enough promise to Borneo Company, a trading enterprise in Calcutta, to start an integrated spinning and weaving mill based on steam power in 1859.\textsuperscript{19} During 1855-1870, the growth of British Indian jute industry was fairly rapid and led to the appearance of five mills comprising of 950 looms. This tremendous growth was facilitated because of the favourable conditions like the rise of free trade in Europe, the development of railway and merchant shipping, and the sharp fall in freight rates. Finally, the opening of Suez Canal in 1869 contributed towards a rapid increase in the volume of world trade, particularly the movement of voluminous agricultural commodities which required jute packaging materials.

Industrial revolution came first in Britain and, accordingly, its industrial economy was stimulated expeditiously. Indian overall industrial sector, especially jute industry, felt the impact and achievement of this
revolution much later. So jute industry initially flourished in Britain and other Western European countries. The growth of jute industry in India became more conspicuous only between 1870s and 1940s. The number of jute mills rose from 20 in 1885 to 35 in 1901. By 1894, the raw jute intake of Indian jute industry was higher than that of its British counterpart. On the eve of first world war, the Indian jute industry comprised 64 mills with over 3600 looms capacity. This growth was again reflected in the immense increase in the export of raw jute and jute manufactures from India. It is worth mentioning that jute industry remained largely in the European hands as late as 1915 when the number of mills stood at 72, all under European control.

Analysis of growth of jute industry during post-First World War shows an interesting feature: the number of looms and spindles increased by a higher ratio than the number of hands employed. This was the effect of the introduction of better machinery that reduced the necessity of human labour. During 1914-1930, number of mills increased from 64 to 68, looms from 36000 to 1,14,000 and persons employed from 2,16,000 to 3,43,000. Besides, British Indian export of raw jute was high at that period as the demand of jute expanded in the countries other than Britain e.g., Germany, France and Belgium. The Great Depression (1929-33) affected the industry badly. It resulted in sharp fall in trade volume, price and productivity. Still the industry was able to face the crisis much better at the cost of its adequate reserves. At the close of 1930s, the jute industry had 107 mills, 1.37 million spindles and over 68,000 looms, and an employment figure of about 3,00,000 workers.
The Second World War (1940-45) was a period of great prosperity for the industry since the demand of gunny bags from the army and civilian population increased enormously. The industry worked at its fullest capacity; profit rose to peak level during the war period. It is noticed that, while in 1945 the index of profit for all industries had increased to 234, that for jute was 328 taking 1939 as the base year. On the other hand, export earning from jute which amounted to $46.2 million annually between 1935 and 1939 came down to only $26.1 million between 1940-45 despite a rise in price. On the whole, the jute economy of India showed a strikingly uneven pattern of development during the period 1940-45.

1.2.3 Post World War II and Recent Growth (1946 onward)

Production of Jute: After the World War II, exports of jute and jute manufactures recorded a marginal recovery and the prosperity of jute industry continued for two years immediately following the war. At the time of partition (1947) of British India, the number of mills, looms, and spindles stood at 107, 65,000, and 1.09 million respectively. The production capacity rose to 8.05 million bales. In 1947, out of 107 mills in undivided India, not a single one of the mills fell to Bangladesh's (erstwhile East Pakistan) share although Bangladesh belt accounted for two-thirds of the world's raw jute production and had a virtual monopoly in the finer variety of fibre.

Bangladesh's share in world jute production declined from two-third in 1950 to about 45 per cent in the latter part of 1950s. In 1964-65 to 1969-70, jute production fluctuated mildly. The political turmoil in 1970-71
surrounding Bangladesh's emergence, resulted in even a more drastic reduction in its share of world raw jute production which fell to between 26-36 per cent. During 1975-1980, jute production in Bangladesh was below the level of late 1960s. The production started increasing again in 1985-86.

With the rise of China, Nepal and Thailand as new jute producing countries, and owing to the increased acreage of India, Bangladesh’s share in world jute production stepped down from 28 per cent during 1976-80 to 17 per cent in 1981-86. This further rose upto 25 per cent in the year 1987-88 which is not at all a hopeful trend comparing its growth trend of the early days of 1950s.

India's history of raw jute and allied fibre's production is also noticeable. In fact, India's production of jute fibres showed an upward trend after partition. At that time 75 per cent of jute growing areas were under Bangladesh (erstwhile East Pakistan) and, therefore, the Indian Government made concerted efforts to increase the production of raw jute within the country. As a result, area under jute cultivation increased from 6.52 lakh acres in 1947-50 to 14 lakh acres by 1951-55 and the output of raw jute rose from 3.80 lakh tonnes to 7.42 lakh tonnes in the same period. Until mid-sixties, India had imported raw jute from Bangladesh to feed its giant industry. This trade was discontinued entirely in 1965 due to war between India and Bangladesh (the then Pakistan). Subsequently, Indian Government's policy of 'Green Revolution' resulted in more production of jute fibre which stood at more than 17 lakh tonnes in the later half of eighties. Presently, India accounts for 44 per cent share of world jute production in 1990-91 against 40 per cent in 1987-88 as per FAO Statistics.
Besides Bangladesh and India, Thailand had become an important producer of raw jute and allied fibres in 1960s. Its share in world jute production rose sharply to 11 per cent in 1966-70. In 1970s its share remained between 11 per cent to 7 per cent (Exhibit 1.1). China's production rose phenomenally from 0.35 lakh tonnes in 1944-49 to 2.06 lakh tonnes in 1985-86 and now it is 6.60 lakh tonnes as in 1989-90. Both China and Thailand are progressive so far as the total production and per hectare production are concerned.

**Export of Raw Jute:** In tracing the evolution of world export trade of raw jute and allied fibres, it is observed that India did not have any participation in global trade for several years following the partition in 1947 and till 1965 it was the major importer of raw jute from Bangladesh. Bangladesh has been the single largest exporter of jute fibre in the world market. Before 1953-54, having no jute mills, Bangladesh had to exports its entire raw jute to the importing countries of Western Europe, USA and India. Until 1960, Bangladesh's share in world export market was about 85 per cent which reduced to 80 per cent between 1960 and 1965. As most of the Western European countries had started setting up synthetic packing materials manufacturing industry since mid-sixties, their imports of raw jute from Bangladesh have declined in the subsequent period. Between 1976 and 1980, Bangladesh jute exports further came down to 65 per cent. The rise in Thai exports may also have had a partial adverse effect on such a downswing trend in Bangladesh jute exports.

The export of Bangladesh raw jute and allied fibres further rose from 63 per cent in 1981-82 to 83 per cent in 1986-87 which is quite an encouraging trend in world
## EXHIBIT 1.1

### GLOBAL PRODUCTION AND TRADE OF JUTE AND ALLIED FIBRES (1966-1991)

<table>
<thead>
<tr>
<th>Year (July-June)</th>
<th>Production of Raw Jute ('000 metric tonnes)</th>
<th>Export of Raw Jute ('000 metric tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>World</td>
<td>B.Desh</td>
</tr>
<tr>
<td>1966-70</td>
<td>17087</td>
<td>6077</td>
</tr>
<tr>
<td></td>
<td>(25)</td>
<td>(14)</td>
</tr>
<tr>
<td>1971-75</td>
<td>19007</td>
<td>4955</td>
</tr>
<tr>
<td></td>
<td>(26)</td>
<td>(27)</td>
</tr>
<tr>
<td>1976-80</td>
<td>20060</td>
<td>5634</td>
</tr>
<tr>
<td></td>
<td>(28)</td>
<td>(31.6)</td>
</tr>
<tr>
<td>1981-82</td>
<td>3098</td>
<td>668</td>
</tr>
<tr>
<td></td>
<td>(22)</td>
<td>(29)</td>
</tr>
<tr>
<td>1982-83</td>
<td>3050</td>
<td>679</td>
</tr>
<tr>
<td></td>
<td>(22)</td>
<td>(23)</td>
</tr>
<tr>
<td>1983-84</td>
<td>3095</td>
<td>954</td>
</tr>
<tr>
<td></td>
<td>(22)</td>
<td>(25)</td>
</tr>
<tr>
<td>1984-85</td>
<td>4299</td>
<td>837</td>
</tr>
<tr>
<td></td>
<td>(19)</td>
<td>(35)</td>
</tr>
<tr>
<td>1985-86</td>
<td>5741</td>
<td>1155</td>
</tr>
<tr>
<td></td>
<td>(17)</td>
<td>(31)</td>
</tr>
<tr>
<td>1986-87</td>
<td>3261</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td>(25)</td>
<td>(19)</td>
</tr>
<tr>
<td>1987-88</td>
<td>4524</td>
<td>982</td>
</tr>
<tr>
<td></td>
<td>(22)</td>
<td>(21)</td>
</tr>
<tr>
<td>1988-89</td>
<td>2959</td>
<td>799</td>
</tr>
<tr>
<td></td>
<td>(27)</td>
<td>(18)</td>
</tr>
<tr>
<td>1989-90</td>
<td>3197</td>
<td>825</td>
</tr>
<tr>
<td></td>
<td>(21)</td>
<td>(21)</td>
</tr>
<tr>
<td>1990-91</td>
<td>2641</td>
<td>846F</td>
</tr>
<tr>
<td></td>
<td>(24)</td>
<td>(20)</td>
</tr>
</tbody>
</table>

Sources: (1) IJMA Bulletin (2) B.U.C. Bulletin (3) FAO Production Year Book (4) Bangladesh Ministry of Jute

Explanation: Figures in parentheses represent per cent quantity of total world production
* Figures include China's export
F = F.A.O. estimate
N.A. = Not available
export trade. This trend could still be maintained as Bangladesh jute has comparatively better quality and cost advantages if compared with its traditional competitor, India.

India could only export a small quantity of raw jute as almost all its raw jute stock is consumed by the jute industry. It can only export in the year of good harvest. From the Exhibit 1.1, it is seen that its contribution to the world export of raw jute market varies from 0.0 per cent to 8 which is again highly inconsistent. Moreover, its export trade is restricted to the lone importer, USSR* which purchases mainly the superior grade of fibre like TD/2 and TD/3. Export of raw jute by other jute growing countries are not significant.

**Jute Goods Production:** Bangladesh established its first jute mill only in 1951, after the partition of British-India. Availability of cheaper and better quality jute fibre as well as the continuous expansion of overseas jute products market/demand, worked as facilitating factors for the rapid growth of jute industry in Bangladesh. The number of jute manufacturing units had become 50 between 1951 and 1970. But during post-liberation period (after 1971) this growth trend gradually shrinked and 27 mills were set up during the 70s and 80s. Thus the total number of mills stood at 77, out of which 70 mills of Bangladesh jute industries are functioning smoothly both in public and private sectors.

Indian jute industry established 112 jute manufacturing companies by 1950. About half of total mills

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* In all cases 'USSR' would mean the erstwhile USSR.
have closed down their shutters between mid-seventies to mid-eighties due to continuous financial loss, shortage of raw materials, increase in cost, frequent labour unrest and some other reasons. There were 67 jute mills under operation in 1985-86. The situation now has improved because of several economic and financial policy packages and legislative support provided by the Government of India. At present, the number of closures have reduced to 6 units and there are 73 jute mills actively undertaking jute goods production.

The pattern of growth of jute industry shows that India is the largest producer of jute goods and has had a dominant position for nearly a century. It is still dominant and large so far as its production capacity is concerned. World's loomage roughly estimated in the year 1981-82 was 1,09,275 of which Bangladesh's share was 25,250 and Indian share was 44,200. With this capacity, Bangladesh and Indian jute industry are manufacturing nearly 5 lakh tonnes and 13 lakh tonnes of jute products respectively per annum. Besides this two major jute and jute goods producing countries, other countries of western Europe, the USA, Japan, USSR, Argentina, Brazil, China, Egypt, Kenya, Thailand and Zaire are also manufacturing jute goods in small quantities.

Distribution of Jute Goods: Bangladesh consumes a small portion of the total quantity of jute goods produced in its jute industry. About 80 per cent of the products are sold in the overseas market. It entered in the world export market in the mid-1950s. The share in world market which was 6.7 per cent during 1951-60 went upto 18.93 per cent in 1961-65. It accounted for about 31.47 per cent (Exhibit 1.2) of world market share in 1966-70. This continuous increase
### EXHIBIT 1.2

**WORLD TRADE OF JUTE GOODS (1961-1990)**

('000 Metric tonnes)

<table>
<thead>
<tr>
<th>Year/Period</th>
<th>World Export</th>
<th>Bangladesh</th>
<th>India</th>
<th>Other countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961-65</td>
<td>6603</td>
<td>1250 (18.93)</td>
<td>4324 (65.49)</td>
<td>1029 (15.58)</td>
</tr>
<tr>
<td>1966-70</td>
<td>6886</td>
<td>2167 (31.47)</td>
<td>3598 (52.25)</td>
<td>1121 (16.28)</td>
</tr>
<tr>
<td>1971-75</td>
<td>6245</td>
<td>1981 (31.72)</td>
<td>2949 (47.22)</td>
<td>1315 (21.06)</td>
</tr>
<tr>
<td>1976-80</td>
<td>5966</td>
<td>2391 (40.07)</td>
<td>2268 (38.01)</td>
<td>1307 (21.92)</td>
</tr>
<tr>
<td>1980-81</td>
<td>1354</td>
<td>516 (38.1)</td>
<td>490 (36.19)</td>
<td>348 (25.71)</td>
</tr>
<tr>
<td>1981-82</td>
<td>1255</td>
<td>548 (43.7)</td>
<td>369 (29.4)</td>
<td>338 (26.9)</td>
</tr>
<tr>
<td>1982-83</td>
<td>1201</td>
<td>535 (44.55)</td>
<td>323 (26.89)</td>
<td>343 (28.56)</td>
</tr>
<tr>
<td>1983-84</td>
<td>1017</td>
<td>521 (51.2)</td>
<td>234 (23.00)</td>
<td>262 (25.8)</td>
</tr>
<tr>
<td>1984-85</td>
<td>1113</td>
<td>484 (43.5)</td>
<td>278 (24.91)</td>
<td>351 (31.52)</td>
</tr>
<tr>
<td>1985-86</td>
<td>1100</td>
<td>494 (44.9)</td>
<td>255 (23.18)</td>
<td>351 (31.92)</td>
</tr>
<tr>
<td>1986-87</td>
<td>1091</td>
<td>530 (48.6)</td>
<td>268 (24.56)</td>
<td>293 (26.84)</td>
</tr>
<tr>
<td>1987-88</td>
<td>1050</td>
<td>500 (47.6)</td>
<td>277 (26.38)</td>
<td>273 (26.02)</td>
</tr>
<tr>
<td>1988-89</td>
<td>1009</td>
<td>488 (48)</td>
<td>224 (23)</td>
<td>297 (29)</td>
</tr>
<tr>
<td>1989-90</td>
<td>1032</td>
<td>460 (45)</td>
<td>226 (23)</td>
<td>346 (32)</td>
</tr>
</tbody>
</table>

**Explanation:**
1) Figures in paranthesis represent per cent quantity of total world export.

2) Average measures (1st four rows)

**Sources:**
(1) IJMA Bulletin; (2) BJMC; (3) FAO Trade year book & FAO Production year book; (4) Bangladesh, Ministry of jute and (5) FAO Quarterly.
in market share was disrupted till the later half of 70s due to the inroads of synthetic substitutes. The situation further improved in 1987-88 and as such Bangladesh has exported about 5 lakh tonnes of jute goods capturing 47 per cent share of the world trade.

The analysis of the evolution of Indian export trade reveals that, India was a principal exporter of jute goods. But this growth and prominence in world market declined during 1950s after the establishment of jute industry in Bangladesh. Moreover, from mid-sixties, polypropylene has emerged as a close substitute of jute. Consequently, India now faces a severe competition in global markets.

Exports of Indian jute goods, which had been rising slowly during fifties began declining since mid-sixties (Exhibit 1.2). Volume of exports, which was on an average 65.49 per cent of the world export in 1961-65, dwindled gradually to 38.01 per cent in 1976-80. In 1971-86 global exports of jute goods again declined by 2.54 lakh tonnes to 10.96 lakh tonnes. In the same period, Indian exports fell from 4.90 lakh tonnes to 2.55 lakh tonnes while the country produces 14 lakh tonnes of jute goods a year. Domestic consumption is about 11 lakh tonnes. In recent years, Indian export of jute goods have declined because of higher cost and qualitative inferiority compared with other competitor's product. However, India is still earning nearly Rs. 300 crores annually from the export of jute goods.31

1.3 JUTE CULTIVATION

Jute is the commercial name of the fibre derived from a special type of plant and belongs to Genus Chorchorus in the family Tiliaceae under the botanical name classification
order. The genus *chorchorus* consists of many species of which two: *chorchorus olitorius* and *chorchorus capsularis* commonly known as Tossa (Desi jute) and Bogi (white) are grown in a number of countries in large areas. Allied fibres of jute viz. kenaf (Thailand), Mesta (Bangladesh and India), Rosselle and Urenatobata (Zaire) are considered lower grade of jute. Flax and hem are other good fibres. Jute growers undertake different steps in process of cultivation of jute plant to get ultimate raw jute fibre as a product. The steps can easily be understood from the diagram shown in Exhibit 1.3.

**EXHIBIT 1.3**

**THE PROCESS OF JUTE CULTIVATION**

- Ploughing
- Sowing and Manuring
- Weeding, Hoeing and Thining
- Harvesting
- Steeping and Retting
- Extracting
- Preparation for sale

1.3.1 Ploughing

During the month of November-December the land is prepared for sowing the seeds of jute plant. The ploughing and cross ploughing followed by laddering and horrowing are done for several times to mark the land ready for sowing. Sometimes more ploughings are needed depending on the soil condition of the land.
1.3.2 Sowing and Manuring

Jute seeds are sown during February and May according to the position of the land, nature of soil, and the amount of rainfall. The usual and optimum time of planting is 15th March to 15th April for *capsularis* (white) and 15th April to 15th May for *Olitorius* (Tossa). The system practised in sowing seeds is called seeding. There are two types of seedings; row seeding, and broadcasting seeding. The former type is more advantageous and scientific. Row seeding ensures best weed control, efficient use of sunlight, and better yield.

For better yield and quality fibre, jute growers of Bangladesh and India are using fertilizer in the jute cultivation. Generally when the plant is six or seven months old, farmers put both locally available green manures and chemical fertilizers. They use cowdung, composite ashes, well rotten or even dried water-hyacinth etc. as local manures, and Nitrogen, potassium, urea, and Triple sulphur phosphate etc. as chemical fertilizer.

1.3.3 Weeding, Hoeing and Thinning

Weeds and excess plants are required to be removed carefully from the field so that young plant can easily derive nourishment from the soil, air, heat and water. After sowing, it takes three to eight weedings and hoeings for the proper growth of jute plants.

1.3.4 Harvesting

Jute plants are ordinarily ready for harvesting about four months after sowing. But for seeds and high fibre yield it takes nearly six to eight months. The plants are cut
close to the ground and tied together in bundles and left in the field for four to five days to shed leaves.

1.3.5 Steeping and Retting

Harvested plants are required to be steeped for early retting. The plants are steeped in running or stagnant water for 15-25 days to bring about a fermentation process, which dissolves the soft tissues surrounding the fibre. The effect of the process, known as retting, is that the fibre can be easily separated from stem. The quality of the fibre depends greatly on the care exercised in retting. The nature of the weather (Hot/Cold), water used in retting, the duration for which the fibre is steeped in water, and suitability of material used for weighing down the plants to keep them submerged are among the factors which enter into the final quality of the product.

1.3.6 Extracting

The fibre which is situated in an outer layer of the stem, between the wood and the stick on the inside and the cortex on the outside, is extracted through stripping which is in essence a process of jerking the stem free of fibre.

After stripping, the fibre is washed and then dried in the sun, two or three days exposure being adequate, given enough sunshine. Once dried, it is made up into bundles preparatory for marketing. Different types of bundles of different weights are prepared and this practice varies from place to place depending upon the requirement of the market.

1.4 JUTE MANUFACTURING

In normal practice, jute fibre produced by the farmers undergoes three different forms to reach the
mill-gate and at the export points such as (1) from the village to the primary market or haat (2) from primary market to the bailing centre; and (3) from the secondary market to the mill-gate or shipping points. The trade middlemen who operate at the various stages and constitute the set up of the jute markets are Farias, Baparis, Arathder, Broker, Dalals, Kuccha balers, Pucca balers and Shippers.

Broadly speaking, the manufacture of jute cloth entails first the production of yarn and then weaving of the yarn into different varieties of jute fabric. The principal stages of manufacturing process of jute goods are shown in Exhibit 1.4.

**EXHIBIT 1.4**

**DIFFERENT STAGES IN MANUFACTURING**

```
Assortment and Bailing
Batching
Carding
Drawing and Doubling
Spinning Reeling & Twisting
Winding
Dressing & Sizing
Weaving
Finishing
```

1.4.1 Assortment and Bailing

Assortment means the tying of jute fibres into small bundles for easy operation and handling. This is usually done at the farmers level. But sometimes, it has to be done in the jute mill if the farmers fail to assort their fibres. Small bundles thus made are again tied together into a standard weight which is called bales. Each of the bale
contains fibres weighing 400 lbs or 181.44 kgs (in British measures).

1.4.2 Batching

The blending of fibre in varying qualities and grades in such a manner as to ensure that the different lots produced of each type of yarn are uniform in strength and colour and softening of the fibre with the aid of mineral oil, water and emulsifier (soft soap) to render the somewhat rough and stiff raw material smooth, pliable, and easy to work upon. This process of softening in jute fibre to make it ready for spinning is termed as batching.

1.4.3 Carding

In this phase, the hard form of jute fibre is broken down sufficiently into an entangled mass and converted finally into a ribbon form. The weight of the fibre delivery then becomes uniform per unit of length. The carding is done by two types of machines: Breaker and Finisher.

1.4.4 Drawing and Doubling

The regular and uniform elongation of ribbon to make it lighter is called 'drawing' and the running of two or more ribbons at delivery is called 'doubling'. The straightening of the fibre into a continuous ribbon is called a 'sliver'.

1.4.5 Spinning, Reeling and Twisting

It is the final stage of yarn production where ribbons are converted into yarn of uniform thickness and
strength which is ultimately used in weaving textile. Reeling consists mainly of winding the yarn on the circumference of a reel of definite size into 'skeins' and 'Hanks' of a definite continuous length. Making a thread of strong and compact form, single yarn are twisted, doubled, folded or plied together, and this process is named as 'twisting'.

1.4.6 Winding, Dressing, and Sizing

Winding is the operation of transfer of yarn from one package to another, such as, winding from bobbin to spool for warp and winding from bobbin to cops for weft. The winding is also done into spools and cops for storage and sometimes to direct sale of yarn. 'Dressing' enables coating of the warp yarn with some adhesive while beaming sized yarn helps weaving operation by minimising friction, adds weight to the yarn and provides a good finish.

1.4.7 Weaving

It is a process carried out on looms, for forming a web of cloth by insetting threads. It is an art by which two or more series of the threads crossed at right angles to each other, are bound together to produce cloth. Woven cloth consists of lengthwise thread termed warp and cross-wise threads called weft.

The device which produces woven fabric by the interplacement of two sets of threads is known as loom. Generally power looms and broad looms are found in every mills. Circular looms are new addition which are more sophisticated. Broad looms are meant for weaving wide cloth for carpet backing.
1.4.8 Finishing

It includes a series of processes like damping, cloth repairing, calendering, measuring, cutting, sewing, cropping, bag banding, hand hemming etc. designed to improve quality of the materials, the character of the yarn, structure of the fabric and to render it suitable for the purpose it is intended to serve. It is in the finishing section of a mill that jute bags and other products of several sizes and varieties are produced. Finally, these products are packed and made into bales with the help of hydraulic presses, which are powerful machines capable of packing large quantities of cloth and bags into a relatively small compass. Thus the products are made ready to send either in the domestic or in overseas market for trade.

1.5 MANAGEMENT ASPECTS OF JUTE INDUSTRY

The management aspects of jute industry are quite distinct as applicable to other industries. To have a clear understanding, factors like nature of raw materials, processing in jute industry, jute products, marketing of jute products; technological development, and the requirement of human skill have been highlighted in the following sub-sections.

1.5.1 Nature of Raw Materials

Jute fibre, an agro-based and natural fibre, is used as raw materials in jute industry. Sometimes mesta and other allied fibres are also used by the same industry. It is largely produced in the north-eastern states of India and in whole of Bangladesh. The availability of jute fibre is subject to fair climatic conditions, drought, excessive rainfall, flood, cyclone etc. are affecting normal growth of
jute plant and thus the supply of raw materials is also affected.

Being a seasonal crop, the price of raw jute fluctuates every now and then. The price of jute fibre constitutes nearly 40 per cent of total cost of final products. Better quality of raw material at a minimum cost, therefore, results in better profit to the industry. Hence, the cost of raw jute is a matter of great concern to the management of the industry. As an important cash crop, the Governments of the growing countries undertake necessary measure to control the price of jute fibre on the one hand and, on the other, ensure a remunerative price for the jute growers. The jute industry of Bangladesh and India enjoy the benefit of having supply of raw materials which are abundantly produced in the agricultural sector of both the economies. Other jute good producers like UK, America, China, Thailand and European countries have to import jute fibre as raw materials used in their jute industries.

1.5.2 Process in Jute Industry

Generally, jute fibre is processed into thread/yarn which is used for weaving jute cloth/fabric. The cloth is further converted into sacks/bags. In some cases, jute fibre and yarn are treated as final products of the jute industry. These raw jute and yarn are sold in both domestic and overseas market, especially to other jute goods processing units. Raw jute fibre sold as a final commodity is processed in the bailing machine to categorise the fibre into different grades, based on quality, and thus made ready for sale in the ultimate market.

The end product of spinning process is yarn. Plant layout in this process is vertically arranged and is quite
distinct from weaving layout. Yarn is treated as an intermediary product while the weaving process continues up to the finishing stage of manufacturing process. The finished products thus produced are hessian, sacking and CBC, which are conventional jute products, used and sold in packaging markets. There are other processes in manufacturing jute goods other than traditional packaging products. In these processes, only jute fibre, yarn or jute fabric are used for making decoratives, wall-coverings, school bags, designed apparels, etc. But these activities are well confined to the handloom, small and cottage industry sectors, and cooperative sector. There are a few jute manufacturing companies undertaking the processing of value added non-traditional and diversified items, which have a good response in jute goods market both inside and outside the traditional jute-producing economies of Bangladesh and India.

1.5.3 Jute Products

Jute industry produces goods which are basically used for the purpose of packing or wrapping of other commodities. The products are industrial in nature when used in other industrial concern for further processing; consumer products where the ultimate buyer consumes it; and shopping products when used as decorative or fancy items. Jute products are again termed as traditional and non-traditional items. Traditional items like hessian, sacking and carpet backing cloth are still the principal product items accounting for about 90 per cent of the business activities. Whereas, non-traditional product items are not yet largely produced though they are getting priority in latest policy considerations. The non-traditional and valued-added items in the product line includes jute carpet, wall-covering,
curtains, shoulder bags, shopping bags, school bags, upholstery, shoes, blankets, decoratives, apparels and so on. Non-traditional items are gaining popularity among the customers both in domestic and international market segments of the jute industry.

1.5.4 Marketing of Jute Product

Jute products are marketed both in the domestic and international markets. The marketing policies of Bangladesh jute industry are fully export-oriented while Indian jute industry sales are mainly in the home market. Both Bangladesh and India are the major jute exporting countries competing with each other in the world jute market. This competition often becomes intense. Besides, both the industries face severe competition from substitute synthetic packaging materials.

In the marketing mix, products are more or less traditional - hessian, sacking, and CBC. Other value-added and diversified products, under the process of manufacture, are produced in a limited quantity. The non-traditional products are sold to special market segments.

The price of the jute product is a major consideration especially in a competitive market. Generally, prices are fixed according to the cost-plus policy system. Practically, the policy is very troublesome to execute because a number of inherent problems arise affecting the price policy. Moreover, the price structure followed in both domestic and overseas market differ to a great extent. Being a Government supported industry, jute industries' policy is all the while dictated by the concerned Governments. Jute Mills associations of both Bangladesh and
Indian Jute industry, particularly in the private sector, are sometimes fixing common price applicable to all members units. Prices in the world jute goods market are always fixed by the Dundee based jute market or by the Exporters/Shippers' Associations.

Promotional policies are less pronounced in the jute industry because of the conservative nature of the product as well as the market. However, limited promotional measures are launched every year with a view to expand market and increase sales. Government takes interest in this regard with the help of separate organisations exclusively meant for promoting jute goods market. Steps have been undertaken most recently by both the jute producing countries to popularise the non-traditional and diversified products among the prospective customers in domestic as well as overseas market.

Direct distribution is a common practice in the case of distribution policy of jute industry. Sometime trade middlemen also share the function of distribution by providing additional channels. However, channels maintained in domestic and overseas market are not alike. Both Bangladesh and Indian jute industries are actively involved in evolving new ways and means to market the jute goods to hold the maximum share of the packaging materials market.

1.5.5 Technological Development

Jute industry, started in this sub-continent nearly a hundred years ago, is no longer in a position of strength. It is responsible for much of the machinery in use being old and based on an outdated technology. Efforts for modernisation and upgrading of technology have been made at
different times. In fact, between 1951 and 1956 the speed of modernisation of machinery throughout the mills was quite fast. A short-fall came in 1957-58 but again between 1959 and 1963 considerable work was done in this direction. After that, both Bangladesh and Indian jute industries are using, more or less the same kind of old machinery with some modernisation and repairing. Several attempts have been taken for the modernisation and upgrading of technology. But the programmes have only partially materialised due to adverse attitude of the workers, inadequate financial support, and other such reasons.

Some jute mills have installed latest technology evolved in the area of textile business. The introduction of circular looms and composite looms are the examples. Lately, both Bangladesh and Indian jute industries are encouraging the policy of modernisation and development of technology to face the competition from synthetics producing industries. Governments of the concerned countries have allocated sufficient funds and liberalized some provisions to enable the constituent jute mills to enjoy the benefits of modern textile technology. Especially, jute industry of India has already come up with certain effective technology, used at different stages of processing at the Indian Jute Industry Research Association (IJIRA).

1.5.6 Requirement of Human Skill

Human resource is one of the important factors for the successful operation of jute industry. As the industry is highly labour-intensive, its long-term productivity, profitability and overall development depends upon the state of human resources in the industry. The jute industry requires a large number of efficient and skilled people at
the middle as well as lower-level management. The industry has to spend a big amount for the payment of salary/wages which accounts for about 40 per cent of the total cost of finished goods. The talented and skilled workforce is, therefore, required to reduce the cost of production, which would ultimately make the end product's price more competitive and profitable.

Because of long experience, Indian workforce is more efficient, skill, and productive compared with Bangladesh. However, in terms of manday/tonne the industrial workers of China and Thailand are showing better performance than that of Bangladesh and India taking comparatively less time in production process.

The elements like people's commitment to job, high morale and sense of responsibility, amicable labour-management relations, etc. essential for jute industry, have greatly being affected by unfair labour practices of the labour organisations during the period between mid-1960s and mid-1970s. Bangladesh and Indian jute industries similarly suffered great financial loss for this unhealthy organisational climate. At present, the labour-management relations in jute industries have improved from confrontation to cordiality. Employee-workers participation in management of jute industry has now become a common phenomenon. Moreover, every jute goods producing country has launched effective training and human resource development programmes placing more emphasis on the development of human skill.
REFERENCES


21. Ibid., p. 564.


CHAPTER TWO

RESEARCH METHODOLOGY

2.1 LITERATURE REVIEW

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CHAPTER - II

RESEARCH METHODOLOGY

Different aspects of research methodology adopted in connection with the present study have been presented in this chapter. This chapter begins with the review of available literature followed by a description of the scope of the study; operational definitions; research hypotheses; methods and procedures of data collection; presentation and analyses; and limitations of study, which are presented under separate sections and sub-sections.

2.1 LITERATURE REVIEW

A large part of this section includes an updated version of the literature survey done by the researcher for his M.Phil. work. It had relevance with the present study. Utmost care has been taken while scanning various sources of information with a view to enrich the literature with more relevant and latest information. Different aspects of jute industry like agriculture, productivity, marketing, pricing, industrial relations etc. are reviewed in this section.

2.1.1 Agricultural Aspects

The agricultural sector of jute is analysed by Burger in the form of a model wherein he described the growing, processing, and trading of jute fibre and, thus, suggested measures for the total upliftment of the sector. The effect of cultivation of autumn paddy on the acreage of jute cultivation in jute-growing state of Assam (India) had been shown in the study of Goswami, et al. Bangladesh Agriculture University, and Bangladesh Agriculture
Information service\textsuperscript{5} suggested some common improved ways and means in their respective studies. These devices would help enhance the per acre yield of jute fibre.

The Government of Bangladesh\textsuperscript{6} and India\textsuperscript{7} evinced much interest in removing various problems in cultivation and distribution process of jute. Both the Governments very often form study teams or commissions to assess the feasibility of incentive prices and other facilities for jute growers. In an article, De\textsuperscript{8} has outlined jute procurement problems and their solutions.

In a brief article, Kabir\textsuperscript{9} explained the causes of low productivity of jute plants and suggested remedies, for producing better quality of jute fibre which could strengthen its competitiveness against synthetic fibre. The need for procedural innovation and quality seeds have been emphasised in another article so that yield per acre in India can be raised from 13/14 quintals to 20/21 quintals as produced in China. Indian agriculture sector has been undertaking sustained research\textsuperscript{10} to boost production of jute fibre in order to become self-sufficient in domestic supply. In the same way, Bangladesh has also conducted several scientific studies\textsuperscript{11} on jute cultivation.

2.1.2 Productivity in Jute Industry

The productivity trend in Bangladesh jute industry has been studied by Habibullah,\textsuperscript{12} who has suggested some pragmatic policy measures. In another work\textsuperscript{13} he has indicated that the supervisors or line 'sardars', by which name they are called, have a great influence on workers' productivity than the supervisor. The supervisors are mostly production-centered and confine their role to 'policing' while the line sardars blend and integrate their
production orientation with employee orientation and obtain more favourable worker's response to higher productivity. Contrary to popular belief, his study shows that job experience and education of jute mills workers have little influence on their productivity.

Rabbani\textsuperscript{14} has reviewed the productivity of both Bangladesh and Indian jute industry. He has thrown light on some economic determinants and calculated their effects on jute industry. He finds that economic determinants like capital, market, labour etc. influence the productivity of an industry in general and an individual worker in particular. Productivity of Indian jute industry is studied by Chakravarti.\textsuperscript{15} He has analysed the trend of productivity over a certain period of time and researched the causes of fluctuation in productivity trend.

2.1.3 Marketing of Jute and Jute Products

The traditionality in the nature of jute products as well as its markets has probably attracted less attentions with regard to marketing aspects. Of the several research studies conducted on Indian jute and jute goods marketing, Verma\textsuperscript{16} indicates that the present demand for jute goods has been increasing if compared with the demand during 1970s. This increase is the direct impact of Mandatory Jute Packaging Materials Act in packing food grains, sugar, cement, and fertilizer. Another project report\textsuperscript{17} describes that newly innovated diversified jute products would enhance future demand and expand the market of jute made products. This expectation is further endorsed by FAO in a separate study. The study report forecasts the demand for jute goods in the global market perspective. The projection of demand for jute goods indicates that it would be continuously rising because of the growth in overall
consumption. With this end in view, the study suggests some special measures for the promotions, technical development, cooperation among the producing and consuming countries, and efforts to improve the prospects for securing and expanding markets for jute.18

2.1.4 Competition in Jute Industry

Several studies regarding competition between the two major producer-exporter countries - Bangladesh and India, are available. Ahmed,18 Rabbani,19 Khan,20 and Ahmmed22 have studied the different aspects of jute-market competition. They have highlighted the severity and wastefulness of competition and suggested policy measures for overcoming the adverse effects. Some of these studies also point out the terms and conditions of Bangladesh export trade.

Verma,23 Iqbal,24 and Mongia25 have intensively investigated problems and prospects of Indian jute industry under the competitive situation. In the study of Verma, export behaviour of Indian jute goods at the disintegrative level has been depicted categorically. He observes a movement in the quantity of sale of all categories of jute products and records the trends of jute goods demand in export market. He shows that Indian export market has been affected by the price of polypropylene (PP) and by the world gross domestic product (GDP) index of jute goods of importing countries. Iqbal opines that Indian export market of jute goods is in downswing trend. Though the latest diversified jute products are showing a healthy prospect but it should not be at the cost of major items of jute products. In his view, the stronghold of Indian jute is gradually shifting from international to domestic market.
The study of Mongia is based absolutely on South Asian Regional Cooperation's (SARC) principles. He suggests some policies that could protect the mutual interest of jute producing SAARC countries in the overseas jute market. To avoid wasteful nature of competition between Bangladesh and Indian jute industry, Rahman and Bagchi studied the feasibility of setting indicative prices. They recommended a common price which could benefit both the industries. International buffer-stock of jute and jute goods is another aspect suggested by another study. Presently, International Jute Organisation (IJO) has undertaken several research projects to support the world jute trade in favour of its member countries.

The success of jute industry depends critically on the price structure of raw jute as it forms a major part of the cost of finished product. This important issue has been studied empirically by Osmani, et al., Thomas, and Rahman, et al. Prices of jute and jute products in both domestic and international markets are analysed in these studies followed by constructive suggestions.

The impact of synthetics on jute product, in the market of packaging materials, has been investigated by FAO. The study reveals that, since mid-sixties synthetics have been increasingly cornering the market share of jute products globally. At the present juncture, competition from synthetics and the degree of severity of the competition have become a problem for jute producing countries in the process of formulating marketing strategies for their products. Industrial analysts and critics are also highlighting the consequences of intense competition from synthetic packaging materials.
2.1.5 R&D in Jute Industry

From the survey of literature, it is found that Bangladesh and Indian jute industries have conducted researches on areas like cost-reduction, product development, equipment and technological development, market expansion etc. At present, R&D institutions of both the industries have undertaken product diversification programmes to successfully handle the dangerous effects of synthetic substitutes. Indian Jute Industry's Research Association (IJIRA) and Bangladesh Jute Research Institute (BJRI) have some projects in collaboration with UNDP, FAO, and IJO. These projects are trying to find out newer means of production for value-added diversified products other than traditional hessian, sacking and CBC. Atkinson analyses the existing strengths, weaknesses, and possible opportunities and threats of jute industry. He perceived that there is a coordination gap between R&D and production functions. Therefore, pilot plant for R&D would have to be established in each of the jute mills so that people working in production area may have an easy access to R&D.

2.1.6 Industrial Relations in Jute Industry

Being a labour-intensive industry, cordial labour-management relations are always desirable for a better industrial atmosphere. Sen, Bhattacharyya and Sengupta separately have studied industrial relations in jute industry particularly at Calcutta. Findings and suggestions of these studies are more or less common. The researchers have suggested maintenance of good labour-management relations to ensure smooth production and favourable industrial environment. The research works of Ahmad, Norbyo, Khan, and Sinha have given a general and descriptive view covering almost all aspects of both
Bangladesh and Indian jute industries. These works are very much concerned with the problems faced by the industries and remedial suggestions are put forth.

2.1.7 Product Diversification

After a detailed analysis of various issues of jute industry, Surinder Sud\textsuperscript{47}, in an article, opines that jute industry should no longer thrive only on conventional packaging items and must, therefore, change its line of production to include some of the diversified value-added products. Besides, it would have to go in for innovative marketing techniques aimed at satisfying a large number of individual customers rather than only a few bulk purchasers of gunny bags.

In their research article, Moulik, et al.\textsuperscript{48} describe that factors like variation in raw jute price; challenge from synthetics in traditional markets of packaging materials; utter dependence on government sheltered domestic market nurtured and lulled by government finance; more governmental intervention and protection in traditional product lines instead of diversified product bases etc. are responsible for the existing stagnant conditions of Indian jute industry. In their view, these factors indicate that one of the main issues about the future of jute industry is that of financial viability of jute products manufacturing units and evolving of suitable management practices including marketing, production flexibility etc. In the latter part of the article, they have prescribed that the rejuvenation of jute industry requires formulation of industrial policy for jute with a dynamic response to emerging scenario. One of the potential areas is that of diversified products. In this context, they have recommended some project structures which are claimed to be
most appropriate in terms of operational flexibility. Further, they affirm that the ultimate success of diversified jute units will depend on management, which is responsible and capable of integrating product and market changes within the production set-up.

The question of diversification has been raised by the government authorities. According to R.N. De, Jute Commissioner, "the problem with Indian exporters is that they depend much on traditional goods ignoring the tremendous scope for exporting diversified items." Even the high-powered, 'L.V. Saptarishi Committee' appointed by the Textile Ministry to go into the gamut of issues dogging the industry, was of the view that unless it could put in efforts at diversification, the industry would fall by the wayside.

Government of India has recently pursued multifibre arrangement to promote the ongoing jute diversification campaign. As a part of governments' strategy to increase export earnings, the centre has set up a National Centre for Jute Diversification (NCJD). The secretary, Textile Ministry, has stressed that jute should be developed as a "national fibre".

2.1.8 Other Issues

Under the ongoing fundamental changes in Indian economy towards its orientation, attitude, and outlook, Mahalingam urged that the sickness of jute industry should be combated. He opines in his article that, since nationalisation has not proved to be the panacea, it was believed to be in the case of jute industry, future attempts to combat sickness should take other forms. In this context, the unique success of cooperative venture could
provide an example. Mahalingam suggests and supports the denationalisation initiative of the Government for the commercially sick undertakings especially the Indian jute industry which he perceives to be a loss-making white elephant in the public sector.

With the ongoing changes in socio-political and economic scenario especially in the Eastern Europe, FAO\textsuperscript{52} has conducted a study on jute industry. The study warns that jute exporting countries should closely monitor the emerging scenario in Eastern Europe and erstwhile USSR in order to devise alternative strategies to adopt to changing situations in the region. It further suggests that a wider scope might exist for establishing jute processing industries in the major market of East Europe and erstwhile USSR on a joint venture basis. In fact, the erstwhile USSR was the largest buyer of Indian jute industry but due to the changes in political environment, the market has become uncertain. The Government of India is, therefore, continually reviewing the policies related to jute industry.

2.1.9 Research Gap

The relevant literature reviewed in previous subsections show that no study has so far been conducted with the aim of evaluating impact of changing structure of jute industry on strategic management of jute business firms. Of course, some of the experts, academician, researchers of national and international repute agreed upon the need for the adoption of a strategic attitude in the case of management of jute industry. But, they did not go into the depth of the matter. For instance, Hoque\textsuperscript{53} has expressed the need for practice of better management in jute industry but made no suggestion with respect to strategic factors at micro-level.
There are several research projects that are either completed or under implementation by national and international agencies like IJIRA, FAO, UNDP, IJO etc., that focus on the need to protect world jute economy in general and jute economy of major jute producing countries in particular. For instance, IJO has undertaken a study on "Farm to Factory Practices" in jute exporting countries. It has other research projects like "Germplasma Project", "Jute Seeder Research", "The Development of Non-woven Products from Jute and Jute Blends and Test Marketing", "Market Promotion Projects for Jute Carpet Backing Cloth in USA", Market Promotion for New 30 Kg Jute Rice Bag in Japan" and "Market Development in Selected European Countries". But none of these projects are related to strategic management which is a vital issue in this changing environment.

From the scanning of literature regarding previous and present day context, the researcher, therefore, finds strategic management of jute business firm as an issue needing research at the micro-level for intensive study. This could fill up the research gap and would suggest policy measures with respect to both Bangladesh and Indian jute industry for their rejuvenation in near future.

This researcher, in his previous research work for the M.Phil. degree, has dealt with a comparative analysis of jute industry profiles in Bangladesh and India. A major reason for the motivation to take up further study for the present doctoral work is the knowledge and experience gained while doing the M.Phil. research work. The results of the previous work, documented in the M.Phil. dissertation, support the need for a study on the topic taken up for research presently.
2.2 NEED FOR STUDY

The present study includes both Bangladesh Jute Industry (BJI) and Indian Jute Industry (IJI). They are the two major jute goods manufacturing industries in the world having similar historical, cultural, and traditional heritage. Moreover, they are the traditional competitors in world export markets. Both the industries are playing important roles in developing their respective economies.

It has been revealed from the economic performance that the industries which had tremendous growth and development during mid-sixties have started dwindling over the last few years. Moreover, their productivity and profitability have unevenly declined. Most of the Bangladeshi jute business firms are incurring losses for years together. A large number of Indian jute firms have closed down their shutters and some of them have become sick. This downswing position of BJI and IJI is conditioned by a number of factors which are more or less similar in nature and characteristics.

The Government as well as the management of concerned industries have undertaken various policy measures in the past to get rid of the deplorable conditions. But, important aspects like analyses of the changing structure of jute industry and its impact on strategic factors of jute business firms are hardly considered. It is, therefore, imperative to carefully monitor the impact of changes in industry factors, and draw conclusions for final recommendations of policy measures.

A study on the topic mentioned above could be helpful in determining factors that constitute the structure of both
BJI and IJI. It could trace out the major structural changes that have taken place during the life span of the industries. The scanning of major changes in industry factors, and evaluation of their effect on different strategies of an individual jute business firm would help the policy makers in coping with the ongoing challenges and opportunities, and help run the business firms more efficiently and profitably.

Moreover, the study could help one to evolve certain concrete measures and assist the planners and policy-makers of both Bangladesh and India to come forward mutually in the light of SAARC and, thus, save the industries from the predicament that they find themselves in.

2.3 SCOPE OF STUDY

To make the study more specific, extensive and feasible, investigation and analysis were limited within a defined boundary. The following facts limit the scope of the present study:

1. Of the different jute and jute goods producing countries in the world, Banglades and Indian jute industries have been taken for study. This is because they are the two major and traditional exporters, producers, and competitors. This choice is again constrained by the provisions of cultural exchange research programme, time, and the nature of study.

2. Only the jute industry is chosen for study and the subsidiaries or dependent industries, which might have a direct or an indirect linkage with the jute industry have been excluded from the scope of study.
3. The agricultural aspect of jute industry is not included in study though some information have been furnished to highlight the agro-based nature of the jute industry and to give a balanced and complete picture of the context.

4. In analysing the changing structure of industry, the industry factors like the evolution, management and ownership pattern, market characteristics, state of competition, and technological development have been selected for study. Other peripheral factors which might exist are not considered significant and relevant to the study.

5. The present study limits the number of jute business firms to six from Bangladesh and five from India. Case study method is adopted to know the characteristics of the population, that is, the total number of jute business firms existing under BJI and IJI.

6. While collecting, analysing and interpreting data relating to the management of selected jute business firms, only seven strategic factors like history and growth, management structure, marketing, production, personnel, finance, & future prospect have been considered. The assumption is that these seven factors cover a broad spectrum of a firm's activities, and there are no other significant factors that could be included. Further, these seven strategic factors are assumed to be representative of the strategic management process and other elements of the process such as evaluation of strategy are not specifically considered.
7. The period covered in study is from mid-sixties to the present (1992) as the changes in industry factors have become prominent during this span of time. Relevant data essential for analysing both industry factors and strategic factors at firm-level management have been collected for the same time period.

2.4 CONCEPTUAL FRAMEWORK

The main theme of the research has been conceptualised within a framework to avoid disorder and ambiguity in the process of conducting the present study. This is also intended to provide a clearcut approach to the researcher. The main objective of research project is to determine the impact of industry factors on strategic factors of the management of jute business firms with a view to draw descriptive inferences as to how jute business firms have adapted to changes in industry structure.

To attain this objective, presumed relationships among the chosen factors of both the jute industry and jute business firms have been graphically presented in the basic conceptual framework (Exhibit 2.1). The Exhibited framework specifies that the study is attempting to know the impact of changing structure of jute industry and therefore is going to collect data on five chosen industry factors as well as data on seven chosen strategic factors of the management of jute business firms. The industry factors are shown in the left hand box and strategic factors in the right hand box of the diagram. The arrow marks indicate the presence of varying impact of industry factors on all strategic factors of the management at firm level. While the conceptual framework assumes only a unidimensional impact of industry factors on the strategic factors it must be noted that, in
EXHIBIT - 2.1

BASIC CONCEPTUAL FRAMEWORK

INDUSTRY FACTORS

1. Industry Structure
2. Management and ownership patterns
3. Market Characteristics
4. State of competition
5. Technological Development

STRATEGIC FACTORS

1. History and Growth
2. Management Structure
3. Marketing
4. Production
5. Personnel
6. Finance
7. Future Prospects
reality, there is a two-way relationship. The present study is limited to a discussion of only the impact of industry factors on the strategic factors of business firms.

Generally, the conceptual framework is designed to minimise diversion and to maximise reliability and relevance. Hence, it must be treated as a pragmatic bounding device. The flexible framework is required to accommodate any deviation and changes that may creep in the theory building process as the study in progress.

2.5 OPERATIONAL DEFINITIONS

The important terms used in the study have been operationally defined as below:

1. The term **impact** means influence/effect of industry factors on the strategic factors of a jute business firm.

2. **Changing structure** refers to the shift in industry factors within the time limited for study. **Industry structure**, in the context of the present study, is represented in term of the five industry factors. This is adapted on the basis of the definition of industry structure as enunciated by Micheal Porter,\(^{54A}\) and is different from the usual meaning of the term 'structure' as adopted mainly by economists in describing an industry.

3. An **industry**\(^{55}\) is defined as "a group of firms whose products are sufficiently close substitutes for each other that the member firms are drawn into competitive rivalry to serve much the same needs of some or all of
the same types of buyers." The term industry, in the present study, refers to the jute industry unless specified otherwise.

4. **Strategic management** is defined as "a stream of decision and actions which leads to the development of an effective strategy or strategies to help to achieve corporate objectives". This study includes seven strategic factors that are assumed to be representative of the strategic management done for a business firm.

5. A business undertaking engaged in manufacturing jute goods either in public or in private sector of both BJI and IJI is termed as a **business firm** for the purpose of this study.

### 2.6 RESEARCH HYPOTHESES

On the basis of reviewed literature, and as per the need for the study, the following general hypotheses are developed for investigation:

1. The changes in jute industry structure have had an impact on strategic management of a jute business firm.

2. The impact of changes in industry factors on strategic factors of a jute business firm are varying in nature.

3. The shifts in industry factors and their effect on strategic factors of jute business firms of both BJI and IJI are dissimilar.

### 2.7 SAMPLE DESIGN

The researcher has adopted certain techniques in selecting items for the sample. Number of jute mills in BJI
and IJI have been considered as the population of the sample. "Quarterly Jute Goods statistics" published in last quarter of 1991, by Bangladesh Jute Mills Corporation (BJMC) and 'Indian Textile Annual Director 1990 published in India have been treated as the sampling frame. Apart from this, the researcher has taken six jute business firms from BJI and five jute business firms from IJI as sample units in order to make the study more relevant and workable.

2.7.1 Sample Chosen from BJI

The researcher considered the suitability of limiting population to those mills that are listed in the 'Quarterly Jute Goods Statistics' published by the MIS division of BJMC, Bangladesh. Both private and public sector jute mills and their statistics are provided in this publication. Jute business firms registered with Dhaka Stock Exchange are not taken as population because only large firms are registered there and hence it would be biased if samples are chosen from those units. Apart from this, jute business is not showing better performance, and hence its shares are not traded regularly in the stock market. So the stock exchange market is not compiling jute industry's information on a regular basis.

BJI has seventy firms, presently, in operation. Out of these units, public sector owns 33 jute mills and 37 units are owned by private sector. The total population of 70 jute mills have been categorised into three classes - big, medium and small - on the basis of installed capacity in terms of looms. Jute business firms having capacity of more than 500 looms are treated as big-size mills, those having 250-500 looms are treated as a medium-size mills, and those having below 250 looms are treated as small-size mills. To make the sample more representative, the sampled
mills are chosen by taking one mill from each category. Accordingly, three mills are taken from public sector and three from private sector.

It is to be mentioned that researcher has ended up selecting all the six mills from Chittagong Zone other than Dhaka and Khulna Zone of BJI on the basis of the sampling process described above. This has proved to be beneficial because of the fact that researcher had been at Chittagong for several years in connection with his University education and, thus, it is thought to be more convenient to conduct field study in a known place and environment rather than unknown one. The six sample units possess a total installed looms capacity of 1,888 which is 7.26 per cent of the total installed capacity of 26,081 looms of BJI.

2.7.2 Sample Chosen from IJI

Total number of jute business firms of IJI stood at 112 in the early fifties. But, at present, only 67 mills are in operation. In fact, this number of operating mills fluctuates every now and then because of frequent 'closure and reopening' phenomenon prevailing in the industry. The size of the Indian jute business firms is treated as big-size as most of jute mills have installed looms capacity more than 500 looms which is considered in the case of categorising BJI units. Moreover, most of the Indian mills are in the private sector. As a result, same order and bases are not followed in drawing Indian sample units. For practical reasons, four units are chosen from private sector and the only public sector unit is also taken in the sample. One of the private firm belongs to non-IJMA units and the rest of the units are the member units of IJMA.
The list of Indian firms has been procured from the Indian Textile Annual and Directory, 1990. The Bombay Stock Exchange Directory does not compile information of all firms and hence was deemed unsuitable for the purpose of sampling. The five sample units of IJI have a total looms capacity of 8,539 constituting 19.38 per cent of the total installed looms of 44,042 of IJI.\textsuperscript{58}

2.8 DATA COLLECTION METHODS AND PROCEDURES

This section includes the procedures followed in data collection and problems faced in data collection from both primary and secondary sources. The details are presented in the sub-sections that follow.

2.8.1 Data Collection

The comprehensive analysis of an industry requires a great deal of data. Information in connection with the present study, has been collected from both primary and secondary sources. Personal interviews and field investigation techniques were adopted in collecting information from the primary sources. The interview with the top level executives of the sampled jute business firms, and high officials of government, non-government, and international organisations dealing with jute economy, were the main sources of primary data.

Information about world jute economy as well as its past and present performance, and position have been had from the publications of different agencies of U.N.O. like FAO, UNDP, UNESCO, etc. The data required for analysing changing structure of both BJI & IJI have been gathered from diverse sources of government and privately recognised
authorities of the concerned countries. Library sources have also been utilised as a prime source for collecting published data.

Data required for the evaluation of changing structure of BJI are obtained from sources like the Ministry of Jute; Statistical Year Book, published by Ministry of Planning, Bangladesh; Bangladesh Institute of Development Studies (BIDS), Dhaka, Bangladesh; Export-Promotion Bureau, Ministry of Industry and Trade; Federation of Chamber of Commerce of Bangladesh, Dhaka; and reports, magazines, newspapers, articles and papers presented by eminent scholars in national and international seminars on jute industry.

For the purpose of depicting and analysing changes in the structure of IJI, sources like the Ministry of Textile, Government of India; Planning Commission, Government of India; IJMA, NJMC, JMDC and other concerned offices of IJI have been consulted. Besides, Directory and Year Book published by some government and private organisations; Business Reports published in different journals, magazines, and other periodicals, for instance, Business India, Business Standard, Business Review and some important dailies providing more coverage on industry have been scanned for the same purpose. While scanning secondary sources, the researcher took precaution about the authenticity, reliability, suitability and adequacy of data and sources as well. At every step latest possible information has been chosen to make the study topical.

In order to collect information regarding jute business firms, the researcher visited six jute mills in Bangladesh and five mills in India (Calcutta). He personally observed the actual operations in jute mills and
their corporate offices. The top level executives and managers of these firms were interviewed by researcher. To interview the Chief Executives and top level managers is very much related to study selected strategic factors of firm-level management because they are the persons responsible for formulating long-term business strategies to achieve the predetermined objectives.

The interview was of open structured. The respondents were given maximum opportunity to determine the structure of interview. This helped sometime in divulging information of an unexpected nature. The researcher used a pre-planned Checklist (Appendix-I) as a guideline to conduct the interviews. Survey research based on Checklist may provide, generally, more standardised data useful for statistical analysis. But in most cases, adequate replies are not found even after several follow-ups. As a result, objectives of the survey and study suffer greatly. Hence, the questionnaire method was avoided in this study. The researcher, however, had to face some problems while collecting data through field study. The problems and their nature have been outlined in the following sub-section.

2.8.2 Problems in Data Collection

The researcher faced problems in gaining access to the secondary sources maintained by different authorities. Except a few, most of government, non-government, private, and voluntary organisation were reluctant to supply their publications, printed records, annual reports etc. to the researcher. Even the private sector jute industry of both BJI and IJI showed a conservative attitude in providing information, especially, relating to their financial affairs.
The researcher also encountered problems in utilising data compiled by the government authorities because they are not suitable and have considerable time lag in many cases. Moreover, in-house libraries of various government departments showed less interest and considerable effort had to be expended by the researcher in getting the required information. The quantitative information supplied by various sources often showed a divergence that had to reconcile with great difficulty.

The most important impediment in collecting data from primary sources through interview technique was that, the materials collected from different respondents were not standardised. It is very difficult to conduct any survey or interview research in both Bangladesh and India as the business-men of these countries rarely have a positive attitude to research. They are hesitant in discussing business matters with an unknown outsider even after proper and genuine introductory documents issued by the concerned authorities are produced before them. Business-men are extremely reluctant to divulge detailed financial information concerning their organisation although these may be available in the Annual Reports of the companies in a summarised form.

The field study took a great deal of time. Sometimes several hours had to be spent waiting before meeting the respondent, or several visits were necessary to get one interview. As a result, it frequently happened that fewer people than expected could be interviewed within a scheduled time. In some cases, especially in India, the researcher was suspected by the respondents as a man belonging to the country which is a major competitor of IJI in export market. Researcher had to spend a lot of time to make these
respondents understand the purpose and nature of the research project before going into the subject matter of interview.

Despite all the problems faced during data collection, the researcher through sustained efforts spread over a period of about two years has been able to acquire sufficient timely and relevant data that has made the successful completion of the study possible.

2.9 PRESENTATION AND ANALYSIS OF DATA

The present study is qualitative as well as descriptive in nature. It is based on case study method. In the word of H.W. Odum, 59 "the case study method is a technique by which individual factor whether it be an institution or a group is analysed in its relationships to any other in the group." In order to show relationships between the industry factors and strategic factors of jute business firm, an analytical framework (Exhibit 2.2) has been conceptualised. This analytical framework facilitated the systematic presentation and analyses of data and provided direction to the researcher as the study progressed. The arrow mark is indicating the direction of the phases of analyses.

Guided by the need for research and general hypothesis, the researcher has presented and analysed the data regarding the changes of industry structure of both Bangladesh and Indian jute industries, separately, in two chapters (Chapter III and V). Each chapter contains five sections each wherein five chosen industrial factors have been presented in details. The chosen industry factors are: evolutionary changes; changes in management and ownership
EXHIBIT - 2.2
ANALYTICAL FRAMEWORK FOR THE STUDY

CHANGES IN INDUSTRY FACTORS

Changes in Industry Structure of BJI (Chapter III)

Changes in Industry Structure of IJI (Chapter V)

CASE STUDIES (STRATEGIC FACTORS)

Bangladeshi Jute Business Firms (Chapter IV)

Indian Jute Business Firms (Chapter VI)

IMPACT

Analyses and Interpretation of intensity of impact (Chapter VII)

Findings and Recommendations (Chapter VIII)
pattern; Changes in market characteristics; Changes in state of competition; and Changes in technological development. To make the part of study dealing with the macro-level more comprehensive, and in order to screen out the nature and direction of various changes in industry factors, two analytical charts (Appendix 2 and 4) have been used for two jute industries separately. The nature and direction of changes in each industry factor thus found out, have been brought forward in chapter VII for analysing the impact of such changes on strategic factors of jute business firms.

Data collected from selected jute business firms (case studies) of both Bangladesh and Indian jute industries through field survey, have been compiled and presented in two separate chapters (Chapter IV and Chapter VI). As per research design, each chapter comprises of seven sections each wherein seven chosen strategic factors have been analysed in a descriptive manner. These seven strategic factors are: history and growth, management structure, marketing, production, finance, personnel, and the future prospect. To have a concrete idea about the case studies of both Bangladeshi and Indian jute business firms, two separate analytical charts (Appendix 3 and 5) have been developed wherein the consolidated results of each of the strategic factors emerged clearly. Moreover, researcher's explanations over a particular strategic factors, common for all case studies, have been outlined in the analytical charts. At the final stage of analysis, the nature and direction of changes in industry factors and the ongoing situation of the strategic factors of the management of selected jute business firms have been again logically interpreted in Chapter VII. The main purpose of these analyses and interpretations was to find out the nature and intensity of impact of industry factors on strategic factors.
under changing situations in business environment. Two sections have been created to show the impact separately on Bangladeshi and Indian firms. There are five sub-sections under seven each sections. The sub-sections deal with the industry factors and the analysis in each of the sub-sections contains on exhibit showing the intensity of impact of changes in particular industry factors on all the seven selected strategic factors of jute business firms.

2.10 LIMITATIONS OF STUDY

The present study has been carried on within the following major limitations:

1. As the project is sponsored under bilateral cultural exchange programme between Bangladesh and India, the study is limited only to jute industry that covers both native and host countries and thus it satisfies the provisions of the exchange programme. Other jute producing countries have not been included though references to them have been provided wherever necessary to make the description complete.

2. The structure of jute industry has been analysed by choosing only five major industry factors in order to make the study feasible.

3. Due to time and money constraints, only eleven jute business firms were selected for writing the case studies. This selection covers a broad spectrum of the business firms in Bangladesh and India.

4. The seven strategic factors included for preparation of case studies adequately capture, in the opinion of the researcher, the essence of strategic management.
With these strategic factors, adequate coverage has been provided to the different functional areas such as marketing, finance, etc. However, a limitation of the study is that it does not directly consider the other elements such as behavioural elements of strategy implementation or the strategy evaluation.

5. The field survey was done at Chittagong (Bangladesh) and in Calcutta (India). These places are far away from Aligarh Muslim University, Aligarh, U.P., (India) where the researcher was based. Frequent visits to these places were not possible. The researcher visited Calcutta two times and Bangladesh two times during the period of two years in which this study has been completed.

The limitations, as described above, have been faced due to constraints that are a part of any research study. However, in the opinion of the researcher, these do not affect the quality of analysis and presentation of the research work and this work has proved to be mentally satisfying to the researcher.
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CHAPTER THREE

CHANGING STRUCTURE OF BANGLADESH JUTE INDUSTRY

3.1 EVOLUTIONARY CHANGES

3.2 CHANGES IN MANAGEMENT AND OWNERSHIP PATTERN

3.3 CHANGES IN MARKET CHARACTERISTICS

3.4 CHANGES IN THE STATE OF COMPETITION

3.5 CHANGES IN TECHNOLOGICAL DEVELOPMENT
CHAPTER - III

CHANGING STRUCTURE OF BANGLADESH JUTE INDUSTRY

Different changes in the industry factors of Bangladesh jute industry are furnished in this chapter. The changes are evaluated over the time period of mid-sixties till date. The constituents of Bangladesh jute industry structure and their changes are analysed in the following sections and sub-sections.

3.1 EVOLUTIONARY CHANGES

The Bangladesh jute industry (BJI) has actually passed through two significant phases of growth—the pre-liberation period (1947-1970) and the post-liberation period (1971 onwards). But only the changes in the later growth stage of the industry have been evaluated on the basis of their strategic significance. Accordingly, one phase is designated as the period from mid-1960s to 1981 and other phase from 1982 till date.

3.1.1 The Phases of Growth

Bangladesh did not have any jute manufacturing unit at the time of partition (1947) of British India. The first jute mill in Bangladesh (erstwhile East Pakistan) was set up in 1951. BJI entered into the jute goods export market in mid-1950s. During 1960s to 1970s, immediately before the independence of Bangladesh, BJI experienced a rapid growth and was able to process half of the country's raw jute production as compared to almost no processing capacity even in 1950. The acceleration of growth was further
characterised by the installation of more jute mills and looms, higher productivity, dominance in export market, earning more foreign exchange, more contribution to government exchequer, creation of employment opportunities and finally earning of huge operating profits. This stage of maturity was so sharp and distinguished that this era was termed as the golden period for the 'Golden Fibre'.

During the liberation struggle and two years immediately after liberation of Bangladesh (1971), the growth stage of the development cycle had shifted towards decline. At that stage, BJI had undergone a sea change in the overall situation both inside and outside the industry environment. The mills were looted, jute goods damaged, administration shattered, expertise was lacking, spares missing, workforce disorganised and, above all, financial position was miserable during the same period.

The rate of growth of the industry had deteriorated further over the subsequent years till 1981 owing to the problem of sales and shipment, huge loss of production due to uncontrollable factors like power failure, strikes, social instability accompanied by deterioration of law and order situation, low efficiency in general, and huge interest on borrowed long-term short-term capital. All these negative factors caused huge operational losses to the jute industry of Bangladesh.

3.2 CHANGES IN MANAGEMENT AND OWNERSHIP PATTERN

During pre— and post— independence of Bangladesh several changes have been taken place in the management and ownership pattern of Bangladesh jute industry. These changes are discussed under the following two sub-sections.
3.2.1 Ownership Pattern

Under the nationalisation order in 1972, the ownership and control of all big industries including jute industry was taken over by the Government of Bangladesh. As a result, most of the private owner entrepreneurs were kept away from the jute good manufacturing business. The nationalisation policy was withdrawn by the next government in 1982. A denationalisation policy was introduced which facilitated and encouraged the private ownership and control. Due to the changes in ownership pattern, now half of the jute mills are owned by public sector and rest by the private owners. The privately owned mills are organised under Bangladesh Jute Mills Association (BJMA) while the public sector mills come under the Bangladesh Jute Mills Corporation (BJMC).

3.2.2 Management Pattern

Before nationalisation, jute mills were either managed by managing agents or by a Board of Directors (BOD) according to the Joint Stock Companies Act, 1913 (as applied in Pakistan). During post-nationalisation period, a separate ministry had come up and Bangladesh Jute Mills Corporation (BJMC) was created under the Ministry of Jute as an apex administrative body to control, supervise and coordinate the activities of nationalised jute mills. BJMC was empowered to make all major policies regarding individual jute mills' administration activities. This management pattern provides a nominal autonomy to the Enterprise Board in taking managerial decisions for smooth unit-level administration.

The partial denationalisation policy of 1982 had changed the management pattern of both public and private
sector of BJI. The private sector jute mills are now administered by BOD where experienced and professional executives are the members. The BOD is the highest body for formulating policies for a private sector unit. Owing to the recent changes in the management pattern of public sector the original framework is the same but BJMC has laid emphasis on professional management to replace the non-professional and inexperienced persons recruited immediately after the independence (1971). The shift in overall management structure of BJI recognises the service of professional managers as necessary to regain and retain the management efficiency in both private and public sectors of BJI.

3.3 CHANGES IN MARKET CHARACTERISTICS

The jute goods market is an important factor for analysing the industry structure of BJI. Six components of jute goods market, as described below, have undergone different kinds of changes over a long time owing to several reasons. The changes alongwith their nature and direction are described below.

3.3.1 Market Segmentation

The BJI is producing mainly traditional jute packaging materials for the overseas market segment. No spectacular changes in the dominance over the international segment is seen till 1980s. Overseas segment is still consuming 90 per cent of the BJI's total annual production. But due to the increasing competition in the export market as well as fall in the demand in the world jute products market, BJI has shifted marginally from the overseas to the domestic and non-traditional market segments.
Recently, a perceptible change in the product-wise market segmentation is becoming evident. The demand for CBC items of BJI is gradually increasing in the USA and European CBC markets. These countries are preferring jute carpet backing to the synthetic CBC.

3.3.2 Users and Their Characteristics

The bulk of the jute products of BJI were used or consumed by the USA and other western countries till the first quarter of 1980s. After that, a fall in jute usage in developed countries has been evident and, instead, developing countries of Africa and Middle East have been using Bangladeshi jute products for the last few years. This change in users profile from the developed to developing countries is the effect of the rapid growth of synthetic packaging materials manufacturing industries in the developed world as well as the introduction of modern methods, namely bulk handling, consumer packaging and container system, in the process of shipment of various commodities. Exports analysis shows that presently the USA and Australia are jointly consuming one-fourth of BJI's exports whereas, Africa and Middle-East countries are using about 50 per cent of Bangladeshi jute products. The balance is being exported to other countries.

3.3.3 Products and Their Demand Pattern

BJI produces traditional jute products (hessian, sacking and CBC) used for packaging and wrapping of commodities. All these products were in demand in foreign markets especially in the USA, Australia and European countries till the late seventies. Since then the demand for traditional products started decreasing. Over the last
decade, traditional products demand has been decreasing in the world jute markets and is being replaced by the demand for synthetic packaging materials. However, demand for new diversified and non-traditional value-added items like household decoratives, jute handicrafts, wall coverings, jute-based apparels, blankets, carpets, fancy bags, school bags, etc. is increasing gradually in both overseas and domestic markets. Interestingly, these items are more in demand in the USA which accounts for about 50 per cent of BJI's CBC exports. Hessian and sacking have also a high demand in Africa and Middle-East countries and they jointly account for 60-65 per cent of exports of these products from Bangladesh.

3.3.4 Distribution Facilities

During mid-1960s to late-1970s, jute business was flourishing and profitable and BJI's products were in demand in the exports market. To meet such a huge demand, BJI's channels of distribution were manned by a number of traders namely wholesellers, agents, shippers/exporters and so on. But with the gradual decrease in the overseas demand and declining growth of the industry over the last few years, the distribution system has changed and now it is mostly controlled by the Bangladesh Government. The importance of the role of the trade middlemen has diminished as the present-day jute business is required to play its role in achieving the primary objective of earning scarce foreign exchange for the country.

3.3.5 Pricing of Jute Goods

Cost-plus pricing method had been the general practice of Bangladesh jute industry during the entire
period from its growth stage to maturity stage i.e. up to mid-seventies. This pricing method did not last long. The increase in the cost of labour and raw jute, rate of freight, price of electricity and fuel and frequent devaluation of the Bangladesh currency (Taka) have been affecting the cost structure and price of jute products for the last 10-12 years. In the declining demand situation in global jute markets, BJI has to deal with new competitors-exporters like China and Thailand, who have the benefit of low cost-structure and price and the low-priced synthetic substitutes as well. Considering these adverse factors on the one hand and the need to keep the largest and only foreign exchange earning jute industry on the other, BJI has to change its pricing policy. Presently, BJI has to perforce fix the price of its products sometimes below the cost level to maintain competitiveness in the global market.

3.3.6 Promotional Activities

In the late 1970s BJI had taken less initiative and made little efforts for the promotion of jute goods in the market as the market was absolutely seller-dominated and controlled by two prominent producer-sellers: BJI and Indian Jute Industry (IJI) especially, in the overseas markets. Moreover, BJI had a competitive advantage over its lone competitor IJI because of the better quality and lower price of its products. But, the drastic changes in demand and competitive situation over a long period of time have recently compelled BJI to take, and strengthen promotional measures like arranging advertising campaigns and exhibition, and offering credit facilities etc. The authorities of BJMC, Bangladesh Export Promotion Bureau, Bangladesh Jute Export Corporation (BJEC) and Bangladesh Diplomatic Missions in various countries are provided with
the special authority for the effective implementation of the promotional measures for jute products.

3.4 Changes in the State of Competition

The BJI is a part of competitive structure where different forces such as major buyers, suppliers, players (sellers) substitutes and new entrants exists. The evaluation of changes in these forces will provide a concrete idea about the overall changes in the state of competition in the industry. The changes, with their nature and direction, are described below.

3.4.1 The Major Players

In the world jute economy, Bangladesh and India were the only two major jute goods manufacturing and exporting countries till late seventies. But, since mid-eighties Thailand, China, and Nepal have emerged as new competitors in export market that increased the number of major players to five. Internal markets' competition is mild and there is no perceptible change in it. On the basis of size and export performance of 1989-90, the jute goods manufacturing units namely Adamjee Jute Mills Limited (13 per cent), Platinium Jute Mills Limited (5 per cent), Crescent Jute Mills Limited (6 per cent), U.M.C. Jute Mills Limited (4 per cent), Peoples Jute Mills Limited (4 per cent) and The Chittagong Jute Manufacturing Company Limited (4 per cent) have been considered as the major players within the industry.

3.4.2 Market Shares

The market share analysis of the major companies in the BJI is not wholly relevant as there is neither an
appreciable level of domestic consumption nor internal competition. It is, therefore, important to consider the market shares from the point of view of global competition.

The world market shares of BJI had risen from an average of 40 per cent during 1976-80 to 44 per cent in the year 1981-82. This upswing trend continued and reached nearly 51 per cent in 1983-84. But, the export quantity stood reduced from 5.48 lakh tonnes in 1981-82 to 5.21 lakh tonnes in 1983-84. For the last few years, BJI's export market shares have been fluctuating in the range of 48 to 50 per cent while quantity-exports of Bangladesh are decreasing with the decrease of total world exports demand for jute products. The quantity of exports in 1989-90 is 4.87 lakh tonnes.15

3.4.3 The Major Suppliers

Bangladesh agricultural sector is the sole supplier of raw jute to the BJI. This sector produces about 10 lakh tonnes of raw jute and BJI consumes only 5 lakh tonnes annually. The rest of the stock is exported to other jute goods manufacturing countries. There is no shortage in the supply to the BJI. There are some nodal agencies namely BJMC, BJMA and Bangladesh Jute Corporation which have jute purchasing centres scattered all over jute growing belts, which ensures a smooth supply of raw material to the industry.

3.4.4 The Major Buyers

The USA, Australia, EEC countries and Japan were the major buyers of BJI's jute products in export market till late-seventies. They consumed a bulk of 90 per cent of
BJI's production. Since 1981-82 African and Middle Eastern countries have become important as major buyers as they consumed nearly 46 per cent of BJI's exports and are considered as more prospective buyers.

3.4.5 The Competitive Situation

The competitive position of BJI in the export market was better and more dominant over a long period of time before the advent of synthetics as substitute products and the emergence of new entrants as jute goods producer and exporter. The change in competitive situation has adversely affected the competitive position of BJI.

With regard to competition among producers and exporters, BJI has a comparatively better position. This is due to the low cost-structure, better quality of products, and low freight rate advantages that BJI has over other exporters. Recently, synthetic substitutes are competing seriously in every end-use of jute products and have been eroding the market shares of both domestic and international markets. The overall competitive position of BJI is going from bad to worse resulting in a decline in its economic performance and profitability.

3.4.6 Export Market

World jute goods export figures shows that BJI had historically garnered an average of 25, 35 and 45 per cent of export market shares in the decades of sixties, seventies and eighties (till 1988) respectively. The market shares further rose to 48 per cent in 1989-90, which in quantity terms, is about 5 lakh tonnes. The export earnings of BJI have increased from Taka 384 crore in 1977-78 to Taka 783
crore in 1987-88,16 and Taka 954 crore in 1989-90. The export figures of BJI show a rising trend but the severity of competition is intensifying gradually. This results in a lower profit margin though the amount of export earnings seem to be large which is an effect of local currency's devaluation in terms of hard currency.

The BJI is in a position to avail an opportunity in the form of exporting jute goods to the African and Middle Eastern countries where hessian and sacking items are more in demand as the synthetic packaging materials manufacturing industries in these countries are not yet developed. The items like CBC and jute carpets have a demand in the USA, Japan and other European countries. Japan and USA are now interested in importing light weight and small sized jute bags from Bangladesh. Moreover, these exporters are interested in new diversified, and non-traditional jute products. The changes in the demand of export markets are a redeeming feature contributing to the performance.

3.5 CHANGES IN TECHNOLOGICAL DEVELOPMENT

The BJI is using modern technology as most of the jute mills were established between mid-fifties to the late sixties. Bangladesh Jute Research Institute (BJRI) is working for technological development and research on agricultural aspects is done by it. The depressing market conditions of mid-sixties onward has in a way contributed to the creation of the need for product diversification. Modernisation and rehabilitation of plant and machinery have been emphasised to cope with the changing demand in the market for diversified jute products other than traditional items. Some automatic and sophisticated machinery are being imported, although not in sufficient numbers, to help
improve the spinning and weaving processes. Lack of funds very often discourages the technology development measures. Presently, BJI deems it necessary to use new technology or improve the existing technology to manufacture jute products of all types according to the needs of present-day market segments of both domestic and international markets.

REFERENCES


5. BJMC, op.cit. p


CHAPTER FOUR

CASE STUDIES OF BANGLADESHI JUTE BUSINESS FIRMS

CASE STUDY 1: AMIN JUTE MILLS LIMITED

CASE STUDY 2: A.K. KHAN JUTE MILLS LIMITED

CASE STUDY 3: GUL AHMED JUTE MILLS LIMITED

CASE STUDY 4: VICTORY JUTE PRODUCTS LIMITED

CASE STUDY 5: HAFIZ JUTE MILLS LIMITED

CASE STUDY 6: CHITTAGONG JUTE MANUFACTURING COMPANY LIMITED
CHAPTER - IV

CASE STUDIES OF BANGLADESHI JUTE BUSINESS FIRMS

This chapter presents the case studies of the six Bangladeshi jute business firms. The information and data collected are based on the checklist (Appendix - 1) and are presented in such an order so that the relationship among the chosen industry factors as well as strategic factors could easily be delineated for the purpose of analysis and interpretation in the subsequent chapters.

CASE STUDY 1: AMIN JUTE MILLS LIMITED

Introduction

Amin Jute Mills Limited (AJM) is a unit of Bangladesh Jute Mills Corporation (BJMC). The factory is situated at Sholashahar, Chittagong. Its registered office is at 'Sattar Buildings', Agrabad, Chittagong.

Originally, it was a private limited company established and sponsored by Amin Group of Industries on 14th March 1953. It went into commercial operation with 500 looms on 14 March 1954. But under the expansion programme of the firm, another 244 narrow looms and 27 broad looms were installed in different phases during the period from 1963-64 to 1970-71. The Jute Carpet unit, including mat and tape, was installed in 1959 and Amin Old Field producing felts, came into existence in 1961.

After the emergence of Bangladesh, AJM was nationalised on 26th March 1972 under the Presidential Order
27 and had been placed under the control of BJMC. All activities of the company are regulated and controlled as per different directives and circulars issued by the Government of Bangladesh/BJMC within the framework of the Joint Stock Companies Act, 1913 (As amended and applied in Bangladesh).

The initial authorised capital of the company was Rs. 1 crore only which was raised to Taka 5 crore in the subsequent period. After nationalisation, all shares of the firm were taken over by the Bangladesh Government and vested in BJMC, a controlling authority under the Ministry of Jute, Bangladesh.

All the activities of AJM are directed toward the fulfilment of the following objectives:

1. To implement the policies and directives declared by the government/concerned ministry for the company.

2. To control the activities/affairs of all the departments within the company through exercising effective supervision.

3. To take measures for the formulation and proper implementation of financial policy/planning in favour of the mill's management.

4. To make necessary arrangements for purchasing raw jute through purchase centres and mill-gate purchases according to the raw jute demand of the company as well as government's jute policies.
5. To facilitate the storage of raw jute, spare parts of machinery and other equipments and their best utilisation.

6. To produce jute goods free from any kind of defects according to the fixed target as well as buyers demand.

7. To ensure shipment in time and supply of sales quota determined by the marketing division of the corporation i.e. the BJMC.

8. To keep a constant contact through the Marketing Division of BJMC to boost up exports.

9. To ensure the best utilisation of the valuable foreign exchange and loans demanded and granted for the procurement of machinery, spare parts, and other useful materials.

10. To ensure the use of the best methods at every stage of the process of production to maintain quality demanded by the buyers.

11. To develop an effective working environment, by maintaining good relationship among the officers, staff and workers that may help further increase in production, and

12. To take utmost care of the assets and properties of the mills such as land and building, plant and machinery, furniture, transport etc.
Amin Jute Mills Ltd. produces hessian sacking, carpet backing cloth (CBC), jute carpet, mat, tape, felts etc. In fact, both traditional and non-traditional items of all kinds are being manufactured by the Company. It is second largest company in Bangladesh after Adamjee Jute Mills Limited at Narayanganj. It has the maximum scope for producing a variety of products.

The present turnover of AJM is about Taka 31.41 crore of the total manpower, 5,408 are working as labour-force and the rest 846 person are either in the officers or staff category.

History and Growth

Primarily the company had been floated by the Amin Group of Industries, the parent company organised by private entrepreneurs. Its management was entrusted to a Board of Directors according to the Joint Stock Company Act, 1913 (as adopted by the Government of the then Pakistan). One of the board members of the company was being selected as the managing director of AJM. Other board members were nominated from among the owner-entrepreneurs. This management pattern lasted till the independence of Bangladesh.

The management pattern had been changed drastically after the nationalisation order of Bangladesh Government in 1972. Accordingly, Ministry of Jute, Bangladesh has become the apex body and BJMC is given the authority of formulating policies (both long-term and short-term) regarding the organisation and administration of all jute manufacturing units under its control. Besides the Board of Directors administering BJMC's activities at its level, there is a
separate Board at the firm level which is termed as the Enterprise Board.

Management Structure

The Enterprise Board (EB) of AJM consists of eight members. The Chairman of BJMC is the ex-officio Chairman of the Enterprise Board of Amin Jute Mills Limited. Each of the jute mill units under BJMC is treated as a project. The person responsible for the day-to-day administration of the jute mills at its factory level is called project head. He is a member of Enterprise Board. The project head of AJM is in the grade of General Manager according to the approved organisational structure of Ministry of Jute. The rest of the members are the nominees one each from the Ministry of Jute, Ministry of Finance, Bangladesh Shilpa Reen Sangstha (BSRS), BJMC Zonal Office, Chittagong, Financing Banker (Janta Bank), and BJMC Head Office, Dhaka.

The enterprise board of AJM convenes meeting of directors after every three to six months to review the performance, and consider the proposals raised by the project head of the mill. The EB has the authority to formulate policies/strategies in short-term perspective. But these policies are to be designed within the general framework provided by the government/corporation. Long-term major policies are framed centrally by BJMC. Though project head is the topmost person of the organisational set-up (Exhibit 4.1) at the firm level administration, he enjoys, virtually, no autonomy in formulating business strategies. But, alternately, he is held responsible for the execution of various policy matters either formulated by BJMC or by the EB.
EXHIBIT - 4.1

ORGANISATIONAL STRUCTURE OF AMIN JUTE MILLS LIMITED

BJMC

<table>
<thead>
<tr>
<th>Enterprise Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Manager</td>
</tr>
<tr>
<td>(Project Head)</td>
</tr>
</tbody>
</table>

Addl. G.M. (Accounts & Finance)

- Manager (Cost Budget & Stores A/c.)
- D.M. (Finance, Audit & Taxes)
- D.M. (Bills & Pay Rolls)
- D.M. (Wages)
- D.M. (Provident Fund)
- Asstt. Manager (Cash)

D.G.M. (General Admin.)

- Manager (Labour and Welfare)
- Security Officer
- Medical Officer
- Transport Officer
- Canteen Officer
- Cooperative Officer

Manager (Carpet Division)

D.G.M. (Engineering)

- Manager (Civil Engg.)
- Manager (Store Purchase)
- Manager (Stores)
- Manager (Export & Excises)
- Manager (Jute Purchase)

Manager MIS
Marketing

Being an enterprise of BJMC, AJM's marketing functions are centralised. All marketing policies are framed by BJMC and sales proceeds are also being realised by them. Marketing programmes related to advertising, channels of distribution, pricing, market segmentation, packaging, grading, branding etc. are done by BJMC's marketing division. AJM's Enterprise Board has no autonomy in this regard.

AJM receives orders/instructions from the BJMC regarding the quantity, quality, time schedule, and specification of the products. One officer who is under the direct control of the project head deals with official correspondence relating to marketing. Rest all marketing activities are the concern of marketing division of the BJMC.

BJMC's zonal office at Chittagong plays an intermediary role between the individual mills and BJMC Head office, Dhaka. Zonal Office has a marketing department that facilitates marketing functions of all the units under its jurisdiction.

Production

AJM is producing jute goods from raw jute. The factory site is well-connected, by both road and railway, with other parts of jute growing area. It has the shipment facilities to send the jute goods to the overseas market under the arrangement of BJMC.
AJM has three factories, each producing jute products of different category. Hessian, sacking and CBC items are produced in the main factory. In the jute carpet factory, mats, tapes, and other diversified products are manufactured along with carpet. Felt is produced in the third factory.

The plant and machinery used are newer than other jute mill unit. But only 60 to 70 per cent of the installed capacity is being utilised because of the paucity of spare parts and delay in the formal process of getting the same. Raw materials are procured either through purchase centres or by mill-gate purchases. BJMC provides the guidelines and price of raw jute. It prescribes the quantity, to be purchased both at the mill-gates and through purchasing centres, in the procurement policy.

A quality control department is maintaining the quality of each of the product items strictly. Especially, in the jute carpet factory quality control is strictly followed. Jute carpet of AJM is a leading item in its product line.

AJM has a diversification plan in the anvil but they are unable to execute this programme as they have not get adequate support and guidance from BJMC. Moreover, at the unit level, AJM enjoys insufficient authority and autonomy which also act as barriers to the execution of diversification programme. The company has also adopted the policy of modernisation. It has a plan to install new machinery to produce newer items. But the matter is under active consideration of the apex bodies. AJM has no R & D department at the factory level. Like marketing, R & D is also within the jurisdiction of BJMC's R & D division at Dhaka. The corporation office looks into the R & D projects
centrally and their results are communicated to the member units.

BJMC fixes the targets of productivity of different categories of jute products. The target of current session for CBC is 5.44 kg/loom/hour; sacking 8.30 kg/loom/hour; and Hessian 3.08 kg/loom/hour. The deviation from the targets is controlled by the management at the enterprise level.

Personnel

The AJM has an approved personnel set-up consisting of a total 7,984 persons of which the number of officer and staff, and workers is 1160 and 6,829 respectively. At present (as in 1989-90) a total number of 6,254 persons are working in the mill and their break up, in the categories of officer and staff, permanent workers, Badli workers, and casual workers is 846, 4525, 825 and 58 respectively.

There has hardly been any new recruitment made during the last 8 years. Promotion is done solely on the basis of seniority. AJM has an on-the-job training policy for middle-level managers, supervisors, and also for workers. Sometime officers and staff are given training in the zonal training centre of BJMC, located in the premises of Gul-Ahmad Jute Mills Limited, Chittagong. Top-level executives are often sent abroad for higher training by BJMC's arrangement.

Immediately after the nationalisation the labour-management relations deteriorated to a great extent. Employees and workers were not at all committed to their respective duties and responsibilities. There was a labour unrest resulting in strike, lock out and so on. This
situation prevailed up to mid-80s. Presently, labour-management relation is improving due to the implementation of certain sound personnel policy measures. Job-evaluation and appraisal are present, at the workers' level. This is done by the respective supervisors. At the managerial level, no evaluation policy is in operation.

The AJM has three registered labour organisations of which only one is acting as the bargaining agent. This bargaining agent acts in a reasonable manner in resolving disputes between management and labour. AJM has a number of welfare facilities for its employees and workers such as: Medical facilities; Canteen (separately for officers and workers); Facilities for games and sports; Mosque; Officers' clubs; Workers' club; School, Madarsas and Maktab for educating the children of employee, television, adult education centre, cottage industries training centre, football team, and a family planning centre.

AJM provides residential accommodation to 60 families of officers and staff, and 28 bachelor officers and staff. A total of 1056 officers are at present enjoying bachelor's accommodation.

Finance

AJM's initial capital was collected by issuing shares to the public. This practice continued till the mill was taken over by the Government in 1972. Nationalisation order had rejected the idea of raising capital by issuing shares to public rather all assets and liabilities had been completely taken over by the BJMC in favour of Ministry of Jute, Government of Bangladesh. At present AJM is being financed by some financial agencies. They provide both
long-term and short-term finance to meet the needs of fixed and working capital needs. The AJM gets its finance from the sources, namely, Sales proceeds, Commercial banks, Long-term loan given by Bangladesh Shilpa Bank, bank loan on hypothecation of stock, stores etc. and bank overdraft.

The AJM's annual budget is prepared by its financial division. It is a draft or rough budget and its acceptance is subject to the approval of BJMC and Ministry of Jute. The decision on capital structure is taken by the Government. Again, the Government has the right to authorise the amount of capital to be raised and invested and the authority to call for the returns of accounts and other information.

Future Prospect

AJM is a large sized firm producing maximum variety of jute goods items. Its plant and machinery are comparatively modern and sophisticated. The company management is hopeful of a bright future if some positive measures, in the form of rehabilitation and diversification, are taken by the authority. Overmanning is one of the major problems that the company is facing during post-nationalisation period. Some necessary steps in this regard are required. The need for autonomy in decision making process is claimed by present management at firm-level. Though the company is incurring financial loss every year it is earning valuable foreign exchange by exporting its speciality items of jute carpets. Considering all of these aspects, the present management expressed its firmness that company can be made more viable in future if necessary strategic efforts are applied in the right direction.
CASE STUDY 2: A.K. KHAN JUTE MILLS LIMITED

Introduction

A.K. Khan Jute Mills Limited (AKJM), a private sector unit of Bangladesh jute industry, is owned and managed by A.K. Khan Group of Industry which is a holding company cum managing agent. A.K. Khan Group has some other industrial units. All of these units are headed and managed by interlocking directorate of A.K. Khan Group who are family members. Mr. Abul Kashem Khan, a pioneer Bengali-Muslim industrialist, established this jute mills in 1965 with the direct patronization from EPIDC (East Pakistan Industrial Development Corporation) to provide employment and help industrial development of Bangladesh (erstwhile East Pakistan). The company was named after the founder, Mr. Abul Kashem Khan.

AKJM had been owned and managed by the A.K. Khan family in the private sector from its inception till 1972. After the declaration of nationalisation order in 1972, the company was under public sectors' control and ownership till 1983. But further, as per the changed policy of disinvestment, the firm was handed over to the original owners of A.K. Khan family and now it is privately managed.

The company showed a very good performance before its pre-nationalisation period. But it sustained heavy losses during nationalisation period. The situation again started improving to some extent as soon as the company returned to its original owners.

AKJM is producing only two categories of traditional jute products—hessian and sacking. It has the installed/
licensed capacity of 250 looms of which there are 125 hessian looms and 125 sacking looms. Most of the looms (247 looms) are operating. Presently, the firm is manufacturing about 6,000 tonnes of jute products and sales turnover amounts to nearly Taka 10 crore per year. It has the capacity of employing about 2,000 people. The initial capital of the enterprise was Taka 65 lakhs.

History and Growth

In the prevailing private enterprise-oriented economy of 1960s, AKJM was floated by Mr. Abul Kashem Khan (85) who was the first pioneer industrialist among the Bengali Muslim community of Bangladesh (then East Pakistan). Mr. Khan established the A.K. Khan and company in 1951 which subsequently took the form of a holding company. The sampled unit is one of the holding companies of the parent A.K. Khan & Company and was established in 1965. But, it went into operation only on the 1st July 1967.

AKJM has the experience of both private and public sector administration as the company had been administered privately during its life time from 1967-72 and publicly from 1973-83. Since 1983, it is again run by the owners privately. With this change in ownership and management, the growth and development of the company have been affected to a great extent. The firm had shown a tremendous growth by earning huge profits, giving maximum dividends, attracting foreign customers, and providing better remunerative incentives to the employees during the time it was in private hands in the 1960s and 1970s. But after nationalisation, its growth and development have declined due to recurring losses. Now the company's growth is said to be steady owing to the exercise of stability strategies adopted by the present owner-policy makers.
As said earlier, the company is being run privately and virtually managed by the A.K. Khan Group of industries. Of course, the company has a board of directors (Exhibit 4.2) which consists of Mr. A.K. Khan and his five sons. Mr. Khan is the Chairman of all the boards of directors of 12 industrial units of A.K. Khan Group. His five sons and wife hold the other posts of directors of different industry units' board. Some outsiders are also taken as directors according to the statutory requirement. These outside board members are the nominees of Ministry of Jute, Ministry of Finance and Sonali Bank. They deal mainly with the Government interest and are less concerned with other policy matters of the company.

EXHIBIT - 4.2

**BOARD OF DIRECTORS OF AKJM**

<table>
<thead>
<tr>
<th>CHAIRMAN</th>
<th>(A.K. KHAN)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deputy Chairman</td>
<td>Managing Director</td>
</tr>
<tr>
<td>(Mr. Sala-uddin)</td>
<td>(Mr. Sadaruddin)</td>
</tr>
<tr>
<td>(Mr. Zahir Khan)</td>
<td>(Mr. Shamsuddin Khan)</td>
</tr>
</tbody>
</table>

The Board of Directors is the policy making body of AKJM. Mr. A.K. Khan (Chairman) with his five sons who are the members of the board take all decisions regarding general principles, objectives, strategies, guidelines and programmes of the enterprise. But they usually allow Mr. Md. Nuruddin, Executive Director of the Company to attend the board meeting. Mr. Nuruddin is a salaried person...
and holds the topmost position at the firm-level organisational structure of AKJM (Exhibit 4.3).

EXHIBIT 4.3

ORGANISATIONAL STRUCTURE OF A.K. KHAN JUTE MILLS LIMITED

A.K. Khan Group

<table>
<thead>
<tr>
<th>Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Director</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Production Manager</th>
<th>Factory Manager</th>
<th>Deputy Chief Engineer</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Mills and factory)</td>
<td>(Engineering)</td>
<td>Accounts</td>
</tr>
<tr>
<td>Labour, security</td>
<td>Jute &amp; MIS)</td>
<td>(Wages, salary</td>
</tr>
<tr>
<td>store, welfare,</td>
<td></td>
<td>P.F, Cash,</td>
</tr>
<tr>
<td>transport, etc.)</td>
<td></td>
<td>Budget, Costing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>and finance)</td>
</tr>
</tbody>
</table>

Mr. Nuruddin has been serving in this organisation for a long time and his managerial skill and efficiency are highly appreciated by the A.K. Khan Group. He is, of course, not a board member, but his suggestions are sought and considered with due importance because of his expertise in the textile industry. Mr. Shamsuddin Khan, the second son of A.K. Khan family, is the managing director of AKJM. Executive Director maintains constant contact with the Managing Director and looks after the day-to-day management affairs of the factory and thus implements the policies formulated by the Board of Directors. Executive Director, the head of the project, is held responsible for the implementation of policies and strategies.
The company's policy of encouraging the active participation of the Executive Director in policy making process has positive effects on policy implementation. The Executive Director, accordingly, seeks the cooperation of other subordinate colleagues and ensures commitment to achieve the organisational objectives effectively and efficiently.

Marketing

The marketing strategies of AKJM are quite different from those of public sector firms. As an industry unit of A.K. Khan group of industries, its marketing policy, though formulated by the Board members, is basically implemented and controlled by the Export Department. The Export Department located at Dhaka, deals with the export of various exportable products made by different units of the A.K. Khan Group including the jute products. The company sells its jute products - hessian and sacking - in both domestic and international market. About 95 per cent of the products is exported. Its total sales for 1989-90 was about 6,000 tonnes valued at Taka 10 crore (Exhibit 4.4).

EXHIBIT 4.4

JUTE PRODUCTS SOLD BY AKJM

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity (Tonnes)</th>
<th>Sale Revenue (Taka crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Export Market</td>
<td>Domestic market</td>
</tr>
<tr>
<td>1986-87</td>
<td>4350</td>
<td>46</td>
</tr>
<tr>
<td>1987-88</td>
<td>4309</td>
<td>26</td>
</tr>
<tr>
<td>1988-89</td>
<td>5895</td>
<td>263</td>
</tr>
<tr>
<td>1989-90</td>
<td>5783</td>
<td>227</td>
</tr>
</tbody>
</table>

Source: Company Records.
According to Government order, the company has to sell 60 per cent of total quantity of products via government agencies both in domestic and export markets. For this percentage of government quota, the quality, size and other related specifications are being prescribed and controlled by the Government. But for the remaining portion of 40 per cent AKJM controls these factories in order to facilitate and ensure effective marketing.

In the export market, the USSR and Japan are the two major buyers of the organisation. These two countries prefer AKJM's products because of the guaranteed quality and timely shipment of the orders. Moreover, the company has the scope of maintaining good trade relations, particularly with Japan as the A.K. Khan Group of Industries have a joint venture with Japan. Recently, some marketing research projects were undertaken jointly with a Japanese firm to explore new markets, innovate new products, and use of jute fibre. They are trying to develop a kind of pulp from jute fibre which could be used as a raw material in producing better quality paper.

AKJM maintains better distribution channels in marketing jute products separately for domestic and export market. In the export market it makes sales either directly or through surveyor (Exhibit - 4.5). Generally, the USSR appoints surveyor who confirms the quality, design and other specifications of the exportable items on behalf of USSR.

EXHIBIT - 4.5

DISTRIBUTION CHANNELS IN EXPORT MARKET

AKJM → SURVEYOR → USSR

JAPAN
AKJM does not make any retail sale in the local market. It has the policy of wholesale marketing to sell the products to the Government and private buyers. Government purchases are done through the Directorate of Civil Supply (Exhibit 4.6).

EXHIBIT - 4.6

**DISTRIBUTION CHANNEL IN DOMESTIC MARKET.**

AKJM → Directorate of Civil supply → Government/Private buyers

The company has to compete with the other private sector jute companies as well as public sector units in the local market. But export market's competitors are both domestic while international competitors are both domestic and international like jute goods producers from India, Thailand, China, etc. As the company has a reputation of supplying quality products, its old foreign buyers are less influenced by other competitors.

The company undertakes effective promotional policies. It takes part in the export fairs and exhibits its products to the international buyers for attracting and expanding its market segments. Besides, it provides discounts and credit facilities to the overseas customers. The Export Department of the Group constantly scans new markets to boost up its export quantity, particularly in the European markets.

**Production**

The plant of AKJM is well located. It is linked with other parts of the country both by sea and by road.
Therefore, the firm enjoys full facility of transportation of raw jute and jute products. To collect raw jute fibre, the company has three purchasing centres in the jute growing areas of Narayanganj, Kachua and Hajiganj. Besides, it makes maximum purchase at the mill-gate from the raw jute traders.

The company has installed 250 looms of which 247 looms are operating. Thus, the company is utilising nearly 95 per cent of its production capacity. Because of proper maintenance policy, its technology is working effectively and efficiently. Moreover, its operation procedures are very apt in production design, scheduling output and quality.

AKJM is very much conscious about the issue of cost of production. To this end, its policy is to minimise the cost of each head of production through gearing up the quantity of products. Their policies of proper maintenance of plant and technology and keeping good rapport with the employees ensures workers commitment and voluminous production. Besides, the company has developed good inventory control system which further helps in higher turnover. All operational procedures are vertically integrated to enhance operational efficiency of the plant.

Personnel

AKJM has become overmanned because of the policy of the Government to create more job opportunities under nationalisation plan. Many managers and unskilled workers had been appointed through questionable methods by the higher authority. As a result, during the nationalisation period, the overall performance of the company was seriously
affected by excess and unutilised manpower which ultimately resulted in heavy financial loss.

Most of the previously adopted policies regarding personnel administration have been changed immediately after the mill returned to the previous owners, A.K. Khan Group. The company absorbed only the efficient and skill manager, staff and workers. Some experienced persons were recruited from public sector jute mills offering higher remuneration and job facilities. The problem of overmanning has been tackled to a large extent and brought down to an optimum level. Now, the enterprise is run by a team of experienced managers and skilled workers.

So far wages and remuneration policies are concerned, the company has to comply with the national wage structure and prevailing Wages and Compensation Act. But to ensure employee-workers' wholehearted participation in the company's development and growth strategy, the company provides several remunerative incentives and other facilities to the employees and workers privately. The employees and workers are satisfied with he remuneration policy and, thus exhibiting high morale, sense of responsibility, and firm commitment to the organisation.

The personnel policies of the firm are formulated by the Board of Directors on the suggestion and advice of the Executive Director. But the implementation is done by the ED with the co-operation of line managers dealing with personnel management. The performance of the employees' and workers are evaluated in the monthly meeting of all departmental heads and directors. This review meeting suggests and recommends probable remedial measures if and when necessary.
The company gives attendance bonus, exclusively to the workers, after every three months. Promotion and special increment are provided on the basis of performance of the personnel. The frequent visits by Managing Director to the factory premises help develop a cordial relationship between labour and management. This cordiality further encourages them in discharging their duties with more devotion.

In the post-nationalisation period the company declared a lay-off in 1986 owing to labour unrest. After that, some mild labour protests are reported but they are mutually settled by the active participation of management and labour union leaders.

The AKJM has two labour unions (registered) of which one has the right to act as bargaining agent. Since 1986 the labour-management relationship of the company has greatly improved. This cordiality between management and workers is said to be the prime factor behind the success of AKJM even though the jute industry, in the whole, is not in a happy position.

Finance

Initially the company was financed by the owners themselves and shareholders. But during nationalisation period (1972-1983), Government and some financial institutions had been the sources of working capital. After disinvestment, the owners had to manage finance from different sources. They are mostly dependent on commercial banks and other loan giving agencies for both long-term and short-term capital. In the prevailing dwindling condition of jute business, the company has no scope of raising capital by issuing shares to the public in the share market.
Government of Bangladesh has initiated some liberal policies to meet the financial hardships of the private sector jute industry. According to these measures the company is given loan at a liberal rate of interest by the loan giving institutions.

**Future Prospect**

The AKJM has regained its private status in 1983. Since then the owner-management has taken a keen interest to revive the unit upto its past record. The present owners have sufficient experience in jute and textile business and have goodwill in both domestic and international market as producers of better quality products. AKJM enjoys the benefit of having some important foreign buyers who take maximum quantity of products. Besides, the company has some other business in joint collaboration with foreign countries that helps in maintaining a constant contact with those countries in selling jute goods.

The AKJM is trying to innovate new use of jute fibre to produce newer and diversified products which could save the jute goods from obsolescence. The top level management has expressed their firm opinion that they are hopeful of better future prospects of jute products as well as the industry itself. The management opined that the Government should provide sufficient support and financial assistance in the private sector jute industry to help implementation of the policies like modernisation and diversification of jute products.
CASE STUDY 3: GUL AHMED JUTE MILLS LIMITED

Introduction

Gul Ahmed Jute Mills Limited (GJM) is one of the medium sized jute manufacturing unit in the public sector of Bangladesh jute industry. The mill was established by a private entrepreneur 'Ahmed Brothers Limited' in 1966 and nationalised after the liberation of Bangladesh under the management and control of Bangladesh Jute Mills Corporation (BJMC). It is a composite mills of 264 narrow looms and 69 broad looms manufacturing hessian sacking and CBC products. The amount of authorised capital of the company is Taka 5 crore and it produces about 9,000 tonnes of jute products yearly. The organisation has the capacity of employing 2,661 persons as officers, staff, and workers. It has an annual sales turnover of Taka 11 crore. The area of the mills is 52.92 acres.

The main objective of the firm is to produce quality jute products at a low cost and according to demand of the export and domestic markets and thus to compete with other jute producers and substitute products. Besides, being a public sector unit, GJM has the objective of earning more foreign exchange through large-scale export and creating more job opportunities to eradicate unemployment problems. These objectives are derived from the ultimate objective of the BJMC and the Government as well.

History and Growth

Since its establishment as a public limited company in 1966, the GJM had been managed by the owner-managers. With the initiative of a private entrepreneur 'Ahmad
Brothers Limited', the civil construction started in 1966 and ended in 1968. Accordingly, the commercial production of narrow looms unit commenced from 1968 ad broad looms unit from 1970. Since then, its productivity and profitability were satisfactory. But after 1972, the economic performance of the company dwindled greatly because of the sudden change in the government policies, market situation, industrial environment, and some other factors.

As per nationalisation order of 1972, all assets and liabilities of the company were taken over by the BJMC in favour of Ministry of Jute, Government of Bangladesh. The mill was not possible to revert to its ex-owners as per denationalisation policy of 1983 because its ex-owners were from the then West Pakistan and left Bangladesh during independence war of 1971. Hence, it has remained in the public sector. In the present status, all sorts of policies are formulated centrally by the BJMC, that is the apex body of administration and control of each and every affair of GJM. Of course, there is an enterprise board (EB) at the factory level which is thought to be similar authority like that of Board of Directors. But this enterprise board only implements the policies, programmes and projects worked out by the BJMC to achieve their assigned objectives.

The Enterprise Board has been authorised to perform the following functions:

1. Overall management/administration of the affairs and activities of the mills/enterprise.

2. Production of jute goods (hessian, sacking and CBC) as per buyers' demand.

3. Procurement of raw jute at fair price.
EXHIBIT - 4.7
ORGANISATIONAL STRUCTURE OF GUL AHMED JUTE MILLS

Bangladesh Jute Mills Corporation

Enterprise Board
G.M. (Project Head)

Dy. Manager (Store)
Dy. Manager (Store Purchase)
Dy. Manager (Quality Control)
Dy. Manager (Report)
Asstt. Engr. (Civil Engineering)

Dy. Manager (A/c & Finance)
Asstt. Manager (Income Tax & Audit)
Asstt. Manager (Wages)
Dy. Manager (Cost, Budget and Store A/cs.)
Asstt. Manager (Bills and Pay Roll)
Asstt. Manager (Cash)
Jute Purchasing Officer

Manager (Administration)
Asstt. Manager (General Admin.)
Dy. Manager (Labour and Welfare)
Dy. Manager (Narrow Looms)
Medical Officer (Medical)
Sr. Security Officer (Security)
Transport

Manager (Production)
Dy. Manager (Broad Loom)
Asstt. Manager (Mechanical)
Electrical Engr.

Manager (Engineering)
Dy. Manager (Workshop)
Asstt. Manager (Maintenance)

Dy. Manager (Jute Purchase)
Asst. Jute Officer (Jute Centre)
4. Operation of the mills profitably with maximum economy and efficiency.

5. Timely shipment/local despatch of jute goods as per sales contract.

6. Timely negotiation of export documents.

7. Procurement of spares, machinery and other raw materials.

8. Employment of staff, workers and officers upto a certain level.

The EB can only raise the proposal regarding administrative affairs of the company to the BJMC. But, it has no autonomy to take immediate steps or decisions without the approval/endorsement/permission of BJMC authority. Of course, the EB can exercise its power which is limited to the implementation of policies.

The EB of GJM is consisting of eight members appointed and nominated by the Government and other authorities as per provisions set by the BJMC (Exhibit 4.7). The Director, research and quality control of BJMC head office, is the Chairman of EB. Other members, except project head are the nominees: Ministry of Jute (one) Ministry of Finance (one), Agrani Bank (one) BJMC head office (two) and Zonal General Manager, BJMC Chittagong Zone as the ex-officio member. The project head of GJM is General Manager in status which is determined on the basis of firm size. He is the executive officer and heading the factory based administrative machinery.

The EB of the company holds meeting after every 2/3 months' interval to evaluate the performance of GJM. The
project head, being the head of the industrial unit, gives
detail explanation of his administrative affairs and the
organisational activities. The Board examines the monthly
reports prepared on different issues and takes administra-
tive decisions on day-to-day management activities, but,
exclusively, on minor issues. For any basic/principle-based
issue, the EB has to take approval from the BJMC. The
Project Head has to remain accountable for all his action to
the Chairman of the Enterprise Board and the Chairman is
authorised to write Annual Confidential Report (ACR) of the
Project Head. In all respects, the enterprise level
management has little scope for exercising more power and
authority to expedite the decision making process.

At the factory level administrative set-up, the
project head leads a team of line managers. These line
managers along with staff and workers are appointed on the
basis of operating looms subject to the approval of the
competent authority. The line managers only provide
information related to respective policy areas but they are
less concerned in policy making matters. They are to
report/communicate development and progress of day-to-day
work and problems encountered if any. But for all cases
they are to be held responsible for their activities to the
project head.

Marketing

The marketing function of GJM is done by the
marketing division of BJMC head office, Dhaka. BJMC's zonal
office at Chittagong plays an intermediary role in the
process of marketing jute goods both in international and
domestic markets. All policies and programmes of marketing
are formulated by the BJMC. Even sales proceeds are
realised by them. An export department is functioning at the factory-level administration. But this department is only to process the documents and to get the exportable quantity ready as per the quota specified by the BJMC head office.

The company is given directives and instructions about the quantity, quality, grade, size etc. But it is not concerned about the customers, distribution channels and even the promotional measures of marketing the products. The BJMC formulates all kinds of marketing policies. The firm's duty is to produce jute products according to orders placed before it. The individual firm has little to do with respect to marketing as BJMC has marketing programmes which are centrally worked out and implemented.

Production

The factory of GJM is located at Kumira, Chittagong which is connected by Asian highway on one side and Bangladesh railway on the other. This type of well-placed location helps the company to get the benefits of easy transport and communication. Moreover, it has the facility of consuming required electricity as the national power grid line is directly connected to the plant premises.

The plant and machinery of the company is more or less new as the plant was installed during the period from 1968 to 1970. Slight rearrangement in plant was done after nationalisation of the company. Fourteen looms (narrow) of Amin Jute Mills Limited and 4 looms (broad) of Gulfa Habib Jute Mills Limited have been added and installed to increase the production capacity. At present the company has a total installed capacity of 333 looms of which 174 are for
hessian, 90 for sacking and 69 for CBC. A total of 315 looms are in operation. The company is utilising about 95 per cent of its production capacity. To cope with the increasing demand of hessian items in the overseas market, the EB and BJMC have taken a decision of converting all broad looms into narrow looms. This policy has been in accordance with the increased demand of jute bags in the world market since the Iran-Iraq war.

The company gets the supply of raw jute fibre either from the jute purchasing centre of BJMC or from gate-purchase. It does not face the problem of raw jute supply because BJMC purchases and maintains sufficient stock, and transports it to the factory according to the indent of the firm.

The manufacturing process of the company is vertically integrated to ensure efficiency and to reduce wastage. The quality control department inspects and checks, at every stage of the product, the progress starting from beaming to finishing. The company lay emphasis on the quality as the foreign customers are more interested and satisfied with the product quality. To minimise the cost, the organisation has introduced process costing as a devise to control the cost.

The enterprise is responsive to the diversification policies adopted by the BJMC to adjust with the changing demand situation of both international and domestic market segments. It is planning to introduce some new products in the line which are under active consideration of R & D division of BJMC. Accordingly, the company will modernise or diversify its technology and production procedure.
BJMC fixes the target of production and measures the performance of the units. The deviation from the target is corrected through sufficient controlling measures as per situation. This is done to ensure fulfilment of targets of quantity of products.

**Personnel**

At the enterprise level, the Manager (Administration) simply executes the personnel policies. But these are formulated by the BJMC head office. In fact, total strength of employment of BJMC is maintained according to 'Enam Commission Report, 1984'. This commission has approved a total number of officers, staff and workers as 2661. Presently, there are 2303 people (officers 92, staff 274 and workers 1937) working in the organisation.

The company does not have a policy of recruiting new employees or workers because, at present, the company is said to be overmanned so far as the ratio of looms capacity and number of workers employed are concerned. Seniority is the main criterion for promotion to higher rank/status. Its middle-level managers, supervisors, and workers have the extra advantage of getting training in the BJMC's zonal training centre which is located in the compound of the GJM. The enterprise arranges the system for on-the-job training. Top level managers are sent abroad for higher training under training programmes sponsored by BJMC.

Labour-management relations of the company was not amicable during the post-independence period. Owing to the change in socio-economic and political policy of the Government, more trade unions were encouraged. They had misinterpreted the new ideas which resulted in various
unfair labour practices in the form of strikes, *gherao*, *hartal* and the like. As a result the company's smooth functioning suffered. The situation improved in the 1980s. Now, labour unrest is less and thus the relations between labour and management has improved. The company has two registered labour unions. Elected bargaining agents are consulted to improve the cordial labour management relationship which is helpful in maintaining a healthy working environment.

Workers' performance is evaluated by the supervisors. They are given incentive bonus on the basis of evaluation report of supervisors. The workers are paid according to governments' wage policy but the officers and staff are remunerated on the basis of the national pay scale.

To improve the working environment, the company is providing various welfare facilities to the employees and workers namely recreational facilities (club) for officers; staff and workers (Television, Indor games, newspapers; subsidised canteen facilities; Rationing facilities to all employees; Mosque and *Maktab* facility; Medical unit available for free treatment; Workmen compensation; Contributory provident fund, etc.

GJM is not providing housing facilities to all officers, staff and workers. The accommodation facilities are available for about 50 per cent of officers (bachelor and with family), 40 per cent of staff (bachelor) and 30 per cent of workers (bachelor). The rest of the employees and workers are given house rent allowance as per government provisions.
Finance

GJM had to collect its funds either from the owners or by issuing shares to the public through stock exchange market. But these sources are no longer valid as the company has been taken over by the Government. Now, the company is not issuing shares to the public rather government financed institutions are treated as the main sources of finance. These institutions are providing both long and short-term loans for the needs of the company. Maximum working capital comes from sale proceeds. It takes loans and credits from agencies like commercial bank (Agrani Bank), Bangladesh Shilpa Rin Sangstha (BSRS), bank loan on hypothecation of stock stores etc. and international financing institutions (IMF, WB, IDA etc). International financing institutions provide long-term loans particularly for project development.

The enterprise board submits an annual budget, giving details of the heads and nature of expenditures to BJMC authority for approval. On the basis of this rough budget, BJMC finally formulates different financial policies of the company.

The company prepares its annual financial statements. Its profit and loss statement shows a low profile profitability for the last few years. Hessian item is showing profit whereas sacking and CBC's average annual loss for the last five years is nearly 60 lakh. Its debt-equity ratio is highly discouraging.

Future Prospects

The GJM had shown better business performance in terms of productivity, profitability, foreign exchange
earnings, job opportunities, etc. during its past. But, since mid-1970s its overall activities have declined due to shrinkage in world export market, competition from synthetics, and some internal adverse factors. The company has still several inherent strengths like skilled workforce, training facilities, technologies for some specialised items of products, etc. If some more facilities can be added with these existing opportunities, many diversified jute products could be produced to meet the present needs of overseas customers. With every consideration, the company is still possessing potential of becoming a prospective and profitable industrial unit.

CASE STUDY 4: VICTORY JUTE PRODUCTS LIMITED

Introduction

The Victory Jute Products Limited (VJPL) is an established company working in the private sector of Bangladesh jute industry. It was set up in 1947 by the Ispahani Group of Industries which is a family-owned business of pioneer Muslim industrialists who migrated from Iran. VJPL initially started business at Calcutta (West Bengal) as a private limited company. After partition of India (1947), the factory was shifted from Calcutta to Bangladesh (erstwhile East Pakistan). Since then, it was privately managed till the emergence of Bangladesh (1971). In 1972, the company had been taken over by the government due to the policy of nationalisation of jute industry. On 15th February, 1984 the company was again returned to its former owners, Ispahani Group. Thus this enterprise regained its original status of being privately owned and managed jute goods manufacturing unit.
The VJPL is manufacturing two more items of yarn and twine in addition to its traditional products—hessian and sacking. It is not producing carpet Backing Cloth (CBC). The company has an installed capacity of a total of 398 narrow looms of which 345 looms are under operation. The enterprise is utilising about 87 per cent of its installed capacity. It produces nearly 8000 tonnes of jute product yielding a turnover of Taka 13 crore. There are 3239 peoples consisting of officers, staff and workers.

History and Growth

The Ispahani Group of Industry, the managing agent, floated VJPL in 1947 immediate after partition of Pakistan and India. The Group had the past experience of managing business enterprises of different nature. Moreover, the Ispahani family are traditionally industrialists and entrepreneurs having western educational background in the field of business. So, they maintain western style in organising and administering their family owned business units. They are non-Bengali Muslim entrepreneurs, but their business philosophy of carrying business for the good of employees, workers, governments, shareholders as well as for the society has endeared them to these concerned beneficiaries. Therefore, the Group is still doing business independently and the government has returned most of their business units including VJPL.

The performance of the company during preliberation period i.e. before 1971 had been highly encouraging because of huge market demand for jute products which prevailed, particularly in the overseas market. But, with the continuous shrinkage of market demand, change in ownership and management, and shift in socio-economic and political
conditions, the growth strategies of the company did not yield the desired results.

Low productivity and profitability, inefficiency in management, labour unrest, excessive manning etc. were the shortcomings the company had experienced during its nationalised state (1972-1984). As a result, the factory remained closed for a long period of time before its return to the founder-owners. In all matters concerned, the company is presently facing a decline in its fortunes. But the veteran Ispahanis are trying hard to stabilise the company and thus retain its past glory.

The management structure

VJPL, as a private sector firm, is organised and managed as per the provision of Joint Stock Company Act, 1913 as amended and applied in Bangladesh. The company has a Board of Directors, a top-level policy making body, which comprises both inside and outside members. The inside members are owners' representatives, especially the members of Ispahani family. They take active part in the overall administration and control of the company. The outside board members look after the interest of the respective authorities which they represent.

The present members of Board of Directors of VJPL are:

1. Mr. Mirza Mehdi Ispahani (Chairman)
2. Mr. M. Ali Behrouze Ispahani
3. Mr. Shakkir Ispahani
4. Mr. Rafiqul Amin (Nominee of Ispahani)
5. Mr. Mohd. Hossain Basunia (Nominee of Ministry of Jute)
6. Mr. Munir Chaudhury (Nominee of Ministry of Finance)
7. Mr. Abdul Monem (Nominee - Sonali Bank)

The main objective of VJPL is to produce and sell jute products and thus earn profits. With this end, all business activities of VJPL are planned and directed by the Board of Directors (BOD). The company's BOD does both short-term as well as long-term planning. In the planning process, BOD receives information and collects data from the lower level administration at the factory level. These data and information are then analysed keeping in mind all factors and their relative impact on organisational activities, the BOD prepares the plans and budget and sets targets for the company. The other derivative plans are also highlighted in the same process of planning. The factory level management structure implements these plans, policies and programmes. They are held responsible for the implementation of plans. The performance of all departments are evaluated and controlled by the BOD in terms of the target and deadlines fixed for each of them.

Mr. Nazrul Islam is the General Manager and Project Head of the VJPL at the factory level management. He is an efficient business executive having professional expertise and experience. As a General Manager and Project Head, he is not a board member. But, the owner-policy makers of Ispahani Group, in pursuance of their own style of management, always seek suggestions, proposals and ideas from Mr. Islam. His suggestions are considered by the Board and given due importance while formulating policies or making decisions with respect to the management either at the corporate level or at the factory level. In this way, the
Board facilities and encourages the functional managers to exercise autonomy to a certain extent in the decision making process. As a result, they are motivated and feel that they have an active role in decision making process. VJPL does believe in participative management and it ensures more participation and commitment of employees to their respective duties and responsibilities.

Marketing

The marketing strategies of VJPL are prepared by the Board of Directors but the implementation is done by Export Division of Ispahani Group. The Group has consolidated the marketing functions of all units operating under its control and dealing with a variety of products like tea, jute etc. The products of VJPL are of two category. Hessian and sacking are meant for packaging materials while yarn and twine are used for producing some other jute products. Depending on the products' nature, hessian and sacking are sold both in the local as well as overseas market segments. But yarn and twine are exported particularly to Japan which is a fairly stable buyer. The company sells about 35 per cent of the total products in the export market and rest of the quantity is sold in the local market. The civil supply authority and cement industries are the major consumers in the local market.

Like other private jute companies in Bangladesh, VJPL has to market 60 per cent of its export through the government agencies according to governmental provisions. The rest 40 per cent of the jute products are sold by the company on its own authority. The quality, size, shape, weight etc. of the 60 per cent of products are controlled by the government. However, the company maintains the
specifications and quality as per the customers' order related to its share of 40 per cent of products.

In the export market, the company sells products in most of the countries of Western Europe, America, USSR, Africa and Middle-East. To satisfy the overseas buyers, VJPL's marketing policies are always considered from customers point of view. For this, the company maintains product's quality strictly and ensures timely delivery of the orders. The Ispahani Group has a policy of continually looking for new international market segments for jute products with the assistance of its other multinational units working in different countries.

The VJPL distributes its products through two separate distribution channels. It sends goods to the overseas market either directly or through surveyor appointed by the foreign buyers. In the local market most of the sales are made directly without taking help from trade-middleman. The bulk of the sale in local market is to the government agencies as the customers. The company is actively considering the policy of increasing sale in the local market segment.

Production

The factory of VJPL is located in the port city of Chittagong. The location of the factory is ideal on the basis of availability of facilities of transport, power, water, sanitation and environmental pollution prevention. Some of the machines of the plant have become obsolete because of long-time use. The machines in operation are also old and fail to yield the targeted quantity. Moreover, the spare parts of these machines are not freely available in
the open market due to the advent of new machine models in textile manufacturing process. As such, the company has undertaken a long-term modernisation plan to replace phase-wise the outdated and old machinery. Some new machines based on new technology will also be set up to add more diversified products in the line which could satisfy the current needs of the market.

The company procures its raw jute fiber with the help of dealer and agents working in different jute growing areas of the country. The bulk of the purchase is made for cash. But sometimes, the company offers advance to the growers of raw jute before the harvesting period. The company maintains a sufficient raw material stock and thus hardly faces the problem of raw material shortage. It has a policy of purchasing better quality of raw jute which helps to maintain quality specification demanded by the foreign buyers. This strategy serves to reduce the company's weakness inherent in the process of production by old plant and machinery.

The use of better quality of raw jute, practically, involve higher price for raw materials that resulted increase in the cost of finished jute products. In such a dilemma, VJPL's strategy is to minimise labour cost (wages; by taking workers in good confidence and make them more committed to the company through different motivational and incentive measures.

Personnel

During the phase of nationalisation, the company's manpower planning was influenced by the government's new vision of socialistic economy as well as by the policy of
of creating more job opportunities. As a result, the company was overburdened with excess manpower at all levels of organisation structure. This excessive manpower resulted in heavy loss to the company during that period. To get rid of this crucial problem, the Ispahani Group had to evolve some tactical devices to reduce the number of workers and employees to an optimum level. Some unskilled and inefficient peoples are discharged and others are employed in some other units of the group.

After denationalisation, the owner policy makers hired efficient management people from other units of nationalised sector by offering higher status and better facilities. They replaced the services of two or three incompetent managers by one competent manager. The authority does believe in offering more job benefits to a particular competent person who will be more committed and will work devotedly for the company as well as for his future prospect. This strategy provides ultimate economic benefit to the company indirectly.

The Ispahani Group maintains amicable and cordial labour-management relationship. Their policy of exercising participative management techniques serve to make the relationship between and among the owners, manager, staff and worker more intimate and close. The company always tries to provide maximum benefit either directly or indirectly to its employees and workers. With this end in view, the company sometimes offer extra benefits to the prospective employees or worker even from their personal account, over and above the customary government and other legal provisions regarding remuneration and wages.
The performance of the employees and workers are evaluated both at the corporate level and factory level management. Line manager, officer and staff's performance are measured at top-level while workers' performance are reported by the supervisors to the factory level executives. Promotion and incentives are allowed on the basis of evaluated satisfactory performance.

The company has no training facilities of its own. They recommend some lower level managers and worker to get them trained in the training institute of BJMC. Most of the time the workers are imparted on-the-job training under the training programme scheme of the VJPL. There is no new recruitment at the workers' level because of excessive labour employed during nationalisation period. A few managers and officers are recruited periodically.

The company experienced labour unrest that jeopardized its normal functioning during nationalisation phase. But now the labour management relation has improved and led to mutual understanding and co-operation. One trade union is actively working as a collective bargaining agent for amicable settlement between the workers and employees. The company provides all possible welfare facilities to the employees and workers. Housing facilities are not given to all, instead they are allowed to draw house rent allowance as per prevailing rules and provisions.

Finance

Initially VJPL raised its finance by issuing shares. Out of total equity 53 per cent of the issued shares were owned and subscribed by the owners and public, and 47 per cent of shares were in the possession of the government.
During Pak-regime, jute business was considered as more profitable and hence there was a high demand for jute company’s shares in the stock exchange market. Therefore, the company did not have to face problem in this respect.

In the period of nationalisation, all assets and liabilities of the VJPL had been taken over by the government. Besides, the Government undertook the responsibility of supplying necessary finance to the company from the public fund. Accordingly, the government stopped selling shares to the public. Since then, no shares were issued even after the company has been handed over to its previous owner. At present, the main sources of finance are owners individual funds and sales proceeds. Besides, short-term and long-term loan sanctioned by the different financial institutions are also treated as the source of working capital. Sonali Bank, a commercial bank, provides maximum capital to VJPL. The Government of Bangladesh has taken some soft measures to provide credit facilities to the jute good manufacturing units. Accordingly, the VJPL is enjoying the benefits of taking loan from different commercial and specialised financing institution at a low rate of interest. Moreover, some special loans are encouraged by the government for financing development and modernisation scheme of the company.

**Future Prospect**

The VJPL, though an old firm, can be able to overcome its ongoing doldrun business condition under the present ownership and management. As an entrepreneur, Ispahani Group has long days experience in jute goods manufacturing business. The company has only the plus point that is its efficient and dynamic management force which may initiate
modernisation and diversification strategies in the light of change in demand potentials in the world packing materials market from synthetics to jute and, thus, make the unit viable in future.

CASE STUDY 5: HAFIZ JUTE MILLS LIMITED

Introduction

Hafiz Jute Mills Limited (HJML), established in 1964, is a unit of public sector jute mills of Bangladesh jute industry. The company had been in private hand, owned and managed by non-Bengali "entrepreneurs from the then West Pakistan. During liberation struggle the non-Bengali owners shifted from Bangladesh and as such the Government of Bangladesh had taken over this unit under the policy of nationalisation in 1972. Since then, the company is managed as per the rules and provisions applicable to public sector business firms in Bangladesh.

The HJML is a manufacturing traditional jute goods like hessian and sacking. It also produces speciality products of N.I. Wools pack J.R.B. and bright hessian. The company has an installed capacity of 662 looms of which 486 are hessian and 176 are sacking looms. Out of these, 481 hessian and 174 sacking looms are in operation. Nearly 87 per cent of its installed capacity is being utilised. The yearly budgeted production was 12,608 M.T. in 1989-90. But the actual production stood up amounting to 8,606 M.T. only.

The company consumes nearly 3,36,000 maunds or 67,200 bales of raw jute annually. The sales turnover of the company is about Taka 20 crore (as in 1989-90). There are 3493 personnel including officer, staff and workers working
in company. On an average the firm pays an amount of Taka 67.5 lakh as revenue to the government exchequer annually.

History and Growth

The HJML as started by a non-Bengali Muslim entrepreneur from Pakistan (erstwhile West Pakistan) with the direct promotional backing of Pakistan Industrial Development Corporation (PIDC). With its private nature of ownership, HJML carried on its business before the emergence of Bangladesh. The performance of the company during privatisation period (1967-71) was highly encouraging. But after nationalisation in 1972, performance and growth of the company declined to a great extent. Presently, the company is sustaining losses but surviving with the assistance and subsidy offered by the Government.

The Management Structure

Like other companies, HJML is owned and administered by the Ministry of Jute of Bangladesh government. The Ministry of Jute is the apex body that frames basic policies regarding the industry as a whole and public sector business firms in particular. However, BJMC is a body which implements the policies through the business units under its control and supervision. BJMC is required to maintain a liaison between the Ministry of Jute and HJML unit. Though managed by the Joint Stock Companies Act, 1913 as amended upto the date, and the President's Ordinance, 1972 the rules and regulation of BJMC are being followed.

The administrative structure which is termed as Enterprise Board (EB) comprises of seven members nominated from different authorities according to BJMC's provisions
related to formation of the Board. The Board undertakes long term perspective planning and controls the organisational activities.

Of the seven members of Enterprise Board, the Director, Planning of BJMC Head office, Dhaka, is the ex-officio Chairman. Other members are nominated from different categories except the General Manager who is a salaried employee and treated as the Project Head. The member nominees are chosen: one each from the Ministry of Jute, Ministry of Finance, Senior personnel of BJMC, Janata Bank (Financing banker) and BJMC's zonal office at Chittagong.

**EXHIBIT - 4.8**

**ORGANISATIONAL STRUCTURE OF HAFIZ JUTE MILLS LTD.**

Bangladesh Jute Mills Corporation

| Enterprise Board
| General Manager (Project Head)

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dy. Manager (Store)</td>
<td>Accts. &amp; Finance (D.G.M.)</td>
<td>Production (Manager)</td>
<td>Engineering (Manager)</td>
<td>Jute Purchaser (Dy. Manager)</td>
</tr>
<tr>
<td>Store-Purchase (Dy. Manager)</td>
<td>Accts. &amp; Finance (Manager)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Quality Control (Dy. Manager)</td>
<td>Dy. Manager</td>
<td>Mechanical Engineer</td>
<td>MIS (Dy. Manager)</td>
<td></td>
</tr>
<tr>
<td>Report (Dy. Manager)</td>
<td>Asstt. Manager</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Engineer Civil</td>
<td></td>
</tr>
</tbody>
</table>
The Enterprise Board (EB) is the highest policy making body of HJML at the unit level. It formulates different policies and strategies to achieve the organisational objectives/goals set by the BJMC. Normally, EB holds board meeting after every 3/4 months to review and suggests future course of action if and when necessary. In the EB meeting the General Manager (Project Head) submits monthly reports on different aspects of the unit. He implements the policies and strategies formulated by the EB with the help of other functional managers, officers, staff and workers. The General Manager have the authority to take decision regarding minor affairs in the process of executing daily activities. But, these decisions are to be approved by the EB's meeting. With regard to basic issues required for the smooth and day-to-day functioning of the enterprise, neither General Manager nor the EB have authority to take ultimate policy decisions. The enterprise level management, therefore, enjoys very little authority and autonomy, which hampers the normal activities of HJML.

Marketing

Like other public sector business firm, HJML's marketing activities are controlled centrally by the BJMC. Policies regarding price, product, promotion, channel of distribution etc. are not taken by the Enterprise Board or by the management at the factory level. A committee named as Central Sales Committee are doing the function centrally at BJMC. HJML has no marketing department at its unit level. However, an officer is assigned to maintain marketing related correspondence with the central sales committee. Even the sales proceeds are not being realised by the unit administration. It makes the bulk of the sales to the overseas buyers. Of the different overseas buyers, Japan
and Saudi Arabia prefer its products as it produces two special products items, named as Japini Rice Bag (JRB) and Saudi Potato Bag, for these countries. Moreover, its customers includes importing countries of western Europe and the USA.

EXHIBIT - 4.9

DISTRIBUTION OF JUTE PRODUCTS OF HJML
(1980-81 to 1989-90)

<table>
<thead>
<tr>
<th>Year (July-June)</th>
<th>Export Market</th>
<th>Domestic Market</th>
<th>Total Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Qty. (M.T)</td>
<td>Value (Lakh Taka)</td>
<td>Qty. (M.T)</td>
</tr>
<tr>
<td>1980-81</td>
<td>11815</td>
<td>1328</td>
<td>1306</td>
</tr>
<tr>
<td>1981-82</td>
<td>15496</td>
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<tr>
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<td>1984-85</td>
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<td>1986-87</td>
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<tr>
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<td>818</td>
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<tr>
<td>1989-90</td>
<td>10043</td>
<td>2006</td>
<td>460</td>
</tr>
</tbody>
</table>

Source: BJMC's MIS Division, Dhaka

Production

The factory of HJML is located at South Sonaichari, Barawlia, Chittagong. It is spread over an area of 65.15 acres of land. After two years of registration 1962 of the company, the plant was set up in 1964 and it underwent commercial production in 1967. It is producing hessian and
sacking items of different shapes and sizes. The machinery used in the factory is better than those used in other plants of comparable. The budgeted annual production for the year 1989-90 was 19608 MT of which 6926 MT was hessian and 6682 MT was sacking. The installed looms capacity of the company is 662 of which 655 looms have been taken as budgeted looms for the year 1988-89. Only 588 looms were in actual operation. These 588 operating looms of 1988-89 have been considered as the budgeted looms for the year 1989-90 out of which 543 looms were in operation. In this way the capacity is seen to be reducing gradually because of frequent power failure and decline in receipt of jute goods orders from overseas buyers.

EXHIBIT - 4.10
PRODUCTION OF JUTE GOODS OF HJML
(1980-81 to 1989-90)

<table>
<thead>
<tr>
<th>Year (July-June)</th>
<th>Hessian</th>
<th>Sacking</th>
<th>Total Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>5990</td>
<td>8737</td>
<td>14727</td>
</tr>
<tr>
<td>1981-82</td>
<td>7261</td>
<td>9548</td>
<td>16809</td>
</tr>
<tr>
<td>1982-83</td>
<td>6615</td>
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</tbody>
</table>

The normal productivity of the company is affected by some controllable and uncontrollable factors like shortage of power, labour-unrest, production of heavy fabrics, lack of jute goods orders from overseas buyers, excessive wastage etc. It is again hampered by the frequent absenteeism of permanent workers, whose works can not be substituted by the Badli workers. From 1972-73 to 1989-90, the total production loss is estimated to be 10,603 tonnes valued at about Taka 70 crore. To overcome these losses, the company is going to install a captive generator for removing the problem of frequent power failures. The company, meanwhile, has managed to reduce the quantity of wastage of jute to jute that is, wastage of jute in the manufacturing process. In 1972-73, the percentage of wastage was 7.08 which has been reduced to 0.50 per cent in 1989-90.

The productivity target of the company in terms of kg/loom/hour had been fixed by BJMC as 3 kg/loom/hour for hessian and 8 kg/loom/hour for sacking in 1988-89. But this target was not achieved. The actual productivity stood at 2.89 kg/loom/hour for hessian and 7.965 kg/loom/hour for sacking. This target is further reduced to 2.626 kg for hessian and 7.48 kg for sacking in 1989-90. The total production of HJML in 1989-90 is 10,523 M.T. which is lower than that of budgeted quantity for the same year.

The company did not undertake and modernisation or diversification policies. Moreover, it has no R & D division of its own. Being a public sector unit and possessing less autonomy, all these matters depend on BJMC. But, BJMC has not yet taken any initiative in this regard.

**Personnel**

The manpower approved by the Government for HJML is 3772 of which 3493 is presently working in the organisation.
The number of officers, staff and workers employed in the company is 98, 312 and 2083 respectively for the year 1989-90. As per government policy no new workers are being recruited since a long period of time. Only some badli workers are given permanent job in vacancies created by retirements and deaths. Recruitment of departmental heads is always done by BJMC. Other officers, staff and workers are recruited by the Project Head subject to the approval of BJMC.

Seniority and experience are the main criteria of promotional policies of the personnel department of HJML. Promotion at the workers level are done on the basis of reports on performance by superior and sardars. There is no separate arrangement for training for the officers and workers. They are mostly provided on the job training. Some middle-level managers are often sent for training at the Zonal Training Centre of BJMC, Chittagong. Top level executives sometimes go abroad under the specialised training programme arranged and sponsored by the BJMC.

Presently, labour-management relation at HJML is more cordial and cooperative which is helpful for smooth running of the enterprise. Immediately after the emergence of Bangladesh, employees-workers were hardly found committed to their work owing to the malpractices of trade-union. Presently labour grievances are considered with the due importance and certain policy measures are taken to handle different labour disputes.

The HJML has welfare programmes for its employees and workers. These are: medical facilities, canteen for officers and workers separately, facilities for games and sports, club for officers, schooling facilities for the
children of employees, adult education centre, family planning centre and the like. Moreover, pension, gratuity, provident fund facilities, bonus, and festival bonus are provided as service benefits to the employees of the company.

Finance

Initially, the company was established by the private entrepreneurs and they supplied the initial capital. This arrangement in capital supply continued till its nationalisation in 1972. Since then, the Government of Bangladesh took all assets and liabilities of the company and, therefore, supplying capital, itself. No share was issued to the public for subscription in the nationalised period. So the equity base did not change after 1972. Its requirement for working capital is mainly supplied by the Government through its different financial institutions. The company's sale proceeds, reserves, depreciation fund, provident fund and loan from commercial banks are some of the sources of working capital. The latest subscribed capital amount as shown in the financial report (1989-90) is amounting to Taka 1967 lakh.

The financial aspects of the HJML is mainly vested in the hand of BJMC. All policies and control measures are taken by BJMC and the EB has the authority to implement those policies. Even the sale proceeds of HJML is realised by the BJMC and the amounts is given to the former irregularly which often makes troubles in meeting various expenditure incurred on day-to-day affairs of the company.

Every year the company is incurring a huge amount of loss. Audited report of the company shows that, since its
nationalisation to the year 1988-89 cumulative loss amounting to Taka 527.60 lakh have taken place. The company had earned a profit of Taka 39.20 lakh during the year 1986-87 because of better price in export market. But subsequently has sustained a loss of Taka 106.44 lakh in 1988-89 owing to shrinkage of overseas demand for jute products, fall in price below cost level, increase of power-units's rate, payment of wages and remuneration to surplus workers and employees recruited earlier, irregularities in payment from BJMC and enhancement of wage rate by the Government, ignoring existing situation of the jute industry.

Future Prospects

The HJML is producing jute goods items of hessian and sacking only. The present financial situation and business performance provide an indication of an uncertain future for the company. But, its new version of sacking especially for Japan and Saudi Arabia is lucrative items bearing brighter prospects. The management of the company is hopeful of an exciting future that depends on the policies of modernisation of plant, diversification of products, and addition of more jute products in the line to be adopted by the company in future. The HJML has been incurring losses for many years and however, fail to uphold its commercial interest. But, in terms of social interest, it is still contributing much. The company is, therefore, claims its existence worthy and would become more viable in the day to come.

CASE STUDY 6: CHITTAGONG JUTE MANUFACTURING CO. LTD.

Introduction

Under the promotion of East Pakistan Industrial Development Corporation (EPIDC) as managing agent, Chittagong
Jute Manufacturing Company Limited (CJML) was established in the early sixties. The company was a public limited company and for some 12 years, it was under Bangladesh Governments' control and ownership. Presently, it is again under the management of owner-managers. Of the 37 jute mills in the private sector of Bangladesh Jute industry, CJML is the largest unit so far as its capacity, product variety, and business operations are concerned. Being a private sector concern, all its activities are governed by the provisions of companies Act, 1913 as amended and applied in Bangladesh. In the present capital structure, 53 per cent of shares are owned by owners and the rest are in the hand of government through different financial institutions.

The main objective of CJML is to produce and distribute jute and jute goods and thus earn profits. Besides, it has other objectives like creation of employment opportunities, development of economic infrastructure, contribution to government exchequer and so on.

The product range of the company includes hessian, sacking, CBC, twine, yarn and some diversified products. The company's installed looms capacity was 1190 looms of which 938 looms are operating about 80 per cent of the installed capacity is being utilised.

The total production amounted to 20,000 tonnes in 1990-91. The annual turnover is more than Taka 40 crore.

History and Growth

The owners of this private limited company are members of a big business family. They are by heredity businessmen with entrepreneurial attributes. Moreover, they
are educated and qualified with modern business proficiency and skill. The owner-managers of this company are neither Bengali nor Pakistani by origin. Their forefathers were from Iran but now they are settled themselves in Bangladesh and doing business in different lines.

During the early days of the company, it was more profitable and that growth history continued till mid sixties. After that, due to inroads of synthetic packaging materials the profitability and growth of company declined. Meanwhile the world market of jute industry as a whole also shrunked. The period of nationalisation of CJML (1972-1984) was characterised by mismanagement, workers unrest, unprofitability which resulted in nearly a zero-growth. But since 1984, its activities have accelerated and performance improved to a great extent under the present managerial and ownership pattern. Obviously, the company is still sustaining losses but the amount is reducing gradually and the company is hopeful of wiping out the losses in due course.

The Management Structure

Since the disinvestment of 1984, the management of the CJML has devoted on the Board of Directors, as per the companies Act. The owner-directors are executive directors and other members are nominated and have the right to participate in the Board meetings and make policy recommendations. The Board is the highest body and is thus responsible for formulating policy both for the long and short term periods.

The policy making body, Board of Director, consisting of seven members. Three members are from the owner-family,
one member nominated by the owners, and the rest three members are nominees each from the authorities like Ministry of Jute, Ministry of Finance and Sonali Bank as banker.

Policies/strategies formulated by the top-level management are implemented at the organisation through a separate organisational machinery headed by a General Manager who is a salaried employee of CJML. The General Manager regularly communicates all information related to unit level management to the directors and assists the Board in policy making process. The co-ordination of the activities of different departments is also done by the General Manager.

The manager appointed in other functional areas are initially accountable to General Manager for their work. But ultimately, decision are taken by top level executives, that is by owner-directors and they are the sole controlling authority. The factory level salaried managers have autonomy or discretion to take decision regarding day-to-day affairs but in minor aspects.

Marketing

Marketing policies of CJML are formulated by Board of Directors and it handles the entire operation. Whom to sell, how to sell, at what price and what to sell are the matters dealt by and very much confined to the Board of Directors. The owner of the company has a group of businesses including jute industry. The group maintains the sales/export division to market its jute products both in local and international market. This centralised sales and export division receives orders and passes the same to the manufacturing unit to get the goods ready as per specification of the buyer.
Receiving order and ensuring supply are especially made for foreign buyers.

The price of different products of the company is fixed by the Government in the case of export. CJML can not sell its products beyond the rate fixed under the government policy of export price control (EPC). But for local market sale, cost-plus formula is followed. Local market consumes only a negligible amount of product. CJML produces twine, yarn, and some non-traditional items along with traditional ones. Hence it has the policy of diversification of products and creating of new market segments to sell the diversified products.

CJML's manufacturing products are distributed in the overseas market either through the government channels or through trade middlemen. Especially, export to the USSR are done through their (USSR) appointed surveyor at Bangladesh who undertakes all responsibilities. Most of the domestic sale is made directly. Government of Bangladesh is the big buyer in local market. CJML sends its products to most of the importing countries of the world.

Generally, the company itself takes no promotional initiative because of the traditional nature of the product as well as market. It only responds to the governments' request for participating in local and international export fairs and exhibition. It contributes to the fund for advertising done by the Government on behalf of the industry as a whole.

CJML's exportable quantity amounted to nearly 16,000 tones in 1989-90. 80 per cent of its products are sold in the overseas market and the rest of the quantity is sold in
domestic market. Its item of twine has a good demand in the Japanese markets. It has the policy of marketing quality twine and yarn to western and European markets where market demand for these two products are increasing gradually. Generally, CJML takes personal initiatives and maintains well rapport with the foreign buyers through arranging commercial tour. Moreover, it participates in some international export fair/exhibition from private quota. Other private mills can hardly bear the tour expenses because of their small scale operation.

Production

CJML's factory is located at Kalurghat, Chittagong. The plant is installed at a place where both road and river-way communications can easily be made with other parts of the country. It gets electricity supply directly from the national grid. The machinery and technology used in this plant are newer than those in other units. Its capacity of production fluctuates very often without any change in the number of installed looms which is 1190. The company has not yet adopted any major modernisation policy as it has been substaning losses since its privatisation in 1984. Within a limited sphere, it is introducing some new technology for materialisation of its diversification programme to evolve new products other than traditional items.

The company procures raw jute fibre through its purchasing centres spread over the jute growing belts. Moreover, in the case of emergency, it makes mill-gate purchase from the jute traders. Sometimes, jute is supplied from government stock, maintained by BJMC.
In the manufacturing process, strict cost controlling methods are practised by the company to keep the cost at a minimum level. It believes that foreign customers give emphasis on quality. Hence, quality control is a matter of prime concern and the company remains alert to produce the products as per specifications of the overseas buyers.

Personnel

The personnel department of the CJML has sound policies regarding different aspects of personnel management. The number of officer, staff and workers were more than the actual requirements. The remuneration and wages paid to them had been a great problem for management as this surplus manpower had a direct bearing on the cost structure. The company now has managed this over manning problems by reducing this number gradually. Some idle and un-skilled hands are either discharged or provided with some lump-sum rewards/benefits. After denationalisation, the company, however, recruited some expert and efficient managers by offering them attractive remuneration and job facilities. With this policy the company, in fact, reduced its administrative and official expenses by getting done the job of two or three managers by one expert executive.

There are 7800 workers and 723 officers and staff working in this business firm. Recruitment at the workers level has been totally stopped since the company has been privatised. Only the position and status of some badhli and casual workers have been upgraded. Appointment of new officers is done in a selective manner. In the selection of officers, academic qualification, experience and performance of interviews are considered.
There are formal training programmes. At the workers level, on-the-job training is the only means. Officers are rarely sent abroad or in some training institute/academy for training within the country. Promotion is given on the basis of seniority and experience. Report of supervisor regarding the performance of an individual worker is considered while promoting a badhli worker to permanent worker or while giving bonus, incentives, and higher wage rate to him. Promotion of officers and staff are given on the basis of annual confidential report prepared by the respective higher authorities.

The company is very much sincere in providing financial and non-financial benefits both to the workers and employees. The management does believe that maximum benefits given to employee-workers ensures maximum output and better performance. Annual bonus, festival bonus, housing facilities, medical facilities, advances to workers are some of the measures provided in this regard. The company has welfare programmes like medical centre for better treatment, officers' and workers' club for entertainment, provident fund facilities, subsidised canteen facilities, schools, mosques and muktab (school for religious instruction) for educating children of employees and workers.

The labour-management relations prevailing in the company is highly co-operative and cordial. Earlier this relationship had been in the form of mutual distrust resulting in frequent labour unrest. The owner-management has developed and improved it to the present standard which is better for both company as well as for employee and workers. Two trade unions are functioning in it as representative authority of workers for making constructive
bargain with employers regarding the benefit and interest of the workers.

**Finance**

CJML is a private limited company therefore, it was not possible to collect information related to financial matters from secondary source such as stock exchange directly. The company management refused to disclose such information and the researcher had to rely on other type of information to assess the working of the finance function in the company.

During nationalisation all assets and liabilities of the company had been taken over by the Bangladesh Government and necessary working capital was supplied by the government and its financial institutions. No shares were issued for public subscription. This arrangement of finance continued till the company was restored to its original owner in the private sector. The present ratio of share capital between owner and government is 53:47. That means, controlling amount of share capital is held by owners and the rest is owned by the government.

The maximum amount of working capital is supplied by loan giving agencies and commercial banks on long term basis. Some special loans are sanctioned by the government. Other sources of finance are company's sales proceeds and reserves.

Like other business firms in the jute industry in Bangladesh, it is also incurring losses. This amount of loss, during nationalised phase, was very high. Under private management tenure the loss amount is reducing
gradually. The company could have earned profits but for the abnormal rise in wages, cost of raw materials, electric power etc. in one hand and reduction of jute goods price in the export market on the other. Virtually, the company is existing and persisting in its line of jute business only at the cost of Government subsidies. The management has made several effort to reap the benefits of recent R & D work done by different international bodies dealing with jute. With its non-traditional items, the company is hopeful of becoming financially and economically viable firm in the near future.

Future prospect

The CJML is one of the big jute goods manufacturing firms in private sector. It produces some new items of products along with conventional hessian, sacking and CBC. Like other jute firms, it is also a losing concern though reviving gradually. The financial liabilities during the period of nationalisation affects the companies' better performance to some extent. The management of the company opines that the firm could be made running as its products like yarn and twine have better export-market. The present owner-entrepreneurs are well concerned with the on going changes in demand pattern of jute products as well as the technological advancement in textile industry. They seek for congenial social, economical and political environment in which modernisation and diversification strategies could be implemented. These policies will be helpful for overcoming the problems of traditionality in product line. Meanwhile, some internal irregularities and adversities are tackled by the present private owner-entrepreneurs. The management of the company is optimistic about the future of CJML.
CHAPTER FIVE

CHANGING STRUCTURE OF INDIAN JUTE INDUSTRY

5.1 EVOLUTIONARY CHANGES

5.2 CHANGES IN MANAGEMENT AND OWNERSHIP PATTERNS

5.3 CHANGES IN MARKET CHARACTERISTICS

5.4 CHANGES IN THE STATE OF COMPETITION

5.5 CHANGES IN TECHNOLOGICAL DEVELOPMENT
CHAPTER V

CHANGING STRUCTURE OF INDIAN JUTE INDUSTRY

5.1 EVOLUTIONARY CHANGES

In the evolutionary process, Indian jute industry (IJI) has passed through four phases of introduction (1855), growth (1856-1950), maturity (1951-65) and decline (1966 onward till date).\(^1\) The move from one growth stage to the next is due to the impact of changes in the structure of Indian jute industry. The present study has considered evolutionary changes for the period since mid-sixties onward only as the earlier period could be safely assumed as being too remote to have any perceptible impact on the strategy formulation and implementation process for the jute companies presently.

5.1.1 The Phases of Growth

The IJI had reached the growth stage of maturity in terms of the number of jute mills, installed capacity, profitability, volume of foreign trade and foreign exchange earnings, etc. in the mid-1960s. The number of mills, looms and spindles increased to 112, 66000, and 129500 respectively.\(^2\) The industry flourished by earning huge amount of profit and foreign exchange, and many jute companies were able to declare handsome dividends and implement modernisation schemes. The IJI's contribution to the total foreign exchange earnings of the country, during this period, rose to about 23 per cent.\(^3\) Thereafter, a transition from maturity to decline stage started. The industry began to lose export markets to synthetic substitutes and to Bangladesh jute industry which emerged in
the global market as a major-exporter with its high quality jute products. Since 1970s the volume of jute goods exports declined as a whole by an annual compound rate of about 3.5 per cent⁴ and the share in total foreign exchange earnings reduced from the earlier figure of 23 per cent to only 3.3 per cent in 1981-82.⁵

The dramatic fall of jute goods demand in export markets has been replaced/substituted by a change in the consumption pattern from the overseas market to domestic market due to the rapid growth and increase in the production of food grains, sugar, cement, fertilizer, etc. which increased the requirements of gunny bags over the years. Despite favourable domestic demand, a serious crisis began to take shape in the jute industry in the early 1980s with more than half of jute mills running at losses and several closing down.⁶

In 1985, the number of jute mills came down to 69 with a total installed capacity for manufacturing about 14 lakh tonnes of different jute products. Of these, barely 42 mills were in production. While 21 mills have downed their shutters, 15 were believed to be incurably sick.⁷ The travails of IJI, attributed to official apathy, technological obsolescence, low productivity, growing competition from synthetics and frequent lock-out and strikes, have further aggravated the jute economy.

Since then, Government of India has supported the jute industry by means of economic as well as legislative measures. Some entrepreneurs of big business houses have also come forward, to revamp the age-old industry, with the help of a mix of strategies.⁸ They initiated the policy of merging vulnerable/sick jute mills with other viable
non-jute industrial units. Thus, the conglomerates of jute industry have started to fare better than those depending entirely on jute-based manufacturing.

Over the recent years, the overall condition of the industry has slightly improved. The number of closures has reduced from 21 mills 1985-86 to 15 mills in 1987-88 and now there are 67 jute mills in operation (as of 1990). The production of jute goods has increased by 16.3 per cent reaching 13.8 lakh tonnes in 1988-89 against 11.92 lakh tonnes in 1987-88. The production has further increased to 14.3 lakh tonnes in 1990-91 before declining to 13.4 lakh tonnes in 1989-90. Presently, the Government of India has initiated various policy packages and promotional measures for modernisation and product diversification and thus, make the industry viable and export-oriented.

5.2 CHANGES IN MANAGEMENT AND OWNERSHIP PATTERNS

The management and ownership patterns of IJI has also experienced some changes in both management and organisational structures which impacted policy making process of the industrial units under different circumstances at various time. The several changes seen in this component of jute industry structure are described separately under the following two sub-sections.

5.2.1 Ownership Pattern

Since its inception (1855), IJI had been under absolute private-ownership till late 1970s, either in the form of partnership or private limited or public limited company. Indian Jute Mills Association (IJMA) was established by the private sector mills in 1884 with a view
to safeguard and develop the Indian jute economy through maintaining harmonious relationship among the member units. Obviously, as a representative body of the private jute mills, IJMA's role was, and is, predominantly constructive and encouraging as it consists of a large number of jute mills.

But in response to changes in industrial practices and market trends mostly with the objective of rescuing some jute mills from the immediate closure, Government of India has taken over the ownership of only 6 jute mills. These units are nationalised under the provision of Jute Companies (Nationalisation) Act, 1980. Over the last couple of years as many as 13 mills have changed hands. Some of them have been taken over under cooperative ownership (e.g. New Central Jute Mills Limited at Calcutta), and others have been taken over by a new breed of trader turned owners.

5.2.2 Management Pattern

The changes in the management pattern of IJI was susceptible to the changes in ownership structure. Most of the jute mills in India were being managed under the managing agency system. Some Indianised European Companies and big business houses of India (Birlas, Goenkas, Bangurs, Kanorias and others) looked after the management affairs of most of the companies. This system prevailed till late 1960s. Thereafter, nationalised jute mills have been placed under the direct control and management of National Jute Manufacturer's Corporation Limited (NJMC). Workers' cooperative management system has been introduced in some mills. The rest of the mills are still under private management pattern. But, in every case more emphasis is put on the necessity of professional management to cope with everchanging business environment of jute economy.
5.3 CHANGES IN MARKET CHARACTERISTICS

The various components of Indian jute industry's market have undergone certain changes over the lifetime of the industry. The effect and direction of these changes are outlined in the following sub-sections.

5.3.1 Market Segmentation

As per market needs and preferences, IJI's markets were classified as international and domestic markets, mainly on the basis of geographical location during 1970s. The market segmentation was done in such a manner because IJI's foreign markets had a high level of trade transactions, profit, and foreign exchange earnings. Market segmentation based on quality, nature, and application of different items of jute products, has become pertinent in the subsequent period along with the change in market trends. But, due to the gradual decline of demand in international market segment, IJI has adopted a segmentation policy of giving more emphasis to domestic market rather than overseas market during the entire period of 1980s. Moreover, segments like non-traditional market, hessian and carpet backing markets, and consumer market are gaining strategic importance in the present market situation.

5.3.2 Users and Their Characteristics

Before the advent of synthetic packaging materials Indian jute products were mostly used by the overseas buyers/users like the USA, USSR, EEC countries, Japan and other developed countries. But since the beginning of 1980s all these overseas users except the USSR have recurred to the use of their own manufactured synthetic packaging materials and, at present, very small quantity of jute goods are used by them.
In the Indian domestic market, previously, a small quantity of jute products were used by domestic users as compared to foreign users. But now the users category has changed and a bulk of the quantity of products is used by domestic users like agricultural sector, and fertiliser, cement and sugar industries. The domestic users are under compulsion to use jute products for packaging as per the Mandatory Jute Packaging Materials Act, 1987.

5.3.3 Products and Their Demand Pattern

Till late-1970s IJI produced traditional products like hessian, sacking, and carpet backing whose demand was higher in the overseas markets. The overall demand for traditional jute products in the overseas market has gradually reduced over the eighties because of the inroads of synthetic substitutes and competition from low-cost producer-exporters. Product-wise demand analysis shows that hessian and carpet backing have a higher demand but sacking's demand is discouraging. In a research report, it has been computed that in 1955-56, hessian, sacking, carpet backing and other jute products accounted for 45, 50, 1.2 and 3.8 per cent respectively of the total Indian exports. Whereas, in 1985-86 these items constituted 55, 10.2, 27 and 7.8 per cent respectively. This means that the relative share of sacking declined by 39.8 per cent whereas the shares of hessian, carpet backing and other jute goods went up by 10, 25.8 and 4 per cent respectively. This change in product-wise demand is still underway.

Over the past few years, sackings' demand in the domestic market is picking up with the rapid growth of both agricultural and industrial sectors of Indian economy. The widespread domestic market at present can consume about 80
per cent of the total annual production. However, the non-traditional, value-added jute products like carpet, matting, furnishing fabrics, door mats, wall-coverings, bags, hammocks, briefcases, lamp shades, jute carpets and blankets, jute garments, geo-jute and various gift items are gaining ground in the internal as well as the global markets. But their existing demand is not yet sufficient enough to neutralise the declining demand of traditional items in overseas market. The domestic demand for different categories of jute products as projected in the 8th plan period (1990-95) is shown in Exhibit 5.1.

**EXHIBIT 5.1**

PROJECTION OF DOMESTIC DEMAND FOR JUTE PRODUCTS (1990-95)

('000 tonnes)

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<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hessian</td>
<td>140</td>
<td>145</td>
<td>150</td>
<td>155</td>
<td>156</td>
</tr>
<tr>
<td>Sacking</td>
<td>840</td>
<td>880</td>
<td>920</td>
<td>960</td>
<td>1001</td>
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<tr>
<td>Tarpanlin</td>
<td>165</td>
<td>180</td>
<td>195</td>
<td>215</td>
<td>235</td>
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<td>Decoratives and other Jute Specialities</td>
<td>10</td>
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<td>55</td>
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</tr>
<tr>
<td>Geo-jute</td>
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<td>4</td>
<td>5</td>
<td>8</td>
<td>10</td>
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<tr>
<td>Yarn and Twine</td>
<td>30</td>
<td>32</td>
<td>35</td>
<td>40</td>
<td>45</td>
</tr>
<tr>
<td>Canvas and others</td>
<td>15</td>
<td>17</td>
<td>19</td>
<td>20</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1203</td>
<td>1278</td>
<td>1359</td>
<td>1453</td>
<td>1556</td>
</tr>
</tbody>
</table>

Exhibit 5.1 shows that the Sub-Group on Jute Industry for 8th Five Year Plan (1990-95) seemed to be quite aware of the total potential of diversified jute products as well as the problems of their development and market promotion in the short-run. The group projected a modest growth rate of these products to the tune of 0.81 lakh tonnes by 1994-95 i.e. about 6 per cent of the total demand of jute production during the end of Eighth Five Year Plan.

5.3.4 Distribution Facilities

The IJI has maintained distinct distribution network separately for overseas and domestic market/buyers. In most of the cases, jute goods were sent directly from producer to the end users/consumers. There were exporters/shippers, dealers and agents also who acted as middlemen in the distribution channel. Some export trade was done with the agents of foreign buyers having their offices at Calcutta.

But with the fall in export trade and unremunerative price of jute products in overseas markets, bulk of the distribution is presently made through government authorities of NJMC and State Trading Corporation (STC) or their consortium. Simultaneously direct distribution is also done either by the individual jute mills or through Calcutta Jute Fabric Shippers' Association (CJFSA).

With regard to domestic market, distribution policy has changed over the last few years with the change of jute products demand from overseas to domestic market. Presently, jute products are distributed among different government agencies and mandatory users through Directorate-General of Supplies and Disposals (DGS&D), a supply department of the Ministry of Commerce, the Food Corporation of India (FCI), and other state food procurement agencies. The DGS&D lifts almost 40 per cent of the jute bags manufactured by IJI.
Another study reveals that DGS&D purchases jute bags to the extent of 2 lakh annually which form 25 per cent of total production of 8 lakh jute bags in a normal year.13

5.3.5 Pricing

In between mid-sixties and late seventies, due to the high demand of jute products in export market, IJI followed a cost-plus pricing approach which was more remunerative and profitable. But, the gradual decline in export-markets' demand, shortage of raw materials, orientation towards domestic markets, increase in production cost, competition from low-priced synthetic substitute, and entry of new competitor-exporters have adversely affected the price of jute products. Presently, Government fixes the price considering different aspects of overseas market situation. Minimum export price (MEP) is a commonly practised policy declared every year by the Government. This pricing policy is not at all remunerative and results in low profit margin.

The price of jute goods in the domestic market are quoted by the Gunny Trade Association (GTA). This price is followed by both the public and private sector units. GTA's formula for quoting price is based on the average prices of the previous months on the date of actual placing orders plus 5 per cent. There is no organised mechanism in pricing jute goods other than that for the traditional products.

5.3.6 Promotional Activities

The promotional activities of IJI have undergone a significant change over its life span. During 1960s and mid-1979s, IJI had an ensured widespread export market and it had adopted low profile promotional measures during that period. Over the last few years, however, it has initiated
different types of promotional measures suitable for the concerned markets. These measures are initiated at both the governmental and industry levels. Holding and participating in exhibition and export fairs, establishing liaison with importers and end users, sponsoring of delegation and commissioning of market surveys and commodity studies, launching of EMA and IMA schemes, financing R&D projects, encouraging product diversification policies, sponsoring advertisement and campaign in the USA's carpet backing markets, opening showrooms "SONALI" at Calcutta, Bombay, Hyderabad and Madras, etc. are a few examples of what promotional activities are functioning for the revival of the market as well as rejuvenation of the industry. Most recently Government of India has withdrawn, the cash compensatory support (CCS) on jute exports but instead an exemption of excise duty on jute products has been declared in the Union Annual Budget 1991-92. Jute Manufactures Development Council (JMDC), a national body for promotion of Indian Jute and jute products at home and abroad, is active in this regard.

5.4 CHANGES IN THE STATE OF COMPETITION.

The changes in the sub-factors described below would determine the total change in the state of competition which is one of the most important factors of the structure of the Indian jute industry.

5.4.1 The Major Players

In the perspective of world jute economy, Bangladesh was the main and only competing country till mid-1960s. That scenario has changed with the emergence of China, Thailand and Nepal in jute goods manufacturing and export business in 1980s. Now, these new entrants and the traditional
Bangladesh jute industry are the major competitors of IJI in the export sector.

Because of the traditional nature of production as well as distribution in the domestic market, the industrial units are not competing as such. The protected markets and stable domestic demand stemming from assured government purchases made them competitive only in the case of getting government's orders for jute bags. However, a mild competitive state prevails within the jute mills in the home market. Out of 67 jute companies now in operation, 6 companies may be designated as major players domestically on the basis of their strategic and economic performance. They are Hukum Chand Jute Mills Co. Ltd., New Central Jute Mills Co. Ltd., The Ganges Manufacturing Co. Ltd., Fort Gloster Industries Ltd., Samnuggar Jute Factory Co. Ltd., and Anglo India Jute Mills Co. Ltd.

5.4.2 Market Shares

The IJI's export market share reduced from 52 per cent to 38 per cent between mid-1960s to late 1970s. This share has further fallen to about 30 per cent over the last few years.

In the recent years, IJI's sales in internal market has gone up, which accounts for nearly 70 per cent of the annual total production. Quantitatively, while export of IJI has declined from 2.96 lakh tonnes in 1986-87 to 2.37 lakh tonnes in 1987-88 and further to 2.26 lakh tonnes in 1989-90 despatches in the internal market rose from 9.57 lakh tonnes in 1987-88 to 11.87 lakh tonnes in 1988-89 subsequently going down to 11.08 lakh tonnes in 1989-90.\textsuperscript{15}
5.4.3 The Major Buyers

The status of major buyers of IJI has changed, over the life period, from the overseas to domestic buyers. Till 1970s, the developed and industrialised countries of the USA, USSR, EEC countries and Japan were the major buyers in the export markets of IJI. They consumed collectively around 50 per cent of the IJI's total annual production. For the last few years, only the USSR has been importing Indian goods which account for about 50 per cent of the IJI's total annual production. Presently, the DGS&D, Food Corporation of India (FCI), and the Cement, Sugar and Fertiliser industries are the major buyers as they purchase almost the entire stock of jute products despatched in the internal market. Of the major buyers, cement industry consumes 20 per cent of the total products. Most recently, this industry has reduced its consumption of jute bags as it incurs a loss of Rs. 100 crore annually owing to seepage, lump formation, and other factors. The same resentment is shown by the fertiliser and sugar industries as they are also among the mandatory users.16

5.4.4 The Major Players

Till mid-1970s, the agriculture sector of the Indian economy, especially, the jute growing states of West Bengal and Assam often failed to supply the required quantity of jute for IJI. Particularly, bad harvest years and/or excessive order received by the industry compelled it to import the shortage quantity from Bangladesh. But, during the years after mid-1970s, the supply position of IJI has become self-reliant due to the governments' active policy of bringing more land area under jute cultivation as well as declaration of various incentive measures for the
jute-growers. In the recent years, Indian agricultural sector could provide more than 70 lakh bales of jute annually needed by the industry. JCI, IJMA and individual jute mills may procure raw jute from the growers level either directly or through their agents, dealers or purchasing centres located in the jute growing areas.

5.4.5 The Competitive Situation

During the period which extended up to the late 1970s when IJI was more export-oriented Bangladesh was the traditional and major competitor in export market. Bangladesh had competitive advantage over India in terms of product quality, cost-structure freight rate, trade condition etc., that resulted in a gradual squeeze in IJI's exports. The situation has further aggravated due to the entry of low-cost product-exporters like China and Thailand in the export-segments.

In such a competitive situation, IJI's export trade has become meagre and the industry is only sustaining due to the demand in the internal market. In domestic sector it is again competing with about 400 Synthetic packing materials manufacturing units. To face such an unavoidable competition, IJI is now trying to explore new markets for the diversified jute products in the overseas market instead of traditional items.

5.4.6 Export Market

In the early days of IJI its export market was large enough to consume about 80 per cent of the total production which came down gradually to just 30 per cent in the recent years. Value-wise export earnings over the last few years
have fluctuated between Rs. 250 crore to Rs. 300 crore which accounts for merely 2 to 3 per cent of the total foreign exchange earnings of the economy against more than 20 per cent between the period of mid-sixties and mid-seventies. A perceptible change is noticed in the buying pattern of foreign buyers. Earlier the USA, Japan and EEC countries purchased more jute products from India and, at present they are purchasing less. During recent years, the USSR has become the major foreign buyer purchasing a bulk of the exportable quantity of hessian and sacking. The USA and Japan are still buying more CBC from India.

Of late, IJI has taken ambitious policy measures to retain and restore its past role in the world jute goods market by exporting newly innovated and diversified value-added jute products which have a higher global demand potential. With this end as well as to create a pressure on the mills to increase exports in the coming years the Government, recently, direct that big exporters with exports of Rs. 5 crore per annum and a growth of 5 per cent of their products to General Currency Area (GCA) will be allocated 25 per cent of the total orders for B-Twill jute bags. The medium exporters are to raise by 3 per cent exports over their previous years exports and other mills will have to give an undertaking that they will export 3 per cent of their total production by 1991-92 to get the orders for sacking items from the government.

Meanwhile, several market promotion measures have been launched by the industry to penetrate into the export market segment. The recent devaluation of Indian currency and the chaotic shipment position in Bangladesh have shown a positive impact over the IJI's exports. Indian hessian products are now selling six to eight per cent cheaper as
compared to Bangladeshi goods, and demand for Indian CBC in the USA is picking up. All these factors indicate a change in the export market policy of IJI of moving from a passive to a more active approach to benefit from the export of jute goods.

5.5 CHANGES IN TECHNOLOGICAL DEVELOPMENT

The IJI's plant and machinery in use are old and based on obsolete technology. Efforts for modernisation and upgradation have been made at different times. But they were on a limited scale till late-1970s. The modernisation that was carried out during that period led to the introduction of high speed auto doffing sliver spinning system in place of rove spinning system and broad looms weaving system for only hessian product excluding sacking and CBC items. The finishing technique has remained the same. Several attempts initiated by the Government to upgrade technology have not made much headway.

The decline in exports of traditional jute products have prompted modernisation and upgradation and thus brought a shift in the pace of technological development. Since early 1980s, IJI has launched several technological development programmes through its different allied organisations namely Indian Jute Industry's Research Association (IJIRA), Jute Technological Research Laboratory (JTRL), Institute of Jute Technology (IJI), the Lagan Jute Machinery co. Ltd etc., that led to the introduction of fairly updated technologies. Examples of improved technology are circular looms in weaving process and rotor spinning and DREF spinning techniques for producing jute blended yarns and so on. For modernisation and diversification of jute products, the Union Government in 1986 sanctioned a Jute Modernisation Fund Scheme. Presently, the government has
liberalised the import policy for procuring new and modern technology from Western European countries. Thus, the technology of IJI is developing gradually but in a restricted manner.

5.5.1 Research and Development

The IJI had given little attention to R&D, either at the unit level or at the industry level till the beginning of 1980. The bad state of the industry has led to a change in attitude in this direction over the last few years. IJIRA has been activated so as to deal with the R&D work pertaining to the areas of product quality, manufacturing process, chemical and laboratory analysis of jute fibres and the like. The research results of IJIRA are implemented by the individual jute mill. The JMDC has patronised different research projects especially on marketing feasibility study of newly developed products of IJIRA and it coordinates the research programmes between the research organisation and the industry. To expedite the R&D programmes, JMDC has imposed a cess on various industrial jute units to fund the IJIRA. The geo-jute, JRP boxes for packing fruits, jute decorative laminates, jute blankets are some of the diversified jute products developed by the Indian R&D institutions. Individual mills have not yet developed separate R&D division within the organisation. But, with the support of the units, R&D activities at the industry level are being encouraged.

Overall, this historically significant industry of India has faced rough weather over the last several decades but with sustained efforts on the part of the individual units, industry, and the Government it could regain some of its past glory and contribute to the economic development of the country.
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CHAPTER SIX

CASE STUDIES OF INDIAN JUTE BUSINESS FIRMS

CASE STUDY 1: ALLIANCE MILLS (LESSEES) PRIVATE LIMITED

CASE STUDY 2: ANGLO-INDIA JUTE MILLS COMPANY LIMITED

CASE STUDY 3: NAIHATI JUTE MILLS COMPANY LIMITED

CASE STUDY 4: NEW CENTRAL JUTE MILLS COMPANY LIMITED

CASE STUDY 5: NATIONAL JUTE MANUFACTURES CORPORATION LIMITED
CHAPTER VI

CASE STUDIES OF INDIAN JUTE BUSINESS FIRMS

This chapter deals with the information and data collected from the sampled jute business firm of Indian jute industry through field survey. The information and data are compiled according to the factors taken for studying the impact of changing structure of jute industry on them. The case studies are described separately in the following sections.

CASE STUDY 1: ALLIANCE MILLS (LESSEES) PRIVATE LIMITED

Introduction

Alliance Mills (Lessees) Private Limited (AMPL) is a private sector jute manufacturing business firm. It was established in 1895 at Calcutta as a public limited company by the name of Alliance Jute Mills Company Limited. From 1989, it had been converted into a private limited company according to the provisions of the Joint Stock Companies Act, 1956. It is not a member of Stock Exchange Market. The traditional jute goods like hessian and sacking are only two items produced in this company. It has a total loom capacity of 1264 and spindles 27552. It produces, on an average, nearly 36,000 tonnes jute products in a year. The annual sales turnover stood at about Rs. 50 crore. It has an authorised capital amounting to Rs. 60 crore. The factory is run by electricity and the nature of the operation is highly labour-intensive.
AMP, whose original name was Alliance Jute Mills Company Limited, is one of the oldest business firm of the Indian Jute industry. As a public limited company, the company had been promoted and managed by British managing agency system. This managerial pattern existed till 1947. During the post-independence period, directoral management pattern had been in practice and continues till today though the original ownership and organisational structure have been changed from that of a public limited to private limited company. When the company was a public limited company, it had to issue shares to the public for subscription to raise capital. But, at present the AMPL does not issue shares to the public since it is a private limited company.

AMP's economic performance was satisfactory: earning a huge amount of profit, giving much more dividend to the shareholders, and handsome remuneration to the staff and workers. Since mid-sixties, due to the emergence of synthetic and paper-made packaging materials as substitute product of jute, the rate of profitability and growth of the firm have slowed down. After mid-sixties, AMP was again affected adversely owing to the increase in wage structure price of raw jute, and shrinkage of export market of jute goods. Further, there were strikes and lock-outs during the period from late-seventies to mid-eighties which made the profitability and growth stagnant. All these factors resulted in the ultimate closure of the firm because of the heavy amount of loss incurred.

The AMP has now regained its earlier status and undertaken new policy measures which have proved to be fruitful. Recently, the productivity and overall performance figures of the company have been showing an
upward trend. The company has no statutory liability. It is economically sound enough to meet the obligations to the Government, investors, loan giving agencies, and other interest groups. Its newly introduced products such as cement bags and A-twills bags for sugar are the leading items in product-line. The present owner of the company has a group of businesses. The synthetic bag manufacturing unit of the company helps in the production of jute bags for cement. Thus they are managing both the units of jute and synthetic manufactures not in a competitive but in a complementary manner.

Management Structure

The directorial pattern of management has been adopted in this organisation. The Board of Directors, comprising of six members, is the highest policy making body. Of the directors, two owner-directors are active and the rests are the nominees from the Government, financial institutions and the bankers. At the corporate level, there are seven functional executives (Exhibit 6.1) who are responsible for the implementation of policies and strategies formulated by the Board.

EXHIBIT - 6.1

MANAGEMENT STRUCTURE OF AMPL AT THE CORPORATE OFFICE.

Board of Directors

<table>
<thead>
<tr>
<th>Chairman and Managing Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Executive (Accounting)</td>
</tr>
<tr>
<td>1 Senior Executive (Raw Materials Purchase)</td>
</tr>
<tr>
<td>2 Senior Executive (Secretarial &amp; financing)</td>
</tr>
<tr>
<td>3 Senior Executive (Exports)</td>
</tr>
<tr>
<td>4 Senior Executive (Marketing)</td>
</tr>
<tr>
<td>5 Senior Executive (Commercial)</td>
</tr>
<tr>
<td>6 Senior Executive (Administration)</td>
</tr>
<tr>
<td>7</td>
</tr>
</tbody>
</table>
At the factory level, the organisational structure is headed by a person designated as Works Director. He is not a member of the Board of Directors. Under him there are other departmental heads looking after the activities of supervisors, foremen and workers.

The policy formulation device is a two-way mechanism. Sometimes the Board of Directors formulates policies on its own discretion without consulting the lower level executive managers. Alternatively, suggestions and recommendations are very often sought from the grass-root management people regarding the policy matters. This two-way system facilitates and encourages the middle and lower-level management in the implementation of policies and programmes. But in both the cases the middle and lower-level managers are accountable to the higher authorities for their activities.

Marketing

The company maintains a completely separate marketing division at the corporate office. Though marketing policies are chalked out at the Board level, a Senior Executive is heading the department of marketing and implements the policies. The company also has an export division which deals with overseas buyers and looks after all the aspects of export trade. AMPL produces jute items like hessian and sacking cloths and bags and jute twine. These products are used for packing and wrapping only. It makes 70 per cent and 30 per cent sales in the domestic and overseas markets respectively.

In the domestic market, Directorate-General of Supply and Disposal (DGS&D) which makes the purchase of jute goods on behalf of the Government is the main buyer. While sugar,
cement and fertiliser industries are other big buyers in the domestic market segment. USSR is the major foreign buyer. It has a high level of confidence in the quality of products of this company and hence is a regular and permanent.

AMPL's distribution policies are very simple. It sells directly to the end-users as they place orders for the goods themselves with the company. The company may contact the users like sugar, cement, fertilizer industries and other local buyers to finalise the ultimate sale. Some sale is arranged through dealers appointed by the company. Export is done through the merchant shippers/middleman or through STC.

Cost plus formula is applied in pricing jute goods. It is done by Gunny Trade Association (GTA) for the domestic market. Sick mill units are the main competitors of the company in the internal market as they remain satisfied with low margin or even with no margin to ensure their survival and, therefore, sell the goods at a non-remunerative price. This affects the other jute manufacturing units. AMPL has no formalised promotional strategies of its own. It maintains good contact with the prospective buyers so as to make them its permanent buyers. It offers credit facilities only to trusted buyers on the basis of the previous transactions. But, for the generic promotion it indirectly subscribes to the JMDC cess fund. This fund is utilised for the promotion and development of jute products and market. Apart from these measures, it also takes part in export fairs and exhibitions both within and outside the country.

Production

AMPL has its mills situated at Shamnagar on the left bank of the river Hooghly about 35 km north of Calcutta. Its
factory is electricity driven having an installed capacity of 1264 looms: hessian 767 and sacking 497. Presently nearly 80 per cent of the capacity is being utilised. Before its conversion into private limited company the production stood at 19,000 tonnes and at present it is producing about 36,000 tonnes per year. The factory and its machinery are very old, but the company has modernised the plant by replacing and overhauling most of the obsolete machines by the use of modern technology. It has installed new machinery imported from USSR. The company can manufacture most of the spare parts in its workshop except the sophisticated items which have to be imported from abroad.

To avoid loss of production due to the shortage of power and frequent tripping in supply of power, the company has set up a power generator within factory premises which is sufficient enough to generate about 60 per cent of the required power. It has the policy of keeping a sufficient amount of inventory stock of raw materials, stores and spares, and finished products.

As the raw materials constitute the maximum cost in the total cost structure, the company is very much conscious about its procurement policy of raw jute. During the course of data collection for writing this case study it was found that irregularity in the supply of raw jute is the most serious problem faced. To get rid of this problem, AMPL provides advances to the growers of jute to ensure the supply as well as to minimise the price fluctuation of the raw jute. Moreover, the company collects raw jute from the broker, trade-middlemen, or from the stock of Jute corporation of India (JCI). The company has an import licence to import raw jute in case of shortage in local supply.
To reduce the production cost, the company strictly observes every elements of the total cost. It rigidly follows the controlling devices. It always tries to minimise the wastage. The company has undertaken a poly-jute project where the byproduct and wastage are used as raw materials for manufacturing felt, a valuable jute goods item. The project is thought to be a viable project to produce more products other than the traditional items.

**Personnel**

The AIIPL is managed by a group of young and middle-aged executives. They are working in the corporate office. The company prefers professionals to handle the administrative and financial aspects of the business. At the middle-level and lower-level management the company has an enthusiastic and motivated workforce. This is the result of the sound personnel policies adopted by the company.

There are 5,000 staff and workers employed in the company out of which 725 staff are simultaneously working in both company's corporate and factory office. The other employees are workers working in the factory. Technical and professional posts are advertised and recruitment is done on the basis of academic qualification and performance in a written test and interview. No advertisement is given for the commercial positions. Owner-director appoint persons to these posts according to their own choice. Criteria like family background, supervisor's/forman's recommendation are considered while recruitment of workers is done.

Normally, government's pay scale is followed in remuneration policy. Worker's wage rate is determined through negotiation between the employer and worker. In almost all cases government's wage policy is taken as the
yardstick. On average, a worker of AMPL is given ₹ 2,000 per month. Besides this, the company provides bonus and other financial incentives to both staff and workers. Several types of welfare measures are undertaken for the staff and workers. The company has some statutory training programmes for the officers but the workers' training is mostly on-the-job in nature.

The workers of AMPL have proved an exemplary commitment to the company. They are not involved in any destructive activities against the employer. The labour-management relation prevailing in this industrial unit is amicable. The company's policy of setting industrial disputes by mutual discussion has proved to be fruitful. It helps to make the labour management relationship cordial.

**Finance***

The AMPL has an authorised capital amounts to Rs. 60,00000 and subscribed and paid up capital of Rs. 45,00,000. Most of the shares are held by the owners and their relatives. Financial institutions and banks are providing long and short-term loans to meet the needs of working capital. The annual budget prepared functional executives is approved by Board of Directors. The budget is flexible to accommodate any future change in it.

The company had exhibited a good performance in terms of profit, dividend, interest, contribution to government revenue etc., during the early days of the company's tenure of life as a public limited company. Since mid sixties the profit margin has started dwindling and the downtrend

*Being a private company, the officials of the company did not provide the financial information. It did not even show the copy of the latest annual report of the company. Thus, it is not possible to trace out financial performance of the company explicitly.
continued up to mid-eighties. For the last two years, the company is earning profit and its production has also increased. The yearly turnover has reached at about Rs 50 crore in the year 1989-90.

Future prospects

The AMPL gets a new life after its conversion into private limited company. The new owners are showing much interest in jute manufacturing business and accordingly they are investing sufficient fund for modernisation and installation of new plant and machinery. Moreover, they have shown interest in adopting and implementing product diversification programme in response to the latest announcement of Indian Government. There is no report of big amount of financial loss over the years 1988-89 and 1989-90. The owners and management personnel of the company are expecting a healthy growth in future.

CASE STUDY 2: ANGLO INDIA JUTE MILLS COMPANY LIMITED

Introduction

Anglo India Jute Mills Company Limited (AJMC) was founded in 1917 at Calcutta by a group of Britishers with the objectives of manufacturing and selling of jute products and thereby earning profit. It was under the managing agency system for a long period of time. At present, the company is a public limited company managed on the directorial pattern. It owns two mills situated at Kankinarrak on the left bank of the river Hooghly about 22 miles north of Calcutta.

AJMC is one of the jute manufacturing firms of the private sector of Indian jute industry. Being a public limited company it is a member of Stock Exchange Market. The
company has an authorised capital of ₹ 3 crore and subscribed and paid up capital of ₹ 1.82 crore. Its annual sales turnover stood at ₹ 40.32 crore in 1989-90. AJMC was a leading jute manufacturing firm over a long period of time till the mid-sixties. After that, its economic performance started fluctuating when losses outweighed the profits for most of the years. In the later part of eighties, its financial position became so poor that the unit was declared as a sick unit according to provisions of the Sick Industrial Companies (Special provisions) Act, 1985. The Board for Industrial and Financial Reconstruction (BIFR) is now assisting the company through the rehabilitation and modernisation programme of the Government for the sick units. Presently, the company is in the turnaround phase. It earned profit for the year 1988 and 1989 though it sustained losses in 1990.

History and Growth

AJMC came into being in 1917 as a public limited company as per the Joint Stock Companies Act, 1913, later amended in 1956. It was initiated and promoted by a British business group, Duncan Brothers and Company Limited. After the end of British rule in India in 1947, most of the British companies either closed down or sold their business interests to the Indian business community. However, Duncan Brothers and Company is still persisting in jute business along with other lines of business with full enthusiasm like other Indian business groups. Duncan Group takes an active part in the industrialisation programmes of the Government of India. At present the group is more known as Goenka Group of Industries.

Primarily, hessian and sacking were the two jute goods produced by the company. These products had a high
demand in both internal and external markets. The company, therefore, had to utilise the maximum capacity of production. It earned enormous profits, declared handsome dividends to shareholders, gave maximum monetary, economic, and social benefits to the staff and workers, and contributed a big amount to the government exchequer in the form to taxes and revenues. Moreover, it earned a substantial amount of foreign exchange.

AJMC's life-cycle entered into the growth stage during the period of 1917-1945 which was characterised by a gradual increase in production and sales volume, cash-flow problems and little losses. It entered the stage of maturity in between mid-fifties and mid-sixties. During this period, AJMC expanded its capacity with the rise of production, distribution and profit. That period was the golden age for the 'Golden Fibre'. Due to the introduction of synthetic substitutes in the mid-sixties, the profitability of the jute industry as a whole and AJMC in particular declined. Despite the substitution effect, AJMC had earned profit till 1981. Since then, its short-run cost increased as the wages and the cost of fuel, raw materials and other inputs rose sharply and the company had to incur losses for the subsequent period. Its future had become uncertain. In view of the doubtful prospects of the jute industry, the company even disposed of the lower mill consisting of 65 frames and ancillary machinery, land and building in 1986 for a sum of Rs 2.40 lakh.

Because of adverse debt-equity ratio and current ratio, and heavy burden of loan/credit and of expansion of cumulative loss figures, the AJMC has been identified as a sick unit according to the provisions of the Sick Industrial Companies Act, 1985 in 1987-88. At present, the company is
undertaking business activities and formulating policies under the guidelines of rehabilitation and modernisation scheme of BIFR. The strategies formulated are focused mainly on survival of the company with some diversification programmes. For the last two years, it is showing better results and is hopeful of regaining a viable position in near future.

Management Structure

AJMC, being a public limited company, has the Board of Directors (BoD) responsible for the formulation of long-term policies and strategies as the highest body of the organisation. The BoD consists of nine members headed by a Chairman. Three members are the nominees from Industrial Finance Corporation of India (IFCI), Board for Industrial and Financial Reconstruction (BIFR) and State Bank of India (SBI). One of the director has been entrusted with the overall management of the firm who is designated as the wholetime Director. At the corporate office, the President is the overall incharge of the Head offic. He is a salaried executive. Under him, there are functional managers like Production Manager (Office), Production Manager (Diesel Engineering), Production Manager (Mill Office), Manager (Raw Materials), Manager (Sales), Manager (Stores and Purchase), and Secretary and Senior Manager (Accounts, Finance and Secretarial). These functional managers are assigned by other officers and staffs.

At the factory level, Production Manager (Mill Office) is the Principal Officer and he undertakes the responsibility of activities related to production. He has supervisors, foreman and other technical staff to assist and
cooperate with him. Moreover, one part-time Production Manager has also been appointed to expedite manufacturing process at the time of full capacity utilisation so as to satisfy the customer orders.

Marketing

AJMC produces and distributes all traditional jute items used for packaging purpose. The marketing policies, therefore, formulated by the Company with regard to different elements like product, price, promotion and distribution are more or less customary and simple. The Government of India, and the sugar, cement and fertilizer industries are the major users/buyers of sacking item in the domestic market-segment. Hessian, carpet backing colth and yarn are sold in bulk in the export market leaving a small portion for the domestic market's consumption.

Although the marketing policies are formulated by the Board, the implementation is done by the Sales Manager with three Assistant Sales Managers working at the Head Office. Sales Manager is responsible for marketing functions and reports to the President. All sales in the domestic market comes under the jurisdiction of the Sales Manager. The company has a separate shipping business firm to handle export trades.

AJMC distributes its goods in the local market by two different channels of distribution. Either it makes direct sale or it takes the services of trade middlemen in between the producer-customer channel of distribution. Most of the time, its shipping firm arranges export by making personal contact with the overseas buyers. Moreover, State Trading Corporation (STC) also takes the responsibility of exporting its items. Cost-plus policy is applied in pricing the
products which is fixed by the Gunny Trade Association (GTA). Goods for overseas market are priced by Shipper's Association through quotation system. The company sells 70 per cent of the total sale in the local market and 30 per cent in the overseas market. Exports are mostly made to USSR and special yarn are sent to Europe and Canada. Efforts are on to explore possibilities to export to the Japan, USA, and African countries. The company has earned Rs. 5.53 crore from export trade in 1989-90 (Exhibit-6.2).

AJMC's promotional activities are performed by JMDC like for all other units. It participates in the exhibition and export fairs organised by different authorities both within and outside the country. It sends business executives abroad to explore probable new markets for the products.

Exhibit-6.2

Distribution of Jute Goods of AJMC

<table>
<thead>
<tr>
<th>Year</th>
<th>Distribution/Sale Total Quantity (tonnes)</th>
<th>Distribution/Sales (Rupees in Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Domestic</td>
</tr>
<tr>
<td>1979-80</td>
<td>N.A.</td>
<td>23.22</td>
</tr>
<tr>
<td>1980-81</td>
<td>N.A.</td>
<td>22.88</td>
</tr>
<tr>
<td>1981-82</td>
<td>N.A.</td>
<td>21.24</td>
</tr>
<tr>
<td>1982-83</td>
<td>N.A.</td>
<td>23.16</td>
</tr>
<tr>
<td>1983-84</td>
<td>56,478</td>
<td>30.90</td>
</tr>
<tr>
<td>1984-85</td>
<td>50,724</td>
<td>40.36</td>
</tr>
<tr>
<td>1985-86</td>
<td>80,839</td>
<td>70.37</td>
</tr>
<tr>
<td>1986-87</td>
<td>45,413</td>
<td>26.86</td>
</tr>
<tr>
<td>1987-88</td>
<td>37,461</td>
<td>27.03</td>
</tr>
<tr>
<td>1988-89</td>
<td>23,739</td>
<td>17.92</td>
</tr>
<tr>
<td>1989-90</td>
<td>35,069</td>
<td>34.79</td>
</tr>
</tbody>
</table>


N.A. : Not available
Production

The management structure for the production function at AJMC consists of three regular and one part-time production managers. The three regular production managers are engaged in corporate office, mills office and in the diesel engineering section while the part-time production manager acts in the case of urgency. The location of plant is very suitable from the view point of availability of electricity, transport and communication, carriage of jute and jute goods by river and discharge of effluents, dust and fume to keep the industrial environment healthy. The range of manufactures, presently includes scrim cloth, hessian cloth, hessian bags, carpet-backing cloth, bright hessian, fine hessian yarn, and Russian sugar bags. The mill has an installed capacity of hessian 521, Sacking 415 and broad looms 214 making a total of 1250 looms. On the basis of annual production, its licensed, installed and actual productivity stood at 32,699 tonnes 42,759 tonnes and 33,854 tonnes respectively as on 31st March 1990.

The productivity of the company indicates a downward trend as shown in Exhibit-6.3.

The company consumed more than 50,000 tonnes of raw jute per annum in the early-eighties. The quantity reduced sharply during the subsequent periods. It consumed 23,244 tonnes of raw jute in 1988-89 and 34,883 tonnes in 1989-90. It procures raw jute either by its agents or from the stock of JCI. Being a sick unit it gets maximum supply from JCI.

The factory of the company is very old. Modernisation of the preparatory and spinning sections of one of the mills has been completed and has been fully equipped with modern sliver spinning machinery in 1960. Formerly, it had no broad
Exhibit-6.3

Production of Jute Goods from 1979-1990

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (Tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979-80</td>
<td>43,251</td>
</tr>
<tr>
<td>1980-81</td>
<td>53,528</td>
</tr>
<tr>
<td>1981-82</td>
<td>52,015</td>
</tr>
<tr>
<td>1982-83</td>
<td>53,613</td>
</tr>
<tr>
<td>1983-84</td>
<td>53,937</td>
</tr>
<tr>
<td>1984-85</td>
<td>43,577</td>
</tr>
<tr>
<td>1985-86</td>
<td>73,274</td>
</tr>
<tr>
<td>1986-87</td>
<td>46,935</td>
</tr>
<tr>
<td>1987-88</td>
<td>37,505</td>
</tr>
<tr>
<td>1988-89</td>
<td>23,746</td>
</tr>
<tr>
<td>1989-90</td>
<td>33,854</td>
</tr>
</tbody>
</table>


looms used for producing CBC. Addition of broad looms was done in the later period. Modernisation and renovation of the preparatory, spinning, and winding machines were also made in the subsequent years of 1977, 1980 and 1981 with the financial assistance from IFCI, ICICI and IDBI. The modernisation, however, failed to bring any spectacular change in the process of new diversified products. Presently, the company has again undertaken a modernisation policy to produce diversified, non-traditional jute products under the Modernisation and Rehabilitation package of the Government for sick unit.

AJMC has R&D project at the mills in conjunction with UNDP and IJIRA. Research project is carried on bleaching,
dyeing and finishing of jute products with special emphasis on developing curtains, upholstery, soft luggage, and apparel materials. Further research has been done towards dimensional stability. Dyes are selected specially for light and washing fastness. Meanwhile, the company has developed those non-traditional products for which marketing tests have been done by JCI. This is a breakthrough for speciality jute products as distinct from the conventional packaging usage.

**Personnel**

AJMC has developed an informal but cordial relationship between and among the management staff and workers through a sound personnel policy adopted at the corporate level. This policy ensures much more economic and non-economic incentives and benefits for the employees and workers. Personnel working in the different categories are more qualified and experienced. The recruitment at officer and staff level is done through interview where academic career, past experience, intelligence and aptitude are strictly observed. Workers are recruited from the family members of some conventional textile workers. Casual or temporary workers are subsequently made permanent. A recommendation from the supervisor is necessary and considered important for this purpose.

The company has no training arrangement of its own, but it has a provision for higher level executives to participate in seminar and symposium, organised by different authorities, to provide skills and knowledge in their respective field. Workers are imparted on-the-job training and the technicians are sent to undergo training in the Jute Technology Institute for developing the expertise.
The remuneration policy of AJMC is more or less commensurate with the pay scale structure of the State and Union Governments as well as the service rules of the Joint Stock Companies Act, 1956. Workers are paid as per the rate of wages prescribed by the Indian Jute Mills Association (IJMA). Other facilities and fringe benefits are also provided, as per rules of the service, to the workers and staff. Promotion is given on the basis of seniority and experience. The annual confidential report made by the higher authority is considered for promoting officers and staff, and efficiency and recommendation of supervisor are considered in the case of promotion of workers.

The labour-management relation, at present, is claimed to be intimate and cordial but during the general strike, the factory remained closed for 49 days in 1979 and 83 days in 1984. Due to lock-out, the production in the mill was again stopped for 100 days in 1986-87 and 131 days in 1988-89. This sort of industrial disputes resulted ultimately in the poor performance of the company and thereby made the company sick. Now, both management and workers have realised the consequences of having an antagonistic attitude and, therefore, both sides are mutually agreed upon to develop and maintain a good and healthy industrial relations environment.

Finance

AJMC's authorised capital amounts to Rs. 3 crore and paid up capital to Rs. 1.82 crore. Earlier the company was in a position to pay dividend to the shareholders. Since 1980, payment of dividend has become irregular due to bad economic performance. The company has been incurring losses for several years, and production and sales have reduced.
substantially. Because of all adversities, the firm has been declared sick-unit. Now, the company collects its necessary working capital from different financial and loan-giving agencies prescribed by BIFR under its package of Modernisation and Rehabilitation of sick unit.

The authorities like State Bank of India have provided loans (secured by hypothecation of raw materials and finished goods, stock-in-progress, stores, Book Debts and other assets). Industrial Finance Corporation of India (IFCI), the Industrial Credit and Investment Corporation of India (ICICI), Industrial Development Bank of India (IDBI) and Life Insurance Corporation of India (LIC) provide both short and long-term loans to the company for meeting the needs of working capital. It obtains foreign currency loan from the Industrial Credit and Investment Corporation of India Limited. Apart from these sources the company gets working capital from its sales proceeds.

The Profit and Loss statement of the company for the year ended 31st March 1990 shows an unsatisfactory result with a loss amounting to Rs. 247 lakh (Exhibit 6.4). The main contributing factors for this loss have been unprecedented rise in the price of raw jute, adverse trading conditions during major part of the year, continued shortage of working capital, and consequent under-utilization of capacity. Although the financial institutions and banks have also brought in additional contribution of Rs. 20 lakh, the problem of stringency in the working capital could not be solved due to sustained cash losses. The company's request for need-based additional Letter of Credit facility from SBI to tide over this situation has not materialised. However, the company has taken different policy measures to overcome its financial problems. The reserves and surplus
EXHIBIT - 6.4
PROFIT AND LOSS STATEMENT OF AJMC (1979-90)

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit/Loss (Rs. in Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979-80</td>
<td>71.71</td>
</tr>
<tr>
<td>1980-81</td>
<td>51.35</td>
</tr>
<tr>
<td>1981-82</td>
<td>(59.51)</td>
</tr>
<tr>
<td>1982-83</td>
<td>(123.98)</td>
</tr>
<tr>
<td>1983-83</td>
<td>(176.45)</td>
</tr>
<tr>
<td>1984-85</td>
<td>24.77</td>
</tr>
<tr>
<td>1985-86</td>
<td>(125.56)</td>
</tr>
<tr>
<td>1986-87</td>
<td>(232.37)</td>
</tr>
<tr>
<td>1987-88</td>
<td>166.00</td>
</tr>
<tr>
<td>1988-89</td>
<td>263.85</td>
</tr>
<tr>
<td>1989-90</td>
<td>(247.00)</td>
</tr>
</tbody>
</table>


of the company now stands at Rs. 6.95 crore. The cumulative debit balance of Profit and Loss Account carried forward is about Rs. 11.96 crore against Rs. 9.34 crore for the year ended 31st March 1989. The company is, gradually, reducing the amount of losses and adjusting the profit against the previously accumulated losses.

Future Prospects

The AJMC deserves a better future prospect if compared with the business activities of other jute manufacturing firms. With all adverse situations both in domestic and international jute goods markets, AJMC is
earning profit. It has already launched modernisation and diversification strategies which other companies are still considering. As an industrial unit of a large business group, it enjoys several extra facilities like finance, access to markets etc. The management of the company firmly believes that the introduction of new products in product line like lightweight sacking and fabrics, yarn, twine and non-traditional items would enable the company to restore its past glory in future.

CASE STUDY 3: THE NAIHATI JUTE MILLS COMPANY LIMITED

Introduction

The Naihati Jute Mills Company Limited (NJMCL), a public limited company in the private sector of Indian jute industry, was founded by British entrepreneurs in 1905 at Calcutta. It was under the Bird and Company, a managing agent holding nine jute manufacturing units, since its inception to 1958. Bhagat Group has taken over this unit in 1958 and till date, it is managed and owned by them. The company's former registered office was destroyed by fire in January 1974 and the present registered office is located at 7, Hare Street, Calcutta 700 001. It has its mill situated on the left bank of the River Hooghly at Hazinagar, Naihati, about 27 miles north of Calcutta.

The NJMCL has an installed looms capacity of a total of 766 looms (Hessian 504, Sacking 118 and Broad looms 144), which should produce more than 30,000 tonnes of jute products. The average actual production per annum is about 26,000 tonnes. It consumes nearly 28,000 tonnes of raw jute per year which costs more than Rs. 16.53 crore. The annual sales turnover of the company is nearly 29,000 tonnes valued
at Rs. 32.9 crore. It earned Rs. 8 lakh after taxes and depreciation charges and contributes as much as Rs. 198 lakhs to the exchequer by way of taxes and duties. It has export earnings of Rs. 3.6 crore per annum as in 1989-90.

The NJMCL is producing jute items namely hessian, sacking and CBC which are conventional packaging materials. Presently, under the modernisation and rehabilitation scheme of the Government of India, the company has felt it necessary to make provisions for the manufacture of a number of value-added products to further improve the profitability. The capital structure of the company shows an amount of Rs. 149.98 lakh as authorised and Rs. 87.98 lakh as subscribed and paid up capital. The working of the unit had been good till early-eighties but suffered a set back in mid-eighties and is showing upswing trend again for the last few years.

**History and Growth**

It is evident from the date of inception (1905) that the NJMCL is an old company. Established, promoted and managed by British business entrepreneur, the company's progress, growth and development had arrived at the peak marked by full capacity utilisation, high production, profits and dividend. It showed good results even after the British managing agent, Bird & Company handed it over to the Indian Business family, Bhagat Group. The Bhagat Group had taken over the unit in 1958 and is still owning and managing it. The Group has some other businesses and has long experience of handling jute products.

The NJMCL was run profitably for a long period of time till the mid-sixties. This performance was affected by
the onslaught of synthetic substitute packaging goods. The period of seventies and mid-eighties were again characterised by adversities like strike, lock-out, uneconomic prices of jute goods both in the internal and overseas market, rising costs, unscheduled power cuts, and shortage of working capital. Although production in some years increased, the working result was a loss because of continuous increase of production costs on the one hand and depressed selling price of jute products on the other. The amount of losses, ultimately, has increased in such a way that the cumulative debit balance of the profit and loss account of the company stood at nearly Rs. 8 crore in 1987. Moreover, the current ratio, debt-equity ratio and other performance criteria were adversely affected which led to the final closure of the company in 1985. It has been revived by the Board for Industrial and Financial Reconstruction (BIFR). Now, the company is functioning well. For the last two years, it was earning profits. It has attempted to reduce the cumulative losses through adjustment of current year's profit.

Management Structure

The NJMCL is managed under the directorial pattern where Board of Directors is the highest body for formulating overall policies and strategies. The Board consists of eight members either elected by the general body or nominated by the various authorities involved in different business activities of the company. The Board is headed by a Chairman who possesses no executive power. The owner-manager Mr. J.K. Bhagat holds the position of Managing Director. He is, in fact, the active director and he administers all the affairs of the company. Three directors are nominated by the banker, financial institution, and BIFR. Other members are appointed by the company.
The management structure at the corporate office comprises executives and managers headed by a Chief Executive (Exhibit - 6.5). The Chief Executive is responsible for the day-to-day managerial functions of the firm. He executes the policy and programmes of the Board, and directs and controls the activities of other administrative officers and staff both at the head office and at the factory level. The Chief Executive is in a position to place different suggestions and recommendations before the Board for approval. Functional senior executives discharge their duties under the guidelines laid by the Board and Chief Executive. They enjoy very less autonomy in taking decision at their discretion. The General Manager (Mills) is in close touch with the workforce engaged in the factory premises. There are supervisors, foremen and workers under his control. He is responsible for all activities relating to the manufacturing process.

EXHIBIT - 6.5

MANAGEMENT STRUCTURE OF THE NJMCL

<table>
<thead>
<tr>
<th>Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>M.D.</td>
</tr>
<tr>
<td>(Secretary)</td>
</tr>
</tbody>
</table>

Chief Executive

<table>
<thead>
<tr>
<th>General Manager (Mills)</th>
<th>Senior Manager (Purchases)</th>
<th>Senior Manager (Sales)</th>
<th>Senior Manager (Finance &amp; Accounts)</th>
<th>Senior Manager (Stores &amp; Admin.)</th>
<th>Senior Manager (Finance &amp; Accounts)</th>
<th>Senior Manager (Stores &amp; Admin.)</th>
<th>Senior Manager (Finance &amp; Accounts)</th>
<th>Senior Manager (Stores &amp; Admin.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>Senior</td>
<td>Senior</td>
<td>Senior</td>
<td>Senior</td>
<td>Senior</td>
<td>Senior</td>
<td>Senior</td>
<td>Senior</td>
</tr>
<tr>
<td>Executive (Mills)</td>
<td>Executive (Purchases)</td>
<td>Executive (Sales)</td>
<td>Executive (Finance &amp; Accounts)</td>
<td>Executive (Stores &amp; Admin.)</td>
<td>Executive (Finance &amp; Accounts)</td>
<td>Executive (Stores &amp; Admin.)</td>
<td>Executive (Finance &amp; Accounts)</td>
<td>Executive (Stores &amp; Admin.)</td>
</tr>
<tr>
<td>(Mills)</td>
<td>(Purchases)</td>
<td>(Sales)</td>
<td>(Finance &amp; Accounts)</td>
<td>(Stores &amp; Admin.)</td>
<td>(Finance &amp; Accounts)</td>
<td>(Stores &amp; Admin.)</td>
<td>(Finance &amp; Accounts)</td>
<td>(Stores &amp; Admin.)</td>
</tr>
<tr>
<td>(Mills)</td>
<td>(Purchases)</td>
<td>(Sales)</td>
<td>(Finance &amp; Accounts)</td>
<td>(Stores &amp; Admin.)</td>
<td>(Finance &amp; Accounts)</td>
<td>(Stores &amp; Admin.)</td>
<td>(Finance &amp; Accounts)</td>
<td>(Stores &amp; Admin.)</td>
</tr>
</tbody>
</table>
Marketing

The NJMCL has no separate division/departmet in the name of marketing. It maintains a sales department headed by a Senior Executive. The Senior Executive implements marketing policies formulated by the Board. In some cases his suggestions are sought by the Board in the policy-making process. The company considers the impact of substitute products, competing producers, Government policies, prospective market segments, and other allied factors in adopting the marketing plan for the jute products.

The former product policy of the company: to produce traditional items of sacking and hessian; was supplemented by the production of carpet backing cloth (CBC) according to the needs of overseas market segment in the early-sixties. Presently, its product policy is focused on the production of value-added jute and jute-blended items like Geo-jute, Union fabric, decoratives, apparel, wall coverings, mats etc. As the implementation of present policy is time bound, the company's policy of producing conventional items are still followed to meet the internal markets demand for packaging materials. It sells more than 80 per cent of jute products in the domestic market and the rest in overseas markets (Exhibit 6.6).

EXHIBIT 6.6
DISTRIBUTION OF JUTE GOODS BY THE NAIHATI JUTE MILLS CO. LTD.

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity (M.T.)</th>
<th>Price (Rs. in lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local market</td>
<td>Export market</td>
</tr>
<tr>
<td>1987-88</td>
<td>20,258</td>
<td>4,679</td>
</tr>
<tr>
<td>1988-89</td>
<td>23,359</td>
<td>3,082</td>
</tr>
<tr>
<td>1989-90</td>
<td>23,921</td>
<td>4,960</td>
</tr>
</tbody>
</table>

The distribution of products is either made directly or through trade middlemen in the local market while export is done either by Shippers or through STC/NJMC consortium. Cost plus formula is applied in pricing goods for domestic market segments. Export price is quoted by Shipper's Association through quotation. Government of India and mandatory jute goods users (i.e. sugar, and fertilizer industries) are the principal customers in the domestic market while USSR is the principal foreign buyer. It sells goods to other European countries also. Market promotion measures are undertaken by JMDC/JCI for the NJMCL. It has no specific promotional programme for itself. Newly introduced diversified products are exhibited in the international fair and local exhibitions through the company's participation.

Production

The location of the NJMCL factory is ideal. The layout of the plant is systematically and orderly arranged to ensure a better working environment. The company is manufacturing jute items like hessian, sacking, CBC, twine and fine yarn. Recently it set up a project for manufacturing fine yarn which is going under production very soon. It has already bought two machines for the same purpose.

Procurement of raw jute is done by the purchase department of the company. A Senior Executive is heading this department who purchases the required quantity of raw jute either from the jute growers or from the JCI. Virtually, JCI ensures the maximum raw jute supply as the unit is still treated as sick. It has consumed raw materials amounting to 28,705 tonnes in 1989-90 against 26,938 tonnes in 1988-89 which is valued at ₹ 1,682 lakh and ₹ 1,165 lakh respectively. The installed capacity of the firm is 31,000 tonnes in 1989-90 against 29,300 tonnes in the previous year. But the actual production rose at 27,443 tonnes in
1989-90 against 25,633 tonnes in previous year (Exhibit-6.7). The percentage capacity utilisation has increased from 84 to 88 per cent in the last three years.

**EXHIBIT- 6.7**

**CAPACITY STATISTICS OF THE NJMCL**

<table>
<thead>
<tr>
<th>Year</th>
<th>Licensed Capacity</th>
<th>Installed Capacity</th>
<th>Actual Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987-88</td>
<td>500 (H.P)</td>
<td>29,300 tonnes</td>
<td>24,625 tonnes</td>
</tr>
<tr>
<td>1988-89</td>
<td>500 (H.P)</td>
<td>29,300 tonnes</td>
<td>25,633 tonnes</td>
</tr>
<tr>
<td>1989-90</td>
<td>500 (H.P)</td>
<td>31,000 tonnes</td>
<td>27,443 tonnes</td>
</tr>
</tbody>
</table>


In 1987-88 the company had imported modern high speed ATPR looms from USSR and put them into production. The quality of the woven fabric on ATPR looms is much superior. Productivity of these looms is high as compared to ordinary looms. Also the ratio of man-machine in this loom is only 50 per cent of the ordinary looms. Some other technological absorption, adaptation and innovation programmes are being undertaken under the modernisation and rehabilitation package of the government.

There is not much of Research and Development work in the unit itself. However, Indian Jute Industries Research Association (IJIRA), of which company is a member, is doing research and development work for the company. Its project for diversified jute goods is under active consideration.
Personnel

Personnel department of the NJMCL has been put under the management and control of a senior executive. Like other functional areas, personnel policies are also formulated at the corporate level. The Senior Executive (Store and Administration) only carries out the orders of executing these policies with other staff members. A small number of staff and workers are recruited to avoid the overmanning problem. Young but professional executives are recruited as officers and staff after proper scanning through interview and different tests. Workers are employed on the basis of recommendation of supervisors and foremen. Most of job-seekers at this level are, in fact, the casual and temporary workers who have already had a long association with the company. The people at officer, staff and workers level are compensated as per the prescribed rules of the government, Companies Act, 1956, and of IJMA wherever applicable. Other admissible benefits and allowances are also provided for the staff and worker.

Seniority, experience and efficiency are the factors considered in the promotional policies of the company. The employee concerned is given status and higher pay scale on promotion. Where Status is not given due to the paucity of next higher post after the expiry of scheduled period, remuneration commensurate with that post is provided to him. Pension, gratuity, provident fund facilities and other welfare measures are provided by the company.

There is little scope for training of the staff and worker. It has no training centre. The workers take on-the-job training from their supervisor or senior colleagues. Executives and officers are permitted to
participate in seminar and symposium arranged by different authorities both inside and outside the country. Technical persons are sent to Jute Research Institute for gaining more expertise. The company continues to enjoy cordial industrial relations throughout. In the recent years, officers and workers have shown a higher degree of commitment to the company which has resulted in the increase of production and profit.

Finance

The activities relating to finance is dealt with by the senior executive in charge of finance and accounts. Financial policy decisions taken in the Corporate office are implemented by the Senior Executive (Finance) with his other subordinate-staff. The capital for the Company is arranged by issuing shares to the public and promoter-directors. The authorised capital of the company is Rs. 1,49,98,900 and paid up capital is Rs. 47,48,900 as shown in the annual report 1989-90. The amount of paid up capital is low to meet the financial demand of the company. Therefore, it takes money from some other sources like financial institutions and banks.

The NJMCL had no deficiency in finance till the later part of seventies. Financial problem have become acute only in the mid-eighties because of the change in cost structure, sluggish demand in both internal and overseas markeet, have resulted in huge losses. After the declaration by BIFR as a sick unit, the company was provided with secured and unsecured loans. The financial institutions namely IRBI, IFCI, IDBI, ICICI, Punjab National Bank and Bank of Baroda are giving both term loans and special term loans to the company. Moreover, Managing Director and other director are
perovided loans from their personal accounts. Presently, the company is not suffering from financial problems. Financial statements shows that company has earned net profit of 31 lakh in 1989-90 against ₹. 8 lakh in 1988-89. This profit helps in the reduction of the previous cumulative loss of ₹. 776 lakh in 1988-89 to ₹. 746 lakh in 1989-90.

Future Prospects

The Naihati Jute Mill Company Limited has been closed for sometime due to industrial sickness. Since its revival, the company is doing well in business. It has under taken modernisation and diversification policies. The modernisation policy has been partly implemented through installation of new machinery. But, the diversification policy will be implemented by 1992. The company is mapping out other strategic measures to manipulate both the external and internal factors which are affecting its normal growth. The present management team promises that the NJMCL would attain success in future.

CASE STUDY 4: NEW CENTRAL JUTE MILLS COMPANY LIMITED

Introduction

The New Central Jute Mills Company Limited (NCJML) founded in 1915 at Calcutta is a private sector business firm in the Indian Jute Industry. It is a public limited company organised and managed according to the Joint Stock Companies Act, 1956. The directoral management pattern is being practised by the company. Its objective is to manufacture jute goods and thus earn profit. Besides, it has certain social objectives like creating employment opportunities, earning foreign exchange, utilising domestic
resources, gearing up industrialisation and, finally, facilitating economic growth of the country.

The NCJM is producing both conventional (hessian, sacking and CBC) as well as high valued non-traditional diversified items. Its installed looms capacity is 1157 (hessian 711 and sacking 446). There are also 449 broad looms used for manufacturing CBC. It produced 48,000 tonnes of jute products in 1989-90 as against 53,000 tonnes in the previous year. The annual turnover in 1989-90 was about Rs. 61 crore against Rs. 55 crore in 1988-89 which includes exports worth Rs. 6 lakh and Rs. 9 lakh respectively.

Since its inception, the company was a profitable concern but for the last ten to twelve years, it has been incurring losses. Recently, it has been declared as a sick Unit in September 1990 by the Board for Industrial Financing and Reconstruction (BIFR) as per the provision of the Sick Industrial Companies (Special Provision) Act 1985. It is still sustaining losses, but policies regarding large scale changes in the capital structure as well as ownership and management pattern have been suggested by the BIFR to revive the unit under the Modernisation and Rehabilitation programme. These policies are yet to be implemented in full.

History and Growth

The NCJM had come into existence in 1915 at Calcutta. It had three jute mills - two at Budge-Budge and one at Ghursury situated on the bank of river Hooghly. The Ghursury factory was closed down in 1958 and the loom hours are worked in Budge-Budge mills to utilise wide loom plant machinery producing carpet backing cloth which has a good market in the USA. The loom capacity of the company increased by nearly 2500 during the mid-sixties and most of
the looms were utilised for satisfying the large scale orders of both domestic and external customers. The working results during that period were also satisfactory. Since then, the percentage of capacity utilisation, volume of production, and overall performance of the company started dwindling with the depressed conditions of the jute industry owing mainly to the onslaught of synthetic substitutes. The normal growth was also hampered by the shortage and higher price of raw jute, uneconomic cost structure, adverse working environment coupled with labour unrest, unremunerative price of the finished products, irregular and inadequate supply of power, shortage of finance, and stiff competition in the overseas market.

During the period of mid-sixties to mid-eighties the production capacity as well as working result declined sharply resulting in a large amount of cumulative losses estimated at Rs. 20 crore in 1986-87. The company is still incurring losses and its debt-equity and current ratios came down to 0.28 and 0.25 respectively during 1987-88 which are the indicators of worst performance. Over a long period, the company has been doing business in the basis of loans and credit taken from several financial institutions and commercial banks by mortgaging fixed assets. In the month of August 1990, BIFR has included the company under Modernisation and Rehabilitation Scheme with the status of a Sick Unit and funds have been allotted to revive and make the company viable. To this effect, some changes in the structure of management, ownership and capital have been thought of by the top level executives which are expected to materialise by 1992.
The Management Structure

The NCJM was under the management and control of European entrepreneur-managing agent upto 1947. The ownership and management had been shifted to Indian businessmen in the post-independence period. Since then, the company management pattern remains the same. Directorial system of management is being followed in the business. Its management is unique in that the principle of separation of management from ownership is followed here. The owner-directors of the Board are less dominant and interfering unlike the business undertaking owned and managed by large business groups. The Board of Directors (BoD) consisting of six members is the highest administrative and policy making body. Two member of the BoD are the nominees from West Bengal Industrial Development Corporation (WBIDC) and BIFR. The Managing Director deals with the overall management. The functions of finance and marketing are looked after separately by two whole-time directors.

In the organisation structure, especially in the corporate office, there are officers and staff who implement the policies and programmes formulated by the BoD. Some officers and staff are working at the factory level also. Their activities are controlled by the corporate office. The management has recently introduced the concept of cooperative management system with the aim of giving a new impetus to the company. Moreover, to ensure and take the advantages of Modernisation and Rehabilitation package, the BoD has been reconstituted with adequate representation of the Government of West Bengal, Financial Institutions, Banks and Employees.

Steps are being taken for implementation of the scheme including restructuring of share capital, increase in
the authorised capital and amendment of Memorandum of Association of the company and further strengthening of the Board by reconstitution in accordance with the sanctioned scheme.

**Marketing**

The marketing activities of the company are placed under the administration and control of a Whole-time Director. Under him, there are officers and staff dealing with exports and market development. Long-term policies regarding marketing are formulated at the apex level. Director (Marketing) is responsible for the execution of those policies.

The NCJM has certainly lost its glory over the years: the prestigious position of being the earner of foreign exchange. It has changed its distribution policies from overseas to internal market due to the fierce competition from other jute goods exporting countries and substitute packaging materials. Now, it sells 80 per cent of the products in the domestic market and 20 per cent in the export market. CBC is the important item sold in export markets. USSR is the major importing country. Some other European countries also import jute goods from the NCJM. Statutory buyers/consumers like Government of India, sugar, fertilizer and cement industries are the prominent buyers of sacking and hessian in the domestic market.

The cost-plus pricing formula is applied in pricing the jute products for the domestic market. IJMA fixes up the price on its behalf being a member of the association. Goods sold in the overseas market are priced either by Gunny Trade Association (GTA) or by State Trading Corporation
(STC). Other terms and conditions relating to foreign trade are being regulated by concerned authorities and trade regulations.

The channels of distribution maintained by the company are either direct or through agent middlemen in domestic market segment. Export trade is made through shippers or State Trading Corporation (STC). There is no scope of direct trade with the overseas buyers. The company faces competition from other jute goods manufacturing firms and synthetic materials producing firms. The competitors in the overseas market are Bangladesh, China, Nepal and Thailand. Being a sick unit, it is unable to implement the policies formulated for promotion and market development. Jute Manufactures Development Council (JMDC) indirectly undertakes the responsibility of launching promotional and development programmes. Presently, under the Modernisation-cum-Rehabilitation Scheme, it has started producing and distributing diversified products in collaboration with IJIRA. Some of these products have received wide acceptance of the prospective buyers/customers.

Production

The NCJM owns two jute mills, a foundry and a jute mill machinery manufacturing division at Budge-Budge in West Bengal. The factories are electricity driven. With the objective of producing traditional items, the company has undertaken a policy of manufacturing non-traditional value-added items. An executive, designated Chief Mill Manager handles the functions of production. He has two Assistant Managers posted in the Lothian and Albion mills. In view of the depressing industrial scenario, the company had closed down its three factories and installed broad looms in the latter part of 1950s.
The company procures raw jute from the jute growers and Jute Corporation of India (JCI) stock. It consumed about 50,543 tonnes of raw jute valued at Rs. 3137 lakh in 1989-90 against 55,204 tonnes valued at Rs. 2,496 lakh in the previous year. Due to financial constraints, the company being a sick Unit, could not build up stock of raw jute early in the season as per practice of trade and therefore could not overcome the disastrous effects of price escalation in raw jute, which has substantially affected the working results of 1989-90. It could not avail the opportunity of importing raw jute for the same reason and therefore used cent per cent indigenous raw material of higher price.

Due to long usage, the machinery of the company is incapable of giving the expected/budgeted production. Hence the company has adopted plant modernisation policies with some repairs and renewals programmes. To remove the problems of frequent power failure and shortage, it has installed two generators which have mitigated the problem to some extent.

The Research and Development (R&D) division of the company is more active and efficient than those of other units. IJIRA and NCJM have together taken various research projects which are implemented as well as investigated at the plant of the company. The projects are related to the product development and innovation of new jute products and reduction of the quantity and upgrading the quality of jute fibre. It has spent Rs. 3.15 lakh in 1989-90 as against Rs. 2.30 lakh in 1988-89 under the head of R&D. Several benefits have already been derived as a result of these research projects.
The company has a product development plan, keeping in view the market demand—both domestic and export, of exploring the usage of jute textile in the field of home furnishings and garments based on IJIRA's technology. Sussen Parafil 200 Wrap Spinning frames have been installed by IJIRA under the UNDP programme in the mills on an experimental basis. Trials are being made for the usage of Wrapped Yarn in carpet fabric for export. The company is exploring the possibilities of exporting textile, blended cotton, viscose, poly-propylene etc. and also jute decoratives, upholstery, fancy soft luggage and other specialities. Some of the products have already been developed and marketed. Others are under research and are to be tested in the prospective market segments.

Personnel

The NCJM has a strong tradition of recruiting experienced and skilled workers, staff and officers. Its Annual Report, 1989-90 shows that all the eighteen high officials of the company fall within the age group 55-60 years. These officers/executives are more qualified having long-term experience. To keep the manpower within a manageable limit the company has abandoned recruitment for some period. But, recruitment at other levels except workers is done for some special cases like technical and professional positions.

The employee and workers of the company are remunerated according to existing provisions. This unit has introduced some practical incentive schemes for motivating the employees and workers. For the last two years, the workers, staff, and officers are sharing ownership and management as a part of the newly introduced concept of cooperative management. According to the system, workers and
employees have become the owners either by purchasing shares or shares issued to them against the provident and state insurance fund due from the company. The sense of belongingness has made them more enthusiastic, committed and loyal to the company. The performance of the company is improving resulting in the rise in earnings of the workers and employees. The Managing Director, Mr. D. Gupta claimed that the company paid average wages amounting to Rs. 2300 to each worker in a month. The amount is higher than the amount paid by other comparable units in jute industry at Calcutta.

At staff and officers level promotion is given on the basis of experience, seniority, and qualifications. The workers are getting monetary advantages after a certain interval of time so far as their promotion is concerned. Promotion to workers is based on the performance evaluation report of the concerned supervisors and the chief mill officer. The present management's sincere and sympathetic attitude, with regard to the welfare and development of the employee workers both at industrial and individual lives, has helped in improving the industrial relations over the last few years.

The workers of the company are undergoing on-the-job training while the officers are sent to other training institutions. The company has a separate budget for the training purpose which is very rare in other jute business unit. There are sufficient welfare facilities for the employees and workers. Unfair labour practice is decreasing due to the change in ownership pattern.

Finance

The company has an authorised capital of Rs. 5 crore and paid up capital of Rs. 2.89 crore. Its BoD has proposed
to increase the amount of authorised capital to Rs. 15 crore but the BIFR did not agree with this proposal. The shareholders contributions were the prime source of capital finance over a long period of time till mid-sixties. After then, due to bad performance, its shares lost value on the Stock Exchange. During the last two decades, it became absolutely dependent on the government, Financial Institutions and Banks for the finance, to meet especially the requirements of working capital. In most of the cases, this shortage of capital arrangement was dealt with by mortgaging the fixed assets of the company.

Being a sick unit, the company and the BIFR have signed an agreement for restructuring the capital structure as a part of Rehabilitation and Modernisation Scheme. As per stipulation, 90 per cent of the paid-up equity and 75 per cent of the paid-up preference share capital are to be written off, and arrear dividends on preference shares would be foregone; shares of erstwhile promoter group both preference and equity shall be transferred to employees @ Rs 1 per share. There will be fresh equity participation of Rs 400 lakh by the Government of West Bengal and Rs 500 lakh by the employees. The arrear interest due to Industrial and Reconstruction Bank of India (IRBI) of Rs 46 lakh will be converted into equity. Banks will convert their interest to zero-rated debentures repayable after 15 years.

At present the company is receiving term loans from Institutions (Banks and Government of West Bengal including those under Jute Modernisation Fund Scheme/Special Jute Development Fund Scheme/Excise Duty Relief Scheme) amounting to Rs 925 lakh. The Department of Industrial Reconstruction/Government of West Bengal had extended the Relief Undertaking Status to the company under the West Bengal
Undertakings (Special Provision) Act, 1972 for another year upto 4th March 1991, and has kept outside its purview the dues of Banks/Government and Financial Institutions and Workmen. The employees are deferring progressively, part of their salaries/wages to be converted into equity and/or loan. Such contribution aggregated to Rs 798 lakh as on 31st March 1990.

The working result of the company is not satisfactory. It has been sustaining losses since the last two decades or more resulting in an accumulated loss of Rs. 3181 lakh in 1989-90 as against Rs 2635 lakh in the previous year. The loss during the year, ended on 31st March 1990, is Rs. 546 lakh which was Rs. 254 lakh on 1988-89. The financial policies as adopted by the company will be implemented very carefully and the Managing Director is confident of overcoming all shortcomings and thus bring the unit from its present vulnerable to a viable position.

Future Prospect

The NCJM has introduced a new system of management & ownership in jute manufacturing business in India. This cooperative management model has been functioning well as the workers-employees are more enthusiastic and more committed to the company's future growth. Moreover, the company is run by an efficient group of people at every level of management. It has introduced some R&D project jointly with IJIRA and has produced some diversified jute products. Though the company is sustaining losses but the present management expects a brighter future subject to the availability of financial support from different financing authorities and institutions for the purpose of implementing its on going modernisation programmes.
CASE STUDY 5: NATIONAL JUTE MANUFACTURES CORPORATION LIMITED

Introduction

This case study pertains to the only public sector company of Indian jute industry, which is in the tenth year of its existence. Before 1980, all jute manufacturing business firms in India were in the private sector. Changes in business environment, both inside and outside the jute industry, and its impact on the industry over a period of several decades since mid-sixties, has resulted in the closure of a good number of jute mills. The jute mill owners, jute traders, and related interest groups had become disgusted with the bad working results of several industrial undertakings. There was unrest among the workmen and employees who had lost their jobs owing to the closure of their working units. Workers and employees raised the question of nationalisation of the weak units before the Central as well as the State Governments as an alternative to resuscitate the ailing units and thus protect their livelihood. In response to this urge, the Government of India has taken up the ownership and management of the six units namely Alexandar Jute Mills Limited, Khardah Company Limited, Kinnison Jute Mills Limited, National Jute Manufactures Corporation Limited and Union Jute Co. Ltd. at West Bengal and R.B.H.M. Jute Mills Ltd. at Bihar under the Jute Companies (Nationalisation) Act, 1980. According to the provisions of Nationalisation Act, National Jute Manufactures Corporation Limited (NJMC) came into being as a holding company for all the six mills. These subsidiary units had to lose their separate identity. The NJMC being a holding company is having the status of a joint stock company as per the Companies Act, 1956. Under the prevailing system, subsidiary units do not have Board of
Directors. All their activities and functions are controlled and directed by the NJMC's Board. This researcher has visited the Kinnison unit, Union Unit and the Corporate office of NJMC. As the units have no separate identity, and as they do not maintain separate records and information, the NJMC has been studied as a public sector company comprehensively.

History and Growth

The NJMC's history and growth spans a period of nearly a decade. It was incorporated on 20th December, 1980 but its individual constituents/subsidiary units have been in existence for more than fifty years. At the formative stage, the NJMC had to face innumerable problems such as shortage of capital, repayment of past liabilities of the subsidiary units, reorganising the capital and administrative structure, mitigating worker/employee's difficulties, compulsory retirement of the excess manpower and such other problems. The entire period of the existence of NJMC has passed either in implementing modernisation and rehabilitation programmes or in rearranging the administrative set-up to bring the enterprise to a stable position. Simultaneously it has tried to boost the productivity and efficiency of the constituent units. However, the overall working result have not been satisfactory though the productivity and efficiency have shown a slight increase during the last five years. There is no marked change and growth in the installed capacity of production; no new looms have been added to the existing ones. Statistics show that the capacity utilisation rose from 67 per cent during the 6th Five Year Plan (averaged on an annualised basis) to 77 per cent during the 7th Plan and the productivity per day has increased from 370 M.T. during
6th Plan period to 406 M.T. in the 7th Plan period. Accordingly, the sales turnover of the company increased from 1,15,017 tonnes valued at Rs. 85 crore in 6th Plan period (1981-85) to 1,22,956 tonnes valued at Rs. 112 crore in the 7th Plan period (1985-90). Despite all this, the company has incurred a net loss amounting to Rs. 41 crores in the 6th Plan period and Rs. 51 crore in 7th Plan period on the average per annum. This amount has again raised the cumulative figure of the previous amount of loss that stood at about Rs. 445 crore in 1989-90.

The enterprise has received an award for excellence in export performance in 1988-89 and earned the distinguished status of 'Trading House' through sustained export achievements. Its exports of Rs. 12 crore on an annual average basis during 6th Plan period increased to about Rs. 14 crores in 1989-90. NJMC has undertaken Modernisation and Rehabilitation programmes in two units in 1989. In RBHM Unit in Bihar, obsolete machines have been replaced by modern machines coupled with rationalisation resulting in a decrease in manpower requirements of about 1000 persons. In Union Unit at Calcutta, relayout of machines for introduction of a new system for producing value-added fine yarn was undertaken. Both these measures were necessitated by cost-benefit considerations. Likewise, NJMC has formulated other strategies and there are programmes under implementation the result of which is expected to materialise in the next few years.

The Management Structure

The ownership and management pattern of the constituent units have been changed with the formation of NJMC. As a public enterprise, management structure of the
NJMC has been rearranged in accordance with the provisions of the Jute Companies (Nationalisation) Act, 1980 and with other statutory and Government's guidelines and rules in this respect. The newly emerged public enterprise has a Board of Directors (BoD) for discharging administrative and policy making functions as an apex body with a view to attaining the end objectives. Like other government undertakings, the Chairman-cum-Managing Director heads the BoD and other directors are either appointed or approved by the Government of India/Ministry of Textile. They remain accountable to the Government for their duties and responsibilities. The BoD of NJMC consists of 14 members. Some directors are undertaking functional responsibilities, and are designated as whole time directors. They have a dual role to play in formulating as well as executing policies. The top management structure is depicted in Exhibit - 6.8.

At the unit level, a separate organisation structure exists under the control of NJMC and this structure is wholly functional in nature. It varies according to the size of the concerned units. The management at the individual unit has no authority to take decisions regarding major policy matters without the prior permission of the corporate office. It can take decisions related to the problems arising in the day-to-day operations of the mill but only under the predetermined guidelines rules and regulations laid down by the corporate office. This pattern of centralised policy making actually hinders the normal functioning and thus creates unnecessary delays in policy implementation. Unit administration is headed by a General Manager, who administers the activities of other subordinate colleagues and workers. The existing organisation structure at the unit level of NJMC is depicted in Exhibit - 6.9.
EXHIBIT 6.8

TOP MANAGEMENT STRUCTURE OF NJMC

Board of Directors

<table>
<thead>
<tr>
<th>Chairman cum Managing Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director (Finance)</td>
</tr>
<tr>
<td>--------------------</td>
</tr>
<tr>
<td>(G.M.) (Accounts)</td>
</tr>
<tr>
<td>Officer Finance</td>
</tr>
<tr>
<td>Asstt. Officer</td>
</tr>
</tbody>
</table>

Source: NJMC Corporate Office, Calcutta.
EXHIBIT - 6.9
ORGANISATION STRUCTURE OF NJMC'S JUTE MILL UNITS.

General Manager
   | Chief Financial Controller/Chief Cost Controller
   | Chief Mill Manager
   | Chief Manager (Personnel)
   |
   Works Mgr. Personnel
   | Chief Officer Welfare Officer
   | Asstt. Medical Officer
   | Security Officer
   | Senior Officer
   Works Mgr.
   | Mill Asstt. (Sr. Grade)
   | Mill Asstt. (Jr. Grade)

Source: NJMC's MIS Department.

Marketing

The marketing function of the NJMC is controlled by a centralised corporate division and one Whole Time Director is looking after it. It is obvious that marketing policies of NJMC are different from those of private sector jute mill units. As a government undertaking, its policies of marketing are heavily influenced by the Ministry of Textiles. Most of the time the Ministry fixes the targets of marketing both for domestic as well as for export markets. The Ministry has formulated a product diversification policy causing the NJMC to change its product mix from conventional
items to value-added items. It further aims at the implementation of other market related policies like expansion and development of markets, and introduction of new items made up of unionised fabric.

The NJMC has adopted a proactive marketing policy to regain and retain the market share which was lost to synthetics. With this objective, it has taken initiatives to innovate and improve the quality of carpet backing to update controlling devices which could ensure timely shipment as well as prompt redressal of customers' grievances. While private sector jute mills of India have nearly lost their contact with the American CBC market, NJMC retains its market share almost intact despite massive adverse campaign by giant multinational corporations.

On the basis of market research findings and in response to customers/buyers' inclination towards non-traditional items exhibited in export fairs and exhibitions, NJMC has begun to produce fine jute yarn at its units of Kinnison and Union. This yarn is converted into fabrics used for manufacturing diversified products. Sometimes, these units supply the yarn and fabric to Birds Jute and Export Limited (BJEL) which is a subsidiary processing unit revived under the administration of NJMC. BJEL produces all value-added non-traditional items in terms of nature and usage. It produces jute decoratives, made-up articles, garments, garments, brief cases, lamp shades, etc. To satisfy the customer's demand in the market, NJMC has undertaken two more ambitious projects at Kinnison unit and Khardah unit at a cost of ₹ 11 crore under which further production of fine yarn and jute blended yarns is envisaged to supply more value-added items to various cooperatives in handloom sector scattered over the country. To produce
these diversified products, the different units of NJMC manufacture nearly 30 tonnes of fine jute yarn and jute blended yarn.

The NJMC sells its traditional jute goods to public sector industries (Sugar, Cement, Fertilizer), Directorate General of Supply & Disposal (DGS&D) and the state cooperative sectors in the domestic market segments. The made-up articles of BJEL are marketed through Jute Manufactures Development Council's (JMDC) sales outlet with excellent consumer's acceptability. It exports hessian to USSR and East European countries. CBC with some traditional items are imported by the USA, Japan end EEC countries from NJMC. The company sold products worth Rs127 crore in domestic market and 14 crore in export market (Exhibit 6.10) in 1989-90.

EXHIBIT - 6.10

DISTRIBUTION OF JUTE PRODUCTS BY NJMC

<table>
<thead>
<tr>
<th></th>
<th>6th Plan</th>
<th>7th Plan</th>
<th>1989-90</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Total Sales (Quantity) in M.T</td>
<td>115,017</td>
<td>1,22,956</td>
<td>1,25,078</td>
</tr>
<tr>
<td>Total Sales (Value in Rs/cr)</td>
<td>85</td>
<td>112</td>
<td>140</td>
</tr>
<tr>
<td>Domestic Sales (Qty in M.T)</td>
<td>76,796</td>
<td>93,235</td>
<td>94,103</td>
</tr>
<tr>
<td>Domestic Sales (Value in Rs./cr)</td>
<td>56</td>
<td>100</td>
<td>127</td>
</tr>
<tr>
<td>Export (Qty in M.T)</td>
<td>38,221</td>
<td>29,721</td>
<td>30,975</td>
</tr>
<tr>
<td>Export (Value in Rs/cr)</td>
<td>29</td>
<td>12</td>
<td>14</td>
</tr>
</tbody>
</table>

* Annual average is computed on basis of total sales of each plan period divided by 5 years.


# 7th Plan = 1986-90.
The price of the jute products is either fixed by the DGS&D (a Government undertaking) or by GTA. NJMC offers discounts and credit facilities to the buyers in the home market especially to the buyers of diversified items. The distribution channel is always direct but rarely it takes the help of trade-niddlemen in the case of dull season. For export, it is helped by High Commission/Embassies of India in jute goods importing countries. Besides, NJMC participates in all international export-fairs, being a government undertaking, to exhibit its newly innovated items among the overseas customers. The company faces competition from other jute and synthetic packaging materials producers in the local market and from Bangladesh, Nepal, China, and Thailand in the overseas market.

Production

The production department of NJMC is headed by Director (Technical). He plays a dual function: he takes part in policy formulation regarding production in the capacity of one of the members of BoD and also implements these policies as an executive director in charge of production function. The NJMC units are not only producing conventional items like hessian, sacking, and CBC but also producing diversified items like fine yarn decoratives, union fabrics, carpets etc. The total looms capacity of all six units is nearly 3000 of which 2550 looms are operating. In fact, NJMC assesses the capacity of production in terms of quantity. The licenced capacity per annum was 2,72,288 MT in 1989-90 and the installed capacity was 1,65,882 MT during the same year as against 1,75,046 M.T. in 1988-89. The actual production was 12,1457 M.T. in 1989-90 and 1,28,752 M.T. in the previous year. It is noted that on an annual average basis the capacity utilisation of the company
increased from 67 per cent during 6th Plan to 77 per cent during the 7th Plan period which subsequently decreased to 74 per cent in 1989-90.

The plants' location of all the units are well except the Union unit. Its location is not suitable due to the problems of transport and communication, and shortage of space. Most of the old machineries have been replaced and repaired after the nationalisation. The NJMC has undertaken the programmes of modernisation with the objective by achieving higher capacity utilisation and improving profitability by changing product-mix with emphasis on improvement in use of the existing technology. These programmes have been partly implemented in the units of Kennison, Union, and Khardah. The schemes for RBHM Unit at Bihar, however, could not be approved by the Government as the extent of capital outlay was considered to be counter productive. At present, RBHM unit has been brought under Rescue and Rehabilitation Schemes which is sponsored jointly by the Bihar State Government and Central Government. The project would be completed by 1994-95.

NJMC procures jute fibre from Jute Corporation of India (JCI). JCI goes in for commercial procurement from the very beginning of the jute season. As a result average purchase price for the NJMC could be reasonably contained as compared to the prevailing market trend. It never suffers from the shortage of raw materials. The annual raw jute consumption of the company was 1,34,835 M.T. valued at about ₹59 crore in 1988-89 and 1,27,879 M.T. valued at about ₹76 crore in 1989-90.

The subsidiary company BJEL resumed its operations from April 25, 1988. It is a processing unit for diversified
product and made-ups. The Modernisation and Rehabilitation programme of BJEL envisages:

1. Updating of existing process technology by way of installation of modern equipment for the improvement in quality of decoratives by introducing more flexibility in the process and also for economising the cost of production.

2. Diversification for manufactureing of new products.

The Government has granted necessary funds to implement the above mentioned objectives from the Jute Special Development Fund (JSDF). Work on modernisation and diversification is already in progress.

**Personnel**

One of the members of BoD remains in charge of Personnel Department of NJMC. The director, designated as Director (Personnel), participates in both decision making as well as policy implementation actively. At the corporate office, he is assisted by other subordinate officers/staff. Besides, at the unit, there are other employees dealing with the personnel aspects. Director (Personnel) coordinates the activities of all executives/officers in the Personnel Department with other functional departments in the company.

Like other public enterprises, top level appointment of Chairman cum Managing Director is done, with the approval of the Appointments Committee of the Cabinet, by the Textile Ministry. The Public Enterprises Selection Board (PESB) has the responsibility to select persons for top-level appointments in the NJMC. It recommends the qualified
candidates to the Ministry of Textile for final appointment in the post of full-time executives. General Managers are selected by the BoD where secretary of the PESB is one of the member to ensure that the claims of the candidate from other public enterprises are not overlooked. For other posts of management cadre, the Board of the company may make such screening and selection arrangements as per the guidelines of PESB considered in the case of recruitment.

With the prior approval of the corporate office, workers are recruited at the unit level. Generally, casual and temporary workers are made permanent in most of the cases. No new recruitment is being done as the enterprise is already overmanned. Only the dependents of the deceased worker get priority in the matter of recruitment.

In the promotional policy, seniority gets more importance at the officers/staff level. Of course, experience, qualification, and individual performance are considered in case of technical/professional posts. Workers get higher wage for their seniority after a certain interval of period. Remuneration to the top-executives, officers and staff are provided as per National Pay Scale applicable to public enterprises. Workers are paid wages according to the Central Wage Board's prescribed rate and tripartite industry-wise settlement. This remuneration policy is liable to change from time-to-time on the directives of the concerned authorities.

NJMC has no training centre of its own. It sends its production executives to the Institute of Jute Technology (IJT) for training. It arranges training programmes for other executives/officers according to their functional areas. Executive may participate in seminar or
symposium organised within the country. Some senior or top level executives are sent to undertake training at different management training institutes like Administrative Staff College of India, Hyderabad etc. The labour-management relationship prevailing in the units of NJMC is cordial and cooperative, NJMC provides several welfare facilities to its employees-workmen. It has a future plan to add more welfare schemes so that the employees-workmen feel themselves encouraged and motivated while performing their assigned duties and responsibilities. Surplus labour being one of the vital cause for continued loss, a major breakthrough could soon be attained by the implementation of voluntary retirement schemes formulated by the company.

Finance

The NJMC has an authorised capital of Rs. 60 crore and issued, subscribed and paid up capital of Rs. 52 crore as on 31st March 1990. The paid up amount of capital includes Rs. 36.60 crore collected by issuing shares for cash and rest of the amount is shown as against share issued other than cash. It also received during the year 1989-90 Rs. 89.74 lakh from the Government of India which could not be converted into share capital. Besides, Industrial Development Bank of India (IDBI), Industrial Reconstruction Bank of India (IRBI), State Bank of India (SBI), United Commercial Bank of India (UCBI), and Central Bank of India (CBI) have been providing long-term loans to mitigate the shortage of working capital. These loans are secured by hypothecation of Stock of raw materials, work-in-progress, finished goods stores and book debts. Moreover, the ongoing schemes of Modernisation and Rehabilitation of different units are being financed by the Government's allocated fund for the same.
Inspite of Government's direct entrepreneurship, management and control, the working result of the corporation is disheartening, owing to accumulation of past losses, net worth of NJMC stands fully eroded due to factors like prolonged suspension of committed fund flow, destruction of installed capacity of National Unit due to major fire and continuance of old technology in manufacturing process etc. which are beyond the control of the management. Besides, the company continues to incur huge cash losses. The net loss incurred during 6th plan period on an average was Rs. 41 crore per annum which increased to Rs. 51 crore in the 7th Plan period. Moreover, the current years' (1989-90) net loss is estimated at Rs. 61 crore. The cumulative losses as on 31st March, 1990 stood at about Rs. 445 crore. It has therefore become extremely difficult to obtain need-based working capital from the banks. However, the Government's patronisation is still active and strong enough to help NJMC to get rid of the financial problems and thus enable it to become viable and more efficient in the future.

Future Prospects

The NJMC is a Public Sector organisation and is getting more facilities compared with Private Sector Units from the Government of India in terms of working capital, marketing promotion, R&D etc. Moreover, the organisation has undertaken different policy measures which are susceptible to the changes in demand's pattern of the present day jute goods market for the diversified and value-added jute product. The management of the company is hopeful of Government's support rendered to it to make it more profitable. With this objective in view, the NJMC has initiated a turn-around strategy to reduce losses, achieving
break-even, and earn cash profits by the terminal year of the 8th plan. The turn-around strategy comprises of the following areas:

1. Improvement of capacity utilisation by completing the implementation of on-going Modernisation and Rehabilitation Schemes.

2. Introduction of new technology in the 8th Plan Period (1990-95).

3. Thurst on product diversification.

4. Procurement of raw jute at economic prices.

5. Implementation of voluntary retirement scheme.

6. Elimination of penal interest payable to Jute Corporation of India (JCI).

7. Capital restructuring and financial reliefs; and

8. Reduction of wastage at every level of production.

The management is expecting a prosperous future after mitigating previous liabilities and losses if these strategies are properly implemented.
CHAPTER SEVEN

ANALYSES AND INTERPRETATION

7.1 ANALYSES RELATED TO BANGLADESH JUTE FIRMS

7.2 ANALYSES RELATED TO INDIAN JUTE FIRMS
CHAPTER VII

ANALYSES AND INTERPRETATION

This chapter deals with the analyses and interpretation of changing structure of jute industries (presented in Chapter III and V) as well as of case studies (presented in Chapter IV and VI). To facilitate the process of analyses, the changes in different industry factors during mid-sixties till date have been evaluated and presented separately (Appendix 2 and 4) to give an idea about the nature and direction of changes. Likewise, case studies of both Bangladesh and Indian jute business firms have been analysed separately (Appendix 3 and 5) to have a consolidated idea about the different strategic factors. Thus, the analyses and interpretation have been made on the basis of representation of changes as well as on the basis of consolidated results of the case studies of the business firms. Separate sections have been created for Bangladesh Jute Industry (BJI) and Indian Jute Industry (IJI) in the descriptive analyses. Further, the changes of industry factors and their impact on strategic factors have been briefly discussed in separate sub-sections each followed by an exhibit showing the summarised intensity of impact. In sum, the analyses follow the framework presented in Chapter II.

7.1 ANALYSES RELATED TO BANGLADESHI JUTE FIRMS

Bangladesh jute industry had reached its life cycle stage of maturity in mid-sixties. After that, it showed a discouraging performance in terms of productivity,
profitability and efficiency owing to several changes that have been witnessed in the business environment both inside and outside the industry. The internal factors of the business environment constitute the industry structure and have had a strong influence in determining various strategic options potentially available to the jute firms. Forces outside the industry (social, political, legal etc.) are significant primarily in a relative sense. These forces have been considered as a part of the industry profile.

Descriptive analyses and interpretation, with respect to each of the key structural features of BJI during the period between mid-sixties till date and their varying impact on the business strategies of jute firms, have been done in the sub-sections that follow.

7.1.1 Evolutionary Changes

In the mid-sixties, BJI had entered the life cycle stage of maturity characterised by huge profits, maximum production, and the optimum utilisation of production capacity. This pattern of improvement continued till 1975, though at a diminishing rate. But since then, the growth of BJI has been declining due to the emergence of synthetics as competing substitutes, and entry of new jute goods producing countries like China and Thailand.

The synthetic packaging materials being cheaper than jute-made packaging materials have attracted higher demand both in domestic and overseas export markets. The situation has led to a decrease in the market share of jute products which has caused a lowering of profitability. The size of the industry has stagnated. No new firms have been established after mid-seventies. Moreover, the existing
firms have slightly reduced their production capacity due to the stiff and wasteful competition from synthetics which led to a fall in demand for jute goods. The evolutionary changes have had an adverse impact on the strategies of business firms. The Bangladesh jute firms have faced difficulty in materialising their growth strategy because of low demand for jute goods as against synthetics and other low-priced substitutes.

Another aspect of evolutionary changes is the change in ownership and management pattern which has influenced the management structure of Bangladeshi jute business firms. Due to this change, management and ownership of nearly half of the firms have been brought under the control of Bangladesh Jute Mills Corporation (BJMC). In the present arrangement, the management of public sector units enjoy less autonomy in formulating business strategies at the firm level.

Due to change in management, all functional policies are being formulated centrally by the BJMC leaving the implementation part to the Enterprise Board (EB). This kind of practice hinders the use of strategic planning by individual firm. While private jute mills unit enjoy autonomy in formulating different business strategies the managers in these firms have little role to play as they are being directed by the owner-directors.

The evolutionary change has direct impact on the production strategies of the business firm. With the passage of time the traditional jute products like hessian, sacking, and CBC have been losing their demand and the customers are demanding non-traditional jute products to satisfy the needs other than packaging. The business firms
**EXHIBIT 7.1**

**IMPACT OF EVOLUTIONARY CHANGES IN BJI ON STRATEGIC FACTORS OF BANGLADESHI JUTE BUSINESS FIRMS.**

<table>
<thead>
<tr>
<th>Strategic factors</th>
<th>Description of Impact</th>
<th>Intensity of impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>History and growth</strong></td>
<td>No significant expansion in firm size; Underutilisation of productive capacity; Overall reduction in productivity, sales, and profitability; Firms enter decline phase of life cycle.</td>
<td>++</td>
</tr>
<tr>
<td><strong>Management Structure</strong></td>
<td>Thirty seven firms privatised; Excessive influence of BJMC in policy formulation by public sector firms; Erosion of autonomy at firms level; Private sector firm's efficiency increases comparatively.</td>
<td>++</td>
</tr>
<tr>
<td><strong>Marketing</strong></td>
<td>Centralised control of marketing functions of public firms; New competitor enter industry; Competition from synthetic substitutes increases; Shrinkage of export markets; Firms forced to adopt promotion policies.</td>
<td>++</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td>Increasing adoption of newer production technology; Partial adoption of product diversification policies; New product development policies encouraged.</td>
<td>++</td>
</tr>
<tr>
<td><strong>Personnel</strong></td>
<td>Public sector firms adopt liberal personnel policies; Private firms moderately successful in reducing overmanning; Increasing use of professional management techniques.</td>
<td>+</td>
</tr>
<tr>
<td><strong>Finance</strong></td>
<td>Internal financing sources dry up; Increasing dependence on governmental and institutional fiscal support; Low capital generation and increasing losses.</td>
<td>++</td>
</tr>
<tr>
<td><strong>Future Prospect</strong></td>
<td>Overall prospect for future discouraging; Measures undertaken to rejuvenate business firms in the long-run.</td>
<td>+</td>
</tr>
</tbody>
</table>

Legend: (+++) High, (+) moderate, (-) low.
are using newer technology for producing diversified products. Overall diversification as a strategic option has yet to be fully utilised by the business firms.

The evolutionary changes have influenced the personnel and financial strategies of Bangladeshi business firms. Public sector firms have been encouraged in formulating new policies regarding recruitment, training, promotion, and remuneration. The private sector units have also followed the same practice to cope with the changes. But these policies have not been implemented because of the financial implications involved.

A high intensity of impact is noticed in financial strategies. Under nationalisation programme, the Government of Bangladesh had to undertake the responsibility of providing necessary finance to the public sector firms. The system of collecting finance by issuing capital to shareholders is not feasible because most shareholders do not show interest in investing money in a low-potential business. It is interesting to note that every public sector unit is showing the details of share capital in the annual report of the company but the paid up capital is not shown. Private sector units are being financed from their owners but analyses show that, in most of the cases, private firms remains dependent on short and long-term loan granted by the banks and financial institutions. Exhibit 7.1 presents the analysis of the impact of the evolutionary changes in BJI on the seven strategic factors related to the Bangladehi jute business firms.
7.1.2 Changes in Management and Ownership Patterns

In line with the socialistic policies of the Government of Bangladesh, all jute business firms were nationalised in 1972, just one year after the independence. According to this policy, the ownership and management pattern of BJI shifted from private to public pattern. The nationalisation policy did not last long because the industry had witnessed a decline in economic performance as well as management efficiency as compared to the performance before independence. Two reasons are mainly responsible for such poor performance. First, most of the non-Bengali owners and managers who had long experience in jute business left Bangladesh at the time of liberation struggle in 1971. These managerial posts were filled up subsequently by a group of relatively inexperienced people. Secondly, overall demand position of jute packaging materials in the export market had reduced due to fierce competition from synthetic packaging materials manufactured from the low-priced petroleum by-products.

The management and ownership pattern was reshaped again in 1983 under denationalisation policy of the Government. The policy was aimed at stimulating the activities of jute sector economy. About half of the units (37 out of total 70) have been divested either to the erstwhile private owners or to the new entrepreneurs. Thus the change in government policy has led to the shift in ownership and management pattern from public to private sector.

All these changes have had a varying impact on the growth and other functional strategies of Bangladeshi business firm. The growth strategies of private firms have
EXHIBIT 7.2
IMPACT OF CHANGES IN MANAGEMENT AND OWNERSHIP PATTERN IN BJI ON STRATEGIC FACTORS OF BANGLADESHI JUTE BUSINESS FIRMS

<table>
<thead>
<tr>
<th>Strategic factors</th>
<th>Description of Impact</th>
<th>Intensity of Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>History and growth</td>
<td>Nationalised firms' growth and development declined because of inexperienced management, Private sector firms' growth comparatively better; No increase in production capacity and firm size.</td>
<td>++</td>
</tr>
<tr>
<td>Management Structure</td>
<td>Centralised policy formulation device dominated and controlled by BJMC in nationalised units; Implementation responsibility rests on firm-level management (Enterprise Board); Owner-directors formulate long-run business strategy.</td>
<td>++</td>
</tr>
<tr>
<td>Marketing</td>
<td>BJMC controls marketing activities of all its units, No separate marketing department at the unit level; Private firms' marketing activities partially controlled by BJMC; Private firms make little efforts for marketing.</td>
<td>++</td>
</tr>
<tr>
<td>Production</td>
<td>Nationalised firms hardly show interest in producing non-traditional products and new processing equipment; Private firms have initiated certain programmes in product innovation.</td>
<td>++</td>
</tr>
<tr>
<td>Personnel</td>
<td>Public sector units tend to become overmanned and assurance of permanent job reduces job-commitment of employees-workers; Private sector unit tackling over-manning problems and employee-workers more committed.</td>
<td>+</td>
</tr>
<tr>
<td>Finance</td>
<td>Public sector firms become more dependent on Govt. sources; Private firms' own sources of finance not adequate; Product development and modernisation programmes suffer from necessary funds.</td>
<td>+</td>
</tr>
<tr>
<td>Future Prospects</td>
<td>Overall future prospects discouraging; More privatisation of firms likely to take place to boost efficiency in management.</td>
<td>+</td>
</tr>
</tbody>
</table>

Legend: (+++) High, (+) Moderate, (-) Low.
been moderately influenced which led to a slight increase in production, sales volume, and profitability (e.g. Case Study 2: A.K. Khan Jute Mills Co. Ltd.). The amount of accumulated loss sustained during the nationalisation period has gradually reduced by adjusting profits earned by the unit after privatisation. The public sector units are not so much influenced by these changes as no remarkable improvement is seen in their performance.

Marketing policies were formulated earlier by BJMC. With the change of ownership and management pattern, private firms are formulating their marketing policies although they are to sell a certain quantity of products according to the quota prescribed by the BJMC. Public sector units' marketing policies are less influenced by these changes.

The private sector firms of Bangladesh can enjoy full autonomy with regard to production, personnel, and financial areas of management. Some private owner-managers (e.g. Case study 2: A.K. Khan Jute Mills Co. Ltd. and Case study 6: Chittagong Jute Manufacturing Co. Ltd.) have undertaken initiatives to produce non-traditional items which have good potential in overseas markets. They have formulated programmes for improving quality of their workers and efficiency of their management. For these, they are trying to be more dependent on their own resource mobilisation efforts without leaning on Government and institutional sources of finance. The nature of impact of changes in ownership and management pattern on the strategic factors of business firms is depicted in Exhibit 7.2.
7.1.3 Changes in Market Characteristics

The market components like users, market segments, demand, distribution channels etc. have changed over the period since mid-sixties onwards. The predominance of BJI in the export market is gradually diminishing; export market segments have shifted from developed to developing countries; and demand for traditional jute products is being substituted by non-traditional products. These changes have had a multi-dimensional influence on the business strategies of jute business firms in both public and private sectors of Bangladesh jute industry.

The changes in market characteristics have had an adverse impact on the growth strategy of the firm-level management. The fall in demand has led to the reduction of export-sales which further squeezed the amount of profit. As a result, the size of firm did not expand. Profit fuels future growth and so with low profit generation, the financial policies of the firm were affected adversely by the changes in market characteristics. Moreover, policies related to channels of distribution and market segmentation are being indirectly influenced by the change in market situation. For instance, earlier traditional products were sold to the major traditional buyers/users of developed western countries through different channels. But presently, limited direct channels are maintained to sell products in the various segments like developed and developing countries, traditional and non-traditional markets, etc.

The change in customer's demand has led to a change in production policies. To satisfy the needs of new
## EXHIBIT 7.3
IMPACT OF CHANGES IN MARKET CHARACTERISTICS OF BJI ON STRATEGIC FACTORS OF BANGLADESH JUTE BUSINESS FIRM

<table>
<thead>
<tr>
<th>Strategic factors</th>
<th>Description of Impact</th>
<th>Intensity of Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>History and growth</td>
<td>Increasing competition in market leads to reduction in sales and profitability; Firms enter decline stage of life cycle.</td>
<td>++</td>
</tr>
<tr>
<td>Management Structure</td>
<td>Top level management of both public and private sector firms taking over marketing functions; Private firms show personal interest in strengthening marketing department.</td>
<td>+</td>
</tr>
<tr>
<td>Marketing</td>
<td>Remarkable deviation of marketing efforts from developed to developing overseas customer countries; More emphasis on direct channel of distribution; Fixing minimum price to fight out overseas competitors; Addition of new items in product line to serve new customers.</td>
<td>++</td>
</tr>
<tr>
<td>Production</td>
<td>Inclusion of non-traditional value-added items as new products to be produced as per market demand; Innovating light-weight and low-cost quality products to compete with synthetic products; Increasing adoption of modern technology.</td>
<td>++</td>
</tr>
<tr>
<td>Personnel</td>
<td>Increasing need for appointing personnel having expertise and proficiency in marketing.</td>
<td>+</td>
</tr>
<tr>
<td>Finance</td>
<td>Deploying more funds in market promotion, product development, and new technology areas; Increasing dependence on government and other financing institutions.</td>
<td>++</td>
</tr>
<tr>
<td>Future Prospect</td>
<td>Fierce competition and predominance of traditional products eroding existing markets; Measures relating to product, price, promotion, and new technology undertaken to achieve better prospects in the long run.</td>
<td>+</td>
</tr>
</tbody>
</table>

Legend: (++) High, (+) Moderate, (-) Low.
sections of users, who are preferring non-traditional items of jute products, some large firms have undertaken projects for producing those items. For example, Chittagong Jute Manufacturing Company Ltd. has projects for producing diversified value-added jute products.

The changes in market characteristics have had a moderate impact on the future prospect of the business firms. Most of the firms, both in private and public sector of BJI, are formulating diversification strategies for manufacturing new jute products instead of conventional items. But this strategy is yet to materialise due to financial as well as technological impediments. The intensity of impact of market characteristics on the strategic factors in business firms are depicted in Exhibit 7.3.

7.1.4 Changes in State of Competition

The competitive factors of Bangladesh jute industry have changed with the shift in business environment. The changes are distinguished by the fact that number of competing industries have increased; major buyer's intake reduced; competitiveness has increased; export market have shrunk; and ultimately, the profitability of the industry has declined. But no change has taken place in the supply of raw materials as BJI gets sufficient raw jute fibre produced in the agricultural sector of the economy.

It must be remembered that there are two types of competitors found in jute business. Jute goods producing countries like India, China, and Thailand are treated as major competitors in the overseas market while jute business
firms are treated as competitors in the domestic market. Besides, BJI has to compete with the low-priced synthetic products both in internal as well as in overseas market of packaging materials. Because the market for jute products is export-oriented in nature, the business firms do not have severe competition among themselves. Thus, the analyses of structural features of BJI shows that recently China and Thailand have entered as new competitors with their low-priced jute packaging materials. This is, of course, a great threat to the industry as well as to the business firms. The threat from the major and traditional competitor, IJI, has reduced presently because of its focus on the domestic market and reduction in market share in the overseas market.

The above changes in competitive situation of BJI have had a significant impact on the firms' growth strategy. Because of competitor-wise and product-wise competition, Bangladeshi firms are not earning profits since mid-seventies, which has led to a low-profile growth of the firms. Interestingly, though BJI's share in export market has risen from 40 per cent to 50 per cent in terms of quantity but in value terms it is not encouraging because of higher cost and low-margin selling price.

Competitiveness in markets requires efficient management at the firm level and hence the Bangladeshi business firms are formulating strategies to deal with competition. This is another facet of the impact of changes in the state of competition.

The change in product-wise competition has led to the formulation of new strategies for producing quality jute
<table>
<thead>
<tr>
<th>Strategic factors</th>
<th>Description of Impact</th>
<th>Intensity of Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>History and growth</td>
<td>Firms size remain stagnant; Increasing erosion in market segments; Export-sale and profitability reduced; Firms experiencing declining phase of life cycle.</td>
<td>++</td>
</tr>
<tr>
<td>Management Structure</td>
<td>Emerging need for more efficient manager in firm's organisational structure to handle ongoing tough competitive situation strategically.</td>
<td>+</td>
</tr>
<tr>
<td>Marketing</td>
<td>New competitors entering export-market; Emergence of competing products in every end-use of jute products; Increasing dependence on traditional markets and traditional products; Directing sales partly toward new overseas customers; Mild competition among firms in domestic market; Pricing at minimum level; Promotional measures boosted up.</td>
<td>++</td>
</tr>
<tr>
<td>Production</td>
<td>Increasing adoption of product diversification policy and installation of new technology in this regard.</td>
<td>+</td>
</tr>
<tr>
<td>Personnel</td>
<td>Increasing demand for efficient marketing personnel to get rid of competitive crisis.</td>
<td>+</td>
</tr>
<tr>
<td>Finance</td>
<td>Increasing involvement of sufficient funds for implementing various measures to face competition; Getting funds from national (government and other financing organisations) and international agencies (UNCTAD, UNESCO, FAO, IJO, etc.)</td>
<td>++</td>
</tr>
<tr>
<td>Future Prospect</td>
<td>Overall prospect for future under great threat; Measures undertaken for reviving the condition of jute firms.</td>
<td>+</td>
</tr>
</tbody>
</table>

Legend: (+++) High, (+) Moderate, (-) Low.
products at a lower price, which can easily compete with the light-weight and low-priced synthetic products in every segment of the market. These types of strategies adopted by the Bangladeshi firms are nothing but the effect of change in competitive environment of Bangladesh jute industry.

Bangladeshi firms face problems in formulating financial policies which is an indirect impact of the changes in competitive situation. Activities like producing newer high-quality products, using modern technology for the same purpose, and increasing advertising and promotional activities require enough money. But neither public nor private firms, at present, are in a position to invest for financing the projects and programmes already undertaken to face competition. Though the impact of changes in competitive situation seems to be gloomy, the management of Bangladeshi firm are thinking over the different aspects of changing scenario and hoping that brighter prospects could possibly be achieved through adoption of more effective competitive strategies. The change in the attitude of the Bangladeshi firms' management is, of course, an impact of change in competitive situation over a long period. The intensity of the impact of change in state of competition on the strategic factors of business firms is depicted in Exhibit 7.4.

7.1.5 Changes in Technological Development

The technological aspect of Bangladesh jute industry structure has undergone remarkable changes over the last few years. Modern and newer machines and technologies are being used in spinning, weaving, finishing and other manufacturing processes of textile industry. But, BJI being a jute textile industry are lagging far behind in this regard.
Some modernisation and upgradation have been done only by installing composite and circular types of looms which have become outdated now. Though automation, at every stage of manufacturing process, is the latest practice of Western developed countries, Bangladesh jute industry is not in a position to utilise these modern and newly innovated technologies. Old technologies are being mostly used both by public and private sectors of BJI.

The industry, of course, agrees that in order to get the advantage of economies of scale and to improve its competitive position it should update its manufacturing process. It would further help in producing more varieties of jute products to cope with the growing needs of different market segments. Financial constraints and procedural complexities are held responsible for standing in the way of implementing policies for employing modern technology in BJI. The industry claims partial success in this regard but the claim is not justified from the field investigation done for the present study.

As regard R&D activities, some changes are distinguishable. But, most of the research projects are done either on agricultural aspects or on developing union-fabric in the laboratory. The industry does not have more facilities of its own for the innovation of new techniques in manufacturing process. Most R&D projects are being sponsored by International Jute Organisation (IJO) or other international agencies.

The changes, described here, have had an indirect impact on growth strategy of Bangladeshi business firm. The Bangladeshi companies have failed to take benefit of
**EXHIBIT 7.5**

**IMPACT OF CHANGES IN TECHNOLOGICAL DEVELOPMENT IN BJI ON STRATEGIC FACTORS OF BANGLADESHI JUTE BUSINESS FIRMS.**

<table>
<thead>
<tr>
<th>Strategic factors</th>
<th>Description of Impact</th>
<th>Intensity of Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>History and growth</td>
<td>No spectacular change in size of firms; Firms not getting benefit of large-scale operation; Entered in declining phase of life-cycle.</td>
<td>++</td>
</tr>
<tr>
<td>Management Structure</td>
<td>Top-level management thinking over the adoption of new technology; Partial implementation of modernisation policy; BJMC reserves the authority for technological development.</td>
<td>+</td>
</tr>
<tr>
<td>Production</td>
<td>Putting more emphasis on setting up modern technology to produce new products; Partial adoption of new technology; Technological innovation at firm-level proves to be impossible.</td>
<td>++</td>
</tr>
<tr>
<td>Marketing</td>
<td>Market demand for newly developed diversified and quality products enhanced; New promotional techniques evolved to market new products to new market segments; Sales volume hardly enlarged.</td>
<td>++</td>
</tr>
<tr>
<td>Personnel</td>
<td>Necessity of employing people having modern technological expertise equally felt by all firms; Public sector firms receiving service of technological experts; Arising enthusiasm among the employees and workers.</td>
<td>+</td>
</tr>
<tr>
<td>Finance</td>
<td>Creating heavy pressure on financial structure; Involvement of huge funds for importing and installing new technology; Partial concession and financial support from Government available.</td>
<td>++</td>
</tr>
<tr>
<td>Future Prospect</td>
<td>Measures undertaken to install new machinery for replacing old and outdated traditional Processing technique to ensure bright future prospects.</td>
<td>+</td>
</tr>
</tbody>
</table>

Legend: (++) High, (+) Moderate, (-) Low.
modernisation and upgradation of technology that are presently available and utilised in the textile manufacturing in Western developed economies. As a result, Bangladeshi firms fail to show expected progress in producing more quantity and different types of jute products according to the needs of present customers and thus their profitability goes down.

The policies with regard to marketing and personnel areas have moderately been influenced by the changes in technology as new products as well as persons having modern technological expertise would be helpful in selling more products. Bangladeshi firms have apparently missed such opportunities. Moreover the shortage of finance, especially for want of foreign exchange required for purchasing new technology from abroad, restricts the implementation of policies for installing new machinery or upgrading the condition of existing technology.

The future prospect of the firm-level management is influenced by the changes in technology. Large sized firms have chalked out plans for installing new machinery. Presently, Bangladesh Government has also simplified the procedure for importing machineries with the objective of manufacturing diversified jute products to boost the export business again. Individual firm is provided with licence and foreign exchange for the same purpose. Exhibit 7.5 presents the intensity of impact of changes in technological development on strategic factors of Bangladeshi jute business firms.
7.2 ANALYSES RELATED TO INDIAN JUTE FIRMS

The Indian jute industry is a primitive industry and thus the structure of this industry has experienced innumerable changes between the period from mid-sixties till date. The present study includes descriptive analyses and interpretation of changes in industry factors and their impact on the strategic factors of Indian business firms. The analyses have been presented in the sub-sections that follow, and the analyses of each industry factor is followed by an exhibit showing the intensity of its impact on seven strategic factors of Indian jute firms in a summarised form.

7.2.1 Evolutionary changes

Indian jute industry (IJI) has earned a lot of profit by selling large quantities of jute products in both domestic and overseas markets. The size of the industry has become larger by an increase in the number of its firms to 112. This sort of development reached its peak in the mid-sixties. The growth achieved at this stage is treated as the maturity stage in the life cycle of IJI. During the period between mid-sixties to 1981, the industry incurred heavy losses because of competitive pressures from the major competitor, BJI and synthetic products in overseas market segment of packaging materials. The sustenance of heavy losses over a long period resulted in closure of many a firms. The number of operating firms fluctuated owing to the frequent closure and reopening through the period till mid-eighties.

The evolutionary changes that have taken place during mid-eighties onward were not encouraging. But some sick and closed units have been revived (e.g. Case Study 2:
## EXHIBIT 7.6

### IMPACT OF EVOLUTIONARY CHANGES IN IJI ON STRATEGIC FACTORS OF INDIAN JUTE BUSINESS FIRMS.

<table>
<thead>
<tr>
<th>Strategic factors</th>
<th>Description of Impact</th>
<th>Intensity of Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>History and growth</td>
<td>Overall reduction in productivity and profitability; Increasing number of closures and prevalence of sick units; Most of the firms enter into decline stage of growth.</td>
<td>++</td>
</tr>
<tr>
<td>Management Structure</td>
<td>Managing agency pattern shifted to directorial management pattern; Adoption of major policies of private firms at BoD level; Reviving of sick and closed units; Nationalisation of six sick firms; Excessive governmental control over public sector firms.</td>
<td>++</td>
</tr>
<tr>
<td>Marketing</td>
<td>Increasing diversion from export-oriented marketing activities to marketing in domestic market; Recent measures taken for initiating marketing policies to regain export market share; New competitors enter industry; Firms forced to adopt promotional measures; Selling problem partly solved under the provision of Mandatory Use of Jute Packaging Materials Act in domestic market.</td>
<td>++</td>
</tr>
<tr>
<td>Production</td>
<td>Old plant and machinery being used predominantly; Partial acceptance of modernisation and rehabilitation scheme of Government; Fall in demand for traditional products; Increasing adoption of product diversification policies and new production techniques.</td>
<td>++</td>
</tr>
<tr>
<td>Personnel</td>
<td>Need for employing experienced and professional personnel increased; Training programme hardly geared up.</td>
<td>+</td>
</tr>
<tr>
<td>Finance</td>
<td>Firms own sources of finance increasingly squeezed; Over dependence on government and institutional credit.</td>
<td>++</td>
</tr>
<tr>
<td>Future Prospect</td>
<td>Overall prospect of future not so encouraging; Increasing adoption of promotional, technological and product policies to rejuvenate the firms' future prospect.</td>
<td>+</td>
</tr>
</tbody>
</table>

Legends: (+++) High, (+) Moderate, (-) Low.
Anglo-India Jute Mills Co. Ltd. and Case Study 3: Naihati Jute Mills Co. Ltd.) under certain protective policy measures declared by the Government of India. Nationalisation of six sick units, Modernisation and Rehabilitation scheme for jute industry, and Mandatory Use of Jute Packaging Material Act are examples of some of the important measures. Despite these measures, the performance of the industry did not improve; its domestic and international markets have shrunk over the years.

The evolutionary changes, as described earlier, have had an adverse impact on the growth strategies of the Indian jute business firms. Due to various changes in industry factors the productivity and profitability of firms has reduced and some of the firms have closed down after bankruptcy. The six sick units have been taken under the ownership and management of the Government which is the result of low profile performance of the concerned units.

Evolutionary changes have influenced the marketing policies by selling more quantity of jute products in the protected domestic market and thereby avoiding severe and wasteful competition in the overseas market. A moderate impact is noticed on the production, personnel, and financial policies of the firm. With the changes, the firm level management is formulating policies to produce non-traditional jute products; and developing the quantity and efficiency of the employees working in firms. But the shortage of finance is presently managed by taking loans and advances from different financial institutions.

The future prospect of the firm is also affected by evolutionary changes of the industry structure. But this
effect has had an indirect but positive effect in the long-run perspective. With the objective of making the unit viable, the management of each Indian firm is formulating long-term strategies with respect to every aspect of the business. The intensity of the impact of evolutionary changes on strategic factors of Indian business firms is depicted in Exhibit 7.6.

7.2.2 Changes in Ownership and Management Pattern

Before mid-eighties, IJI was absolutely under private management system and according to Joint Stock Company Act, shareholders of the company were the actual owners. But that pattern has changed subsequently. The change in pattern was done with the supposition that the changed ownership and management patterns would yield better economic results and thus the concerned business units would be saved from sickness. In 1985, the ownership and management of six sick business units were taken over by the Government of India. Moreover, employees cooperative management system was introduced in some jute business units (e.g. Case Study 4: New Central Jute Mills Co. Ltd.)

The changes in management and ownership pattern have had a moderate impact on the growth and development strategies of the Indian jute business firms. The introduction of Government/public ownership and management pattern had been a rescue device for sick units. But these units have failed to show better economic performance even after nationalisation. The introduction of co-operative management model has however shown better performance compared to its previous management pattern. The firm which has been converted from public limited to private limited
### EXHIBIT 7.7
**IMPACT OF CHANGES IN OWNERSHIP AND MANAGEMENT PATTERNS OF IJI ON STRATEGIC FACTORS OF INDIAN JUTE BUSINESSES.**

<table>
<thead>
<tr>
<th>Strategic factors</th>
<th>Description of Impact</th>
<th>Intensity of Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>History and growth</td>
<td>Profitability of some firms slightly increased; Past accumulated losses affecting overall progress; Advantages gained in growth stage being continually eroded.</td>
<td>++</td>
</tr>
<tr>
<td>Management Structure</td>
<td>Taking over of six sick units' control under public sector; Introduction of cooperative management pattern in some firms; Conversion of some public limited companies into private limited companies; Autonomy at firms level management partly increased in private sector; Entry of new entrepreneurs in jute business.</td>
<td>++</td>
</tr>
<tr>
<td>Marketing</td>
<td>Centralisation of marketing functions of public sector firm; New owners putting more emphasis on export trade.</td>
<td>+</td>
</tr>
<tr>
<td>Production</td>
<td>Inclusion of new products in product line; Increasing adoption of modern technology to produce diversified products; Reduction of cost and addition of better quality being given greater consideration.</td>
<td>+</td>
</tr>
<tr>
<td>Personnel</td>
<td>Recruitment of efficient and skilled professionals; Cooperative management pattern ensures better commitment; Labour-management relations made cordial; Remuneration rate enhanced; Industrial unrest subsided.</td>
<td>++</td>
</tr>
<tr>
<td>Finance</td>
<td>Public sector firm suffer less from financial shortcomings; Employees and Workers supplying finance in cooperative firms; Private firms mainly depend on Government and other financing institutions.</td>
<td>++</td>
</tr>
<tr>
<td>Future Prospect</td>
<td>Overall future prospect seems to be bad; Measures taken to get rid of problems and revive the firms in the long-run.</td>
<td>+</td>
</tr>
</tbody>
</table>

Legend: (+++) High, (+) Modern, (-) Low.
company (e.g. Case Study 1: Alliance Mills (Lessees) Pvt. Ltd.) is also showing progress in its economic performance.

The impact of changes in management pattern can be ascertained from the fact that, in the changed situation, the public sector units do not enjoy autonomy in decision making process as all decisions are taken by the Board of Directors at Head office of the National Jute Manufactures' Corporation Limited (NJMC).

The functional policies of Indian private firm's management pattern are not influenced by the changes in ownership and management pattern. The public sector is benefited due to this change because the direct patronisation of the Government has made it possible to employ efficient persons and to initiate production policies for producing diversified products. The quantity produced by public firms is easy to sell to other public sector companies in cement, fertilizer and sugar industries. Moreover, necessary funds are supplied by the Government and the firm is protected from financial hardships which is endemic in the case of private sector units. The intensity of the impact of changes in ownership and management patterns on the strategic factors in Indian jute business firm is shown in Exhibit 7.7.

7.2.3 Changes in Market Characteristics

The market components of IJI have witnessed multifarious changes. Till the mid-sixties, all marketing policies were directed towards satisfying the overseas customers because a bulk of jute packaging products were sold in export-market segment at a high profit margin. This
congenial market environment has greatly changed in the subsequent years. During the mid-sixties to mid-eighties the size of export-market of IJI has shrunk and, as a result, its export-volume and profit margins have become lesser.

In order to get rid of adverse market factors, IJI's marketing efforts are directed more towards domestic market than to the overseas market. Government of India has made a compulsory provision that the domestic organised industry sectors would have to use jute products in packaging their products (e.g. sugar, fertilizer, cement and food grain). In the overseas market, half of the IJI's total exportables were consumed by the then USSR. Other overseas users have been demanding non-traditional jute products instead of conventional items. Moreover, they are presently purchasing hessian and CBC only and sacking is selling only in the domestic market. The overseas market price of the Indian jute products has to be at a minimum level so that it could compete with Bangladesh. China and Thailand have got the advantage of producing jute goods at a lower cost. Earlier, IJI did not emphasise on promotional measures as there was no competition, especially in overseas market. But with the changing scenario, it has to undertake various promotional measures to boost its sales in the overseas market. Most recently, IJI has established a centre named National Centre for Jute Diversification (NCJD), for giving boost to country's jute diversified products.

The changes in different marketing features of IJI has influenced the development and growth strategies at the firm-level management. Due to these changes, the volume of production and sales, and the profitability of the firm have
EXHIBIT 7.8
IMPACT OF CHANGES IN MARKET CHARACTERISTICS OF IJI ON STRATEGIC FACTORS OF INDIAN JUTE BUSINESS FIRMS

<table>
<thead>
<tr>
<th>Strategic Factors</th>
<th>Description of Impact</th>
<th>Intensity of Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>History and growth</td>
<td>No significant development in firms' size; Gradual reduction in sales volume and profitability; Overall growth stage veering to decline.</td>
<td>++</td>
</tr>
<tr>
<td>Management Structure</td>
<td>Increasing adoption of long-run marketing plans by the marketing executives; Public sector firms centralise marketing activities.</td>
<td>+</td>
</tr>
<tr>
<td>Marketing</td>
<td>Diversion of marketing strategies more toward domestic segment; Increasing adoption of diversified and value-added product policies to satisfy new group of customers in overseas market segment; Giving more response to the promotional measures sponsored by JMD; Increasing dependence on the countries of erstwhile USSR as a major customer.</td>
<td>++</td>
</tr>
<tr>
<td>Production</td>
<td>Increasing adoption of modernisation and upgradation of technology; Formulation of product development policies by some firms.</td>
<td>+</td>
</tr>
<tr>
<td>Personnel</td>
<td>Inclusion of provision for recruitment of efficient and expert marketing managers.</td>
<td>-</td>
</tr>
<tr>
<td>Finance</td>
<td>Rearrangement in financial policy to collect sufficient funds necessary for installing new technology and product diversification; Few firms avail the opportunity of modernisation and rehabilitation scheme sponsored by Government.</td>
<td>++</td>
</tr>
<tr>
<td>Future Prospect</td>
<td>Overall prospect not so discouraging; Mandatory users ensure distribution; Measures taken to uphold firms exports in overseas segment to keep them viable.</td>
<td>+</td>
</tr>
</tbody>
</table>

Legend: (++) High, (+) Moderate, (-) Low.
come down. Consequently, the size of Indian firms remained stagnant, full capacity of production was not utilised, and no new firm entered the industry. Many jute business firms have been declared sick by the Government.

The changes in market features have had little impact on management structure as some of the sick units were taken under the ownership and management of the Government of India. A few private sector firms adopted co-operative management pattern to rejuvenate themselves. The marketing policies of Indian business firms are also influenced by the change in market features. With the change, presently, the individual firm is selling its products in the domestic market and has changed the policies regarding product, price, promotion, etc. The aim is to satisfy present-day need for diversified products in both domestic and international market segments. Moreover, governmental protective measures help the firm-level management to make an easy sale to the local mandatory users. This is a direct impact helpful specially to the sick units (e.g. Case Study 2: Ango-India Jute Mills Co. Ltd. and Case Study 3: Naihati Jute Mills Co. Ltd.). Another impact of changes in marketing feature is that the product policy of the firm has changed to production of non-traditional, value-added items and low-cost traditional items.

Changes in market characteristics of Indian Jute Industry have had little effect on the personnel policies of the firms. However, financial policy is greatly influenced by the change in same industry factor. The reason is that, the implementation of other marketing policies like innovating new products, undertaking promotional measures etc. require sufficient funds. But the business firms are
still facing financial hardships. The future prospect of the Indian firm is also impacted by the change in market characteristics because a bright future of the business can only be ascertained if sales volume and profitability could be increased. The latest marketing efforts undertaken by different firms may help in achieving a better future. Exhibit 7.8 presents the intensity of impact of changes in market characteristics of IJI on the strategic factors of Indian jute business firms.

7.2.4 Changes in State of Competition

During the period from mid-sixties to late-seventies, IJI was mostly export-oriented and BJI was its only major competitor. The export market share of IJI was in the range of 38 to 53 per cent during the same period. The maximum quantity of raw materials was supplied by domestic agricultural sector. However, during slump season, small quantity of raw materials were imported from Bangladesh, the main competitor in export-market. The erstwhile USSR, USA and EEC countries were the major buyers in export-market segments.

With the passage of time, IJI have witnessed several changes in the competitive situation. Over the period from late-seventies onward two more major competitors, China and Thailand, have emerged in the overseas market with their low-cost quality jute products. The entrance of new competitors has aggravated the state of competition. Another change can be ascertained from the fact that major buyers have reduced quantity import of jute products from India because they have started using synthetic packaging materials instead of jute products. As a result, IJI's
### EXHIBIT 7.9
**IMPACT OF CHANGES IN STATE OF COMPETITION IN IJI ON STRATEGIC FACTORS OF INDIAN JUTE BUSINESS FIRMS**

<table>
<thead>
<tr>
<th>Strategic Factors</th>
<th>Description of Impact</th>
<th>Intensity of Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>History and growth</td>
<td>Increasing erosion of productivity and profitability; No noticeable development in firm size; Severe competition led to reduction in exports; Growth remains stagnant.</td>
<td>++</td>
</tr>
<tr>
<td>Management Structure</td>
<td>Introduction of private limited company and co-operative management model as a device for facing competitive situation; Centralisation of marketing functions in public sector firm.</td>
<td>+</td>
</tr>
<tr>
<td>Marketing</td>
<td>Marketing policies directed towards domestic market; Promotional measures largely adopted; Dependence on major overseas buyers lessened.</td>
<td>++</td>
</tr>
<tr>
<td>Production</td>
<td>Increasing adoption of less-costly, light-weight traditional product to compete with synthetic substitutes; Product-line includes non-traditional items; Modernisation and upgradation of technology by some firms.</td>
<td>++</td>
</tr>
<tr>
<td>Personnel</td>
<td>Priority given on employing new management people having expertise in modern technology and efficiency in marketing management.</td>
<td>+</td>
</tr>
<tr>
<td>Finance</td>
<td>Employing more funds to expedite marketing efforts like advertisement, market promotion and new product development.</td>
<td>++</td>
</tr>
<tr>
<td>Future Prospect</td>
<td>Overall competitive situation disadvantageous; Measures undertaken to bring firms into a better competitive position in future.</td>
<td>+</td>
</tr>
</tbody>
</table>

Legend: (++) High, (+) Moderate, (-) Low.
export market share came down to only 26 per cent of the total world imports. Moreover, synthetics have taken the vantage position in product-wise competition in both the domestic as well as overseas market segments.

The changes in competitive factors have had a direct but adverse impact on the growth strategy of the Indian business firm. The entry of new competitors, the unwillingness of major buyers in purchasing jute products, and the emergence of low-priced synthetic substitutes have brought down the exportable quantity by Indian business firms which has resulted in lowering the profit margin. It further restricts the size and operation of the firm. The changes have little or no impact on the management structure of the business firm. But, marketing policies are highly influenced by such changes. The excessive competition in export market has led the Indian firms to sell goods in domestic market. New strategies are formulated to add more diversified items in product range (e.g. Case Study 1: Alliance Mills (Lessees) Pvt. Ltd. and Case Study 3: Naihati Jute Mills Co. Ltd.). Moreover, special care has been taken to keep the price of products at a minimum level to face the competition from low-priced synthetic products. To cope with the change, some large firms have undertaken promotional measures to capture the growing non-traditional market for jute products abroad.

The personnel policies adopted by Indian business firms are not so much directly affected by the changes in state of competition of jute industry. While financial policy is impacted highly as sufficient funds are required for the implementation of marketing policies with respect to product, price, promotion and distribution. But Indian
firms very often fail to get the supply of adequate funds to implement those policies and hence their objective of gaining better competitive position in the competitive markets greatly suffers. Likewise, the future prospect of Indian jute firms and strategy options are greatly influenced with the changes in state of competition. This impact is easily distinguishable by the fact that the Indian firms are yet to achieve their goal of earning more profits and create a better and viable position. Of course, the concerned management are still expecting better competitive position in all the market segments of jute products. The nature and intensity of the impact of changes in state of competition on strategic factors of Indian jute business firms is depicted in Exhibit 7.9.

7.2.5. Changes in Technological Development

Being an old industry, Indian jute industry is burdened with ageing plant and machinery. Simple technology is used in manufacturing traditional jute products like hessian, sacking and CBC. But this simple technology has proved to be outdated as it has been predominantly used by IJI till the mid-eighties. Efforts for modernisation and upgradation, on a limited scale, have been carried on till late-seventies. These have led to the introduction of high-speed auto doffing sliver spinning system in place of rove spinning system, and broad loom system for only hessian product. No change has taken place in the finishing system. Government of India have undertaken some policy measures for the purpose of modernisation of technology. But these measures were not fully accepted and implemented as most of the mills showed apathy towards the domestically innovated jute processing techniques.
The spectacular decline in demand for jute products during mid-eighties and subsequent period has accelerated the introduction of modern processing equipments in Indian jute industry. With this end in view, IJI has launched technological development programmes through its different allied organisations namely Indian Jute Industry's Research Association (IJIRA). Jute Technological Research Laboratory (JTRL), Institute of Jute Technology, The Lagan Jute Machinery Co. Ltd. etc. This has led to the introduction of a fairly updated technology. The introduction of circular looms in weaving process, and rotor and DREP spinning techniques are the examples of improvement in technological aspects. In 1986, Government of India had announced a scheme for the modernisation of jute processing equipment which encouraged the industry in the area of technological development. But the industrial units showed less interest in taking advantage of this scheme and hence modernisation in jute processing equipment was not done adequately. In this way, changes in technological development have taken place over the years but in a restricted manner, as only large mills (e.g. Case Study 4: New Central Jute Mills Co. Ltd.) have taken some action in this area.

The R&D activities of IJI have gained a momentum during the later part of its growth stage. IJIRA has been conducting research on different aspects of jute and jute products and has proved to be successful in some cases. The introduction of diversified jute products like Geo-jute, JRP boxes, jute blankets, and jute decorative laminates are the outcome of R&D activities of IJIRA. Jute Manufactures' Development Corporation (JMDC) is encouraging and pioneering R&D projects, either framed by IJIRA or by an individual jute mills though jute business units have failed to show a remarkable success in R&D efforts.
The changes in industry factor of technological development of Indian jute industry, as discussed earlier, has made a positive impact on growth strategies of Indian business firms. With such changes, some units have got their manufacturing techniques modernised and upgraded (e.g. Case Study 1: Alliance Mills (Lessees) Pvt. Ltd. and Case Study 4: New Central Jute Mills Co. Ltd.) and now can produce quality products at a minimum cost. But most of the firms are yet to utilise available modern technology as they suffer from financial hardship and face procedural problems (e.g. Case Study 2: Anglo-India Jute Mills Co. Ltd. and Case Study 3: Naihati Jute Mills Co. Ltd.) in realising funds from the modernisation and rehabilitation scheme offered by the Government.

There has been no great impact of changes in technology on the management structure of business firms. Virtually, innovation of new manufacturing processes, product development and R&D activities of Indian jute units are done indirectly by IJIRA which is an association of all firms. As a result, management of individual firm is less concerned with technology development. However, since mid-eighties, large units (e.g. Case Study 4: New Central Jute Mills Co. Ltd.) are maintaining separate R&D division and undertake some research projects jointly with IJIRA.

Technological changes have made another noticeable impact on the marketing policies of jute business firms. Large firms of Indian jute industry including public sector firms are reformulating their marketing plans to increase the sales of non-traditional jute items, produced with the help of modern technology, in both domestic and overseas market segments. They participate in national and
EXHIBIT 7.10
IMPACT OF CHANGES IN TECHNOLOGICAL DEVELOPMENT IN IJI ON STRATEGIC FACTORS OF INDIAN JUTE BUSINESS FIRMS.

<table>
<thead>
<tr>
<th>Strategic factors</th>
<th>Description of Impact</th>
<th>Intensity of Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>History and growth</td>
<td>No significant shift in growth of business firms because of increasing reduction in profitability.</td>
<td>++</td>
</tr>
<tr>
<td>Management Structure</td>
<td>R&amp;D division of most of large-sized firms strengthened.</td>
<td>+</td>
</tr>
<tr>
<td>Marketing</td>
<td>Adoption of more advertisement and promotional strategies to market new products by using new technology.</td>
<td>+</td>
</tr>
<tr>
<td>Production</td>
<td>Increasing adoption of policy for modernisation and upgradation in technology; Innovation of variety of products by using new technology.</td>
<td>++</td>
</tr>
<tr>
<td>Personnel</td>
<td>Necessity felt of employing people with advanced knowledge about latest technological development.</td>
<td>++</td>
</tr>
<tr>
<td>Finance</td>
<td>Rearrangement in financial policies to raise sufficient funds for setting up modern plant and machinery; Government and institutional loans treated as reliable sources; Individual sources dried up.</td>
<td>++</td>
</tr>
<tr>
<td>Future Prospects</td>
<td>Overall situation in technology indicate better prospect for the firms; Increasing adoption of modern technology to correct the past imbalances.</td>
<td>+</td>
</tr>
</tbody>
</table>

Legend: (++) High, (+) Moderate, (-) Low.
international trade exhibitions to popularise their newly innovated jute products among untried customer segments. These type of marketing measures has led to an increase in demand and sales of new categories of products. The product policy of the firm is also impacted by the change in technology in the same manner. The changes have led to the production of different types of jute products other than conventional ones. However, a limited number of jute firms adopt such a product policy and the quantity so far being produced by these units is not enough to make the industry viable.

The personnel policies of Indian jute industry is highly influenced by the changes in technology because additional manpower or expertise are mostly needed for operating or handling the newly devised modern technology. Financial policies are also highly influenced by such changes. More funds are required for the modernisation and upgradation of technology. As a result, economically weaker firms are showing less interest in modernisation and rehabilitation programme initiated by the Government. Only large firms have undertaken this programme by managing finance either from their own funds, or from the Government sources. But in most of the cases they are depending on Government sources for funding the modernisation programmes.

The future prospect of the business firm is also impacted to some extent by changes in this industry factor. The consolidated analysis of selected case studies (Appendix 5) show that every company is eager to use modern techniques in producing diversified products in future.
Meanwhile, some companies have started, though partly, the programme but rest of them are still awaiting. However, with the fall in demand for traditional jute products, every firm is seriously considering the adoption of product diversification strategy for which changes in technology have become a matter of great concern. The intensity of impact of changes in technological development on the strategic factors of Indian jute business firms is depicted in Exhibit 7.10.
CHAPTER EIGHT

FINDINGS AND RECOMMENDATIONS

8.1 FINDINGS AND CONCLUSIONS

8.2 SUGGESTIONS AND RECOMMENDATIONS

8.3 DIRECTIONS FOR FURTHER STUDY
CHAPTER - VIII

FINDINGS AND RECOMMENDATIONS

This chapter presents the findings and conclusions derived from the analyses and interpretations made in Chapter VII. Suggestions and recommendations drawn from the findings, and directions for further research are presented in two separate sections.

8.1 FINDINGS AND CONCLUSIONS

As per conceptualised framework, the earlier analyses and interpretations have been directed towards finding out the impact of changes in industry structure on strategic management of jute business firms. Thus, the intensity of impact which is the end result of the study, has been presented in this section. The findings will adjudge the support of three general hypotheses developed in chapter II (Research Methodology). Two sub-sections are devoted to documenting the findings related to Bangladesh jute industry and Indian jute industry separately, and third one for documenting general impact of changes in jute industry structure.

8.1.1 Findings and Conclusions Related to Bangladesh Jute Industry

The main findings regarding Bangladesh jute industry have been described, in the order of selected industry factors, as follows:

1. The evolutionary changes in the structure of BJI have led to the downswing growth and development in the
policies of jute business firms in both public and private sectors. This industry factor has had a high intensity impact on strategies relating to growth, management structure, marketing, finance and other functional areas. But, the personnel and production strategies are moderately impacted by evolutionary changes that have taken place over the entire life span of BJI.

2. The changes in ownership and management patterns have made a major impact on management structure of Bangladeshi jute business firms as half of the total number of firms have been taken by the Government in public sector and rests are diverted to private sector. Public sector firms have lost their autonomy in formulating policies due to the excessive control of BJMC as a nodal agency. Private sectors firms are enjoying more autonomy as compared to public sector units in policy formulation.

The changes in ownership and management patterns have led to the appointment of better management experts so as to introduce effective management system and to keep abreast of ongoing changes in jute economy. The financial and production functions are not well conceived in both public and private sector firms.

3. The strategies related to growth, marketing, production and finance of Bangladeshi business firms have been highly influenced by the changes in marketing characteristics of BJI. The changes have led to the poor economic performance; adoption of strong marketing efforts; modernisation of technology to produce new products; and, finally, deployment of sufficient funds
in these regards. However, moderate impact is found on the strategies regarding management structure, personnel management and future prospects of jute business firms. The variation in impact is not significant between the public and private sector firms.

4. The strategic factors like growth and development, marketing, and finance have been remarkably impacted by the changes in the state of competition of BJI. Increasing erosion in export market shares; fierce competition in overseas market, small scale purchase by major overseas buyers; entry of new competitors and substitute products are some spectacular phenomena that have raised the intensity of impact. To cope with this situation, Bangladeshi business firms procure more funds but their internal sources of finance have dried up. Therefore, the firms are more dependent on external credit. The future prospects, management structure, production, and personnel areas of Bangladeshi firms are moderately affected by changes in the state of competition of BJI.

5. The changes in technology of BJI have made a positive impact on all strategic factors of Bangladeshi jute business firms. But, the intensity of impact is found higher in the cases of policies relating to growth, marketing and production areas. Findings make it clear that traditionality in production techniques is thought to be replaced fully in order to suit the demands for new and diversified jute products in all market segments. Financial strategy is highly influenced though negatively because Bangladeshi firms require more funds for installation of new technology and expedite R&D activities on their own. However, management structure
and personnel policies of the firms are moderately influenced by the technological development. The future prospects though claimed to be bright show little impact due to changes in technology.

8.1.2 Findings and Conclusions Related to Indian Jute Industry.

The following major findings and conclusions have been extracted from the analyses and interpretations of changes in Indian jute industry structure on different strategic factors of Indian jute business firms:

1. The study of evolutionary changes in IJI shows that the changes have had a higher but negative impact on growth strategy of Indian jute business firms. It can be concluded that though some firms claim better performance in terms of profitability, but their rate of growth did not yet reach the target achieved during mid-sixties. Most of the firms are experiencing decline in their growth and development. Other policy areas such as management structure, marketing, production, and finance have also been impacted highly. Evolutionary changes have had a mixed impact on personnel management. The management of the studied firms are hopeful of better future but the expectations of some firms seem to be unrealistic on the basis of their existing performance. Therefore, the impact of evolutionary changes on the future prospects of Indian jute firms is moderate in nature.

2. As regard changes in ownership and management patterns in IJI, the strategic factors of growth, management structure, personnel and finance of Indian jute business
firms have been impacted positively. Whereas, marketing, production, and future prospects are less stimulated due to changes in ownership and management patterns. But these changes are more in the nature of rescue devices to cure sickness of some firms in the short-term and so the long-run effects still remain hazy and undefined.

3. It has been divulged from the analyses and interpretations of changes in market characteristics of IJI that, these changes have had a positive impact on growth, marketing and financial strategies adopted by Indian jute business firms. Other strategic factors have experienced a mixed impact. It can be concluded that the firms have made their business policies in the light of the provisions of Mandatory Use of Jute Materials Act by the Central Government in order to safeguard the interests of IJI from the onslaught in overseas market. More liberal packages have also been provided by the Government to modernise technology, to produce diversified items, and to boost promotional measures. In fact, many firms are yet to utilise these government facilities for the betterment of their own condition.

4. The analyses and interpretation relating to changes in the state of competition of IJI show that, this industry factor has had a direct but adverse impact on the strategic factors of growth, marketing, production and finance of Indian jute business firms. It has had a mixed impact found in the areas of management structure, personnel and future prospects of jute business units. It is to be mentioned that the wasteful nature of product-wise as well as producer-wise competition has been subsidised by formulating several strategies by Indian firms. Centralising of marketing functions,
lessening dependence on overseas buyer, expanding domestic market, and adopting diversified product policy are some examples of alternative strategies to get rid of fierce competitive situation. However, these policies are not being implemented by all firms with equal devotion and rigour.

5. The changes in technological development in IJI have had an undesirable impact on the growth strategy of Indian jute business firms. Analyses show that, most of the firms are still using old technology that has led to a gradual reduction in production and profitability and increase in cost of production. In the same way, the strategies related to production, personnel, and finance have also been highly impacted by technological changes at industry level. Management structure, marketing and the future prospects have been moderately influenced by these changes.

It is noticed that although most of the firms are unanimously agreed upon the need for upgradation and modernisation of technology, only a few firms are implementing this policy. A large number of firms are not utilising special fund sanctioned by Indian Government for modernisation and rehabilitation of the firms' technology. Moreover, Government has liberalised the import policy to facilitate the concerned firms in purchasing new jute textile technology from abroad. Some companies have recently set up R&D divisions at their own premises but these programmes are yet to be executed and show results.
8.1.3 Impact of Changes in Industry Factors on Strategic Factors of Jute Business Firms

The main findings and conclusions relating to the impact of changes in both Bangladesh and Indian jute industry structure on strategic management of Bangladeshi and Indian jute business firms are as below. In this sub-section, a wholistic view of the industry-level changes is taken.

1. The evolutionary changes in jute industry structure have had a varying impact on the strategic factors of both Bangladeshi and Indian jute business firms. Mainly, growth and development with respect to firm size, productivity, sales and profitability have increasingly reduced in most of the firms. The adversity of impact was found severe which has led to the closure of a good number of Indian mills. Bangladeshi mills were kept in existence through government subsidies being the only major sector earning valuable foreign-exchanges.

The policy areas of management structure, marketing, and finance are highly affected by the evolutionary changes. Large scale shifts in ownership and management of Bangladeshi firms; domestic market oriented policies of Indian firms; and gradual dependence on government and institutional loans for finance by both Bangladeshi and Indian firms are the effects of evolutionary changes in jute industry. The mixed influence is found in areas of personnel, production, and the future prospects as several strategies are not yet fully implemented in these policy areas.
2. The analyses of changes in ownership and management patterns show that the changes were frequent and vigorous in BJI as compared to IJI. Thus, their impact on the respective firms' strategic factors are also different. The growth, management structure, marketing and finance areas of Bangladeshi firms have been greatly impacted by the changes in ownership and management patterns. Comparatively, low-profile growth; centralisation of policy formulation; BJMC's excessive control on marketing; and overdependence on external sources for supply of finance are some of the outcomes of the impact found in private sector Bangladeshi firms. The partial changes in ownership and management as regard to IJI have also had an impact on growth, management structure, marketing and financial aspects of Indian firms, but the intensity of impact is lower than that of Bangladeshi firms. In other strategic areas, the impact is mixed in nature because the personnel, production and future prospects are not seriously dealt with both by Bangladeshi and Indian firms during the period covered in this study.

3. As regards the changes in market characteristics of BJI and IJI, the growth and marketing strategies of Bangladeshi and Indian jute business firms have been adversely impacted. The nature of impact is evident from the declining trend in economic performance and in export trade of most of the firms. However, there are variations in the intensity of impact between Bangladeshi and Indian firms. Marketing policies of Bangladeshi firms have partly deviated from the developed western countries to developing African and Middle-east countries. Whereas, Indian firms are selling their products more in internal market. The
adoption of this marketing strategy has saved Indian firms from the serious consequences of low-rate intake of jute goods by overseas importers. Moreover, due to major changes in socio-political scenario in the erstwhile USSR, Indian firms may have to lose their only major importer that has normally taken about fifty percent of total quantity of annual export from India in the past.

Other strategic factors have been moderately impacted by the changes in market characteristics of both BJI and IJI. It is to be noted that, some of the firms have undertaken jute diversification policies to produce more non-traditional and value-added items to fight out synthetics from each market segments. But virtually, diversification policies are yet to be implemented fully.

4. The changes in state of competition have also had a varying impact on all the selected strategic factors of jute business firms irrespective of the country in which they exist. Severe competition from new entrants and synthetic substitutes have led to a continuous reduction in productivity, sales, and profitability. As a result, growth strategy of both Bangladeshi and Indian firms have entered into the decline stage of life-cycle. This factor has made an intense impact on marketing policies of the firms of both the industries. A moderate impact is found in the analysis of management structure, production, personnel, and future prospects relating to most of the business firms.

It can be concluded that Indian jute business firms are comparatively less affected because they have
managed to avoid the severity of competitive situation in world jute goods market by channelising their products toward the domestic market. Bangladeshi firms are still operating under the competitive situation in overseas market segment. But the superior quality of Bangladeshi products is helpful to it in facing the competing situations.

5. The analyses of changes in technological development show that the intensity of impact of this industry factor on strategic factors of both Bangladeshi and Indian firms is varying in nature. It has got a high intensity of impact on factors like growth, production, personnel and finance. Moderate impact is found with respect to management structure, marketing and on the future prospects of jute business firms.

It is to be mentioned that most of the firms of BJI and IJI are still utilising old and outdated technology in order to produce traditional jute packaging products. Bangladeshi firms are, of course, using newer technology but for manufacturing traditional items. Some selected firms have reported the installation of new machinery, and modernisations and upgradation of existing machinery for processing new products. However, Indian firms are more advanced in the use of developed and modern technology that is highly patronised by the Government. But, adoption of new technology is found restricted to a limited number of Indian jute business firms. Bangladeshi firms are yet to be benefitted from new technology. The policy regarding the innovation and installation of sophisticated textile technology has been constrained by financial hardship of Bangladeshi firms and the Government of Bangladesh is not funding more in this respect.
Chapter II contains three statements of general hypotheses. On the basis of the data collected and analysis done, the conclusions drawn regarding the hypotheses are mentioned below:

Hypothesis 1: The various findings of the study support the first hypothesis that, the changing structure of jute industry has had an impact on strategic management of business firms. It is justified from the fact that, the changes in five selected industry factors, that constitute the structure of jute industry, have made an impact on all the seven strategic factors of jute business firms.

Hypothesis 2: The strategic factors of jute business firms have been affected or influenced by the changes in jute industry factors but the intensity of impact are found to be either high, moderate or low in degree. These findings are supporting the second general hypothesis that, the impact of changing structure of jute industry on seven strategic factors are varying in nature.

Hypothesis 3: The third general hypothesis is partly accepted by the findings of the study. The impact of changes in industry factors on some strategic factors like history and growth, marketing, and production are found common and similar in the case of both Bangladeshi and Indian firms in terms of magnitude as well as intensity. But, other strategic factors - management structure, finance, personnel, and future prospects of the two industries are experiencing impact which are dissimilar in their nature and magnitude.
8.2 SUGGESTIONS AND RECOMMENDATIONS

Certain suggestions and recommendations have been made on the basis of the research study as well as the experiences gained by the researcher in conducting the study. These suggestions and recommendations are presented below.

8.2.1 Suggestions Related to Jute Industry in General

* The respective Governments of Bangladesh and India should formulate a long-term policy for the rejuvenation of jute economy and industry under the changing scenario.

* Modernisation of jute sector of both Bangladesh and Indian jute industries is important in order to increase productivity, cost-effectiveness and quality so as to bring prices to levels comparable to those of synthetic substitutes. Jute community should invest adequate funds for modernisation of plant and machinery, and Research and Development (R&D) to explore new jute products and end uses of jute.

* The manufacture of non-traditional value-added jute items would have to be expedited so as to attract new overseas market segments. As major exporting countries, Bangladesh and India should closely monitor the emerging scenario in East Europe and erstwhile USSR in order to devise alternative strategies to adapt to changing situation in the region.

* The renewed interest in jute as environment-friendly and biodegradable fibre should be fully exploited to boost the demand for jute products. The jute industry
should highlight the inherent environmental advantages of jute products and bring it to the notice of environment activists, consumer-groups, and to the Governments of different countries so as to promote its consumption and compete with low-priced synthetic substitutes.

* The promotional measures would have to be strengthened which need extensive demonstration and exhibition of jute products in the internal as well as external markets. A comprehensive campaign is necessary to be launched to dispel the notion that synthetic materials are cheaper than jute by propagating that jute is a renewable source of raw materials, and less energy is utilised in its production, making it actually less expensive than synthetics.

* The hand-loom and handicraft sectors of both Bangladesh and India would have to be stimulated to produce jute-made products and the Governments should shoulder the major responsibility of marketing these products at least in overseas segments.

* The Embassies and High Commissions of both Bangladesh and India should take steps to popularise jute products in the countries they are functioning.

* Joint efforts, with respect to marketing and R&D activities, would have to be given greater importance than at present.

8.2.2 Suggestions Related to the Firm-level Management

* The management of each jute business firm should be aware of the practice and application of strategic
management concepts to arrive at a sound policy decision under changing circumstances in the external as well as internal business environment.

* More autonomy should be provided to the firm-level management to ensure its commitment to the company. Especially, Bangladesh Public sector firms should be freed from the excessive control of BJMC.

* The sick and economically infeasible units should be detected. They should be either closed down or handed over to the private sector. The competition between the jute business firms should be geared up to let the actual entrepreneurs run the business. However, the management and ownership pattern should not be changed.

* Jute business firms should allocate more resources for the extensive research (both fundamental and applied), and for quick modernisation of jute processing technology which has become more urgent now than ever before. R&D section should be introduced in each and every jute business firm irrespective of its size.

* Indian jute business firms should remain dependent no longer on erstwhile USSR as their major overseas buyer. They should seek other importers. Alternately, Bangladeshi jute firms should become less dependent on export market and should sell their products in their local market also.

8.2.3 Suggestions Related to The Functional Level

* Better management practices would have to be resorted to by jute business firms. The corporate planning practices at the firm-level management would be of much
help in the formulation and implementation process of various strategies related to functional areas. Moreover, the activities of functional areas would have to be consolidated by the top-level management of jute business firms and should be directed toward the attainment of objectives of the organisation.

* The jute business firms would have to improve their marketing techniques and sell their goods to the satisfaction of the buyers. With this end, every firm should maintain a separate marketing department, headed by a marketing executive. Marketing personnel should be adept in dealing with the different components in marketing mix.

* The overdependence on the production and trade of traditional jute packaging materials should partly be replaced by the policy of producing non-traditional items. Every jute business firm should adopt diversification policies in this regard.

* Firm's more dependent on governmental and institutional finance should not be funded for an indefinite period. Internal resources mobilisation should be encouraged.

* Overmanning problem would have to be eradicated gradually without disturbing the industrial relations environment. Participative management would have to be introduced as a component of organisation culture. For this, employees and workers should be trained in all respects especially in participative management. Above all, corrective measures would have to be undertaken to ensure industrial peace, and harmonious relations between labour and management of both Bangladeshi and
Indian firms. The introduction of 'Cooperative management model' (as adopted by some jute firms in India), in different loss-making business firms, is an alternative that may improve the industrial relations in jute business firms.

8.3 DIRECTIONS FOR FURTHER STUDY

This researcher has undertaken two research studies related to jute industry in Bangladesh and India. The first was for the M.Phil. research work which dealt with a comparative analyses of jute industry profiles in Bangladesh and India. The present study is a sequel to the earlier study and has moved from the macro to the micro-level.

Based on the research work undertaken during a period of about four years it is in the fitness of things that certain guidelines be proposed for further research work. These directions are delineated below:

1. The jute industry profiles developed in the present study did not include all aspects of the industry structure and the study has covered the time period till 1992. Therefore, further study could be made to update the jute industry profiles of Bangladesh and India. This type of macro-level study should be based on secondary sources of information.

2. The present study indicates the need for a further study on the overall management practices in jute industry which would suggest measures for an effective management system to help revive the jute industry.
3. This study has paved the way for another study for analysing the effect of synthetic substitutes on natural jute fibre by using quantitative and analytical tools of research.

4. Another study may be conducted about the practices of corporate planning in jute business firms. Descriptive and analytical methods may be applied in such research study.

5. Studying the impact of governmental supports in the case of Indian jute industry is another important research area. This is important because there is a controversy that Indian Government has undertaken various measures to make its industry viable but the industry is either denying or did not give expected response to such support measures.

6. This study calls for further study of two important aspects separately. The aspects are: marketing of jute products with special reference to the concept of marketing mix, and technological development in jute industry. Of course, these aspects are included in the present study but studied within a limited scope.

7. It is found that state of competition in both global and domestic markets is severe and often wasteful which is eroding the market shares of Bangladesh and India. Therefore, a comprehensive study in the area of the state of competition is needed.

8. It is evident from the present study that, due to sickness, most of the jute business firms are suffering and accordingly fail to initiate strategic policy
formulation and implementation at firm-level administration. Hence a further study with respect to causes of sickness of jute business firms and remedies is called for.

9. The present study should be followed by another thorough study highlighting the problems and prospects of jute industry. This type of proposed study should be conducted on the basis of primary data collected through field survey. It is imperative to carry on such study under the changing situations in the present jute industry environment.


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STATISTICAL PUBLICATIONS


APPENDICES
APPENDIX - 1
CHECK LIST

In the field study, business executives of selected jute business firms have been interviewed on the basis of a Checklist in order to collect information relating to aspects mentioned below. This checklist has been used as the basis of semi-structured interviews.

1. General Information

Name of the jute business firm; Head Office; Location of factory; Date of incorporation; Capital structure; Objectives; Present performance; Problems and advantages, etc.

2. History and Growth

Past activities; Earlier progress and development; Expansion in operation and size; Productivity trend; Sales; profitability; Life cycle, etc.

3. Ownership and Management Patterns

Former and present ownership patterns; Formation of highest policy-making body; Organisational structure; Management style; Policy formation and implementation devices, etc.

4. Marketing

Structure of marketing division; Demand for products; policies related to product, price, promotion market
segmentation, Channel of distribution; Customers; Competitors in domestic and overseas market; Market shares; Sales volume; Market opportunities, etc.

5. Production

Formulation of production policies; Condition of plant and machinery; Upgradation and Modernisation of technology; Raw material procurement; Production capacity; R&D activities; Nature of products; Product diversification programme; Cost-effectiveness, etc.

6. Personnel

Structure of personnel department; Strength of employees; Recruitment policy; Training facilities; Promotional policy; Remuneration policy; Incentive schemes, Welfare measures; Corporate culture; Job commitment; Performance evaluation; Industrial relations; Trade union practices, etc.

7. Finance

Structure of finance department; Capital structure; Sources of finance; Utilisation of fund; Budgetary control; Management of income and profitability; Latest financial position, etc.

8. Future Prospect

Past performance; Existing situation; Scope for future development; companies' expectation for future; Suggestions for future development, etc.
## APPENDIX - 2

### REPRESENTATION OF CHANGING STRUCTURE IN BANGLADESH JUTE INDUSTRY

<table>
<thead>
<tr>
<th>Industry Factors</th>
<th>Sub-Factors</th>
<th>Overall situation during mid-60s to 1981</th>
<th>Overall situation from 1982 onward</th>
<th>Nature and direction of changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evolutionary Changes</td>
<td>The phases of growth</td>
<td>Maturity to decline stage marked by 82 mills installed; higher export; higher profit</td>
<td>Declining trend; low production; low export and low profit over the years</td>
<td>Periodic changes directed from stage of maturity to decline</td>
</tr>
<tr>
<td>Change in management and ownership patterns</td>
<td>Ownership pattern</td>
<td>All jute mills were nationalised</td>
<td>Half of the mills denationalised and disinvested</td>
<td>Government policy forced in partial changes in ownership pattern</td>
</tr>
<tr>
<td></td>
<td>Management pattern</td>
<td>Relatively inexperienced management under Government control</td>
<td>The emergence of owner-managers and professional managers</td>
<td>Change in management pattern from public to private hand</td>
</tr>
<tr>
<td>Change in Market Characteristics</td>
<td>Market Segmentation</td>
<td>Overseas market segment was more dominant</td>
<td>Slightly inclined towards domestic market</td>
<td>Change in markets served; slight shift from overseas to other segments</td>
</tr>
<tr>
<td></td>
<td>Users and their characteristics</td>
<td>Developed western countries were the users</td>
<td>Developed and developing countries have been using jute products</td>
<td>Change in users choice and taste direct from jute to synthetic products</td>
</tr>
</tbody>
</table>
### APPENDIX - 2 (Continued)

**REPRESENTATION OF CHANGING STRUCTURE IN BANGLADESH JUTE INDUSTRY**

<table>
<thead>
<tr>
<th>Industry Factors</th>
<th>Sub-Factors</th>
<th>Overall situation during mid-60s to 1981</th>
<th>Overall situation from 1982 onward</th>
<th>Nature and direction of changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products and their demand pattern</td>
<td>Hessian, sacks and CBC had higher demand for jute packaging materials in developed countries</td>
<td>Downward trend in the demand for jute packing materials in the developed countries</td>
<td>Gradual change in demand from traditional to non-traditional item or to substitutes.</td>
<td></td>
</tr>
<tr>
<td>Distribution facilities</td>
<td>Trade middlemen and shipper's role were prominent in the channel of distribution</td>
<td>Maximum distribution handed by Government agencies</td>
<td>Distribution policy change is directed from private hand to public hand</td>
<td></td>
</tr>
<tr>
<td>Promotional activities</td>
<td>Less emphasis on promotional activities</td>
<td>Much importance laid on promotion activities</td>
<td>Promotional activities change from low to high profile</td>
<td></td>
</tr>
</tbody>
</table>

#### Changes in the state of competition

<table>
<thead>
<tr>
<th>The major players</th>
<th>India was the major player in the export market</th>
<th>China, Nepal and Thailand are the new entrants</th>
<th>Number of exporter increased from lone India to more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market share</td>
<td>More than 40% of world export market</td>
<td>Market share went up nearly 50%</td>
<td>Change in market shares from 40% to 50%</td>
</tr>
<tr>
<td>The major buyers</td>
<td>USA, EEC, Australia, Japan</td>
<td>African and Gulf Countries entered as new buyers</td>
<td>Demand-oriented change gives rise to exploration of new market</td>
</tr>
<tr>
<td>The competitive situation export market</td>
<td>Gaining ground</td>
<td>Heading in export market competition with lesser profits in low profit margin</td>
<td>Competition is becoming more fierce resulting in low profit margin</td>
</tr>
<tr>
<td>Export Market</td>
<td>Spread of export market wide</td>
<td>Wasteful competition among Competitors</td>
<td>Intensification of Competition</td>
</tr>
</tbody>
</table>

#### Changes in Technological development

| Mostly Contemporary technology was being used as industry set up around 1950s | Importance in R&D increased. Technological development innovation and modernisation were thought of to meet emerging demands | Technological change from old to new technology taking place |
### APPENDIX - 3 (Continued)

**CASE ANALYSES OF BANGLADESHI FIRMS**

#### CONSOLIDATED RESULTS OF THE CASE ANALYSES

<table>
<thead>
<tr>
<th>Case Study-1: AJM</th>
<th>Case Study-2: AKJM</th>
<th>Case Study-3: GJM</th>
<th>Case Study-4: VJPL</th>
<th>Case Study-5: HJML</th>
<th>Case Study-6: CJML</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Both conventional &amp; non-traditional products procured:</strong> Well located; Semi-old machinery; Regular raw material supply; 70% capacity utilised; BJMC determines production targets; No R&amp;D activities at firm level.</td>
<td><strong>Factory well located:</strong> Raw materials collected through own purchasing centres; No shortage of raw jute; 95% capacity utilised; Sound budgetary and inventory control system; Products’ quality appreciated in overseas market; Modernisation and diversification strategies going on.</td>
<td><strong>Plant and machinery comparatively new:</strong> 95% capacity utilised; BJMC &amp; BJC supply raw jute; Producing traditional items only; Production target centrally fixed; R&amp;D function done centrally.</td>
<td><strong>Old plant machinery:</strong> Factory ideally located; No shortage of raw jute; 87% capacity utilised; Maintains purchase centre in jute growing area; Phase-wise modernisation scheme going on; Low per head productivity.</td>
<td><strong>Plant suitably located:</strong> Plant and Machinery not so old; Special items other than traditional products; Newly innovated technology not in use.</td>
<td><strong>Plant installed in better place:</strong> No shortage of power and raw materials. Both traditional and non-traditional items produced; Utilising improved machinery; Minimum capacity utilised; Quality strictly controlled R &amp; D Dept. not so active.</td>
</tr>
</tbody>
</table>

| Overmanned: Top-level executive recruited by BJMC; Absence of better training facilities; Labour-management relations improved; Adequate welfare measures. | Efficient and committed employees, staff and workers; Better remuneration policy; Sufficient welfare schemes; On-the-job training programmes; Provision for foreign training. | Recruitment, promotion, remuneration & training policies guided centrally; Training facilities for middle and lower level managers; Govt. remuneration policy followed. | Overmanning problem solved; Employees and workers well committed; Encouraging remuneration policy; On-the-job training exists; Experienced persons employed. | Personnel policy dictated by BJMC; Overmanning problem exists; Limited training facilities; Employees are comparatively less committed. | Prefers experienced and efficient persons; Overmanning problem gradually solved; Labour-management relations cordial; Better remuneration & welfare scope provided for. |

| Government and financial agencies provided finance; Shares not sold in market; Capital structure determined by Government. | Owner-provided finance; Working capital collected from banks/financial institutions; Shares are not sold. | Government and financial institution provided finance; Sales proceeds not enough to meet requirements; Shares not sold. | Shares not sold; Sales proceeds loan from bank and other institution provide working capital. | Government and other financing agencies provide finance; Financial policies taken at BJMC level; No share is sold. | Financed by owner, Govt. & by banks; Sales proceeds & reserves used as working capital; Shares not sold. |

1. Sample firms are well located having semi-old machinery.
2. All firms have the regular supply of raw materials.
3. No firm has yet installed advanced technology.

#### RESEARCHER’S EXPLANATION

1. Public-sector firms are overmanned while private firms are overcoming this problem. No firm except one has training facilities.
2. Employees and workers of private firms are more committed than those of public sector units.
CONSOLIDATED RESULTS OF THE CASE ANALYSES

RESEARCHER'S EXPLANATION

<table>
<thead>
<tr>
<th>Case Study</th>
<th>Description</th>
<th>Description</th>
<th>Description</th>
<th>Description</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>11AJM</td>
<td>floated by a group of industries in 1953; better economic performance before nationalisation; sustaining loss in public sector; declining growth</td>
<td>privately floated in 1966; nationalised in 1972; presently in public sector; growth suffering and problematic</td>
<td>established privately in 1960; nationalised in 1972; divested to private owners in 1984; sustaining losses; discouraging growth</td>
<td>privately organised under EPIC's patronisation; nationalised in 1972; divested in 1984; faced more problems in public sector life; now in better economic condition; reviving again.</td>
<td></td>
</tr>
<tr>
<td>21AKJM</td>
<td>public sector and ownership patterns changed to private one; board member mostly from some family; policy formulated in consultation with salaried executive director; firm level management enjoys autonomy</td>
<td>owner management shifted to public pattern; BJMC formulates policies; project head bears implementational responsibility; insufficient autonomy at firm level management</td>
<td>BoD comprised of inside and outsiders; owner-directors are active in management; BoD formulates policy; salaried managers bear implementing responsibility; active direction keeps constant vigil on management</td>
<td>shift from public to private management pattern; owner director more active in management affairs; BJMC interferes greatly in policy formulation process; ED comprising of mostly Govt. &amp; Corporation level people; less authority to project head</td>
<td></td>
</tr>
<tr>
<td>31GJM</td>
<td>BJMC controls marketing function centrally; no marketing department at firm level; sales quota price, whom to sell etc. determined by BJMC; sales maintain contact with customers personally</td>
<td>BoD's formulated marketing strategies; no marketing department; central sales sales office centrally</td>
<td>marketing function accomplished by group's department; central sales sales office centrally; committee realises sales proceeds; exports portion</td>
<td>practicing sound marketing strategies; product line consists of traditional and non-traditional items; emphasises on quality</td>
<td></td>
</tr>
<tr>
<td>41VJFL</td>
<td>BJMC deals with marketing strategies; no marketing department; central sales sales office centrally; committee realises sales proceeds; exports portion</td>
<td>marketing function accomplished by group's department; central sales sales office centrally; committee realises sales proceeds; exports portion</td>
<td>centralised system in marketing like other nationalised units; strategies relating to product price and promotion determined by BJMC</td>
<td>nationalised firms' marketing functions controlled by BJMC; private firms have separate marketing department but sales policy partly determined by BJMC</td>
<td></td>
</tr>
<tr>
<td>54HJML</td>
<td>BJMC deals with marketing strategies; no marketing department; central sales sales office centrally; committee realises sales proceeds; exports portion</td>
<td>marketing function accomplished by group's department; central sales sales office centrally; committee realises sales proceeds; exports portion</td>
<td>centralised system in marketing like other nationalised units; strategies relating to product price and promotion determined by BJMC</td>
<td>nationalised firms' marketing functions controlled by BJMC; private firms have separate marketing department but sales policy partly determined by BJMC</td>
<td></td>
</tr>
<tr>
<td>61CJML</td>
<td>BJMC deals with marketing strategies; no marketing department; central sales sales office centrally; committee realises sales proceeds; exports portion</td>
<td>marketing function accomplished by group's department; central sales sales office centrally; committee realises sales proceeds; exports portion</td>
<td>centralised system in marketing like other nationalised units; strategies relating to product price and promotion determined by BJMC</td>
<td>nationalised firms' marketing functions controlled by BJMC; private firms have separate marketing department but sales policy partly determined by BJMC</td>
<td></td>
</tr>
</tbody>
</table>
## APPENDIX - 4

### REPRESENTATION OF CHANGING STRUCTURE IN INDIAN JUTE INDUSTRY

<table>
<thead>
<tr>
<th>Industry Factors</th>
<th>Sub-Factors</th>
<th>Overall situation during mid 60s-1981</th>
<th>Overall situation from 1982 onwards</th>
<th>Nature and direction of changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evolutionary changes</td>
<td>The phases of growth</td>
<td>Maturity stage to decline; fall in export earnings</td>
<td>Closure of many jute mills; merger of other business units; maturity to decline with jute mills; revival of some sick units</td>
<td></td>
</tr>
<tr>
<td>Changes in Management and ownership patterns</td>
<td>Ownership pattern</td>
<td>All units were in private sector</td>
<td>6 mills taken over by Government and rest still in private hand</td>
<td>Government initiated changes result in a partial shift from private to public ownership</td>
</tr>
<tr>
<td></td>
<td>Management pattern</td>
<td>Owner-manager &amp; managing agents managed business units</td>
<td>Owner-manager, professional, and employees managing business</td>
<td>Change in management from managing agency system to private sector/ professionals</td>
</tr>
<tr>
<td>Changes in Market segmentation</td>
<td>Market segmentation</td>
<td>Overseas market segmentation was strategically important</td>
<td>Domestic segment has been gaining ground</td>
<td>Change in market serves shift from overseas to domestic market</td>
</tr>
<tr>
<td></td>
<td>Users and their characteristics</td>
<td>USA, USSR and European development countries were the users.</td>
<td>USSR account for nearly 50% of the export, Govt. of India &amp; the Industries of sugar, cement &amp; fertiliser are domestic users.</td>
<td>Change in Govt. trade policy made it a compulsion in the domestic market</td>
</tr>
<tr>
<td></td>
<td>Products and their demand pattern</td>
<td>Hessian, sacking and CBC mostly demanded by overseas buyers</td>
<td>Hessian &amp; CBC have high demand in export market, sacking demanded in domestic market</td>
<td>Change in demand pattern, Demand for hessian &amp; CBC are increasing in overseas market</td>
</tr>
<tr>
<td></td>
<td>Distribution facilities</td>
<td>Mostly direct channels used</td>
<td>STC and NJMC are acting as intermediaries changes from direct to the use of internal channels are more active</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX - 4 (Continued)

REPRESENTATION OF CHANGING STRUCTURE IN INDIAN JUTE INDUSTRY

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Pricing</td>
<td>Cost plus pricing was remunerative &amp; profitable</td>
<td>Competitive pricing with low profit margin in overseas market</td>
<td>Change in pricing; shift from higher margin to lower margin of profit</td>
<td></td>
</tr>
<tr>
<td>Promotional activities</td>
<td>Low profile promotional measures</td>
<td>More emphasis to promotion in the overseas market segment</td>
<td>Promotional changes giving more emphasis upon overseas market</td>
<td></td>
</tr>
<tr>
<td>Changes in the State of Competition</td>
<td>The Major players</td>
<td>Bangladesh</td>
<td>Bangladesh &amp; China, Thailand &amp; Nepal as new entrants</td>
<td>Major players increased from single to more</td>
</tr>
<tr>
<td>Market Shares</td>
<td>Declined from 52% to 38% in overseas market</td>
<td>Again declined to 26% Domestic market share rose up to 70%</td>
<td>Shift in market shares; overseas market decline; Domestic market up</td>
<td></td>
</tr>
<tr>
<td>The major buyers</td>
<td>USA, USSR &amp; EEC Countries</td>
<td>USSR important importer Domestic buyers are sugar, cement fertilizer industries &amp; Govt.</td>
<td>Change in buyers segment shift from export to domestic market buyers</td>
<td></td>
</tr>
<tr>
<td>Major suppliers</td>
<td>Agriculture Sector and some import</td>
<td>No major change</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The competitive Losing ground to Bangladesh in export market</td>
<td>Effect of wasteful competition is tackled through diverting marketing towards home market</td>
<td>Change in competitive strategy. Marketing efforts directed toward home market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export market</td>
<td>Shrinking gradually</td>
<td>Exports dwindled greatly</td>
<td>Change in export market share. Retreat from export to home market</td>
<td></td>
</tr>
<tr>
<td>Change in Technological Development</td>
<td>Old plant and machinery were in use. R&amp;D work was limited to JJIRA activity</td>
<td>Modernisation and rehabilitation programme is in force; R&amp;D activities are started functioning gaining momentum activity</td>
<td>Shift in market demand; technological development and research activities are being geared up to cope with the demand requirements.</td>
<td></td>
</tr>
</tbody>
</table>