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A CRITICAL REVIEW ON PROBLEMS OF PAPER INDUSTRY IN INDIA WITH REFERENCE TO ANDHRA REGION

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Abstract

Good human relations are also needed to make the industry play a decisive role in the progress of the country. At the same time, expansion and growth of industries can be possible when proper utilization of human resources and better relations between labor and the management. It leads to progressive growth of the sector and root to forward linkages of economic development. Therefore, Industrial relations are not a matter between employer and employee but also a vital concern of the society. The importance of establishing and maintaining harmonious relations among employees needs no emphasis. Mere technical efficiency, up-to-date machinery, good plant lay-out and dynamic organization are not enough to make a business profitable. Good human relations are also needed to make the industry play a decisive role in the progress of the country. At the same time, expansion and growth of industries can be possible when proper utilization of human resources and better relations between labor and the management. It leads to progressive growth of the sector and root to forward linkages of economic development.

Introduction

Industrial relation is a dynamic socio-economic process. It plays a vital role in the establishment and maintenance of industrial democracy. In recent years industrial relations have not only attracted the attention of the employer and employees with who they are directly concerned, but also attracted the attention of the government and community. It is a fact that economic progress of any country depends on the industrial peace which can be attained by better industrial relations. Industrial relations are, therefore, not the matter between employers and employees alone the relations are concerned with the society as whole. "It is not the cause but an effect of social, political and economic forces."¹ Thus, a

quest for industrial harmony is indispensable when a country plans to make economic progress.

It is further mentioned that “Industrial Relations are concerned the part and parcel of the management which relates manpower of the enterprise”. The importance of establishing and maintaining harmonious relations among employees needs no emphasis. Mere technical efficiency, up-to-date machinery, good plant lay-out and dynamic organization are not enough to make a business profitable. Good human relations are also needed to make the industry play a decisive role in the progress of the country. At the same time, expansion and growth of industries can be possible when proper utilization of human resources and better relations between labor and the management. It leads to progressive growth of the sector and root to forward linkages of economic development. Therefore, Industrial relations are not a matter between employer and employee but also a vital concern of the society.

Evolution of Paper Industry

Like many other matters of antiquarian interests, the history of paper making in India is a matter of research. There exists no definite record or evidence which can be accepted as authoritative although in medieval Hindu India various modes of writing have been evolved ranging from leaves of trees to metal plated and terracotta to solid rocks, it was not until the art of handmade paper-making had been developed that the extension and propagation of learning on a mass scale could really be achieved.

Paper Production in Andhra Pradesh

The paper production in the year 1999, fall of previous year, but the average index of industrial production was increased (with base year 1990 -100 i.e., 1.9 percent. in the year 2000 also decreased and index number also decreased as 30 percent. in the year 2001 the production and index numbers both were increased when compared to the previous year, due to improvement in power position and better labor situation. During the year 2000-01 while the index of manufacturing group and electricity group increased marginally by 0.7 and 0.6 respectively.

| Year | Paper & paper products (tonnes) | Index numbers of paper & paper products |
|---------------------------|---------------------------------|---|
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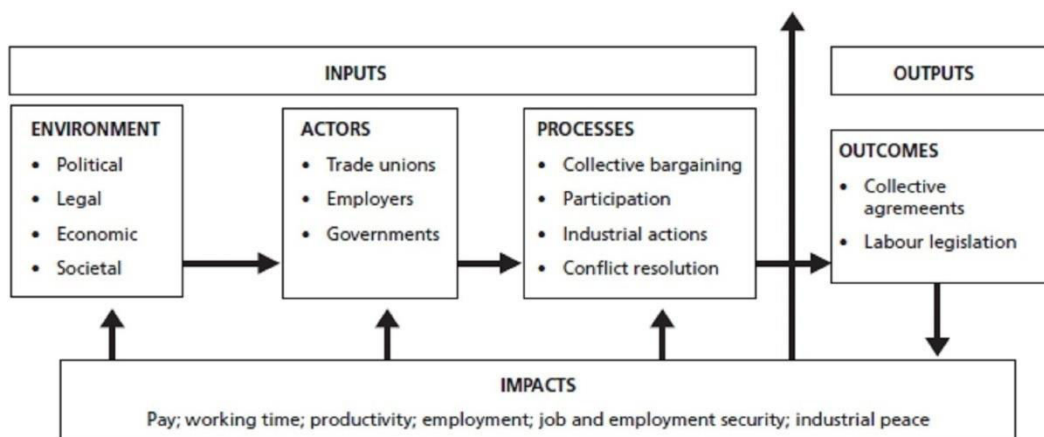
| | | |
|-------|--------|-------|
| 1998 | 395119 | 381.8 |
| 1999 | 284717 | 383.7 |
| 2000 | 279936 | 353.0 |
| 2001 | 286779 | 362.9 |
| 2002 | 282288 | 359.2 |
| 2003 | 290412 | 366.5 |
| 2004 | 298208 | 373.0 |
| 2005 | 281524 | 358.0 |
| 2006 | 179470 | 355.4 |
| 2007 | 325210 | 410.6 |
| AACGR | -1.93 | 0.73 |

In the year 2002 the average index of production showed decline. During the year 2003, 2004 observed that a significant increase in production and in the years 2005, 2006 the index of production has come down due to different reasons.

Table-1. Paper & Paper products index numbers in Andhra Pradesh

Source: Directorate of economics & statistics, Govt of AP, Economics and statistical bulletin, quarterly Magazines, 2009.

Model of Industrial Relations



Sources: Kauppinen, 1994; Van Gyes et al, 2007; authors' modifications.

Literature Review

In 1981, **Surya Kumar** examined the practices followed in the four selected undertakings around Hyderabad city, in creating a climate conducive to cordial industrial relations. The findings of the study include that: Management, which looked after the welfare of the workers, faced hardly industrial relations problems. Organizations, which adapted a consultative and participative style of management was able to infuse a sense of commitment and improvement base for industrial peace.

V.B.Singh studied on the textile mills in Kanpur, discuss on economic aspects of work force, absenteeism, turnover, recruitment, discipline and history and perspective of trade unionism at the plant level.

Dr.M.K.Ganju made a study of the worker management relations in the *paper industry* of Andhra Pradesh. His study of the industrial relations was based on strikes, absenteeism and labor turn-over, with the help of different tables covering the period of 10 years 1965 to 1974 in two units viz., Andhra Pradesh Paper Mills Limited, Rajahmundry and Sirpur Paper Mills Limited, Kagaznagar.

Dr. M Gangadhar Rao studied various important aspects of personnel administration and union-management relations in the Indian Railways, in the post-independence period.

Problems of paper industry in India

Paper industry in the multi-dimensional aspect in input and output with immense back ward and forward linkage. It encompasses in its production, consumption and distributional aspects, technical, social and management issues that need careful planning and coherent policy. Unfortunately, ad-hoc policy planning, and anarchic addition to capacity across small, medium and large units, has led to a situation where the industry's future increasingly competitive global economy, remains uncertain.

The Paper and paper Board industry is one of the sectors most affected by the phenomenon of industrial sickness. According to a status paper prepared for Development Council for the Paper industry by Mrs. Pramila Bharadwaj, the incident of sickness is high in mills below 33,000 tons per annum capacity. A variety of causes, notably shortage of raw material and

infrastructure constraints, obsolescence of plant and machinery, inefficient management, low capacity utilization, which led to the close of many mills. Various committees appointed by the government analyzed the problems of the paper industry from industry. Let us now discuss the non-financial and financial problems in brief.

1. Non –financial problems

The key issues of competitiveness facing the Indian paper industry are raw material competitiveness, energy competitiveness, technology up gradation and economic of scale.

a. Shortage of Raw Material:

The most critical issue facing the Indian Paper industry is the availability of cost-effective fibrous raw materials. Creation of paper manufacturing capacity, based on straw, has not kept pace with the growth and pattern of demand of the industry. This is due to the cumbersome and uneconomical task of collection from widely dispersed area, the attendant problems of storage of this seasonal product, and prior change on straw for cattle feed, limiting the size and induction of appropriate technology on the one hand and non-availability of power and coal, on economic basis, on the other. The potential of straw, as a major source of raw material is, therefore, likely to remain limited.

b) Shortage of coal:

It is known fact, that the availability of coal is not adequate. To some extent, the quality of coal is not good. It needs to be mentioned that, the steam raising equipment available in a large number of paper mills is also inefficient and obsolete, resulting in a wasteful consumption of coal. On an average, about 1600 KWH of power is consumed to produce a ton of paper. The prevalence of large power cuts and load shedding leads invariably to wasteful use of energy.

c) High cost of power and Chemicals:

Power and Chemicals roughly account for about 20 percent and 10 per cent respectively of the total cost. Caustic soda alone would account for nearly 50 percent of the chemical cost. The excise duty to these chemicals was 50 percent. The rise in excise duty over the years has not been in consonance with the rise in selling price. Duty levels in the last decade have gone up by 390 percent against a 139 percent increase in net sales realization. Such a high rate of taxes disappoints the profits of the industry. One relieving factor is that the Government has

reduced the exciseduty.

d) ObsoleteMachinery:

A majority of paper mills were established 30 to 50 long years ago. Obsolescence of plant and equipment is one of the important contributory factors, to the critical state of paper industry. Further, if modernization and rebuilding of some of the older paper mills is not taken up on a planned basis there is the danger of a large portion of the present capacity being declined to a considerable extent but modernization process requires at least Rs. 4-5thousand.

e) Energy-RelatedProblems;

TheaverageenergywastageinIndianmillsexceeds35percentcompared to the international average of 20 percent. Effective energy management is,therefore, critical tocostcompetitiveness.Indianpapermills on an average consume70 percent more thermal energy and 110 percent more power per ton of paper producedthan their international counterparts.

FinancialProblems

1 The paper industry has not fared well over the last 10 years. Even if the industry had operated at 85 percent capacity utilization it would not have been in apposition to earn even a modest post-tax return of 12 percent on networth.

2. The profitability performance of the paper industry has been below the composite industry average. The paper industry had a relativelylow margin on sales at 8.4 percent as against 11.5 percent for the totalindustry.

3. The rate of increase in input costs has exceeded that for sales realization, over the last 10 years. While the sales realization has increased by 139 percent over the ten-year span, the cost of production has increased by 186 percent the trend in the increase in costs is more marked in the last 3 to 4years

4. There has been a declining trend in profits during recent years, in respect of all indices of profitability. The inability to generate adequate contribution has impaired the cash flow generation and consequently the ability to service borrowings and meet fixed expenses.

5. The capacity utilization trends have been declining. Though this is a result of several factors such as non-availability of raw materials, owner shortage, etc., the input costs have also been rising on account of equipment no being appropriate, e.g. pulp mills geared to bamboo now being used for hardwood and boilers geared for superior quality of coal now having to use inferior quality coal.

Conclusion

Modern industrialization has created a vast gap between the management and labor; because of the workers have lack of control over the means of production. As employers are economically and socially powerful, workers are incapable of getting their grievances redressed even they have legislative protections in some times. This creates differences between employers and employees in the industrial world. Industrial disputes disturb the economic, social and political life of the whole country.

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Literature Review

needed to make the industry play a decisive role in the progress of the country. At the same time, expansion and growth of industries can be possible when proper utilization of human resources and better relations between labor and the management. It leads to progressive growth of the sector and root to forward linkages of economic development. Therefore,



Industrial relations are not a matter between employer and employee but also a vital concern of the society.