

## SICKNESS IN SMALL SCALE INDUSTRIES

**Prof. Amol O. Kachhwah**

Asst. Prof. G.S. College of Commerce & Economics, Nagpur

### ABSTRACT

The Small in India has been increasing extremely fast in recent years. Industrial sickness has been growing from the latest decade. The intention of this paper is to give explanation of the sickness and causes in the small scale industrial sector in India. Many traditional and modern industries are now being affected by industrial sickness. Sickness in the industrial units is not a new happening as is obvious in the developing countries. The paper highlights the causes and remedies of industrial sickness of small scale industries in India

### INTRODUCTION:

An industrial unit is considered sick when its financial position is not satisfactory and it becomes worse year after year. It incurs losses and its capital reserves may be stretched out in course of time. When its current liabilities are more than current assets, the organization may not be in a position to pay its liabilities. The increasing trend in industrial sickness touching all types of units including small is of considerable concern.

The small-scale industrial (SSI) sector is the worst hit. A number of small industries are either born sick or stay sick. It is disturbing to note that despite sound academic qualifications and initial zeal of the entrepreneurs and full initial backing by financial institutions, sickness still persists.

Though the sickness develops gradually and not an overnight phenomenon, the financial institutions are taken into confidence at the critical stages. When the problems and difficulties arise, the diagnosis and treatment would certainly be much easier.

However, when the sickness reaches an advanced stage, it becomes difficult and takes longer time to diagnose the reasons and makes it more costly and expensive to bring the units back to normal. So, there is need to identify sickness in the initial stages and to initiate the process of corrective measures and revival / rehabilitation before the sickness assumes a serious proportion.

The particular of sickness relating to SSI in India is presented in following table:

Years	Total SSI (in Lacks)	Sick Units (in Lacks)	Percentage
1998	89.71	2.21	2.46
1999	93.96	3.06	3.26
2000	97.15	3.04	3.13
2001	101.1	2.49	2.46
2002	105.21	1.77	1.68

2003	109.49	1.67	1.53
2004	113.95	1.43	1.25
2005	118.59	1.38	1.16
2006	123.42	1.26	1.02
2007	261.01	1.14	0.44
2008	272.79	0.85	0.31
2009	285.16	1.04	0.36
2010	298.08	0.78	0.26
2011	311.52	0.90	0.29

Source: Govt. of India, Ministry of Micro, small & medium enterprise Annual report 2011-12

Sickness in small scale industrial undertakings usually arises due to a complex of factors present in the internal and external environments. Internal environment pertains to the factors within the control of management whereas external environment relates to the factors beyond the control of the management. Similar to these factors, for the present study, the causes of industrial sickness are broadly divided into the following heads:

#### **Internal Causes**

##### **1. Mismanagement:**

The most important internal cause of sickness is mismanagement. Faulty managerial decision regarding production, finance, marketing and personnel and poor control can ruin a business.

##### **2. Faulty Initial Planning:**

Wrong location of an industrial unit might lead to its ruin. If the place of industrial location lacks infrastructural facilities, the industry is bound to face difficulties. Another fault is lack of proper demand forecasting for the products to be sold. Some Small industries start production without making a market survey and plunge into difficulties later.

##### **3. Finance Problems:**

A shortage of working capital appears to be a big issue. The equity base of many small scale units is very weak which puts them into trouble and turns them into sick units. Working Capital gap also cause a big problem too.

##### **4. Choice of Technology:**

Small entrepreneurs cannot afford to take technical guidance from experts in choosing proper machinery. An improper choice of technology, unsuitable product mix and single product technology contribute to industrial sickness.

##### **5. Labour Problems:**

Bad employer-employee relations result in strikes, lockouts and even closure of industrial units. If wages, bonus and dearness allowances problems are tackled promptly to the satisfaction of labour, these problems may not cause sickness.

##### **6. Social problems:**

Strikes, bandhs, insurgents, extortions etc. are acute external problems faced by the units.

Given the increasing insurgency problems in the state, outside entrepreneurs (innovative entrepreneurs) are hesitant to come to the insurgency stricken state for establishing their industrial units.

### **External Causes**

#### **1. Power Cuts:**

A large number of industrial units, face power cut from time to time. Power cuts are necessitated by the fact that generation of power is much below its actual requirements.

#### **2. Lack of regular supply of Inputs:**

Lack of regular supply of raw materials (Problem in Supply Chain Management) and other inputs disturb the production schedule causing losses to the unit. This is particularly the case of units depending upon the supply of imported inputs.

#### **3. Transportation Problem:**

Lack of Transportation facilities in the industrial area also cause a sickness due to which the manufacturers not able to send their goods into the market.

#### **4. Recession:**

General recessionary trends in the market adversely affect the demand for most of the goods resulting in unsold stocks and losses to individual units. Products with high prices like cars, tractors, VCR etc. depend for their sustained demand on easy availability of credit to buyers. If credit is restrained, the buyers are not able to arrange for finance and consequently the demands for such products suffer and ultimately such manufacturing units get sick.

### **5. Government Policy:**

Sudden and unfavorable changes in the government policy regarding taxation, export and import can turn viable units into sick units. For example, liberal import policy for a particular product might cause damage on domestic units producing similar products.

### **CONCLUSION**

During the past few years, sickness in industries has become a very thought provoking and obvious offshoot of the modern jet age industrial society. It is, however, not a very recent phenomenon and certainly not particular only to India. It has become all pervading, touching all countries. In spite of the incentives and facilities offered under Industrial policy and intensive efforts to promote large number of SSI over the years large numbers of units have been confronted with a number of problems which turn them into sick or closure. When the problems arise, the diagnosis and treatment would be easier. However, when sickness reaches an advanced stage, it becomes difficult and takes longer time to diagnose the reason and makes it more costly and expensive to bring the units back to normal, so there is a need to identify sickness in initial stages and initiate remedial measures before the sickness takes place.

### **SUGGESTIONS**

1. That the project should viable.
2. That the approved and clearances for finance and the assistance are available in time under simplified procedures and one windows service.
3. That there is no delay in clearance for importing capital goods and raw materials.

4. That the project is implemented and commenced as per schedule.

5. That the action to modify the product mix is in time if there are changes in the market demand.

6. That there is uninterrupted power supply for the industrial purpose.

7. That the entrepreneurs are sincere, efficient and accountable and at the same time, punishment must be awarded for delay,

negligence, mismanagement of mis- utilization of funds.

8. That only the required number of manpower is recruited based on efficiency, skill and competency.

#### **REFERENCES**

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