

Tracing the trajectories of Small Scale Industrial Sickness in manufacturing sector of Nanded District

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Abstract:

Sickness does not occur all of a sudden. A healthy unit after passing through different stages ultimately becomes sick. The process of sickness traces the firm's path from healthy unit to failure. If there are no remedial measures. For this the foremost important part is to trace and identify which units are healthy and which units are sick. As sickness too is like sickness in human body; an organic process which generally passes through various stages before it manifests fully. The signals and symptoms need to be observed. As it is observed that the symptoms of failure is different from the causes which leads to failure. Therefore the researcher has made a study through questionnaire; to identify the causes of failure of manufacturing small scale industries belonging to Nanded District; Marathwada region. Further some fruitful suggestions have been made for the rehabilitation of the units.

1. Introduction

As a matter of concern, industrial sickness in Small & Medium scale industries in Marathwada region of Maharashtra is increasing now-a-days. With ever increasing population of the state and less scope for getting better job opportunities in public as well as private sector. These small scale industries are the only hope of providing a source of livelihood to the local populace. If we observe these days of down-sizing and right-sizing in government jobs, the scope for finding out the right career opportunities is decreasing. The best option is to create employment for own self as well as others.

If we look through the census part of Marathwada region we will come to know that youths are moving towards metro cities or migrating overseas. The main cause for this is lack of job opportunities in their concern field in Marathwada region. Few of them are still here running up and somehow managing the business of their forefathers. So there is an urgent need to break the nut shell of traditional business and to motivate them for new start-ups.

Those involved in the business and industries are facing few challenges. Here, the researcher has carried out a empirical analysis to find out the major causes of failure of the SSI industries of Nanded District and has suggested some fruitful measures.

Kanthi and Ramdas have defined economic development as moral, economic, social and cultural in nature.

1. It is economic in so far as it aims at growing production of material, commodities and services.
2. It is social as it implies new group of a kind different to traditional groupings with new rules and relationships.
3. It is moral in nature insofar as the idea of equality and social justice is involved.

Therefore we can say that, growth of industries plays a vital role in economic development. This growth is carried out by establishing the large, medium and small scale industries. Hence, the researcher has focused more on SSI's and the sickness among them. The demographical

structure of India constitutes more than 75% of agriculture sector. But as the world is moving fast with technological, environmental, sociological and cultural changes; alone agriculture sector cannot fulfill the needs and demands of people.

Classification	Manufacturing Enterprises* (Investment limit in Plant & Machinery)	Service Enterprises** (Investment limit in equipment)
Micro	Rs. 2.5 million / Rs. 25 lakh	Rs. 1 million / Rs. 10 lakh
Small	Rs. 50 million / Rs. 5 crore	Rs. 20 million / Rs. 2 crore
Medium	Rs. 100 million / Rs. 10 crore	Rs. 50 million / Rs. 5 crore

There are varieties of operational and administrative activities which are carried out by every business organizations. Out of all these activities some of them are unpredictable. This in turn is considered as risks for the firms. If we analyze in general sense we can see that one of the major risk and ancient risk is that of raising finance or managing working capital.

Criteria for Identification of Sick Units:-

Khan defined Industrial sickness as "a situation where the revenue of the firm are insufficient to meet the cost, at the rate of return on investment is less than the cost of the firms cost of capital" The Reserve Bank of India identifies sick industrial units on the basis of a mix of criteria including continued cash losses, imbalances in the financial structure.

The erosion of profitability leads to decline in borrowers' liquidity and appears in the form of delayed payment to creditors. Thus ultimately leads to default with further determination in profitability followed by losses in the current liabilities which exceeds current assets and a networking capital deficit. The firm is not in a position to meet the obligations of the creditors and current liabilities exceed current assets and ultimately unit becomes sick.

Nanded is one of the backward district of Marathwada regions of Maharashtra. A large

number of its population is engaged in agricultural activities. Industrialization in the district is yet to be progressed to a satisfactory level. There are four MIDC areas in Nanded district. They are Dhanegaon, Nanded (Growth Centre), Kandhar (Mini area) and Krushnoor.

Review of Literature:-

A brief review of literature in this concerned subject is given below. Here to review the existing literature on the subject of industrial sickness has been made:-

Bidani & Mitra (1982) 2 in their book entitled "Industrial sickness-Identification and Rehabilitation" have stated that industrial sickness develops gradually and is not an overnight phenomenon.

Bhatia and Batra (1997) 2 in their book titled "Management of sick Industries" had collected several papers contributed by experts in the field of Industrial Sickness. An effort was made in their book, to meet the requirements of Indian industries in managing and monitoring the industrial sickness.

Shahu & Mishra (1992) 3 in their book entitled "The Critical Appraisal of Industrial Sickness" thoroughly examined the nature of sickness in Indian industries and outline a model to predict sickness in Indian corporate sector.

Sickness in industrial unit however cannot be attributed to a single factor alone. It is a cumulative effect of many factors, which may be inter-related or independent of each other. It would, therefore, be difficult to recognize a particular factor responsible for a particular sick unit. There are several factors responsible for sickness in the small scale sector of India like changes in Govt. policies, banks & financial institutions, inadequate working capital, shortage of skilled workers, limited market support by government, outdated technology etc.

Objectives:-

1. To find out and analyze the various

internal, external causes for the sickness and to study as to how the various causes has been inflicted.

2. Understanding the Small scale industrialist's views.
3. To analyze the various rehabilitation steps taken for nursing the selected sick units to overcome the difficulties of internal and external causes.

Research Methodology:-

Study area:

The area of conducting this study is Nanded district. The study is specific to manufacturing small scale industries. This study has been conducted to identify the causes and reasons of sickness; which will help to meet out the objectives of the study.

Sample method and sample size:-

As the study is based upon Nanded District. The sample size is small. The researcher has collected the data from 300 respondents who are Industrialists, employees and labors of SSI.

Data collection procedure:-

The data is collected by distributing questionnaire among the 300 respondents belonging to the SSI manufacturing sector. The researcher with the help of the selected sample size can know their opinion concerning the reasons of sickness of Nanded.

Analytical Technique:-

Tabulated data was analyzed with the help of simple percentage to know the highly most influencing reason for sickness of Nanded.

From the research carried out it was observed that there are various reasons for industrial sickness.

Mission of the Organization:-

For every organization its mission is foremost important from the inception state itself. As it is the base for organizations existence. It was found that the units have started with a different perspective and now they are running with a different one. Due to this the focus of the

companies is changing. As well as market mix, watch on change in strategies and implementing those strategies is quite essential as per the need of the time.

Corporate planning failure:-

Unforeseen external circumstances most of the time is consider as downturn, lack of understanding among those involved in policy makers and implementers, improper communication, poor match between the strategy and core competencies, lack of accountability.

Production problem:-

Production delay, low quality of raw material, lack of planning and scheduling, lack of product mix & other consumables is another reason for the sickness of industry.

Financial Barrier:-

Finance is considered as life blood of any organization. It is also one of the essential resources. Lack of finance or unavailability of it is one of the major reasons for closure of industries. Every industry needs finance to manage their day –to-day operations; such as purchasing raw materials, salaries of employee, wages to labors, etc., if finance is not arranged properly the industry may lead to closure.

Managerial Inability:-

Sometimes it is found that managers are not capable of managing the organizational activities. This may be due to various reasons such as inadequate work knowledge, uninteresting job profile or irrelevant education match with the profile.

Obsolete Technology:-

Technological changes also lead the industries to sickness, this happens when the proper adaptation of technology is not done. If industries follow outdated technology or scrap machines; which is in turn going to result in sickness.

Marketing related problems:-

Produced goods or products are sold in the

market. If the product is not marketed properly and supply is not resolved quickly the industries may lose their customers and it can be the major reason for sickness.

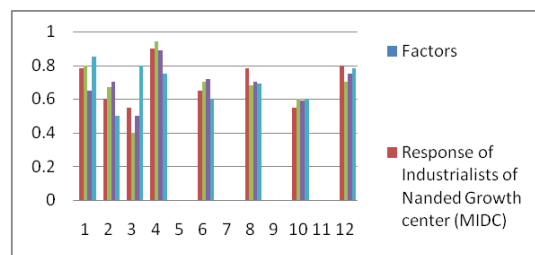
Lack of skilled labors, deficiency among the technical staff, delay in the practicing of the modern HR practices etc. if any of the implication is neglected it may lead to sickness.

Human resource problems:-

Industries in Nanded District at a Glance till (2012 to Sept.16)

Sr.no.	Category	No. of Enterprises	Employment generation	Investment (P&M)Rs.in lakh)
	Manufacturing			
1	Micro	1768	11378	12679
2	Small	259	4219	14862
	Total	2027	15597	27541

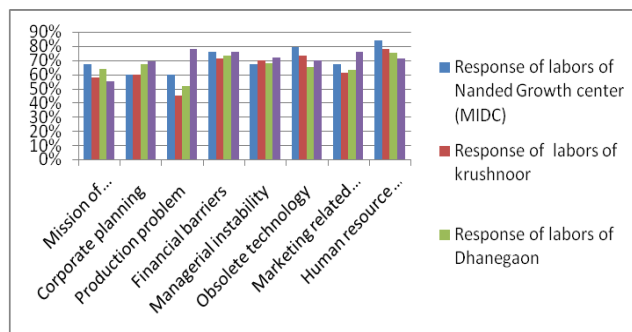
Response of Industrialists



Response of Industrialists

Factors	Response of Industrialists of Nanded Growth center (MIDC)	Response of Industrialists of krushnoor	Response of Industrialists of Dhanegaon	Response of Industrialists of Kandhar
Mission of organization	78%	80%	65%	85%
Corporate planning	60%	67%	70%	50%
Production problem	55%	40%	50%	80%
Financial barriers	90%	94%	89%	75%
Managerial instability	65%	70%	72%	60%
Obsolete technology	78%	68%	70%	69%
Marketing related problems	55%	60%	59%	60%
Human resource problems	80%	70%	75%	78%

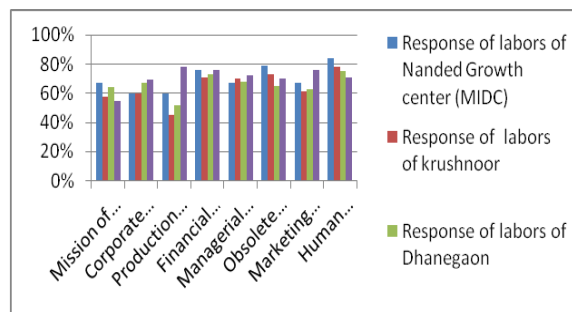
Response of employees



Response of employees

Factors	Response of employees of Nanded Growth center (MIDC)	Response of employees of krushnoor	Response employees of Dhanegaon	Response of employees of Kandhar
Mission of organization	55%	57%	70%	77%
Corporate planning	67%	60%	63%	67%
Production problem	70%	55%	51%	80%
Financial barriers	85%	78%	76%	78%
Managerial instability	80%	70%	69%	86%
Obsolete technology	76%	76%	75%	73%
Marketing related problems	55%	54%	65%	67%
Human resource problems	69%	70%	67%	77%

Response of labors



Response of labors

Factors	Response of labors of Nanded Growth center (MIDC)	Response of labors of krushnoor	Response of labors of Dhanegaon	Response of labors of Kandhar
Mission of organization	67%	58%	64%	55%
Corporate planning	60%	60%	67%	69%
Production problem	60%	45%	52%	78%
Financial barriers	76%	71%	73%	76%
Managerial instability	67%	70%	68%	72%
Obsolete technology	79%	73%	65%	70%
Marketing related problems	67%	61%	63%	76%
Human resource problems	84%	78%	75%	71%

Findings, suggestions & conclusions:-

The researcher considered the major reasons that lead to industrial sickness. It was observed that financial reasons are the most important

reason considered by the respondents of industrial sickness and another chief reason for sickness of industry is the human resource i.e. skilled labors, employed professionals,

technicians etc.,. Rest factors which influence the sickness in the industry are marketing problems and corporate planning problems. Obsolete technology is also one of the strong reasons.

However reasons vary from the perception of Industrialists, employees and labors. Changes acts as an important reason for sickness at various stages. There are different perspectives in defining industrial sickness in India. At the political level, by and large, sickness gets forced recognition only when an enterprise closes its doors or is on the brink of closure, creating a serious employment problem. The lending banks and financial institutions look the problem from the view point of recovering their money and they regard an enterprise as sick if the recovery of their dues seems uncertain. The proprietors look the issue from the view point of return on their investment. Thus the industrial sickness has been defined by different authorities in different ways. The industrial sickness is a situation where the rate of return on investment in a unit is insignificantly and continuously less than the prevailing rates on similar investments. There is no one definition which suits all the purposes of defining a sick unit.

The suggestions are made to the important agencies which are involved in the setting up, expansion and development of small scale industries. These agencies viz. government, banks, financial institutions and entrepreneurs are the primary agencies that drive industrialization and hence can play effective role in preventing sickness.

1. The government should give emphasis on certain aspects for the expansion and development of these industries. Among the important aspects up-gradation or development or use of modern technology, availability of adequate finance and proper market information etc. should get priority in order to provide more employment

opportunities and attain balanced growth of the economy.

2. In the era of globalization, updated information will help the entrepreneurs to access the market anywhere in the world.
3. The government has failed to create an entrepreneur class motivated or committed to sustained industrialization in the region. The different entrepreneurial training programmes imparted by different institutes have failed to bring the fruits of industrial development.
4. Some packages may prove effective for some industries but may not exert similar impact or some other industries. Thus it requires much more internationalization of the training packages.
5. Training facilities should be provided in such a way that the entrepreneurs get a realistic perspective of the international market.
6. The government should take the responsibility to declare those units as sick which are suffering from this malady and accordingly make effort to adopt rehabilitation measures for the greater interest of the industrial sector and the economy of the state as a whole.
7. Banks must assess properly and promptly the working capital requirements by the industrial units. Correct assessment determines the future success of the units. Over-financing and under-financing both may create problems to the units. The units may divert funds if banks advance finance more than the needs of the units. Similarly, under-financing may lead to financial constraints and ultimately failure of the industrial unit.

8. To ensure the end use of funds and to control the risk of diversion of funds by the entrepreneurs, it is necessary to disburse the loans in a phased manner. If it is not done sincerely, the industrial units face initial financial difficulties and ultimately suffer losses
9. The entrepreneurs have to acquire certain attributes and values to become a successful in their fields.
10. A detailed planning of the project accompanied by prior feasibility study is indispensable to start a unit by the entrepreneur.
11. In order to combat sickness of industrial

units, the entrepreneurs should acquire skills in different areas like production, finance, marketing, management etc. They should take part in different training programmes imparted by different institutions both central and state seriously and sincerely to upgrade their skills.

The analysis of the different perspectives of definition of sickness reveals that the identification of a unit as sick is so late in India that the possibilities of its revival recede.

Therefore, there is a need to hasten the process of identification of a unit as sick by way of change in the definition of sickness.

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