

TO STUDY THE CAUSES OF INDUSTRIAL SICKNESS IN NANDED DISTRICT (MAHARASHTRA)

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Abstract

Industrial sickness specially in small-scale Industry has been always a demerit for the Indian economy, because more and more industries like – cotton, Jute, Sugar, Textiles small steel and engineering industries are being affected by this sickness problem. The solutions will have to be tailored to the specific industry, and only in that way can any real effect be made on improving the health and productivity of the industrial workforce. In this research paper researcher is try to understand various causes, issues and problems related to sickness of SSI units in Nanded district.

Keywords: industrial sickness, productivity, workforce, small-scale, raw material, infrastructure



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Introduction: According to the criteria accepted by the Reserve Bank of India “a sick unit is one which has reported cash loss for the year of its operation and in the judgment of the financing bank is likely to incur cash loss for the current year as also in the following year.” A major symptom of sickness is a steady fall in debt-equity ratio and an imbalance in the financial position of the unit. Simply put, a sick unit is one which is unable to support itself through the operation of internal resources (that is, earnings plough-back). As a general rule, the sick units continue to operate below the break-even point (at which total revenue = total cost) and are, thus, forced to depend on external sources for funds of their long-term survival.

What is Small scale industry?

Small scale industries are those engaged in manufacturing, processing or preservation of good and whose investment in plants and machineries (original cost) does not exceeds Rs. 1 crore. The investment limit of Rs. 1 Crore for classification as SSI has been enhanced to 5 Crore in respect of certain specifies items under hosiery, hand tools, drugs pharmaceutical and stationary items and sports goods by the GOI.

Definition of Sick Industries

Sick industrial unit is defined as a unit or company (having been in existence for not less than five years) who is found at the end of any financial year to have incurred accumulated losses equal to or exceeding its entire net worth. The net worth is calculated as sum total of paid up capital and free reserves of accompany less the provisions and expenses, as may be prescribed.

Basically there are two factors which may result in sickness of an industrial unit: Internal factors are those which arise within an organization they include: mismanagement of various functional areas like; finance, production, marketing and personnel. External factors are those which take place outside an organization, they include: energy crises, power supply, shortage of raw material, infrastructure problems, market recession, changes in technology etc. In the light of above consequences of sickness and its growing incidence by size region, and industry followed by its far-reaching adverse socio-economic effects, the Government has been taking many steps and remedial measures in order to tackle this problem in India. The most significant measure has been the enactment of the **Sick Industries Companies (Special Provision) Act 1985 (SICA)**

Review of Literature:

1. **R. K. Panda, Rajkishor Meher** in his research book entitled “**Industrial sickness-A study of small scale industries**” he tried to study the production performance of sick and non-sick units as well as identified the factors causing sickness in different groups of industries. From the study he observed that the factors like improper planning and formulation entry of unmotivated and inefficient entrepreneurs, lack of demand for the product procedural wrangling, and infrastructural bottlenecks etc. are the main factors responsible for bringing sickness to the small industrial units. He also found that some of the SSI units face acute shortage in the supply of raw materials, problems of power supply. Finally he suggested that if all these measures are taken together by the state government and financial institutions the industrial sector will show better performance.
2. **Shiva Motiram Padme** in his Ph.D thesis entitled “**Working capital management of small scale industries**” he stated that effective working capital management has always increase the profitability of the industry firm. But in India most of the small scale industries are not paying the attention towards the working capital management. Due to

this burden of credit squeeze the problem of working capital management has acquired special importance in India.

3. **Dhiman Kumar and Ms Anita Rani(2011)** stated in their research paper entitled **“Problems and prospects of small scale agro based industries”** that there are so many problems like financial problem, infrastructural problem, production problem, human resource problem, research and development problem, and other problems like increasing loss of perishable products and delay in the delivery of goods etc. The researcher also stated that some of the problems could be solved by furnishing government policies and cooperation and support of financial institutions and agencies.
4. **Susmitha Mohan M.** made an attempt to examine in market survey on **“Growth and performance of small scale industries in India with special reference to Kerala”** that the growth position of small scale industries in Kerala, and how they perform their activities. Researcher analyses that in Kerala the investment and the production has increased but at with respect to the amount of employment and number of firms a marginal decline has been observed. The total number of small scale industries does not show a real progress and researcher suggested to develop the small scale industries for the socio-economic development and balanced regional growth as well as for employment opportunities in country.

Objectives of the Research Study: The objectives of the present study are as follows:

1. To find out causes of industrial sickness of SSI units in Nanded district.
2. To know and understand operating problems of sick SSI units in Nanded district.

Research methodology: Research Design

Types of research design: This is Descriptive research study; researcher will try to describe the characteristics of phenomenon being studied under this research study.

Data sources: Required information will be collected through Primary and Secondary sources. Primary data will be collected from the respondents (owner of company) by visiting in person.

Research instrument: Questionnaire/scheduled and observation: questionnaire has been designed to collect the necessary information.

Types of questions: Closed-ended and open ended questions has been designed to collect data.

Sampling plan: There were total 60 Sick units in Nanded district (MIDC), of which all 60 has been selected through census method to find out the causes of sickness. To analyse the findings of the research simple statistical tools and MS Excel have been used.

Detailed sample plane

Sr. No.	MIDC	Total Industries	Sick industries	Sampled sick industries
1	Nanded	384	46	46
2	Krushnur	48	12	12
3	Deglur	12	2	2
4	Kandhar	12	0	0
Total		456	60	60

Data analysis and interpretation

Table: - 1 Availability of Raw Material

Sr. No.	Option	Total (%)
1	Excellent	05 (08.33%)
2	Good	04 (07.00%)
3	Average	14 (23.33%)
4	Poor	37 (61.1%)
	Total	60 (100)

Source: Field Survey

Above table shows that, 61% respondent said that raw material required for SSI is not available in ample form, there is high scarcity of raw material. Hence it is costly affair for the SSI Unit to purchase raw material.

Table: -2 Price of Raw Material

Sr. No.	Option	Total (%)
1	Very High	32 (53.33%)
2	High	11 (18.33%)
3	Average	17 (28.33%)
	Total	60 (100)

Source: Field Survey

Above table indicate that, the cost of raw material in the local market is very high as a result many SSI units are Sick. Because of high cost of raw material it is not affordable to the SSI unit to run.

Table: -3 Availability of Power Supply

Sr. No.	Option	Total (%)
	Excellent	06 (10.00%)
2	Good	07 (11.66%)
3	Average	39 (65.00%)
5	Poor	00
	Total	60

Source: Field Survey

Above table indicate that power supply to the SSI is not excellent not good it is average. Power is very important to move wheels of any industry without power supply we don't expect the industrial development.

Table: -4 Other Infrastructure

Sr. No.	Option	Total (%)
1	Excellent	00
2	Good	03 (05.00%)
3	Average	09 (15.00%)
5	Poor	48 (80.00%)
	Total	60

Source: Field Survey

Above table shows that general rating about the infrastructure available with MIDC area Nanded. Research shows that, infrastructure of Nanded MIDC is Poor which is not healthy for SSI unit.

Table: - 5 Availability of Skilled

Sr. No.	Option	Total (%)
1	Excellent	00
2	Good	00
3	Average	43 (71.66%)
4	Below Average	07 (11.66%)
5	Poor	10 (16.66%)
	Total	60

Source: Field Survey

Skilled man power is an important component of SSI unit, but research shows that average skilled manpower is available in Nanded district (MIDC). Hence it is difficult for owner of SSI unit to operate all business with low skilled manpower. As result of this they fail to produce good and required quality and quantity of product.

Table: -6 Competitions in the Market

Sr. No.	Option	Total (%)
1	Very high	36 (60.00%)
2	High	12 (20.00%)
3	Average	08 (13.33%)
4	Poor	04 (06.66%)
	Total	60

Source: Field survey

From the above table it is observed that, 60% respondents experience that there is high competition in the market. As we all know that there is cut throat in the market for each and every product. Because of the high competition in the market, SSI products are facing severe problem.

Table: -7 Advertisement cost

Sr. No.	Option	Total (%)
1	High	39 (65.00%)
2	Low	07 (11.66%)
3	Average	14 (23.33%)
4	Poor	00
	Total	60

Source: Field Survey

Above table reveals that, 65% respondents opined that, advertisement cost is high, whereas 23% respondent feels that it average. In the present competitive era advertisement play very important role in educating the prospective customers. But it is very difficult for small scale industry to make their product to advertise in the local advertisement media because of high cost.

Table: 8 Availability of sales persons

Sr. No.	Option	Total (%)
1	Very costly	32 (53.33%)
2	Costly	17 (28.33%)
3	Average	11 (18.33%)
4	Poor	00
	Total	60

Source: Field Survey

Above table highlights that, 53% respondents thought that, hiring skilled manpower is very costly, 28% said that, it is costly, whereas 18% respondents feels that hiring employees required average cost. Skilled manpower is essential requirement to run of any kind of business, but research shows that it is costly affair in Nanded MIDC.

Findings and Suggestions:

1. Research shows that, 61% respondent said that raw material required for SSI is not available in ample form; there is high scarcity of raw material. Hence it is costly affair for the SSI Unit to purchase raw material. Because of scarcity of raw material SSI units are suffering a lot.
2. Research reveals that, the cost of raw material in the local market is very high as a result many SSI units are not performing well. Because of high cost of raw material it is not affordable to the SSI unit to run.
3. Research notice that, power supply to the SSI is not excellent, Power is very important to move wheels of any industry without power supply we don't expect the industrial development.
4. Research shows that, infrastructure of Nanded MIDC is Poor which is not healthy for SSI unit.
5. Research shows that average skilled manpower is available in Nanded MIDC area. Hence it is difficult for SSI unit to handle all business with low skilled manpower.
6. Research high lights that there is scarcity of skilled manpower labour charges are high. It is difficult for small businessman to pay such high charges because of low profit.
7. Research shows that 11% respondents advertise their product with local advertisement media. Because of high advertisement cost SSI owners are not taking risk to invest their money on advertisement.

8. Research shows that, 65% respondents said that there is demand in the market for their product because of competition and other cost it is difficult for the SSI people to sale their product in the market.
9. Research indicates that 60% respondents experience that there is high competition in the market. As we all know that there is cut throat in the market for each and every product. Because of the high competition in the market SSI face severe problem for their product.
10. Research reveals that, 65% respondents opined that, advertisement cost is high, whereas 23% respondent feels that it average. In the present competitive era advertisement play very important role in educating the prospective customers. But it is very difficult for small scale industry to make their product to advertize in the local advertisement media because of high cost.

Suggestions:

1. New small scale and tiny have to be given interest subsidy of 5 % (subject to a maximum of Rs. 2.5 lacs annually) for 5 years on loan from banks/financial institutions.
2. Facilities must be given under the scheme of Maharashtra small Industries Technical Up gradation Scheme.
3. Creation of an industrial estate infrastructure Development fund which should be the disposal of a committee comprise of entrepreneurs.
4. Purchase of technology and provision of common facility centres must be managed through ASIDE scheme.
5. Monthly teleconferencing/video conferencing must be organized enabling entrepreneurs throughout the state to interact with senior officers and professionals.
6. Small scale and tiny units should be exempted from land use change charge for change of agriculture land to industrial purpose.
7. Stamp duty must be admissible to Industrial Estates of MSSIDC as applicable to the plots of Industrial Estates of Directorate of Industries.
8. While fixing the circle rates, for the Industrial purposes should be declared separately.
9. The help must be provided in line with the policy to ensure cluster based industrial development.

10. A system of providing testing and certification facilities to small scale and tiny units, especially those which want to contribute in the field of exports, should be established by the State Government.

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