CHAPTER VII

Observations, Conclusions and Suggestions

Like human sickness, incidence of industrial sickness is a painful reality, and is all pervading. Industrial sickness is not a very recent phenomenon and certainly not in India alone. It is spreading like a silent cancer and covering all countries. In a capital scarce country like India resources going unproductive can not be allowed and afforded any more. The increasing incidence of industrial sickness can threaten our socio economic set up.

Sickness in Indian industry in general and SSI in particular is a serious matter facing our Government. At present hundreds of industrial units (large/medium small) have been incurring heavy losses. Despite many doses of assistance both from Government and otherwise, these units are not recovering as required. As on 31st March 2000 total amount of Rs. 18978.82 lacs has been advanced by the HPFC in H.P. but Rs. 3305.33 lacs has been recovered by the HPFC.

Sickness is an organic process, and so it does not develop all of a sudden and passes generally through various stages from normal health to sickness before a unit becomes sick and finally closed. The factors which cause sickness are internal as well as external or sometimes it is a mixture of both. Mostly, sickness is developed within the units itself but the entrepreneurs do not pay much attention to detect the signals of sickness at the early stages. Generally the symptoms of sickness start with incurring cash losses and spread if cash loss is incurred continuously and, as a result, deteriorate working capital and debt and equity ratio.

The performance of industrial units can be continuously watched by the financial institutions and Government agencies to check whether the units are running on the right track or not.

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In the present study, we have studied 35 industrial units the details of which are given below:

### Table 7.1

**Classification of Sick Units on the Basic of Forms of Organisation**

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<tr>
<td>Sole Proprietorship</td>
<td>9 (56.25)</td>
<td>3 (37.50)</td>
<td>8 (72.72)</td>
<td>20 (57.14)</td>
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<td>Partnership</td>
<td>4 (25.00)</td>
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<td>5 (14.28)</td>
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<tr>
<td>Private Ltd. Co.</td>
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<td>3 (37.50)</td>
<td>3 (27.27)</td>
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<td>Public Ltd. Co.</td>
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<td>Cooperative Institutions</td>
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<td>1 (12.50)</td>
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<td>1 (2.85)</td>
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<tr>
<td>Govt. Company</td>
<td>3 (18.75)</td>
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<td>3 (8.57)</td>
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<td><strong>Total</strong></td>
<td><strong>16 (45.71)</strong></td>
<td><strong>8 (22.85)</strong></td>
<td><strong>11 (31.42)</strong></td>
<td><strong>35 (100)</strong></td>
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**Source:** Compiled by the investigator. (The figures in brackets show the percentage of the units).

The above table reveals that we were able to get information only from 35 units. Out of these 45.71 percent are located in District Kangra, 22.85 percent in District Solan and 31.42 units were located in District Sirmour. Thus it is clear that we have visited more units in District Kangra. The table further reveal that 57.14 percent of the units were sole proprietorship, 14.28 percent units found to be partnership units, 17.14 were found to be Private Ltd. companies, 2.85 units in cooperative sector where as 8.57 percent were found to be Government companies.

Therefore, it is clear that the problem of sickness is found in all types of units. This is further clear that the problem is spread to all the Districts which have been covered under the present study. The information given in the Chapters IV, V, VI makes it amply clear that the sickness problem is a serious problem which needs to be cured without any further delay. The sickness of industries has caused a lot of damage to the industry in general and small scale sector in particular. Therefore, we are of the opinion that if remedial measures are not taken immediately this problem may further worsen the situation. The policy planner/the state administration has to pay proper attention to this
problem. The product wise details of sickness has been given in the following table.

Table 7.2
Classification of Sickness on the Basis of Product

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<th>S.No.</th>
<th>Product</th>
<th>No. of Units</th>
<th>Percentage</th>
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<tr>
<td>1.</td>
<td>Rubber based</td>
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<td>8.57%</td>
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<td>2.</td>
<td>Chemical based</td>
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<td>3.</td>
<td>Steel based</td>
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<td>8.57%</td>
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<td>4.</td>
<td>Cement based</td>
<td>1</td>
<td>2.85%</td>
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<td>5.</td>
<td>Engineering based</td>
<td>2</td>
<td>5.71%</td>
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<td>6.</td>
<td>Forest based</td>
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<td>20%</td>
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<td>7.</td>
<td>Textile based</td>
<td>3</td>
<td>8.57%</td>
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<td>8.</td>
<td>Agro Industries</td>
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<td>8.57%</td>
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<td>9.</td>
<td>Food based</td>
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<td>10.</td>
<td>Others</td>
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<td>14.28%</td>
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<td>Total no. of Units</td>
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Source: Compiled by the investigator.

The above table reveals the information of the units regarding the nature of product. In the present study 8.57 percent of the units were found to be rubber based, 14.28 percent units were chemically based; 8.57 percent were steel based, 2.85 percent cement based, 5.71 percent engineering based, 20 percent forest based, 8.57 percent textile based, 8.57 percent of units were agro based industries, 8.57 percent of the units were food based where as 14.28 percent of the units were in others categories. These units have been found to be sick. On the basis of this information we infer that units which are manufacturing different products suffer from the problem of sickness. The units which are found to be manufacturing a variety of products have stated that they are sick because of the problem which have been presented in table no. 7.3.
The figures in brackets show the percentage.

**Source:** Compiled by the investigator.

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Classification of Sickness on the Basis of Different Problems

Table 7.3
7.1 PROBLEMS OF SMALL SCALE INDUSTRIES

During the course of present study it has been found that there are various problems which are prevailing in the SSI units. These problems have been grouped as financial, infrastructure, marketing, production, human resource, research & development, management and miscellaneous problems.

7.1.1 Financial Problems

It has been found that in District Kangra 44.44 percent of the units which are sole proprietorship units reported that they are experiencing acute financial problems. Whereas in District Sirmour 75 percent of the sole proprietorship units are facing the financial problem and in District Solan no sole proprietorship unit was surveyed. So far partnership firms are concerned, it has been found that all these firms suffer from acute financial problems. The firms which were surveyed during the course of study stated that they are sick because they are not able to get the finances in abundance. Because of this, they are unable to increase the production capabilities of their units. It may also be mentioned here that partnership firms which are sick, are located in Distt Kangra and in District Solan whereas no partnership firm was surveyed in District Sirmour.

In case of private limited companies and cooperative institutions it has been found that in District Sirmour 50 percent of the units, which are private limited companies and cooperative institutions, reported that these units are experiencing shortage of working capital funds whereas in District Sirmour 33.33 percent of the units which are private limited companies are experiencing acute financial problems and in District Kangra no private limited company was surveyed.

It may be mentioned here that 100 percent of the Government companies, which were surveyed in District Kangra, are facing acute financial problems. The managers reported that they are not authorised to arrange for the working capital from the banks. These managers have to seek the permission of their head office even for making small purchases. It may be mentioned here that the staff
appointed to run these Government companies have been appointed on permanent basis. The expenditure on the staff’s salary is much higher. This burden has further increased with the revision of the pay scales of the staff. It is mention here that the units on the one hand could not increase its capacities to produce more goods, but on the other the expenditure of the industries increased manifold. This hike in pay revision created financial imbalance in the functioning of the units. It may be reported here that no Government company was surveyed in District Solan and Sirmour.

7.1.2 Infrastructure Problems

Himachal Pradesh, due to its hilly and difficult terrain lacks in the development of infrastructural facilities. It faces various infrastructural problems. In infrastructure we have included the transportation problem, plant location problems, communication problems, availability of adequate water supply, housing problem etc. Since these facilities have not been developed fully within the state so these are affecting the development of industrial base in the state. The same is true for District Kangra, Sirmour and Solan. During the course of study it has been found that some of the units are located in very remote areas of the state which lack the basic facilities. These areas are not well connected by the road and these are very far away from the railway stations.

The study makes it clear that in District Kangra 22.22 percent of the sole-proprietorship units have been found to be facing the infrastructural problems, where as in District Sirmour 37.50 percent of sole proprietorship units are engrossed with this problems. This is an alarming situation. Due to these infrastructural problems the units are not able to get the services of skilled and efficient staff. If these units are able to get the required staff, it is difficult to retain them for long. This skilled staff is not available for long, which is affecting the production of the units adversely.

In District Kangra 50 percent of the partnership firms have reported that they are facing the infrastructural problems. This causes a very serious concern
about the smooth functioning of the units. Many of the units became sick due to these problems with in Distt Kangra in particular and state in general.

In District Sirmour 66.67 percent of the Private Ltd. Companies, surveyed by the researcher, have been found to be facing the problem of infrastructure. These companies have been found to be paying higher transportation cost. In District Solan 50 percent of the Private Ltd. Companies and corporate institutions are sick because these are facing the infrastructural problem. The nonavailability of skilled labour hampered the production process of these units. High transportation costs increases the cost of production, and affect their profitability. These units are to sell their products in the market at throw away prices and they are not in a position to recover their cost, hence, becoming sick.

The plant locations, well developed transportation and communication facilities are essentially required for the success of any industrial unit. Therefore it is suggested that efforts be made in this direction so that these units could be salvaged and be saved from becoming sick.

7.1.3 Marketing Problems

As stated by Desai, marketing occupies an important place in the management of a small scale industry. It is the key factor in determining the success of an industrial unit. Traditionally marketing consisted of those efforts which affect transfer of ownership of goods and care for their physical distribution. In the present day competitive world, the marketing plays a very significant role for the success of industry. The units became sick because these units do not find appropriate marketing opportunities for their products. As stated by Joshi, entrepreneurs play into production without looking into such key questions as the size and nature of the market, the demand supply outlook, location and characteristics of potential customers and the level and nature of promotional efforts required to harness the market potential.

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This observation, it seems, holds good even today especially for small scale units. Most of the entrepreneurs have no knowledge about the market and due to this they face many problems. The entrepreneurs are not aware about the changes which are taking place in the marketing environment.

The present study reveals that in District Kangra 44.44 percent of sole-proprietorship units are facing the marketing problems, 66.66 percent of sole-proprietorship located in District Solan are experiencing the marketing problems whereas in District Sirmour 37.50 percent of sole proprietorship units have been facing this problem. Therefore, it is clear from the above that marketing problem is one of the important problems. These sole proprietorship units became sick because of the marketing problems. This phenomenon is prevailing in all other forms of the units. So far partnership firms are concerned these have been found to be facing this problem. In District Kangra 50 percent of partnership firms, in Solan all the partnership units have reported that marketing problems have contributed towards the sickness of units significantly.

In case of private limited companies and cooperative institutions, it has been found, that in District Sirmour all the private limited companies and cooperative institutions, which have been surveyed, are experiencing marketing problems, whereas in District Solan 50 percent of the Private Ltd. companies and cooperative institutions are facing acute shortage of market to their products.

It is worth mentioning here that all the Government companies, which were surveyed in District Kangra, are facing acute marketing problems due to costly products and lack of advertisement of their products by the Government. In addition to this, managers of the units reported that to sell out their products managers are not empowered to give discount to the retailers, whereas private manufactures of the same products give some discount to the parties in case of bulk purchases. Because of this the units have become sick.

7.1.4 Production Problems

Technical and operational mismanagement results in slower production, and consequently loss of internal cash generation. Major factors which contribute
to technical mismanagement may be inefficient operation of plant and machinery on account of frequent breakdown, poor maintenance and replacement of components and spare parts, obsolete technology, under utilization of capacity, shortage of power and nonavailability of raw material. In addition to this, the other factors which can lead the unit to sickness, may by lack of proper production planning and control, high material wastage etc.

In the present study, we have found that these factors are responsible to great extent for enhancing the sickness of the unit. Obsolete machinery, frequent power breakdowns, nonavailability of raw material etc. are the factors which hamper the production of the unit. These units are not able to produce to their full capacity. When the production is affected adversely the profitability of unit is also affected in the same proportion.

It has been found that in the District Kangra 22.22 percent of the units, which are sole proprietorship units, reported that they are facing production problem due to non availability of raw material to their units locally and units have to remain dependent on neighbouring states for the raw material. Whereas in District Solan 66.67 percent of the sole proprietorship units are facing production problem and in District Sirmour 75 percent of the sole proprietorship units are facing production problem due to frequent power cuts by the Himachal Pradesh State Electricity Board (H.P.S.E.B.). So far partnership firms are concerned, it has been found that no partnership firm in District Kangra, Solan and Sirmour, which have been surveyed, are experiencing production problems.

In case of private limited companies and cooperative institutions, it has been found that in District Sirmour 66.67 percent of the units, which are Private Limited Companies reported that they are facing acute problem of production due to frequent power breakdown. Whereas in District Solan 50 percent of the units which are Private Limited Companies and cooperative institutions are experiencing production problem due to obsolete machinery.

It may be mentioned here that in District Kangra 33.33 percent of the Government companies, which were surveyed mentioned that these units are

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1 Op cit p 122.
facing serious production problems. These above mentioned factors are ultimately responsible for these units to become sick.

7.1.5 Human Resource Problems

Of all the factors of production, human resources are the critical factors. In the present day world, they play an important role for the success of an organisation. They create the strategies and innovations for which the organisations are credited. They make the things happen. The root cause of sickness is poor management. As has been stated by Gangwal, indifference of an entrepreneurs, lack of specialised knowledge and some labour problems, such as bad relations, non availability of skilled labour, demand of higher wages, low productivity, low morale, also worsen the managerial problems. He further states that the problem of management starts from the time the factory is established, and production commences\(^5\). A small scale unit is usually a one man affair, and he is to look after all the activities of the concern. If he devotes time to one activity then the other suffers. Better qualified and successful professional managers can improve this kind of situation but they are considered to be item of luxary for small scale unit because of their costs. The small scale units are not in a position to afford the qualified manager as this will enhance the production costs. Generally, these small scale units are deprived of the services of professional managers. Hence, it becomes the major reasons for their sickness. The present study bears testimony to this.

It has been observed that in District Kangra 11.11 percent of the sole proprietorship units are facing the human resource problems, in District Sirmour 12.50 percent of the sole proprietorship units are having this problems whereas in District Solan 33.33 percent of sole proprietorship units are experiencing human resource problems. It has been found that many cases are lying pending in the labour courts due to the human resource problems.

So far the partnership firms are concerned 50 percent in District Kangra, have reported that they are facing the human resource problems. The Private

\(^5\) Ibid. p. 134.
Ltd. companies and cooperative institutions also observed that they are facing the human resource problems. It may be mentioned here that even the Government companies are having the human resources problems. Apart from these, general lack of coordination and control in the organisation, existence of strife in the top management and lack of integrity at the top tend to destroy a unit in a very short period. In some of the cases the dissention and lack of cohesion and emotional integration among the promoters was found. This led to affect the project implementation and in some cases to the closure of the project. This is also major reason for the sickness of industries in general and partnership firms in particular. The human resource problems are the major source of tension for the promoters and due to this reason they are unable to give proper attention to the activities of the unit. Thus it becomes a cause of sickness of the unit.

7.1.6 Research and Development Problems

It was observed that changes in design of the products take place very frequently. It is a continuous process. When changes take place due to import of the goods and buyers requirement also change. Every year hundreds of new products are manufactured by bringing modifications in the previous years samples. But due to weak financial position the research and development activities in this sector are not conducted properly. Research plays an important role in developing production and distribution technologies. It makes an industrial units to adjust to activities according to time and conditions. It further prepares industrial units to absorb newer techniques in their production and distribution process. Due to lack of research and development the quality and standard of goods and services produced in these units begin to deteriorate. And units fails to meet the customer wishes in this fast changing world. The same problem of research and development has been experienced during the course of present study.

It has been found that all the industrial units which are sole proprietorship units in District Kangra, Sirmour and Solan, which have been surveyed are

\[238\]
experiencing problem of research and development. Being small units these units are not in a position to spend more funds to keep up data, quality of the product as per requirement of the customer all the times.

So far partnership firms are concerned, it has been found that all the units in District Kangra, Sirmour and Solan, which are partnership units and have been surveyed during the course of present study are experiencing research and development problem.

In case of private limited companies and cooperative institutions it has been found that 50 percent of the units in District Solan are facing research and development problems which were surveyed whereas all the units in the District Sirmour lacks appropriate research and development problem. These units occasionally seek the advice from technical experts from outside the state.

It is pertinent to mention here that the Government companies, which were surveyed in District Kangra could not develop appropriate research and development labs to maintain the quality of their product and changing needs of the customers of their products at nominal price rate.

7.1.7 Management Problems

Management is the process of planning, organising, staffing, directing and controlling of the resources of the organisation for achieving the desired objectives. It is one of the most important variable for the smooth running of the industrial enterprise irrespective of the size of the organisation. The major problem is that because of the size of the small scale units, these units can not afford to recruit trained, qualified and experienced professional managers because of the fear of increase in production cost. Many small units are deprived of the services of these qualified and professional managers. In most of the cases the promoters do not possess the required skill and their operation of the organisation suffer. If at all these promoters decide to obtain the services of qualified professional managers then they are not in a position to meet their demands. In India majority of the small scale units are sick or becoming sick
because these could not afford to have the services of qualified professional managers. The present study proves this point.

The present study reveals that in District Kangra 66.67 percent of the sole-proprietorship units are sick because these are not having qualified professional managers. In District Sirmour 12.50 percent of the sole proprietorship units have been found to having this problem. In District Solan 66.67 percent of the sole-proprietorship organisation reported that they are sick because of the managerial problems. These units could not hire the services of qualified professional managers. So these unit could not foresee and anticipate the market. As a result of narrow vision of the management these units became sick. Since sole-proprietorship units are family based unit, so generally these do not take the services of the trained managerial personnel.

The partnership firms also suffer from this problem in District Solan and Kangra. The units which were surveyed, in them none of the partner was a qualified, trained professional manager. The problem became more serious when there was a dispute between the partners. Each partner challenged the wisdom of other partner and rather than working for the welfare of the company, they were busy in setting their own scores. This affected the functioning of the concern and profitability adversely.

In District Kangra 66.67 percent of the companies were found to be having managerial problem. Since the recruitment of the staff and manages is made by the Government, the Government do not give due preference and weightage to the qualification of the managerial personnel. It has been found during the course of present study that none of the manager is having a degree in management. The bureaucratic-structure of the Government companies is also responsible for the companies to become sick. In Government companies the technocrats and the specialists do not have much say in the decision making process of the organisation. In turn the decisions are taken by the bureaucrats as per their own wisdom. This situation leads towards the sickness of unit. Since these Government companies are found to be in small scale sector, therefore, their situation is worse. Due to these basic reasons these units have become sick as
the managers do not take much initiative for the improvement, of the functioning of the unit.

7.1.8 Miscellaneous Problems

The developing countries like India have some other problems which are generally being faced by the industrial units. In recent times the government interference is increasing in day to day affairs of business and industry. There is a large team of inspectors who casually visit units to check their product and working. When some times these inspectors misuse their powers then this attitude of the inspectors created an hindrance in the way of smooth functioning of the unit and affect their profitability and revenues adversely. In addition to it imposition of heavy taxes, excise duty, imposition of ban by the Government and other penalties contribute in increasing prices of goods and services produced in industrial units. The high prices adversely affect the demand and revenues of industries. Therefore, this may further aggravate the problem of sickness. The same type of situation has been found during the course of this study.

It has been found that in District Kangra 77.78 percent of the units which are sole proprietorship units reported that they are facing acute problems due to continuous interference by the inspectors of different departments.

The entrepreneurs have to bear the burden of double taxation. One when he is bringing raw material from outside the state and second when he is sending the finished goods out of the state. This practice of double taxation is creating problem to these units. Their costs of production is increasing and this is affecting their profitability adversely. In addition to this the policies of the Himachal Pradesh Government are also responsible for some of the industries to become sick. The H.P. Government imposed total ban on the production of recycled polythene bags as these were considered to be environmental hazards. As a result of this decision of the Government many industries which were producing this product became idle. These could not carry on the production any more. These industries could not undertake the diversification programme as it

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8 Opcit p. 38.
involved lot of financial expenditure. The industries which were engaged in manufacturing of these products could not afford to incur this additional financial burden, hence became sick.

Another problem which is being faced by the forest based industries only, the H.P. Government imposed a total ban on the felling of green trees within the state. The imposition of the ban by the Government enhanced the cost of raw material which increased the cost of production many folds. The entrepreneurs of these units were forced to purchase the raw material from the Government depot in an open auction system. As a result of this units are not getting sufficient quantity of the raw material and these are not able to operate at full efficiency level because of the shortage of raw material.

In District Solan 33.33 percent of the units which are sole proprietorship units are facing miscellaneous problems – as Himachal Pradesh Government has imposed ban on the cutting of green trees, due to this ban entrepreneurs are not getting cheap raw material to produce the goods. And in District Sirmour 50 percent of the units which are sole proprietorship units and have been surveyed are facing miscellaneous problems as – interference by the inspectors, and due to ban in the cutting of trees, forest based units are not getting sufficient quantity of raw material at cheap prices. It has been reported that time and again checking by the forest officials further creates hindrance in the smooth functioning of the forest based industries.

So far partnership firms are concerned, it has been found that in District Kangra 25 percent of the units which are partnership firms are experiencing miscellaneous problems – as heavy taxes. In case of private limited companies and cooperative institutions in District Sirmour 66.67 percent of the units which are private limited companies, which have been surveyed, reported that they are facing miscellaneous problems as heavy tax is charged from the entrepreneurs. In District Solan 50 percent of the units which have been surveyed reported that they are facing miscellaneous problems as – Government has imposed ban in procuring the raw material in certain areas. It is mentioned here that 66.67 percent of the Government companies in District Kangra which were surveyed
are facing miscellaneous problems as Government is not creating any sound network to sell out their products. In addition to it Central Government is importing certain items which are also affecting the products of the Indian market.

7.2 SUGGESTIONS

Himachal Pradesh since its inception is encouraging to develop industries in the state especially the small scale units. It provides excellent potential for setting of these industrial projects which require dust free environment. It has vast scope for the development of electronic industries. As we are aware that Himachal Pradesh is also known as apple state so it has scope for the development of fruit processing industries. It has boundaries with Punjab, Haryana and Uttar Pradesh. Therefore, it enjoys certain benefits as compared to the other states. It is a fact that due to its topography it is not very conducive to develop the industries in those areas which are very difficult and are not easily approachable. Hence, the state Government is targeting to develop industries at those places which have comparatively better infrastructural facilities.

It has developed various industrial estates and areas at those places which are nearer to other states such as Parwanoo in District Solan, Mehatpur in District Una, Kala Amb and Paonta Sahib in District Sirmour, Sansarpur Terrace and Damtal in District Kangra etc. These industrial estates and areas are providing opportunities for the industrialists to set up their units.

Keeping in view the favourable environment the Government is initiating number of steps for the establishment of industrial units within the state. It has announced various concessions and subsidies for the new entrepreneurs. It is taking a number of steps for attracting the investors to invest in the state. (The gist of concessions and subsidies which have been given by the state have been given in Chapter – I). It has established various public sector under takings. This endeavour of the Government toward industrialization gained boost during eighties. Despite all these efforts the industrial development pace has been slow within the state. The problem of sickness is very seriously jeopardizing the development of industries especially in the small scale sector. In this backdrop
the present study has been undertaken so as to know why industries are becoming sick. There are number of reasons for this which have been given by the industrialists, other agencies and have been analysed during the course of the present study.

**Suggestions Given by Different Agencies**

a) Suggestions given by the Secretary Sirmour Industrial Association are as below:

i) Bankers should be aware about the industries.

ii) Government policies should be liberal and effective.

iii) Entrepreneurs in Himachal Pradesh are paying 8 percent sales tax whereas others states are charging 4 percent sales tax.

iv) Himachal Pradesh financial corporation should strictly watch the functioning of the unit and incase of setting up new industries Government must help the entrepreneurs.

v) Kerosin and coal quota has been lapsed and units are facing a lot of problems. It should be restored.

vi) In Sirmour district there is shortage of power supply. Continuous power supply should be provided to the entrepreneurs.

vii) In the Gondpur (Paonta Sahib) industrial area the requirement of the water is 37 lac liters whereas only 17 lac liters water is available.

b) Suggestions given by the President of Nagrota Bhagwan Industrial Association are as follows:

i) The Government must treat equally to the all units regarding tax. Newly setup units are getting incentives whereas old units are deprived from this facility. This creates imbalance in the production cost. Therefore goods produced by old firms cannot be sold off at competitive prices in the market. For the survival of old units incentives should be given on equal basis.
c) The Manager State Bank of India Industrial Area Sansarpur Terrace suggested a that a Government should charge one time barrier tax and octroi.

7.2.2(a) On the basis of these suggestions and the observations which have been presented in the earlier pages we are attempting to put forth few suggestions and area for further research which would be helpful and beneficial for curing the problem of industrial sickness within the state.

It has been reported in the earlier part of the chapter that the industries are becoming sick because of the financial and other problems. If we look at the arrangement of finances for industries various agencies are involved in this process as Industrial Development Bank of India (IDBI), Small Industrial Development Bank of India (SIDBI), Himachal Pradesh State Industrial Development Corporation (HPSIDC), Himachal Pradesh Financial Corporation (HPFC), Himachal Pradesh Khadi Village and Industries Board (HPKVIB) and Khadi Village and Industries Commission (KVIC) Cooperative Banks and Cooperative Societies etc. But the banks and Himachal Pradesh Financial Corporation are the leading agencies for providing capital to the small scale industrial units.

In the small scale industrial units, the term loan is provided by the HPFC and working capital by the banks (except composite units) and in some of the cases both term loan and working capital is provided by the banks alone. HPFC finances under single window scheme term loan and working capital to the composite unit only.

The state Government claims that many steps have been taken for the availability of the finances and the projects are being cleared without taking much time, but in terms; story is different. The experience of clearing the projects and obtaining loan for the financial institutions and banks is very comber some process. It takes lot of time to clear the project and sanction loan for the establishment of project. Keeping in view the problem with regard to the availability of the working capital and other financial requirements, we suggest
that such a system be evolved which is less time consuming and speedy decisions are taken.

In this regard the HPFC which is a leading agency for granting finances to industrial units can play an important role. The HPFC should be entrusted with the task of assessing the total working capital requirement of the project while accepting the proposal of the units. The HPFC should assess this requirement with the help of experts in the related field. The decision be taken without consuming more time on this vital issue. The proposal be decided within two weeks of its submission. Since HPFC is a Government organisation, it should ensure that proposal of setting industrial units are cleared at the earliest. The appraisal of the project should be done by the experts in the related fields. It has been observed that procedure for sanctioning the loan is very lengthy and tedious. The financial institutions insist on various collateral security as fixed deposits and mortgagee of the property of granter. No doubt, we are also of the opinion that there should be security of loan advanced. No loan can be advanced without ensuring its safety and good return.

It has been found that the term loan for the project is advanced by the HPFC and working capital (except composite loan scheme) is provided by the bank. At this stage there is no joint consultation between the HPFC and the bank. Keeping in view it is suggested that at the time of sanctioning a term loan for the project the views from the bank may also be ascertained. It is further suggested that both the financial institutions be evolved while sanctioning the term loan and working capital. So far the utilisation of the funds is concerned it has been observed that most of the unit invest the funds in disproportionate manner. The units are at liberty to invest the fund in the manner in which they like. Most of the units invest more in creating the fixed assets and thus leaving very small amount for working capital. In order to solve this problem the financial institutions should keep a watch on the investment of funds. The financial institutions must ensure that the funds are invested only on that head for which the funds have been sanctioned. The entrepreneurs should not be given the liberty to divert the funds as per his wish. Therefore it is recommended that a periodic review of the
investment pattern of the project be made so that the proper investment of the funds is ensured. The financial institutions must act as a watch dog and keep strict vigil on the investment pattern of the term loan and working capital.

So far the advancement of loan to the small scale and tiny cottage industries are concerned the branch officers of the financial institutions be given more powers to sanction and disburse the loan as per requirement of the project. Presently these branch officers are not having adequate powers of sanctioning and disbursing the loan. The branch officers generally forward the case to head office for ultimate sanction and disbursement of the loans. In the process much time is consumed and the unit became sick by the time loan is sanctioned. The HPSIDC should assess the requirement so far the land and development of other infrastructure is concerned. This agency should assess and suggest how much is needed for the development of land, constructions of buildings and other infrastructure. The report of this agency be given weightage while sanctioning any loan to say industrial unit. The working capital requirement be assessed in advance and accordingly the proposal be made for sanction. The agencies like Industrial Reconstruction Bank of India (IRBI) and ICICI, are engaged in the rehabilitation of the viable sick units IRBI is also providing financial help to purchase generator set, modernisation of equipment, providing margin money for availing of working capital finance from banks, meeting cash losses and over run costs, consultancy service to sick units in matter relating to technical, financial, marketing and management aspects etc.

If these units are covered by IRBI and ICICI then their help be sought for the revival of the unit. Keeping in view the requirement of the state one branch office of each agency may be opened in the state on priority basis. The sick units be identified by the financial institutions and department of industries as soon as possible and steps for their revival be taken in joint consultation by these agencies.

Presently the entrepreneurs are force to set up an industrial unit in any of the industrial area of the state or land can be acquired for setting up industries. For obtaining land from the department an entrepreneur has to complete various
formalities and in the process more time is wasted. If the work of land acquiring
and level development is done by single agency i.e. HPSIDC then this problem
can be solved. Therefore, it is suggested that HPSIDC be entrusted with the task
of acquiring land and ultimately developing it and allotment of the plots to the
entrepreneurs be made by the HPSIDC. This will save the time, energy and
money and the process can be curtailed to a great extent.

The location of the unit plays an important role in determining the success
and failure of any unit. The location of the unit should be decided by the HPSIDC,
keeping in view the viability of the project. The industrial policy of the state
government states that stress be given for the balanced growth of the industries
with in state. In order to give meaning to this statement the state government is
developing the industrial areas and the industrial estates ignoring some basic
essentials such as road and communication net work. Some of the industrial
estates have been established at very far away and in remote areas. These
areas are not developing fully. These areas are lacking basic amenities, the road
links are not there and no other infrastructure facilities are existing. Therefore, it
is suggested that while developing these industrial areas/estates due weightage
should be given to the rail and road links and other communication channels.
This is essential as it will reduce the production costs of the units and will provide
scope for the marketing of the products in the marketing. So far supply of the
electricity supply is concerned it has been observed that frequent power failure is
the important reason especially in District Sirmour, for the industry to become
sick. Due to irregular power supply these units can not produce at their full
capacity and the units became sick. In this regard it is suggested that regular
supply of electricity be ensured so that industries are saved from becoming sick.

There are number of problems which our industries are facing due to
infrastructural facilities. The industrial areas have been developed but there are
no labour colonies. The skilled labour do not like to work in the industries as they
do not get proper accommodation at that place where industry has been
established. The small scale units are being deprived of the services of skilled
labour. It is suggested that if possible provision for the development of labour
colony be made a mandatory, where the industrial areas/estates are being
developed. The residential accommodation be provided to labourers so that they
can give their best to the industry. The regular water supply be ensured in all the
industrial areas.

It has been found that industrial areas/estates are not being maintained
properly as these units which are creating the environmental problems. It is a fact
that the pollution is existing in most of these areas. In order to get rid from this
problem the HPSIDC should create a separate cell which should look after the
maintenance of these industrial areas. The HPSIDC can take help of forest
department in order to keep these areas clean and green. This will be helpful in
reducing the pollution in the industrial areas/estates.

To ensure the regular supply of power is the job of the HPSEB. The
HPSEB should take steps to ensure the regular supply of electricity to these units
so that the small scale sector can work at its full capacity. It is suggested that a
separate department in HPSEB be created for ensuring the regular power supply
to small scale units. This department be entrusted with this task of monitoring the
supply of power to the industrial areas/estates and other small scale units.

It has been found that in the industrial areas/estates the plots have been
allotted to the entrepreneurs, who are not interested in the real sense. For setting
up industries in Himachal Pradesh the entrepreneurs have to register their unit
with the District Industries Centre (DIC). After enrolment the DIC give a certificate
of provisional registration. And when the unit comes into production then
permanent registration number is issued by the DIC to the entrepreneurs. Every
year the number of units is increasing; but, in reality the position is different when
we visited the industrial areas. It has been observed that very few units were
found to be operational. These units are not carrying any production within their
premises. Therefore, industries department should do a exhaustive study to find
out the real position of the working units. The industries department should take
appropriate action of those plots/sheds where the production is not being carried
for the last two years. The department should also initiate the punitive action
against the defaulters. The plots/sheds in the industrial areas/estates should not
be alloted on the basis of political consideration. The department should fix a
time limit and ask these beneficiaries who have been alloted the sheds/plots in
industrial area to start the industrial activity within that stipulated period. Even if
this does not bring the desired results the plots thus issued be cancelled and
may be alloted to the person who is in real meaning interested in establishing
industrial units.

Marketing plays a vital role to the profit and loss position of any working
unit. Producing the goods is an easy task but the selling of goods is very tough.
Due to globalisation and liberalisation the government is giving permission to set
up multinational companies in our country. The production cost of these
industries remain low as compared to the goods manufactured by the small scale
sector. Due to so many constraints small scale sector is not giving fruitful results
as low equity base and poor sales promotion. In the present study it has been
found that majority of the small scale units are not getting raw material locally to
manufacture the goods. Hence these entrepreneurs are forced to bring raw
material from the neighbouring states. During this process these entrepreneurs
are facing lot of difficulties in getting the raw material and have to incur
unnecessary costs. It is suggested that the government should take steps for
making the raw material available at reasonable prices and save the units from
becoming sick.

The finished products manufactured by the small scale industrial units are
not having marketing opportunities within the state. Therefore, the units are
selling their products outside the state. Since the production cost of these units is
very high they fail to compete with the industries producing similar products.

There is a stiff competition in the market and these units due to financial
constraints are unable to incur expenditure in promotion of their product. It is
suggested that government should constitute a federation and this federation
should purchase the product of small scale units and make arrangement for
selling their products outside the market in order to give boost to industrialisation
in the state. The government should also purchase the products of small scale
industrial units for its use. So far promotional expenditure is concerned the
product of small scale industrial units can be advertised by some cultural agency and expenditure incurred on this be shared by all the small entrepreneurs. By doing this, double objectives will be achieved one the product of SSI will also be advertised and second will reduce the cost considerably.

In most of the units it was found that skilled labour is not available, recruitment by the small scale units is done either by the contractors or a list is obtained from the employment exchange. Some time units gets good man power and some times not. Therefore, it is suggested that entrepreneurs be given freedom to make recruitment from the open market and professional institutions - like ITI's and other professional institutions.

Most of the units have not developed any facility of Research and Development. Due to changing demands of the customers products designs are changing very fast and majority of the entrepreneurs are facing lot of problems of quality control. The entrepreneurs are dependent upon many institutions for laboratory testing which are mainly based outside the state. Therefore, such laboratories should be established in all the leading industrial areas of the state and should be entrusted to augment the task of research and developmental activities as per the requirement of the day and the expenditure for this be met by the SSI units and the government.

It has been found that most of the entrepreneurs are not fully trained and having professional training. State government has insisted on providing training to entrepreneurs. The agencies like Himachal Consultancy Organisation Limited (HIMCON), Centre for Entrepreneurship Development (CED), Small Industries Service Institute (SISI), Productivity Council and Science and Technology Entrepreneurship Park (STEP) may play a vital role in this matter. These agencies must provide training to entrepreneurs strictly on professional lines. The agencies who are engaged in imparting training to the entrepreneurs must strictly monitor the success of the training programmes and should take appropriate follow up action.

These agencies should be fully equipped with trained man power who can impart the training to the entrepreneurs.
In the border areas entrepreneurs have to pay double taxes, one at the time of bringing raw material, secondly for selling finished goods to other states. In addition to it octroi is also charged from the entrepreneurs. Therefore, the burden of double taxation should be reduced if raw material is not available locally and government should give sales tax exemption equally whether it is in industrially backward area or in developing areas so that genuine unit can be set up.

7.2.2(b) For Government Companies

Government should appoint professional manager in the Government companies. The appointment and promotion should be given on the basis of the results. The units manager may be given power to take the facility of working capital finance from the local bank.

7.3 SUGGESTIONS FOR FURTHER STUDIES

The present study was conducted with the objective of analysing the causes of sickness in SSI. This research project suffered from certain limitations and thus might not be termed as complete and comprehensive research in this area. In view of the significance and need of the study and experience gained, further areas of research could be identified. Some of such researches are suggested below:

However, this list is not comprehensive.

1. A similar study may be conducted on medium and large scale industries.
2. An exclusive study about the infrastructure in Himachal Pradesh can be conducted as infrastructure plays an important role in the growth and development of the industry. At present infrastructure in Himachal Pradesh is in bad shape and is crumbling the state of roads, power, water in the industrial areas, industrial parks, estates, training of skilled labour, colonies to labourers, research and development and support and technical institutions need strong attention.