CHAPTER II

Industrial Sickness – A Conceptual Framework

The industrial Sector all over the world including India is suffering from the acute problem of Industrial sickness. In recent years its growth and magnitude is so rapid that it has assumed an unmanageable proportion in India a particular.¹

Industrial sickness gives different meanings to different persons. A sick unit is unhealthy unit to a common man, divided post poning to investors, a doubtful debtor and a weak borrower or creditor to Bankers, industrial problem to government a victim of technological changes to technocrats, a bad employer to workers, and a great wastage of technical and human resources to the country.²

Technically Industrial sickness is a situation where the revenues of the unit is insufficient to meet the cost and average rate of return on investment and it less than the cost of capital and firm cannot pay its debts/obligations as they become due and a situation of insolvency occurs. During the situation of insolvency firm’s total liabilities exceed its total assets and it has no option and a situation may arise to close down its shutters.

It means that industrial sickness is a situation where the revenues of the units is insufficient to meet the cost and average rate of return on investment is less than the cost of capital. Technically speaking, a firm is sick when it can not pay its debts/obligations as soon they fall due. This may be temporary phase. The situation of insolvency is more critical in which the firms total liabilities exceeds his total assets and has no option but to down its shutters.

State Bank of India team on small scale industries advances 1975 define industrial sickness as “A unit which fails to generate adequate internal surplus on a continuing basis and depends for its survival on frequent infusion

¹ Gangwal Subash, “New Dimensions in Industrial Sickness” Subline Publications, Jaipur 1990, page-1
of external financial help, thereby it brings about serious disequilibrium in its financial structure.3

Thus the study group found that the industrial unit is sick when its internal capabilities are exhausted and it becomes sick and external financial help for its survival is required. As per the guidelines of Reserve Bank of India, a sick unit is one which incurs cash losses for one year and which in the judgement of the bank, is likely to continue cash losses for the current year as well as in the following year, and which has an imbalance in its financial structure such as a current ratio of less than 1:1 and worsening debt equity ratio (Total outside liabilities to net worth).4

According to National Institute of Bank Management, “Sick unit as those where the operation result in continuous losses bringing down the working capital available and ultimately affecting the borrowing potential almost permanently.

In a legal strict sense, industrial sickness is interpreted as bankruptcy of liquidation when it is in operations.5 However bankruptcy or sickness therefore the two different concepts. Sick industries may also be defined as one whose financial viability is threatened by adverse factor present and continuing.6

The All-India Small Scale Industries Board standing committee in its 38th meeting held in July 1984 formulated a definition based on the criterion of general applicability, “A small scale unit may be classified as sick if it incurred cash losses in the current year, and either where is erosion in its net worth to the extent of 25% or more or any erosion in its capital.7

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”.8

---

6 Industrial credit and Industrial corporation of India as quoted in management and monitoring of industrial sickness by S.S. and Yadav and Srivastave R.A., Concept publishing company, 1980, p.10.
7 Diagnostic Survey Regarding Sickness in the Small Scale units by Development Commissioner (SSI), Nirman Bhawan, New Delhi, page, 79.
Walter J.E. defined "Industrial sickness may be termed as technical insolvency which occurs when a firm is unable to meet its maturing obligations. It may also refer to insolvency where to total value of the firm assets is found smaller than its liabilities". 9

According to Sharma:

1. "Only such unit may be considered sick in which a major part, say 50% of its equity and resources are eroded by cash losses. In the case of entrepreneur scheme, a sick unit is one in which there are no owned funds: a depreciation of 15 per cent in the total working capital of these units may be considered indicator of sickness.

2. "Persistent irregularly in working capital advances (not on account of inadequacy of units) for a period of 12-18 months or stoppage of production for a sufficiently long period say six months may be taken to signify sickness... (And) for the purpose of identification of industrial sickness, the following criterion may be borne in mind that (a) Is one which has incurred cash losses in the immediately proceeding two years and in the judgement of the credit institution is expected to incur these losses during the current year.

(b) Whose net worth has been eroded to the extent of atleast 50 per cent.

(c) In whose working capital advance account with the bank, clean irregularity has persisted over a longer period of time say 12-18 months and is likely to become persistent which has defaulted in paying for consecutive half yearly (or two consecutive annual) instalment of principal and interest on term loan if any..." 10

According to it an industrial company's Act (Special Provision Act, 1985) "being a company registered for not less than 7 years) as sick when it has at the end of any financial year accumulated losses equal to, or exceeding its entire networth and has also suffered cash losses in such financial year, and the financial year immediately preceeding such financial year. The sick industrial companies (special provisions) Rule, 1997. Sick

---

industrial company means an industrial company (being a company registered for not less than 5 years) which has.\textsuperscript{11}

1. Defaulted in payment or repayment, on due dates, of interest or principal or any other amount or any combination thereof to any creditor or

2. Been irregular on any cash credit, working capital or like account whatever name card to any scheduled bank or any other secured creditor, in any for or more quarters whether continuous or not in a block of two successive financial years.\textsuperscript{12}

The study group set up by Reserve Bank of India to frame guidelines for follow-up of Bank credit and defined the industrial sickness as "with a steady erosion of profitability the borrowers liquidity declines and the first sign of difficulty is delayed payments to creditors, leading ultimately to default with further deterioration in profitability, followed by losses, net working capital surplus deficit."\textsuperscript{13} The team rightly paid emphasis on liquidity of firm. It stated that the liquidity of a firm declines to meet the obligations of creditors and current liabilities exceeds current assets and ultimately the unit becomes sick.

However, the state level inter institutional committee for the state of Himachal Pradesh referred the matter to change the definition of sick small scale units.

The Reserve Bank of India did not consider it necessary to change the definition of sick SSI (SLIIC 1999). A small scale industrial unit is considered sick when.

i) Any of its borrowed accounts has become as a 'doubtful' i.e. principal or interest in respect of any of its borrowal accounts has remained overdue for a period exceeding 2½ years and

ii) There is erosion in the net worth due to accumulated cash losses to the extent of 50 percent or more of its peak net worth during the preceding two accounting years.\textsuperscript{14}

\textsuperscript{11} Reserve Bank of India Report, "Trend and Progress of Banking in India, 1970-78, p.25.
\textsuperscript{12} Indian Journal Chartered Secretary, Vol.37, No.7 July 1997, p.827.
\textsuperscript{13} Kaveri, V.S. "How to Diagnose, Present and are Industrial Sickness" Sultan Chand & Sons, New Delhi, 1983, p.23.
\textsuperscript{14} Minutes of the 58th meeting of the SLIIC Himachal Pradesh held on Sep. 22, 1999 at Shimla.
Bhattacharrya Manas, highlighted in his study the reasons for sickness that; there can be various reasons for unit become sick. It can be due to various internal weaknesses such as limited financial resources and lack of organisational skills and expertise. Consequently, the small scale industrial unit are extremely susceptible to even minor environment pressures. There can be exogenous causes of sickness like:

Difficulties in availability of raw material and other inputs including power, Marketing difficulties, Delay and inadequate credit, High rate and taxes, Labour problems, Faculty appraisal of projects and inefficiency, dishonest management or internal conflict, among partners etc.

Lal in his definition of sick unit has indicated two stages of sickness. According to him, “a unit can be considered sick if it is operating less than break even point, that is, where it is unable to meet its cost and depreciation the units which has earned. Its capital and reserve should be considered to have reached an advanced stage of sickness.”

2.1 Classification of Sickness:

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. This industrial sickness can be classified as (a) Born sick (b) Became sick (c) Made sick.

a) Born sick:

The industrial projects born sick from the very inception, owing to ill conceived projects, bad planning and poor appraisal of the project, wrong choice of location and product selection, inadequate market surveys, false fixed investment decision and one customer- one project type situations etc.

---


16 Lal Sushil, HOW TO PREVENT INDUSTRIAL SICKNESS, SYMPTOMS AND REHABILITATION, 1979, p.
b) **Become sick:**

The industrial project become sick due to internal causes. In such circumstance, sickness starts at a later stage of project implementation as a result of poor management and deliberate diversion of funds, internal as well as external causes like power cut, transportation problem and non-availability of raw material and labour etc.

c) **Made sick:**

The sickness is thrust up especially due to external causes beyond the control of management, mostly attributed to environmental factors such as sudden changes in Govt. policies, technological changes, micro political, social and economic problems.17

### 2.2 Causes of Sickness:

The causes of sickness as interred by V.K.Joshi can be listed as under:

**Personnel Management**

Factors relating to sickness in personnel management are as follows:

- a) Improper wage, increment and promotion policies,
- b) Bad industrial relations,
- c) Lack of manpower planning i.e. planning of recruitment training & placement etc and
- d) Lack of morale and sense of motivation in the organisation

However in addition to these discussion and lack of cohesion and emotional integration among the promoters invariably leads to problems at the projects implementation or operational stages. In most of the cases at the initial partners who were very close friends before construction of the project ended up a bitter enemies.

**Marketing Management**

Regarding Marketing Management, below factors are responsible:

---

a) Unscientific selection of product mix i.e. without any reference to the product-wise contribution, b) Dependence on a limited number of buyers, c) Improper pricing policies, d) In efficient sales promotions activities and e) Lack of product planning to face absolescence.

**Financial Management**

The financial factors has been listed by V.K. Joshi as under:

In efficient management of working capital i.e. of cash, receivable, payables, inventory etc. This leads to inability to meet the day to day needs of business. In most of the cases working capital needs to be assisted units during the period in which they are to reach the level of optimum capacity utilisation are not assessed realistically during appraisal.

**Absence of Cost and Budgetary Control, and Management Information Systems:**

Regarding management information system and absence of cost and budgetry control as listed as:

Planning and controlling are the most important segment of the total process of management. These are possible only if budget and target are formulated in quantitative and monetary terms for each segment of activity of business and regular actual information for each area is complied for comparison with targets and plans which such a system is not there, the management as well as the leading institution are option in dark about the goings in a units its real condition is often revealed only one when it is too late.

The financial factors has been tested as under:

Financial management problem arises due to:

1) Inefficient cash management
2) Allowing long term credit to purchasers of final products.
3) *Diversion of short term funds into long term uses.*
4) Willful diversion of funds for investment in assets not connected with production.

**Production Management**

Regarding Production Management following factors are responsible.

1) Inadequate attention towards the maintenance management leading to frequent breakdown and consequent lower capacity utilisation
(2) Lack of inventory and material management leading to high inventory and wastage.

(3) Absence of scientific and efficient quality control system leading to high rejection resulting in consumer dissatisfaction. According to Desai following causes of sickness are tested as under

1. Problem in Production
   (a) Machine breakdown, poor maintenance, poor quality of machines
   (b) Poor quality of raw materials
   (c) Poor labour productivity
   (d) Power shortages
   (e) Lack of production, planning and control
   (f) Delayed supplies from sub contractors
   (g) Poor industrial relations

2. Problem in Marketing
   (a) Competition
   (b) Recession
   (c) Low quality
   (d) Technical Incompetence
   (e) Irregular deliveries
   (f) Poor marketing efforts
   (g) Obsolescence
   (h) Government policies

3. Problems in Input Availability
   (a) National or regional shortage
   (b) High cost
   (c) Overdue payments
   (d) Poor quality
   (e) Uncertain supplies
   (f) Lack of planning

4. Problems in Cost of Production (Inputs)
   (a) Increased cost not recovered in selling prices due to faulty costing.
   (b) Larger order booked at fixed prices in an inflationary market.
   (c) High material wastage
   (d) High inventory cost

5. Problems in Cost of Production (Overheads)
   (a) Inefficient production
   (b) Larger under utilised capacity
   (c) Heavy borrowing, higher interest charges
   (d) Increased administrative or selling cost
   (e) Unplanned capital expenditure
   (f) New product development or diversification without corresponding returns

6. Financial Problems
   (a) Deliberate diversion of funds
   (b) Well intentioned but unwise diversion, (for example unplanned diversion, and current funds diversion)
   (c) Poor collections
   (d) Unplanned payment to creditors
   (e) High inventory
   (f) Unproductive and flamboyant expenditure

7. Other Problems
   (a) Delay in sanction of loan
   (b) Delay in disbursement of sanctioned loan
   (c) Delay in implementation of the project on account of (a) & (b)
   (d) Escalation in the project cost and inability of the promoters to raise the required margin money for the escalated project cost and in some cases, due to unsatisfactory appraisal of the promoters ability to raise his share of the project even though there was no escalation.
   (e) Differences of opinion among partners/Directors
(f) Strikes, lockouts, natural calamities, change in common policies, power cut and power shortage.

(g) Delay in sanction of working capitals limits by banks.

Besides these other factors are also responsible for causes of sickness.

(1) Faulty Product Selection:– If the product selection by promoted is unsound, the project is bound to face rough weather, (ii) New product Technology:– In case of new product in their industries the entrepreneurs should upgrade their technology timely (iii) Wrong location: The small projects located outside organised industrial estate (even though the land and other facilities are available in estates) are often not sufficiently backed up by the require infrastructure facilities, and the location in many such cases is influenced by the expedient consideration of cheap or ancestral land, (iv) Absence of market analysis:– Entrepreneurs plunging into production should look into the size and nature of the market, the demand supply outlook, the location and characteristic of promotional customers and the level and nature of potential efforts are required to harness the market potential, (v) Installation of defective machinery:– If the machinery is installed defective then it may also be one of the reason of industrial sickness, (vi) Inadequate working capital:– Inadequate or late sanction of working capital assistance or denial of such assistance by banks in the initial stage of unit clearly constitute a cause of sickness.

In some cases, lack of support from bank is a sickness aggravating factor rather than the basic cause of sickness.

Government Policies and regulations:– When the Govt. Policies are not favourable sometimes it also leads to causes of industrial sickness.

The reason for a units becoming sick can be summarised as follows:

(a) Unavoidable i.e. external

(b) Avoidable i.e. internal

(a) Unavoidable:

Power shortages and consequent fall in capacity utilisation to uneconomic levels.

---

(h) Erratic availability of essential industrial inputs i.e. raw materials, fuel, transport facilities etc.

(i) Demand/Market recession and credit restraints.

(j) Impacts of Government's fiscal and industrial policy viz. import policy, taxation policies etc.

(b) Avoidable

(I) Improper project planning, formulation and implementation, e.g.

(a) Unbalanced capital structure.

(b) Over/under estimation of capital costs

(c) Defective plant and machinery

(d) Obsolete and inappropriate technology

(e) Delays in implementation of projects

(f) Conceptual and basic deficiencies

(II) Mismanagement/Deficient management, in one or more of the following areas:

(a) Operation management, i.e. production, marketing etc.

(b) Working capital management i.e. the management of cash, receivables, creditors, inventories etc.

(c) Personnel Management

(III) Dissension's among promoters.\(^{20}\)

In nutshell the causes of sickness can be summarises as:

\(^{20}\) Op cit p. 52.
Summary of the main causes of Sickness in Small-Scale Industries.

Fig. 2.1:
The above figure no. 2.1 summarises the main causes of sickness in small scale industries, lack of materials and orders coupled with the problems of production, affect the level of production, while an increase in cost of raw materials, overheads and taxes push up the final costs. A decline in sales and in quick turnover dry up the cash flow. Added to this, poor cash management-deliberate or out of ignorance result in the frittering away of working capital, and symptoms of sickness begins to appear, the effect of which are first felt by the financial institutions. Which have lent money to the small scale units. Accounts are than overdrawn, the turnover shows down and stocks accumulates. A unit does not pay its workers and other bills. A chain reaction in reverse start working.\textsuperscript{21}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure22.png}
\caption{Figure 2.2}
\end{figure}

Indicates a chain of reaction in Reverse on Account of Non-payment to workers.

\section*{2.3 INDUSTRIAL SICKNESS}

\subsection*{2.3a) Industrial sickness in India}

Inspite of the government to priority in this sector and protection of small scale industries, more and more the existing small scale units are getting sick in a large proportions, resulting not only in loss of production but also in displacement of labour employed in the affected industrial units.

\textsuperscript{21} Ibid. p 35.
The sickness in small scale sector is increasing at an alarming rate in our economy which is indeed of serious concern for all. At present SSI account for 26.2 percent of non performing bank finance located up total in small units (and 99 percent of all sick units) as against just 99 percent of bad loans in 1981 and 16.2 percent by 1992.

The increasing percentage of sickness has been depicted from the following table.

**TABLE 2.1**

Position of Sick Units in Small Scale Sector (1981-98)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of small scale Sector sick units</th>
<th>Amount outstanding (Rs. in Crores)</th>
<th>Potentially viable No. of units</th>
<th>Amount outstanding (Rs. in Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>23149 units</td>
<td>305.77</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1988</td>
<td>217436 units</td>
<td>2,792.04</td>
<td>21,649</td>
<td>798.79</td>
</tr>
<tr>
<td>1993</td>
<td>2,38,176</td>
<td>3,442.97</td>
<td>16,580</td>
<td>685.93</td>
</tr>
<tr>
<td>1994</td>
<td>2,56452</td>
<td>3,680.37</td>
<td>15,539</td>
<td>597.93</td>
</tr>
<tr>
<td>1995</td>
<td>2,68,815</td>
<td>35,47,16</td>
<td>15,539</td>
<td>597.93</td>
</tr>
<tr>
<td>1996</td>
<td>2,62,376</td>
<td>3721.94</td>
<td>16,424</td>
<td>635.82</td>
</tr>
<tr>
<td>1997</td>
<td>2,35,032</td>
<td>3,609.02</td>
<td>16,220</td>
<td>479.31</td>
</tr>
<tr>
<td>1998</td>
<td>2,21,530</td>
<td>3856.64</td>
<td>18,861</td>
<td>455.60</td>
</tr>
</tbody>
</table>

Source RBI Data

The above table depicts the extent of sickness in small scale sector in India and its steady growth. It may be observed from the above figures that the number of sick SSI units which was only 23149 in 1981 has gone up 217436 in 1988, 268815 in 1995, in 1997 235032 units and in 1998 221,530 units which is showing a marginal decline from the previous years after that the rate of sickness in small scale sector is very high and shows an alarming trend.

Further the split of the sick industries and state-wise can be observed from the following table and graph.
<table>
<thead>
<tr>
<th>State</th>
<th>Medium/Large Scale Sick Industries</th>
<th>SSI Sick Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Bangal</td>
<td>240</td>
<td>53617</td>
</tr>
<tr>
<td>Bihar</td>
<td>63</td>
<td>24935</td>
</tr>
<tr>
<td>Maharastra</td>
<td>410</td>
<td>17925</td>
</tr>
<tr>
<td>Assam</td>
<td>44</td>
<td>15774</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>87</td>
<td>15655</td>
</tr>
<tr>
<td>UP</td>
<td>268</td>
<td>14294</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>198</td>
<td>12289</td>
</tr>
<tr>
<td>Andra</td>
<td>295</td>
<td>12074</td>
</tr>
<tr>
<td>Karela</td>
<td>85</td>
<td>8969</td>
</tr>
<tr>
<td>MP</td>
<td>116</td>
<td>8348</td>
</tr>
<tr>
<td>Gujrat</td>
<td>215</td>
<td>6808</td>
</tr>
<tr>
<td>Karnataka</td>
<td>171</td>
<td>6680</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>2</td>
<td>4070</td>
</tr>
<tr>
<td>Delhi</td>
<td>34</td>
<td>3580</td>
</tr>
<tr>
<td>Punjab</td>
<td>69</td>
<td>2376</td>
</tr>
<tr>
<td>Haryana</td>
<td>86</td>
<td>2149</td>
</tr>
<tr>
<td>Tripura</td>
<td>6</td>
<td>2011</td>
</tr>
<tr>
<td>Manipur</td>
<td>2</td>
<td>1919</td>
</tr>
<tr>
<td>Orrisa</td>
<td>57</td>
<td>1889</td>
</tr>
<tr>
<td>J and K</td>
<td>7</td>
<td>1627</td>
</tr>
<tr>
<td>Nagaland</td>
<td>2</td>
<td>1386</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>32</td>
<td>735</td>
</tr>
<tr>
<td>Goa</td>
<td>13</td>
<td>670</td>
</tr>
<tr>
<td>Mizoram</td>
<td>0</td>
<td>615</td>
</tr>
<tr>
<td>Arunachal Pradesh</td>
<td>2</td>
<td>456</td>
</tr>
<tr>
<td>Pandichery</td>
<td>15</td>
<td>431</td>
</tr>
<tr>
<td>Chandigarh</td>
<td>3</td>
<td>163</td>
</tr>
<tr>
<td>Others</td>
<td>14</td>
<td>85</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2536</strong></td>
<td><strong>2215530</strong></td>
</tr>
</tbody>
</table>

(Ministry of Commerce and Industry)

**Source:** Directorate of Industries, Government of Himachal Pradesh.
It is clear from the above informations that West Bengal, Bihar and Maharastra tops in sickness in the small scale industries sectors. As regards Himachal Pradesh is concerned here 735 units in small scale sector are sick and it ranks 22nd all over India in sickness.

2.3b) Industrial Sickness in Himachal Pradesh

Himachal Pradesh is a hill state. Keeping in view the tough and hill terrain, much preference is given to SSI sector in the state. The HPFC, sanction loans and disbursement of this can be seen in the following table:

**Table 2.3**

**Loan Amount Sanctioned and Disbursed During the Period 1993-94 – 1999-2000**

<table>
<thead>
<tr>
<th>Year</th>
<th>No of units sanctioned</th>
<th>Amount (Rs in Lacs)</th>
<th>Medium/large scale Industry/Hotels</th>
<th>Amounts (Rs in Lacs)</th>
<th>SSI</th>
<th>Amount (Rs in lacs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>158</td>
<td>1543.60</td>
<td>20</td>
<td>555.67</td>
<td>138</td>
<td>983.93</td>
</tr>
<tr>
<td>1994-95</td>
<td>140</td>
<td>2120.47</td>
<td>27</td>
<td>984.48</td>
<td>113</td>
<td>11135.99</td>
</tr>
<tr>
<td>1995-96</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>82</td>
<td>1080.82</td>
</tr>
<tr>
<td>1996-97</td>
<td>135</td>
<td>1759.86</td>
<td>15</td>
<td>754.69</td>
<td>90+30 Tpt</td>
<td>828.72+146.40 Tpt</td>
</tr>
<tr>
<td>1997-98</td>
<td>190</td>
<td>2006.70</td>
<td>12</td>
<td>547.28</td>
<td>118+60 Tpt</td>
<td>1212.98+246.44 Tpt</td>
</tr>
<tr>
<td>1998-99</td>
<td>145</td>
<td>1933.78</td>
<td>8</td>
<td>516.29</td>
<td>97+40 Tpt</td>
<td>1251.23+166.25 Tpt</td>
</tr>
<tr>
<td>99-2000</td>
<td>147</td>
<td>1805.53</td>
<td>7</td>
<td>399.54</td>
<td>81+59 Tpt</td>
<td>1144.11+261.88 Tpt</td>
</tr>
</tbody>
</table>

(Shows data is not available)

Source: Official Records, HPFC

The above table, depicts that the stress was given to set up small scale sector. In the year 1997-98, 60.45 percent of assistance was given to SSI, 12.28 percent to SRTOS while 27.27 percent to other sectors. But after that in the year 1993-94, 34 units were taken over and 38 were sold, similarly in 1994-95, 55 units were taken over and 49 units were sold in 1995-96, 35 units were taken over and 49 units were sold, in 1996-97, 16 units were taken over and 40 units were sold during the year 1997-98, 30 units were; in 1998-99, 60 units were taken over and 19 units were sold and during 1999-2000, 69 units were taken over and 31 units were sold by the Himachal Pradesh Financial Corporation. Further 18216 units were financed by the national banks in the Himachal Pradesh and Rs. 1699.00 lacs amount is outstanding in the industrial units.

Similarly the position of 25 public sector undertakings in Himachal Pradesh on which the Govt. had invested Rs. 556.50 crores have accumulated losses to the tune of Rs. 132.28 crores. As many as 16 public sector
undertakings have been perpetually in the red. The State Road Transport Corporation to head the list of loss making public undertakings have accumulated a loss of Rs. 165.00 crores upto March 31, 1998, it is followed by Agro Industrial Packaging India Limited (Rs 34.81 crores), Himachal Horticulture Produce Marketing and Processing Corporation (Rs. 22.45 crores), Himachal Pradesh State Industrial Development Corporation (Rs. 19.31 crores) and Himachal Pradesh Cooperative Milk Products and Federation (Rs. 8.94 cores). Only the State Electricity Board is the profit making unit which earned profit of Rs. 125\textsuperscript{22} crores followed by state civil supplies corporation which earned profit Rs. 24.92 lacs\textsuperscript{23}.

Further as per the data provided by the Director of Industries in response to the assembly question dated on 29.2.2000 the data pertaining to closed units district wise is shown in the following table.

**TABLE 2.4**

**Total Number of Closed Units**

*Districts at A Glance*

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Districts</th>
<th>No. of units</th>
<th>No. of Closed L &amp; M</th>
<th>Total</th>
<th>Lac</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Bilaspur</td>
<td>73 Closed SSI</td>
<td>1</td>
<td>74</td>
<td>4.9 Lac</td>
</tr>
<tr>
<td>2.</td>
<td>Chamba</td>
<td>2</td>
<td>—</td>
<td>2</td>
<td>0.06 Lac</td>
</tr>
<tr>
<td>3.</td>
<td>Hamirpur</td>
<td>564</td>
<td>—</td>
<td>564</td>
<td>0.70 Lac</td>
</tr>
<tr>
<td>4.</td>
<td>Kangra</td>
<td>740</td>
<td>—</td>
<td>740</td>
<td>11.40 Lac</td>
</tr>
<tr>
<td>5.</td>
<td>Kullu</td>
<td>446</td>
<td>—</td>
<td>446</td>
<td>—</td>
</tr>
<tr>
<td>6.</td>
<td>Kinnaur</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>7.</td>
<td>Laharl &amp; Spiti</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>8.</td>
<td>Mandi</td>
<td>176</td>
<td>—</td>
<td>176</td>
<td>—</td>
</tr>
<tr>
<td>9.</td>
<td>Solan</td>
<td>185</td>
<td>49</td>
<td>—</td>
<td>2.64 Lac</td>
</tr>
<tr>
<td>10.</td>
<td>Shimla</td>
<td>578</td>
<td>2</td>
<td>580</td>
<td>1.56 Lac</td>
</tr>
<tr>
<td>11.</td>
<td>Sirmour</td>
<td>135</td>
<td>5</td>
<td>140</td>
<td>6.20 Lac</td>
</tr>
<tr>
<td>12.</td>
<td>Una</td>
<td>190</td>
<td>1</td>
<td>191</td>
<td>5.60 Lac</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3147</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Assembly Question Dated on 29.2.2000)

**Source:**— Directorate of Industries Govt. of H.P.

\textsuperscript{22} The Tribune “16 Himachal PSUs in the red”, dated 10\textsuperscript{th} March 2000.

\textsuperscript{23} Himachal Tribune “Industrial Scenario Grim in Himachal, Govt. Apathy, Detrimental to Industrial Growth, Shimla, June-28 to July 4,1999.
The above information depicts that Distt. Kangra, Shimla and Hamirpur top in the list of closed units. Whereas Distt. Solan tops in the closure of the medium and large scale industries. The table also shows that no unit in SSI and medium and large scale industries was found closed in the districts of Kinnaur and Lahual & Spiti respectively.

**DIAGNOSIS**

It can be said that inspite of the financing of Small Scale Industries by HPFC and nationalised banks, the Small Scale Industries units in Himachal Pradesh are not working properly. Some of those have closed down their units and some are at the verge of closing down. In view of this it is significant to investigate the causes of Industrial Sickness in Himachal Pradesh.