Chapter-VII

SUMMARY, CONCLUSIONS AND SUGGESTIONS

In the previous Chapters, i.e., Chapter-IV, V and VI, the data collected through the schedule has been analysed on the basis of methodology adopted for the present study. In this Chapter a summary of the analysis and interpretation of all the three districts has been carried out to draw the inferences about the existence of sickness in Himachal Pradesh. Important causes of sickness have also been summed up. At the end, some suggestions have been given to fight the challenge of sickness in the Small-scale Industries of Himachal Pradesh.

7.1: Summary & Conclusions:

Solan is the most industrialised district of Himachal Pradesh. Various Industrial Estates have been developed at different places in the district to boost the industrial development.

In all 40 small-scale industrial units pertaining to different activities have been studied. The majority of the units i.e. 50 per cent are sole-proprietors, 60 per cent of the proprietors are in the age group of 35 years above and 50 per cent of the proprietors are graduates.

Out of 40 units, 15 units have sustained losses in 1986-87. 25 per cent units have the ratio of net
profit to sales less than 5. The ratio of Net Income
to total assets of 11 units are between 0.05 and 0.1.
30 per cent units have their ratio of net income to
total debt upto 0.10. The net income to net working
capital ratio of 12 units are upto 0.30. The ratio of
net income to net worth of 35 per cent units are upto
0.15.

24 units have their total assets to current
debt ratio upto 8. The ratio of total assets to long
term liability is upto 1.75. 57.5 per cent units have
their total assets to total debt ratio between 0.75
to 1.75. The ratio of net worth to long term debt of
13 units varies from 0.40 to 0.60. 45 per cent units
have their net working capital to total assets ratio
between 0.10 to 0.25. The current assets to total assets
ratio of 18 units lies between 0.25 to 0.45. The current
ratio of 35 per cent units vary from 2.25 to 3.50.

40 per cent units have their ratio of Net
Sales to Working Capital upto 3. The ratio of Net Sales
to Current Assets is upto 0.50 and equal number of units
have this ratio above 5. Net sales to total assets ratio
of 14 units is upto 0.50 whereas the ratio of net sales
to net worth of 19 units are upto 1.50. 17 units have
their net sales to fixed assets ratio upto 1.

Out of the 12 Engineering Industries studied,
three unis are sustaining losses. The net income to
net sales ratio of 3 units are less than 3. The ratio of net income to total assets of 7 Engineering Industries is less than 1. 5 such units have their net income to total debt ratio less than 1. The ratio of net income to net working capital of 7 units is less than 1. All the 12 units have their net income to net worth ratio less than 0.5. 8 units have their ratio of total assets to current debt up to 10. The ratio of total assets to long term liability of 6 units is less than 1.30. Four units do not have long term liabilities. 7 units have their ratio of total assets to total debt less than 2. Net worth to long term debt ratio of 8 units is less than 2. The ratio of current assets to total assets of all the 12 units is less than 0.75. All the Engineering Industrial Units have their net working capital to total assets ratio less than 0.35. The current ratio of 8 units is more than 2. The ratio of net sales to fixed assets of 7 units is less than 1. Five units have their ratio of net sales to current assets less than 1. The ratio of net sales to working capital of 8 units is more than 1. Nine units have their ratio of net sales to total assets less than 1. Net sales to net worth ratio of 8 units is less than 1.

Out of 11 manufacturing units, 5 are sustaining whereas 6 losses/are earning profits. The ratio of net income
to net sales of 5 units are more than 7 whereas all the six profit earning units have their ratio of net income to total assets less than 0.31. 6 units have their ratio of net income to total debt less than 0.34. while the ratio of net income to working capital of 5 units less than 1. Five units have their net income to net worth ratio less than 1. The ratio of total assets to current debt of 6 units is less than 5. Total assets to long term liabilities ratio of 6 units is less than 2. The ratio of total assets to total debt of 8 units is more than 1. 10 units have their ratio of net worth to long term debt less than 1. Ten units have their current assets to total assets ratio less than 0.45. The ratio of net working capital to total assets of 10 units is less than 0.45. The current ratio of 3 units is less than 2. Net sales to fixed assets ratio of 5 units is less than 2. Five units have their net sales to current assets ratio less than 2. Net sales to working capital ratio of 8 units is more than 2. Net sales to total assets ratio of 5 units is more than 2. 7 units have their ratio of net sales to net worth more than 2.

Net income to net sales ratio of two units of Drugs and Chemical Industry is 14.3 and 58 whereas the other 3 units are sustaining losses. Net income
to total assets ratio of these two units is less than 0.26 whereas the ratio of net income to total debt of one unit is 0.04 while the other one has no debt capital. Both of the profit earning units have their net income to net working capital ratio less than 2. Net income to net worth ratio of these two units is less than 0.21. Total assets to current debt ratio of all of these units is more than 5. Three units have their total assets to long term liabilities ratio less than 1.66. The ratio of total assets to total debt of 3 units is less than 1.30. Three units have their ratio of net worth to long term debt less than 0.61. The current ratio of these units is less than 0.57. All these units have their ratio of net working capital to total assets less than 0.44. The current ratio of 3 units is more than 2. Three units have their net sales to fixed assets ratio less than 1. The ratio of net sales to current assets of 3 units is less than 1. 3 units have their net sales to total assets ratio less than 0.34. The ratio of net sales to net worth of three units is less than 0.67. Net sales to working capital ratio of 3 units is less than 2.

The ratio of net income to net sales of the only unit studied in Mineral Industry is 0.4 whereas the net income to total assets ratio is 0.1. The net income to total debt ratio of this unit is 0.38 while the net income to net working capital ratio is 2.33.
This unit has its net income to net worth ratio 0.35 while total assets to current debt ratio is 64. Total assets to long term liabilities ratio of this unit is 3.76. Total assets to total debt ratio is 3.55. Net worth to long term debt ratio is 1.17. The current assets to total assets ratio of this unit is 0.06 whereas the net working capital to total assets ratio of this unit is 0.04. The current ratio of this unit is 4. Net sales to fixed assets ratio of this unit is 0.4. The ratio of net sales to net working capital is 8 whereas the net sales to current assets ratio is 6. The net sales to total assets ratio of this unit is 0.37. The ratio of net sales to net worth is 1.2.

Out of the 5 units of Electronics Industry studied, one unit is sustaining losses and 4 units are earning profits. The ratio of net income to net sales of 3 units is more than 2. Net income to total assets ratio of all these units is less than 0.5. The ratio of net income to total debt of these units is less than 0.63. Three units have their net income to net working capital ratio less than 1. The ratio of net income to net worth of all these units is less than 1. Three units have their ratio of total assets to current debt more than 3. Total assets to long term liabilities ratio of 3 units is less than 2. The ratio of total assets
to total debt of 3 units is more than 1. Two units have their net worth to long term debt ratio less than 0.51. The ratio of current assets to total assets of these units is less than 1. All these units have their net working capital to total assets ratio less than 1. The current ratio of 3 units is more than 2. Net sales to fixed assets ratio of all these units is more than 8. Three units have their net sales to current assets ratio less than 3. The ratio of net sales to total assets of 4 units is less than 3. Three units have their ratio of net sales to net worth more than 13. The ratio of net sales to working capital of 3 units is less than 6.

Out of the 3 units of food-based industry, 2 are sustaining losses whereas only one unit is earning profits. The ratio of net income to net sales of this unit is 8.3, whereas the net income to total assets ratio is 0.09. Net income to total debt ratio is 0.2 while the ratio of net income to net working capital is 0.25. Net income to net worth ratio of this profit earning unit is 0.11. Total assets to current debt ratio of these units is more than 8 whereas the total assets to long term liabilities ratio of 2 units is less than 2. The ratio of total assets to total debt of 2 units is less than 2. Two units have their net worth to long
term debt ratio less than 1. The current assets to total assets ratio of these units is less than 0.5. Two of these units have their net working capital to total assets ratio less than 0.13. The current ratio of 2 units is 2 and above. Net sales to fixed assets ratio of 2 units is more than 2. Two units have their net sales to net working capital ratio above 15. The ratio of net sales to current assets of all these units is more than 2. Net sales to total assets ratio of 2 units is less than 2 whereas the net sales to net worth ratio of 2 units is less than 2.

Out of the 3 forest-based units studied, 2 are earning profits. The ratio of net income to net sales of these units is more than 2 while the net income to total assets ratio is less than 1. Both these units have their net income to total debt ratio less than 0.17. The net income to net working capital ratio of these units is less than 0.5 while the net income to net worth ratio of these units is less than 0.13. Total assets to current debt ratio of these units is more than 3. Total assets to long term liabilities ratio is more than 2 whereas the total assets to total debt ratio is more than 1. The ratio of net worth to long term debt of these units is more than 1. Current assets to total assets ratio is less than 1. Net working capital to total assets ratio of these units is less than 0.4. The ratio of net sales to fixed assets is more than 1.
All these units have their net sales to net working capital ratio more than 3. The ratio of net sales to current assets is more than 2 while the net sales to total assets ratio of 2 units is less than 2. Two units have their net sales to net worth ratio less than 2.

The units have also been classified on the basis of Gross Turnover. 17 units have their gross turnover more than Rs. 5,00,000 whereas 11 units have their gross turnover upto Rs. 50,000.

The operating expenses of 14 units are upto Rs. 50,000 whereas 10 units have their operating expenses ranging from 50,000 to 1,00,000.

These units have also been classified on the basis of profits/losses incurred by them during the last 3 years (Table 7.1 and Table 7.2).

**Table 7.1**

| Classification on the basis of profits/losses incurred during the last 3 years. |
|-----------------|-----------------|-----------------|
| Units in losses | 1984-85         | 1985-86         | 1986-87         |
|                 | 14              | 15              | 15              |
| Units in profits| 26              | 25              | 25              |
| Total:          | 40              | 40              | 40              |
Table: 7.2

Classification on the basis of profits/losses incurred continuously during the last 3 years.

<table>
<thead>
<tr>
<th>Description</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units in losses continuously during the last 3 years</td>
<td>11</td>
</tr>
<tr>
<td>Units in profits during the last 3 years</td>
<td>21</td>
</tr>
<tr>
<td>Units in profits and losses during the last 3 years</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>40</strong></td>
</tr>
</tbody>
</table>

These industrial units have also been classified on the basis of causes of industrial sickness. It has been found that High cost of raw material and poor collection under financial factors, Improper utilisation of capacity under Technical factors, Inadequacy of skilled labour and High cost of labour under Labour factors, Power shortage under Production factors, Government Policy and competition under Marketing factors and Large unutilised capacity under Cost of Production(Overheads) have contributed to Industrial Sickness.

It has been found that Financial, Labour, Marketing, Production, Inputs availability factors and some miscellaneous factors have contributed towards industrial sickness in Engineering Industry.

Manufacturing Industry is facing problems like Financial, Managerial, Technical, Labour, Problems in Cost of Production(Overheads) Production, Marketing and some miscellaneous problems.
Financial, Technical, Managerial, Labour, Problems in Cost of Production (Overheads) Production, Marketing and some miscellaneous problems are causing losses to Chemical Industrial units.

Electronic Industry is suffering from problems like Managerial, Marketing and some miscellaneous problems. Similarly, Food-based industry is facing problems like financial, technical, marketing, labour, production, cost of production (inputs) cost of production (overheads) and some other problems.

Financial, Technical, Marketing, Cost of production, Inputs availability and some miscellaneous problems are contributing towards industrial sickness in Forest-based Industry.

Sirmaur is the second most industrialised district of Himachal Pradesh after Solan district which occupies the top place as regards to the industrialisation. The district is rich in mineral like limestones, barytes and clay.

In all forty industrial units have been surveyed in this district which includes Engineering Chemicals, Paper, Steel, Manufacturing and some Miscellaneous industrial units. Out of these, 30 per cent are sole-proprietorships, 30 per cent are partnership firms, 30 per cent are private companies and 10 per cent are public companies. 45 per cent entrepreneurs are in the age group of 26 to 36 years.
25 per cent entrepreneurs are in the age group of 36 years and above. As far as the educational qualifications are concerned, 70 per cent are graduates. 30 per cent of the total entrepreneurs surveyed have also acquired some professional qualifications.

21 industrial units have sustained losses in 1986-87. The ratio of net profit to sales of 6 units are between 1 and 2. Net income to total assets ratio of 15 per cent units is upto 0.02. Seven units have their net income to total debt ratio upto 0.02. The ratio of net income to net working capital of 6 units range from 0.15 to 0.25. Six units have their ratio of net income to net worth upto 0.05.

The ratio of total assets to current debt of 9 units varies from 3 to 6. 15 units have their ratio of total assets to long term liability ranging from 1.75 to 2.50. The ratio of 19 units varies from 1.25 to 1.75. Net worth to long-term debt ratio of 18 units varies from 0.3 to 0.6.

The ratio of net working capital to total assets of 20 units ranges from 0.10 to 0.25. 21 units have their ratio of current assets to total assets ranging from 0.2 to 0.4. The current ratio of 20 units varies from 1 to 3.

The ratio of net sales to working capital of 20 units ranges from 2 to 8. 20 units have their ratio of net sales to current assets upto 3. The net
sales to total assets ratio of 50 per cent units varies from 0.25 to 1. The ratio of net sales to net worth of 13 units varies from 0.50 to 1.50. 18 units have their net sales to fixed assets ratio from 0.5 to 1.5.

Only two units undertaking engineering activity have been surveyed. One is earning profits and other is sustaining losses. Net income to net sales ratio of this unit is 4.78 and the net income to total assets ratio is 0.14. The ratio of net income to total debt is 0.28 whereas the net income to net working capital ratio is 0.24. Net income to net worth ratio of this units is 0.55. Total assets to current debt ratio of these two units is more than 4. Total assets to long term liabilities ratio of 1 unit is less than one while total assets to total debt ratio of one units is more than 1. Net worth to long term debt ratio of these two units is less than one. Current assets to total assets and net working capital to total assets ratio of one unit is less than 1 whereas it is more than 1 in the other unit. The current ratio of 1 unit is less than 1.6 whereas it is more than 6 in the other unit. Net sales to working capital ratio of these units is more than 6 while net sales to current assets ratio of one unit is less than 3 whereas it is more than 5 in the other unit. Net sales to total assets ratio is
The ratio of net sales to net worth of 1 unit is less than 5 and more than 15 in other, whereas the net sales to fixed assets ratio of one unit is less than 2 whereas it is more than 12 in the other unit.

Out of the 4 industrial units based on minerals, 3 are earning profits and one is sustaining losses. The net income to net sales ratio of 2 units is less than 2 while the net income to total assets ratio of these units is less than 0.4. Net income to total debt ratio of these units is less than 0.03. The ratio of net income to net working capital of 2 units is more than 3 whereas net income to net worth ratio of 2 units is less than 0.06. Total assets to current debt ratio of these units is more than 10 while these units have total assets to long term liabilities ratio less than 3. Total assets to total debt ratio of 2 units is less than 1 whereas net worth to long term debt ratio is less than 0.7. Current assets to total assets ratio is less than 0.71 while the net working capital to total assets ratio is less than 0.68. Three units have their current ratio more than 5 while the ratio of net sales to working capital of 3 units is more than 10. The net sales to current assets ratio of 2 units is more than 19 while the net sales to total assets ratio of 3 units is less than 1. Two units have their net sales to net worth ratio less than 1 whereas the ratio of net sales
to fixed assets of 3 units is less than 1.

Out of the 12 chemical industrial units, 8 units are sustaining losses while the other 4 are earning profits. The net income to net sales ratio of 3 units is more than 5. The ratio of net income to total debt of these units is less than 0.04 whereas 3 units have their net income to net working capital ratio less than 1. Net income to net worth ratio of 2 units is less than 1. Total assets to current debt ratio of seven units is more than 10. Six units have their ratio of total assets to long term liabilities more than 2.

Total assets to total debt ratio of 11 units is more than 1 whereas the net worth to long term debt ratio of 8 units is less than 1. All these units have their current assets to total assets ratio less than 1. The net working capital to total assets ratio of 10 units is less than 0.3 while the current ratio of 9 units is more than 2. Net sales to working capital ratio of 9 units is more than 3 whereas 7 units have their net sales to current assets ratio more than 2. Nine units have their ratio of net sales to total assets less than 1. The net sales to net worth ratio of 8 units is more than 2 while 8 units have their net sales to fixed assets ratio more than 1.

Out of 5 Paper-based units studied, 4 are sustaining losses and 1 is earning profits. The net
income to net sales ratio of this unit is 1.95 and net income to total assets ratio is 0.025. The ratio of net income to total debt of this unit is 0.055 while the net income to working capital ratio is 0.06. Net income to net worth ratio is 0.16. Total assets to current debt ratio of these units is more than 4. The ratio of total assets to long term liabilities is more than 1 whereas 4 units have their total assets to total debt ratio more than 1. 4 units have their ratio of net worth to long term debt less than 1. Current assets to total assets ratio of these units is less than 0.5. The net working capital to total assets ratio of these units is less than 0.4, while 3 units have their current ratio more than 3. Net sales to working capital ratio of 4 units is more than 3 while 3 units have their net sales to current assets ratio more than 2. The ratio of net sales to total assets of 3 units is less than 1 whereas 3 units have their net sales to net worth ratio more than 3. The net sales to fixed assets ratio of 3 units is more than 1.

Out of 6 Steel-based units 4 are earning profits while 2 are sustaining losses. The net income to net sales ratio of 3 units is more than 3 while net income to total assets ratio of 3 units is more than 0.1. The ratio of net income to total debt of all profit earning units is more than 0.12. The net income to working capital ratio of 3 units is less than 0.51 while net income to net worth ratio of 3 units is less
than 0.54. Total assets to current debt ratio of 3 units is less than 8 while 4 units have their total assets to long-term liabilities ratio more than 2. 5 units have their total assets to total debt ratio more than 1 whereas net worth to long term debt ratio of 5 units is less than 1. The current assets to total assets ratio of 5 units is less than 1 while the net working capital to total assets ratio of 5 units is less than 0.5. The current ratio of 5 units is more than 2. The ratio of net sales to working capital of all these units is more than 6 while they have their net sales to current assets ratio more than 4. Net sales to total assets ratio of 5 units is more than 1 whereas 4 units have their net sales to net worth ratio more than 10. The net sales to fixed assets ratio of 4 units is more than 2.

Out of 6 manufacturing units, 2 are earning profits whereas 4 are sustaining losses. 1 unit has its net income to net sales ratio less than 2 while net income to total assets ratio of both these units is less than 0.17. The ratio of net income to total debt ratio of one unit is less than 0.01 whereas the net income to net working capital ratio of these two units is less than 0.75. One of the two units has its net income to net worth ratio less than 0.01. Total assets to current debt ratio of 3 units is more than 10. Four units have their total assets to long term
liabilities ratio more than 1 while the ratio of total assets to total debt of 4 units is more than 1. Net worth to long term debt ratio of all these units is less than 0.6. The current assets to total assets ratio of all these units is less than 0.5. 4 units have their Net working capital to Total Assets ratio more than 0.1. The current ratio of 3 units is less than 2. Four units have their net sales to working capital ratio more than 10 whereas 3 units have their net sales to current assets ratio less than 2. The ratio of net sales to total assets of 4 units is less than 0.51 while net sales to net worth ratio of 4 units is less than 2.

Out of 5 miscellaneous units, 4 are earning profits while one is sustaining losses. The net income to net sales ratio of 2 units is less than 1 while net income to total assets ratio of all these units is less than 0.1. The ratio of net income to total debt of 3 units is less than 0.008. The net income to working capital ratio of 2 units is less than 0.02 while net income to net worth ratio of 2 units is less than 0.007. 3 units have their total assets to current debt ratio less than 10. The ratio of total assets to long term liabilities of 3 units is less than 2, while 4 units have their total assets to total debt ratio more than 1. Net worth to long term debt ratio of 3 units is less than 1. The current assets to total assets ratio of 4 units is less than 0.4 while 4 units have their net
working capital to total assets ratio more than 0.1. The current ratio of 3 units is more than 2. Three units have their net sales to working capital ratio more than 3 while the ratio of net sales to current assets is more than 2. The ratio of net sales to total assets of 4 units is less than 1 whereas net sales to net worth ratio of 3 units is less than 2. The net sales to fixed assets ratio of 4 units is less than 1.

These units have also been classified on the basis of gross turnover. 20 units have their turnover upto Rs. 20 lacs, while 18 units have their operating expenditure upto Rs. 10 lacs.

These units have also been classified on the basis of profits or losses incurred by them in the last three years (Table 7.3 and Table 7.4).

**Table 7.3**

Classification on the basis of profits/losses incurred during the last 3 years.

<table>
<thead>
<tr>
<th></th>
<th>1984-85</th>
<th>1985-86</th>
<th>1986-87</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units in Losses</td>
<td>23</td>
<td>23</td>
<td>21</td>
</tr>
<tr>
<td>Units in Profits</td>
<td>17</td>
<td>16</td>
<td>19</td>
</tr>
<tr>
<td>Units in B.E.P.</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Total:</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
</tbody>
</table>


TABLE: 7.4

Classification on the basis of profits/Losses incurred continuously during the last 3 years.

<table>
<thead>
<tr>
<th>Description</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units in losses continuously during the last 3 years</td>
<td>17</td>
</tr>
<tr>
<td>Units in profits during the last 3 years</td>
<td>14</td>
</tr>
<tr>
<td>Units in profits and losses during the last 3 years</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40</strong></td>
</tr>
</tbody>
</table>

Industrial units of Sirmaur district have also been classified on the basis of causes of industrial sickness. It has been found that non-availability of finance and high cost of raw-material under Financial Factors, improper machinery under Managerial Factors, inadequate power supply and frequent breakdown of power under Technical Factors, lack of production, planning and Control and poor quality of raw material under Production Factors, competition, Government policies and obsolscence under Marketing Factors, lack of planning under Inputs availability Factors, increased cost not covered in selling price and high material wastage under Cost of Production(inputs), large unutilised capacity under Cost of Production(overheads) and delay in sanction of loan, delay in working capital limits by banks and delay in disbursement of sanctioned loan under Miscellaneous/Other Problems have contributed towards Industrial Sickness.
It has been found that Financial, Managerial, Technical, Labour, Production, Marketing and Inputs availability factors are responsible for industrial sickness in Engineering Industry.

Cement Industry is facing problems like Financial, Managerial, Technical, Production, Marketing, Inputs availability, Cost of Production(inputs) Cost of Production(overheads) and some miscellaneous problems.

Financial, Managerial, Technical, Labour, Production, Marketing, Inputs availability Cost of Production(inputs) Cost of production(overheads) and some miscellaneous problems are disturbing the Chemical Industry.

Paper-based Industrial units are facing the problems like Financial, Technical, Marketing, Cost of Production(Inputs), Cost of Production(overheads) and some miscellaneous problems.

Financial Factors have contributed to the Sickness of Steel Industry.

It has been observed that Financial, Managerial Technical, Labour, Production, Marketing, Inputs availability, Cost of Production(inputs) Cost of Production(overheads) and some other problems have contributed to industrial sickness.

In the last, Small-scale industrial units of Una District have been surveyed which occupies the
third place with regards to the industrial development. In this district also, forty small-scale industrial units have been surveyed which include Engineering, Cement(Mineral), Manufacturing, Chemical, Forest-based, Trading and Food-based industries.

Out of the total industrial units surveyed in the district 70 per cent are sole-proprietorships. 55 per cent entrepreneurs are above the age of 35 years. 50 per cent entrepreneurs are graduates.

Out of 40 industrial units, 20 units have their ratio of net income to net sales ranging from 35 to 50. The ratio of net income to total debt range from 0.2 to 0.5. 14 units have their ratio of net income to total assets between 0.2 to 0.4. The ratio of net income to working capital of 16 units is upto 1.5. 12 units have their ratio of net income to net worth upto 0.5. The total assets to current debt ratio of 13 units range from 2 to 6 while 24 units have their ratio ranging from 0.75 to 1.50. The ratio of total assets to long term liabilities of 19 units is upto 1.5 while the net worth to long term debt ratio of 15 units varies from 0.2 to 0.4.

So far as the liquidity ratios are concerned, the net working capital to total assets ratio of 16 units varies from 0.05 to 0.15 while 17 units have their
current assets to total assets ratio ranging from 0.1 to 0.3. The current ratio of 22 units is upto 2.5.

Turnover ratios have also been computed. 16 units have their net sales to current assets ratio upto 2. The ratio of net sales to total assets of 12 units range form 0.2 to 0.5. 15 units have their ratio of net sales to net worth upto 1. The net sales to fixed assets ratio of 18 units is upto 1.

Ratios have also been computed for each of the industry. 11 units of Service-based Industry have been studied. Net income to net sales ratio of 10 units is more than 40. 9 units have their net income to total assets ratio more than 0.2 whereas the ratio of net income to total debt of 6 units is less than 1. The net income to net working capital ratio of 8 units is more than 1. The net income to net worth ratio of 6 units is less than 1.

Total assets to current debt ratio of 6 units is less than 6. The ratio of total assets to long term liabilities of 7 units is more than 1. Total assets to total debt ratio of 6 units is less than 2. Six unist have their net worth to long term debt ratio less than 2. The ratio of net working capital to total assets of 6 units is less than 0.11. The current assets to total assets ratio of 10 units is more than 0.1 while 6 units have their current ratio more than 2.
The net sales to current assets ratio of 7 units is more than 3 whereas 9 units have their net sales to working capital ratio more than 2. The ratio of net sales to total assets of 8 units is less than 1 while the net sales to net worth ratio of 6 units is more than 1.

Out of 7 industrial units 5 are earning profits and remaining 2 are sustaining losses. The net income to net sales ratio of 5 units is more than 20. Net income to total assets ratio of 4 units is more than 0.2. Three units have their net income to total debt ratio more than 0.3. Net income to net working capital ratio of 3 units is less than 2. Net income to net worth ratio of 4 units is less than 1. The total assets to current debt ratio of 4 units is more than 4. Six units have their total assets to long term liabilities ratio more than 1 while the total assets to total debt ratio of 6 units is more than 1. Four units have their ratio of net worth to long term debt more than 0.5. Net working capital to total assets ratio of all these units is less than 0.5. The current assets to total assets ratio of 6 units is less than 0.5, while the current ratio of 3 units is more than 2. Four units have their ratio of net sales to current assets more than 2. The ratio of net sales to working capital of 4 units is more than 4. Four units have their net sales to total assets ratio less than 1. The ratio of net sales to net worth ratio of 4 units is less than 2 while the net sales to fixed
ratio of 4 units is less than 1.

Two manufacturing industrial units have also been studied and they are sustaining losses. Total assets to current debt ratio of these two units is more than 5. Both these units have their total assets to long-term liabilities ratio less than 1 while total assets to total debt ratio of these units is less than 0.81. The ratio of net worth to long-term debt of these units is less than 0.26 whereas net working capital to total assets ratio is less than 0.34. Both these units have their current assets to total assets ratio less than 0.51 while the current ratio is more than 2. Net sales to current assets ratio of one unit is less than 1 while 1 unit is having its net sales to working capital ratio less than 0.5. The ratio of net sales to total assets of 1 unit is less than 1 while the net sales to net worth ratio of one of these units is less than 0.25. The net sales to fixed assets ratio of one unit is less than 0.13.

Out of 5 Chemical Industrial units, 4 are sustaining losses while 1 is earning profits. Total assets to current debt ratio of 4 units is more than 5.3 units have their total assets to long-term liabilities ratio more than 1. The total assets to total debt ratio of 3 units is more than 1 while the net worth to long-term debt ratio of 3 units is less than 0.5.
Net working capital to total assets ratio of 5 units is less than 0.4. All these five units have their current assets to total assets ratio less than 0.55. Four units have their current ratio more than 2. The net sales to current assets ratio of 3 units is less than 1 while the 3 units have their net sales to working capital ratio less than 1. The ratio of net sales to total assets of all these 5 units is less than 0.3 while 4 units have their net sales to net worth ratio less than 1. The net sales to fixed assets ratio of all these 5 units is less than 0.5.

4 Industrial Units based on Food have also been studied and all of them are earning profits. The net income to net sales ratio of all these four units is more than 10 while the net income to total assets ratio of 2 units is less than 0.1. Net income to total debt ratio of 2 units is more than 0.5 while net income to net working capital ratio of 2 units is more than 2. The ratio of net income to net worth of 3 units is less than 0.1. Three units have their ratio of total assets to current debt more than 15 whereas total assets to long term liability ratio of 3 units is more than 1. Total assets to total debt ratio of 3 units is more than 1 while net worth to long term debt ratio of these three units is less than 1. Net working capital to total assets ratio of 3 units is less than 0.3. Three units have their current assets to total assets ratio less than 0.3 while the current ratio of 3 units is more
than 2. Net sales to current assets ratio of 3 units is more than 3.5, whereas 2 units have their net sales to working capital ratio more than 5. The ratio of net sales to total assets of 2 units is more than 1 while the net sales to net worth ratio of 3 units is 2. Three units have their net sales to fixed assets ratio more than 1.

2 Trading Industrial units have also been studied and they are earning profits. The net income to net sales ratio of these two units is more than 37 while the net income to total assets ratio is more than 0.3. Both these units have their net income to total debt ratio more than 0.25 while the net income to net working capital ratio of these units is less than 1.01. These units have their net income to net worth ratio less than 1.01. Total assets to current debt ratio of these units is more than 2.5 while the total assets to long term liability ratio is more than 1. These units have their total assets to total debt ratio more than 0.8 while the net worth to long term debt ratio is less than 2. The net working capital to total assets ratio of these units is less than 0.5 whereas the current assets to total assets ratio of these units is less than 1. The current ratio of 1 unit is 3 and that of other is 2. Net sales to current assets ratio is more
than 1 while these units have their net sales to working capital ratio 2 and 2.4 respectively. The net sales to total assets ratio is 0.8 and net sales to net worth ratio of these units is 1 and 2.4 respectively whereas the net sales to fixed assets ratio is 2 and 2.4 respectively.

9 Forest-based units have also been studied and all of them are earning profits. The net income to net sales ratio of 8 units is more than 30 while the net income to total assets ratio of 7 units is more than 0.3. Seven units have their net income to total debt ratio less than 1. The net income to net working capital ratio of 5 units is more than 1. Six units have their net income to net worth ratio more than 1. The total assets to current debt ratio of 6 units is more than 5 while the total assets to long term liabilities ratio of 7 units is more than 1. The total assets to total debt ratio of 6 units is more than 1 whereas net worth to long term debt ratio of 7 units is less than 1. The ratio of net working capital to total assets of 6 units is less than 0.3 whereas the current assets to total assets ratio of 7 units is more than 0.2. The current ratio of 6 units is more than 2. The net sales to current assets ratio of 7 units is more than 2 while net sales to working capital ratio of 7 units is more than 2. Five units have their net sales to total assets ratio more than 1 whereas the net sales to net worth
ratio of 4 units is more than 2. Seven units have their net sales to fixed assets ratio more than 1.

These units have also been classified on the basis of Gross Turnover. 20 units have their gross turnover upto Rs. 30,000 while 24 units have their operating expenses upto Rs. 20,000.

These units have also been classified on the basis of profits/losses (Table 7.5 and 7.6).

**Table 7.5**

<table>
<thead>
<tr>
<th>Classification on the basis of profits/losses incurred during the last 3 years.</th>
<th>1984-85</th>
<th>1985-86</th>
<th>1986-87</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units in Losses</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Units in profits</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>40</strong></td>
<td><strong>40</strong></td>
<td><strong>40</strong></td>
</tr>
</tbody>
</table>

**Table 7.6**

<table>
<thead>
<tr>
<th>Classification on the basis of profits/losses incurred continuously during the last 3 years.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units in losses continuously during the last 3 years.</td>
</tr>
<tr>
<td>Units in profits during the last 3 years.</td>
</tr>
<tr>
<td>Units in profits and losses during the last 3 years.</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
</tr>
</tbody>
</table>

The classification has also been made on the basis of causes of industrial sickness. It has been found that high rate of interest, high cost of raw materials and
materials and non-availability of finance under financial factors are responsible for industrial sickness. Inadequate power supply under technical factors has also contributed to the industrial sickness. Marketing factors, including recession and strikes/locouts/natural calamity under miscellaneous factors, have also contributed towards industrial sickness.

Industry-wise, the causes of industrial sickness in manufacturing industry include financial, technical, labour, marketing, cost of production and miscellaneous factors. Financial, technical, marketing and some miscellaneous factors account for industrial sickness in Chemical Industry. The causes of industrial sickness in Engineering Industry include, managerial, technical and marketing factors.

From the aforesaid summary, the following conclusions can be drawn:

1. There is incidence of industrial sickness in all the three districts surveyed.
2. Sirmaur district is the worst affected district where the sickness is 42.5 per cent. The extent of industrial sickness in Solan district is 27.5 per cent and it is 20 per cent in Una district.
3. There are numerous causes for the industrial sickness in these industries which include Financial, Technical, Marketing, Labour etc.
4. It has been observed that most of the units which are sick have their current ratio less than 2:1. Some of these units have their current ratio abnormally high which indicates that the working capital of the enterprises is not managed properly and the funds are lying idle in the business on which enterprises are paying interest.

5. It has also been observed that Net Worth to Long Term Debt ratio of most of the sick units is less than 1. Their ratio of Net Sales to Working Capital, Net Sales to Fixed Assets, Net Sales to Net Total Assets and Net Sales to Net Worth are very low which indicate that these units are not operating efficiently.

6. The ratios of Total Assets to Total Debt of most of the sick units is less than 1.5 which shows that owners' funds have been exhausted by the business enterprises.

7. The ratios of some of the units which are presently earning profits indicate that their immediate solvency is in danger as their current ratio is less than 2:1. Their ratio of Net Income to Net Sales, Net Income to Total Debt, Net Income to Net Worth, Total Assets to Current Debt, Net Sales to Working Capital, Total Assets to Total Debt, Net Worth to Long Term Debt, Net Sales to Working Capital, Net Sales to Fixed Assets, Net Sales to Total Assets and Net Sales to Net Worth are
very low. They warn against the immediate danger and call for the immediate danger and call for the immediate corrective action.

8. Mineral, Manufacturing, Engineering, Chemical and Food-based Industries are the most affected industries where the sickness is 55.5, 36.3, 35.3, 34.5 and 33.3 per cent respectively (Table 7.7).

TABLE 7.7

Extent of Industrial Sickness in various types of Industries.

<table>
<thead>
<tr>
<th>Name of Activity</th>
<th>Units surveyed</th>
<th>No. of sick units</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering</td>
<td>17</td>
<td>6</td>
<td>35.3</td>
</tr>
<tr>
<td>Mineral</td>
<td>9</td>
<td>5</td>
<td>55.5</td>
</tr>
<tr>
<td>Chemical</td>
<td>29</td>
<td>10</td>
<td>34.5</td>
</tr>
<tr>
<td>Paper-based</td>
<td>10</td>
<td>3</td>
<td>30.0</td>
</tr>
<tr>
<td>Steel</td>
<td>12</td>
<td>1</td>
<td>8.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>22</td>
<td>8</td>
<td>36.3</td>
</tr>
<tr>
<td>Food-based</td>
<td>3</td>
<td>1</td>
<td>33.3</td>
</tr>
<tr>
<td>Electronics</td>
<td>5</td>
<td>1</td>
<td>20.0</td>
</tr>
<tr>
<td>Forest-based</td>
<td>3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>10</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>120</strong></td>
<td><strong>36</strong></td>
<td><strong>30.0</strong></td>
</tr>
</tbody>
</table>

In all, 120 units have been surveyed and it has been found that 36 units have been sustaining losses for the last 3 years and there is incidence of industrial
sickness in these districts which comes to 30 per cent (Table 7.7).

**TABLE 7.8**

Classification on the basis of Industrial Sickness in different districts.

<table>
<thead>
<tr>
<th></th>
<th>Solan</th>
<th>Sirmaur</th>
<th>Una</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of units surveyed.</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>No. of sick units</td>
<td>11</td>
<td>17</td>
<td>8</td>
</tr>
<tr>
<td>Percentage</td>
<td>27.5</td>
<td>42.5</td>
<td>20</td>
</tr>
</tbody>
</table>

On the basis of this, it can be concluded that there is industrial sickness in Himachal Pradesh up to certain extent which requires Government to take some appropriate steps for controlling the incidence of Industrial Sickness.

**7.2: SUGGESTIONS:**

It has been observed that Financial problems is the basic cause of industrial sickness in most of the units. In order to solve this problem Government have made elaborate arrangement for financing sick industries. The Industrial Reconstruction Bank of India was set up in April, 1971 as a specialised agency in the field of reconstruction and rehabilitation of industrial units which closed down or face the risk of closure. It enables the sick units to undertake various types of business, in addition to financing functions such as modernising
the management of undertaking the management of industrial units and development of infrastructure facilities.

The Government have also allowed the nationalised banks to play their role in providing soft loan to sick industries. Industrial Development Bank of India has started providing loan upto a limit of Rs. 4 crores for modernisation of weak industry at a meagre rate of interest of 10 per cent per annum. But it has been observed that the real benefits are not reaching the deserved. Thus, it is suggested that the procedure for getting the financial assistance should be simplified and it should be ensured that the Government policies to rehabilitate sick industries is fully implemented in letter and spirit.

It has been observed that Government has done a lot for financing sick industries, but little has been done to provide other types of services essential to sick industries, viz. management services, technological assistance, marketing assistance etc.

Management services should be provided by organising frequent seminars, conferences etc. Small scale industrial units should be provided modern technology on subsidized cost so as to enable them to compete with other industries. In order to fight the challenge of industrial sickness, the following suggestions are given:

1. Small-scale industrial units should be provided with the required quantity of raw material on just and
equitable prices. It has been found that the supply received by these units is quite less than their requirement and these units have to purchase it from the open market on higher rates.

2. A comprehensive scheme of liberal financing of small scale industries should be designed to overcome the problem of non-availability of finances. The present set-up seems to be inadequate.

3. Small-scale industries should be given power according to their requirement. Efforts should be made to provide uninterrupted power supply to these units. Steps should also be taken to make full use of the capacity installed obviously taking into account the market and demand of the product.

4. Small-scale industrial units have to compete with medium and large scale industries. It becomes difficult for small units to compete with large units because of so many reasons, thus, it is suggested that certain items should be earmarked to be produced by the small units.

5. Government should direct the Boards and Corporations owned by it to make purchases from the small units. Government should also take steps for the marketing of the products of small scale units.

6. Government should issue guidelines to the financial institutions especially commercial banks to avoid delay in sanction of loans and working capital
limits.

7. Efforts should be made to prevent sickness to penetrate into industries. Emphasis should be on preventive sickness rather than to cure the industrially sick units.