CHAPTER - III

PERSPECTIVES FROM REVIEW OF RELATED LITERATURE

THE OUTLINE:

• Chapter Overview
• Perspectives from:
  ⇒ Nation-wide Studies
  ⇒ Region-wise Studies
  ⇒ Industry-wise Studies
• Insights into the studies on:
  ⇒ Rehabilitation of Sick units
  ⇒ Forewarning System of Sickness
  ⇒ Adequacy/Inadequacy of Role Performance
• Research Gaps
• Present Study: A Brief Note.
CHAPTER OVERVIEW

Sickness is bound to exist in one form or the other. In fact, it is not the industrial sickness that poses problem, but proportion of sickness that causes worry. Industrial sickness in small scale sector in particular, has reached to serious dimensions and has affected a wide variety of industries. High degree of sickness and its consequent serious socio-economic costs have caused great concern to all-Industrialists, financial institutions, bankers, policy makers, economists etc. Number of papers were published and studies conducted by the individuals, banks, Government organisations and committees were constituted to look into the different aspects of industrial sickness. Symposia, debates, workshops, seminars and conferences are/were being held throughout the country at different fora to share views on the problem of sickness so as to come-up with policy implications for the control of this endemic problem. Also, sick small scale unit holders have formed associations and sick forum cells to plead the apathy of the sick industries with the concerned Government agencies. Investigation into the malady of industrial sickness in small scale industries will continue till the real causes are diagnosed and this socio-economic problem controlled.

The problem of sickness in small scale industries is wide-spread and has reached to dizzy figure in the country, yet it seems that the interest of the researchers into the subject is lacking. Most of the studies made so far into the problem are descriptive and general in nature, based on personal and general opinions, lacking empirical evidence, while others are sponsored one's or the reports of the committees appointed by the Government and financial institutions which are made to serve organizational interests. Absence of sufficient number of well thought, and comprehensive empirical studies into the problem is scanty due to the fact that conducting a detailed probe into the problem is somewhat difficult, than other problems, as it involves contacting diverse groups spread over a wide geographical area and also due to the weak data base. To attract adequate number of competent social scientists to conduct a deeper probe into this serious problem of the economy, calls for providing them with requisite facilities, strengthening the data
base of the small scale sector which is otherwise week and ensuring them all sorts of Co-operation from different promotional agencies.

Studies available on the industrial sickness in small scale industries vary from individual researchers to committee reports, empirical studies to descriptive works and general to specific nature studies. Critical review of these becomes imperative with a view to summarise the findings for generalisation and to locate the research gaps and deficiencies in the existing literature, so as to provide direction to the future studies on the subject. Hence, this chapter of the study has critically reviewed all the available studies/reports on the problem of sickness in small scale industries. Some studies may be missed not deliberately but on account of non-accessibility or ambiguity of such studies. However, every effort has been made to cover the maximum number of studies. Findings into the problem of sickness in some other countries have also been highlighted.

The review focuses on different dimensions of sickness viz., causes of sickness, rehabilitation of sick units, prevention of sickness through early detection and the role played by different parties in causing sickness. For the purpose of review, the studies have been classified into; nation-wide, region/state-wise, industry-wise; role based studies and studies on rehabilitation. The review of each section is followed by a critical evaluation so as to evaluate the validity of the studies. The last section of the review, critically evaluates the existing research studies to find out the research gaps into the subject.

NATION-WIDE STUDIES

Some studies on the subject of industrial sickness in small scale industries are general in nature in the sense that they have highlighted the causes affecting the health of small scale industries in the country as a whole. Most of the committee reports have also presented the problem of sickness in the country as a whole. The sickness of small scale industries is a multifactoral play and in consequence multi-dimensional. The factors responsible for sickness can be either internal or external.
Sickness in small scale industries may be inherited or achieved or thrust upon. Bedbug, H.K. (1984), Km. Naveeta K. (1993), Samson M. And R. Jena (1985), Dr. V.K. Agarwal (1987), Usha Sirvasaman and Navita Chander (1989), Rajiv Honda (1992) and Sonal (1989) revealed that small scale sick units have inherited inability of economic operations due to faulty project planning; wrong location; and inadequate market analysis; wrong choice of products; under estimation of capital costs; lack of entrepreneur experience and skills and lack of sufficient capital. Km. Naveeta Katiyar observed that the lack of proper initial project planning is the most dominant factor and wherever planning done it is being done hastily without evolving systematic thinking and thorough analysis. Above researchers have revealed that most of the small entrepreneurs choose the line of activity without proper knowledge. Commonly talked about problem by the entrepreneurs is under-financing of projects. S.C. Kuchhal, (1989) found that there is more gestation period which alter the basic assumptions underlying the project proposal and in turn makes the project under-financed because of inflation, thus affecting its operational capability and ultimately health. However, according to Jain J.K. (1991), the unscrupulous and ill-motive entrepreneurs leave the small units in sick condition from the very day of its inception as their aim mainly is to pocket the subsidies and other incentives and squander the fixed and working capital on unproductive consumption or direct towards trading activities, thus become willful defaulters. Contrary to this R. Sidhart (1988), president Spectra packs Pvt. Ltd., Bangalore held that the thing that overhangs all the failures is bureaucracy. However, agreed that there are some entrepreneurs who are also responsible for sickness but majority of them are in fact caught in the vicious cycle of incompetence and incredible corruption of Government agencies. But, Dr. S.R. Rao (1988) Vice President All India Sick Small Scale Industries Association observed that sickness in small scale industries also creeps in due to the lack of understanding of the niceties involved into the working of the small scale industry.

Sickness in small scale industries also creeps in after it is put to operation either due to internal factors or due to external factors. Bedbak H.K (1984), Anil P. Singh (1987), Dr. V.K. Aggarwal (1987), R.A. Yadoo (1990), Km. Naveeta Katiyar (1993), V.S. Deolankar (1985), Prof. Sandesara (1988), M.G. Tilak (1988), Sonal (1989) and K. S. -
Bhat, et. al. (1988) have identified that the small scale units also achieve sickness due to bad effect of internal factors like, lack of managerial abilities, low equity base, diversion of funds, unplanned capital expenditures, poor quality output, obsolete technology and poor industrial relations. Among the different internal factors, according to M.G. Tilak (1988), Prof. Sandesara (1988), Singh (1987), Tiwari (1978) and Devasenpathy (1980), the most serious internal factors are miss-management, lack of proper organisation and management know how and lack of entrepreneurship skills. Many people consider starting a small scale industrial unit to be a simple job and do not care about the expertise and competence required for running the unit in this competitive business world, (S.C.Kuchhal, 1988). Marketing has a high profile in the industrial management, as the success or failure of industrial function greatly depends upon the ability of the entrepreneur to evolve better marketing strategies. However, Nawab Ali Khan (1989), B.K. Benerjee (1991) and Dr. Sunil K. Saikia (1992) have identified that the unscientific and primitive marketing practices, lack of any full-fledged marketing effort, lack of orders and marketability have a greater degree of influence on the health of small scale units. The same view was expressed by R. K. Panda and Raj Kishore (1989) and have elaborated that the marketing problems finally cause or aggravate the problem of working capital, the most referred cause of sickness in small scale industries because such units fail to recycle funds quickly. Mr. Singh (1977) observed that the researchers have grossly ignored to study the role of technology in sickness in small scale industries and has come-up with the finding that the vast and rapid technological changes with which the small firms have failed to keep a pace and poor maintenance of machines by them, result in poor product quality and production inefficiencies, thereby reduces the marketability of their products and finally health of the units. However, Sharma (1989) and Gupta, A. K. (1987) contradicted with the above finding and reported that the technology and poor maintenance of machines have a very insignificant role in the sickness on the plea that technology is not that important in small scale industries.

The working of small scale industries is affected both by the internal and external factors. A fair proportion of units are getting sick due to external environmental onslaughts. According to Anil Pratap Singh (1987), Samson Moharana and R. Jena
(1985), V.S. Deolandar (1985), Dr.V.K. Aggarwal (1987), V.V. Desia (1987), R.S. Yadoo (1984), K.P. Meena (1989) and N.A. Khan (1989), external factors are equally responsible for sickness in small scale industries. Almost all the above investigators have found that the external factors like, power shortages, inadequacy of raw-materials, problem of skilled labour and lack of sufficient finances and working capital forced sickness into the small scale industries. Over and above these external factors, Dr. V.K. Aggarwal, Bedbak H.K., A.P. Singh, V.V. Desia and R.A. Yadoo have found that there is a fair degree of influence on the incidence of sickness of unrealistic Government policies towards prices, distribution etc, decline in public sector investments and recession in demand. The role failure by the Government has been identified also by Dr. Sunil (1992) who had remarked that the ineffective role by different Government agencies engaged in the development of small scale industries and the lack of Co-ordination among the different agencies have made the life of the small scale units more difficult. Government indifference towards small scale industries, financial deficiencies caused by the banks and failure by the Government and financial agencies to give special treatment and guidance needed by the small scale industries have reasonably contributed to the sickness in small scale industries.

Finance is the most important resource in small scale industries and the small entrepreneurs do not have an easy access to the finances thus, calling for more financial discipline by the small scale units. Sahatiya Srichand (1989), the economic times research Berau chief came-out with the finding that internal financial factors, like inadequate provisions for depreciation, unwise distribution policy and high debt position belong to the category of factors responsible for sickness. "Many traditional industries which have been in operation for a long period of time, such as, sugar and textile mills etc have also become the victims of shortsighted financial and depreciation policies which are reflected in the inability of entrepreneur to replace worn-out machines (S.C. Kuchal, 1989). However, A.P. Singh (1987) in his study entitled ‘diagnosis and treating industrial sickness’ found, finances like inadequate working capital accounting for 45 per cent of the sickness. Contrary to this, B.K. Chatterjee (1982) held that finance is not the cause but simply a manifestation. However, M.G. Tilak (1988) came with a different revelation that
financial problems that also cause sickness in small scale industries arise mostly due to low equity base and lack of access to the capital market. As against this, Shri Hiten Bhaya, former member of Planning Commission observed that it is wrong to believe that labour problem is one of the factors behind industrial sickness in small scale sector. To him the industrial failure is total in terms of planning, technology and marketing.

Small scale industrial sector is a protected sector. Large number of lines have exclusively been reserved for small scale industries so that they are protected from the competition from large industrial houses. However, Shrivasan (1990) and V.V. Desia (1987) in their study on industrial sickness in small scale industries in India came out with the revelation that the stiff competition arising from the entry of large industrial houses into the lines reserved for exclusive exploitation by small scale industries has also contributed to the small industries sickness in India. Rajive Honda (1992) who tried to identify the relationship between follow-up for detecting sickness at an early stage and the sickness, revealed that the inadequate post sanction follow-up and failure of concerned agencies to guide and help derailing entrepreneurs aggravated the problem of sickness in India.

V.B. Patel (1975) attempted to correlate the age and experience of entrepreneurs with the success and failure of a small scale unit, came out with the finding that higher the age and experience, higher the rate of entrepreneurial success. He further, revealed that 60 per cent of small units in India, never lasts for more than 5 years.

U. Jayalakshmi and Abdul Aziz (1988), observed that the studies conducted on Industrial sickness have looked upon the problem only as an economic management process as such, the causes identified by them are only the apparent causes. They have failed in unveiling the fundamental forces working behind these apparent causes. To capture the real forces that are behind the apparent causes, there is a need to carry out case studies of sick units. The studies reviewed above have looked-upon sickness merely as an economic management process, thus unveiling apparent causes mostly. Further, almost all the studies reviewed above are descriptive in nature and the conclusions are based on their personal opinions and general feelings and lacking an empirical evidence,
thus leaving enough room for detailed empirical investigation to find the originating factors of sickness. However, the above studies have laid down the sound basis for comprehensive and detailed study into the process of sickness to ascertain the real causes, but at a micro level.

REGION - WISE STUDIES

Each region/state differs in socio-cultural imperatives, geo-physical features, lego-economic aspects, political realities and factoral endowments, which have an important bearing on the working of industrial enterprises. Thus, it is likely that the causes of sickness in small scale industries may vary from region to region. In view of this fact, it will be unwise to conclude about the problem on the basis of the studies conducted at national level. Such a study is expected to give a general view of the problem, but not an insight into the fundamental forces that are behind the factors that cause sickness. Any serious study into the causes of industrial sickness should be conducted at a micro level say at region/state-wise or region/state-cum-industry-wise. Many studies have been conducted by region/state-wise in India which have been critically reviewed in this section to summarise the findings for comparative analysis and for drawing final conclusions.

Dr. A. K. Sharma and Dr. H. K. Baroch (1984), have made an attempt to identify the factors that have caused industrial sickness in small scale industries in the backward North Eastern Region of India and came-up with the findings that lack of managerial skills and inadequacy of financial resources are the major causes of sickness in NERI. Small entrepreneurs of the region lack much needed managerial aptitude, skills, motivation, zeal and most of the entrepreneurs have assumed entrepreneurship not by choice. The managerial deficiencies have resulted in large scale labour turnover, financial instability and improper accounting systems. Further, smallness of markets in NERI, absence of an organised marketing in the small scale units and inadequate marketing support by the Government agencies, obsolete technology, difficulty in getting raw-materials, faulty project planning, power shortages, more transportation costs and insufficient social overheads have also contributed to the sickness in the region. However,
in Bihar, Ram Suresh (1989) found that only lack of entrepreneurial skills, absence of financial discipline, and political instability are responsible for sickness in small units. Contrary to his finding, the IFCI (1951) Advisory Committee argue that apart from power shortages, managerial inefficiencies were the greatest problems in Bihar which have caused much damage to the industrial health. The Editor 'Indian Nation' Patana (1985) in his editorial has come-up with a different observation that absence of long term industrial policy in Bihar and instability in Industrial policy as every new Government is coming-up with new policy which has resulted in much industrial quas. Gupta and Sherma (1984) in their article (Indian Nation, Patna) accused banks for large scale red-tapism and non-co-operation and different concerned Government agencies for inadequate industrial infrastructure, and marketing, raw-material and electricity problems which have added to the problems of small units and finally caused sickness.

Andhara Pradesh a southern state of the country where the performance of small scale industries is far from satisfactory. The sickness is more prevalent and majority of the sick units have been closed down. Arvind Bhandari (1980) and Krishnan Murthy (1990) revealed that sickness is mostly due to the shortage of raw-materials, shooting cost of production caused by high prices of raw-materials, more labour costs and inflation, lack of finances and marketing problems. Sickness has also been caused by poor marketing strategies adopted by the entrepreneurs. In the state Venkat Roa, (1992) Prof. L.K. Naidu and Dr. Padmavathi (1987) on the basis of their empirical study into the causes of sickness have reported that lack of finance and marketing failures are the main causes, constituting about 63.7% of the total sickness, raw-material problems account for 18.3% and lack of skilled and miss-management for 9 per cent each. They also lamented the role failure of different Government agencies which has also caused some sickness in the district. Further observed, that the industries requiring more working capital have largely turned sick. However, Mr. K.C. Roa, Director Industries and Commerce pointed out that mis-management and diversion of funds has done most of the damage to the small scale industries in the state.
In Tamil Nadu, there has been no assessment as to the number of small scale sick units. But sickness in the state has been assumed to have achieved serious dimensions. A.Bhandari (1980), Srinivasan, K. (1991) and A.K.Basu (1992) revealed that the most serious problem being faced by the small scale units in the state is lack of finances, which has caused most of the sickness. It is also reported that the scarcity of raw-materials is also plaguing many units. However, A. Bhandari (1980) contends in his study that the power and raw-material shortages are seasonal one. P.V.Rao (1992), studied the relationship of labour factor with the sickness in the state and observed that the poor industrial relations does not contribute to the sickness in small scale industries in the state.

Maharashtra, the financial nerve of the country and most industrially developed state has the other face. Nearly 35 per cent of the small scale units claimed, are either closed or at the threshold of clousure. Ramakant. J (1989) claimed that shortage of raw-materials, their price rise, labour unrest and financial difficulties are pivotal contemporaries in the sickness in small scale industries. The labour unrest has plagued most of the units in Thane - Belapur industrial belt which witnessed more labour unrest on account of demand for wages to be at par with the workers of large scale industries. It may be stated here that some industries even do not pay minimum wages in the state. Singh, S. (1990), Kaveri, V.S. (1991), Pande, K.M. (1989), Sharma, L.V. (1987) and Gupta, L.C. (1989) have found that managerial deficiency is not responsible for sickness in the state. However, the survey conducted in Vidarbha, Nagpur pointed out that faulty project planning, mismanagement, marketing constraints and raw-material difficulties cause failures in the area.

Vishakapatnam the famous district in Kerala for its oldest shipyard and also for Hindustan petroleum, coromandel fertilizers, Hindustan steel, Hindustan zinc, Bharat heavy plates, vessels and Hindustan polymers, thus enjoying enough of scope for number of ancillary units and other small scale units. The state initiated the process of industrialisation in all sectors, however, is suffering from large scale sickness in the small scale sector. K. B. Prasad (1985) conducted an empirical study to identify the causes of
sickness in small scale industries in the district and his study reveals that difficulty in
getting raw-materials, poor management, marketing and finance problems, high
production cost and obsolete technology have caused sickness. He has further revealed
that the units under nursing programme are doing well. Out of 17 sick units for which
nursing programme is at present under consideration, out of these; 7 units are suffering
from marketing problems; 3 from inadequate Term capital; 5 from inadequate working
capital and two from raw-material problems. The units which have been closed; 4 were
on account of marketing problem, four for financial problems and one each due to bad
management, inadequacy of raw-materials, entrepreneur disinterest and obsolete
machinery.

V. L. Joshi (1990) conducted a study to identify the causes of sickness in small
scale industries in Rajasthan and studied the units assisted by the Rajasthan Financial
Corporation (RFC) and based his analysis on the sick units diagnosis experience of RFC
and discussion with the officials of the corporation. The study revolved round the
question "why do small units become sick"? which concluded that many units are born
sick on account of improper project formulation, over investments, unplanned capital
expenditures, and low equity base. He further, lamented that the inefficient project
implementation, errors made during project operation, errors in marketing strategies and
low key marketing effort, inefficient management and lack of entrepreneurial skills either
initiate or hasten the process of sickness. While studying the impact of finances on the
(1980) reported that financial problems, low-equity base and diversion of funds are major
causes of sickness in the state. Contrary to their findings, RFC (1991) in its study observed
that lack of financial support by the commercial banks is a sickness aggregating factor
rather than the basic cause and inept working capital management is substantially
responsible for sickness in the state of Rajasthan. A. K. Mujumdar and Nath (1985)
revealed that sickness in the state is largely born, due to internal and external causes. Also
argued that the entrepreneurs ill-motive which has been ignored by almost all the studies
has lead to the closure of a number of units in the state. The observation is also being
Orrisa has a very low industrial base on the one hand and poor industrial performance on the other. Despite of different Government policy initiatives, industrial sickness particularly in small scale sector has retarded the industrial growth and development largely. Roughly 61.85 per cent of the registered units are reported to have gone sick. Such a high degree of sickness has prompted the researchers and different agencies to search for the causes of sickness in the state. R. K. Panda and R. K. Meher (1992) conducted a detailed investigation into the causes of sickness in Jagatpur industrial estate, Cuttak, Orrisa and have come-up with the findings that the sickness of an industrial unit is not caused by a single factor but is the result of host of factors either inter-related or inter-dependent with one another. Lack of orders and marketability arising due to faulty initial planning and inadequate market analysis have a greater degree of influence on sickness, followed by marketing problems; mismanagement; faculty planning; shortage of raw-materials and infrastructural bottle-necks in the state. On the other hand, Shetty K. N. (1990), Vaidya. R. N. (1987) and K. L. Roa (1989) have revealed that the inadequacy of finances and working capital is a major cause of sickness in the state. But R. K. Panda and R. K. Meher (1992) have thoroughly investigated into the problem of sickness, concluded that the deficiency of working capital has a little role. P. K. Aggarwal (1989) confirm the finding of R. K. Panda that competition from large scale industries and ill-motive of entrepreneurs has also attributed to the sickness in number of units. However, all the above studies have revealed that labour problem is not responsible for sickness in the small scale industries in the state.

As per Economic Review published by Government of West Bengal, there has been steady growth in small scale industries in the state and such a satisfactory performance is being attributed to certain Government policy initiatives. However, according to A. Bhandari (1980) the position on the ground is not the one as highlighted by the Government statistics. Infact, the small scale industries in the state are suffering from the problem of sickness which has been mainly caused due to inadequacy of finance, wrong location, severe competition from the large sector and lack of infrastructural facilities. However, Banerjee (1989), Basu B. K. (1991) and B. K. Chatterjee (1991) have come-up with the finding that labour problem is causing much trouble followed by
marketing problems and inadequacy of working capital. No study in West Bengal has attributed sickness to power shortages, however, more regulations and paperwork in the state has been found to have caused some ill health in the small scale sector. (A. Bandhari, (1980) B. K. Chandor, (1988) and Banerjee, (1989).

In spite of locational dis-advantage, the state of Punjab has witnessed steady growth in small scale industries. The network of small scale industries covers almost all industrial activities, the most important include, agricultural implements, machine tools, sports goods, cycle and cycle parts, cotton textiles, woollens, hosiery goods and sewing machines. However, small scale industries in the state are not free from sickness. The incidence of sickness is not large when compared to other states. Arwind Bhandari (1980) and Singh T. S. (1990) reported that mainly shortages of raw-material, furnace oil and power are responsible for sickness. While studying the entrepreneurship development, Khanna K. and Dr. T. S. Choudry (1991) pointed out that most of the entrepreneurs of the state lack managerial skills and competence which over the time gets reflected in the bad health of small scale units. Arvind Bhandari (1980) reported same causes as that of Punjab in the state of Haryana. However, shortages of skilled labour and occasional credit squeeze by the banks have also been found to have caused sickness in the state. While studying the role of Government agencies in the development of small scale industries in the state, B. Lal and Dr. Sharma (1991) reported that the role failure of the different concerned Government agencies has also contributed to the sickness in the two states. Stiff competition within and with the large scale industries is assuming the major role in turning the small units into sick condition (A. K. Aggarwal, 1990). Such an observation has been confirmed by other researchers both at the national level, regional level and industry level.

Himachal Pradesh has a little scope for the development of large and medium scale industries owing to its distinct geo-physical and topographic features. Small scale sector, for the development of which, the government of Himachal Pradesh has taken many policy measures, is suffering from rampant sickness. A. Bhandari (1980) who has conducted a study into the causes of sickness in small scale industries in different states
revealed that 56.5 per cent of units are sick mostly due to marketing problems. Financial and raw-material problems contributed to the extent of 36 per cent and 30 per cent respectively. Technical problems account for 14% of the sickness in the state. Bushan. B. K (1990), Sriram. C. D (1991) and A. K. Koul (1992) confirmed the findings of Bandhari. However, Bushan. B.K. (1990) reported that Himachal does not suffer from labour shortages, hence there can be no role of labour problems in the sickness. None of the above studies have pointed out, management deficiency as the cause of sickness. However, Mishra. A. K. (1989) revealed that Miss-management also has a role in the sickness though insignificantly A. Bhandari (1980) and Mahesh. K. (1989) observed that Himachal is facing with a problem of 'ghost' units i.e. some people have assumed entrepreneurship with an ill-motive. Further, A. Bhandri reported that technical problems are faced largely by chemical and ceramic units in the state.

Patel V. G's (1975) study in Gujarat attempted to find out relationship between age and experience of entrepreneurs with the success of a small industrial units and has revealed that higher the age and experience, the greater the probability of achieving success. Industrial Financial Institution experiences have shown that 12 per cent of its assisted units, most of them established by the new entrepreneurs were adversely affected.

Comparative analysis of the findings of the studies in different states/regions of the country reveals that the causes of sickness vary from area to area either in degree or completely. In Maharashtra, the major causes found were labour unrest, raw-material problem and financial problems. Whileas, in Kerala and Tamil Nadu finance is the major cause followed by shortage of raw-material and marketing. Labour trouble which is the major cause in Maharashtra, not found responsible in other areas except West Bengal. On the other hand, Orrisa, Andhra Pradesh and Rajasthan reported lack of orders and marketing problem and inadequacy of working capital as the major causes, followed by miss-management, faulty planning, shortage of raw-materials and ill-motive of entrepreneurs, in Rajasthan and diversion of funds in Andhra Pradesh. Lack of managerial and entrepreneur skills and power shortages not found in Maharashtra, Tamil Nadu and West Bengal, however, were reported in Andhra Pradesh, Rajasthan, Orrisa, Kerala,
North Eastern Region of India, Punjab and Bihar. In addition the studies in Bihar revealed lack of entrepreneurial skills, marketing problems, shortage of raw-material, political instability, financial indiscipline and role failure of banks and different concerned agencies. Shortage of raw-materials, power, and skilled labour have been found as the main causes in Haryana and Punjab. In addition to these factors, in NERI, smallness of markets, more transportation costs and inadequate market support have also been found responsible for sickness. Over and above the problem of market, finance, raw-material, in Himachal Pradesh, technical problems were also observed. In Punjab, Haryana, Tamil Nadu and West-Bengal, marketing factor not found responsible for sickness. However, increasing competition within and without is reported to be as one of the causes of sickness by most of the studies.

INDUSTRY - WISE

Studies have also been conducted to investigate into the malady of sickness industry-wise. However, all industries have not been investigated. Further, the number of studies so far made are not sufficient enough. Every effort has been made to cover almost all the studies made on different industries. Industries covered in this section includes:- Engineering, Textile, Cement, Plastics and Rubber, Sugar, Paper, Wood based, Chemicals and Pharmaceuticals, Surgical cotton and Aluminum.

ENGINEERING INDUSTRY

A number of studies were conducted at macro and micro level to identify the causes of sickness in Engineering industry. M. Prassad Kumar and K. Satty Narayan (1995) made an effort to identify the causes of sickness in this industry in Coimbatore and have came-up with the finding that shortage of power, inadequacy of raw-materials, financial problems are the major causes of sickness and diversion of funds and lack of qualified and competent skills have also caused some trouble. In addition to these factors, Jain J. K. (1989), Aggarwal A. K (1993) and Gupta et.al. (1989) have also found the role of mis-management and marketing problems in the sickness. Whileas, Basu. M. K (1990) and Shard. A. N (1991) did not report the power shortage as the causes of sickness in Bengal and Maharashtra but identified labour and financial problems as the
major causes. Tewari commission appointed by RBI highlighted that miss-management, diversion of funds, faulty planning, market recession and improper marketing strategies together account for 89 per cent of the total sickness in the industry. A spokesman of the heavy engineering industry cited lack of orders as the major cause whereas, light engineering industry sources harp on the irregular supply of raw-materials and its high cost and harsh payment terms for sickness in the industry.

TEXTILE INDUSTRY

Textile industry, one of the oldest industries of the country has acquired an endemic character so far as the sickness is concerned. The largest cluster of sick mills are under the management of National Textile corporation and individual state textile corporations. However, with minor exceptions, most of the sick units belong to the polar opposite section of industry producing low value, non branded and almost homogeneous cloth for the bulk market. S. Gangadharan (1989), and M. K. Chowdhury (1991) revealed that the root cause of sickness in the industry has been outdated technology and misuse of soft loans given for modernisation. The finding has been confirmed by (B. G. Patel, 1988), Tiwari (1987), M. A. Khan (1990) and R. N. Krishna (1993). However, Omkar Goswami (1990) pointed out that intense price competition from power looms and well branded mills is the major factor in the proliferation of sick units in composite mills and inability to modernise and overall stagnation in per capita demand has also added to the sickness. Tiwari (1987), Khan (1990) and S. Gangadharam, (1989) also held that low productivity of labour and machinery, uncertainty in raw-material supply and high incidence of duties have also caused some sickness in textile mills. Contrary to the above findings, S. C. Kuchhal (1989) harp on shortsighted financial and faulty depreciation practices as the causes of sickness in the industry. B. K. Banerjee and Madan B. K. (1990) conducted a study for real reason(s) of sickness in different industries in the states of Maharashtra and West Bengal under the title "management Audit Diagnostic Study" revealed that the wrong economic analysis and recession in demand are the causes of sickness in Wool-Jute Mixed Textile mills of West Bengal.
RUBBER AND PLASTIC INDUSTRY

Plastic and rubber industry is modern industry in particular, plastic industry which witnessed a steady market growth and simultaneously is suffering from high degree of sickness. Lalwani (1989), Mehta (1990), Shah N. (1987), and Shastry and Mukerjee (1988) reported that raw-material problems, technical problems and inefficient production and marketing problems are the major causes followed by finance, faulty planning and stiff competition. However, president of small scale plastic manufacturers Association of Maharajastra has held that the difficulty in getting raw-materials at right price is the main reason due to which almost half of the plastic units have stopped their operations. The same view is supported by the all India plastic manufacturers Association as well. However, a study by Aggarwal A. K. (1987) in northern states reported that in addition to shortage of raw-materials and competition, the problem of power shortages and finance have also contributed to the sickness in most of the states of the Country. For sickness in Rubber industry, B. K. Banerjee and Madan B. K (1990) has revealed that poor marketing has been found responsible for sickness in the industry.

CEMENT INDUSTRY

Cement Industry in India is largely concentrated in large scale industrial sector. Industrial sickness which is universal and widespread has also affected cement industry in India. R. N. Pai (1989) and Gulti, S. (1991) reported that in traditional industries, obsolescence of technology, uneconomic size of plants, lack of adequate investments for modernisation, restrictive labour and industrial policies, exhaustion of resource base and poor management, are the factors that have caused sickness in the industry. R. N. Pai (1989) further, revealed that permission for excessive capacities as a result of which production capacities have surged ahead of demand have also driven some units to the brink of sickness. Contrary, the mini cement sector which largely belongs to small sector, was affected with various marketing and technical constraints. Das B. K. (1985) and Balakrishnan R. (1989) investigated the malady of sickness in mini cement plants,
have found that recession in demand due to inflation and competition from large scale sector has done much damage to the mini-cement plants in the country.

Other industries in small sector etc are also creeping under heavy sickness. Some of them have been investigated both at micro and macro levels, however, only a few studies have been made so far. S. K. Aggarwal (1980) studied sickness in sugar industry which has helped in understanding the relationship between Government policies and causation of sickness. R. Yadav (1985) and A. N. Sharma (1987) revealed that infractious govt. policies are the root cause of sickness in the industry. However, A. K. Anchary (1989) has came-up with different type of observation that short-sighted financial and depreciation policies have a major role in sickness in traditional sugar mills. Contrary to it, B. K. Banerjee and Madan B. K. (1990) reported that poor marketing is found responsible in paper board packaging industry in Bombay; under financing in aluminum utensils in West Bengal and surgical cottons in Bombay; family feuds and symphoning of funds in chemicals and pharmaceuticals in Bombay. However, Sinha, A (1993) and Tripathi, T. R. (1980) came-up with the finding that difficulty in getting raw-materials and more competition are the major causes of sickness in paper board packaging industry. Verma, P. and Sheth, N. R. (1993) in their article titled Indian Food Industry: An Analysis, opined that the general feeling is that stiff competition, poor marketing effort and general inflation are the main causes of sickness in food industry.

The above discussion has revealed that the factors of sickness largely vary from industry to industry. Miss-management, faulty planning, marketing problems, lack of qualified and competent personal cause sickness in engineering industry whileas, obsolete technology, stagnation in demand and short-sighted financial and depreciation policy, found in textile industry. As against the above causes, shortage of raw-material, inefficient production and marketing problems have been reported to be the major causes in plastic and rubber industry and in mini cement plants. recession in demand and competition has been found responsible for sickness. In sugar industry, infractious Government policies were reported to have caused most of the sickness. Whereas,
problem of raw-materials and competition the major causes of sickness have been found in paper board packaging industry.

Conducting studies by industry-wise particularly, at the state level, only would allow to have a deeper and realistic look into the different dimensions of sickness. The different studies/industry-wise reviewed above have almost brought substantial issues regarding sickness into the limelight. However, the studies made on different industries are descriptive in nature except a few and are based on their personal opinions and general feelings. Also the number of studies available are not sufficient and some industries still remains uninvestigated for causation for sickness. Further, almost all the studies have failed to classify the causes into apparent and real causes. Hence, the subject still remain a complex one and there is an immense need to investigate into the malady of sickness systematically and by industry wise cum state-wise.

REHABILITATION OF SICK UNITS

Some people are of the opinion that sick industrial units should be allowed to die. The closure of an industrial unit would result in economic losses and socio-psychological crisis in the society. Infact, industrial unit is not a mere factory manufacturing goods but at the same-time it is an embodiment of human and social endeavour. Banks and Financial Institutions only invest money, but promoters and employees invest their whole wealth, careers and future of their dependents. The closure of an unit lays waste plant and machinery, land and building, scarce financial and other resources and the greatest of all, causes mental agony and depression to many. R. N. Sharma, in his study titled 'Factory unemployment in India' revealed that some retrenched workers of the closed Textile Mills in Kanpur have been found begging. It is in view of the economic losses and serious socio psychological costs of industrial sickness, rehabilitation of sick units is thought off in the first stage. Rehabilitation of sick industrial units is not going to retard the economic growth contrary, it will help to improve industrial growth by putting the idle assets into productive use with very little additional investments.
To reduce sickness or avoid socio-economic costs and strengthen the bottom line, the Government has come-up with many schemes. Industrial Development Bank of India (IDBI), Industrial Financial Corporation of India (IFCI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Reconstruction Bank of India (IRBI), Bank of India (BOI), Bank of Baroda (BOB), Punjab National Bank (PNB) and Canara Bank (CBI) are the different agencies through which rehabilitation schemes are being operated in the country. Further BIFR was set-up in 1987 under the sick industrial companies Act of 1985, which was entrusted with the responsibility of preparing and monitoring rehabilitation packages and also to Co-ordinate the work of different banks and financial institutions engaged in the rehabilitation of sick companies. BIRR has approved 16 rehabilitation schemes, like, mergers, change of management, leasing, take-overs by the Government, reliefs and concessions, reconstruction of share-capital, sale of an unit etc. Unfortunately, the rehabilitation packages so far have not produced any worthwhile dent into the sickness in the country.

Rehabilitation of sick units is a complex job, requiring right diagnosis and proper planning and follow-up. Many have studied the methodology for rehabilitation of sick industrial units exclusively or a part of their study which have been critically reviewed in this section so as to see what they have to say about the subject and to identify the future research prospects on the subject.

Realising the seriousness of industrial sickness, the Government and Financial Institutions have constituted committees to investigate into causes of industrial sickness and to suggest rehabilitation mechanism to be followed. Prominent one’s include; James Ray Committee (1978), Raj Committee (1976), Tandon group (1977), Sen committee (1976), Nayak Committee (1991), IRCI-AIEI Study (1990) and Inter ministerial group (1978), which have came-up with the policy measures particularly for rehabilitation of sick units. RBI created a cell to monitor the performance of banks in the identification of sick units and corrective actions taken to revive them. In 1977, RBI advised the commercial banks to consider reduction in margin money and rates of interest and rephrasing of repayment schedule for rehabilitation of sick units. High Power Committee
constituted under the chairmanship of Finance Ministry (1978) suggested that there should be no compounding of difficulties of sick units by charging penal rates. Also called for the establishment of consultancy cells and strengthening of monitoring of industrial units.

Economists, industrialists, academicians and researchers have also conducted studies on rehabilitation of small sick units. To put scarce financial and other resources into a productive use, V. S. Deolankar (1985), G. S. Sood (1987), Dr. Bhagwa (1992), A. Pratap Singh (1987), V. V. Desia (1980), Dr. B. Bhagwan Reddy, Dr. A. R. Reddy and B. K. Reddy (1987), Sudarshan B. (1991), Roa B. S. (1989) and Gopalan A. K. (1992) have suggested that in the process of rehabilitation, first determine whether the units are the potentially viable or irretrievable sick units and only potentially viable sick units should be provided with revival packages and non-viable units be given a mercy killing. Dr. B. Bhagwan Reddy et.al (1987) opined that if rehabilitation package has to succeed, then alongwith project viability, entrepreneurial viability also should be judged. However, R. N. Sharma (1990) and Dr. C. I. Gupta and I. K. Narayan (1989) have suggested that every effort should be made to avoid or minimise socio-psychological crisis of the closures. G. Srinavasan (1990) suggested that the irretrievable units should be taken over by the Government for sale and the entrepreneur should be discharged from all the liabilities. Usha Sivaramman and Neviaka (1989) suggested that the rehabilitation of potentially viable sick units should begin with the pruning of dead wood and watch the bottom line i.e., analyse for real causes of sickness. This view is seconded by Samson Moharana and R. Jena (1985), G. S. Sood (1987), A. K. Ganguly (1983), Verma R. (1988) and Singh (1989). However, Samson Moharana and R. Jena (1985) further, pointed out that there should be management audit also. B. K. Chatterjee, (1982) went ahead by suggesting that investigation into the causes of sickness should be made by experts on the basis of internal and external informations. In addition to factoral analysis, V. S. Deolankar (1985) argued that there should be a conscious attempt to judge the character, attitude, and willingness of an entrepreneur. The same view has also been expressed by Gupta and Khan (1991) and Aggarwal (1989).
Revival package is the focal point of rehabilitation programme. Prescription for treatment of sickness in small scale industrial sick units given by Samson Moharana and R. Jena (1985), Deshmukh C. (1991), Chaudhari K. (1991), Basu, B. C. (1989) and V. S. Deolankar (1985) include, additional doses of finance, tax and interest relief's, transformation of an entrepreneur into a disciplined and management knowing person. Government should launch crash programmes for the eradication of all the problems facing the small scale industries. However, Samson M. and R. Jena's (1985) treatment also include reph-asinig of the repayment schedule, change of management and diversification in some cases. In addition to diversification and additional funds, G. S. Sood (1985), Balchanderan (1989) and Gosh O. K. (1994), Dr. Bhagwan Reddy et.al. (1981) called for mergers of interest with Principal amount, moratorium both for principal and interest, strengthening of management and concessional loan from financial Institutions. However, Dr. A. K. Aggarwal (1987) stressed that fiscal measures and supporting services be included in the rehabilitation package.

While studying the role of different agencies in the rehabilitation of sick units, Prof. L. K. Naidu and Dr. Padmavati (1987) and Dutta, R. (1989) prescribed that to be successful in the rehabilitation programme, different agencies engaged in rehabilitation should be strengthened, malpractice's eradicated and also suggested creation of new agency to finance working capital. Creating of separate financial agency for financing working capital needs was also supported by Dagli, K. (1991) and Ahuvalia, I. (1989). In contrast to the above suggestions, A. K. Ganguly's (1983), treatment is based on the determination of optimum size, optimum product mix, and change in location and change over to new process in case of some units, followed by supporting packages. However, V. V. Desai (1980) and Kulkarni, P. (1989) suggested that there is a need to identify marketable levels, determine working capital requirements, identify for sources of finance; and set performance measures for post revival decision. M. Prasad Kumar and K. Sathy Narayana (1995) while studying sickness in small scale Engineering industry in coimbatore suggested, amalgamation of sick units with good one's will be the best strategy for revival in case of some units. He also stressed that attention should also be given towards cost reduction, product upgradation, quality control and better marketing support.
by the Government. However, A. Bhandhari (1980), Mehta (1990) and Nair, K. (1989) viewed that solution to sickness must be found from local outlook rather than from national outlook and rehabilitation packages should vary from industry to industry, area to area and even unit to unit.

Pumping of additional funds has been suggested by most of the researchers and is also generally demanded by the entrepreneurs. Mr. Lava (1993) argued that solution for controlling sickness lies in the hands of financial institutions only. However, A. Pratap Singh (1987) cautioned that pumping of further funds will push-up the BEP and thus necessitate the unit to operate at a higher level than before which poses a problem. A. K. Ganguly (1983) and Vishwanathan (1989) supported the above suggestion and have remarked that by providing further finances to sick units, will not help in bringing it back to health as the notion is going on presently, but it needs to encompass other problem areas.

To ensure better results, the sick units during nursing need to be monitored for readjustments if required. Similarly, A. Pratap Singh (1987), V. S. Deolankar (1985), A. K. Ganguly (1983), V. V. Desia (1980) and Mehta (1990) made a strong point for close monitoring after blood transfusion. V. V. Desai (1980) also stressed for setting standards for post revival performance and measure the actual performance for timely adjustments. High power committee under the chairmanship of Finance Minter (1987) constituted by RBI also felt the need for monitoring of small scale units during their nursing. However, Mulkraj K. (1994) and Gupta et.al. (1979) argued that monitoring is not that important as that of bringing attitudinal changes in the management and curbing malpractice's. The same view was also expressed by Prof. L. K. Naidu and Padmavati (1987). However, over and above the monitoring etc., A. K. Ganguly (1983), Srivastava (1991), V. S. Deolank [r (1985), A. Pratap Singh (1983) and Mulkraj. K. (1994) have strongly argued that nursing of sick units should be done at the earliest and before pushing the unit into the phase where from there is no return. Mulkraj, K. (1994) and Srivastva (1991) revealed that unsatisfactory results of rehabilitation packages are partly due to untimely action by the concerned agencies. V. V. Desai (1980) observed that rehabilitation should not be like
a quick-fix to the problem but long term in consequences and started on war footing basis with the co-operation of all. The same view is also expressed by Dr. Bhagwan (1993), Balchandran, L-(1984) and A. K. Ganguly (1983).

Rehabilitation of sick units is a Co-ordinated effort, one having more role and another less. Balchandaran, L.(1984), Mulkraj K.(1994), V. S. Deolankar (1985), and Pai B. N.(1983) have found that in rehabilitation and other remedial aspects, commercial banks and Financial institutions have a greater role to play. However, Arvind Bhandhari (1980) and Samson Moharana and R. Jena (1985) argued that rehabilitation does not require the support of banks and financial institutions alone, but it is a multi-pronged, Simultaneous and Co-ordinated effort of all-Government agencies, banks, financial institutions and entrepreneurs. In this respect, Dr. A. K. Aggarwal is of the opinion that of course commercial Banks and financial institution have a definite role but their role should not be over-emphasised as finance is not the only input required for rehabilitation, but government has more role in the rehabilitation. Mr. P. V. Subha Roa, the chief general Manager of the State Bank of India, West Bengal circle in a symposium in 1983 had held that the commercial banks should not be asked to finance sick units rather IRCI should be asked to look after the finance needs of sick units. However, Usha Sivaraman and Navika (1989), Prof. L. K. Naidu and Dr. Padmavathi (1987), Samson Moharan and R. Jena (1985), G. S. Sood (1987) and Verma, R.(1988) calls for complete co-ordination among the different agencies engaged in the control of sickness. Supporting the above view, Srivnivasan (1991) and Chowdhry, K(1990) remarked that there is lack of Co-ordination among the different agencies which is resulting in compounding of difficulties to small scale units and causing delay in rehabilitation. Sickness in India particularly in small scale sector is multiplying every day even after hectic rehabilitation programmes. For the same, B. K. Chattergee (1982), Samson Moharana and R. Jena (1985), A. K. Ganguly (1983), Usha Sivraman and Nevika (1989), have held that incorrect diagnosis, over-emphasis of the role of banks and Financial Institutions, untimely action and lack of Co-ordination among different agencies respectively are the reasons for unsatisfactory results of rehabilitation programmes.
To combat sickness in Textile industry, S. Gangadharan's (1989) prescription reveals, that the early rehabilitation lies in modernization of plants and proper maintenance of machines. However, Omkar Goswami (1990) on the basis of his detailed study has suggested that to help textile mills, there is a need to increase per capita consumption of cloth, reduce high tariffs and help composite mills to improve upon their competitiveness. In Engineering industry, Salim Andrews (1984) has suggested that comprehensive programme to halt sickness is needed which lies in regular supply of raw-materials at reasonable prices, providing better infrastructural facilities and easy finance for technological upgradation. This prescription is seconded by Desai, A. (1989) and Gupta et. al. (1988). Contrary, Singh (1990), on the basis of his study in northern Region, argued that help in quality improvement and marketing support will help in a long way to the industry in the region in improving its health.

There have been divided opinions as to the rehabilitation of sick units. Jain Nanda (1989), Kapoor. K. A (1991), Shriven. K. (1987) and Usvisi .K. et. al. (1989) argued that by giving additional reliefs, and concessions only adds to the problem, rather than solving it. The world bank study on Indian's Sick Industrial Policy stating that the preferential treatment to sick units simply worsens the performance of other users10. Contrary to it, almost all researchers, economists, and academicians have expressed that to avoid socio-economic costs, every effort must be made in the rehabilitation of potentially viable sick units and irretrievable units should be given mercy killing. However, Kiran Nanda (1989), Srivastava (1991) and Gupta et al. (1979) cautioned that incentives for viable sick units are tempting other units to get themselves declared as viable sick units, such a trend should be checked.

Different studies together have highlighted pre-rehabilitation process, rehabilitation process and packages, role of different authorities in the rehabilitation and also why rehabilitation has not been so successful so far? However, the studies have failed to decide about the mechanism to be used in the determination of potentially viable sick units which acts as a guiding symbol to any rehabilitation programme. Further, all the
studies except a few are based on personal opinions and devoid of any empirical evidence and also based on general frame-work.

**FOREWARNING SYSTEM**

Prevention is better than cure and early detection is a key to effective cure. It has rightly been said that

*"If the diagnosis is wrong, the medicines would be ineffective".*

*"If the diagnosis is delayed, the medicines would be least pro-active".*

*"If the diagnosis is time-honoured and right, the medicines would be highly effective".*

It aptly fits in the realm of industrial sickness. Rationality lies not in waiting till the sickness reaches to its chronic stage but in curing it at an early stage. Sickness in an industrial unit does not set in overnight. Infact, it is a gradual process, passing through different stages -- incipient stage, sickness stage and chronic stage and the advanced stage where from there is no return. It starts throwing symptoms right from the initial stage. The detection of sickness at an early stage gives rise to manifold questions, like -- who is going to detect it? What are the early warning signals to catch-on? and how to arrest them? There are many studies and reports on this subject, highlighting their experiences, opinions and empirical evidences which have been detailed out as under:

While studying the responsibility for early detection for prevention of sickness in small scale industries, Samson Moharana and Ramakanta Jena (1985), A. R. Asthana (1988), V. V. Desai (1980), Mulkraj (1994), Gupta et.al. (1989) have pointed out that the commercial banks and Financial Institution are best placed to detect sickness at the earliest. Samson Moharana et.al.(1985) and Jain P. K. (1991) suggested that to prevent born sickness, banks should set-up industrial technical cells, staffed by technocrats and qualified persons. RBI in its order of 1987 directed commercial banks to establish monitoring and consultancy cells. To be more effective, M. Gupta (1990) suggested that prevention through early detection should be brought into the priority list of activities of lending agencies. However, Rajiv Honda (1992) and Srinivasan (1990), stated that banks
are attempting curative measures rather should go for preventive measures. Further, Kulkerni P. (1989), Dagli K. (1991), Ahluwakia I. (1989) and Mehta (1990) impressed that supporting service organisations and entrepreneurs also have a role in the detection of sickness at an incipient stage.

Almost all studies into the problem of sickness have stressed for early detection of sickness, but for early detection there is a need to know the early warning signals. Samson Moharana and R. Jena (1985), Anil Pratap Singh (1987), Basu, B. C. (1989) and Dagli, K (1991) identified that frequent overdrafts, irregularity in cash credit accounts, defaults in repayment of principal and interest installments continuously, frequent dishonour of cheques and frequent delay in payments of wages and statutory dues are some of the symptoms of sickness. In addition to these, V. V. Desai (1980), Ahluwalia, I. (1989) and Mulkraj (1994) have identified symptoms like issue of post-dated cheques, accommodation of bills, slow movement of stocks, drop in production and sales and undue increase in debtors are other symptoms that can be looked for early detection. To pick-up the signals at an early stage, A. K. Ganguly (1983), Samson Moharana and R. Jena (1985), V. V. Desai (1980), and Gupta et.al. have suggested the use of ratio's like, net income ratio, Debt-total asset ratio, liquid assets to debt ratio, turn-over ratio and cost ratio. On the other hand, R. H. Yadav (1990) Srivastava (1991) and Usha Sivaraman (1989) have recommended the use of Discriminant analysis (MDA), Fund flow analysis, and Matrix analysis which consist of different ratio's. However, Prof. R. S. Murali (1991) prescribed the use of Post project appraisal. Usha Srivaranman and Navika Chander (1989) and Gulati S. (1991) cautioned about the absence of complete financial accounts in small scale industry. whereas, Usha S. et.al. (1991) and Mulkraj (1994) demanded that the maintenance of financial accounts by SSI be made mandatory. Rajiv Honda (1992) favoured the accounting education of small entrepreneurs and also to educate them how to monitor for arresting early warning signals of sickness. For early detection, Usha Sivaraman and Navika (1989), Dr. B. Bhagwan Reddy et.al. (1987), M. Davendra Babu (1987) and A. R. Asthana (1988) have put the responsibility for continuous monitoring on commercial banks.
Prevention is the desired goal which calling for a thorough and systematic analysis, continuous monitoring, certain policy changes and formulation of certain regulations. Samson Moharana and R. Jena (1985), A. R. Asthana (1988) and Gulati S. (1991) have came-up with the suggestion that proper appraisal by commercial banks and financial institutions would help in preventing sickness in small scale industries to a large extent, as many units have been found to have born sick on account of faulty initial planning. In addition, Samson Moharana et. al. (1985) suggested that timely financing, avoiding of underfinancing, proper supervision and follow-up during implementation stage would help in a long way in preventing sickness. Mr. Bhoja Shelly, President, Andhra Chamber of Commerce and well known entrepreneur, favoured the development of marketing attributes and capabilities, lower rates of interest, borrowing procedures to be simplified and creating national equity fund for providing seed capital for controlling sickness. However, Dr. A. K. Sharma and Dr. H. K. Barwaah (1984), Jain P. K. (1992) and A. K. Ganguly (1983), have observed that the induction of job oriented manager, frequent doses of management skills, detailed project appraisal, marketing and Raw-material support, timely financial assistance and development of social overheads will help in preventing sickness. As against this, K. Mohan and G. Srinivasan (1987) have asked for good planning and entrepreneur experience and the knowledge of essentials of management. In engineering industry, Salim Andrews (1990) asks for regular supply of raw-materials at reasonable price and prompt payment by Government departments for prevention of sickness. It is stated here that largely all researchers agree that proper appraisal of projects for financial viability etc. by Financial institutions would prevent born sickness to a great extent.

The studies reviewed above though throws light on some important issues of detection of early warning signals and prevention of sickness, yet still some other queries remains unresolved. Much remains to be done in fixing responsibility for monitoring of small industrial units for arresting early warning signals and in standardization of symptoms and tools. The measures identified for prevention of sickness are general in nature, lacking micro-level delineations. Above all, the number of studies on the subject are insufficient and the summary of conclusions of majority of the studies are again based
on personal opinions and devoid of any empirical evidence, thus does not provide much basis for generalisation. In fact, this aspect of industrial sickness is still a complex one.

ROLE FAILURE

For rampant sickness in small scale industries, there are accusations and counter accusations as to the role played by different agencies and individuals in sickness. Majority of the entrepreneurs accuse banks, financial institutions and different service organisations for the present mess in small scale industries while, banks and financial institutions etc. squarely put blame on the entrepreneurs for ill health of their units. Government for its infructuous policies is also being criticised. However, general feeling is that in most of the cases, the sickness is due to the inadequacy of role performance of different role players. The role failure may vary from state to state in the country.

The mistrust between entrepreneurs and financial and service organisations has vitiated the entire fabric of industrialisation. There is an immense need to improve upon the role performance of different financial and service organisations which calls for outlining the nature and the reasons for the role failures. Many studies have also thrown light on the adequacy or inadequacy of role performance of different players and the findings of such studies have been summarised as under.

Governments in India have assumed a multifaceted role of a financier, marketer, supplier, planner, promoter, regulator etc in the industrial development. However, P. K. Jain (1992), Arvind Bhandari (1980), Prof. L. K. Naidu and Dr. A. Padmavathi (1987), Srivasta (1991) and G. S. Sood (1987), have observed that governments have failed to create a conducive industrial environment. Supporting the above observations, K. S. Bhat, R. K. Mishra and M. G. Hegde (1988) and R. Sidharth (1988) have remarked that the role of the state level development agencies in small industries sickness is comparatively more. They have found that the methodology adopted by these agencies in promoting small scale industries have played an important role in the proliferation of sick units and also observed that how rich or financially sound these corporation may be, they still suffer from obesity and these organisations are more feared than respected as their friends and

Once the units grow grey, there is a chance of rescuing them, if the banks extend the requisite financial support immediately. But Mr. M. A. Khan, President of All India Sick Industries Association has remarked that the high handedness and irregularities committed by bank's are responsible for 90 percent of sickness in small scale industries and only 10 per cent due to other reasons. Adding to the banks apathy towards small scale industries, Amar Singh (1988) reported that the failure by the banks to provide timely help has caused financial constraints which is sustained only by financially sound entrepreneurs but weak entrepreneurs fell back and are labelled as defaulters. However, Gupta et. al. (1979) and Dangli, K. (1991) contended that the banks and financial institutions cannot be blamed as they are constrained by their own profitability. It is true that the profitability of commercial banks has been eaten-up by the rampant industrial sickness in the country, as such, banks should identify sickness at an incipient stage for which they are best placed and should take immediate remedial measures, instead of allowing the units to continue accumulate losses (Dr. R. K. Jena, 1988).

The success of an industrial unit largely depends upon the abilities of a person who is behind the idea. It is more so in case of small scale units as the entrepreneur is required to discharge the diverse functions of management himself, thus needs to be really an enterprising person equiped with management competencies. The role of
entrepreneurs in the sickness of their units has also been emphasised by many. Basu B. C. (1989), and Gulati S. (1991), Gupta et. al. (1979), Dangli, K. (1991), R. Sidharta (1988), Sinha (1977), and Tiwari (1978), have reported that the failure by the entrepreneur to adapt to the changing marketing initiatives, mis-management and non-adherence to financial discipline by them have threatened the prospects of their units as well. Entrepreneur class adaptive to changing market situations with management skills is largely lacking in small scale industries in the country and the funds that are put into these inefficient hands get wasted, (B. K. Chatterjee, 1982). Adding to this, R. K. Panda and R. K. Meher (1992) and Mahesh K. (1989), have observed that there are also unscrupulous entrepreneurs which have resorted to diversion of funds and whose aim is only to pocket away the incentives and subsidies. Further, seminar on "Sickness in Small Industry" organised by the Department of Commerce and Management Studies of Sri Krishnadevaraya University, Anantpur, deplored that the political patronage was taken as a means of creating bogus units just to avail the subsidies instead of making any conscious and serious attempt to undertake entrepreneurship. Whereas, Babatosh (1992), Srivastva (1991) and Dr. S. R. Roa (1988) contended that the fundamental force behind the entrepreneurs role failure is the inability on the part of the government to play a role of a guide, counsellor, Trainer and helper to the entrepreneurs.

A critique of the above studies has revealed that most of the studies have highlighted the role play of every concerned agency, however, most of the findings lack empirical evidence and also failed to specify the role failure by different parties extent-wise. Most of the above studies are the papers presented by different office bearers of the All India Sick Small Industries Association and the other studies are not exclusively on this controversial aspect of industrial sickness. This aspect of industrial sickness calls for a detailed and full-fledged impartial probe based on the diverse opinions and scrutiny of the relevant records and facts for rationalizing the controversy.

AN OVERVIEW

The different studies reviewed above under different sections have thrown light on different dimensions of industrial sickness in small scale industries. Some studies were
exclusively on factors, some on rehabilitation, and some on prevention while others have magnified the facts on some or all the issues together. The studies reviewed above were national level, region/state level, industry-wise and industry cum region wise. But, the number of empirical studies among them were very few. The research interest into the malady of small industries sickness seems to be lacking and the individual researchers have not been able to analyze the causes of sickness largely due to paucity of resources and time, the non-cooperation as shown by the entrepreneur's and Government and also on account of the week data base regarding the small scale industries, in particular regarding sickness. Now the country no more can afford to evolve a quick fix measures to this serious economic problem, as such, to attract competent researchers, the constraints that impede the quality research into the subject needs to be addressed.

In India we find multiplicity of definitions profounded by different agencies for defining the sick units to suit their organisational requirements. The use of multiplicity of definitions by different agencies has created confusion in the identification of sick industrial units. Unfortunately, so far, there has been no endeavour to evaluate critically the different definitions with the purpose to evolve one standard definition which would be both technically and operationally feasible for all organisations. Thus requires the attention of researchers.

Identifying the factors that cause sickness in small scale industries, calls for a detailed empirical probing so as to capture the fundamental forces that are behind the apparent causes. Looking at the studies reviewed above, majority of them are descriptive in nature and concluding on their personal opinions, thus, lack any credible evidence. No doubt studies have identified an unbelievably large number of factors, but grossly failed in classifying them into apparent and originating factors. U. Jayalaksmi and A. Aziz (1988) have remarked "that most of the causes of sickness identified by different studies in India are what may be called the apparent causes, which are seemingly responsible for sickness but there are some fundamental forces working behind these apparent causes, which may be described as the originating factors which induce the apparent causes to surface". To
surface the originating factors, there is an immense need to evolve a diagnostic empirical study into the process of sickness.

Industrial sickness varies from region to region and industry to industry because of the differences in environment in which the industries are operating. To capture the true picture of the sickness, micro-level delineation's into the research effort is needed. Although some studies have been made at region/state-level and Industry-wise and also at industry-cum-region wise, yet, most of the industries and regions remains unexplored. Again most of these studies are by their nature, general and descriptive thus devoid of any empirical evidence. Further, the empirical studies have looked into the problem only from the point of economic management thus, failed to unearth the real causes. Hence any endeavour towards unveiling the factors of sickness should be conducted on industry-cum-state wise.

Prevention is better than cure is a universal fact. It aptly fits into the realm of industrial sickness as well, which does not set in overnight but starts throwing warning signals right from the beginning. If such signals are arrested early and immediate action taken, the unit can be saved from becoming chronic sick. Baring a few studies, all other studies on sickness have given a passing reference to this aspect of sickness. Infact much needs to be done in specifying responsibility centres for monitoring so as to capture the early warning signals and symptoms and in the standardisation of symptoms and tools. Hence, there is a need for a detailed study into this aspect specifically.

Industry is a human endeavour, thus its sickness carry serious socio-psychological costs. To minimise these and other costs of industrial sickness, rehabilitation is thought off at the first stage. Designing a rehabilitation programme means preparing a prescription of input doses that are necessary to be put into the sick unit so as to revive its health. The available studies on rehabilitation have thrown light on almost all the issues of rehabilitation except on the methodology to be adopted in the determination of potentially viable sick units which forms a key to the success of any rehabilitation endeavour. As yet, there has been hardly any research effort as to the efficacy of rehabilitation schemes followed by the Government. The investigation into the above
neglected aspect of sickness may put to surface the lacunae or anomalies in the rehabilitation schemes that will go in a long way in putting the process in order.

Most of the small industries sickness is basically caused by the expected role failure. There are conflicting opinions and accusations and counter accusations as to the role failure of role players between entrepreneurs and financial and service organisations. To break into the ice of controversy, studies have been conducted, however, the number of such studies have been very few. There is hardly any detailed worthwhile impartial study which analysing the adequacy of role performance of various role players operating in the environment of small scale industries including of entrepreneurs. It is also that the role may vary from state to state in view of the difference in socio-cultural imperatives and lego-administrative set-up. As such, this aspect of industrial sickness is awaiting detailed empirical study at state level.

Information is a key to sound decision making. In the absence of requisite information, policy implications framed would fail to achieve the desired objectives. Similarly, to give proper direction to the small scale sector, there is a need to have an understanding of the small scale sector by all in terms of its requirements, weaknesses, challenges expected etc. Though some people have thrown some light on the subject of "understanding of small scale industries" yet it needs further elaborations and clarifications.

An overview of the available studies on the problem of small industry sickness demonstrates incompleteness and inconclusiveness. There is an immense need to evolve a deeper empirical probe based on tested principles into the problem of small industry sickness state-wise, however, better would be to conduct study on state-cum-industry-wise so as to strengthen the analytical framework on the subject of sickness. Studies on factorial analysis for causation of sickness; actoral analysis for expected role failures; socio-psychological and economic analysis of sickness; small scale industry and socio-economic setting of the country; understanding of small scale industry; evaluation of entrepreneur class and entrepreneurship development programmes; Management of small scale units; Rehabilitation of sick units; and financing of small scale industrial units are
some of the areas in small scale industries which are calling for investigation. The
detailed and systematic studies on these areas of research would help in framing sound
policies for putting the small scale sector on the track of growth and prosperity.

PRESENT STUDY: A Brief Note.

State of Jammu and Kashmir which is different from the rest of the country with
regard to geo-physical features, religio-political compulsions, socio-cultural imperatives,
infrastructural bounties, resource endowments etc., is reeling under industrial
backwardness. The more intriguing aspect of the state’s industrial economy is the high
incidence of industrial sickness in particular in small scale sector which forms the main
industrial sector of the state. Inspite of alarming sickness in small scale sector, which is
heavily taxing upon the already week industrial economy of the state, as yet there has
been no effort from any quarter whatsoever, to evolve a deeper probe into this complex
problem. In 1992, a seminar on 'Small Industry Sickness" was held at Jammu organised
by Small Industries Services Institute (Jammu Branch) and Sick Industries form, Gangyal
Jammu in which number of people participated and discussed the malady of small
industries sickness in the state. Some fifteen papers were read during the seminar period
by the officers of different concerned agencies and office bearers of different small
industries associations.

The papers presented have focussed on different issues of sickness, viz. causes of
sickness, how to arrest and rehabilitate sick industries and on the different schemes and
policies concerning sickness. Almost all the papers have tried to capture the forces that
are behind the industrial failures in the state, however, there has been a dis-agreement
with regard to most of the factors assumed to have caused sickness and also as to the
role played by different role players in the sickness. Dr. Inderjit, Joint Director of
Industries, J & K Government has come-up with the exhaustive list of factors that have
contributed to the sickness. He observed that lack of entrepreneur-ship, locational dis-
advantage, wrong selection of projects, diversion of funds, management deficiencies,
poor implementation of policies and incentive packages, unplanned registration resulting
in mushroom growth of units, non existence of well defined policies, long gestation
period, lack of co-ordination between different departments and inordinate delays have contributed to the sickness in small scale industries in the state. He opined that the delay in the sanction of working capital and inadequate finances causes sickness right from the beginning. S. P. Sharma, President Association of Industries Gangyal, Satwinder Gupta, President Sick Industries forum Jammu, Dr. P. R. Kulkarni, manager, SIDBI, Jammu and Shri S. K. Jain, President, Small Scale Industries Association, Industrial estate Jammu have observed that sickness in the state has also been caused by the inadequacy of raw-materials and marketing problems. Dr. P. R. Kulkarni, Satwinder Gupta and S. K. Jain have also identified the problems of technological obsolescence and non-availability of skilled labour locally. However, S. P. Shrama lamented the role of absence of work culture, excessive paper work and controls, inspector Raj and rampant corruption in the sickness in small scale industries. Kuldeep Dogra, President, Small Industries Association Digyana Jammu, remarked that the much talked about management inefficiencies has a very little role in small industries sickness in the state. But much of the small industries sickness is due to government apathy, lack of small industry conception, and inadequacy of role performance by development agencies. Same view has been expressed by Vijay Duggal, President, Association of small and Tiny Industries, wing J & K PCC, (1). Contradicting the above observations, J & K State Financial Corporation in their paper have put forth that the sickness in small scale industries in the state has been largely caused by the inexperience and incompetance of the entrepreneurs, ignorance, in effective project implementation and delays in compliance with institutional requirements. The corporation has also held that the delays in project implementation has added to the liabilities from the initial stage and which consequently disturb its financial viability. The delays in project implementation is adding to the liabilities from initial stages and which consequently disturb its financial viability. But, there has been no confirmation of the above observation from any other authority.

The observations made by different authorities in the seminar are purely based on their personal or general feelings and experiences, as such are general and descriptive in nature and devoid of any empirical evidence. Also the factors have not been identified by industry-wise or division-wise. Further, there has been no demarcation as to the apparent
and originating factors. Moreover, there exists controversy as to the causes of sickness between different individuals and agencies. On the whole, the problem of Industrial sickness in small scale industries in the state remains wholly unexplored for the factors that have caused sickness.

Given the seriousness of the problem which has vitiated the whole industrial environment, there is an immense need to evolve a detailed investigation wholestically into the problem of industrial sickness with the purpose to unfold the malady of sickness in small scale industries for framing pragmatic policy implications. The present study titled “Industrial Sickness in Modern Small Scale Industries in Jammu and Kashmir”, seeks to probe objectively into the ‘Factors and Actors’ which basically have caused Industrial Sickness in the state so as to present it in its right perspective. The details of the research objectives and the research design and methodology used to test the hypothesis laid for this study are spelled-out in the next chapter.
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