ABSTRACT

Bangladesh came into being as an independent sovereign state on December 16, 1971. The Government of Bangladesh immediately after liberation decided to nationalize the key industries and created a vast public enterprise sector in the country. After the change in the government in August 1975, the government has started to shift the Industrial Policy in favour of private sector. The Government of Bangladesh has declared some private-biased Industrial Policies in different time periods and private as well as foreign investments have being encouraged through increasing some incentives including remittances.

Though the rapid industrialization has been accepted as a vital instrument and major strategy for the economic development of Bangladesh, but unfortunately a large number of industrial units have become sick. The number of sick units is increasing year after year and creating serious bottleneck for the economic growth.

Most of the state-owned manufacturing enterprises (SOMEs) under different public sector industrial corporations failed to achieve their socio-economic objectives and thus incurred huge losses exerting heavy pressure on the national exchequer. The number of sick industries particularly public sector sick mills and volume of their losses are increasing in an alarming proportion. As a result, the amount of investments and the number of loan defaulters are constantly increasing. The Government of Bangladesh and DFIs have taken a few steps to identify and rehabilitate the sick industrial units but no substantial progress has yet been achieved.

It may be noted that Bangladesh is passing through a menacing stage of industrial sickness which stands as a stumbling block for the growth & development of the country and as a burning issue this needs deep and wide study to check and remove such malady.
The present study, "Causes and Remedies of Industrial Sickness in Bangladesh", has been undertaken to suggest, in general, some possible measures to face the problems industrial units are facing in Bangladesh and to make an in-depth analysis of the causes of sickness and suggest remedial measures for improving the performance of the public sector cotton textile mills, in particular, which are operating under Bangladesh Textile Mills Corporation (BTMC) — the second largest public sector industrial corporation in Bangladesh as regards capital machineries, number of mills and employment etc.

BTMC was brought into existence on March 26, 1972 with the promulgation of Bangladesh Industrial Enterprises (Nationalization) Order, 1972. According to the second schedule of the Nationalization Order, 64 textile units and subsequently 10 more mills were brought under the administrative control of BTMC. Out of seventy four, eight had no tangible assets. In 1977, the BTMC was placed under newly created Ministry of Textiles. Since nationalization, majority of the BTMC mills are being run into losses. 97 per cent of the total running mills have incurred a huge loss in the last financial year (1996-97) aggregating Tk. 163.55 crores as against Tk. 144.59 crores in 1992-93 by 93 per cent of the total mills under BTMC. Capacity utilization and production cost of the BTMC mills are increasing, sales volume is decreasing resulting in increasing huge operating losses. These mills are also facing some problems like decrease of demand, machinery obsolescence, heavy interest & debt burden, surplus manpower etc. Net worth of most of the mills has been completely eroded. Since last decade, the operating losses incurred by these mills have showing an increasing trend and become a burden on the national exchequer. In spite of negative liquidity & profitability position and adverse debt-equity ratio, these mills are being run only in the greater social interest.

For incurring continuous losses and also for achieving the goal of the private-sector biased industrial policy, the Government of Bangladesh
has started denationalization of public textile mills since 1977, but vigorously since 1982. In different phases, some loss-making BTMC mills have been liquidated and some have been transferred to their former Bangladeshi owners.

Some professionals and researchers have written several articles on different aspects of industrial sickness and some specific problem areas of textile industries but no in-depth study has done on this vital issue of industrial sickness and the causes thereof, in a systematic and integrated manner, giving emphasis on public sector textile industries. This encouraged the researcher to undertake the present study.

In course of the study, four specific hypotheses have been tested with the help of collected data. The major hypotheses of this study are: Most of the public textile mills operating under BTMC are sick; Probable profitable & nearest to the break-even mills (Group-A) have better operational efficiency and financial performance than that of losing mills (Group-B) etc. The study basically has covered a period of five years ranging from 1992-93 to 1996-97. Ten BTMC running mills have been selected as sample to achieve the specific objectives of the study.

Annual reports, annual MIS reports and provisional reports of BTMC have mostly been used as the secondary sources of data. Primary data, collected from the executives of the selected mills through a questionnaire, have also been used in the study. The total study has been divided into seven chapters.

For the purpose of data analysis, major statistical techniques such as percentage, ratio analysis, mean, standard deviation, t-test etc. have been used. Three established multivariate models (Altman's Z-score, Satyanarayana's $Z^*$ value and Yadav's Y-score) have also been applied to measure the degree of sickness of the sample mills.
The major findings of the present study are stated as follows:

- During the study period, all the sample mills have been recorded an abnormal deterioration in capacity utilization. Average installed capacity utilization of the sample mills has come down to 20 per cent in 1996-97 from 76 per cent in 1992-93.

- Most of the textile mills are tied up with outdated technologies & obsolete machineries. 25 per cent of installed spindles & 100 per cent of installed looms of the selected mills are 35 to 43 years old. 45 per cent of installed spindles are 15 to 20 years old. The machineries of BTMC mills are found to be far away from modern technology.

- Time taken for project implementation of the sample mills was more than reasonable. It is found that in large number of cases (75 per cent) the time gaps between establishment and commencement of commercial production were too much wider (more than two years), mostly due to the financial difficulty and delay in decision for bureaucratic administration.

- BTMC mills have surplus manpower and the expenditure for the surplus personnel are affecting the working capital position of the mills.

- The selected mills and for that matter BTMC had to depend on heavy bank loan & govt. grant in different forms to meet the deficit of required working capital.

- During the study period, it has been observed that the net worth has been completely eroded in nine selected mills. Only Sunderban Textile Mills (B₁) had positive net worth.

- During the study period of five years from 1992-93 to 1996-97, the performance of the mills has deteriorated to a hopeless position. The last year i.e. 1996-97 was far worse off than before for the sample mills in the sense that, idle capacity, cost of goods sold to sales and net losses
have been increased during 1996-97 compared to that of previous years.

- The authority of the public textile enterprises is very much centralized in BTMC head office & Ministry of Textiles. Decision making process is mostly bureaucratic. Not only this, the hierarchy and structure is highly complicated. The powers and responsibilities of different tiers (Ministry, Corporation & Enterprise level) have not been clearly demarcated.

- BTMC mills are mostly (approximately 90 per cent) depend on imported raw cotton. Individual mills have no authority to import or purchase raw cotton from domestic sources. The procurement process is highly complicated.

- The demand of BTMC cloths has been deteriorated due to poor quality; lack of attractiveness of print, design, smooth finishing & fastness of colour; poor attention to consumers preferences etc. Besides, BTMC cloths are facing stiff competition from smuggled & imported second hand cloths because of their low prices.

- The demand of yarns, produced by the BTMC mills, has come down considerably due to some reasons viz. low quality, availability of smuggled yarn, high price (in comparison to imported / smuggled yarn), inappropriate distribution policy etc.

- During the study period, in every year a lion share of cash generated from operation of the selected mills is eaten-up through payment of huge bank interest as well as for liquidating loan.

- All the sample mills during the period of study, holding much higher finished products, suffering from shortage of cash, paying a large amount as interest. The inefficiency handling of the different components of working capital has resulted in huge losses and also affected the liquidity position of the mills.

- It is viewed and also observed that the mill executives and top manage-
ment of BTMC are always engaged in responding to the inquiries raised by ministers, bureaucrats, politicians, parliamentarians and the like. They are transferred/fired without any notice mainly due to personal or political reasons instead of evaluation of their performance. Frequent changes of the BTMC chairman and mill executives are the root of sickness and instability in policies.

- Out of ten selected mills, nine have been identified as sick and only Sunderban Textile Mills (B₁) was non-sick but this mill has showed approaching sickness when Altman's & Satyanarayana's MDA models are applied. As per Yadav's MDA model, all the selected mills have been identified as sick.

- The main controllable i.e. internal problems faced by the BTMC mills are adverse debt-equity ratio, frequent breakdown of machineries due to obsolescence, under utilization of capacity, low quality of products, surplus manpower, high cost of production, lack of BMRE, corruption & bribery at all levels etc.

- In course of the study, it is found that shortage of working capital is the single most important factor which leads to sickness. Some significant external factors for incurring a huge operating losses are: smuggling/unauthorized entry of yarn & cloths, heavy financial burden due to total debt & interest liability, frequent power failure & load shedding, changes in demand, inappropriate activities of trade union leaders, high price of raw cotton, high rate of bank loan interest & electricity charges etc.

In view of the above findings and conclusions of the study, some recommendations are made to cure the sick public sector textile mills and for achieving rapid growth of textile industry in Bangladesh. Some policy measures are also recommended to solve the serious problem of industrial sickness in Bangladesh.