Growing Industrial Sickness has caused great anxiety to Government, Financial Institutions and Labour. Considerable volume of financial resources have been unnecessarily tied up resulting in wastage of capital assets, decline in production and employment. Both the large scale sector and small scale sector are prone to industrial sickness. This is particularly true in small scale sector and it is generally felt that almost 90 per cent in small scale sector can be reckoned as sick. So serious, it is felt that the prospects of reviving them is considered to be remote and recovery of locked bulk finances out of question.

The sickness in the small scale sector is multiplying year by year. Number of sick units has increased over a period of time and many had been closed down because of continuing losses, obsolete machinery and labour trouble. This phenomenon, though not new, has assumed serious proportions in recent years. As a result, there is not only loss of production but also displacement of labour engaged in such units. These are matter of national concern.

Since, Industrialisation is considered as the appropriate strategy for the development of a nation and being a developing country, India's urgent need is to raise the productivity of present available
resources. In this context the study to diagnose the malady of growing sickness and a proper remedy has to be found out.

Many writers, policy makers, planners, academicians, administrators and social scientists have been trying to find out the panacea for the very problem. Inspite of individual studies undertaken in the Country and abroad, various Government Institutions and Committees have been periodically set have also failed to deal with the subject.

Scope of the Study

The studies conducted for predicting company's failure are scanty in India. Very little progress has been made in empirical testing of financial ratios with a view to showing which of them really reflect a company's state of health, its chances of survival or failure.

It is necessary to undertake further research to show the way towards a more systematic and scientific financial ratio analysis for predicting the chances of survival or failure of a company. Furthermore, the present work is an endeavour to investigate the causes of Industrial Sickness in Cotton Textile Mills of U.P. at micro level.
Objectives of the Study

The main objectives of the study may be summarised below.

i) to review the concept of Industrial Sickness

ii) to examine the Government policies for rehabilitating the industrial sickness

iii) to analyse the growth and development of Cotton Textile Mills of India

iv) to analyse the performance of sick cotton textile mills of U.P.

v) to evaluate the financial position of sick cotton textile mills taken over by NTC with an object to predict sickness through ratio analysis.

vi) to identifying the factor/factors causing sickness in cotton textile mills of U.P. and suggesting remedial measures to overcome them.

Methodology

A non-random sampling i.e. judgement sampling of Cotton textile Mills of U.P. may provide better picture of whole development. For this reason I have selected six sick cotton mills of Uttar Pradesh namely, Atherton Cotton Textile Mills, Kanpur; Bijli Cotton Textile Mills, Hathras; New Victoria Mills, Kanpur; Swadeshi Cotton Mills, Kanpur; Swadeshi Cotton
Mills, Naini; The Elgin Mills, Kanpur. These Cotton Textile Mills under review exhibit the general characteristics of other cotton textile mills of U.P.

Sources of Data

The study involves reliance on published or secondary sources such as periodical reports of RBI, IDBI, ICICI, IRCI, NTC, RFC, Directorate of Industries. Published reports and official data of cotton textile mills of U.P. are generally very scanty. Hence, field investigation and spot study of the selected mills of U.P. has been undertaken to collect the necessary data to fill the gaps in the available information and gather statistics on the rehabilitation schemes implemented by the administration. For the very purpose, the interview-cum-questionnaire method was employed to assess the opinion of selected officials of the mills on the financial and managerial problems of these mills and progress of their rehabilitating activities.

Methods of Analysis

The study has been both descriptive and analytical. The status and progress of the mills have been described at some length. This information has been subjected to critical analysis and evaluation of
the relevant data (are production of finished material) its trend and financial ratios. This data has been computerised and the relative effects of various causes of sickness has been worked out. Magnitude of changes from year to year have been calculated in terms of percentage variations.

Limitation of the Study

Initially it was proposed to undertake the study of all the cotton textile mills of Uttar Pradesh. Later, in view of certain (time and financial assistance from any source) constraints, non-availability of data, the study has to be confined to the six cotton textile mills of U.P. My approach to the present study is to undertake an intensive study of a few cases. This is the only feasible method for investigating a social phenomenon of a country of the size and complexity as India.

It may be emphasised here that most of the data was collected by the researcher herself during personal visits to various offices, departments and mills of U.P.

The study covers the period from 1961 to 1990. Because of industrial sickness in India, since it become pronounced in the late sixties, has been spreading at an alarming pace, particularly, during the
period from December 1976 to September 1978.

Scheme of the Chapterisation

To diagnose the Industrial Sickness in cotton textile mills of U.P. by identifying the main causes, the entire study has been divided into seven different chapters.

In the Introduction, a brief statement of the nature of the problem, objective of study, the scope of the study, sources of data, methods of collecting data have been described.

As the topic entitled "A Study of Industrial Sickness in Cotton Textile Mills of U.P.", described that Sickness in industry has not developed all of a sudden. This is a slow process which has set in about two decade ago. While the country made significant progress over the years and diversified its industrial activities, certain structural weaknesses set in particularly in the case of cotton textiles did not carry out replacement and modernisation in time. As a result, they were saddled with obsolete plant and machinery.
in the first chapter, the concept of industrial sickness has been reviewed. It revealed that sick unit is one which bears one or more of the following symptoms.

(i) a unit having negative equity; (ii) a unit incurring continuous cash losses; (iii) the chances of recouping losses are either low or negative; (iv) a unit starts eating away its capital; (v) a unit stopped its production activities; (vi) Current liabilities exceed current assets; (vii) irregular accounts with Banks; (viii) a unit closed permanently; (ix) a unit utilising its capacity below 20 percent; (x) rate of return on investment is less than the cost of capital; (xi) increased customers complaints; (xii) ability to face competition and ability to exist in the market is low; (xiii) a unit fails to meet its social and economic obligations; (xiv) a unit is not in a position to survive; (xv) low employees morale due to mismanagement; (xvi) decline in the quality and service; (xvii) a sick unit is one that has incurred cash losses in the immediately preceding two years and in the judgement of credit institutions is expected to incur these losses during the current year; (xviii) a sick unit is one whose net worth has been eroded to the extent of at least 50 percent; (xix) a sick unit is one whose working capital advance account with the bank was irregular and this persisted over a longer period of
time 12 to 18 months and is likely to become more persistent; and (\ldots) a sick unit is one which has defaulted in paying four consecutive half-yearly (or two consecutive annual) instalments of principal and interest on terms loans, if any.

The second chapter has been devoted to review the Government Policies towards rehabilitation of sickness in industries. This chapter shows that there cannot be one single solution for the revival of sickness. Problems have to be identified industrywise and unitwise. The units which have been mis-managed will have to change hands, and a proper scheme of reconstruction would have to be devised. In deserving cases, mergers and amalgamation should be allowed rather than take-over of the management by Government. Wherever Government policy is responsible for making an industry sick, it would be advisable to modify the policy taking into account the broader objectives of growth. In some cases a unity may not be viable inspite of any assistance. Such units should be allowed to close down. Of course, this will create the problem of displacement of labour, but this will have to be sorted out rather than creating further difficulties by merely keeping the units alive.

In the revival of sick units banks and financial institutions have a great role to play.
They have to strengthen their monitoring system and initiate early steps before the units reach a stage that they cannot be revived. In fact, the banks and financial institutions have not been properly able to organise their monitoring system and they do not have up-to-date information about the assisted units.

Since the causes for sickness could be different for different units, there cannot be a specific formula to rehabilitate a sick unit. Each case will have to be diagnosed separately and proper remedies should be found for it. However, some broad guidelines are suggested to nurse and rehabilitate a sick industrial unit. The following may be considered important in this regard.

(a) The causes for sickness must be clearly identified, preferably through a diagnostic study by a competent independent agency. Also the potential viability of the unit must be analysed considering the size of the unit, the stock of a bank and the complexities or sophistication of operation.

(b) The assets and liabilities of unit must be ascertained from the borrowers and this information must be put to the scrutiny of auditors.

(c) The assets charged—both current and fixed should be evaluated, particularly when it is estimated that there is a wide gap between the outstanding amount and the declared book value of assets.
(d) An assessment of fund required both long term and short term, should be made. Normally, a bank will provide additional funds for working capital, but some amount on a long-term basis may also be made available depending upon the urgency of the situation. In other words the long-term capital base of small units must be improved.

(e) Necessary resources must be made available to install additional machinery to modernise the unit and improve its productivity.

(f) Managerial deficiencies must be detected and the units must be asked to induct professionals on the Board of Directors. Competent technical and managerial personnel must be appointed to the key positions in production, finance and marketing.

(g) Sick units need time to generate surplus and build themselves up when remedial measures are applied. They would, therefore, need concessions in interest, margin money and time for the repayment of debts. Depending upon the merits of each case, a bank will have to consider:

   (i) The funding of unpaid interest/installment/uncovered part of the advance;

   (ii) easy repayment installment of long-term loans with reasonable moratorium;

   (iii) reducing interest and margin;

(h) The Government may come up with proposals, if
necessary through legislation to protect the interest of the small industry.

Third chapter analysed the growth and development of cotton textile mills of India, in which it discussed that, after Independence, especially after Partition, the textile industry was badly affected due to acute shortage of raw material because 30 per cent of cotton growing area went to Pakistan. Inspite of this fact, the organised sector had 1056 textile mills out of which 733 were spinning mills and 283 composite mills which consist of handloom and powerloom.

At the end of the year 1988-89 there were 9.18 lakhs powerlooms and 33.04 lakhs handlooms. Out of 9.18 lakhs powerlooms, 5.27 lakhs were working on cotton of this 3.26 lakhs looms were in Maharashtra and 2.06 lakhs were in Gujrat. These powerlooms produced over 3680 million metres of cotton cloth per annum at the end of year 1988-89, which constituted 41 per cent of total quantity of cotton cloth produced in the country. Majority of looms do not function strictly on standard shift basis. Thus, the capacity of production was under utilisation of the total investment in textile industry (Rs.1500 crore), the share of powerloom was Rs. 300 crores.

In decentralised sector, there were 33.04
lakhs handlooms and nearly 9.18 lakhs were cotton handlooms. The handloom industry provide employment to nearly 10 million people and an equal number of people are employed in its auxiliary activities. The capital investment in this sector was estimated to be of the order of Rs. 150 crores. The total production of handloom cloth has increased from 8582 million metres in 1984-85 to 10473 million metres in 1988-89, accounting an increase of 122.03 per cent. The highest number of handloom i.e. 5.56 lakhs were in Tamil Nadu followed by Andhra Pradesh (5.29 lakhs) and Uttar Pradesh (5.09 lakhs). From this fact it can be said that handloom industry is mainly concentrated in Tamil Nadu, Andhra Pradesh and Uttar Pradesh with the increase in the capital investment a number of mills, the consumption of cotton has also gone up from 1001.30 thousands tons in 1961 to 1344.02 thousands tons in 1988-89, recording an increase of 134.72 per cent. The consumption of fibre has also increased during the last two decade due to diverse growth and development of textile sector.

The production of yarn has gone up from 907 million kgs in 1966 to 1461.89 million kgs in 1988, with an increase of 161.08 per cent. As far as the production of mill made cotton is concerned, it has increased from 7073 million metres in 1961 to 10940 million metres in 1988, an increase of 154.67 per cent.
Likewise the export went up from Rs. 60 crores in 1961 to 2472 crores in 1988, recording an increase of 412 per cent. The study has revealed that Tamil Nadu and Maharashtra having highest number of mills in the country. These states have 451 and 123 mills respectively. Likewise, installed spindles are also highest in Tamil Nadu and Maharashtra i.e., 7604 and 5164 thousands installed spindles respectively.

Thus, to sum up, it can be highlighted that during the last decade the textile sector has got a favourable environment for its growth and development. The Government, financial institutions and other coordinating agencies are paying their due attention for its growth because, the textile industry has become a vital sector of the economy.

It has been observed that the textile industry in U.P. and particularly in Kanpur has been witnessed severe industrial sickness as compared to its counterpart in other states of the country. The study has revealed that the consumption of raw material and sale has increased in Atherton mills but the company is incurring losses. The continuous loss is the main reason of the financial constraints of the company. As regards the performance of Victoria mills is concerned, the consumption of raw materials has increased by 56.38 per cent during 1984-85. This company is also earning a continuous losses and this loss has increased
to the tune of Rs. 500.51 lakhs in 1985-86. Hence this mill is also subject to rehabilitate.

The consumption of raw materials of Swadeshi mill has increased by 96.5 per cent in 1985-86. But this company also incurred a loss of Rs. 1667.63 lakhs in 1985-86. Therefore, due to huge losses the company has become sick and needs to be rehabilitated. The Elgin mills has 48,484 spindles out of which 47,092 spindles are working. 1,194 plain looms have been installed in the company. The average total of wages bill including fringe benefit come to Rs. 64.43 lakhs. The average daily production of yarn is 16,709 kg and the average daily production of cloth is 80,000 metres.

The Elgin mill No.2 is a composite textile processing and works in three shifts. The labour employment per thousand spindles is 9.27 per looms is 46.65 and the total wage per bill including fringe benefit comes to Rs. 61.11 lakhs. The average daily production of yarns is 17,844 kg and average daily production of cloth is 83,700 metres. The survey of the mill have revealed that there is no material change in the consumption of raw material except in 1983-84 and the income from the sale do not show any increasing trend. These mills have been continuously running in losses since 1980-81 and the loss is increasing year after year. Therefore, it is desirable to note that
Elgin mill is a sick unit which needs to rehabilitated.

To conduct the survey of such textile mills six units were selected at non-random basis. The survey revealed that out of these mills, the production of two mills i.e. Swadeshi mills and Elgin mills showing an increasing trend. The total production of cloth of the New Victoria mills has come down from 281.18 lakhs metres in 1985-86 to 86.10 lakh meters in 1990 indicating a decline of 69.37 per cent. Similarly, the production of Elgin mills has decreased from 418.97 lakhs metres in 1985 to 416.33 lakhs metres in 1989-90 representing a decrease of 0.63 per cent. It is interesting to refer that the production of Swadeshi cotton mills went up from 261.58 lakhs metres to 873.43 lakhs metres in 1989-90 showing an increase of 70.05 per cent. Thus it can be said that out of these N.T.C. mills three spinning mills are sick due to continuous fall in the level of product and the other composite mills can be said viable.

In order to assess the financial performance of sick cotton textile mills of N.T.C. solvency ratios, liquidity ratios and turn over ratios were calculated and the results of this ratios are as follows.

The main objectives of solvency ratio is to indicate the company's ability to meet its long term
obligation. To judge the solvency of the mills four ratios were calculated which shows that total tangible assets to long term debts, total tangible assets to total debts, net worth to total debts and net worth to long term debts are continuously decreasing during the year 1986-87, 1987-88 and 1988-89 and are also less than the standard norm 1:1. It leads to a conclusion that these mills are not in solvent position.

The general objective of liquidity ratio is to indicate the company’s ability to meet its short term financial obligation. To assess the liquidity of sick cotton textile mills of N.T.C, five ratios were calculated which indicates that current assets to current liabilities, current assets to total tangible assets, quick assets to total tangible assets, cash to current liabilities and quick assets to current liabilities are continuously decreasing during the period 1986-87, 1987-88, 1988-89 are less than the standard norm 2:1. This leads to a conclusion that liquidity of cotton textile mills of N.T.C is very poor which displays sickness of the mills.

Turn over ratio usually consists of sales figures in numerator and the balance of assets are used to indicate various aspects of operational efficiency. Six turn over ratios were calculated for N.T.C. mills, sales to working capital shows sales is higher than the working capital. In case of net sales to quick assets,
the net sales has higher rates than the quick assets except in the year 1987-88. Net sales to current assets is very satisfactory. In regards to net sales to total tangible assets, the degree of efficiency in the utilisation of resources is not higher. Net sales to fixed assets, ratio shows that in 1986-87 and 1987-88 the N.T.C's mills had more idle capacity and excess investment in fixed trading assets.

The sixth chapter identify the main causes of industrial sickness in cotton textile mills of U.P. with the help of weighted score. Factors generally responsible for sickness, broadly divided into internal and external. Internal factors again divided into five different heads viz. managerial, financial, marketing, productivity and personnel to know the exact factors causing sickness in cotton textile mills of U.P.

In order to analyse the managerial factors influencing sickness, a ranking table has been prepared by taking upto eight rank of different managerial factors. In that it revealed from the data that among the ranking factors no proper manpower development program has been considered as the first cause of sickness by 19.84 per cent of the mills lack of management expertise and supervision has been ranking secondly by 15.87 per cent of the mills. Timely and adequate modernisation has the third rank with a rating
12.3 per cent as a factor influencing sickness in cotton textile mills of Uttar Pradesh.

Therefore management of mills should make an arrangement to send their employees for training and should recruit experienced professional besides they should have a research and development cell for finding out the possibility of modernisation of the mills.

To assess the productivity factors causing sickness in Cotton Textile Mills of U.P. We have analysed the priority ranking of sample units. Priority ranking with weighted score shows, that three most important factors such as poor maintainance and replacement of machinery, poor quality of products and power shortage have score 47 points, 33 points and 23 points respectively. We can conclude from the above that poor maintainance of machinery, poor quality of product and power shortage has been the main cause of sickness in Cotton Textile Mills of Uttar Pradesh.

Keeping in view the above noted finding into consideration it can be suggested that management of these seven Cotton Textile Mills should give due attention to maintainance of machinery and quality of product. Similarly the Government should care forward to solve the problem of poor shortage.

In order to get weighted score or 'content score' for each personnel factors we have assigned
weight to each rank and got the weighted score for factors. Since we have taken upto 6th rank we have assigned 6 points to first rank, 5 points to second rank, 4 points to third rank, 3 point to fourth rank, 2 points to fifth rank and points to sixth rank.

From the calculated weighted sum of the ranking. It can be concluded that absence of manpower planning has been the first cause of sickness, bad labour relation as the second cause and weak organisational set-up has been the third cause of sickness in textile mills of Uttar Pradesh.

Keeping in view the above finding into consideration it can be suggested that the management of textile mills should give due attention to proper manpower planning and should maintain good industrial relation.

In order to analyse the financial factors causing sickness, we have prepared ranking table by taking upto 10 ranks of different financial factors.

It is revealed from the data presented in the table that lack of finance and working capital has been considered as the first cause of sickness by 5 units out of 7 units and secured 50 points. The second most important factor (second Rank) was continuous loss and poor cash management which has been the cause of the
sickness in cotton textile mills of Uttar Pradesh. Too much dependence on borrowed money has been the third cause of sickness and secured 35 points according to the weighted score. Inappropriate financial structure and too much bad debts have got fourth and fifth rank among the causes of sickness. Thus it can be said that lack of finance and working capital, continuous losses/poor cash management and too much dependence on borrowed money have been the main causes of sickness.

Therefore, the management of mills should find some solution to the problem. Sick units need time to generate surplus and build up themselves when remedial measures are applied. They would, therefore, need concessions in interest, margin money and time for the repayment of debts.

The Government may come up with the proposals, if necessary through legislation to protect the interest of small industry.

Marketing factors are one of the main factors causing sickness in industries. We have therefore attempted to assess the influence of marketing factors on cotton textile mills of U.P. A limited sample of sick cotton textile mills has been drawn from Uttar Pradesh. According to the calculated weighted score lack of sales promotion has been the first cause of sickness (1st rank) followed by selection of
inadequate product mix (IIInd rank) inaccurate demand forcasting (IIIrd rank) and lack of market feed back (IVth rank).

Thus, it can be said that lack of sales promotion, selection of inadequate product mix, inaccurate demand forcasting and lack of market feed back are the main causes of sickness in cotton textile mills of Uttar Pradesh. Therefore, the management of these mills should give due importance to sale promotion programmes and product mix. They must also make necessary arrangement to forecast the demand and other market information.

The external factors causing sickness in cotton textile mills of U.P. has been observed through weighted score that diversification/expansion imposed by the Government has emerged as the first cause of sickness by scoring 69 points. The second highest point was secured by market recession (50 points). The third and fourth position according to weighted score went to non availability of skilled manpower (49 points) and change in economic and social policies of the Government (46 points). It is therefore, revealed that restraint on diversification/expansion imposed by the government, market recession, non availability of skilled manpower and change in economic and social policies of the Government secured 214 points having
emerged as the most important factors causing sickness in the cotton textile mills of Uttar Pradesh.

It seems from the above discussion that the phenomenon of sickness among industries is a complex one and a number of factors ranging from disparities between costs and prices to mis-management and some Government policies are involved. There cannot be one single solution for revival of sickness. Problems have to be identified industrywise and unitwise and remedial measures initiated. The units which have been mis-managed will have to change hands, and a proper scheme of reconstruction would have to be devised. In deserving cases, mergers and amalgamation should be allowed rather than take-over of the management by Government. Wherever Government policy is responsible for making an industry sick, it would be advisable to modify the policy taking into account the broader objectives of growth. In some case a unit may not be viable inspite of any assistance that can be given for temporary sustenance. Such units should be allowed to close down. Of course, this will create the problem of displacement of labour, but this will have to be sorted out rather than creating further difficulties by merely keeping the units alive.

In the revival of sick units banks and financial institutions have a great role to play.
They have to strengthen their monitoring system and initiate early steps before the units reach a stage that they cannot be revived. In fact, the banks and financial institutions have not been properly able to organise their monitoring system and they do not have up-to-date information about the assisted units.

What is required is closer cooperation through mutual assistance between management, Government, banks and financial institutions to restore the health of weak and sick units.