CHAPTER - VI

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.

1.1 In the process of development of industries in our country, the problem of sickness crept in, particularly since 1980, thereby adversely affecting not only on the further growth of small and medium scale industries but more seriously on the profitability of nationalised banks and other Financial Institutions by blocking up of huge funds.

1.2 Acknowledging the need and importance of rehabilitation of sick industries, nationalised banks being the largest purveyors of finance to sick industries, especially to small scale sector, have made efforts to revitalise sick SSI and medium industries under the guidance of the RBI and Government. In spite of this, the percentage of sick units revived has been very low. In addition to this there has been a rising trend in number of new SSI and medium scale units becoming sick with further blockage of crores of rupees. On this background an additional burden of mounting overdues with high level of Non-Performing Assets has become a serious concern for nationalised banks.

1.3 The RBI has issued guidelines to these banks for making efforts to control and improve the situation with certain objectives. If the pre-determined objectives are not achieved the malady should be seriously investigated into. Therefore, a study of the role played by nationalised banks for the rehabilitation of sick industries has been quite pertinent.
1.4 The present study which is largely based on primary data, has made an in-depth assessment and review of the working of the selected nationalised bank in the Pune Region. The study inter-alia covered the critical evaluation of the policies, procedures and systems of the bank towards rehabilitation of sick industries. It has also taken into consideration the problems and difficulties of sick SSI and medium scale units of the concerned bank who were the beneficiaries of rehabilitation finance.

1.5 The policy of the bank towards extending finance to small and medium scale industries has been liberal. Among all the regions of the bank the major share (71 per cent) of total industrial finance has been flown to the Bombay, Pune and Thane region during the period 1980 to 1993.

1.6 The approach of the bank towards rehabilitation of sick units has been positive. However as compared to sick SSI units more attention has been paid by the bank towards sick medium and large scale units, while identifying irregularity in the account as well as incipient sickness. This might be because of the comparatively large quantum of credit blocked in those sick units than sick SSI units.

1.7 In spite of the efforts made by the bank or measures adopted like creating organisational setup for rehabilitation function, issuing guidelines to controlling and field offices recruiting technical personnel at various levels, imparting training to the staff, the percentage of sick units (especially in the SSI sector) revived has been very low. On the contrary there has been a rising trend in
number of sick SSI units particularly during the period 1980 to 1993.

1.8 On this background the quantum of funds blocked in sick units has been increased whereas the amount of funds released shown a decreasing trend. As at December 1993-94 the Pune Region of the bank was having Non-Performing Assets to the tune of Rs.133 Crores representing 39 per cent of total credit of Rs.340 crores. (As against the percentage of Non-performing Assets of the bank as a whole was 36 per cent)

1.9 Though there has been a rise in number of sick SSI and medium scale industries in the Pune Region since 1980, the powers delegated to field level of the bank regarding rehabilitation finance have been inadequate. This factor proved to be a strong limitation towards revival efforts of the regional office.

1.10 Due to absence of any effective system, the identification of sickness and monitoring the health of the borrowal account almost has remained a lopsided area.

1.11 The ineffective procedure towards reporting about sickness of the unit at various levels of the bank has affected on the database at central office, as well as prompt decision making, declaring the sickness about the unit, making viability study intime for rehabilitation or taking legal action towards recovery of the dues.

1.12 Due to frequent transfers of officers working in branches, regional/zonal office who have been given training on 'rehabilitation aspect', the expected results regarding viability study, timely preparation of rehabilitation package
for the sick unit as well as monitoring and followup could not be achieved.

1.13 Out of the sample of 23 sick SSI and medium units the percentage of success in rehabilitation of sick SSI units has been 22 per cent and in case of medium sick units it has been 78 per cent. Hence the trend towards failure in rehabilitation has been rising in SSI sector than medium sector. The overall picture has shown that the average percentage of success in both the sectors (SSI and medium) has been 35 per cent. Whereas for failure it has been 65 per cent. Hence this odd proportion has shown an urgent need for improvement in the efforts of the bank towards rehabilitation.

1.14 Non-cooperation in submitting necessary information from the sick SSI borrowers has adversely affected the rehabilitation process.

1.15 Reasons for sickness have been common in nature among the SSI units like weak financial base, mismanagement, wrong selection of product, weak marketing base, one man show business, heavy rejection of product etc. The prominent reasons among medium scale sick units have been severe competition in the market, mismanagement, absence of second line of technical/key-persons, labour problem etc.

1.16 Inordinate delay at BIFR level towards deciding about the rehabilitation package in case of Non-SSI sick units has resulted in delay in implementation of rehabilitation packages and thereby in revival of those units.
RECOMMENDATIONS

The present analytical study of the role of a selected nationalised bank towards rehabilitation of sick SSI and medium scale industries on the backdrop of a role of other nationalised banks in the Pune Region, has brought to focus strengths and weaknesses in the policies, procedures, systems of banks and other areas of major concern towards revival of sick industries. In the light of findings and conclusions, largely based on the survey data (primary) and other related information (secondary data) some recommendations have been made which are as under.

I Policy

a. It is suggested that the powers delegated to field level of the bank regarding lending of credit facilities as well as rephasing/restructuring of loans, sanctioning of reliefs, concessions to sick SSI and non-SSI units be based on the specific needs of the concerned field offices of the bank.

b. In order to avoid inordinate delay in various stages of the process of rehabilitation it is suggested to introduce a suitable format for preparation of rehabilitation proposal at Central Office and to have a 'Managing Body' of top executives at Central Office to decide about the rehabilitation proposal.

c. Persons with suitable qualifications, ability and experience should be posted in Rehabilitation Department at Central Office of the bank as well as at regional/zonal/branch level also. It is suggested that the
officers posted for such work should not be transferred before the completion of five years.

d. Taking into account the importance of 'human factor' and necessity of 'Optimistic approach' towards rehabilitation of sick industries, it is suggested that an incentive scheme be introduced by the bank for best performers in the job of revival of industries as well as reduction in Non-Performing Assets of the bank.

e. To avoid delays in identification of sickness and blockage of funds, it is suggested to introduce staff accountability angle where lapses on the part of concerned personnel can be seriously dealt with.

f. Unawareness or ignorance at the field level staff about the areas related to various aspects of rehabilitation of sick industries has been a major lacuna in the success towards rehabilitation. Taking into account this prominent factor, it is suggested that 'on job training' with suitable changes in contents of the course be introduced instead of imparting training at training college of the bank in Pune. This would reduce considerable training cost also.

g. At Central Office of the bank, all the data related to sick SSI and non-SSI industries be computerised so as to strengthen 'Data Base'.

II Organisational Structure

a. In order to avoid delay in communicating the stand of the bank of BIFR cases (medium and large sick companies) and to curtail the overheads like travelling and lodging charges
etc., it is suggested that the bank should form a separate BIFR cell at Delhi Zonal Office of the bank.

b. With a view to have an industrywise data of sick as well as healthy units, to study the trend analysis, while making policy of the bank, ascertaining reasons for sickness in particular industry, it is suggested to form a "Research Cell" at Central Office of the bank.

c. Instead of earmarking few officers for the work regarding sick units, it is suggested to form 'sick unit cell' at Zonal Offices of the bank. These cells would act as coordinating agents between branches and central office.

d. On the background of mounting overdues, Non-Performing Assets and rising trend in number of sick units of the bank, it is utmost necessary to release the blocked funds through timely rehabilitation of sick units. Taking into account this aspect, it is suggested to strengthen the Rehabilitation Department at Central Office with qualified and trained staff.

e. In order to have better coordination and communication towards speedy disposal of sick units at different levels of the bank, as well as with other Banks and Government departments, it is suggested that a senior officer from the Rehabilitation Department at Central Office as well as from the Zonal Office be earmarked as a "Link Officer".
III Systems And Procedures

a. With a view to have a qualitative assessment of the efforts of the bank towards rehabilitation of sick units and its impact on profitability of the bank, it is suggested to apply a periodical costing system. This would enable the bank to know the cost of rehabilitation per sick unit.

b. In order to know the exact level of risk involved in extending rehabilitation packages to sick units it is suggested to implement a technique of 'Risk Analysis'.

c. It is suggested that the bank should conduct periodical surveys of industrial borrowers at its field level, which would be useful in timely identification of incipient sickness and thereby can cure the sickness by giving timely nursing finance.

d. With a view to have proper monitoring and control over the operations of the transactions of a sick unit a specific system of recording transactions (in the account of a unit) at branch level is suggested.

e. To monitor the performance of the SSI unit (sick as well as healthy) and to know the end use of credit, it is suggested that the bank should call for the monthly data from SSI units.

f. It is suggested that the bank should take utmost care while preparing a rehabilitation package or offering reliefs/concessions to sick units. At Zonal/Regional level it is suggested that the bank should form "Interview Committees" comprised of experts within the bank which would assess the quality of the owner/management of the unit properly at the
time of sanctioning fresh loan or rehabilitation finance.

g. To assess the performance of rehabilitation packages on timely basis, to analyse the causes of success or failure, to know the improvement in the performance of the unit, to have information about movement in Health Code, transformation of Non-Performing Assets into Performing ones, it is suggested that the bank at its Central as well as Zonal/Regional level should prepare 'Periodical Action Plan'.

IV Other Areas

a. To have up-to-date knowledge about various enactments, concepts, definitions related to the subject of industrial sickness, various RBI guidelines about the rehabilitation aspect to the field level staff of the bank, it is suggested to publish a 'Booklet' on the subject.

b. To avoid double financing to a single unit, it is suggested that the bank should circulate a list of defaulters within its regional offices.

c. With a view to strengthen the base for exchange of information and proper compliance of terms and conditions of the rehabilitation finance, it is suggested that the bank should develop a liaison with other banks, Government undertakings, financial institutions.

d. It is suggested that the bank should extend advice on various factors like diversification in the business, modification of the product etc. particularly to SSI units as they cannot afford the services of the
consultants/specialists in the line. This would help the bank to identify the weak areas in the unit, can prevent the unit becoming sick and also can rehabilitate it on time.

e. Publishing of success-failure cases, exchange of information on industry within banks, formation of a Link Bank at regional level, establishing apex body like institution for SSI sick units, forming of association of sick units and financing banks would be of great use to banks in making efforts towards speedy revival of industries.

f. Certain policy implications with changes/modifications in the definition of sick SSI unit, as also in the approach towards medium scale sick units is recommended.