

# INDUSTRIAL SICKNESS

The problem of sickness in industries have become very acute in India. It has adversely affected the health of industrial sector in particular and economy in general. RBI saves a sick industrial unit is that unit which had incurred a cash loss for one year and in the judgment of the bank was likely to continue incurring cash losses for the current year as well as following year. The unit had an imbalance in its financial structure.

## Symptoms of industrial sickness: The

existence of various signals over a long period of time becomes symptoms of sickness. Important symptoms are as follows:—

- (i) Continuous shortage of cash
- (ii) Wide spread usage of creative accounting
- (iii) Continuous decrease in the prices of shares
- (iv) Frequent request to banks and financial institutions.
- (v) Delay in audit of annual account.

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Causes of industrial sickness: The causes of industrial sickness are classified into two categories  
① External causes ② Internal causes

(1) External causes: The external causes which are beyond the control of the industry usually affects the industrial groups as whole. There may be several external factors causing unit sick and which may vary from time to time for industry to industry. The important external factors are as follows:-

(i) Change in the industrial policies of the government from time to time.

(ii) Inadequate and unavailability of necessary inputs like raw material, power, transport and the skilled level.

(iii) Lack and shrinkness of demand for the product.

(iv) Frequent industrial strikes and labor union.

(v) Shortage of financial resources specially working capital.

(vi) Natural calamities.

(2) Internal causes: Internal causes are those which are within the control of unit. Internal causes which affects the industry relate to organisation structure, production channel, distribution channel, technical know how etc.

The important internal factors are:—

(i) choice of wrong and defective area of industry.

(ii) People structure of the industry.

(iii) Poor management prevailing in the industry.

(iv) Poor production quality.

(v) Poor quality maintenance

(vi) Poor marketing ability of the industry.

(vii) Poor utilisation of capacity.

(viii) Lack of horizontal and vertical integration

(ix) Lack of managing strategies.

(x) Policy planning in various functional departments

(xi) Poor project implementation.

(xii) Inadequate training in skills.

(xiii) Poor and loose organisation.

(xiv) Poor handling of labour.

## Consequences of industrial sickness

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1. Set back to employment prospects: In closure of an industrial unit will render the workers unemployed. The implications are likely to be particularly serious if the sick industrial unit is a large one employing large no. of people. The problem of unemployment is already very acute in our country and the closure of industries will only aggravate the problem.
2. Fear of industrial unrest: Closure of a sick industrial unit not only causes substantial unemployment it also causes wide spread labor unrest. Trade unions of other industries are likely to oppose retrenchment of labor of the closed unit or resort to wide spread industrial unrest.
3. Wastage of resources: Resources are scarce in an underdeveloped economy and if an industrial unit turns sick, resources invested in that are wasted. The problem is particularly serious in large-scale units where substantial investments are made in plant and machinery.

4. Adverse effect on related units: Frequently an industrial unit is linked up with a number of other industrial units through backward or forward linkage. Sickness in one unit is likely to affect other units.
5. Adverse effect on investors and entrepreneurs  
Closure of a sick unit creates a psychology of despair among investors specially in the large industrial units.
6. Losses to banks and financial institutions: Lacking up of funds in the sick units also affects adversely the future lending program of banks and financial institutions as a result of shortage of resources emerge.
7. Loss of revenue to government: Government has various sources of revenue. In case of sick units these revenues go down. More there is loss in resources of earning through revenue there will be less welfare programs for the people.