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Sick industry: Problems and solutions in Haryana

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Abstract

Now the days, In India, maximum population of the country based on agriculture. But industries also play a important role in his life. Maximum products produce by industries. In India, there are lot of industries. Small industries, some are big industries of MNC. There is a big problem that is industrial sickness. In these days industrial sickness a universal phenomenon or you can say universal problem. In India, there are lot of sick industries. Some are sick from birth stage and some after working same condition in Haryana, There are some sick industries. Example: Parle-G (Biscuit, Chocolate) Bahadurgarh - Near 2005-2006, it was sick because of lack of working capital, Lack of sale, Competitor. Working of Parle was not good. After the help of Haryana Govt., now it is working well. There are lot of small scale industries also, which are sick because of proper knowledge of business, training, lack of capital etc. There are lot of reasons for sickness. If we will take about birth sickness, long gestation period, choose location, lack of capital etc. Are the reasons for this sickness - Sickness after working is also gives harmful effect to the industry? It also gives very bad effect to the industry and Indian economy also. So govt. provides help such type of industries, which are sick for their proper working and new start. Not only govt. some banks and other financial institution also provides financial help like, little interest loan, subsidies by Govt.

Keywords: Sick industry, born sickness, sickness cause

Introduction

Industrial sickness is a universal problem. It is a major Problem for all countries not only for India because every country faces such problem. It is a very serious concern because besides affecting the owners, banks, suppliers etc. Not only traditional Industries like cotton textiles, Sugar but some modern industries are also affected like chemical, rubber, electrical etc. and international level same as national level. In India, same condition is here because there is a lot of problems which are the reason for industrial sickness. India, there are lot of areas where we can find the shortage of raw-material, shortage of water/power etc. Sometimes, Industries face the shortage of working capital for proper working. Many times a Industry cannot find the proper market or proper customer.

Haryana, a growing state, not totally depend on agriculture but becoming the growing market and a space for industries. But in Haryana, also, Industries face such type of problem, which called Industrial sickness. In Haryana, lot of small scale industries. Which do not have sufficient fund or many other reasons. So, they do not proper working.

Sick Unit

A unit which is not healthy. To a investor, banker, industrialist, It is a unit which is making losses.

"A sick unit is that unit which fails to generate internal surplus on a continuing basis and depends for its survival on frequent infusion of external funds."

State Bank of India

"A sick unit is that which has incurred cash loss for previous year and is likely to incur losses for the current year as well as in the following year and the unit has an imbalance in its financial structure, such as current ratio is even less than 1:1 and there is a worsening trend in debt equity ratio."

Reverse Bank of India

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Objectives of Study

1. Know about the problems faces by Industrial as sick industry.
2. Remedial measures to prevent industrial sickness.

Born Sickness

This is also reason of industrial sickness. born sick industrial units are those which are destined for disaster right from their conception due to various causes.

A study conducted by the institute of economics, Hyderabad, found that 50 percent of the dead units closed within three years of opening.

Some others factor also which are the reasons for born sickness.

Some are here

1. Choose location

If the location is wrong, that will be the reason of born sickness. If a industry set up in a wrong area, where raw-material, efficient labour not available.

2. Demand forecasting

Wrong assessment of market potential or faulty demand forecasting is also a factor responsible for sickness a unit.

Gestation Period

Gestation period is the time period between the date of start of a project and date of its actual completion for commercial period. If this period is long, company needs more working capital for the completion of the project. Such delay cause increase in cost. That can be the reason for sick that unit.

Obsolete Technology

If the entrepreneur use the obsolete technology, obsolete machines, obsolete plant. For example this is the time when everyone using the computer. But the Entrepreneur use typewriter at the place of computer. Such type of ----- technology will be the reason of make a unit sick.

These are the same reasons, in Haryana, In India or everywhere which can be the reason of born sickness. In Haryana, also, there are lot of entrepreneur choose the wrong area for business. Some-tomes they can't forecasting the demand, choice of customer, lack of supply of raw materials, power supply. There are the reasons, which make a unit sick.

Reasons or Problems for Sickness**Lack of Knowledge**

The most important cause of sickness is lack of knowledge of management. If a Entrepreneur don't have the good knowledge of planning, finance, marketing and cannot analysis of business environment. This may lead the business unit towards sickness.

Increased competition

Recent years, our government policy for FDI or international business is very liberal. So lot of MNC's here. They are the competitor for SSI or small businessman. These MNS's gives very bad effect for local business. Example: Parle-G is a local business firm. But some MNS's gives a very high competition in the Biscuit industry.

Market Recession

This is also a very big reason for industrial sickness. Recession in market (2007-2012) results in decrease in role and profit of business unit.

Small business units cannot afford such type of activities. This leads to sickness for all business unit which cannot afford such type activities for a long time. They have to shut

down their business.

Power cuts and Raw-materials supply

Many industries face power cuts and lack of supply of raw material. By all this, industries cannot make the proper supply of finish goods in the market for customer. So, the goodwill of that business unit goes down. After some time, this may lead a industry sick.

Table 1: Trends of Industrial sick units in India

Year	Non-SSI Units	SSI Units	Total Units
1980	1401	23149	24550
1990	2269	218828	221097
2000	3164	304235	307399
2003	3396	167980	171376
2007	3992	114132	118124
2008	4454	85187	89641

Source: Handbook of statistics on Indian economy - 2009-2010

Remedial Measures to prevent industrial sickness

Industrial sickness is a very big and serious problem. This has affect the economy very much lot of steps have been taken by the government and banks/ financial institutions to detect the sickness.

Some are:

Amalgamation with healthy units

Choksi committee recommended the amalgamation of sick units with the healthy business unit. And encourage the healthy units to take over sick-units, tax benefit gives such healthy unit by the government.

Subsidies

This is also a method for the help of sick units. Govt. provides the subsidies in loan and tax benefits to sick units.

Take over by Government

Sometimes feels that the sickness in industry is because of mismanagement. So government take over the unit.

Steps taken by Bank

- Provide additional working capital to overcome the shortage of working capital.
- Recovery of interest at minimum rates
- Writing off the whole or a part of interest
- Setting up a special cell for resolve the problems of sickness unit
- Rescheduling the payment of loans

Setting up industrial investment bank of India

The main objective of IIBI is

- Financial help to sick units
- Amalgamation and merger
- Provide technical, Managerial help.

In this way, we can see that government regularly providing better and better help or assistance to the sick units. By the help, they can improve their self.

Conclusion/Findings

On the above findings we observe so many problems are associated with sick industries. We find lot of problems which are internally or externally affect the industries. Some

problems which create born sickness and some after working. This problem is not only in Haryana, its all very world.

Finally in my view, we have to take some correct action and proper strategy implementation to remove such type of problem. We have to choose right business, right place, right working, efficient labour, enough working capital etc. By the help of these all things we can take proper actions.

On the other hand, timely government help like, subsidies, business training, amalgamation, financial helps, government take-over etc. also helpful to recover or prevent this problem. It's very true that it's a big problem or universal phenomenon. But after the problem action and good strategy we can solve this problem.

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