# **CHAPTER - 1**

### **INDUSTRIAL SICKNESS IN INDIA**

## 1.1 INTRODUCTION:

In recent years many studies have been conducted on small-scale sick units, identifying their causes and assessing their effects, and they have suggested measures for their rehabilitation. Recession is one of the major causes of stagnation in Indian industry. some of the factors responsible for recession are : inadequate purchasing power, over linkensing, sharp increase in prices, and imbalance in plan performance. According to Director of Small Industries Service Institute, Calcutta, the main factor affecting a fuller utilisation of production capacity is the supply demand imbalance. During the period of boom, enterpreneurs lured by high profits set up units without a proper techno-economic feasibility study. This often leads to condition of supply exceeding demand, resulting in underutilization of capacity. On this background the present chapter with review of literature and nature of industrial sickness in India.

### 1.2 REVIEW OF LITERATURE

The Indian Institute of Economics, Hyderabad, conducted a survey of small scale units in Andhra Pradesh, Kerala, and Karnataka [1]. Of the 18,483 dead units, the survey covered a stratified sample of 1750 units. The field surveys were carried out. The survey revealed that most of the dead units were located in urban areas in Kerala; their percentage was 50 while it was 85 in Andhra Pradesh and as high as 96 in Karnataka. It pointed out that mortality hits all the industries. These units were mostly on their own funds contribution was as much as 98.7%, of the gross investment in assets. The units in Kerala borrowed funds mostly from nationalised banks, while most of those in Andhra Pradesh received assistance from co-operative bank. The dead units generally suffered from a low employment level. The average utilisation was as low as 36% though it was somewhat higher in metropolitan areas of Hyderabad and Bangalore. The most important reasons for under utilisation of capacity were stated to be lack of finance for working capital needs, lack of demand, and raw material shortage. In Andhra Pradesh deficiencies in proper management were stated to be an important reasons for the under utilization of capacity.

The survey notes that most of sales were confined to local areas and the most important sales outlet was the retailers. the promoters had acquired management skill, the managers though without any formal management training, had experience in the management of industrial enterprises. Sickness and death descended on these units even though most of the projects were reported to have been examined for technical and economic viability of finance. Referring to the average age at which mortality overtook these units, the survey pointed out that its incidence was very high during the second and third year.

The most important cause of mortality was lack of finance, which operated alone or in combination with other factors, the two other major causes were: shortage of raw materials, delays in obtaining finance for their purchase, and transport bottlenecks and delays in allotment and distribution were said to be some of the other causes.

The survey recommended that banks and other financial institutions should intensify their activities in meeting the credit needs of small-scale units and Government should speed up the creation of

National Equity fund. It suggested that the operation procedures of national zed banks should be streamlined so that timely facilities may be available to small units. It proposed a uniformity of interest rates for long-term and short-term credit.

A study on 'Industrial Sickness': A study of small-scale industries in the Jagatpur Industrial Estate, Cuttack of Orissa District [2] shows the internal factors causing sickness, the reasons vary from region to region and from industry to industry. The study is based on the nor-sick units and sick units. The non-sick units show better production performance than sick units on account of least cost overrun and timely completion of the project, better capacity utilisation and uninterrupted production. These factors were lacking in the sick units.

In the new Industrial Estate of Jagatpur, 207 SSI units were functioning. Among the units operating in the estate, 74 SSI units were detected as sick units by the DIC, Cuttack. Of these sick units, the maximum number was found in case of engineering and metal goods industry and the minimum number was found in case of forest and wood-base industry. But in terms of percentage, the highest percentage of sickness was found in case of textile and allied group of industry.

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The Vidarbha Industries Association constituted a study team of knowledgeable persons to make a survey of sick units [3]. The study dealt with major problems as finance and the policies and procedures of credit agencies as well as the difficulties that were encountered in marketing the products of the small sector, and it was confined to 50 units having capital investment from Rs. 1 lakh to Rs.5 lakhs each. On the basis of the information collected by the study team and the detailed discussion it held with the entrepreneurs of sick units, the study stated that most of the difficulties of small-scale units arise from financial and administrative rigmarole, spiralling interest charges and recession in demand tend to make units sick. The requirements credit of small-scale units located in far away places are higher than those located at an industrial centre because the power have to maintain bigger inventories and institutional financial agencies have failed to act as sentinets of progress, growth and employment.

The study makes specific observation on the low equity base of the units, the unrealistic gestation period allowed by MSFC and SICOM at the time of sanctioning of loans, inadequate credit by commercial banks, stoppage of withdrawals by these banks when advances were called up by the MSFC, the absence of effort on the part of most of the banks to study the causes of sickness, the non-maintenance of records by Govt. agencies of raw materials requirements of small units and their practice of making adhoc allocations, the excessive handling and other charges levied by the MSSIDC on the release of materials; insistence on investment in the debentures of MSEB while giving electric connections and the problem of marketing from which practically 90% of the small units suffered.

The paper entitled, "Industrial Sickness and the Repurcussions"

[4] shows that growing industrial sickness to certain extent aggrevated the problem of unemployment. According to an estimate on an average 130 units go sick every day and the joblessness of about 3 million workers on account of closures of sick industries presents a grim prospect in the employment scenario of developing country like India.

The paper dealt with the magnitude of employment loss due to closure of sick industries. The incidence of industrial sickness has increased exponentially during 1980-91.

According to the data given in Economic Survey 1991-92 out of 2,23,809 sick and weak units as many as 2,03,972 units i.e. 91%

many as 9 have become sick beyond cure i.e. which cannot be revived.

The statistical information showed that, nearly 30 lakh workers likely to be affected by the closure of sick and weak units. In relative terms about 6% of total employment in Industrial Sector was likely to // be affected by industrial sickness.

The article on Industrial Sickness [5] shows that an industrial unit is considered sick, if it is in financial distress and has persistently exhibited inability to meet its obligations to lenders and creditors. The analytical survey show that number of sick units identified by banks in small-scale industries sector marginally rose to 28,385 at the end of June, 1986 from 28,303 a year ago.

The incidence of sickness was more pronounced in the case of textiles with 114 units followed by engineering and electrical industries with 112 units. In addition to this, chemicals, jute and sugar were the other important industries in which 125 units have been declared as sick units.

An analysis of statewise break up of industrial units showed that out of a total of 522 units 403 units were located in six states viz.

West Bengal, Maharashtra, Karnataka, Tamil Nadu, Gujarat and Uttar Pradesh. Maharashtra and West Bengal showed high concentration of 219 units.

The author specified some causes of industrial sickness like I) Environmental (scarcity and uneconomic price of quality raw material, distributed industrial relations), ii) Managerial (lack of technical and managerial expertise, iii) Operational (lack of market penetration), iv) Financial (lack of proper financial planning and control).

The author suggested some remidies on problem of industrial sickness (I) Improve product quality (ii) Penetrate into new markets (iii) Make appropriate change in management team (iv) Improve internal coordination and external rapport with customer, suppliers, creditors and Government (v) Merger of sick units with healthy public sector or private sector units.

A study on 'Industrial Sickness in India' mainly concentrates on

I) Signals and symptoms of industrial sickness ii) To find out growth
and magnitude of sickness in Indian industries iii) Causes and
consequences of industrial sickness iv) Financial factor in industrial
sickness v) Government policies on industrial sickness vi) The role of

financial institution, like Industrial Reconstruction Bank of India and Industrial Reconstruction Corporation of India in rehabilitating or reviving of sick industries [6].

The study shows that, industrial sickness is a gradual process with distant stages taking from 5 to 7 years to make a unit sick. The various symptoms of industrial sickness are in the forms of continuous shortage of cash, deterioration in financial ratios tumbling in prices of the shares, delay and default in the payment of statutory dues and morales degradation of employees and desperation among the managers. However the financial ratio is the true symptoms of industrial sickness.

In India Industrial sickness is continuously on increase and now has assumed alarming proportions. On average 55 units fall sick every day. At present, it is diffilicting more than two hundred twenty two thousand units covering all industries and the places/states. Sickness is found as an industry phenomenon. The industry group like engineering, electrical, chemicals and iron and steel are more affected due to sickness. The proportion of sickness is very high among the industrially

advanced states namely Maharashtra, West Bengal, Gujarat, Tamil Nadu, Andhra Pradesh, Uttar Pradesh and Karnataka.

The study also discussed on causes and consequences of industrial sickness. The study brought out two types of causes like internal and external. The internal causes like, management deficiency, mismanagement and management dissentions, is the main cause of industrial sickness. And the infrastructural bottlenecks, economic cycles, industrial and fiscal policies of the Government which are beyond the control of the units management, are the external causes of sickness.

The study points out major consequences like, repurcussions of industrial sickness have been the locking up of country's limited financial resources, wastage of capital assests, loss of production and increase in unemployment.

The study also discussed about Government policies on Industrial Sickness. The Government of India setting up of the Industrial Reconstruction Bank of India (IRBI), the Sick Industries Companies Act (SICA) 1985, and Board for Industrial and Financial Reconstruction

(BIFR). The Government has also provided certain concessions to assist the revival and rehabilitation of sick industries.

The data on sick industries in India is available from 1976 onwards only. The data for the following tables is obtained from 'S.S.Kharkha's book entitled 'Industrial Sickness in India'. The incidence of industrial sickness has increased exponentially during 1980-92.

TABLE - 1.1
INCIDENCE OF INDUSTRIAL SICKNESS IN INDIA (1980-92)

Type of Urit	December	March	% Growth during
. ~	1980	1992	1990-92
Non-SSI	1,401	1,336	(-) 4.06
SSI	23,149	2,45,575	960.84
Total	24,550	2,46,911	905.79

One way of viewing at the growing incidence of industrial sickness is that during 1980-92 about 55 industrial units became sick every day. According to the data given in the Economic survey 1992-93 out of 2,47,724 sick and weak units as many as 2,28,514 units i.e. 91% are non-viable. In other words, in every 10 sick industrial units,

as many as 9 have became sick beyond cure i.e. which cannot be revived.

# 1.3 GROWTH OF INDUSTRIAL SICKNESS IN INDIA:

It will not be less than correct to say that industrial sickness is a concomitant factor of industrial development. In other words, industrial development is preceded by industrial sickness

TABLE 1.2

GROWTH OF INDUSTRIAL SICKNESS, 1976 - 91

		No.	of Sick Units	
Years	Large Units	Medium Units	Small-Scale Units	Total
Dec. 1976	241	**************************************	### ### ### ### ### ### ### ### ### ##	241
Dec. 1977	289	-	16,730	17,000
Dec. 1978	344	•	18,950	19,284
Dec. 1979	379	1,072	20,975	22,366
Dec. 1980	409	992	23,149	24,550
Dec. 1981	422	994	25,342	26,758
Dec. 1982	444	1,178	58,551	60,173
Dec. 1983	491	1,256	78,363	80,110
Dec. 1984	545	1,287	91,450	93,282
Dec. 1985	637	1,186	117,789	117,606
Dec. 1986	714	1,250	145,776	147,740
Dec. 1987	Non-SSI	1,119	204,259	205,378
Dec. 1988	-do-	1,241	240,573	241,814
March 1990	-do-	1,455	218,828	220,283
March 1991	-do-	1,461	221,472	222,933
March 1992	-do-	1,336	245,575	246,911

The table 1.2 indicates that industrial sickness in India has continuously been on increase and has by now assumed alarming proportions. As can be seen from the figures in table 1.2 industrial sickness has rapidly increased during the eighties and marks all types of industries- small and large, traditional and large, with the liberalisation of Industrial Policy in the eighties, new and modern technologies were introduced in industry resulting in increased competitiveness. Expectedly, the units which could not withstand the regiours and onslaughts of fierce competition fell sick.

In India, the number of all types of sick units has increased tremendously by nine-times to 2,46,911 as at the end of March 1992 from 24,550 as at the end of December 1980.

# 1.4 DISTRIBUTION OF SICKNESS

it is to be said that term 'Industrial Sickness' has no uniformity, becaus sickness occurred differently in different and various kinds of industrial units. So, the following table 1.3 shows that industrywise classification of sick small-scale industrial units.

INDUSTRYWISE CALSSIFICATION OF SICK SMALL-SCALE INDUSTRIAL UNITS

AND OUTSTANDING BANK CREDIT AS AT THE END OF MARCH 1992

No. of Units	Amount in Rs.(crore)
27,253 (11.10)	633.29 (20.42)
6,918 (2.82)	180.35 (5.82)
19,162 (7.80)	210.67 (6.79)
204 (0.08)	5.52 (0.18)
2,533 (1.83)	54.23 (1.75)
2,989 (1.22)	50.50 (1.63)
1,296 (0.53)	22.41 (0.72)
3,403 (1.38)	157.05 (5.06)
374 (0.16)	16.04 (0.52)
10,027 (4.08)	318.56 (10.28)
1,71,416 (69.00)	1,452.06 (46.83)
2,45,575 (100.00)	3,100.68 (100.00)
	6,918 (2.82) 19,162 (7.80) 204 (0.08) 2,533 (1.83) 2,989 (1.22) 1,296 (0.53) 3,403 (1.38) 374 (0.16) 10,027 (4.08) 1,71,416 (69.00)

<sup>:</sup> figures in parentheses denote percentages to toal

The table 1.3 shows, that the industrial groups like engineering & electricals, textiles, chemicals and iron & steel accounted for 26% and 46% of the total sick SSI units.

## 1.5 STATEWISE DISTRIBUTION OF SSI SICK UNITS

As study of statewise position of sick units, shows that, the states which are industrially advanced like Maharashtra, Gujarat, West Bengal, Andhra Pradesh, Tamil Nadu, Uttar Pradesh have becoming sick year after year. the proportion of sickness in these major industrially advanced states increasing in small scale industry.

TABLE 1.4

STATEWISE DISTRIBUTION OF SSI SICK UNITS

(Rs. in Crores)

States/	June 1987		June 1988		September 1989		March 1992	
Union Territories			Numbers Outstanding		Numbers Outstanding		Numbers	Outstanding
		Bank Credit (Rs.)		Bank Credit (Rs.)		Bank Credit (Rs.)		Bank Credit (Rs.)
Andhra	14,064	108.19	18,277	149.53	21,461	172.69	29,586	270.51
Pradesh	(8.85)	(7.01)	(8.41)	(7.55)	(11.51)	(7.70)	(12.04)	(8.72)
Gujarat	5,211	114.49	5,421	144.41	6.302	177,89	6,581	221.01
	(3.29)	(7.45)	(2.49)	(7.29)	(3.38)	(7.93)	(2.67)	(7.12)

Table 1.4 (contd...)

States/	June 1987		Jun	June 1988		September 1989		March 1002	
	Numbers Outstanding			Outstanding		Outstanding	Numbers	Outstanding	
		Bank Credit		Bank Credit		Bank Credit	•	Bank Credit	
		(Rs.)		(Rs.)		(Rs.)		(Rs.)	
Karnataka	5,105	95.64	8,494	120.15	8,318	121.98	17,316		
	(3,21)	(6.20)	(3.91)	(6,07)	(4.46)	(6.44)	(7.06)	(6.09)	
Kerala	11,805	92.76	18,554	126.66	17,021	114.12	14,883	157.26	
	(7.43)	(6.01)	(8.53)	(6.40)	(9.13)	(5.09)	(6.06)	(5.07)	
Madhya	11,053	45,49	12,407	61,66	14,675	78.42	22,333	151.01	
Pradesh	(6.98)	(2.95)	(5.71)	(3.11)	(7.87)	(3.50)	(9.09)	(4.87)	
Maharashtra	a 11,457	277.55	15,959	371.90	14,487	450.03	20,153	603.10	
	(7.24)	(18.00)	(7.34)	(8.78)	(7.78)	(20.06)	(8.20)	(19.45)	
	*******								
Taimi Nadu	25,146	167.48	31,245	202.92	10,105	213.92	9,797	291.04	
	(15.89)	(10.86)	(14.36)	(10.25)	(5.42)	(9.53)	(3.99)	(9.39)···	
Uttar	16,287	125.74	22,499	171.94	24,401	193.09	34,150	257.67	
Pradesh	(16.61)	(8.15)	(10.35)	(18.68)	(13.62)	(8.61)	(13.90)	(8.31)	
West	18,129	167.37	22,738	186.73	25.648	221.32	32,022	268.11	
Bengal	(11.46)	(10.85)	(10.46)	(9.43)	(13.76)	(9.86)	(13.03)	(8.64)	
Bihar	7,870	61.12	14,567	78.54	5,250	65.13	7,823	91.84	
	(4.98)	(3.96)	(6.70)	(3.97)	(2.82)	(2.90)	(3.18)	(2.96)	
Daineth	0.057	20.04	40.00-	40 ==		<b>-</b>			
Rajasthan	8,657 (5.47)	39.61 (2.57)	10.362 (4.76)	49.78 (2.51)	11,925 (6.40)	59.97 (2.67)	14,420 (5.87)	67.00 (2.16)	

Table 1.4 (contd...)

States/	June 1987		June 1988		September 1989		March 1992	
W ( 10 )		Outstanding		Outstanding		Outstanding	Numbers	Outstanding
		Bank Credit		Bank Credit		Bank Credit		Bank Credit
		(Rs.)		(Rs.)		(Rs.)		(Rs.)
Haryana	1,819	38.44	2,212	46.26	2,179	55.92	3.487	73.96
	(1.15)	(2.49)	(1.02)	(0.82)	(1.17)	(2.49)	(1.41)	(2.38)
Othere State	s 21,623	207.87	34,701	270.27	24,659	318.83	33,044	459.04
Union	(13.64)	(13.50)	(15.96)	(15.14)	(12.68)	(14.22)	(13,45)	(14.80)
Territories								
	1,58,22	6 1,542.25	2,17,436	3 1,979.85	1,86,44	1 2,243.31	45,5	75 3,100.6
	(100.00	) (100.00)	(199.00)	(100.00)	(100.00	(100.00)	(100.	00) (100.0

A study of state-wise position of sick units reveals that the states namely Maharashtra, West bengal, Gujarat, Andhra Pradesh, Tamil Nadu, Uttar Pradesh and Karnataka are the major industrially advanced states and the percentage of sickness is much higher in Maharashtra, followed by West Bengal, Gujarat, Tamil Nadu, Andhra Pradesh and Karnataka. For good measure, these seven industrially advanced states together accounted for three-fourth of the total large sick units.

# 1.6 EMPLOYMENT LOSS DUE TO INDUSTRIAL SICKNESS

Most of the studies on industrial sickness report sickness as one of the important causes of industrial closures. Due to closures of units number of workers facing the problem of unemployment.

Growing industrial sickness has also, to a certain extent, aggravated the problem of unemployment following the closure of sick industries. According to an estimate on an average 130 units go sick every day and the joblessness of about 3 million workers on account of closures of sick industries presents a grim prospect in the employment scenario of developing country like India.

TABLE - 1.5

WORKERS AFFECTED BY SICKNESS IN SMALL SCALE SECTOR AND LARGE AND

MEDIUM SECTOR (NON-SSI)

SI.		No.of Sick	Total Employment	Large & Medium Sector		Total
No.	States	SSI Units in SS	il Sector	*************	**************	Employment
				Sick Units	Woak Units	
1	Andhra Pradesh .	18,277	168,879	36,110	27,076	232,065
2	Assam	11,438	105,687	200	1,500	107,387
3.16.1	, Bihar⇔. மன்மு	14,587	134,784	22,428	8,240	165,452
4.	Gujarat	5,421	50,090	128,276	66,942	245,308
5.	Haryana	2,212	20,439	20,604	6,426	47,469
6.	Karnataka	8,494	78,485	10,176	6,264	94,925
7.	Kerala _	19,554	171,439	7,520	7,160	186,119

Table - 1.5 contd....

SI.		No.of Slak	Total Employment	Large & Madium Sector		Total	
No.	States	SSI Units in SSI Sector		Sick Units	Weak Units	Employment	
8.	Madhya Pradesh	12,407	114,641	15,832	14,222	144,695	
9.	Maharashtra	15,959	147,461	136,527	108,885	392,873	
10.	Orissa	9,125	84,315	7,953	18,822	111,090	
11.	Punjab	2,699	2,939	10,337	4,469	39,745	
12.	Rajasthan	10,362	95,745	12,456	3,284	111,485	
13.	Tamil Nadu	31,245	288,704	24,422	10,179	323,305	
14.	Uttar Pradesh	22,492	207,826	29,100	45,360	282,286	
15.	West Bengal	22,738	210,099	73,023	51,942	335,064	
16.	Other	11,439	105,696	15,077	17,281	138,054	
	Total	217,439	2,009,229	550,041	398,052	2,957,322	
			(67.9)	(18.6)	(13.5)	(100.00)	

It is seen from figures in table 1.5 that nearly 30 lakh of workers are likely to be affected by the closure of sick and weak units. In relative terms about 6% of total employment in industrial sector is likely to be affected by industrial sickness. It is interesting to note that out of total 30 lakh workers likely to be affected by closure of sick units, even more than 2/3 (68%) of total will be rendered jobless in small sector alone.

In Maharashtra there were 15,959 units sick in small-scale industries, and approximately 147,461 workers become jobless. In case

of large and medium sector, the number of jobless workers is nearabout 3,92,873.

#### 1.7 INDUSTRIAL SICKNESS IN SMALL-SCALE INDUSTRIES

As per a gazette notification dated 2nd April, 1991 issued by the department of Industrial Development, Ministry of Industry, Government of India for definition of SSI changed as under:

A small-scale industrial unit is defined as a unit engaged in industrial activity and having an investment in fixed assets in plant and machinery upto Rs.60 lakh, whether held on ownership terms or on lease or on hire purchase. For the small-scale industries which will export 30% of their out-put by the third year of their starting production the investment limit is raised from Rs.60 lakhs to Rs.75 lakhs.

TABLE - 1.6

CHANGES IN THE DEFINITIONS OF SMALL-SCALE INDUSTRIES(SSI)

AND ANCILLARY UNITS (AU)

Year		Investment
Finance Commission		Operated mainly with hired labou
1950		usually 10 to 50 hands
The Industries (development)	SSI	Rs.5 lakh and employing less than
& Regulation) Act, 1951		50 persons when using power and less
		than 100 persons when not using
		power.
1966	SSI	Investment in plant and machinery no
		exceeding Rs.7.5 lakhs.
	AU	Rs. 10 lakhs
1975	SSI	Rs . 10 lakhs
	AU	Rs. 15 lakhs
1980	SSI	Rs. 20 lakhs
	AU	Rs. 25 lakhs
1985	SSI	Rs. 35 lakhs
	AU	Rs. 45 lakhs
1991	SSI	Rs. 60 lakhs and Rs. 75 lakhs
		for export oriented units
	AU	Rs. 75 lakhs

SSI = Small-Scale Industry, AU = Ancillary units.

It is clear from above table that small has become quite 'big' over a period of time. The upper limit of value of plant and machinery of small-scale industry in India was Rs.5 lakhs in the fifties Rs.7.5 lakhs in the eighties and has raised to Rs.60 lakhs in the early nineties.

TABLE - 1.7

GROWTH OF SICKNESS IN SMALL-SCALE INDUSTRIES

		Total	Small Units	Sick Sma	Percentage	
	Year	Number	% Increase	Number	% Increase	of 4 to 2
1977	2	,95,720	***	16,73	o -	5.66
1978	3	,33,837	12.89	18,95	0 13.27	5.68
1979	3	,91,750	17.34	20,97	5 10.69	5.38
1980	4	,47,821	14.31	23,14	9 10.36	5.17
1981	5	,23,185	16.83	25,34	2 9.47	4.84
1982	6	,07,049	16.03	. 58,55	1 131.04	9.64
1983	6	,87,295	13.22	78,36	3 33.84	11.4
1984	7	,57,092	10.15	91.45	0 16.70	12.0
1985	8	,54,843	12.91	1,17,78	9 28.80	13.7
1986	9	,50,334	11.17	1,45,77	6 23.76	15.3
1987	10	,48,253	10.30	2,04,25	9 40.12	19.4
988	11	,58,765	10.54	2,40,57	3 17.78	20.7
1990	19	,40,000	67.41	2,18,82	8 9.04	11.2
1991	20	*00,000	3.09	2,21,47	2 1.21	11.0

Compound Growth Rate14.41%

21.86%

Provisional

Table 1.7 shows that, there is steady growth in the small-scale units and sick small units during the year 1977-91. It is also noticed that the incidence of sickness in small-scale units assumed alarming proportions during the eighties. It is also shown that the incidence of sickness in small-scale units have tended to decline for the first time in 1990. It seems that the positive impact of the new economic policy of the Government of India on small-scale sector has started showing, yet there is still one sick small unit out of every ten small units.

# 1.8 OBSERVATIONS

The above mentioned studies show that industrial sickness is showing increasing trend which affects not only industrial sector but also to the whole economy of the country. The small-scale unit becomes sick due to various causes. The unit is rehabilated by the enterpreneur with the help of Government departments and bank. In fact, the enterpreneur is the king-pin in nursing a small-scale unit and bringing it back to health and vitality.

Some of the factors which generally contribute to the sickness of enterprises have been identified as faculty location, uneconomic size of the unit, change in market situation, inappropriate technology, difficulties in procuring the required raw material, change in Governmental policies regarding pricing, important duties, taxation policies etc.. So far the attempts of solving the problem of industrial sickness have converged mainly on cure and not on prevention. The cure has been attempted by providing industrial finance for reconstruction and rehabilitation by taking over sick units.

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