

CHAPTER - 4

SICK AND NON-SICK UNITS IN ISLAMPUR

4. INTRODUCTION

The sickness of industrial units is a part of industrial society. In this connection, it may be noted that 'the production system in industry is an organic process. The successful performance of industry is linked with several factors such as adequate and timely supply of raw materials, existence of a good market, availability of power and other basic infrastructural facilities such as good roads, transport and communications, adequate flow of working capital and above all government policies. The deficiency in any of these factors may lead to poor performance of industries and it may cause sickness of particular group of industries or individual units in various industries depending on the degree of influence of the factor.'

On this background the present chapter deals with the comparative analysis of sick and non-sick units in Islampur. The data regarding sick and non-sick units has been analysed with reference to various factors like socio-economic background of unit holders, their unit performance and also the problem of sickness.

4.1 SOCIO-ECONOMIC BACKGROUND OF UNIT HOLDERS :

The details regarding socio-economic background with reference to sex, religion, marital status, birth-place, educational status were obtained from the respondents. The socio-economic background is presented in relation to sic and non-sick units in Islampur M.I.D.C. in table 4.1

TABLE 4.1

SOCIO-ECONOMIC BACKGROUND OF UNIT-HOLDERS

Socio-Economic Background	Category	No. of Respondents		Total
		Sick units	Non-sick units	
Sex	Male	17 (47.00)	19 (52.00)	36
	Female	03 (75.00)	01 (25.00)	04

Table 4.1 (contd.)

Socio-Economic Background	Category	No. of Respondents		Total
		Sick units	Non-sick units	
Religion	Hindu	17 (51.51)	16 (48.48)	33
	Jain	02 (40.00)	03 (60.00)	05
	Muslim	-	01 (100.00)	01
	Christain	01 (100.00)	-	01
Marital status	Married	18 (50.00)	18 (50.00)	36
	Unmarried	02 (50.00)	02 (50.00)	04
Birthplace of Entrepreneurs	Local	08 (50.00)	08 (50.00)	16
	Within Sangli district	08 (44.44)	10 (55.55)	18
	Outside the district	04 (66.66)	02 (33.33)	06
Educational status	Primary	02 (100.00)	-	02
	Secondary	01 (33.33)	02 (66.66)	03
	Higher secondary	01 (16.66)	05 (83.33)	06
	Graduate ✓	13 (68.42)	06 (31.57)	19
	Tech.Diploma	03 (37.50)	05 (62.50)	08
	Graduation in Tech.	-	01 (100.00)	01
	Post-Graduate with doctorate	-	01 (100.00)	01

The table indicates that majority of the proprietors are males in the sick units, and proportion of female proprietors is higher than males.

proprietors and in non-sick units proportion of male proprietor is higher than female proprietor.

A study of religion background indicates that majority of the entrepreneurs are from Hindu religion background in non-sick units. The proportion of Jains and Muslims have a higher proportion as compared to other religions. Again in the sick units, the proportion of Christian and Hindu entrepreneurs is more than other religions.

Majority of the entrepreneurs are married and there is an equal proportion of married and unmarried unit holders in sick and non-sick units.

A study of the birth place of unit holders indicates that majority of the unit holders are coming locally or from various places in Sangli district. In sick and non-sick units the proportion of local unit holders, and those coming from Sangli district are higher in non-sick units than respondents from other districts. The unit holders coming from outside the Sangli district are more concentrated in sick units.

The level of education among the unit holders in both sick and non-sick units shows that majority of them are having education of graduation

level and above. The proportion of unit holders with technical diploma, graduation and higher education is higher among the non-sick units as compared to sick unit holders.

4.2 CASTE BACKGROUND AND TYPE OF UNIT :

The details regarding caste background with reference to various castes of unit holders were obtained from the respondents. It is presented in relation to sick-non-sick units in Islampur M.I.D.C. in Table 4.2.

The table indicates that there was more proportion of Nomadic Tribe/Backward Caste/Other backward caste respondents in the sick units when compared to other castes (in the other hand there was more proportion of Brahmin, Jain, Muslim and Maratha respondents in the non-sick units than other castes. Thus the table indicates relationship between caste background and functioning of the unit.

The study of small-scale industries and industrial sickness in Cuttack district of Orissa state by R.K. Panda and R.K. Meher also shows the similar results [1].

TABLE 4.2CASTE BACKGROUND AND TYPE OF UNIT

Caste	No. of Respondents		Total
	Sick units	Non-sick units	
Maratha	13 (52.00)	12 (48.00)	25
Jains	02 (40.00)	03 (60.00)	05
Muslims	-	01 (100.00)	01
O.B.C.	03 (60.00)	02 (40.00)	05
Nomadic Tribe	01 (100.00)	-	01
Backward Class	01 (100.00)	-	01
Brahmin	-	02 (100.00)	02
Total	20	20	40

4.3 PREVIOUS EXPERIENCE OF UNIT HOLDERS :

Sick or non sick ?

The details were obtained about the previous experience of the unit holders. The information indicates that, nearly half of the respondents 9/20 (i.e. 34%) were not having any previous experience. Some respondents 7/20 (i.e. 35%) were having experience from other units. Only few respondents 4/20 (i.e. 20%) were having experience from skilled persons, or relatives.

4.4 REGISTRATION OF UNITS :

The details regarding registration of units with reference to years in which the units were obtained from the unit holders. The details regarding type of unit and their year of registration in relation with sick/non-sick units in Islampur M.I.D.C. are presented in Table 4.3.

TABLE 4.3
REGISTRATION OF THE UNITS

Year of Registration	Sick Units	Non-Sick units	No.of Units	Percen- tage
1975 to 1980	-	01	01	2.5
1981 to 1985	03	02	05	12.5
1986 to 1990	14	06	20	50.0
1991 to 1994	03	11	14	35.0
Total	20	20	40	100.00

The table indicates that majority of the units have been registered after 1986, which indicates that these are recent units. Only few units have been registered during 1975 to 1985.

4.5 TYPE OF UNIT OWNERSHIP :

When data were analysed with reference to type of unit it indicates that majority of the units 12/20 (i.e. 60%) were having proprietorship,

while there were some units 8/20 (i.e. 40%) on partnership basis. Thus there were more units under proprietorship.

4.6 FACTORY WORKERS IN UNIT :

The details regarding workers position in units with reference to initial period of units and at present were obtained. The data regarding number of workers are presented in relation to sick and non-sick units in Islampur M.I.D.C. in Table 4.4.

TABLE 4.4
FACTORY WORKERS IN UNIT

Initial Year	1 to 5	6 to 10	Above 10	Nil	Total	
-----						1
to 5	13 (59.08)	5 (22.72)	2 (9.08)	2 (9.08)	22	
6 to 10	-	9 (75.00)	3 (24.99)	-	12	
Above 10	-	1 (20.00)	4 (80.00)	-	05	
Nil	-	-	-	1 (100.00)	01	

Total	13 (32.5)	15 (37.5)	9 (22.5)	3 (7.5)	40	

The table indicates that in the initial year majority of the units (22/40 i.e. 55%), there were 1 to 5 workers and when this number workers is compared with the present situation it indicates that nearly half

of the factories (15/40 i.e. 37.5%) were having 6 to 10 workers. This indicates the number of workers has increased. this table will have to be analyzed in increase decrease or same number of workers. In majority of the units (27/40 i.e. 67.5%) the number has remained same, it has increased in case of only few (10/40 i.e. 25%) units and decreased in (3/40 i.e. 7.5%) units. The trend indicates increase in number of workers in non-sick units and decrease in number of workers in sick units.

4.7 OFFICE WORKERS IN UNIT :

The details regarding office workers in units with reference to initial period and at present were obtained. The data in relation to sick and non-sick units in Islampur M.I.D.C. are presented in Table 4.5.

TABLE 4.5

OFFICE WORKERS IN UNIT

Initial Year	At present			Total
	1 to 5	Above 10	Nil	
to 5	15 (75.00)	2 (10.00)	3 (15.00)	20
Nil	4 (20.00)	-	16 (80.00)	20
Total	19 (47.5)	2 (5.00)	19 (47.5)	40

The table indicates that nearly half of the units were having no office workers and nearly half of them were having 1 to 5 workers. Only 2 units were having office workers above 10.

4.8 IMPACT OF ELECTRICITY ON SICK UNITS :

The details regarding impact of electricity on sick units were obtained from the unit holders. It is presented in relation to sick units in Islampur M.I.D.C. in Table 4.6.

TABLE 4.6

IMPACT OF ELECTRICITY ON SICK UNITS

Impact of Electricity	Total	Percentage
No impact	8	(40%)
Production loss due to electricity	5	(25%)
High rate of electricity	2	(10%)
Electricity is the cause of sickness	2	(10%)
Loss in daily expenditure on labour wages & use of electricity	3	(15%)
	20	

When the question was asked to sick entrepreneurs, whether there was any impact of electricity, it was pointed out that nearly half of the units had no impact, whereas 5 units suffered production loss, 3 units loss in daily expenditure on labour wages and electricity, for 2 units it was cause of sickness and for 2 units it was high rate of electricity charges.

4.9 LABOUR PROBLEMS :

The data regarding labour problems indicates that there was non-availability of skilled workers (8/20 i.e. 40%), workers negative attitude towards units (3/20 i.e. 15%), and workers are not available in minimum wages (1/20 i.e. 5%). There were no labour problems for some units (6/20 i.e. 30%) and the question was not applicable to some units (2/20 i.e. 10%).

4.10 WORKING CAPITAL OF UNIT AND DEMAND FOR ADDITIONAL LOAN :

The details regarding working capital of unit and their further demand for additional loan were obtained from unit holders. These

details in relation to sick units in Islampur M.I.D.C. are presented in Table 4.7.

TABLE 4.7

WORKING CAPITAL OF UNIT AND DEMAND FOR ADDITIONAL LOAN

Demand for additional Loan					
Working Capital	No Addi-	Rs.1 lakh	Rs.6 lakh	Above Rs.	Total
	tional loan	to 5 lakh	to 10 lakh	10 lakh	
Rs.5 lakh to 10 lakh	6 (85.71)	1 (14.28)	-	-	07
Rs.11 lakh to 15 lakh	4 (57.14)	1 (14.28)	1 (14.28)	1 (14.28)	07
Rs.16 lakh to 20 lakh	-	-	-	1 (100.00)	01
Rs.21 lakh to 25 lakh	1 (50.00)	1 (50.00)	-	-	02
Above Rs.25 lakh	1 (33.33)	1 (33.33)	-	1 (33.33)	03
Total	12 (60.00)	4 (20.00)	1 (5.00)	3 (15.00)	20

The table indicates that majority of the units (i.e. 14/20) (70%) were having working capital of Rs.5 lakh to Rs.15 lakh. The remaining units were having the working capital of Rs.16 lakh and above.

Again when the proportion was seen in relation to additional loan, it indicated that there was more proportion of the units below Rs.15 lakh working capital who were not in need of additional loan than units having higher working capital. On the other hand the units with more than Rs.16 lakh of working capital were in need of more additional loan.

4.11 UNIT PERFORMANCE AND WORKERS BONUS :

The details regarding unit performance and workers bonus were obtained from the unit holders and these are presented in relation to non-sick units in Islampur M.I.D.C. in Table 4.8.

TABLE 4.8

UNIT PERFORMANCE AND WORKERS BONUS

Bonus					
Unit	No bonus	From the year	Not appli-	Current	Total
Performance to workers		1992 to pre-	cable	Year only	
		vious year			

Excellent	1 (14.28)	4 (57.4)	1 (14.28)	1 (14.28)	07

Good	3 (37.5)	3 (37.5)	-	2 (25.00)	08

Fair	1 (20.00)	1 (20.00)	3 (60.00)	-	05

Total	5 (25.00)	8 (40.00)	4 (20.00)	3 (15.00)	20

The table indicates that majority of the unit holders (13/20) 65% from non-sick units have said that their unit performance is good, excellent, and they have paid bonus to workers since 1992. The units which have been started recently show fair performance and such units have not paid bonus to their workers.

4.12 FACTORS RESPONSIBLE FOR SICKNESS IN

INDUSTRIAL UNIT :

The details regarding factors responsible for sickness in industrial unit with reference to financial institution, government and bank were obtained from the respondents and it is presented in relation to sick units in Islampur M.I.D.C. in Table 4.9.

TABLE 4.9

FACTORS RESPONSIBLE FOR SICKNESS IN INDUSTRIAL UNIT

Factors	Yes	No	Total
Financial Instituion	10 (50.00)	10 (50.00)	20
Government	09 (45.00)	11 (55.00)	20
Bank	13 (65.00)	07 (35.00)	20

The table indicates that the majority of the respondents from sick units have noted bank as the responsible factor for industrial sickness,

and nearly half of them have told financial institutions responsible for industrial sickness. Majority of the respondents have indicated government as not responsible for industrial sickness.

4.13 SICKNESS AND TYPE OF INDUSTRY :

The details regarding sickness and type of industry were obtained from the respondents and it is presented in relation to sick and non-sick units in Islampur M.I.D.C. in Table 4.10.

The table indicates that there is higher proportion of sick units in cement pipes, allied production, tile industries. The units in remaining industries were having higher proportion in non-sick units.

TABLE 4.10
SICKNESS AND TYPE OF INDUSTRY

Type of Industry	Cement Pipes & Tiles.	Fabrica- tion	Chemicals	Job work & Grain Process	Glass, Rubber Plast. Prod.	Textile & Cloth cals	Electri- cals	Paints	Packing Boxes & Paper material	Total
Sick	04 (20.00)	-	03 (15.00)	02 (10.00)	01 (5.00)	-	03 (15.00)	01 (5.00)	06 (30.00)	20
Non- sick	02 (10.00)	04 (20.00)	-	03 (15.00)	02 (10.00)	01 (5.00)	04 (20.00)	01 (5.00)	03 (15.00)	20
Total	6 (15.00)	4 (10.00)	3 (75.00)	5 (12.5)	3 (7.5)	1 (2.5)	7 (17.5)	2 (5.0)	9 (22.5)	40

4.14 INTERNAL CAUSES OF SICKNESS :

There were 20 sick units covered under the study. In the interview schedule there were 24 internal causes of sickness. The unit-holders were asked to pinpoint three internal causes of sickness. Therefore 20 unit holders have suggested three internal causes and so, the details of 60 total interval causes (20x3) are presented in Table 4.11.

TABLE 4.11
INTERNAL CAUSES OF SICKNESS

Dependence on few buyers	11 (18.33)
Inappropriate sales promotion	07 (11.67)
Inefficient working capital management	05 (8.33)
Lack of proper costing and pricing	05 (8.33)
Absence of manpower planning	05 (8.33)
Absence of finance and planning	04 (6.66)
Site selection	04 (6.66)
Inadequate material control	03 (5.00)
Inappropriate financial structure	02 (3.33)
Poor Utilization of assests	02 (3.33)
Inaccurate demand for costing	02 (3.33)
Lack of research market	02 (3.33)
Inappropriate salary administration	02 (3.33)

Table 4.11 contd....

Internal Causes of Industrial Sickness	Total
Inappropriate plant machinery	01 (1.66)
Inadequate maintenance	01 (1.66)
Lack of quality control	01 (1.66)
Lack of emphasis on research & development	01 (1.66)
Resistance to change	01 (1.66)
Dispute in management	01 (1.66)
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Total	60 (100%)

The table indicates that the internal causes like, dependence on few buyers, inappropriate sales promotion, inefficient working capital management, lack of proper costing and pricing and absence of manpower planning were highlighted by sick unit holders.

It has been noted that 'any industrial unit, dependence on a few select buyers is always fraught with risk. If these particular buyers stop buying goods for some reasons the industrial unit will run short of finance which may initiate sickness'. This was the main internal cause indicated by unit holders in Islampur. [2]

The second cause of sickness highlighted by sick unit holders is inappropriate sales promotion. 'The sales promotion of a particular product depends upon its nature, wage, market segment, nature of the consumer and his habits etc. A unit has therefore to formulate appropriate sales promotion policy keeping in view all the above factors as inappropriate sales promotion may cause sickness'. This cause has also been indicated by seven unit holders.[3]

The third cause of sickness highlighted by sick unit holders is 'inefficient working capital management'. It may be noted that, 'a unit has to manage its working capital position effectively for its smooth operation. Working capital management includes inventory and receivable management and liquidity management. Inefficient working capital management is a controllable internal cause of sickness'. This cause has been marked by five unit holders. The same number of unit holders have marked that lack of proper costing and pricing and absence of manpower planning were internal factors for sickness of the units.[4]

4.15 EXTERNAL CAUSES OF SICKNESS :

There were 20 sick units covered under the study. In the interview schedule there were 11 external causes of sickness. The unit-holders were asked to pinpoint three external causes of sickness. Therefore, 20 unit holders have suggested three external causes and so the details of 60 total external causes are presented in Table 4.12.

TABLE 4.12

Competition ?

EXTERNAL CAUSES OF SICKNESS

External causes of sickness	Total
Delay in advancing of funds	12 (20.00)
Market Recession	11 (18.33)
Improper Credit Facilities	10 (16.66)
Non-availability of Skilled Man-Power	10 (16.66)
Excessive Taxation Policy of Govt.	07 (11.66)
Shortage of Inputs	06 (10.00)
Unfavourable Investment Climate	02 (3.33)
Liberal Licensing of Project	01 (1.66)
General Labour Unrest in the Areas	01 (1.66)
Total	60 (100%)

The table indicates that, the external causes like delay in advancing of funds, market recession and improper credit facilities, non-availability of skilled man-power were highlighted by sick unit-holders. It has been noted that 'some times the credit institutions follow a policy of credit restraint in accordance with the national objectives. This may happen at a time when the unit may be in urgent need of funds. Alternatively there may be delay in getting funds on account of the rigidity of commercial banks and financial institutions in providing additional credit. Inadequate finance, at a time when it is needed most may cause sickness'. This reason has been indicated by the highest number of 12 unit holders.[5]

The unit holders also highlighted the delay in advancing of funds which is a external cause of sickness. This can be explained as 'Banks and financial institutions while sanctioning loans may impose unrealistic conditions which promoters are not able to comply with and this may result in delay in disbursement of loan. This, in turn, would

adversely affect the liquidity and may result in sickness'. This reason has been pointed out by 10 unit holders.[6]

The 11 unit holders also highlighted the market recession which is external cause of sickness. It may be noted that 'a general recession or inflation can also lead to a shortfall in demand thereby resulting in under-utilisation of the installed capacity. Excessive shortfall in demand may also necessitate working below the break-even and result in sickness [7].

4.16 FACTORS SUGGESTED BY SICK AND NON-SICK

UNIT HOLDERS FOR BETTER FUNCTIONING OF UNIT :

There were 20 sick and 20 non-sick units covered under the study. In the interview schedule, there were nine factors given to both sick and non-sick unit holders. The unit holders (sick and non-sick) were asked to pinpoint three factors for better functioning of their unit.

Therefore, the suggestions of 20 sick and 20 non-sick unit holders are presented in Table 4.13.

TABLE 4.13

FACTORS SUGGESTED FOR BETTER FUNCTIONING OF UNITS

Factors for better functioning of units	Sick unit-holders	Non-sick unit-holders

Good quality production	12 (20.00)	19 (31.66)
Trained workers	04 (6.66)	11 (18.33)
Immediate loan facilities	17 (28.33)	05 (8.33)
Training of modern tech.production	02 (3.33)	07 (11.66)
Facilities for marketing	03 (5.00)	02 (3.33)
Organization of commerce	05 (8.33)	04 (6.66)
Tax concession and role of Govt.	03 (5.00)	03 (5.00)
Minimum interest on loan	14 (23.33)	09 (15.00)

Total	60 (100.00)	60 (100.00)

The table indicates that, sick unit holders have suggested immediate loan facility, minimum interest on loan and good quality production for better functioning of their units. On the other hand non-sick unit holders have mainly suggested good quality production, trained workers and minimum interest on loan for better functioning of units.

If we compare with the factors suggested by sick and non-sick unit holders, sick unit holders suggested mainly immediate loan facilities for their better functioning of unit. On the other hand, the non-sick unit holders have mainly suggested good quality production.

The sick and non-sick unit holders agreed on one point that, if the interest is low on their loan, they could manage their units well.

4.17 INFORMATION ABOUT SICKNESS TO GOVT. AGENCY :

Majority of the sick unit holders (14/20 i.e. 70.00%) have not informed to any government agencies about their unit sickness. Only few of them (6/20 i.e. 30.00%) have informed to government agencies

about their unit sickness, but all of them received negative response from them.

4.18 AWARD WINNING UNIT :

Mr. Prakash Pukaraj Porwal (Shed No.28) is having production of wire and sheets. This unit is the only unit in Islampur M.I.D.C. which has received 'Sangli District Entrepreneur Prize' in 1993.

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