



Sickness In SSIs Sector

Kharat N .G.

Deogiri College,
Aurangabad

Memon Sohel

Dept of Business Studies,
Nizwa College of Technology.
Nizwa

1

Research Paper - Commerce

Introduction

Small – Scale Industries in India have assumed significance not only for their contribution to the economy in the generation of employment but also for the special patronage they enjoy from the government. Despite numerous policy measures for the past four decades, Indian small scale units have remained mostly tiny, technologically backward and lacking in competitive strength. Notwithstanding their lack of competitive strength, small scale industrial units of India could survive so far due to product and geographical market segmentation and policy protection. The business environment has been changing drastically in the recent times reducing the importance of these factors. For instance, economic policy reforms of the 90s that have aimed at liberalization of domestic economic transactions and opening of the economy are slowly taking away the policy protection to the small-scale units. Protection is a transitory measure and can be used only to give time to industrial units to improve their competitive strength.

SSI Scenario in India

Government's industrial policy, Five Year Plans documents, regional development policies and even export-import policies are eloquent about the development of a viable small scale industries sector. As a special effort to develop the SSIs in accordance with



the liberalization and globalization, a special SSIs policy was declared by the Government of India in 1991.

These industries create the scope of employment to the rural mass and by the way they act as a positive catalyst to ensure the quality of life to the village people. The number of SSIs, fixed investment, production, exports and employment generated by these units are shown in Table – 1. The table shows that number of SSIs increased in post globalization but annual growth rate was decreased. The fixed investment in SSIs was increased in 199-92 after 1992 it reduced.

The total production of SSIs was Rs. 63,518 crores in 1990-91 which was increased to Rs. 1,22,210 crores in 1994-95 but after 1995 it reduced. The number of persons employed in SSIs had increased. But after globalization reforms the compound growth rate reduced. The table shows that the export of SSIs in 1990-91 was Rs. 9,664 crores, which was 43.6% over than previous year. Total exports of SSIs continuously increased in terms of rupees but growth was decreased.

The Table – 1 represents general parameters regarding the performance of the SSIs sector from 1999-2000 to 2011-2012.

Sickness In SSIs Sector

A sick industrial unit is considered to be an unhealthy and weak unit which finds it difficult to survive and sustain. While SIDO (Small Industries Development Organization) of the Central Government has considered a unit sick when it functions below 20 per cent of the installed capacity, the sick industrial companies (Special Provisions) Act, 1985 (Sec. 3, Sub Sec. (1)-Cause (0) viewed a registered company (with a minimum of 7 years existence) as sick if it accumulated losses equal to or more than its entire net worth and has suffered cash losses in my financial year.

The Reserve Bank of India has further revised its definition of sick units in 1987 and 1989. If any unit has accumulated losses equal to or more than 50 per cent of its peak net worth in the immediately preceding five accounting years, it is considered to be a sick unit.

**Table 1: SSI at a Glance**

S. No	Year	Total SSI Units (numbers in Lakh)	Fixed Investment (Rs. Crore)	Production (Rs. crore)		Employment (Lakh Persons)	Exports (Rs. Crore)
				Current prices	Constant prices		
1.	1999-2000	67.87	93555	63518	68295	158.34	9664
2.	2000-01	70.63 (4.07)	100351 (7.26)	73072 (15.04)	79180 (15.94)	165.99 (4.83)	13883 (43.66)
3.	2001-02	73.51 (4.07)	109623 (9.24)	85581 (17.12)	935213 (18.11)	174.84 (5.33)	17784 (28.10)
4.	2002-03	76.49 (4.07)	115795 (5.63)	98804 (5.65)	98804 (5.65)	182.64 (4.46)	25307 (42.30)
5.	2003-04	79.60 (4.07)	123790 (6.9)	122210 (23.69)	109116 (10.44)	191.40 (4.79)	29068 (14.86)
6.	2004-05	82.84 (4.07)	125750 (1.58)	148290 (21.34)	121649 (11.49)	197.93 (3.42)	36470 (25.46)
7.	2005-06	86.21 (4.07)	130560 (3.82)	168413 (13.57)	135380 (11.29)	205.86 (4.00)	39248 (7.62)
8.	2006-07	89.71 (4.07)	133242 (2.05)	189178 (12.33)	147824 (9.19)	213.16 (3.55)	44442 (13.23)
9.	2007-08	93.36 (4.07)	135482 (1.68)	212901 (12.54)	159407 (7.74)	220.55 (3.46)	48979 (10.21)
10.	2008-09	97.15 (4.07)	139982 (3.32)	234255 (10.03)	170709 (7.09)	229.10 (3.88)	54200 (10.66)
11.	2009-10	101.1 (4.07)	147348 (5.26)	261289 (11.54)	184428 (8.04)	239.09 (4.36)	69797 (28.78)
12.	2010-11	105.21 (4.07)	154349 (4.75)	282270 (8.03)	195613 (6.06)	249.09 (4.18)	71244 (2.07)
13.	2011-12	109.49 (4.07)	162533 (5.30)	311993 (10.53)	210636 (7.68)	260.13 (4.43)	86013 (20.73)

Note (1) Figures in brackets show the percentage growth over the previous year.

Source : Compiled by Author from Various periodicals & Economic Survey of India.

Sickness was identified through the latest definition of RBI given by Kohli Committee and incipient sickness was identified in terms of continuous decline in gross output. Sickness in the total SSI sector was of the order of 1%, whereas in the registered and unregistered SSI sector it was 3.38% and 0.64% respectively. The maximum number of sick units was located in West Bengal, Kerala, Maharashtra, Karnataka and Andhra Pradesh. About 59.53% of the sick units were located in these five units.

Out of the units having loan outstanding with institutional sources like banks and financial institutions, sickness was about 19.6% in the registered SSI sector and



16.61% in the case of unregistered SSI sector and 16.61% in the case of unregistered SSI sector.

Table 2
Represents various reasons for sickness

S.No.	Reason for sickness incipient sickness	Proportion of sick / incipient sick units		
		Total SSI sector	Regd. SSI sector	Unregd. SSI sector
1	Lack of demand	66%	58%	69%
2	shortage of working capital	46%	57%	43%
3	Non-availability of raw material	12%	12%	12%
4	Power Shortage	13%	17%	12%
5	Labour problems	5%	6%	4%
6	Marketing problems	36%	37%	36%
7	Equipment problems	11%	9%	12%
8	Management problems	4%	5%	3%

Source : Compiled by the author from various periodicals & Economic Survey of India
Table – 2 shows a clear picture of reasons for sickness in SSIs. Lack of demand and shortage of working capital were the main reasons for sickness in both the registered and unregistered SSI sectors. Sickness in SSI grow much faster than the very growth of the industry itself. This is a very dangerous indication.

Conclusion

The study reveals that production, fixed investment, employment, and exports of SSIs was continuously declined after globalization of Indian economy. Hence, the impact of globalization in going in add fuel to the fire of sickness resulting bad impact on SSIs units. The globalization policy marked by increased competition on one hand and great dependency on foreign technology and imported goods on the other will results the SSIs to adopt modern imported technology by face the global competition.



Reference

1. Michael, V.P.; "Liberalization and strategic management," Himalaya Publishing House, edition 1999, P. 179.
2. Economic Survey of India (various issues).
3. Dixit, Annapurna, (2002); "*Sickness in SSIs in India*," economic affairs, Vol. 47 (September)
4. Tata Services Ltd; 2003-2004, *Statistical outline of India, Mumbai*.
5. *Reserch Paper on "Globalisation & Small Scale Industries in India"* "Dr. Ashish Mishra ,Dr. Narendra Shukla"
6. Narendra Kumar, Pramod Kumar and Narendra Singh; "*Impact of globalization on employment*," The Indian Journal of Commerce, Vol. 56, 200. P. 92.
7. www.msme.org.in