

CHAPTER – V

SICKNESS IN SSI SECTOR

Definition of Sickness

- 5.1 The prevalence of sickness in SSI sector is a cause of concern. The definition of sickness in SSI Sector has been undergoing changes. The Reserve Bank of India (RBI) was instrumental in appointing Committees from time to time to look into the issue of the Sickness affecting the Sector. The latest definition of Sickness given by the Working Group on Rehabilitation of Sick Units set up by the RBI (Kohli Committee) is given below:-

“A small scale industrial unit is considered sick when

- (a) if any of the borrowal accounts of the unit remains substandard for more than six months, i.e., principal or interest, in respect of any of its borrowal accounts has remained overdue for a period exceeding one year will remain unchanged even if the present period for classification of an account as substandard is reduced in due course;

OR

- (b) There is erosion in the net worth due to accumulated losses to the extent of 50 percent of its net worth during the previous accounting year, and
- (c) The unit has been in commercial production for atleast two years.”

Criteria to identify Sickness/Incipient Sickness

- 5.2 The necessary information on sickness and incipient sickness among the Units in the Sector was collected during the Third Census. In order to measure incipient sickness, the continuous decline in gross output for three consecutive years was identified as a suitable indicator, whereas for measuring sickness, the latest definition given by the Kohli Committee was adopted. Thus, the following criteria were adapted to identify sick/ incipient sick units in the Third Census.

- i) Continuous decline in gross output compared to the previous two financial years;
- ii) Delay by more than 12 months in repayment of loan taken from institutional sources; and
- iii) Erosion in the net worth to the extent of 50 percent of the net worth during the previous accounting year.

Magnitude of Sickness/Incipient Sickness

- 5.3 Sickness identified in the Registered SSI Sector in terms of delay in repayment of loan or erosion in the net worth was of the order of 2.5 %, whereas in the Unregistered SSI Sector, it was 0.78 %.



- 5.4 Out of the units having loan outstanding with Institutional Sources like Banks and Financial Institutions, sickness was about 14.08 % in the Registered SSI Sector as against 13.47 % in the case of Unregistered SSI Sector.
- 5.5 Incipient sickness identified in terms of continuous decline in gross output was of the order of 13.01 % in the Registered SSI Sector and 7.76 % in the Unregistered SSI Sector.
- 5.6 Combining the three yardsticks used to measure sickness, viz; (a) delay in repayment of institutional loan over one year, (b) decline in net worth by 50 %, and (c) decline in output during last three years, about 14.47 % of the units in the Registered SSI Sector were identified to be either sick or incipient sick, while this percentage was only 8.25 in the case of unregistered units.

Reasons for Sickness/ Incipient Sickness

- 5.7 Units satisfying one or more of the above criteria were treated by the Enumerators as not being run satisfactorily and the reasons for the same were elicited. The following Table indicates the reasons as given by the units suffering from sickness/ incipient sickness. '*Lack of Demand*' and '*Shortage of Working Capital*' were the main reasons for sickness/ incipient sickness in the SSI Sector.

S. No.	Reason for Sickness/ Incipient Sickness	% of Sick/ Incipient Sick Units *	
		Regd. SSI Sector	Unregd. SSI Sector
1.	Lack of Demand	71.6	84.1
2.	Shortage of Working Capital	48.0	47.1
3.	Non-availability of Raw Material	15.1	15.2
4.	Power Shortage	21.4	14.8
5.	Labour Problems	7.4	5.1
6.	Marketing Problems	44.5	41.2
7.	Equipment Problems	10.6	12.9
8.	Management Problems	5.5	5.1

* The total will exceed 100 %, as some units reported more than one reason.

- 5.8 The percentage distribution of sickness and incipient sickness state-wise in the Registered SSI Sector is given at APPENDIX - V. The States of Kerala, Karnataka, Chattisgarh, Maharashtra and Tamil Nadu had the maximum share of sick units in the Registered SSI Sector.