

1 A Conceptual Study on Reasons of Industrial Sickness-with
2 Reference to Joinery Mills of the J&K Public Sector
3 Undertakings

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7 **Abstract**

8 The researcher did an empirical study to find out the opinion of the employees of Jammu
9 Kashmir Industries Ltd, JK for declaring it as a sick industry .The Researcher determined the
10 reasons after taking the opinion from the employees of Jammu Kashmir Industries Ltd, JK.
11 The objectives on which the researcher will conduct the study are: 1) To study the reasons
12 due to which Jammu Kashmir industries Ltd. became sick industry. 2) Understanding the
13 employees views about the most important reason for Jammu Kashmir Industries Ltd, JK
14 becoming sick.3). To frame a suitable revival strategy so as to protect the employment of the
15 masses .and 4) Safeguard the state wealth resources. The researcher tabulated the data and
16 presented the data in the form of table and pie-chart. Thereafter the researcher discussed the
17 reasons in detail. After studying the reason and analyzing them the researcher concluded that
18 every reason given by the employee is responsible for declaring Jammu Kashmir Industries
19 Ltd. as sick industry.
20

21 **Index terms**— Jammu Kashmir Industries Ltd, Industrial Sickness, Financial Reasons and Technological
22 Changes, revival, managerial inability, obsolete technology.

23 **1 Introduction**

24 losures of Public Sector Undertakings and corporate failures resulting in bankruptcies have become a normal
25 feature in the emerging market economies the world over (Slatter, 1984;Kharbanda and Stallworthy, 1985).
26 Growing competition and the everchanging international economic environment often lead to high incidence of
27 corporate failures in developed market economies. However, these economies have the resilience to absorb the
28 economic disturbances brought about by the closure of industrial units. In recent years, industrial sickness in
29 India has reached alarming proportions. An industrial unit is considered sick when its financial position is not
30 satisfactory and it becomes worse year after year. It incurs losses and its capital reserves may be stretched out
31 in course of time. When its current liabilities are more than current assets, the organization may not be in a
32 position to pay its liabilities. The increasing trend in industrial sickness touching all types of units including
33 small, medium and large-scale industrial sectors is of considerable concern. The problem is assuming titanic
34 proportion and may have added repercussions in a country like India which cannot afford unemployment and loss
35 of production. J&K is a terror victim state since years and which lost its valuable resources event after event, but
36 still the Government of the state chalked out many strategies to bring the life into the people of the state. J&K
37 Industries Limited, a State Owned Company incorporated in October, 1963, having authorized share capital of
38 Rs.20.00 Crores, was established. The main objective/functions of the company as per its Memorandum is to run,
39 manufacture and administer the State Industrial Undertaking in a manner that would ensure their economical
40 working. The Industry deals with the production of Processing and manufacturing of Textiles, Knitwear's /

8 C) DATA COLLECTION PROCEDURE

42 Joisery, Joinery and Furniture products as well as Silk (Plain and Printed) fabrics, besides Rosin and Turpentine.
43 Arranging raw materials for production of all such products and marketing thereof.

44 2 II.

45 3 Criteria for Identification of Sick Units

46 The Reserve Bank of India identifies sick industrial units on the basis of a mix of criteria including continued cash
47 losses, imbalances in the financial structure, and deterioration in liquidity. "A unit may be considered sick if it
48 has incurred cash losses for one year and, in the judgment of the Bank (RBI), it is likely to continue to incur cash
49 losses for the current year as well as the following year and the unit has an imbalance in its financial structure such
50 as current ratio of less than 1:1 and worsening debt equity ratio" (RBI, 1978). Term lending institutions identify
51 sickness on the following criteria: Continuous defaults in meeting four consecutive half yearly installments of
52 interest or principal of institutional loans Continuous cash losses for a period of two years or continued erosion
53 in the net worth by 50 per cent or more Mounting arrears on account of statutory or other liabilities for a period
54 of one or two years ??Bidani andMitra, 1983).

55 (being a company registered for not less than seven years), which has at the end of any financial year
56 accumulated losses equal to or exceeding its entire net worth and has also suffered cash losses in such financial
57 year and the financial year immediately preceding such financial year," About Jammu Kashmir Industries Limited
58 ,J&K is a Company registered under the Companies Act, 1956 and was incorporated on the 03. Many buildings
59 in and outside Kashmir can be seen having this unique type of ceiling. We have even designed the ceiling of
60 Military Offices at Badambagh, Srinagar and Military Office in Ladakh as well. Visitors from different places
61 visit at Govt. Joinery Mills, Pampore and come to know that the beautiful Khatumband ceiling which they see
62 in house boats or in hotels is hand-made they come to us and offer is big assignments. It is also evident that
63 these eminent craftsman not only design ceilings of houses, but ceilings of different shrines, mosques, houseboats
64 and some hotels in Kashmir are the evident examples of the carving skill attained by these craftsmen. One will
65 be amazed to see the beautiful Khatumband design at the holy shrine, Khankahi Moulla, in Srinagar. With
66 the increase in modernization, people love to make their houses and offices more beautiful and attractive and
67 Khatumband helps them to change their dreams into reality. Today people also like to design the walls of their
68 houses or offices by Khatumband.

69 Besides, the Corporation also provides employment to the masses of the state. Already numbers of people
70 working in the units of Jammu & Kashmir Industries Ltd. have lost their employment due to the sickness of the
71 units of these industries thus putting a burden on the Govt. of the state. Jammu & Kashmir Industries Ltd. is
72 a Public Sector undertaking of the J&K Government. Therefore the researcher has selected Jammu & Kashmir
73 Industries ltd. for the study.

74 4 III.

75 5 Objectives of the Study

76 The researcher will study about the reasons why Jammu & Kashmir Industries Ltd became sick industry.
77 Therefore considering the study the researcher will work on the following objectives:-1. To study the reasons due
78 to which Jammu & Kashmir Industries Ltd became sick industry 2. Understanding the employee views about
79 the most important reason for Jammu & Kashmir Industries Ltd. becoming sick. 3. To frame a suitable revival
80 strategy so as to protect the employment of the masses .and 4. Safeguard the state wealth & resources.

81 IV.

82 6 Material and Method a) Study Area

83 The area of conducting this study is Jammu & Kashmir Industries Ltd, J&K. The study is specific to Jammu &
84 Kashmir Industries Ltd. The researchers will determine the reasons of sickness and will study them to meet out
85 the objectives of the study.

86 7 b) Sample Method and Sample Size

87 As the study is based upon Jammu & Kashmir Industries Ltd.The sample size is small. The researchers will
88 collect the data from 200 respondents who are the employees of Jammu & Kashmir Industries Ltd. India.

89 8 c) Data Collection Procedure

90 The data is collected by distributing the questionnaire among the 200 employees of the industry. The respondents
91 from Jammu & Kashmir Industries Ltd. India in the state Jammu & Kashmir. And where the response rate was
92 85%. The researcher with the help of the selected sample size can know their opinion concerning the reasons of
93 sickness of Jammu & Kashmir Industries Ltd. India. corrective and appropriate measures in appropriate time.
94 The different stages of sickness along with the determinants which identify these stages as per the guidelines of
95 Reserve Bank of India (RBI) are given below:-N Normal Unit -A normal unit is characterized by the efficient
96 functioning of its functional areas like production, marketing, finance and personnel. In other words, a unit can

97 be called healthy or in a normal state (NS) when it is earning profits, the current ratio is more than one, net
98 worth is positive and debt-equity ratio is good.

99 Tending Towards Sickness-At this stage a unit shows certain initial aberration in any of its functional areas. In
100 other words, the unit faces some environmental constraints. At this time, the unit is said to be tending towards
101 sickness (TS). The distinctive features of this stage are decline in profit in the last year as compared to the
102 previous year and loss estimated in the current year.

103 Incipient Sickness -The continuation of the deterioration in the functional areas of the unit, results in the
104 actual setting in of industrial sickness. This stage is termed as incipient sickness (IS). At this stage, the unit
105 incurs cash losses but imbalance in the financial structure may not be apparent.

106 From the research carried out it was found that the Jammu & Kashmir Industries Ltd have undergone all the
107 above stages of industrial sickness. The researcher identified that there are various reasons that led the Jammu &
108 Kashmir Industries Ltd to sickness and thereafter closure of many other units of the Jammu & Kashmir industries
109 and now only 4 units of the industry are running that too on the verge of closure. The few of the problems that
110 researcher identified after analyzing the questionnaires filled in by the employees of the industry:-Corporate
111 planning failure.-The ill conceptualized plan, delay in action, inability to frame the modern, achievable goals, ill
112 functional policies are responsible for the sickness of the industry. Production Problems-Underutilized plants,
113 lack of product mix, defective production, availability of the raw materials & other consumables is another reason
114 for the sickness of the industry.

115 Financial Barriers-Finance is the most important constraint in running any organization. It is also one of
116 the major reasons or Closure of any industry. To operate any industry finance is most important consideration.
117 Every industry needs finance to manage their day-to-day operations such as purchasing raw materials, salary pay
118 outs, purchasing goods for office use etc. If finance is not arranged properly the industry may lead to closure.
119 Therefore finance is most important reason responsible for sickness of any industry.

120 Managerial Inability-Sometimes it is found that managers are not capable of managing the organizational
121 activities. This may be due to various reasons such as inadequate work knowledge, uninteresting job profile or
122 irrelevant education match with the job profile. Therefore if these sorts of experiments are done in the industry
123 they may face the closure.

124 Obsolete Technology-Technological changes also lead the industries to sickness, this happens when the proper
125 adaptation of technology is not done. That is industry follows the old technology in production or any other
126 related work. Therefore change in technology is also a considerable reason for industrial sickness.

127 Marketing Related Problems-Produced goods or products are sold in the market. If the product is not marketed
128 properly and supply is not proper there is possibility of customer switch to substitute product. If this issue of
129 supply is not resolved quickly the industries may lose their customers and it can be the major reason for its
130 sickness.

131 Human Resource Problems: Lack of skilled labors ,deficiency among the technical staff, delay in the practicing
132 of the modern HR Practices etc .If any of the implication is neglected it may lead to sickness.

133 **9 Factors**

134 Respond V.

135 **10 Findings and Conclusions**

136 The researcher considered the major reasons that lead to industrial sickness. The researcher found that financial
137 reasons are the most important reason considered by the respondents of industrial sickness and another chief
138 reason for the sickness of the industry is the managerial inability i.e. not able to cope up with the dynamism
139 occurring in the modern day markets. Rest factors which influence the sickness in the industry are Marketing
140 problems and the corporate planning problems. However the impact of obsolete technology is least on these units
141 in comparison to the other factors. The difference in the opinion exists between the employees of these units in
142 some of the aspects like Marketing Problems, Managerial inability, HR Problems. Changes acts as an important
143 reason for sickness. The researcher also concluded that there exist some variation between the views and opinion
144 of employees of these units regarding the reason of sickness.

145 Thus from the all above it is very clear that the reason for industrial sickness in this PSU is mainly due to the
146 internal failure thus a suitable revival strategy is to bring in the desired changes in the managerial ability & the
147 Human Resources of the industry. So it is very clear that in all the four units the response is quite similar, thus
148 we need to adopt similar kind of revival strategies for all the units to come back again.

149 It was suggested that the EDIs of the state should actively participate in training of the employees of sick
150 units periodically. The development corporations, financial institutions should make efforts in alarming the units
151 becoming sick .The study is limited to single public sector undertakings residing in J&K only. The respondents
152 seem to be unwilling due to lack of interest, negligence, communication problems. The element of subjectivity in
153 interpretation cannot be ruled out in eliciting requisite information.

154 From the research carried out it was also revealed that the PSU's faces number of problems but the factor
155 behind less sales of these units were related to marketing inefficiencies. The importance of innovative marketing
156 strategies in bringing about successful turnarounds has been highlighted by several researchers. The marketing

10 FINDINGS AND CONCLUSIONS

157 oriented business is customer focused, and generates and disseminates marketing intelligence that is widely used
158 throughout the firms. Such firms are able to sense and respond to market force with greater precision than inward looking rivals so we can say a good action again is required by the managerial staff for the revival. ^{1 2 3}



Figure 1:

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main object of promoting local & traditional art of the state dealing with wood work, woolen, kashmiri silk ,kashmiri carved furniture, Rosin & Turpentine industry in the State of J&K. The Jammu & Kashmir Industries Ltd is presently engaged in.

a) Wood works

In Govt. Joinery Mills, Pampore Kashmir and Bari-Brahmana, Jammu our designers are also engaged in manufacturing of Khatumband ceiling Kashmir is known for its distinctive crafts, one of which is the woodcraft. History of woodcraft in Kashmir spans over ten centuries. Woodwork is not merely a functional craft it is decorative as well. It is believable that this distinctive craft has come from Iran as the Iran link in this craft still exists. Even today different types of Khatumband are known by Persian names, he observes. Khatumband has variety to look marvelous in design, JKI have different types of Khatumband design like Moje, Moje Lehar, Teen Bakshish, Chaar Bakshish, Charr Gul, Panch Murabba, Sheesh Gul, Dus Baraan, Dehwaz Deh Girid and many more.

Figure 2:

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