

Industrial Sickness

As per RBI's definition, a sick unit is one such industrial unit that has been in loss for the past year of operations and has been declared on a loss for the present & coming year as well by the financing bank. An increase in such units leads to industrial sickness in India which can spread and affect the country's economy in a very bad manner.

The industrial sector in India contributes majorly to the Indian economy and accounts for more than 27% of the GDP. India is home to a number of large industries of all types. Having said that, industrial sickness is a process that affects the economy negatively and needs to be well understood.

Industrial Sickness in India

In its attempt to give an appropriate definition to industrial sickness, the Government laid out a Sick Industrial Companies Act (SICA), also known as Special Provisions Act in 1985. The SICA Act was introduced by the government in an effort to lay out certain special provisions that could enable the identification of sick units on time.

The Board for Industrial and Financial Reconstruction (BIFR) was formed under SICA to determine the extent of the industrial sickness of such units and further decide if they need to be revived or completely shut off. The Government, in its act, laid out certain guidelines based on which a large-sized or a medium-sized company or unit could be defined as sick.

Symptoms of Industrial Sickness

As per the Sick Industrial Companies Act (SICA), the following are the basic signs or symptoms of industrial sickness in India which can lead to the identification of a company as a sick unit.

- Initially, the government put a guideline of 7 years minimum for a company to be registered which was later brought down to 5 years.
- The company should have been at a loss in the present and the past year.
- The complete net worth of the company must have crumbled including the reserves and the paid-up capital.

Industrial sickness has been defined yet again in the Companies Act, of 2002 which is also the Second Amendment.

Causes of Industrial Sickness

Talking about the small-scale industry (SSI), there can be various reasons for a company to suffer from industrial sickness. Therefore, the causes of industrial sickness can be divided into

two categories- Internal Causes & External Causes. Let us look into the various causes of industrial sickness below.

Internal Causes for Industrial Sickness

The internal causes of industrial sickness refer to such factors that arise because of certain internal disorders and are within the control of the management, such as-

- Financial crunch
- Inappropriate production policies
- Inefficient maintenance of machinery
- No control over the quality
- Lack of R&D
- Incorrect market research methods & poor sales promotions
- Improper corporate management

External Causes for Industrial Sickness

Apart from the internal causes that we discussed above, there are many external factors also that affect the level of industrial sickness. These are the factors that are not directly under the control of the management such as-

- Unavailability of skilled labor
- Marketing constraints such as marketing recession or imprudent tax policies
- Shortage of raw materials, power, fuel
- Restrictions on import-export and high prices

Remedies of Industrial Sickness

Finding a way to stop the industrial sector from falling prey to the menace of industrial sickness is utterly important. In that direction, the Government realizes the significance of finding ways of restricting the strong industries from converting into sick units. It has been adopting a few measures to revive the sick units & put a stop to industrial sickness.

Organizational	Budgetary Concessions	Monetary Aid to rectify Industrial Sickness
Establishment of state-level committees by RBI to ensure	A scheme was announced by the government to facilitate excise loans to sick units.	Deferring loan interests & holding off loans and interests.

better coordination between various organizations.		
Formation of a 'special cell' by the Industries & Development Bank of India (IDBI) to provide assistance to the banks.	As per the govt. scheme, the sick units that will be selected for excise loans will be eligible for loans that don't exceed 50% of the excise duty which is paid over the past 5 years.	Easy availability of added financial aid when required.
Professional & timely response to the complaints/issues of the industrial units.	The Government made amends to the Income Tax Act in 1977 for providing benefits to such units that take control over the sick units.	To offer a respite on interest payments & other similar payments.