

Industrial sickness and its impact on the economy: A case study of haora district, West Bengal

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ABSTRACT

Industrial sickness acts as great hurdle for economic growth. It is considered as a disease that can change a strong unit into a sick or weak unit with low productivity. It is slow poison which can make an economy paralyzed. Haora district is one of the industrially prominent districts of West Bengal since colonial period. It is composed of different types of industries like engineering, jute and cotton textile units. With the march of time many of these have lost their glamour and gradually have become economically sick. After suffering from sickness for a long time some of them became closed. Increasing number of sick units in Haora district has affected the economy of this district as well as economy of West Bengal. The contribution of secondary sector in NDDP is declining and the share of registered manufacturing sector is decreasing while the share of unregistered sector is increasing day by day. This is a symptom of weak economy. To reveal actual scenario this study is based on secondary and primary data with purposive sampling technique. To recover from this situation Board of Industrial and Financial Reconstruction (BIFR) has been established and it takes necessary actions for fruitful results. It is true that without recovery and resurgence of these units and reduction in number of sick units revitalization of the economy is not possible.

Keywords: sick units, secondary sector, share of manufacturing sector, net district domestic product, board of industrial and financial reconstruction.

Industrial sickness is considered as a constraint of economic development. In fact, such sickness is a commercial term which has been defined by Reserve Bank of India (RBI) as “one which incurs cash loss for one year and in the judgment of the bank is likely to continue to incur cash loss for the current year as well as, ratios such as current ratio is less than 1:1 and worsening debt equity ratio” (H.P.S. Pahwa, 2010-11). This crucial written commercial term is playing vital role as ground reality. If industrial sickness is detected in any industrial region, economic growth of that region becomes sluggish. The state, West Bengal has a great potential of industrial growth and among the state’s industrially advanced districts, Haora occupies a prominent position since colonial rule. But with the march of time the state as well as Haora district both have experienced sickness of

their industrial units that has pushed the district as well as the state towards industrial and economic backwardness. The intensity of sickness or the number of sick units can change the economic structure of this district. More sick units mean low production, which is indicative of slow or negative economic growth. There are some major reasons for selection of the study area. Actually Haora district is an industrially prominent district in West Bengal since colonial period and is composed of different categories of industrial units like engineering, textile etc. These diversified units are suffering from various problems having formidable impact on its economic growth. Thus to explore the impact of industrial sickness on economy, Haora district is the most suitable study area.

Objectives

Objectives of this study are mainly concentrated on different aspects of industrial sickness in the backdrop of economic scenario of Haora district. These objectives were undertaken

- ❑ To find out the intensity of industrial sickness
- ❑ To explore the relationship between industrial sickness and economic growth
- ❑ To identify the impact of such sickness on the economy of the district concerned

Database and Methodology

This study is based on both primary and secondary data. A questionnaire based survey has been conducted in different industrial units for exploring their problems. To identify the basic problems in different units, mainly engineering and textile, purposive sampling technique has been adopted. Secondary data have been extracted from different government and non-government sources. Some statistical and cartographic techniques have been applied for depicting spatio-temporal trend followed by their interpretation.

Industrial Background

There was no major attraction for the industries of Haora district even in the first half of the colonial period. The entire district had a rural background and was composed of some large villages like

Seebpore (Shibpur), Howrah (Haora), Sulkea (Sulkia), Bali (Bally) and Uluberia etc. These villages had no contribution to industrial activities still the middle of the eighteenth century. Most of the areas were covered by stacks of timber and brick or tile kilns. The economic growth of Haora district was started as a supportive commercial hinterland of Kolkata. During the end of eighteenth century large industries were established with the investment of European capital to meet the requirements of the ships visiting Calcutta (Kolkata), and consisted chiefly of dockyards and roperies. During this period many sugar factories had been erected along the banks of the 'Bally Khal' to utilize the products of vast sugarcane field in this area (Bengal district Gazetteers, Howrah). Haora became an industrial hub after its selection as Eastern India Railway terminus and the construction of Rabindra Setu over Hugli River for providing a linkage with Kolkata. During the end of eighteenth century Haora district became a commercial hub and trade centre. Many dock yards, ship building companies, iron foundries and engineering works were erected and they were followed by growth of cotton, jute and oil mills. Along the river bank brick manufacturing was spreading fast due to presence of pug mills.

Industrial Growth

Growth of the economy now-a-days mainly depends on industrial growth. The annual average growth rate of registered working factories is 2.41% and 2.68% in Haora district and West Bengal

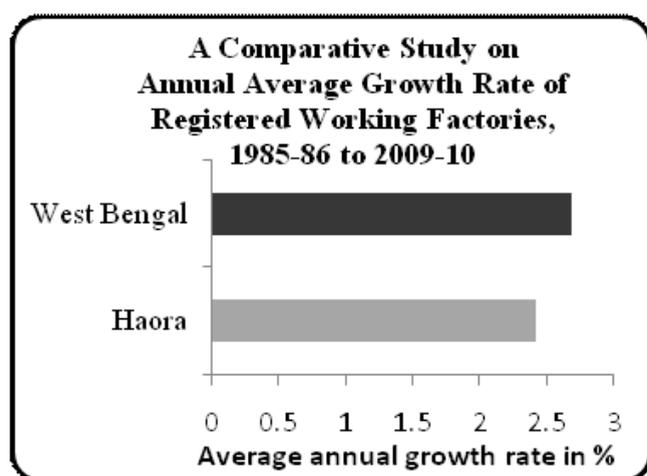


Figure 1

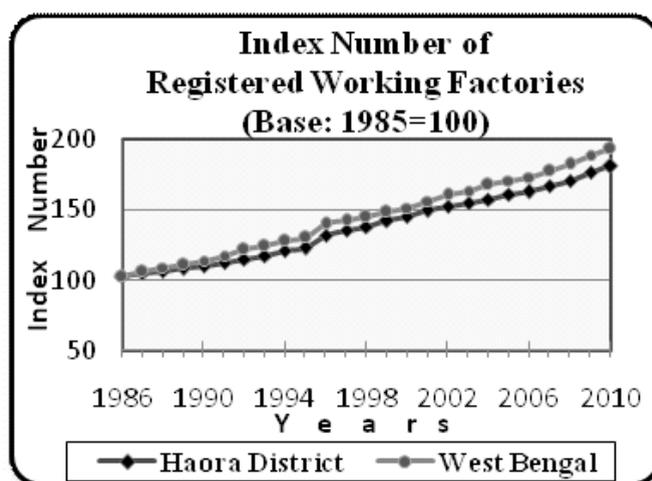
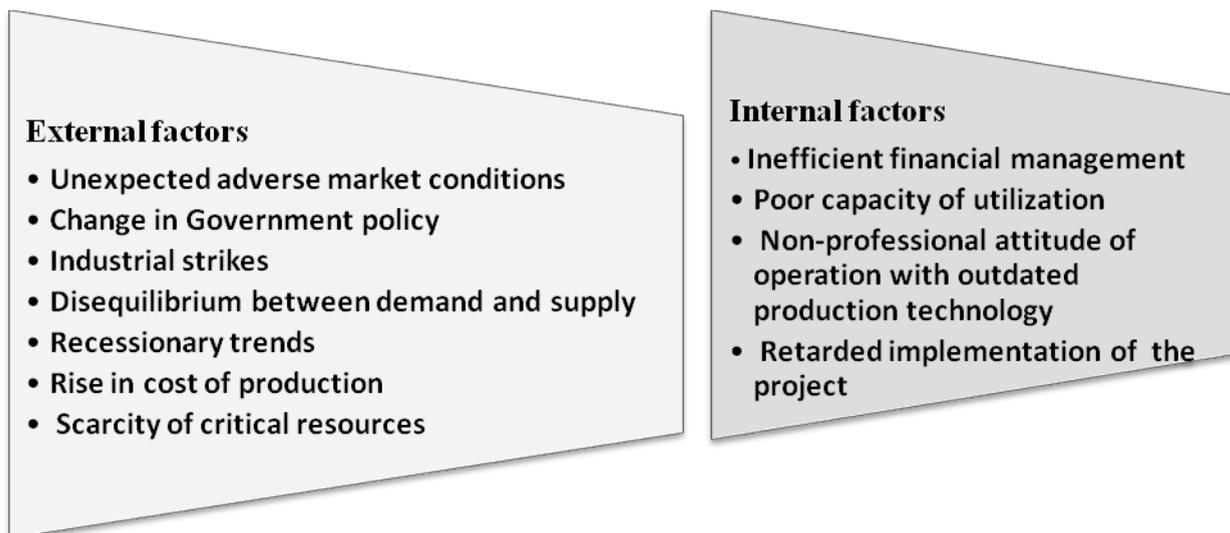


Figure 2

Data source: Economic Review, Govt. of West Bengal



Box No. 1: Factors Responsible for Sickness

respectively (Figure 1). The index number of Haora district is rising but still it is lower than that of West Bengal (Figure 2). From both the figures it is evident that the industrial scenario of Haora district is not very encouraging.

Sickness of the Industries

Industrial sickness is a slow organic process and a financially strong unit cannot become a sick unit within few days. There are so many factors which convert a well running industrial unit into a sick unit. The factors are categorized into two broad sectors: external and internal (Box No. 1).

All these factors can change an economically viable unit into a sick or weak unit. Normally one factor alone cannot be responsible for such sickness. In Haora district number of sick units is raising gradually (Figure 3). All categories of unit viz. Central Public Sector Undertakings (CPSUs), State Public Sector Undertakings (SPSU) and private units are suffering from sickness. The magnitude of sickness can be measured.

The level of industrial sickness is 10.29%.

$$\text{Formula: Level of industrial sickness} = \frac{\text{No. of sick units in Haora district}}{\text{No. of sick units in West Bengal}} \times 100$$

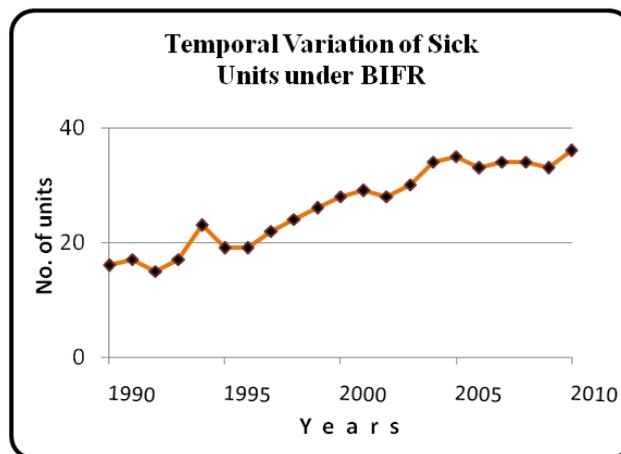


Figure 3. Data source: Labour in West Bengal, Govt. of West Bengal

In fact, these units are expanded to different problems which have been enlisted in the table – 1. Among the problems most of the units are suffering from low production, labour unrest and insufficiency of labour, lack of investment and poor management may be underscored. Labour unrest and insufficiency of labour both are social problems because very frequently labours appear to

be reluctant to work and raise their demands. From the field survey it has been revealed that about 62% of labours are migrated from the different adjoining States and now they have been engaged in jobs in their native place. Lack of efficient labour is a major hindrance to industrial productivity. Many units are experiencing strikes and lock-outs for a long period and during this phase they lose their marketing opportunity. Frequent occurrence of non-production day deteriorates the production capacity. Thus though both the problems are social but these have great impact on the economy of Haora district. All these problems generally act in a cyclic order. Any disruption in one sector always affects the whole system.

as part of economic reform to initiate of PPP model (Public-Private-Partnership) in industrial sector. The industrial belt of Haora district is dominated by engineering units which were also affected by another policy known as Freight Equalization Policy encompassing only two commodities viz. coal and steel since 1950s. By virtue of this policy West Bengal has lost its locational advantage as producer of both the materials and it passed as a threat to the textile and engineering group of industries in Haora district. The traditional units failed to compete with big monopoly Indian and multi-national companies in the national and global market respectively. Moreover, lack of mechanization and over dependence on labour force has injected an incipient sickness.

Table 1. Different Problems Faced by Industrial Units

Sl.	Problems	Percentage of respondents	Sl.	Problems	Percentage of respondents
1	Lack of investment	30	7	Frequent labour unrest	46
2	In-sufficiency in avail-ability of raw materials	13	8	Insufficiency of labour	38
3	Low production	54	9	Lack of infrastructure	21
4	Lack of marketing facility	21	10	Poor management	25
5	Low demand of the products	13	11	High production cost and low market price	17
6	Tough competition	13			

Source: Primary data, 2012

Impact on the economy

The economic growth of Haora district is mainly based on industrial sector. Contribution of secondary sector in Net District Domestic Product (NSDP) is close to the contribution of primary sector since colonial period. But after independence gradually the glamour of secondary sector and industry has been faded (Das, 2012).

Change in Economic Policy and industrial sickness: Major change in secondary sector has been detected after implementation of New Economic Policy in 1991 by the Government of India with goals of Liberalization, Privatization and Globalization (LPG). The Indian market has been opened for foreign investors and their shares in Indian companies are increasing (Singh, 2010). After introduction of the policy of disinvestment many Central and State Public Sector Undertakings (CPSUs and SPSUs) have been transformed into private units for smooth running. A formidable decision has also been taken

To overcome this bottleneck situation West Bengal Government adopted a separate Industrial Policy in 1994. Major objectives of this policy were – a) decentralization of units, b) establishment of strong relationship between rural agrarian and urban industrial economy through food processing units, c) emphasis on expansion of micro and small scale units and d) establishment of different industrial parks in different locations for creating an advantage of industrial agglomeration.

Declining situation of secondary sector: The contribution of secondary sector and primary sector to NDDP is declining while the tertiary sector's contribution is raising day by day (Figure 4). The share of manufacturing sector within secondary sector is also declining. The manufacturing sector is categorized into two sub-sectors: registered and unregistered. The contribution of registered sector is gradually declining while the unregistered sector's contribution is steadily rising (Fig.5). This indicates an insecure mentality of investors and industrialists.

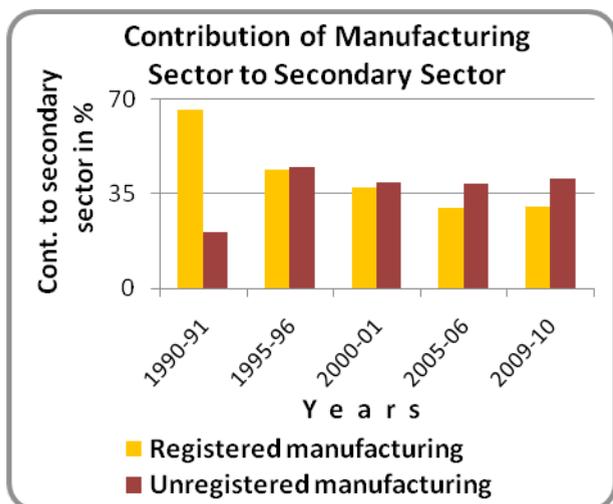


Figure 4

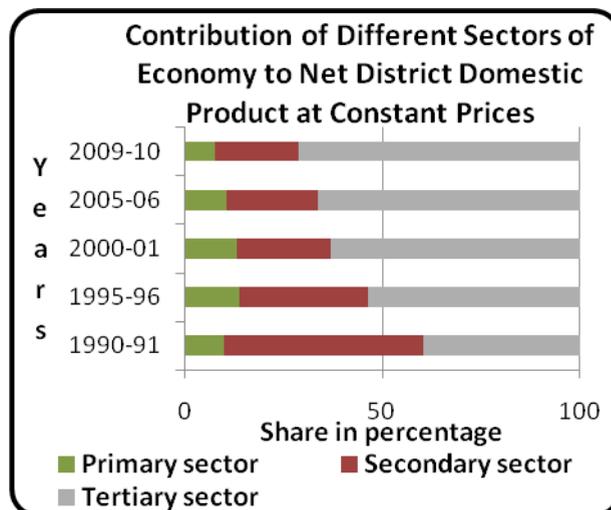
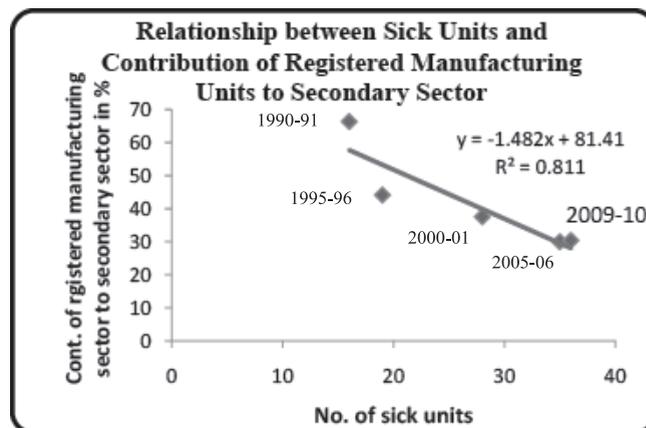


Figure 5

Data source: State Domestic Product and District Domestic Product of West Bengal, 2011, Govt. of West Bengal

Table 2. Problems Faced by Micro and Small Scale Units

Identified problems	Percentage of respondents
Lack of order	67
Tough competition with other companies of other states	59
Lack of investment	45
Application of old machineries and lack of perfection in finished products	41
Lack of skilled labour	72
Lack of marketing opportunities	53
Lack of infrastructure	41



Source: Primary data, 2013

Box No. 2: Sickness and its Impact on the Economy



Impact on micro and small scale industrial units: A large number of micro and small scale industrial units have been set up in this district as auxiliary units of large scale units. Industrial sickness in large scale units has a great impact on Micro and Small Scale

Enterprises (MSSE) because these lose their “mother units”. These units are experiencing so many hurdles (Table-2). In Haora district a huge number of micro and small scale units are located. These units have great contribution to District Domestic Product and

Gross State Domestic Product. But at present many of these units are either became unable to survive or they are showing symptoms of sickness. Such a dismal industrial scenario has posed as a threat to the economy of the district as well to that of the State.

The relation between both attributes – sick units and contribution of registered manufacturing units to secondary sector is negative (Figure 6). Industrial sickness is an important factor which deteriorates the secondary sector's production. Sickness in large scale units gradually creeps into the small scale units due to loss of parent concerns. In fact it is a chain system where one by one sector is affected consecutively (Box No.2).

Conclusion

Industrial sickness and its impact on the economy is a long rooted phenomenon in Haora district. With the advancement of time number of sick units is increasing and consequently the contribution of registered manufacturing units is declining. Moreover, a transformation in the economy has been observed; that is contribution of tertiary sector is rising while the contribution of primary and secondary sectors are declining. Besides, the share of registered manufacturing units is deteriorating. It indicates a low productive economy. When the mother concerns become weak, its impact on small and micro concerns is unavoidable. This study reveals that the problems of large units are related with production and labour. Each unit is suffering from frequent labour unrest that hampers production. The small and micro scale units are experiencing lack of order in one hand and on the other lack of skilled labour. The major problems of different scales of

units are closely related with each other. The cases of sick units are placed under supervision of the Board of Industrial and Financial Reconstruction (BIFR) which provides financial assistance and formulate different strategies for recuperation of the sick units. Thus with implementation of different strategies and techniques the intensity of industrial sickness is expected to be reduced. Revival of the sick units will ultimately make possible fresh blood circulation in the economy especially in the secondary sector with higher record of productivity. Flourishing trend of the industrial sector can strengthen the economy of the twin cities of Haora and Kolkata.

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