

APPENDIX II
CAUSES OF INDUSTRIAL SICKNESS

I - INTERNAL FACTORS

** MANAGEMENT

1. Improper location with regard to availability of raw material etc.
2. Autocratic management.
3. Unbalanced experience of top management.
4. Weak finance function.
5. Lack/Absence of corporate planning.
6. Lack of overall control.
7. Inadequate/poor communication system.
8. Over ambitious diversification.
9. Untimely / Inappropriate diversification.
10. Inadequate appraisal of initial feasibility.
11. Rivalries (strife) within top management.
12. Willful management.
13. Inappropriate/Weak response to change.
14. Inefficient working capital management.

* PERSONNEL AND LABOUR.

15. Overstaffing of labour and/or relatively high wages.
16. Bad labour relations.
17. Dissatisfaction of management and personnel.

* FINANCIAL

18. Diversion of funds from short term to long term uses and vice versa.
19. Siphoning of funds to outside the unit.
20. Lack/absence of financial planning. (Absence of budgeting, cash-flow, etc.).
21. Poor accounting systems.
22. Poor utilisation of assets.
23. Weak equity base.
24. Shortage of working capital.
25. Inability to raise additional funds in times of emergency.
26. Absence or weakness in cost control.
27. Lack or weakness in profit planning.
28. Wrong financing mix.

* MARKETING

29. Inaccurate estimation of demand, especially the unit's expected market share.
30. Over trading.
31. Excessive credit sale and estimation of credit for a longer period to assets.
32. Excessive reliance on one or two buyers for all sales.
33. Delayed realisation of sales to major buyers like government organisations and public sector undertakings.
34. Inappropriate product or product obsolescence.
35. Weak and unimaginative marketing.

* PRODUCTION AND TECHNOLOGY

36. Unsuitable (inappropriate) plant and machinery.
37. Obsolete plant and machinery or delay in replacement of plant and machinery.
38. Inadequate maintenance of plant and machinery.
39. Over-capacity installed initially and consequent imbalance in asset structure.
40. Lack of production planning.
41. Inappropriate/no attention to research and Development, technology and production.
42. Inadequate/no quality control.
43. Inability of fixed equipment to facilitate product diversification or modification.

II - EXTERNAL FACTORS

* Industry factors.

44. Shortage or non-availability of essential raw materials and infra-structure inputs like power and transportation.
45. Fall in demand due to cut in purchase by major clients of industry's product.
46. Adverse industrial relations with reference to labour and unrest and inter-union rivalry.
47. Threat of nationalisation.
48. Constraints on labour rationalisation.
49. Change in market environment.
50. Restrictions on import of essential inputs.

* Direct Government Controls and Regulations.

51. Direct controls on prices paid for inputs, prices realised on sales, distribution of production and awards of wages, bonus, etc.

* Economic Factors.

52. Short fall in expected Government investment and expenditure, leading to short fall in demand.
53. General economic recession.
54. Fall in export demand or export prices or change in international currency values.
55. Rapid inflation.

* Government Policy.

- Monetary policy.

56. Credit squeeze.
57. Rigidity of commercial banking system which may lead to delay in providing working capital finance to units.

- Industrial policy.

58. Bunched issuing of industrial licences for single product licences and therefore bunched implementation.
59. Licencing of over-capacity in industry due to inaccurate estimation of demand.
60. Restraints on diversification and expansion.

- Fiscal Policy.

61. Excessive taxation, especially excise and import duties.