



AN EMPIRICAL STUDY ON REASONS OF INDUSTRIAL SICKNESS- WITH REFERENCE TO UPTRON

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ABSTRACT

The researcher did an empirical study to find out the opinion of employees of U P Electronics Ltd for declaring it as sick industry. The researcher determined the reasons after taking the opinion from the employees of U P Electronics Ltd and found the most important reason as per the employees. The objectives on which the researcher will conduct the study are: 1) To study the reasons due to which UPTRON India Ltd became sick industry. 2) Understanding the employees views about the most important reason for UPTRON India Ltd becoming sick. The researcher tabulated the data and presented the data in the form of table and pie-chart. Thereafter the researcher discussed the reasons in detail. After studying the reason and analyzing them the researcher concluded that every reason given by the employee is responsible for declaring U P Electronics Ltd as sick industry.

Keywords: UPTRON, Industrial Sickness, Financial Reasons and Technological Changes.

INTRODUCTION

Closures of business units and corporate failures resulting in bankruptcies have become a normal feature in market economies the world over (Slatter, 1984; Kharbanda and Stallworthy, 1985). Growing competition and the ever-changing international economic environment often lead to high incidence of corporate failures in developed market current assets, the organization may not be in a position to pay its liabilities. The increasing trend in industrial sickness touching all types of units including small, medium and large-scale industrial sectors is of considerable concern. The problem is assuming titanic proportion and may have added repercussions in a country like India which cannot afford unemployment and loss of production.

Criteria for Identification of Sick Units

The Reserve Bank of India identifies sick industrial units on the basis of a mix of criteria including continued cash losses, imbalances in the financial structure, and deterioration in liquidity. "A unit may be considered sick if it has incurred cash losses for one year and, in the judgment of the Bank (RBI), it is likely to continue to incur cash losses for the current year as well as the following year and the unit has an

registered for not less than seven years), which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth and has also suffered cash

About U.P Electronics Corporation Limited

U.P Electronics Corporation Ltd. is a Company registered under the Companies Act, 1956 and was incorporated on the 30.03.1974 and is registered with the Registrar of Companies U.P., Kanpur vide certificate of Incorporation No.3880 of 1974 issued on 30.03.1974. This Corporation is

economies. However, these economies have the resilience to absorb the economic disturbances brought about by the closure of industrial units. In recent years, industrial sickness in India has reached alarming proportions. An industrial unit is considered sick when its financial position is not satisfactory and it becomes worse year after year. It incurs losses and its capital reserves may be stretched out in course of time. When its current liabilities are more than imbalance in its financial structure such as current ratio of less than 1:1 and worsening debt equity ratio" (RBI, 1978). Term lending institutions identify sickness on the following criteria:

- Continuous defaults in meeting four consecutive half-yearly installments of interest or principal of institutional loans
- Continuous cash losses for a period of two years or continued erosion in the net worth by 50 per cent or more
- Mounting arrears on account of statutory or other liabilities for a period of one or two years (Bidani and Mitra, 1983).

The most stringent definition is given in the Sick Industrial Companies (Special Provisions) Act of 1985, which defined a sick unit as "An industrial company (being a company losses in such financial year and the financial year immediately preceding such financial year,"

wholly owned U.P Government undertaking wherein all the shares held by his Excellency Governor of U.P and his nominees. The Researcherized Shared Capital of the Corporation is Rs.90.00 Crores and paid up capital is Rs.87.66 Crores. The Government of U.P. has provided Rs. 7.43 Crores equity of the Corporation in respect of which shares are yet to be allotted.

This Corporation was set up with the main object of promoting IT & Electronics Industry in the State of U.P. The UP Electronics Corporation Ltd is presently engaged in Computer Hardware Trading, Development of Computer Software and Computer Training through self and franchisees. Beside the Corporation is also involved in implementation of various projects/schemes allocated by the Government from time to time through various implementing agencies. Some of the major projects/schemes got implemented by the Corporation are as follows:-

- Software Technology Park, Lucknow and Allahabad- The scheme is implemented by Software Technology park of India, Government of India enterprises. The Corporation has played the promotional work in this project.
- Smart City Project- The Project which was sanctioned to UP Electronics Corporation Ltd is being implemented by a Society formed for the purpose. The pilot project is being set up at Lucknow.

also involved in implementation of various projects/schemes allocated by the Government from time to time through various implementing agencies. (www.upclco.in)

UPTRON India Ltd is one of the subsidiaries of U P Electronics Ltd. Therefore the researcher has selected UPTRON India Ltd for the study.

OBJECTIVES OF THE STUDY

The researcher will study about the reasons why UPTRON India Ltd became sick industry. Therefore considering the study the researcher will work on the following objectives:

- To study the reasons due to which UPTRON India Ltd became sick industry.
- Understanding the employee views about the most important reason for UPTRON India Ltd becoming sick.
- To find out the relationship between the opinions of UPTRON India Ltd and respondents selected from public.

MATERIAL AND METHOD

Study Area

The area of conducting this study is Electronic Industry in Lucknow. The study is specific to UPTRON India Ltd. The researchers will determine the reasons of sickness and will study them to meet out the objectives of the study.

- Computer Training for Government employees at various Commissionaires/ Head Quarters- The first Lab is being set up at Kanpur as per directions of the state Government. This is under final stage of implementation.
- The Corporation has setup various estates for development of Industrial Estates where the Corporation has provided land and sheds to various entrepreneurs and has also provided the seed money.
- The Corporation has setup various Subsidiary, Joint and Assisted Sector Companies.

This Corporation was setup with the main of promoting IT & Electronics industry in the State of U.P. The U.P. Electronics Corporation Ltd is presently engaged in Computer Hardware Training, Development of Computer Software and Computer Training through self and franchisees. Besides, the Corporation is

Sample Method and Sample Size

As the study is based on UPTRON India Ltd therefore the sample universe is small. The researchers will collect the data from 25 respondents from the employees of UPTRON India Ltd and 25 respondents from general public.

Data Collection Procedure

The data is collected by interviewing the respondents from UPTRON India Ltd in Lucknow district. The researchers interviewed the selected sample size and know their opinion concerning the reasons of sickness of UPTRON India Ltd.

Analytical Technique

Tabulated data was analyzed with the help of simple percentage to know the highly most influencing reason for sickness of UPTRON India Ltd. The researcher will use Karl Pearson Method of Correlation to find out the relationship between the public views and the employee views.

Results and Discussions

The researcher studied the reasons and discussed the reasons shown in Table-1 in this study. The researcher will find out the most influencing reason of industrial sickness. The collected data is presented in table-1 below:

Reason of Sickness	Employees Respondents X	Percentage X	Public Respondents Y	Percentage Y
Financial Reasons	8	32%	6	24%
Managerial Inability	2	8%	3	12%
Technological Changes	4	16%	7	28%
Marketing Related	3	12%	2	8%
Reduced Product Demand	3	12%	1	4%
Government Laws	5	20%	6	24%

Table 1: Reasons of Sickness

The researcher identified that there are various reasons that led the UPTRON India Ltd to sickness and thereafter closure. The few of the problems that researcher identified after interviewing the employees of UPTRON India Ltd are:

- **Financial Reasons**
Finance is the most important constraint in running any organization. It is also one of the major reasons for closure of any industry. To operate any industry finance is most important consideration. Every industry needs finance to manage their day-to-day operations such as purchasing raw materials, salary pay outs, purchasing goods for office use etc. If finance is not arranged properly the industry may lead to closure. Therefore finance is most important reason responsible for sickness of any industry.
- **Managerial Inability**
Sometimes it is found that managers are not capable of managing the organizational activities. This may be due to various reasons such as inadequate work knowledge, uninteresting job profile or irrelevant education match with the job profile. Therefore if these sorts of experiments are done in the industry they may face the closure.
- **Technological Changes**
Technological changes also lead the industries to sickness, this happens when the proper adaptation of

technology is not done. That is industry follows the old technology in production or any other related work. Therefore change in technology is also a considerable reason for industrial sickness.

- **Marketing Related Problems**
Produced goods or products are sold in the market. If the product is not marketed properly and supply is not proper there is possibility of customer switch to substitute product. If this issue of supply is not resolved quickly the industries may loose their customers and it can be the major reason for its sickness.
- **Reduced Product Demand**
This is related to product quality, if the product is manufactured with poor quality, the demand of the product will go down. If this problem is on regular basis it may lead to sickness.
- **Government Laws**
The government laws are to be followed any how when the organization is established. It is necessary to consider all government implications such as different certificates issued by the government, taxation, registration with different departments. If any of the implication is neglected it may lead to sickness.

Reason of Sickness	Respondents Employees X	Respondents Public Y	X- X1= x	Y- Y1= y	xy
Financial Reasons	8	6	-4	1	-4
Managerial Inability	2	3	2	4	8
Technological Changes	4	7	0	0	0
Marketing Related	3	2	1	5	5
Reduced Product Demand	3	1	1	6	6
Government Laws	5	6	-1	1	-1
TOTAL	25	25			14

Table 2: Correlation Between Employee and Public Opinion

Now, The researcher will calculate the covariance of X, Y and will use the following formula-

$$\text{Covariance} = \frac{\sum xy}{N}$$

Covariance = 14/ 6

Covariance = 2.33

Now to find out the correlation between the variables another element required is Standard Deviation. The researcher used Decision Analyst Stats 2.0 statistical software to calculate the Standard Deviation of X and Y.

The Standard Deviation is denoted as SD by the researcher. Therefore

SD of X = 2.137

SD of Y = 2.483

Now after getting the values of covariance and standard deviation the researcher will use following correlation formula given by Karl Pearson to find out the relationship between the opinions of employees and general public regarding the reasons of sickness of UPTRON India Ltd. The formula used by researcher is:

$$r = \frac{\text{Covariance (X, Y)}}{\text{SD of X} * \text{SD of Y}}$$

Now, placing the values of Covariance and Standard Deviation in the above formula:

$$r = 2.33 / 2.137 * 2.483$$

$$r = 2.33 / 5.306$$

Value of r = +. 439

FINDINGS AND CONCLUSIONS

The researcher considered the major reasons that lead to industrial sickness. The researcher found that financial reasons are the most important reason considered by the respondents of industrial sickness. The researcher interviewed the employees of UPTRON India Ltd but the opinion of the employees was found different among them. 32% of the respondents (employees) said that financial reason was the active reason for becoming UPTRON India Ltd sick whereas 20% of the employees consider government laws as an important reason. Similarly public consider technological changes as important reason for sickness of UPTRON India Ltd with 28% whereas reduced product demand is considered as an important reason by 4%. As per the opinion of employees of UPTRON India Ltd the major reason for sickness of UPTRON India Ltd is financial

issues whereas the general public considers the technological changes as an important reason for sickness. Therefore the researcher also considered both reasons as important issues for his study.

The researcher also concluded that there is Low positive relationship between the views and opinion of employees and general public regarding the reason of sickness of UPTRON India Ltd.

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