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SICKNESS IN MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA: TURNAROUND STRATEGIES FOR THEIR REVIVAL AND DEVELOPMENT

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Small scale industries constitute an important and crucial segment of the industrial sector. There has been an increasing realization of a need to introduce the concept of small and medium enterprises (SMEs) in place of small scale industries (SSI). Importantly, there is a growing recognition worldwide that SMEs have an important role to play due to their greater resource use efficiency, capacity for employment generation, technological innovations, promoting inter-sectoral linkages, raising exports and developing entrepreneurial skills. The small scale industries worked as an engine of growth. In the new economic policy regime, the daunting challenges confronting the economy in general and the SMEs in particular force policy makers to look at the future with some trepidation. This sector has enjoyed the status of priority sector in terms of bank lending. Importantly, several internal and external factors have put considerable pressure on the performance of the small scale industries resulting in industrial sickness. Of late, the incidence of sickness in SSI sector is showing an increasing trend and a large number of SSI units were found potentially non-viable. The several incentives provided for small scale units in India have protected the small enterprises which have actively availed themselves of government support. But the overall impact has been different than intended by the policy makers in several respects. Against this backdrop, present paper purports to examine the performance of SMEs, industrial sickness, government initiatives for revival of sick industrial enterprises and suggesting turnaround strategies for loss making SMEs in India.

INTRODUCTION

Small and medium enterprises play a very important role in the socio-economic development of our country, with low capital requirement, high employment generation, and decentralization of industrial activity, utilization of locally available resources and widening of the entrepreneurial base. This sector is the second largest manpower employer in our country after agriculture. A wide range of products from simple traditional crafts and consumer goods to ultra-sophisticated products such as micro-processors, mini computers, electronic components, electro-medical devices, etc. are manufactured by small and medium enterprises. Despite several policy measures during the last decades, the Indian small scale units are mostly small, technically backward and operating in a competitive force. Despite the lack of competitive power, small industrial units in India can survive due to product and geographic market segmentation and policy protection (Tendulkar et.al 1997). The business environment has changed drastically in recent times. It should be noted that safety is a transitory measure and can only be used to give industrial units time to improve their competitive strengths. All industrial units, small or large, have to sustain themselves in their own competitive strengths by successfully facing competition in market economies. Industrial units should be competitive and commercially viable. Small scale industry is an important and important segment of the industrial sector. The sector has enjoyed priority sector status in terms of bank lending. Crucially, many internal and external factors have put considerable pressure on the performance of small scale industries, resulting in industrial sickness. Of late, the incidence of sickness in the SSI sector has been increasing and a large number of SSI units have been found to be potentially non-viable. To resolve the problem of industrial sickness in the SSI sector, a Working Group on Rehabilitation of Sick SSI was formed by RBI, under the chairmanship of Shri S.S. Kohli in 2000. The group has submitted the report and the recommendations were accepted by the RBI. The new industrial policy launched in July, 1991 marked the beginning of economic reforms in India. The core elements of industrial liberalization included the elimination of all entry barriers for most industries as well as allied countries on scale and technology. Industrial liberalization was complemented by trade liberalization in the form of a drastic reduction in customs and renewal of restrictions on the import of raw materials, intermediates and capital goods. The new policy has proposed clear guidelines to deal with three major areas of concern for the region viz. (i) finance, (ii) marketing and; (iii) Technology.

LITERATURE REVIEW

There has been number of studies and surveys which deal with performance of SMES, industrial sickness and government initiatives for revival of sick industries . Rao (1995) pointed out that investment possibilities related to technology acquisition and transfer in small scale and medium sector have assumed great importance in their interest to meet the challenges of liberalization and globalization of markets. Narayanan (1964) discussed the financial problems commonly faced by industries and recommended the establishment of an Industrial Development Bank at the state level to mitigate the problems. Singh and Gupta (1997) stated that expansion of bank credit is not only desirable, but also necessary for the economic development of industries in Jammu and Kashmir. A study conducted by Papola and Tiwari (1981) on the effect of concessional finance on the industrial development of backward areas found that concessional finance was one of the important considerations in the location of new unit in backward districts. Bagchi (2000) reported that although the small-scale sector contributes significantly to industrial production, employment and foreign exchange earnings, it suffers from severe technological obsolescence and lack of economies of scale. Abraham (1991) pointed out that the success or failure of any small enterprise depends mainly on the entrepreneur, support system and environment. He stressed that success or failure is mostly determined by the human element involved in the industrial enterprise.

Panda and Mehar (1992) studied sickness in SSIs in the state of Orissa. Despite several policy measures during the last decades, the Indian small scale units remained technically backward and lacking competitiveness. The liberalized business environment for the small scale sector has hardened due to increasing internal and external competition (Sengupta, 2005) Sudhanshu and Nayak (2016) observed that the increasing sickness in the industrial sector has created a dangerous situation not only for entrepreneurs, but also for planners and officials, especially for the MSMEs sector. Despite the incentives and facilities provided by the government to promote a large number of MSMEs units over the years, a substantial number of units have faced a number of problems, bringing an inherent feature of the uncomfortable situation. This may be due to most of the major key factors. More common are management failures, lack of finances, shortage of raw materials, power cuts, labor troubles, marketing problems and many more. Therefore, there is a need to identify the sickness in the initial stages and before starting the process of corrective measures and rehabilitation. The sickness assumes serious proportions. Balan (1996) is of the view that the state public sector units that are already rehabilitated with positive results have revealed (1) potential non-use of (2) single products without flexibility (3) lack of accountability and reporting systems (4) low staff morale and (5) poor marketing and financial system are common causes of sickness in industries. Srivastava and Yadav (1986) identified the internal factors are responsible for the sickness .

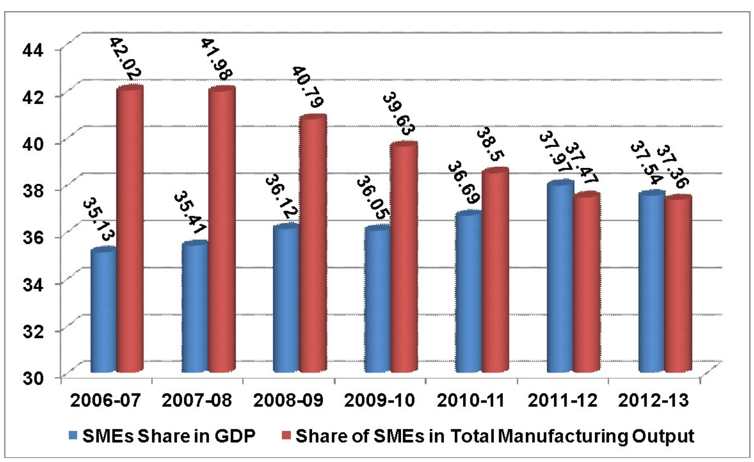
According to Ramesh (1991), the main factors adversely affecting the health of small scale industries are limited ability to raise equity, problems in raising institutional funds, delayed and inadequate working capital loans by banks, competition from multinationals and large industries, widespread fluctuations, prices of raw materials, sub-optimal capacity utilization, fall in finished goods prices, severe labor turnover, lack of skilled work force, poor maintenance, mis- management, lack of cooperation and mis -understanding by revenue-collecting authorities, untimely and sudden seizures and units. According to Rai and Brahmanandam (1984) reported that internal causes are related to choice of location, underestimating the cost of capital, excess demand, mis-management, failure to implement proper control techniques and equipment, poor maintenance of machines and equipment and poor public relations etc. External causes are related to changes in government policies, lack of raw materials, power, transport etc., industrial peace and absence of rising inflation. According to Joshi (1983), industrial illness is largely a phenomenon of financial viability in such a way that the structure can neither stand on its own feet nor can it be erected with the help of external agencies. Bulsara and Bhatt (2010) studied the factors responsible for industrial disease. The literature reviews simply demonstrates that there is paucity of literature, empirical data and policy measures to deal industrial sickness in SMES in India.

STATUS OF SMES

India's small industry policy has been a widely known phenomenon. The relative merits of less capital intensity and more labour absorption capacity among others have endeared the sector to the policy makers as an instrument to achieve a variety of economic objectives, such as employment generation, production of mass consumption goods, balanced regional development and equitable distribution of income. In India, the definition of small-scale industries is mainly in terms of investment ceilings, which have changed over the years to keep pace with economic development. Therefore, SME category would provide the fillip in providing the much needed technological advancement and up gradation, optimum sales of economy, and vertical growth. The change in size and level of operation would lead to corporatization of SME's and it should also have integration with broader markets. All these would obviously facilitate seamless growth of small to medium and eventually even to large scale. Finance Minister of India, Smt. Nirmala Sitharaman in her speech on May 13, 2020 has announced the revision of the definition of the Micro, Small and Medium Enterprises (MSME). Earlier the MSME was defined based on whether the MSME was a manufacturing enterprises or service enterprise. In the case of manufacturing enterprises, it was defined in terms of investment in plant and machinery while a service enterprise was defined in terms of investment in equipment. The MSME was classified as micro enterprises, small enterprises or medium enterprises based on the investment in plant and machinery in the case of the manufacturing sector and investment in equipments in the case of the service sector. The definition of MSME is now based on "investment and annual turnover" **.** In the new definition, the different definition of manufacturing sector and service sector has been done away with a new concept of turnover. The investment limit has been revised upwards**.** It will help in the seamless expansion of small and medium businesses in the country. The upward revision in the investment limit of MSMEs will help bring an increased number of MSME units access to institutional working capital.

The MSMEs sector has shown increasing trend over the period of 2006-7 to 2014-15. The number of units increased by 41.13 percent while employment in the sector increased by 45.46 percent during the corresponding period. The market value of fixed assists grew by 69.48 percent during the period. The number of MSMEs in 2014-15 recorded 510.57 lakh with the employment of 1171.32 lakh and market value of fixed assets in the tune of Rs. 14.75 lakh crores . Contribution of SMEs in GDP was reported 35.13 percent in 2006-07 which increased to 37.54 percent in 2012-13 . Similarly, the contribution of SMEs in total manufacturing output was recorded 42.02 percent in 2006-07 and declined to 37.36 percent in 2012-13 (Chart1).

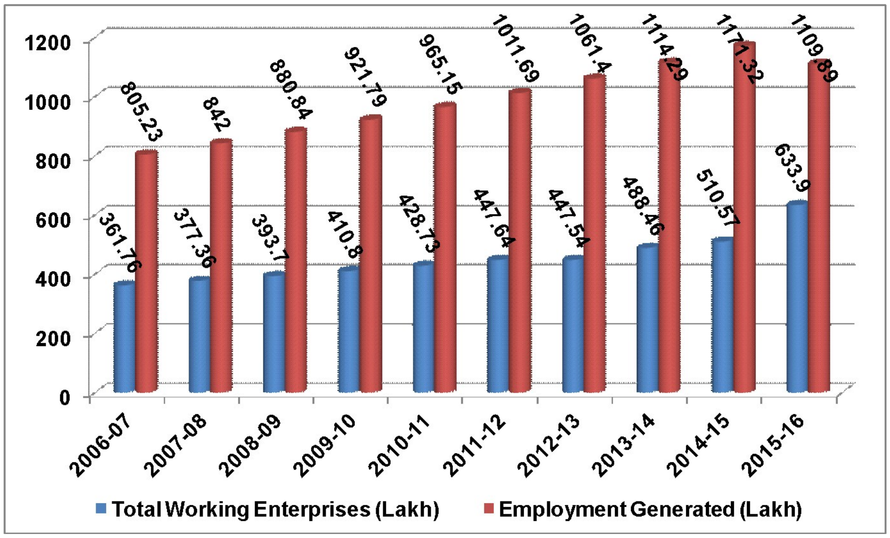
Chart 1: Contribution of MSMEs in GDP in India



Source: Ministry of MSMEs, Government of India.

Growth of MSMEs in India is shown in Chart 2. The total working enterprises in 2006-07 were reported 361.76 lakh which increased to 510 .57 lakh in 2015-16 while employment in these industrial enterprises increased from 80523 lakh in 2006-07 to 1109.89 lakh in 2015-16.

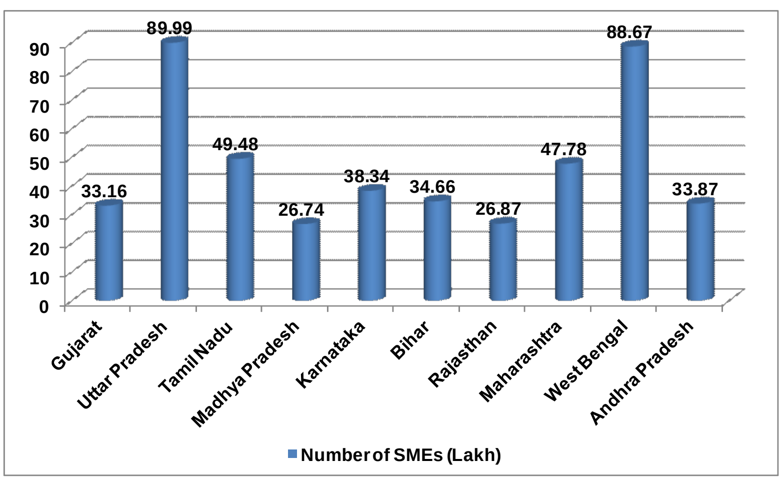
Chart 2 : Growth of MSMEs in India



Source: Ministry of MSMEs, Government of India.

Most of the MSMEs in India were micro in nature. Out of total MSMEs in 2015-16 , 630.52 lakh enterprises were micro while 3.31 lakh enterprises were recorded as small. Thus, only 0.05 lakh enterprises were medium in nature. Medium size enterprises were reported mainly in Madhya Pradesh, Rajasthan, Telengana and West Bengal. The concentration of SMEs has been reported mainly in Uttar Pradesh, West Bengal, Tamil Nadu, Maharastra, Karnataka and and Bihar (Chart 3).

Chart 3: Concentration of SMEs in India



Source: 74th Round NSSO Survey

The growth of MSMEs in India during the period of 2006-07 to 2015-16 is shown in table 1. Overall, there has been growth of 75.22 percent in enterprises during the corresponding period. The high growth was reported in West Bengal followed by Bihar, Uttar Pradesh, Karnataka, Rajasthan and Maharashtra. Uttar Pradesh, West Bengal, Tamil Nadu, Maharashtra, Karnataka, Bihar, Andhra Pradesh, Gujarat, Rajasthan and Madhya Pradesh, accounted for 74 percent share of MSMEs in 2015-16 which has shown an increasing trend from 2006-07.

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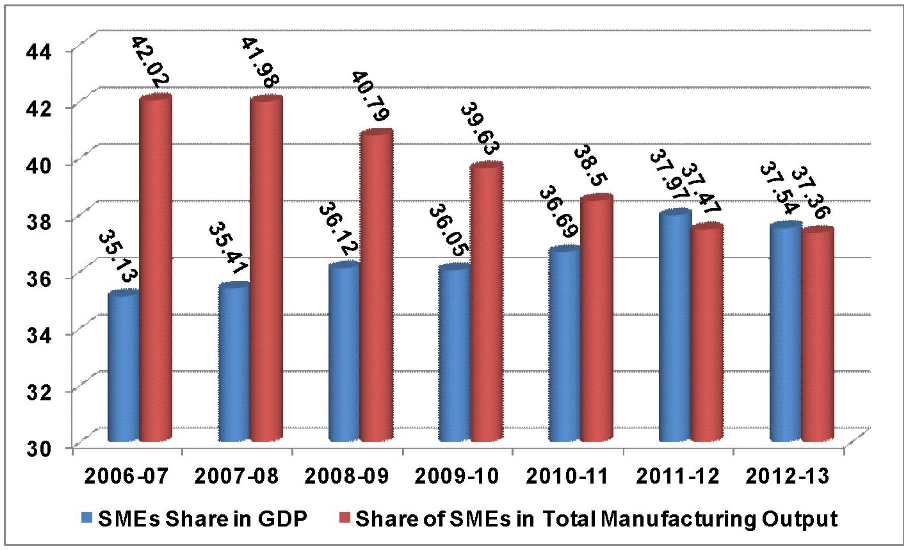

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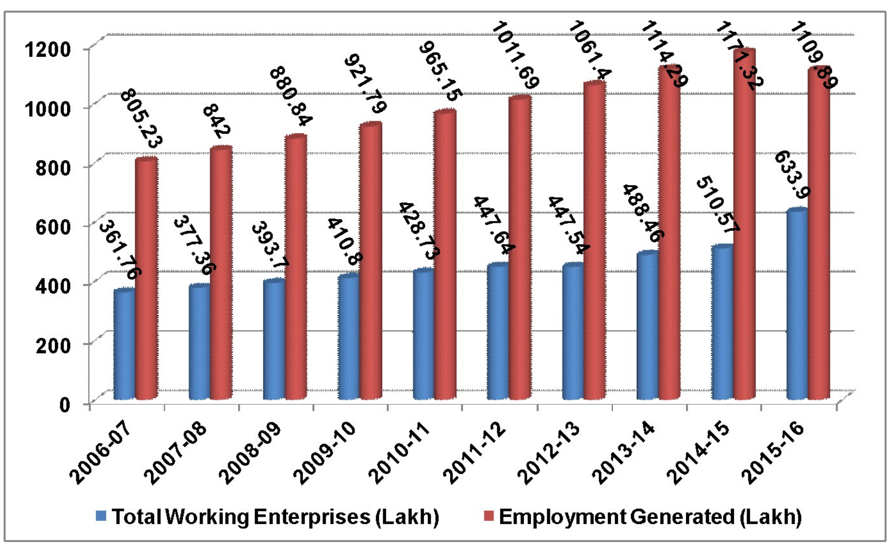

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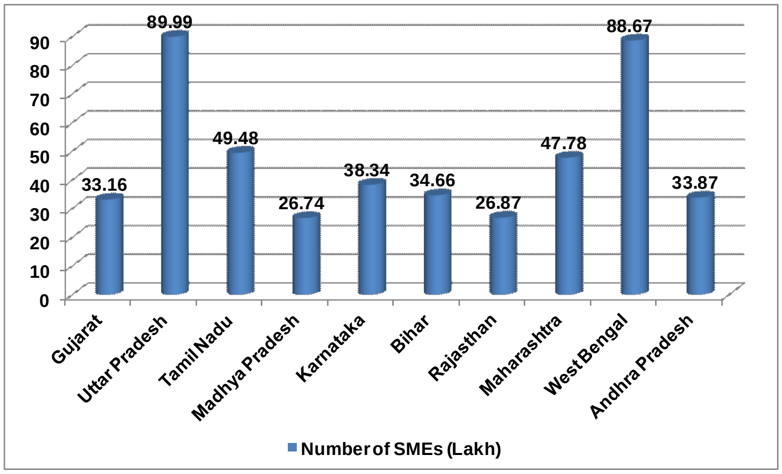

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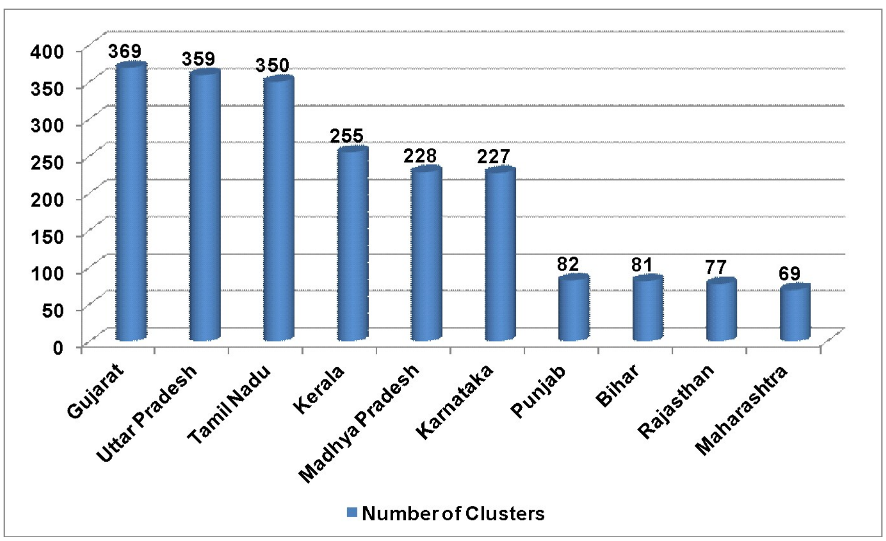
Table 1 : Growth of MSMEs in Selected States of India

State	73rd Round of NSSO(2015-16)		4th All India Census of MSMEs(2006-07)	
	Number(In Lakh)	Percentage	Number(In Lakh)	Percentage
Uttar Pradesh	89.99	14	44.03	12
West Bengal	88.67	14	34.64	10
Tamil Nadu	49.48	8	33.13	9
Maharashtra	47.78	8	30.63	8
Karnataka	38.34	6	20.19	6
Bihar	34.46	5	14.70	4
Andhra Pradesh	33.87	5	25.96	7
Gujarat	33.16	5	21.78	6
Rajasthan	26.87	4	16.64	5
Madhya Pradesh	26.74	4	19.33	5
Top 10 States	469.40	74	261.89	72
Other States and UTs	164.50	26	100.72	28
All India	633.90	100	361.76	100

Source: Annual Report, 2019-20, Ministry of MSMEs, Government of India

A cluster is sectoral and geographical concentration of enterprises faced with common opportunities and threats which gives rise to external economies, favours the emergence of specialized infrastructure and services and enables cooperation among public and private local institutions to promote local production, innovation and collective learning. Some distinguishing features that industrial clusters should have are: (i) Geographical proximity, (ii) Sectoral specialization, (iii) Predominance of small and medium sized firms, (iv) Close inter-firm collaborations, (v) Inter-firm competition based on innovation, (vi) A socio-cultural identity which facilitates trust, (vii) Active self help organizations and (viii) Supportive regional and municipal government.Cluster of a large number of small scale manufacturing units boosts the effectiveness of policy programs targeted at manufacturing development because of the economies of scale and concentration advantages. The similarity of needs and support requirements, speed up the dissemination of best practices and allows for distribution of fixed costs of distributions. UNIDO is implementing a project in India with the aim of developing capabilities at both the local and the national levels so to promote SSI networking and cluster development. As per information available from Ministry of MSMEs , Government of India , SMEs clusters were recorded high in Gujarat followed by \Uttar Pradesh, Tamil Nadu, Kerala, Madhya Pradesh, and Karnataka (Chart 4).

Chart 4: SMEs Clusters in India



Source: Ministry of MSMEs, Government of India.

More than half of the MSMEs were found situated in rural areas. Less than one third MSMEs were manufacturing sector while trade sector MSMEs constituted 36 percent while services sector enterprises accounted for 33 percent. The employment in enterprises located in rural areas accounted for 44 percent while the share of employment was reported high in trade and services sector enterprises as compared to enterprises in manufacturing sector. The share of medium size enterprises was reported comparatively high in urban areas as compared to rural areas.

Technology Acquisition Scheme of MSME launched in 2015-16, has benefitted 5,047 MSEs under Credit Linked Capital Subsidy Scheme. About 20 percent enhancement in productivity, improved work culture, increased competitiveness, inventory reduction cost saving, etc were observed. Credit Guarantee Scheme of 2015-16, Government of India contributed Rs. 81.36 Crore to the Trust Fund. The Scheme has performed well leading to higher lending without collateral to SMEs. Textile sector has very high employment elasticity. Capacity building in the textile sector for employment generation is set up to reap the demographic dividend. It is proposed that Integrated Skill Development Scheme should be continued beyond 12th Five Year Plan with higher allocation for training 27 Lakhs persons in the mainstream sector and 4.5 Lakhs persons in the traditional/unorganized sectors. An outlay of Rs. 1980 Crores for next 3 years is proposed. All Handloom sector schemes will merge under National Handloom Development Programme to adopt a flexible and holistic approach in the sector to facilitate handloom weavers to meet the challenges of a globalized environment. Scheme focuses on increasing the income of weavers and sectoral development. The proposed financial outlay is Rs. 2119 Crores for next 3 years. A similar recommendation for the handicrafts sector is also being proposed. All Handicrafts scheme should merge under National Handicrafts Development Programme. Scheme focuses on increasing the income of artisans. The proposed financial outlay is Rs. 890 Crores for next 3 years. Indian leather sector is dominated by small and unorganized industries and thus need assistance to increase production and productivity. Indian Leather Development Programme through its sub-schemes aim at augmenting raw material base, address environmental concerns, human resources development , infrastructure constraints and establish institutional facilities The Indian Leather Development Programme will continue with a higher financial outlay of Rs. 5648 crore. The purpose is to upgrade 12 FDDI, skill training to 7 lakh youths, upgradation of 21 CETP & ETP of 200 tanneries, 9 mega leather clusters, modernization of 1000 units, 7 lakh jobs, higher exports and boost to the domestic manufacturing. The National Career Service is a mission mode project that provides a host of career-related services such as dynamic job matching, career counseling, job notifications, vocational guidance, information on skill development courses, etc. It brings all stakeholders of the project together to facilitate convergence of information and create synergies through these associations. National Career Service seeks to address 3.7 crore job seekers and 14.8 lakh employers (NITI Ayog, 2017) . The Pradhan Mantri Rojgar Protsahan Yojna is a scheme to incentivize employers for job creation, envisaging payment of employers' contribution is under implementation. The government will pay 8.33 percent EPS contribution for new employees earning up to Rs. 15000/- per month. Incentivisation of employers for providing employment to new job seekers would help in fruitful job creation. It intends to create 5 Lakh jobs per annum, which needs to be continued.

Prime Minister's Rural Employment Cluster Yojana: providing comprehensive rural industry development is to be launched to start Rural Employment Clusters / small industrial estates at 50 places in rural areas giving impetus to agro-industry and employment involving academic institutions, administrative machinery of Central, State and local administration. In order to strengthen the weaving sector, additional incentives for modernization of power looms, uniform concessional power tariff are required to make the sector competitive. A new scheme of Integration Scheme for Power loom Sector is proposed which aims to attract Rs. 1000 crores investments, 10,000 jobs and upgradation of power loom Sector. The financial outlay for this project is Rs. 487 Crores in 3 years. It is proposed to create Infrastructure for supporting infrastructure critical for promoting exports. Under new scheme of Trade Infrastructure for Export Scheme, financial support will be given to Export Infrastructure Projects executed by Central and State Agencies (NITI Ayog, 2017) .

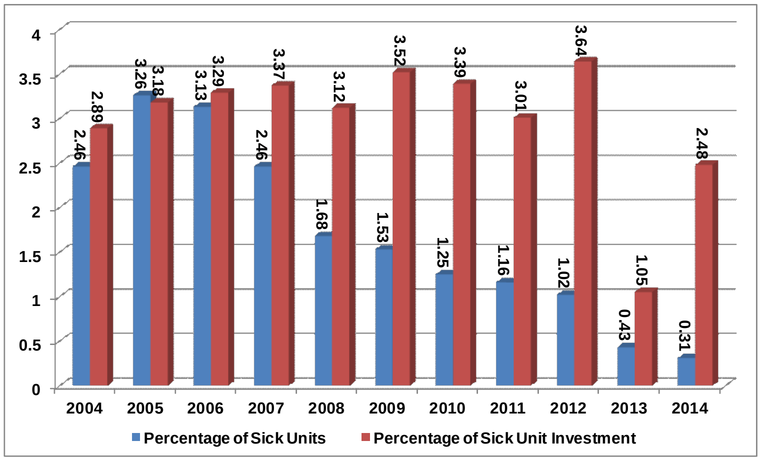
INDUSTRIAL SICKNESS IN INDIA

Industrial disease is widely spread across the country with uneven distribution in the states. Some high-income states show the least contribution to the country's industrial sickness while others show more industrial sickness. . Madhya Pradesh, West Bengal and Tamil Nadu show the largest contribution of sick industrial units in the country, while the lowest contribution comes from some special category states like Arunachal Pradesh, Manipur, etc. so that the government can revive the performance of MSMEs. According to the Sick Industrial Companies Act (2006), the sick entity is defined as 'an industrial company whose accumulation at the end of any financial year equals or exceeds its entire net worth and such financial cash losses have also occurred in the year. The rapid increase in industrial sickness is cause of concern. Society is also affected by the occurrence of industrial sickness, because unemployment, in the wake of layoffs of workers, spreads widely, leaving them out of jobs. It also affects the availability and price increase of goods and services. Share holders lost their hard earned savings, creditor losses and future prospects of the business. Apart from entrepreneurs, managers face many problems, difficulties in closing their units or on low productivity which causes financial losses. Major issues affecting SSI sector policy making are related to production, export growth, creation of employment opportunities, reduction in urban inequality, improvement in rate of return on investment etc.

Sickness can vary from industry to industry and unit to unit in a particular industry. The causes of sickness in SSI sector can be attributed to a combination of several factors rather than any specific reason. Small scale industry faces many problems, obstacles, and limitations. The industrial and economic environment around the world, and in particular the new policy regime, led to the shortage of raw materials for small-scale industries and created organizational problems while) social and cultural value systems, environmental pollution and other problems influenced the performance of MSMEs . Technical problems pertaining to industrial sickness included manpower shortage, quality problems, marketing problems, and export related problems as well as entrepreneur's financial problems. Lack of infrastructural facilities hindered the access to technology and self-reliance for small scale industries. SSI lacks indigenous technology capacity, improving traditional technologies to reduce dependence on advance countries and exporting some technologies for better bargaining conditions for imported technologies. One of the major problems facing entrepreneurs today is related to the availability of labor. The unavailability of qualified technical manpower is emerging as a major obstacle in the rapid growth of industries. From the marketing aspect, the main problems identified include: packaging, pricing, marketing, promotion, transportation and market information.

Sickness in MSMEs has shown an increasing trend in India during 2004 to 2006 , however, it has gradually declined after 2006 . The incidence of industrial sickness was reported 2.46 percent in 2004 which increased to 3.13 percent in 2006. However invest in loss making enterprises increased from 2.89 percent in 2004 to 6.34 percent in 2012. In the recent years, there has been slight improvement in industrial revival of sick industries (Chart 5).

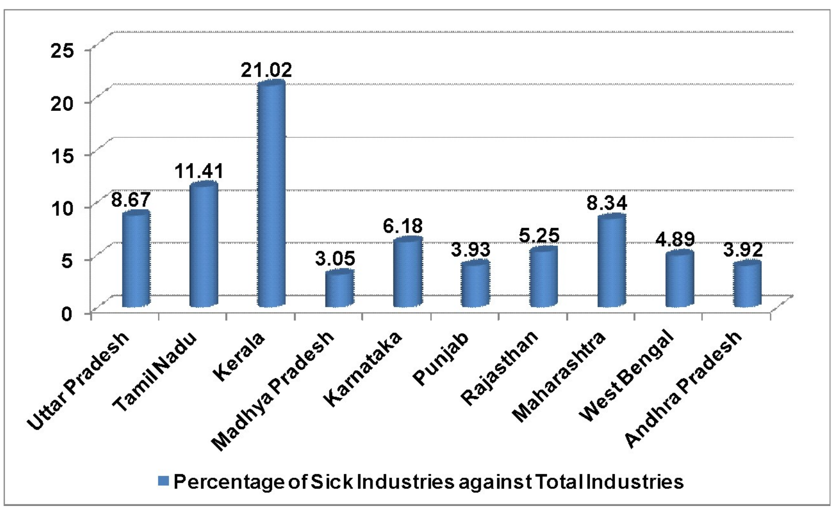
Chart 5 : Sickness in MSMEs Sector in India



Source: Ministry of MSMEs, Government of India.

The percentage of sick industries against the total MSMEs was reported high in Kerala, Tamil Nadu, Uttar Pradesh, Maharashtra, Karnataka, Punjab, and West Bengal (Chart 6).

Chart 6: Sickness in SMEs in India



Source: Ministry of MSMEs, Government of India.

GOVERNMENT INITIATIVES FOR REVIVAL OF SICK SMES

The MSMED Act, 2006 focused on encouraging the growth of these MSMEs and enhancing their competitiveness. It provides a first-ever legal framework for the recognition of the concept of "enterprise" which includes both manufacturing and service entities. It first defines medium enterprises and looks to integrate with micro, small and medium enterprises . The Act provided for a statutory advisory mechanism at the national level with balanced representation of all classes of stakeholders, particularly the three classes of enterprises, and a wide range of advisory functions.

The Government launched the Credit Guarantee Fund Scheme for Micro and Small Enterprises in August, 2000 to ensure better flow of credit to micro and small enterprises by reducing the risk perception of banks / financial institutions in lending without collateral security. Construction of MSEs Performance and Credit Rating Scheme was started in April , 2005, with the aim of helping MSEs to achieve performance-credit-setting, which would help them to improve performance and improve ratings The bank will get access to the credit on the terms. The program envisages capacity building, skill development, improvement in technology up gradation of enterprises, credit disbursement, marketing support, establishment of common facility centers etc. Extensive facilities for most of clusters of micro and small enterprises spread across the country. The Credit Linked Capital Subsidy Scheme is intended to assist individual micro-small enterprises to replace their existing machinery with more modern and efficient manner. Government also launched Integrated Infrastructure Development (IID) scheme in 1994 to set up industrial estates and develop infrastructure facilities such as power distribution networks, water, telecommunications, drainage and pollution control facilities, roads, banks, raw materials, storage and marketing outlets for MSMEs, general service facilities and technical back up services etc.

The government has also launched the National Manufacturing Competitiveness Program (NMCP) to help MSMEs to improve their competitiveness. The objective of the scheme under this program is primarily to address the technology, marketing and skill up-gradation needs. One of the components under this program is the application of lean manufacturing technology to increase the competitiveness of firms by systematically identifying and eliminating waste throughout the business cycle.

The Sick Industrial Companies Act (SICA) was enacted in 1985 as a result of the recommendations of the Tiwari Committee. The Industrial and Financial Reconstruction Board (BIFR) was formed to determine and revive sick companies. Later on, due to endless delays in the case of sick companies by the BIFR, the Government formed Committee under the chairmanship of Balkrishna Iradi in 1999 The Committee recommended repealing of SICA Act. The Committee under the chairmanship of N.L. Mitra recommended the dissolution of BIFR and AAIFR which was incorporated into the Companies Amendment Act, 2002. The Companies Act, 2002 was introduced for the revival and rehabilitation of sick companies. The Act, 2002 sought to replace the two-tiered mechanism of Industrial and Financial Reconstruction (AAIFR) of the BIFR and the Appellate Authority in the SICA with the NCLT and NCLAT. However, the said amendments were not notified. Once the BIFR realizes that a company is ill, it gives the company a certain time to get out of the problem and make the net worth without any external financial support. The committee, set up in 2005 under the chairmanship of Justice Iradi, submitted its report indicating the need for separate laws regarding the revival and rehabilitation of companies. The report recommends transparent and globally accepted rules and regulations for the reconstruction and liquidation of companies. Procedures from company registration to winding should be available in a law.

The term “sick companies” was replaced by “bankrupt companies” and the criteria for the sickness test were changed from the net worth of the company to the liquidity ratio maintained by the company. However, the report remained silent, which would be accounted for in the case of inefficiency in corporate governance. The “Rehabilitation Fund” replaced the “Insolvency Fund” and contributions made by the company were made optional. Prior to IBC, 2016, the Companies Act, 2013 contained the provisions, which were later waived by IBC, 2016. Under the Companies Act, 2013, these provisions were however prepared to replace the revival and rehabilitation of the provisions of the companies. The Companies Act, 1956, however, was not notified and therefore until the Insolvency and Bankruptcy Code, section 7 (b) of the SICA Repeal Act was amended until the time of 2014. The repeal was later clarified by the Insolvency and Bankruptcy Code (Removing Difficulties) Order, 2017 . After the incorporation of the Insolvency and Bankruptcy Code, 2016 (IBC), the pending proceedings under SICA came to an end. After amendment to section 4 (b) of Sick Industrial Companies (Special Provisions) through IBC, 2016, the Repeal Act, 2003, earlier included provision for reference and investigation as per Companies Act, 1956, references and investigations was replaced with IBC, 2016. In relation to the Code, any reference or investigation etc. which is pending before the Board or Appellate Authority under the Sick Industrial Companies (Special Provisions) Act, 1985 was stayed in 1985 and therefore should be guided accordingly. Modified as per Section 4 (b) and replaced by Code, a period of 180 days from the commencement of IBC is provided for companies to make reference before NCLT in respect of the above reference to appeal or inquiry. In the case of M / S ATV Project (India) Limited v Union of India, Delhi High Court, while assessing the constitutional validity of Section 4 (b) of the above repeal Act, presumed that once a law has been repealed and replaced by a new law, it is not open to anyone to claim that it should continue to be governed by the old law, except where action on existing laws was concluded.

As the IBC primary object was to consolidate existing laws relating to corporate persons restructuring and insolvency resolution, Notification dated 15.11.2016 of the Companies Act, 2013 was deemed fit to be amended and with effect from the same date, the provisions relating to sickness were left to the companies. The provisions of revival and rehabilitation of sick companies have been omitted from Section 253 of the Companies Act, 2013 in line with the Eleventh Schedule on section 255, 2016 of IBC. Currently, IBC moved away from the test of ‘sickness’ as it did under the SICA and Companies Act, 2013 to test cash flow’, creating a more fairness framework in the assessment. On the determination of the sickness , further processing begins in the form of charts at IBC. In addition, the IBC rotates from the former insolvency model of ‘debtor-in-possession’ to ‘creditor-in-possession’ to replace the board of borrowers with the creditors’ committee. The separate procedures are broadly simplified in the provisions of the Corporate Insolvency Resolution Process and Liquidation of Companies and cover amended or amended provisions in a maze of laws. The word ‘sick’ is not a part of the IBC and instead deals with corporate entities despite being ill. Hence the scope of the code is wider if the expected parameters of the IBC are satisfied and actions are initiated under it. IBC, 2016. In any economy, stability is essential for its positive and sustained growth. The sick state of companies affects the employment, financial resources and other resources of the nation. It is in the national interest that there will be a strong and simple law of revival for the continued growth of the economy, the measures provided by the IBC for the revival and rehabilitation of personally ill companies are comprehensive as it not only repeats the revival. The rehabilitation provisions were earlier either explicitly notified under the Companies Act, 1956 or the non-notified and omitted provisions under the Companies Act, 2013 and furthermore, it has brought about extensive changes in various legislations after consolidating several legislations. The NCLT is vested with the necessary powers to plan for the revival and rehabilitation of sick companies. These provisions of IBC, 2016 have been tested on the basis of their scope, limitations and convergence etc.

The Micro, Small, and Medium Enterprises (MSMEs) sector is the most vibrant and dynamic industrial sector contributing significantly to the GDP and export while employing around 40 per cent of the Indian workforce. The Prime Minister's speech emphasized that the MSME sector will act as the bedrock for economic revival after Covid- 19 . Intending to get the MSME sector back on its feet, the Prime Minister announced the MSME sector to be within the purview of the Atma-Nirbhar Bharat Abhiyan (Self Reliant India). Subsequently, the Finance Minister announced six regulatory measures as part of the Self Reliant India especially for the MSME sector, as part of a series of announcements by the government. First and foremost, revising the definition of MSME under applicable law is intended to bring more MSME enterprises under the purview of being classified as MSMEs so that they can reap benefits associated with it and grow under the watchful eyes. Under the new definition, the investment limit for micro, small and medium enterprises have been raised substantially and the distinction between manufacturing and services has been abolished. Besides this, the government has also finished the distinction between manufacturing and service related MSMEs and has widened the scope of micro, small and medium category enterprises. This measure will widen the net of benefits associated with classification as an MSME to more enterprises. The collateral-free automatic credit line and the subordinate debt to MSMEs may be a game-changer for a sector which is finding it harder and harder to find credit support from banks and other financial institutions. It will make it lucrative for risk-averse banks to resume lending operations as the government will act as 100 per cent guarantor on both the principal and the interest. The guarantee from the government will ease pressure on banks and other financial institutions as they will not have to make provisions in case the loan account turns into a non-performing one.

The Finance Minister also announced the creation of 'Fund of Funds' with a corpus of Rs 10,000 crores where the government through the funds will pick up an equity stake in the MSMEs with growth potential and viability. These equity infusions will lead to increase in size and capacity of the MSMEs and the revision. Further, the long-term goal of such equity infusion is to encourage the MSMEs to list on stock exchanges. The massive increase in credit guarantees to MSMEs is the key highlight of the government's relief package. The credit guarantee of Rs. 3 lakh crore by the government is intended to help MSMEs that have Rs.25 crore outstanding loan or less than Rs. 100 crore turnover. This provision will rescue MSMEs that need additional funding to meet operational liabilities and restart operations. The government has set aside Rs. 20,000 crore as subordinate debt to help about two lakh MSMEs with stressed accounts or non-performing assets (NPA). While announcing the credit guarantee for MSMEs, the Finance Minister assured that the Centre would clear pending MSME dues in 45 days. As on March 31, 2020, the total outstanding payments to MSME units were estimated over Rs. 4.95 lakh crore. The Central Government ministries and departments, state governments and public sector units owe MSMEs more than half of this amount. The MSME Samadhaan website, which was introduced to monitor delayed payments and settle disputes, filed by affected MSMEs, listed payment claims of Rs.40,720 crore as on May 14, 2020. Under this scheme, promoters of the MSME will be given debt, which will then be infused as equity in the unit. However, unlike credit guarantees, government support in this scheme is not full but partial.

TURNAROUND STRATEGIES

A turnaround strategy is a restructuring approach devised to make an organization profitable again by reviving a sick or loss making business unit. The aim of the strategy is to move the business organization in the right direction. Some of the common turnaround strategies include restoring lender confidence, replacing the existing management team, downsizing non-performing assets, motivating performers by rewarding them, improving product or service, and adjusting pricing. There are three essentials of an effective turnaround strategy. Turnaround strategy is the action of reversing a negative trend and turning around the organization into profitability. Turnaround strategy derives its name from the action of reversing a negative trend and turning around the organization into profitability. The turning around company aims at steady state and growth. In view of sickness in MSMEs in India following strategies are elaborated:

- Strategies for revival of MSMEs should be encouraged to grow and become competitive. In addition, a culture that encourages innovation and development of infrastructure such as power, roads, highways, railways, ports, transport etc. is called for. A State Technology Development Fund should be set up for small industries in the states to serve as the main conduct of the transmission system of the State Mission on Technology. State Information Technology Bank should be set up in the states for spreading knowledge about technology to all small scale industries located in each part of the state.
- The manufacturing capabilities should be developed to a level where products are competitive across global markets in terms of price, quality, technology, delivery of services. In order to achieve this, MSMEs should be enabled to access the latest technology from across the globe.
- The indigenous research and development innovation need to be encouraged and a passion for manufacturing needs to be created while infrastructure, public services and utilities should be improved and made more efficient to augment manufacturing growth. Government, industry, research institutions and academicians should be facilitated and encouraged to work in collaboration to improve industry capabilities. Moreover, MSMEs should be able to obtain funds easily and cheaply, and be encouraged to invest in developing technology.
- There is need for intervention to improve the supply position of raw materials for the industrial cluster. Warehouse for imports, storage and sale of raw materials through large trading houses could augment raw material supply.

- Skill development is imperative for manufacturing as most of the MSMES are labour intensive. Existing facilities of institutions engaged in developing human resources are inadequate to meet the future demand and therefore public private partnership initiatives are required for skill development in the sector.
- The Ministry of MSMES should focus on its efforts for giving financial assistance for Entrepreneurship Development Training Programmes (EDPs), Skill Development Training Programmes (SDPs), Entrepreneurship-cum-Skill Development Training Programmes (ESDPs) and Training of Trainers Programmes in order to bridge the skill requirement of human resources engaged in MSMES sector.. Centre for Excellence may be set up at national level and state level for standardization of training curriculum, training of trainers etc.
- In view of growing concerns for environmental and social issues, the global buyers are increasingly under pressure to evaluate their suppliers on a triple bottom line approach covering economic, social and environmental standards. Thus, code of conduct compliance is imperative.
- Access to finance and markets are major concerns for micro units engaged in manufacturing and processing. However, in order to avail the enormous market opportunity, the micro industrial units need to upgrade their skills and consolidate capabilities by coming together.
- State governments should make sure that District Industries Centres are converted into Small Business Development Centres. Regional level centres should be established to provide micro and small enterprises with information and guidance on regulations and programmes, professional business advice and consultancy, access to funding or financing, training and assistance in gaining official approvals.
- Government should establish a social security net for micro and small enterprises owners and workers with contributions from employer, employee and the state. Governments should promote the development of entrepreneurship skills and training programmes are required that target industry clusters as well as mobile clinics that move around the state.
- Infrastructure in industrial estates and improvement the quality and quantity of power supplies should be improved in order to enable industrial entrepreneurs for effective functioning of micro and small enterprises in the states . This could involve greater use of public-private partnerships to maintain industrial estates and the attraction of private sector investment for infrastructure development.
- Quality control is very important at all the stages. It should be done in three phases: (i) raw materials—materials characterization and testing of relevant properties; (ii) in process—mould preparation, temperature, pressure, mass flow rate, etc.; (iii) post fabrication—non destructive tests, batch level destructive tests such as mechanical testing, environmental testing, etc.
- Many business houses have already in their path towards global competitiveness.

It is imperative that many other MSMES attain global competitiveness in the near future. This can be achieved only by adopting a holistic approach to global competitiveness, as the organizations should move up the value chain from low cost to high quality to move innovative through R & D and technological initiatives. This will help them in building long term sustainable competitiveness.

- Government must eliminate all reservations in MSMES sector. State governments and industry bodies have to take a lead to identify MSMES lusters, promote cooperation between business and local authorities for cluster development, and formulate policies that attract investment to these clusters.
- States need priority in development strategy for development of industrial infrastructure such as power, roads, highways, railways, ports, transportation etc. For this, States need priority in foreign/private participation that permits formation of joint ventures for strengthening and growth of network of national and state highways, power generation and growth of economic zones.
- In order to minimize the financial problem, authorities can minimize the time taken for loan sanctioning and ensure the loan at the time of requirement. Funding alone is not sufficient to make it economically viable, it is important to make radical changes associated with regulating production, marketing projects etc.
- E-Commerce has emerged as a powerful tool across the globe for reaching out to buyers in business as well as consumers worldwide. Traditional borders have been obliterated with the advent of this new technology. In order to give better access to MSME sector to the market, e –governance projects need to be strengthened while entrepreneurs require encouragement to use new technology and business culture that promotes business development opportunities. The National Small Industries Corporation Ltd. (NSIC) needs to be strengthened by providing more equity support for their efforts to create market for products of MSMEs while strengthening of KVIC is called for in order to provide market to village industries.
- In the context of COVID pandemic, it is important to first make a final assessment of the current financial situation of MSME to understand deficits, future inflow of funds, potential expense and liabilities etc., and draw up a fresh plan of action. At this point, getting reliable and accurate information about government relief packages, financial support initiatives and support extended from trade bodies and getting a clear picture from investors is vital before planning and executing a financial strategy.
- It is essential to create a strong digital ecosystem. Apart from online sales, a consistent and positive social media presence may be proved a boon for consumer and stakeholder engagement during the pandemic as well as for long time. Additionally, a digitally enabled internal ecosystem also needs to be in place that can accommodate remote working or work from home scenarios, without compromising data security or productivity of employees.

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