CHAPTER VI

Conclusions and Suggestions

Public enterprises play a pivotal role in the economic development of developing countries. In India, they are closely associated with our life. With its wide networks of goods produced, services rendered and the facilities created, the public enterprises have come to be regarded as the biggest single economic institution in the country. It is the growth and prosperity of these public enterprises on which the entire process of economic development relies. It is therefore, necessary, that they should run efficiently and contribute not only of their own expansion but also towards the development of the economy as a whole.

The performance of these enterprises, from financial point of view has not, however, been much encouraging. This has been so mainly because of its weak financial administration. The public enterprises in Himachal Pradesh are no exception. Since no attempt has been made to study the various aspects of financial administration of public enterprises in Himachal Pradesh so far, the present study therefore, has been conducted to fill this vital gap with the following objectives:
(i) to make a comparative study of the financial administration of two big public enterprises namely, Himachal Pradesh State Electricity Board and Himachal Road Transport Corporation,
(ii) to study the existing position and ways of handling day to day financial management,
(iii) to highlight the impact of legislative control over financial administration and
(iv) to suggest and recommend suitable measures for the improvement of financial health of these public enterprises.

The major findings of the study has been summarised and presented below:

6.1 Growth and Working
6.1.1 Philosophy Behind the Creation

To begin with, in the present study, an attempt was made to study the philosophy behind the creation of public enterprises in general and HPSEB and HRTC in particular. To be more specific, the State Electricity Boards have been assigned with the general duty of promoting the coordinated development in a most efficient and economical manner with particular reference to such areas,
which have not either been covered so far or sufficiently served. Similarly, the Road Transport corporation Act speaks of the object of nationalisation of Road Transport services as the desirability of extending and improving the services of road transport in an efficient and economic manner. Thus, we can broadly categorize the objectives of HPSEB and HRTC as to carry out social obligation of welfare state, to boost economic development and to lead to commercial profit earning.

In HPSEB 88 per cent and in HRTC 50 per cent of the respondents stated that their respective organisations have been created with a view to carry out the twin objectives of social obligations of welfare state and commercial profits earning.

Regarding the present system of these enterprises, 34 per cent of the respondents concerning HPSEB stated that the functioning of HPSEB was on commercial lines. This could be so in the wake of the move initiated for privatisation by the government. However, 54 per cent of the respondents were found to be of the view that the organisation was meant to carry out the social obligation. In the case of HRTC 88 per cent of the respondents favoured this view.
6.1.2 Evolution of HPSEB and HRTC

Both these public enterprises (HPSEB and HRTC) included in the present study came into being in early seventies, the former in the year 1971, and the latter in the year 1974. Since, their inception, both the enterprises have grown in size and activities. HPSEB has attained the potential of generating 931.379 MV of electricity in the year 1989-90, as compared to 244.002 MV in 1980-81. The revenue income has increased from Rs.1644.80 lakhs in the year 1980-81 to Rs.5536.29 lakhs in 1989-90. Similarly the strength of the employees has also increased from 21,478 in the year 1983-84 to 31,057 in the year 1989-90. In addition to this the construction work on many mini-micro and big projects was in progress.

Turning to HRTC, the fleet strength of the corporation considerably increased from 815 vehicles in the year 1980-81 to 1569 in 1989-90. Similarly, the kilometer coverage has also gone up from 560.27 lakh kilometers in the year 1980-81 to 939.77 lakhs kilometers in 1989-90. The volume of revenue income of the corporation also shot up to Rs.5707.47 lakhs during 1989-90 from Rs.1586.74 lakhs in the year 1980-81, on the employment front, the corporation had 7530 employees on its roll on 31.3.90, as compared to 4741 employees on 31.3.81.
6.2 Financial Administration

6.2.1 Role of Finance & Accounts Wings

Finance plays an important role in the growth and functioning of an enterprise. Therefore, sound financial administration constitutes an essential pre-requisite for the successful running of an enterprise. In the present study, the role played by the Finance and Accounts Wing of HPSEB and HRTC in their respective organisations has been examined and evaluated at length.

The Finance and Accounts Wing of HPSEB is headed by the Member (Finance) of HPSFB who happens to be an I.A.S. officer of the state cadre. He is answerable to the Board of Directors (B.O.D.) and to the government in respect of all matters relating to finance and accounts.

The position in HRTC, differs to that of HPSEB. Unlike HPSEB, there is no Member (Finance) in HRTC. The Managing Director, who is the Chief Executive Officer of the Corporation is also the head of the Finance and Accounts Wing. However, in the middle of the hierarchy of the corporation some experts from the discipline of Finance and Accounts have been appointed. It can be said that management of both these enterprises have paid less attention to the financial administration by not strengthening the Finance and Accounts Wings of their respective organisations.
Though, in HPSEB there happens to be a whole time member finance but by virtue of his being a generalist, he can contribute a little in evolving a sound financial system in the enterprise. Moreover, his appointment is not made for a fixed term which results into frequent transfers of the incumbents, adversely affecting the operation of financial management. In the case of HRTC, the situation is still worst as there is no whole time member finance. The Managing Director, who happens to be the head of this wing, mostly remain pre-occupied in discharging his day to day administrative functions, and as such he gets a little time to contribute to financial management.

6.2.2 Financial Decisions

In administration, the decision making is the crux of all administrative processes. In government departments most of the decisions are of the nature of programmed decisions and are normally made on the basis of framed rules and regulations. However, in an enterprise constituted on the commercial lines, the decision making situation slightly differs, in as much as, that it has to face many odds of uncertainty. Therefore, the decision making, especially in financial matters becomes all the more important in such enterprises. In order to cover this aspect, an attempt has been made in Chapter three to study the process of financial
decision making in HPSEB and HRTC. It is found that the majority of the financial decisions regarding both the enterprises are either made by the state government itself, or are considerably influenced by it. In the case of HPSFB 65 per cent of the respondents pointed out that the state government sometimes influenced the financial decisions, whereas, 31 per cent stated that the government always influenced financial decisions. In HRTC 75 per cent of the respondents disclosed that the government always influenced the financial decision making. It can, therefore, securely be inferred that in both the organisations the financial decision making is influenced mostly by the state government, thereby undermining the autonomous charter of these enterprises. It may also be added that a majority (50 per cent) of the respondents in HPSEB felt that the long term financial implications were also considered by the state government, whereas in case of HRTC, the majority of the respondents (46 per cent) opined that these implications were rarely considered, by the state government.

With regard to consultation with the financial experts prior to financial decision making, 69 per cent of the respondents in the case of HPSEB opined in affirmative, and, on the other hand, 88 per cent of the respondents of HRTC disclosed that the consultation with financial experts was held sometimes only.
The overall picture in this regard reveals that the state government provides support to HPSEB to retain its autonomous charter as compared to HRTC, where the government is dictating its terms and undermining the autonomous character of the organisation.

6.2.3 Budgeting and Financial Control

Budget is an organised statement of expected income and expenditure for a definite future period and is made to keep a control over expenditure, as well as to provide a criteria for judging performance during that period.

Budgeting in HPSEB and HRTC is used as a technique for detailed analysis of future activities and a media for the control over expenditure and receipt for a definite future period. The finance and accounts wings of both these enterprises are responsible for the preparation of budget estimates.

The majority of the respondents (88 per cent) in HPSEB and 96 per cent in HRTC, reported that the budgeting was always used as an instrument of financial control in their respective organisations.

During the course of study, it has been found that the basic procedure adopted in preparation of budget estimates of both these enterprises is alike. However, the budget statements of HPSEB, after the approval of the state
government, is laid on the table of the House of the state legislature for discussion but it is not subject to vote. The comments made on the statement in the state legislature are invariably considered by HPSEB. And whereas, the budget statement of HRTC is not laid on the table of the House of the state legislature for discussion.

With regard to the adoption of modern budgeting techniques in both these organisations, it has been found that in HPSEB, 54 per cent of the respondents told that these techniques were always used. On further query it was stated by them that only a small component of performance budgeting was applied in their organisation. In the case of HRTC, a majority of the respondents (50 per cent) stated that the modern budgeting techniques were rarely used.

The opinion of the respondents has been obtained regarding the suitability of modern budgeting techniques to these organisations. It has been found that 92 per cent of the respondents of HPSEB expressed that the performance budgeting could be effective in their organisation, and whereas, in the case of HRTC there was a mixed response in as much as, 50 per cent of the respondents favoured the induction of performance budgeting and 46 per cent of them favoured the zero-base budgeting. Thus, it can be concluded that both the organisations inclined to switch over to the adoption of these modern budgeting techniques, from the
traditional budgeting system, as the latter has certain inherent flaws.

6.2.4 Auditing

Public enterprises being autonomous organisations are financed by different financial institutions and a large number of individuals. The auditing of their accounts, therefore, becomes important to ensure adherence to the established accounting principles and management policies.

Two types of audit i.e. internal and statutory is prevalent in HPSEB. The former is conducted by the internal audit party and the latter by the Comptroller and Auditor General (CAG) through the Resident Audit Officer posted in HPSEB. In HRTC, there exists three types of audit viz internal, peripatetic and statutory. The former two types of audit are conducted by the corporation itself and the latter i.e. statutory audit is conducted by the CAG. The reports of these various audits are submitted to the management for taking suitable action. In the case of CAG audit, parawise replies are firstly sent to the audit office by the management and in the event of replies having not been found convincing, the para is floated as a draft para and the reply is then required to be submitted to the audit through the state government.

It has been found that the audit in both the
enterprises whether conducted by the internal auditors or by CAG is generally confined to the checking of financial statement, expenditure vouchers and income receipts only. The efficiency and the overall performance of these enterprises are not evaluated by the auditors.

The 42 per cent respondents of HPSEB stated that the present auditing system in this organisation is effective. However, 35 per cent of them reported that the system was just adequate. In respect of HRTC, an overwhelming majority of the respondents i.e. 58 per cent pointed out that the audit system in their organization was inadequate. The reason for this was stated that the audit cells in the regional offices of HRTC were understaffed. Thus, it can be inferred that the auditing system in HPSEB is effective to some extent but in the case of HRTC, it is largely ineffective.

6.2.5 Social Audit

The policies of the government regarding Public Sector Enterprises (PSEs) are directed towards economic growth with special reference to its contribution to social justice. It is, therefore, necessary to examine whether the operation of these PSEs regarding their contribution to the good of the society, does in any respect, harm the society. Therefore, social audit of PSEs is conducted, because of the fact that
routine audit of balance sheets and profit and loss account do not provide any information regarding the enterprise with respect to its contribution to the society.

It has been found that though there is no mention of the term 'social audit' in any of the documents of HPSEB and HRTC, but in practice both the enterprises periodically redress the public grievances against the operations of their respective enterprises.

HRTC is more prone to social audit as compared to HPSEB, because of its modus operandi i.e. regular dealing with the people and hazards caused by its operation to the society. A majority of 75 per cent of the respondents of HRTC stated that the social audit was sometimes carried out in their organisation, and whereas 46 percent of them in the case of HPSEB told that it was always conducted. Simultaneously 38 per cent of the respondents relating to HPSEFB showed their ignorance of the concept of social audit. It has also been observed that the managements of both these organisations are not interested in conducting regular social audit and there is also no special agency in either of these organisations to carry out the same.

6.3 Management of working capital

Working capital is an important component of internal
and external analysis of an organisation, because of its close relationship day to day business operation. Inadequate or mismanagement of working capital may lead to failure of business; therefore, the need for maintaining an adequate working capital can hardly be emphasised. Generally, working capital represents half of the value of assets in the balance sheet of an organisation. It is, therefore, necessary to maintain a proper balance between current assets and liabilities, otherwise it may adversely affect the enterprise. In the present study an attempt has also been made to examine the position of working capital in HPSEB and HRTC. It has been found that in HPSEB there was an accumulation of liabilities and a negative trend was visible in the working capital from 1980-81 to 1984-85 and again from 1987-88 to 1989-90. The assets have been financed partially by long term and short term funds. Thus it can be concluded that there was no working capital in HPSEB, till the time negative trend continued. It has also been found that major part of the working capital of HPSEB was invested in sundry debtors and other receivables, which is not a healthy practice.

In HRTC, there was no working capital at all in the year 1982-83 and as such the trend can be said to be negative. During the rest of the years, under study, the trend of the working capital was fluctuating. Moreover, it
was also observed that the major part of the working capital was idle due to heavy cash and bank balances.

6.3.1 Current Ratio

The current liabilities of both these organisations remained over and above the current assets, throughout the period under study. None of the organisations ever achieved the standard norm of 2:1 of the current ratio. This reveals that the solvency position of both the organisations was not upto the mark.

6.3.2 Quick Ratio

The quick ratio in both the organisations has been found to be below the accepted norm of 1:1. It shows that the liquid assets of HPSEB, in particular, were not sufficient to meet the current liabilities during the said period. In HRTC it was slightly better as compared to HPSEB, because, it improved year by year and started touching the norm of 1:1 from the year 1987-88 onwards. But it has also been observed that the cash remained idle during this period. The management of HRTC could not use these assets properly, thereby showing weak and ineffective investment policy.
6.3.3 Inventory Turnover Ratio

HPSEB recorded a fluctuating-cum-decreasing trend in the inventory turnover ratio throughout the period under study and the ratio was 1.42 times in a year. On this basis, the liquidity position of the organisation cannot be reckoned to be good. The movement of inventory turnover ratio was fast in HRTC. The average turnover recorded was 7.61 times. Thus, the inventory turnover ratio of HRTC has been many times higher than that of HPSEB. It had been so due to difference in the nature of business of both these organisations. Moreover, the standard norms are different for inventory turnover ratio for different organisations, which varies due to nature of business.

6.3.4 Working Capital Turnover Ratio

The financial health of HPSEB has been precarious for the reason that there was no working capital from 1980-81 to 1984-85 and again in the year 1987-88. Thus the current liabilities were more than current assets and, therefore, there was no working capital ratio for these years. On an average the working capital turnover ratio of HPSEB has been worked out as 19.21 times a year, whereas it has been 14.79 times a year in HRTC. In the year 1981-82, there was no working capital with HRTC and as such the trend remained
negative that year.

6.3.5 Inventory to Working Capital Ratio

There was no inventory to working capital ratio during the period of six years in HPSEB. In rest of the years, on an average the ratio was 735.97 per cent against the prescribed maximum norm of 100 per cent. This ratio reflects the unbalanced management of current assets of the organisation. In the case of HRTC, the inventory to working capital ratio was 160.37 per cent. Though this is also at a higher side i.e. more than 100 per cent, yet in comparison to HPSEB it has been much reasonable. The non-availability of working capital with HRTC in the year 1981-82 has also resulted in having no ratio of inventory to working capital in that particular year.

6.3.6 Collection of Debtors

The debtors policy of HPSEB has been inexorable, it took more than 190 days for the collection of its debts. Obviously, this purports its unsound financial policy. Not even in a single year, HPSEB could realise its debts in less that 100 days. In case of HRTC, it has been found that the Corporation collected its debts within a record period of 9 days, which certainly reflects its sound debtor's policy.
6.3.7 Availability and Control over Working Capital

Paucity of working capital not only impairs the enterprise's profitability but also results in interruption of production and its inefficiency. With regards to the availability of working capital, 50 per cent of the respondents from HPSEB and 58 per cent from HRTC stated that their organisations had to pay high interest charges to meet out the working capital requirements. Beside this, 42 per cent of the respondents of HPSEB and 38 per cent of HRTC reported that inadequate working capital had its adverse affects on the profitability of the organisation. So far as the control over working capital is concerned, it is largely exercised through budgetary control in both the organisations. This point has been stressed by 100 per cent of the respondents of HPSEB and 96 per cent of HRTC.

6.3.8 Determination and Review of Working Capital

The majority of the respondents i.e. 70 per cent in HPSEB and 83 per cent in HRTC told that the working capital is determined by making detailed estimates of its various components. Regarding the periodical review of working capital 77 per cent of the respondents of HPSEB and 50 per cent of HRTC stated that it was always carried out. On the other hand 46 per cent of the respondents of HRTC pointed
out that the review of working capital was done casually.

6.3.9 Determination of Inventory Level and Availability of Safety Stock

The inventory level is determined by calculating the consumption during the lead period plus safety margin, as per disclosure made by 58 per cent of the respondents of HPSEB and 79 per cent of HRTC. As regards the safety stock of inventories in HPSEB, 50 per cent of the respondents stated that it was always available and according to 31 per cent respondents it was only available sometimes. In comparison to this 63 per cent of the respondents of HPSEB revealed that the safety stock of inventory only lasted for sometime and a small percentage of the respondents i.e. 30 per cent stated that it was always available.

6.4 Legislative Control

There are various devices by which the State Legislature exercise control over public enterprises. Questions by members, half an hour discussion, call attention and cut motions matters of urgent public importance and control through the committee on Public Undertaking (CPU) are in common use. Besides, legislation, laying rules and regulations and amendments thereto are other forms of legislative control, which are not so frequently used but still they serve as more rigorous
control devices.

The most effective and recognised way of exercising control over public enterprises is visible in the job done by the CPU. The control by CPU has specific impact on the overall working of the public enterprises in general and on the financial administration in particular. The CAG works as a link between PSEs and the legislature. The reports of the CAG on the working of PSEs are submitted to the State Legislature every year. The CPU, in turn, take up these reports individually for detailed examination. This committee after verifying the facts from the concerned PSEs, sends its recommendations and observations for suitable action. In the present study, an attempt has also been made to examine the Legislative control, over the financial administration of HPSEB and HRTC.

6.4.1 Recommendations of CPU on HPSEB

In the fifth and sixth Vidhan Sabha (1983-1989) of Himachal Pradesh, the CPU made 231 recommendations on the working of HPSEB. Out of these 96 (41 per cent) were accepted by the government. The Committee was satisfied with the reply of the government in 81 (thirty five per cent) recommendations. There were only 48 (21 per cent) recommendations on which the committee made further observations. Replies to 3 per cent of the recommendations
were still awaited from the government.

6.4.2 Recommendations of CPU on HRTC

Like HPSEB, the CPU of Fifth and Sixth Vidhan Sabha (1983-89) of Himachal Pradesh, made 106 recommendations on the working of HRTC also. The state government accepted 41 per cent of the recommendations and the CPU did not press further, on 26 per cent of the recommendations, which means that it was satisfied with the replies of the government. Regarding 33 per cent of the recommendations, the committee was not convinced with the reply of the government and therefore, made further observations.

It can be inferred that the legislative control over public enterprises through the CPU is effective. However, certain inherent weaknesses were noticed in the functioning of the CPU itself. Firstly, the presently existing one year term of the committee is too short to examine all the public enterprises and make its recommendations. Secondly, the reports are submitted too late and by that time the relevance of the matter is generally lost. Thirdly, the selection of enterprises for study by the committee is not based on a specific criteria. It is on the discretion of the Chairman of the committee to select any public undertaking. Fourthly, the reports of the Committee are not discussed in the House. Fifthly, the
members of the committee generally do not possess adequate technical knowledge regarding the functioning of an enterprise.

6.4.3 Control through Assembly Questions

The respondents in both the organisations were asked to express their views about the relevance of assembly questions to their organisations. It was revealed by 65 per cent of the respondents of HPSEB that these questions were marginally relevant and in the case of HRTC this percentage worked out to be 33 per cent. The relevancy of these questions was accepted by 65 per cent in HRTC and 31 per cent in HPSEB.

With regard to the political motivation to the assembly questions, a majority of the respondents (54 per cent) from HRTC remarked that these were always politically motivated and 31 per cent of the respondents of HPSEB also stated that the element of political motivation was felt in the assembly questions regarding their organisation.

6.4.4 Role of Minister-in-Charge

Since legislature is too busy to exercise control over enterprises, so, it is left for the government to discharge this function through the minister concerned. Though, the ministerial control is of paramount importance in the parliamentary democracy, yet, the problem is, how to provide
safeguard against the unhealthy experience. As a matter of fact, there is a little guidance from the Minister on policy matters but the tendency on the part of the minister to interfere in the day-to-day management of the enterprise, is always there.

From the present study, it can be observed that the minister concerned always supported the public enterprise under his control while replying to the questions asked in the assembly, notwithstanding the fact that the management of the enterprise has done certain wrongs or acted ultravires to its powers. The Minister-in-Charge always tried to support the enterprise in one way or the other, rather than bringing to light the irregularities, if any, of the management. This fact has been strengthened by 58 per cent of the respondents of HPSEB and 79 per cent of HRTC. On further enquiries it was revealed by 62 per cent of the respondents of HPSEB and 42 per cent of HRTC that the minister concerned identifies himself with the day-to-day management and tries to shield the enterprise in the legislature.

6.5 Findings

The following findings emerged from the above conclusions:

1. Both HPSEB and HRTC have been created to carryout
the social obligations of a welfare state as well as to function on commercial lines to earn profits.

2. The present orientation of both the organisations is aimed at meeting the social obligations first rather than profit earning.

3. The role of finance and accounts wings in both the organisations is largely found to be ineffective mainly due to reluctance of the management to appoint the financial experts.

4. The majority of the financial decisions in both the organisations are either made by the state government itself or are considerably influenced by it, leading to undermining their autonomy and leaving little opportunities to function on commercial basis.

5. The consideration of long term financial implications and consultation of financial experts is done by the State Govt. in the case of HPSEB, and whereas, these aspects are almost overlooked in the case of HRTC.

6. Budgeting is always used as an instrument of financial control in both the enterprises and the preparation of budget is largely based on the traditional budgeting system. There is an
inclination of these organisations towards adoption of modern budgeting techniques, obviously because of flaws experienced in the traditional budgeting system.

7. Audit system in HPSEB is on an average satisfactory but in HRTC it is largely inadequate mainly due to its understaffed regional audit cells. In both the organisations, moreover, the efficiency and the overall performance is never evaluated by the auditors due to which the realistic picture of the working and performance of these organisations does not come to be highlighted.

8. Social audit of both the organisations is done in the form of redressal of public grievances against their operations because the term 'social audit' is not rightly understood by the officials. Though the majority of the respondents have stated that the social audit is generally done, but it is mostly observed that the managements of both the organisations have a very casual approach towards the redressal of public grievances.

9. The position of working capital has been found to be precarious in the case of HPSEB, and in the
case of HRTC also this position was not seen satisfactory. The management of both these organisations have paid little attention to this important component of financial management.

10. The solvency position of both the organisations has been found weak, in as much as that they failed to achieve the standard norm of 2:1 of the current ratio.

11. Liquidity position of HPSEB and HRTC has largely been found unsatisfactory because the quick ratio of both the organisations has remained below the standard norm of 1:1. In the case of HRTC, the liquidity position was good for a period of three years but it was not utilised properly due to lack of sound investment policy.

12. Inventory turnover ratio was found to be good in the case of HRTC and whereas the same in the case of HPSEB was noticeably at a lower side.

13. Inventory to working capital ratio has been found very high in both the organisations which indicated that the current assets are not properly balanced.

14. The debtors policy of HRTC has been discovered to be very sound, whereas, it has been seen poor in the case of HPSEB.
15. The periodical review of working capital is generally carried out in HPSEB and whereas in HRTC this practice is casual.

16. Both the organisations had been observed to be paying high interest charges for meeting out the working capital requirements, which had adversely affected their profitability prospects.

17. The safety stock of inventory mostly existed in HPSEB. The same in HRTC is not regular, resulting into unmindful and local purchasing.

18. The legislative control exercised through CPU over the financial administration of both these public enterprises has been found to be effective to a greater extent. However, it has also been noticed that the committee itself suffers from certain inherent weaknesses such as, its short term duration, lack of expertise and experience and delay in the submission of reports etc.

19. The Ministers-in-Charge of both the organisations were found to be identifying themselves with the organisations thereby shielding them only but not making efforts for carrying out improvements in their working.
6.6. Suggestions

On the basis of the findings made above, the following suggestions can be given:

1. There is an urgent need to clearly define the aims and objectives of these public enterprises, specifying whether they are to function purely on commercial lines or to carry out the social obligations or to strike a proper balance between the two. The objectives so defined should be clearly brought to the notice of the personnel of these organisations so that they could discharge their duties keeping in view the defined objectives.

2. It is also necessary that the services rendered by these organisations for meeting the social obligations are quantified in monetary terms and the cost be reimbursed to them by the government, enabling them to improve their financial health. Moreover, their contribution towards the social well being should also be taken into consideration, while evaluating their performances.

3. Finance and Accounts Wing of both these public enterprises need to be further strengthened and specialists in finance and accounts matters
required to be appointed to head these wings. The financial experts should also be made full time members of BOD so that the financial matters could be properly represented.

4. In order to enable these organisations to retain their autonomous character, the state government should avoid interfering in their financial decisions. The important financial decisions like fixing of tariff charges of electricity and fare charges of buses should be left to the management of these organisations, so that they could fix these charges keeping in view the cost of operations in order to achieve a considerable return on investment.

5. The state government should allow more autonomy to HRTC to consider the long term financial implications of its decisions as is being done in the case of HPSEB. This will go a long way in improving the financial health of this organisation.

6. Since the budget is being used as a main instrument of financial control in the absence of any other effective means of control, both the organisations should switchover to modern budgeting techniques especially to zero base
bud\text{\textbackslash}texting so that \textit{effective financial control and economic development could be ensured}. 

7. There is an urgent need to strengthen the regional audit cells of HRTC by appointing more audit staff so as to ensure smooth and effective check. Moreover, the present audit system in both the public enterprises is required to be reoriented to the extent that it is in a position to evaluate the overall performance of the organisations also besides examining routine accounts.

8. Social audit should be made mandatory to all the PSEs operating within the state. The reports of the social audit need to be made public in the larger interest of the people. Moreover, HRTC should establish a special cell headed by an environmentalist to keep a check on its operation against smoke and noise pollution as well as against other environmental hazards.

9. There is an urgent need to bring about a change in the attitude of the management of both these organisations towards working capital. All the components of working capital need detailed analysis and required serious attention of the management so as to bring about overall
improvement in the financial health of these organisations.

10. To improve the solvency position of both the enterprises, it is suggested that the management of both the organisations should make a thorough study of the management of the working capital of the successive periods and maintain proper balance to achieve the prescribed norm of current ratio.

11. In order to improve the liquidity position, both the organisations should try to achieve a proper equilibrium between the current liabilities and current assets i.e. 1:1 and at the same time should not unnecessarily tie up their funds in book debts. Moreover, a sound investment policy is required to be evolved by HRTC.

12. HPSEB should workout the requirement of working capital well in advance and should not pile up heavy stocks and inventories.

13. The inventory to working capital should be worked out on the basis of consumption of the preceding year and rationalised in such a manner that it works out to be less than the working capital.

14. HPSEB should re-determine its debtors policy to ensure the quick realisation of its debtors,
rather than tying them up in the book debts.

15. HRTC should conduct periodical review of working capital, at least once a quarter to know the exact position of its various components and take suitable remedial action in case of any deficiency.

16. The management of both these organisations should work out the short and long term requirement of working capital well in advance and meet these requirements by raising the short and long term funds as well as generate surpluses to surmount the financial difficulties.

17. A scientific policy of inventory control such as structural analysis, use of ABC analysis, minimum of safety stock level and Physical verification of stocks will go a long way in improving the overall inventory control of HPSEB and HRTC.

18(i) The legislative control over public enterprises through CPU has to be made more effective and constructive by weeding out the inherent weaknesses of the committee. The term of the committee should be at least for three years and the selection of the members of the committee be made purely on the basis of their professional knowledge and experience.
(ii) Further, the CPU should select the PSEs for examination in an objective manner, keeping in view its strategic importance and volume of investment involved. Moreover, the reports of the committee should be submitted as early as possible so that suitable action could be initiated timely.

19. The minister-in-charge should abstain himself from interfering in day to day management of the organisation and instead he should contribute towards policy directions and strive to suggest innovations for the improvement of the working of the organisation.