CHAPTER - VIII

CONCLUSIONS: CRITICAL COMMENTS AND OBSERVATIONS
Public Undertakings in Jammu and Kashmir State

Public Undertakings in Jammu and Kashmir State face many problems. In the present study two big manufacturing public corporations of Jammu and Kashmir State viz., Jammu and Kashmir Industries Limited controlling sixteen industrial units and Jammu and Kashmir Minerals Limited controlling nine industrial units, altogether, controlling twenty five manufacturing industrial units which have been put into operation were investigated.

Unit-wise analysis of the randomly selected public enterprises operating above mentioned manufacturing public corporations of Jammu and Kashmir State and their performance evaluation has already been done in the previous chapters of this study. Thus, from the analysis and the study of some of the problems related to the administrative management of Jammu and Kashmir Industries Ltd. & J.K.M.Ltd., the following findings and observations have been arrived at:

(1) The Board of Management of public enterprises requires persons having qualities of combining the efficiency of private management with the concern for the public interest. From the analysis of the memorandum and Articles of Association of JKI Ltd. and JKM Ltd., it is observed that no specific qualifications
have been laid down for the appointment of the members of the board.

(2) There has been non-official directors sometimes also up on the board. They had been mostly politicians viz., MLA's MLC's etc. Such directors are not very helpful, neither in taking up problems with the government nor in their performing area of any responsible work in their own/specialization of the concerned undertakings. More often they did not even take interest in the affairs of the concerned undertakings.

(3) It was observed that the Directors once appointed are not the members in their individual capacity for the fixed terms. Many times, many Directors of the selected public undertakings of J & K State had been members of Board of Directors just for few months. Such Directors had been mostly the Government representatives. This had been due to continuous reshuffling and transfers. Thus new directors were appointed and inducted into the Boards of the said public undertakings who had no background, prior information and prior knowledge about the functioning of these public undertakings resulting in non-performance.

(4) It has been experienced that the Managing Directors of the public undertakings of Jammu and Kashmir State are mostly on deputation, they are usually bureau-crats from the government
departments and take little interest in the functioning of these undertakings. They are much worried about their parent departments. They being from government departments had very little knowledge about managerial affairs of these undertakings. Those persons having good knowledge of this kind are not given chance to make full use of their talents, this had been due to frequent transfers. Three managing Directors were appointed in JKM Ltd. within $\frac{3}{2}$ years and 3 managing Directors were appointed in JKI Ltd. within a period of one year only. As a result none of them contributed to the development and enrichment of the said public undertakings.

(5) It has been observed that there is too much of ministerial interference in the functioning of public undertakings of J & K State. The minister concerned had been usually the chairman of Board of Directors. Thus too much of ministerial interference had deprived the management of operational autonomy.

The Chairman of the Board, in fact, should undoubtly be not only a man of high calibre but of a towering personality in order to exercise influence of his presence in the Board as well as to resist the informal ministerial views to prevail up on his independent action performed in consonance with the policy of the Board. Thus Chairman of the Board should not necessarily be
the concerned minister. Besides, there is no guarantee that the concerned minister appointed as the Chairman will remain in the same ministry or department. He can be deprived of this ministry due to reshuffling, failure of the existing government and coming into power of a new political party etc. in the state. In the selected public undertakings, it has been found that just during the last 8 years there had been five chair persons of JKI Ltd and six chair persons of JKM Ltd.

This state of affairs can never be conducive to the efficient running of the public undertakings of Jammu and Kashmir State. It has prevented the top executives from utilising their experience sufficiently and to demonstrate their performance condusive to the efficient working of these public undertakings. It is suggested that a system should be evolved and conditions be created in which the Chief Executive could serve to the full term with confidence and the Managing Director as well as the Chairman having brilliant record of performance be allowed to serve even beyond a fixed term. But unfortunately this aspect of the problem has not been attracted sufficient attention of the J & K State government in managing the top executives in public undertakings.
(6) The organization structures of the selected public corporations of J & K State are very large. As a result, there are many levels of administration. A big organization whether public or private can function smoothly and efficiently only when there is real and formal delegation and decentralization of authority. Delegation of power of course, is there in the selected public undertakings of J & K State but the authority is highly centralized functionally.

There is no authority delegated to the field administrators to take any independent decision and every aspects of functional autonomy is curtailed by excessive concentration at the head quarters.

Thus, it has been found that managers/officers in the field offices are delegated very limited power. Even Chief Engineer and Sr. Project Manager (of JKM Ltd) Chief Project Officer, General Manager and Dy. General Managers of various groups of industries of JKI Ltd. have also not been delegated sufficient powers. Such officers cannot take independent decisions, even on less important matters viz., suspension of employees, disciplinary action against any employee and to accept the resignations of employees whose posts carry maximum salary of Rs 500/- in case of JKM Ltd and Rs 400/- in case of JKI Ltd. these officers are supposed to get the permission of their respective
managing Directors or to intimate to their respective Managing Directors. Besides their power to take disciplinary action against employees falling in the above said grades are also subject to the appellate and revisional authority of the managing directors of the selected public undertakings of J & K State.

Similarly the managers of the industrial units/factories or mines as administrative heads of their respective units have further been delegated very limited powers. viz., the factory Managers of JKI Ltd. can make appointments only against the sanctioned posts, the maximum salary of which does not exceed Rs 300/- P.M. Similarly, the mines managers of JKM Ltd. can make appointment only against the sanctioned posts, the maximum salary of which does not exceed Rs 150/- P.M. only. They can neither create the posts nor can make recruitments or appointments independently.

(8) It has also been observed that there is much centralization of decision making authority in the selected public undertakings of J & K State. The Board of Directors and the Chairman in case of both of the above said public undertakings of J & K State is the supreme decision making body.

(9) It has been further observed that most of the managers are not satisfied with the authority which has been delegated to them with regard to decision making process.
The extent of participation of the managers in the decision making process is very limited. Thirty managers serving in the field offices of JKI Ltd and JKM Ltd were interviewed. Seventy percent of these managers replied that their participation in decision making had been 10% to 20% only. Only 10% of the (Sr. Managers) had their participation in decision making process from 20% to 30%. Another 10% of the managers (DGM's) replied that their participation in decision making process had been between 30% to 40% and equal percentage of managers (GM's) were participating in the decision making process to the extent from 40% to 50%. Thus majority of the managers i.e. 80% of the managers had very little participation in the decision making process of these public corporations (JKI Ltd and JKM Ltd) of J & K State. Even those 10% of the managers who had replied that the extent of their participation had been in between 40% to 50% were also simply consulted on matters directly related to the industrial groups and projects where they had been appointed as General Managers. Otherwise, all the directions and orders come from the headquarters of these corporations. In fact, decisions are imposed from above. Besides there is no worker's participation in the management and decision making process.

Even the headquarters of these public corporations of J & K State had restricted decision making authority in functional sense. These are subject to the overall supremacy of Board of Directors and the Chairman of the Board. At present Ministry of
Industries and Commerce department is the Chairman of JKI Ltd and minister of Geology and Mining is the Chairman of JKM Ltd. The Board of Directors and Chairman are the supreme decision-making body in these public corporations of J & K State.

The Board of Directors exercise excessive authority and act as the supreme policy executives but without sharing their corporate responsibilities.

(10) It has also been observed that although, the Board of Directors of the selected public undertakings of Jammu and Kashmir State have been given excessive executive powers, yet, there is no provision regarding the power of the Boards of formulating basic policies and determining the basic objectives of the Board which otherwise are laid down in the Memorandum of Associations of these undertakings and also basic policies of these selected public undertakings are determined by the council of ministers of Jammu and Kashmir State.

(11) The recruitment and selection procedure in these public corporations is faulty and defective. There is too much political interference with regard to recruitment of personnel. Instances of favouritism in appointments are there. Although there is formal procedure of recruitment but practically, it is
For most of the time there had been direct appointments/recruitments of employees in these public corporations. If formal advertisements are made, back-door interviews are conducted and suitable and qualified candidates are not given the chance to compete. Candidates are not given written, psychological, aptitude or group discussion tests while recruitment is made. The selection committees simply complete the formalities by giving the candidates viva-voce test, the selection criteria of the selection committee does not count much. Mostly the political pressure matters in the recruitments. As a result, persons are not given chance to serve these industrial units.

(12) Besides standardized qualifications are not approved and advertised while the recruitment of many of the officers and other employees were made in JKI Ltd and JKM Ltd., even when the nature of jobs are totally technical. Apart from general staff, there are very few technically trained and skilled workers in the above mentioned public corporations.

With the exception of two training institutes viz., Junior Sericulture course Institute Srinagar and Junior Sericulture Course Institute Rajouri which had been imparting training to the supervisory staff in the silk group factories, there are no other
such training institutes in the State which could have imparted training to the employees serving in different industrial units/projects of these state public corporations.

There is not even a well-established pattern of on-the-job training in these state public corporations. It takes a lot of time to prepare serving employees technically qualified and gifted with experience in their respective fields.

There are of course apprentice trainees in the industrial units/projects of JKM Ltd. But this method of training is desirable in industries such as the metal trades, printing trades and building construction, which requires a constant flow of new employees who expect to become all-round craftsmen. Since this training program is long and requires continual supervision, this method of training is expensive.

Furthermore, when the long period of apprenticeship is complete, there is no assurance that apprentices will remain with the corporation/factory in which they were trained.

Apart from the provision for training as part of the project/factory itself, no attention is given to arrangements for training in various specialized fields of technology and science in these public corporations.

Although, Jammu and Kashmir Industries Limited and Jammu and Kashmir Minerals Limited have adopted a detailed formal
procedure and policy of promotion of employees, yet all this is mostly in theory only. Both of these public corporations in J & K State have already surplus staff and there is lot of stagnation in relations to recruitment and promotion. Even some of the officers also get salary when they have no work to do either in the field offices or at the headquarters. Although these employees are experts in some fields yet there are no such specialized fields in these corporations where they can exploit their talents and can contribute to the production in these public undertakings of J & K State.

Similarly, for most of the times the recruitments to higher positions in these state public concerns had been made by departmental promotion committees. It has been categorically in mentioned in the statute of JKM Ltd that the 50% recruitments pertaining to Grades I, II and III and 25% pertaining to other Grades will be made by Departmental Promotion Committees and remaining 50% and 25% recruitment of Grades I, II and III and other Grades respectively will be made by direct recruitment. But this has not been followed in practice. Similarly competence is not taken into consideration in practice. Many personnel had been promoted to higher positions, even though, they did not possess the special or technical qualification required for the job to discharge the responsibilities in true sense. For certain highly skilled or professional jobs, it is often necessary to
to provide specific job qualifications for opening which could not be achieved by the state from the people available within the state and need to be recruited from amongst the personnel from outside the state.

(14) It has been found that the provisions for welfare activities and safety measures are also inadequate in public undertakings of J & K State in general and in Jammu and Kashmir Industries Limited and Jammu and Kashmir Minerals Limited in particular.

It has been observed that a sound financial administration and control system has remained at a relatively low level in the selected public undertakings of J & K State. There is no uniformity in practice of financial regulations.

(15) Above all there is no market research when budget is prepared by these public undertakings of J & K State. There are no systematic method of data collection for the preparation of budget.

Besides, there is no special budget committee both in JKI Ltd and JKM Ltd. Similarly there is no separate budget organization and budget director in these state public undertakings.

Budgets in these public undertakings are imposed from above viz. from the head-offices of JKI Ltd and JKM Ltd. For a
successful budgeting. Planning process, budget formulation needs to be decentralized. Further availability of finance is taken into consideration rather than the need for finance while preparing the budgets in JKI Ltd. and JKM Ltd. Budget is viewed more as a tool of allocation of resources than of weapon of control. Finally the budget prepared by the selected public undertakings of J & K State, is not performance-oriented.

All these weaknesses have lowered the efficiency and effectiveness of the selected public undertakings in J & K and ultimately have retarded the industrial and economic development of the state.

The above mentioned short-comings were commonly found both in JKI Ltd and JKM Ltd and other public undertakings of J & K State too. Many shortcomings have also been observed in the individual performance and analysis of Jammu and Kashmir State Industries Limited. Thus the shortcomings observed which in fact are responsible for the poor performance and working results of Jammu and Kashmir Industries Limited have been pointed out as under:

Jammu and Kashmir Industries Limited

The performance and analysis of JKI Ltd reveals that the working are not satisfactory. A detailed analysis in this
regard has already been done in the chapter concerned viz.,
Performance Appraisal of selected Public Undertakings of J & K
State. Here some of the short-comings observed in the
individual performance and working results of JKI Ltd have been
summarized as under:

1) The accounts of the corporation from 1970-71 onwards had
not been finalized, nor audited completely till today.

2) The production in the industrial units of this corporation
was far below targets upto 1979-80 and the shortfall in some
units was upto even 5098 percent in 1979-80. However, for the
last 3 years a little improvement was made with regard to
production.

3) The accumulated losses upto 31st March, 1984 were to the
tune of Rs 431.36 lakhs. The corporation had suffered losses
mainly due to old and absolute machinery in the units, excessive
manpower and non-availability of experts in some areas, low and
substandard quality of produced goods and non-availability of
sufficient raw materials, liquidity position of the corporation
and lastly unfavourable market conditions on certain occasions.

4) Large overhead expenditure in many industrial units of the
5) Transactions between the units of the corporation had not been reconciled since their inception and the unreconciled balance had increased over the years and the debts balance stood at Rs 78.79 lakhs as on 31st March, 1980.

6) Rejected/damaged leather goods valueing Rs 6.90 lakhs accumulated since the inception of a unit were lying unsold.

7) Due to defective planning and delay in construction, the corporation had accumulated huge manpower in excess of its needs. This had resulted in heavy recurring expenditure on the staff which is untrained and unskilled trained manpower is needed to ensure optimum utilization of all categories of skills.

8) The excess of staff in the corporation could not be determined in the absence of work norms. An annual expenditure of Rs 7 to 8 lakhs was being incurred on the surplus staff in two units alone. (Jammu Filatures and Kashmir Filature).

9) The corporation had also suffered because it could not sell silk waste worth Rs 8.91 lakhs to an exporter due to delay in
settlement of discrepancy in documentation, resulting in infractions expenditure of Rs 1.29 lakhs.

10) The corporation also suffered due to defective agreement. An agreement was concluded by this corporation in March 1979 with a firm of Delhi for the sale of 51,963 kgs of raw silk (value Rs 125.16 lakhs) produced in the Kashmir and Jammu Filatures by the end of August 1979. According to the terms of the agreement the firm could either avail 60 days credit from the date of despatch of the goods on furnishing bank guarantee or take delivery of the goods by making payment against the documents despatched through the bankers for which the firm was entitled to a cash discount of 3 percent. No time limit was stipulated for payment against the documents.

As the agreement did not provide any time limit for ceasing the operational period of the documents for charging interest for delay in payments. The corporation was helpless against damages caused by the delay in receiving payments of Rs 0.82 lakhs.

11) Similarly, the corporation had also suffered due to appointment of unsuitable and dis-honest Selling and Commission Agents. In fact the corporation had adopted a faulty policy of appointment of selling and commission agents. For instance, a selling agent for the products of joinery mills, Pampore was
appointed for Ladakh area in April 1973 for a period of 3 years. Commission at varying rates was payable on the annual value of sales conducted through the agent including sales to government departments which were obliged under the standing orders of government to purchase their requirements only from the mill. Sales through the agent continued till 1977-78 and were made mostly to government departments. Despite reminder, the agent did not render monthly statements of account indicating orders booked, money collected and remitted to the mill as per the terms of the agreement which was terminable for non-compliance of conditions. A sum of Rs 4.62 lakhs inclusive of Rs 3.27 lakhs due from Government Departments was outstanding on March 1980 in the book of Corporation against the agent since June, 1977, although, under the terms agreed to, he should have remitted all sales proceeds within 3 to 7 days. A sum of Rs 2.02 lakhs approximately leviable as interest on belated payments during June 1977 to May 1981 could also not be realised. The agreement expired in May 1976.

12) **Delay in the commissioning of Bemina, Woollen Mills**: Despite an investment of over Rs 1,84,30 lakhs, the commissioning of the New Woollen Mills, Bemina, had been delayed by 14 years. Some sections already commissioned were also not utilised fully. The
accumulated losses of the mill in 1983-84 were to the tune of Rs 46.69 lakhs.

Thus all these shortcomings had contributed very greatly to the poor performance of Jammu and Kashmir Industries Limited (controlling sixteen state industrial units) a big public corporations of J & K State Government.

(2) **Jammu and Kashmir Minerals Limited**

The following shortcomings have been observed in the individual performance and working results of Jammu and Kashmir Minerals Limited:

1) Barring the operation of some units which started at the initial stage viz., Wuyan Cement Factory, Prestressed Concrete Factories, Minning or Coal Gypsum Lignite, Lime Stone and Marble, there has been no substantial expansion in the activities for achievement of the object of the corporation.

2) The certification of the accounts of the corporation is in arrears from 1976-77 onwards. Tentatively, the net loss incurred till 1981-82 totalled to Rs 2,11,62 lakhs which together with intangibles of Rs 52.06 lakhs, was equal to 58% of capital investment of the government.
3) The activities of the corporation during five years ending 1982-83 did not result in substantial enhancement of production or in the generation of capital resources.

4) Production in Kalakot Coal Mines was generally below targets and the commulative loss sustained in running the mines upto 1982-83 was to the tune of Rs 1,12,81 lakhs the lossess occurred due to low production/high costs and poor marketability of coal, the performance did not improve despite incurring of required capital expenditure. The mines thus became univiable.

5) The coal mine at Chakkar was closed by December, 1982. Due to poor liquidity position, retrenchment benefits of Rs 8.66 lakhs were not paid to labour till September, 1983. Idle wages paid for 9 months upto September, 1983 amounted to Rs 7.55 lakhs.

6) There had been no consistent increase in the gross sales of the corporation during the last two years under review. Though the turn-over had shown a healthy increase of Rs 21.48 lakhs in the year 1979-80 but the same declined to Rs 168.95 lakhs only in 1980-81. There was again a sizeable growth in sales during 1981-82 but the same declined to Rs 194.56 lakhs in the year 1983-84. The turn over infact must grow with the age of the corporation and the decline in the turn over is a symptom of poor
sales and bad market planning.

7) **Gross Profit Ratio:**

The gross profit ratio which is obtained by dividing the gross profit by turnover in the year 1978-79 and 1982-83 had remained satisfactory. The ratio declined to 4.94% in the year 1979-80 and had come down considerably in the years 1980-81 and 1982-83. The profits dumped into losses. The gross profit which represents the gross margin on sales must not be less than 25% in the normal course but it is the real factor to be taken note of as responsible for the worst state of finances in this year. Thus the low gross profit in the first and fourth year and adversely achieved gross loss ratio in the remaining years should be an eye opener for the corporation management.

8) **Net Profit Ratio:**

This ratio had been adverse in the given circumstances. There had been loss even at the level of manufacturing. Thus the net profit is the net margin earned after absorbing the allowances of various overheads including the administrative overheads, depreciation on assets used in the operations and the interest on borrowing. It would be seen that the net profit ratio had all
along been not only very poor but disastrous. Every year there had been net loss and the net loss ratio had grown adversely in the year 1982-83 apart from its being very unfavourable during the year 1980-81. There was no return on investment as such and the losses were mounting rather than coming down.

9) Attempts made by the corporation to exploit huge gypsum deposits at Assar and Kanga did not bear fruits despite demand for the product, due to lower output, acute labour problems and high transportation costs. This activity was abandoned at the two mines after incurring capital expenditure of Rs 36.63 lakhs and sustaining commulative loss of Rs 18.48 lakhs by the end of March 1983.

10) Despite absence of a firm and regular demand for lignite, staff was employed for Nichahoma and lignite mine. Loss sustained during 5 years ending 1982-83 was to the tune of Rs 3.11 lakhs. Government provided plan funds of Rs 11.50 lakhs during 1978-79 to 1982-83 for the development of the mines. Actually no development took place and the mining activities came to an end by 1983.

11) Government provided plan funds of Rs 11.75 lakhs to the corporation upto 1978-79 for exploration of the Paddar Sapphire
Mine. Real potential of the reserves at the mine was, however, never established. The mining activity was stopped in 1977.

12) Substantial reserves of borax, sulphur and salts were found in Ladakh area and prospecting thereof was started by the corporation in 1967-68 but the corporation failed to achieve desired production resulting in profitable sales.

13) A scheme involving investment of Rs 13.22 lakhs for extracting of marble in Kupwara area was approved by the Board of Directors of the corporation in 1980 and Machinery for the purpose purchased by February 1981 but the project is yet to be implemented. According to the management the machinery procured was defective and the project require new machinery to be purchased at the cost of state (exchequer).

14) Lime-stone quarry at Khrew was set up as an independent unit by the corporation in 1979-80 for extraction of lime-stone meant for internal consumption and for sale in open market. The open sales were negligible. Due to unsatisfactory working, the unit suffered net loss of Rs 7.56 lakhs during four years ending 1982-83.

15a) Production in Wuyan cement, factory was much below the installed capacity and the budgeted production during 5 years
ending 1982-83 was much below the expected target. It was due to lack of efficient management.

b) Requisite repairs modifications to the cement plant were postponed from time to time due to delayed decisions and poor liquidity position.

c) The cement factory sustained net loss of Rs 71.11 lakhs during the five years upto 1982-83 due to low production and high costs.

d) Similarly proper control over consumption of raw materials in cement factory did not exist. Responsibility for huge shortages pointed out at the physical verification during 1979-80 1980 and 1981 in the cement factory had not been fixed.

e) Irregularities were committed by management of cement factory in the purchase of coal through a dealer in 1982 and in placing orders for purchase of pallet beds and M.S. sheets from private parties in 1981.

16) The performance of pre-stressed concrete factories at Wuyan and Bari Brahamana for production of electric poles and other products was below targets mainly due to inadequate arrangement
of raw materials and power shut-downs production capacity of
the two units vis-avis. The future demand for electric poles
and spun pipes from the State Power Development and Public Health
and Engineering Departments had not been determined. Stock
valuing Rs 29.13 lakhs had piled up in the two factories at the
close of 1982-83.

17) Government provided Rs 16 lakhs in 1981-82 and 1982-83 to
the corporation for new schemes but no expenditure could be
incurred so far on these projects.

18) There was lack of control over management of cash. Cash
credit at higher rates of interest was availed of side by side
with short term deposit made at lower rates of interest.
Unremitted contributory provident funds and sales tax accumulations
had been utilised as working capital. Proper system to control
credit to customers and sundry advances did not exist.

19) Out of equity/loan contribution of Rs 2,11.52 lakh received
from Government from 1969-70 to 1981-82 for capital and
developmental expenditure on specified schemes (Rs 1,37.21 lakhs)
had been diverted to working capital requirements of the
corporation.

20) The corporation had not repaid any amount of Government loans
totalling Rs 99.78 lakhs received upto 1977-78. Interest overdue for repayment of on 31st March 1983 was Rs 51.72 lakhs.

21) The internal audit section of the corporation did not carry out any internal audit during the 5 years ending 1983-84. No action has been so far taken against this glaring evidence of large scale inactivity. Final.

22) Finally the corporation had been over staffed due to surplus manpower which badly influenced the financial viability of the corporation.

From all above mentioned facts it is clear that the performance of Jammu and Kashmir Minerals Limited like that of Jammu and Kashmir Industries Limited was very poor. The net result of both of these Public corporations controlling together 25 manufacturing industrial units of J & K State had been far from satisfactory.

Instead of contributing to the development of states economy or to state-exchequer, these public undertakings of J & K State had been functioning inefficiently and because of above mentioned shortcomings these have retarded the industrial-economic development of the state. Thus our hypothesis at page 3 stands proved.