CHAPTER VII
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

7.1 Summary:

The industrial sector is an essential sector for Nepal. Industrialisation has been accorded high priority in the process of planned development in Nepal. It is a leading sector and once this sector is developed, all other sectors will also be developed automatically. In the past decades, Nepal has made several efforts in this direction.

The importance of PEs has grown by leaps and bounds. Adequate emphasis and protection have been granted by government to promote and nurture these enterprises. Public Enterprises have no doubt brought new dimensions in the industrialisation process of the country.

The key economic indicators clearly reflect that there has been remarkable stability in the economic situation of the country compared to that of the previous years. However, inconsistencies are found in the investment and savings policies over the years. The gap between exports and imports and other basic problems have not been resolved. The consequences of such
gaps and inconsistencies have affected the overall economy. It was found that there is no clear perspective about the industries to be setup in the private and public sectors.

The government view about setting up certain industries in the public sector is that the private entrepreneurs did not come forward to operate these industries.

Regarding the goals of industrialization in Nepal it is felt that the first priority be given to being self-reliant in essential goods: the second to creating more employment opportunities; the third to promoting export of Nepalese goods; and fourth to achieving balanced industrial growth of various regions of Nepal.

The increasing importance attached to the Public Sector in the process of development and industrialization is an outcome of several factors. Development is not always possible through private sector only. In case of underdeveloped countries for ensuring social justice the public sector has been assigned a very important role. Governmental action on various fronts is necessary to accelerate the pace of development in poorer countries which are characterised by various rigidities.

Public Enterprises have not proved an unmixed blessing to the developing nations. Though many developing countries have
established PEs as an instrument of development yet in many of these countries PEs do not have smooth sailing. They are entangled with numerous problems, managerial problems being the predominant one, which have restricted their growth.

The performance of the PEs has been a disappointment. Productivity is extremely low due to inefficient use of labour, low levels of technical and managerial expertise and frequent closures due to shortage of raw materials and spare parts. Erratic government involvement in day to day operation has led to poor management decisions as well as to frequent overstaffing. Inconsistent government pricing policies have also created marketing problems.

The Public Sector units seem to be handicapped in performing satisfactorily. This situation in organised sector can never be exemplary to initiate industrial growth in the country. The establishment of PEs in Nepal were done in a hurry. Right from their birth they had very little chance for healthy growth as goals are not clearly stipulated. Ministers who were actively in favour of it are faced with very short terms of office, capitalization is improper, management largely inexperienced and evaluation criteria are never known.
In Nepal too the government has taken measures to industrialize the country. In every Plan stress is being given to improve the industrial conditions of Nepal. Policies have been formulated from time to time to study the performance and providing technical and other assistance to the industries. Since industrialization is considered an important catalyst in the development of the country and also uplifting the social status of the people. It may be fruitful to analyse the role played by public enterprises in the manufacturing enterprises in Nepal. Accordingly the present study explored the contributions made by the public enterprises. To accomplish this I have tabulated the available data and made various financial calculations to see their performances.

The study reveals that most of the selected enterprises have erratic and fluctuating trends. However some of the enterprises show favourable trend while for others the trend are not favourable.

We have also noticed that during the mid eighties most of the enterprises showed excellent results, but their performance deteriorated during the late eighties and early nineties. The main reasons behind these are the private intervention in these areas and increase in market competition. We have also noticed that
Nepal is highly dependent on raw materials and fuel on other countries, especially India. Any factor affecting the continuous supply of these items and transportation adversely affects the production of the enterprises; hence negative performance results.

Overall, it is felt that public enterprises could not maintain the same performance which it had till the mid eighties. Measures should be taken to maintain a steady trend. Exploration should also be made to use domestic raw materials and develop alternate sources for transportations. PEs in Nepal suffer from numerous managerial problems which affect the financial, technological, marketing, production aspects etc. Thus the first step should be to develop a sound management system to tackle with the problems. Mixture of gradual privatisation and public sectors should therefore be encouraged. Management contracts could also be given to existing employees or to private sectors. These steps will no doubtly increase the performance and efficiency of the PEs.
7.2 Conclusions:

The main conclusions drawn from this study are listed below:

1. The production trend of most of the units are erratic and fluctuating. HETC, BSF and LSF show favourable production trend. In sugar, public sector has been able to improve its share and create a more successful image. In the cement industry HETC has shown good results whereas HC has not been able to maintain the market share. In the textile industry both the units in the public sector show fluctuating trends. It could be seen that barring a few exceptions most of the enterprises have been unable to hold and maintain specific market share.

2. The sales (quantity) shows that only LSF and HETC the trend is favourable, whereas for all others it is fluctuating. In the case of BSF the sales of sugar show fluctuating trend whereas for spirit and wine the results are favourable.

However in terms of rupees, all the industries have been able to increase their sales. Thus we can see that although the sales in quantity show fluctuating results in terms of rupees it is quite favourable. One of the reasons may be the increase in the price of the products.
3. So far as capacity utilization is concerned, sugar industries in the public sector have performed well and show favourable results. HTL also showed increase in the PCU till the mid-eighties but deteriorated thereafter. In the case of the other industries however the results are not steady.

4. The fixed assets turnover for LSF, HTL and BKU showed that it is improving. For JCF, BSF and HETC it is slightly fluctuating whereas for HC the turnover was deteriorating. Thus we can say that most of the public enterprises are doing well except for HC whose turnover is deteriorating.

5. The Return on capital for sugar industries are improving. In the case of JCF and HETC it is fluctuating whereas in the case of HTL and HC it is deteriorating. In case of BKU however the return seemed to be improving in the year 1988-89 but started deteriorating thereafter. We can say that sugar industries are getting good returns. In the case of JCF and HETC the return is not steady. For the other industries the returns too seem to be worsening.

6. In the case of sugar industries their Return on Sales also show improvement. JCF, BKU and HETC show fluctuating trend
whereas HTL and HC show deteriorating trend every year. Thus we can say that only the sugar industries in the public sector seems to have managed to increase their market shares. In the case of other industries however they have not been able to do so.

7. Looking at the trend of Return on Investment we can say only LSF seems to be doing well. The rest show a deteriorating trend while BSF and HETC have exhibited fluctuating trend.

8. LSF, HTL and HETC have been able to make good net profit on sales. In the case of JCF and HC the net profit is deteriorating. However in the case of BSF although the net profit decreased till the year 1986-87 yet there has improvement thereafter.

9. The trend in the employees and labour productivity also depicts a favourable picture in the case of BSF, LSF and BKU. Only in the case of HTL the situation is not favourable whereas the other industries show a fluctuating trend. In this case too we can say that the sugar industries along with BKU seems to have done well.

10. The so called autonomy of PEs are only on paper and PEs have become stooges in the hands of government ministry.
11. One of the reasons of poor performance of PEs is incompetency of top management. There is no set criteria for performance evaluation of Chief Executives. No particular Chief Executive has been held accountable for any organisational failure or mismanagement.

12. The board of Directors fail to give guidelines and policies. Also it does not bother to review the performance of PEs properly due to reasons that they are never made accountable.

13. Production Management is characterised by poor layout, low capacity utilization, minimal application of production planning, quality control, repair and maintenance, wastage control and Industrial Engineering.

14. The Financial Management aspect is also characterised by poor planning and assessment of funds and lack of analysis and evaluation of financial results. Financial assistance by HMP/N is provided on the basis of individual approach, connection and character of Chief Executive rather than the financial condition, performance, corporate objective and role of undertakings.

15. The process of Decision making tends to be very long. In most organisations memo system has become cumbersome process since there is a tendency to prolong in the making of decision and putting it in writing to complete the formalities.
7.3 Recommendations:

On the basis of the study and conclusions drawn the following measures are recommended.

1. Administrative and political interferences should be completely discouraged. This can be done by stopping the practices of deputy chairman and making the board of management more active.

2. The mission, goals and objectives of PEs should be clearly and adequately stated. There is virtually no spelling out of these objectives in the manufacturing PEs these days. Every manufacturing PE, therefore, must have properly spelled out objectives in specific and clear terms.

3. Manufacturing PEs should function like those of private sector with due consideration to business and economic motives.

4. Government Policy should be clear and specific.

5. Interferences are noticed even in the appointment of labourers in manufacturing PE not to talk about higher level personnel. Such interferences and practices should be clearly stopped.
6. Consequences in failure of performance should be clearly spell out.

7. Review of existing procedures, rules and regulations should be made so that simplicity is enhanced.

8. Organisational performance, relationships and activities should be frequently done and improved on the basis of findings.

9. Reward and punishment system and performance appraisal system should be systematic and clear.

10. Private participation in PEs to limited extent should be encouraged.

11. Sale of sick or loss-making PEs should be made on basis of specific an clear policies and objectives.

12. Adhocism should be discouraged in every sphere of working of PEs.

13. By evolving sound organisational system and practices, personal connection, favouritism etc. should be discouraged. Organisational structure itself should be systematic.
14. Suitable policies should be chalked out to expand existing capacity and capacity increase should not be allowed unless there is a long term genuine feasibility.

15. Planning process should be organisational based as far as possible. Long term planning should be developed and short term plans and policies should be based on those long term perspectives.