CHAPTER - I

INTRODUCTION
1.1 - Need for Public Enterprises in India

Since India achieved independence from colonial rule, more than 45 years ago, she opted for Democratic Socialism as the national goal and she plumped for mixed economy as the best vehicle to take her to her destination. In this regard, India was influenced in the area of economic development, by the concepts of Fabian Socialism and the concept of a Welfare State of the 19th. century English writers. Besides, she was also greatly impressed by the Super Power Status attained by the Soviet Union within a short span of time of 30 years, between 1920 - 1950, by adhering to the concepts of socialism.

Immediately after independence in August 1947, the first Industrial Policy Resolution was announced in April 1948 assigning limited but critical role to Public Enterprises. Soon afterwards it was thought that Public Enterprises should be assigned greater role in the economic development of the country. With the adoption of Socialist Pattern of society in December 1954 by the Parliament, this became more imperative. The Industrial Policy Resolution of 1956, which still continues with modifications from time to time, turned out to be a landmark and it enlarged the scope and critical role of Public Enterprises by almost reserving all the basic, key and strategic industries for them. The Second Plan also clearly spelt out that there should be "Public ownership, partial or complete and public control and participation in management, in all those fields in which technological considerations tend towards a concentration of economic power and of wealth", with the result, massive
Investment was made in the Public Enterprises.

In Post-Independent India, the Public Sector is conceived as a reconciliation of the national commitment to economic planning, socialism and public intervention in economic activities. Within the framework of Mixed Economy, the emphasis is on growth and diversification of the Public Sector. India has a Mixed Economy consisting of the Public and Private Sectors to ensure all-round growth including fulfilment of the country's social objectives.

The present Public Sector Enterprises in India owe its growth to the several Industrial Policies and Statements made by the Government of India. The present situation of these Enterprises is the outcome of the Industrial Policy Resolution of 1948 and the Industrial Policy Resolution of 1956 as also the various pronouncements made by the Government from time to time. The Industrial Policy Resolution of 1956 provided a firm foundation for the growth of the Public Sector by emphasising that all industries of basic and strategic importance should be in the Public Sector. It states that the adoption of the Socialistic Pattern of Society as the National Objective as well as the need for planned and rapid development required that all industries of basic and strategic importance, or in the nature of Public Utility Services, should be in the Public Sector. Other industries which are essential and required investment on a scale which only the State, in the present circumstances could provide have also to be in the Public Sector.

India, on adopting Democratic Socialism as her goal, committed

1. The Industrial Policy Resolution, 1956
herself to provide equal opportunities to the masses so as to bridge the gap between the rich and the poor of the country. To this end, the Government's participation in Industrial and Commercial ventures has come to be regarded as an effective Instrument of Socio-Economic transformation, a powerful engine of economic development and an Instrument which might help the developing economy to catch up with the developed economies and enable them to promote efficiency and equality in the process of development.

The World Bank Report (1979) states that: "Such Enterprises have been created in many developing countries for diverse reasons, including the drive to launch and control large capital intensive plants producing fertilisers, Petro-chemicals or steel, which might not have been undertaken by the private Sector or would require regulation of monopolistic profits if they were; the goal of deploying state economic power to balance that of domestic Industrialist and Foreign Trans-National firms; the need to increase the supply of trained Managers and Technical staff; and nationalisation of existing Private Units to take over the commanding heights of the economy. A close examination of the industrialisation process the World over, reveals that the Institution of Public Sector Undertakings plays a crucial role in development of both developed and developing countries. In fact, increasing state intervention in the economic life of the people all over the World has been the characteristic feature of the 20th century".

The Public Sector has played a significant role in the rapid economic development of India by providing capital, strong infrastructure, modern technology, economies of scale and employment generation. The Public Sector in India is one of the largest concentrations of Industrial asset in the World. It has attempted to implement the objectives of planning through reducing regional disparities and checking the concentration of economic power. The Public Sector has particularly made a significant effort in the country's march towards Import Substitution and Export promotion, thus making India more self-reliant. The Public Sector is not only a necessity but a significant asset for a developing country, like India.

The Public Sector in India presents a picture of great diversification encompassing Financial, Commercial, Infrastructure and Commodity producing Enterprises. Ideologically, it is desired to gain the commanding heights of the economy without jeopardizing the growth of the Private Sector but taking the country on to the road of socialism. "The growth of Public Sector in India is regarded as a logical necessity in the context of an unsatisfactory and poor state of economic growth of the country at the time of independence. Since Independence, the growth of Public Sector Undertakings both at the Central and State levels, has been phenomenal. The journey to the commanding heights of the economy from a modest beginning in 1951 with an investment of Rupees 29 crores in five Industrial units to an Investment of Rupees 113234 crores in 246 Enterprises as in 1991 is quite impressive and has influenced the basic structure of the growth of National Economy."

'In a developing economy like India, the emergence of Public Enterprises has been necessitated by certain strong socio-economic as well as political reasonings compelling the Government to participate actively in vital sectors of the economy. Pandit Jawarharlal Nehru advocated for Public Sector for three reasons - 1. To gain control of the commanding heights of the economy; 2. To promote critical development in terms of social gains or strategic value rather than primarily on consideration of profit; and 3. To provide commercial surpluses with which to finance further economic development. Thus, the main objectives of setting up of Public Enterprises were - 1. Acceleration of Economic growth; 2. Reduction of Regional imbalances; 3. Prevention of concentration of Economic Power; 4. Achieving self-reliance in strategic sectors of the economy; 5. Supply of critical inputs and stabilisation of their prices; 6. Generation of re-investible surpluses.'

In a developing country, the involvement of government in economic activity through Public agencies has been viewed as an operational instrument for co-ordinating, integrating and achieving multiple objectives set forth for economic development.

India's Five Year Plans have had an element of ambitious idealism in the push given to the Public Sector. With an acceleration for industrial growth simultaneously much concern was also expressed for diffusion of ownership and management in private industry and prevention of private monopolies and concentration of economic

power in the hands of a few private individuals and groups. The early planners, specially Jawarharlal Nehru, dreamt of a socialistic pattern of society to be achieved through a more demographic and geographic distribution of income generated from the production units dispersed and decentralised to the benefit of power sections and for the welfare of the overall masses at large. In India the Public Sector has been an instrument for delinking the means of production from private ownership and collective enjoyment of ownership of means of production. For many Indians, PSUs and the enlargement of the Public Sector represents a movement towards a Welfare society and towards Socialism. For others, PSUs represent an Institution of dominance of an individual by Government and a vehicle for administrative interference with the otherwise gainful economic activity of the people. For still others, PSUs represents wastages, inconvenience, inefficiency and corruption instead of enlargement of social benefits. However, neither of these views is wholly acceptable. Public Sector in India, in fact, has been inextricably mixed bag of pioneering endeavours, impressive achievements as well as dismal failures and wastage of public resources.

Because of the fact that the Public Sector is so extensive and so intimately tied up with planned development and government investment, it is of immense importance that its problems are analysed critically so as to seek proper remedies thereof. It may not be proper to use the same yardstick to measure the performance of Public Sector as is used for private sector enterprises. PSUs are committed to a number of different objectives. It is quite logical that these objectives should be taken into account if assessment is to be realistic. Many of these Socio-Economic
objectives conflict with profit maximisation and many a times they have overriding considerations. But, the success of the Public Sector in achieving various Socio-Economic objectives has also been uneven. Large-sized PSUs have not always had a spread effect within the state or regions in which they are located. There has been some impetus to local trade and employment by Public Sector but these have often been the consequences of local political pressure. It is more debatable if in terms of market leadership the PSUs have achieved much.

In 1990-91, the Department of Public Enterprises, Ministry of Industry, Government of India, New Delhi, published a Public Enterprise Survey Report, which has elaborated the latest philosophy of the Government of India in respect of the Public Sector Enterprises. An excerpt of the said Report is presented below:

**Policy on Public Sector**: In order to improve the portfolio and performance of Public Sector Enterprises, the Government of India announced on 24th July, 1991, a statement on Industrial Policy, effecting considerable liberalisation in the existing procedures. It contained a section on Public Sector Policy also. The Policy Statement contains the following decisions:

1. Portfolio of Public Sector Investments will be reviewed with a view to focus the Public Sector on strategic, high-tech and essential infrastructure. Whereas some reservation for the Public Sector is being retained there would be no bar for area of exclusivity to be opened up to the private sector selectively. Similarly the Public Sector will also be allowed entry in areas not reserved for it.
2. Public Enterprises which are chronically sick and which are unlikely to be turned around will, for the formulation of revival-rehabilitation schemes, be referred to the Board for Industrial and Financial Reconstruction (BIFR), or other similar high level Institutions created for that purpose. A social security mechanism will be created to protect the interest of workers likely to be affected by such rehabilitation packages.

3. In order to raise resources and encourage wider public participation a part of the Government's share-holding in the Public Sector would be offered to Mutual Funds, Financial Institutions, general public and workers.

4. Boards of Public Sector companies would be made more professional and given greater powers.

5. There will be greater thrust on performance improvement through the Memorandum of Understanding (MOU) system through which management would be greater autonomy and will be held accountable. Technical expertise on the part of the Government would be upgraded to make the MOU, negotiations and implementation more effective.

6. To facilitate a fuller discussion on performance, the MOU signed between the Government and the Public Enterprise would be placed in Parliament. While focussing on major management issues, this would also help place matters on day to day operations of the Public Enterprises in their correct perspective.
<table>
<thead>
<tr>
<th>Plan period as on the date of commencement</th>
<th>Total Investment (Rupees in crores)</th>
<th>Number of Enterprises</th>
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<tr>
<td>At the commencement of the 1st Five Year Plan (1.4.51)</td>
<td>29</td>
<td>5</td>
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<td>At the commencement of the 2nd Five Year Plan (1.4.56)</td>
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<td>At the commencement of the 3rd Five Year Plan (1.4.61)</td>
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<td>At the end of the 3rd. Five Year Plan (31.3.66)</td>
<td>2410</td>
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<td>At the commencement of the 6th Five Year Plan (1.4.80)</td>
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<td>At the end of the 7th Five Year Plan (31.3.90)</td>
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<tr>
<td>As on 31.3.91</td>
<td>113234</td>
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Source: Public Enterprise Survey, 1990-91, Department of Public Enterprise, Government of India.
The growth of Public Sector so far not only in India but throughout the World has been in response to certain powerful historical forces. That is why economy moulded on Socialistic pattern has been compelled to go in for and plead for the extension of the responsibilities and the activities of the Public Sector. We are all living in a stage of World History where a steady expansion of Public Sector has become inevitable and irresistible, as a strategy of economic growth. The Public Sector in India has come to stay. It will not only provide a strong economic base, but also accelerate social change, and the process of industrialisation. India needs a strong and growing Public Sector. Where the private sector cannot supply the requisite productive resources and foreign aid is unreliable, Public Sector Enterprises become an economic necessity. It is neither a matter of any doctrinaire approach nor of an ideological dogma. It is dictated by the transitional change from under-development to development.
1.2 - Role of State Enterprises in the economy of Assam

Assam is the largest North Eastern state of the Indian Union and has an unique strategic importance for the country, basically due to the fact that it is an oil-rich state, one of the largest tea producing states and because it shares an international border with Bangladesh and Bhutan. But unfortunately, industrial growth in the state has been almost non-existent. Though State Level Public Enterprises came into existence as early as 1954, they could not contribute significantly to the industrialisation process of the state.

In the early post-independence period, Assam had a small but the only Petroleum Refinery in the country at Digboi. Secondly, most of the 800 (approx) tea-gardens having their small captive tea factories, were by and large unorganised. The state also had a few rice mills and mustard oil mills in the small townships of Assam. This state of affairs was partly due to the fact that in those days the North-Eastern Region was a hinterland for industrially developed metropolitan Calcutta. Consequently, the forward and backward linkages adversely affected Assam in those days. In the Socio-Economic milleue of a peasant economy, there was no scope either for ushering in industrialisation by outsiders nor for growth of local entrepreneurs. The development of the state was also affected by little or no development of the transport sector.

One of the major policies of the state government after independence was to industrialise the state. But politicians and bureaucrats of the then Assam had no experience of establishing
and managing industries. However, the erstwhile politicians being rooted to the soil, instinctively realised that in the socio-economic millien of Assam, the State Government must act as the surrogate entrepreneur and industrialisation al beit their limited horizon.

Naturally, the Industrial Policy of those days was mainly restricted to the encouragement of cottage and tiny industries that could use locally available raw materials like bamboo, wood, silk, etc. A few small-scale industrial units set up by the government as Departmental Undertakings in the early years were of the same variety. The only enterprise of different sort that the Government had to takeover from the British owners was the Transport Undertaking that served as the only link between Shillong, the then capital of Assam, with the rest of the country. But that too was a small undertaking with a fleet of few vehicles covering only a 100 KM long route.

It was thus, in the fitness of things that the first SLPE was the Statutory Assam Financial Corporation set up in 1954. The then Government realised that in view of its meagre budgetary resources, it will have to encourage private sector industrialists and entrepreneurs by making finances easily available through such bodies.1

The history of the PSEs of Assam began in the year 1954 with the establishment of the Assam Financial Corporation Ltd. In the very next year, in 1955, two more PEs namely, Assam Co-operative Sugar Mills Ltd and Assam Khadi & Village Industries Board were set up.

The ASEB for undivided Assam came up next in June 1958 and in the same year in August, the Assam State Warehousing Corporation was established. In 1959, the Assam Government Marketing Corporation Ltd was established. The Assam Silk Mills Ltd and the Assam Cooperative Jute Mills were added to the list of PE in the year 1960. In the decade of 1961-70, another 12 PEs came into existence. Thereafter, the growth of the state PEs were as follows - In 1975-76 - 34 ; In 1987-88 - 44 ; In 1988-89 - 47 ; In 1990-91 - 48.

At present, there are 48 PEs, divided as follows =

TABLE II

Number of SPEs - 48

a) Promotional & Welfare Oriented - 8
b) Manufacturing & Mining - 20
c) Trading & Services - 7
d) Agro & Plantation based - 7
e) Construction - 3
f) Miscellaneous - 3

Number of Administrative Departments - 20

a) Power - 1
b) Transport - 1
c) Municipal Administration - 1
d) Co-operation - 8
e) Handloom, Textile & Sericulture - 3
f) Industries - 16
g) Welfare of Plain Tribes & Backward classes - 3
h) Hill Areas - 1  
i) Finance (Taxation) - 1  
j) Cultural Affairs - 1  
k) Agriculture - 3  
l) Veterinary - 1  
m) Fishery - 1  
n) Soil Conservation - 1  
o) Education - 1  
p) Tourism - 1  
q) Mines & Minerals - 1  
r) Public Works - 1  
s) Home - 1  
t) Town & Country Planning - 1  

Source: Department of Public Enterprises, Govt. of Assam.

With the increase of the number of PEs, under different Administrative Departments, it was considered necessary by the government to have a centralised agency in the Secretariat to coordinate the functioning and operations of the different PEs and the concerned Administrative Departments. Thus, in July 1976, the Department of Public Enterprises was created and assigned the important role of co-ordinating the different PEs, undertaking studies in respect of different PEs and to build up a Data Bank for PEs in respect of matters of general interest for the state government.

All the PEs of Assam have functional autonomy and operational powers exercisable by or under the direction of a Board of Directors or management at the top, constituted for all these
enterprises, in most cases, almost wholly by the State Government. The composition and functions of these Boards differ from enterprise to enterprise depending on the type of their organisational structure, whether it is a Statutory Corporation, a Company, a Co-operative Society or a Subsidiary, but they are all the same in their accountability to the state government and the legislature.

The Administrative departments of the PEs oversee the activities of the PEs under their respective administrative control and thus provide the necessary balance between the doctrine of public accountability and the requirement of autonomy of the PEs. As the PEs by their very nature are obliged to function as instruments of the state policy for economic development, and their capital is provided and/or guaranteed almost fully by the government, the role of the respective administrative departments in giving necessary guidance and directives to the management of the PEs for steering their operations in accordance with government programmes is well-recognised. However, with a fairly large number of PEs now operating in the state, covering a wide gamut of activities like manufacturing, marketing, transportation, utility services and promotional operations in different sectors of the economy and under different administrative departments, the need for coordinating the functions and adopting a uniform approach to problems, prospects and programmes of these enterprises at the state government level cannot be over-emphasised.

Investment
The total capital invested in the SLPEs as on 31.3.92 is 2723 crores rupees. Of this, 1934 crores rupees is being invested in
ASEB alone, 95 crores in STATEFED, 100 crores in ASTC, 112 crores in AIDC & 412 crores in the rest of the SLPEs.

IMPACT ON THE ECONOMY BY SLPEs

Government investment in the SLPEs has been increasing every year. This means that dependence on the government has increased compared to Institutional and other sources of finance. The ASEB received 71.7% of the government investment in 1991-92. The other 47 SLPEs received 28.3% of the total government investment. The equity contribution of the government has been of the order of 60% of the total government investment in the SLPEs.

The turnover of the SLPEs, however, has been rather poor, inspite of the huge amount of government money invested in them. The turnover has been in the range of 20% of the capital investment. In terms of paid-up capital it is only about 50%. This indicates that a very significant portion of the investment has gone into fixed costs. The growth of turnover has been only 10% against the growth of investment which is 20% per year. This too is an indicator of poor performance of the SLPEs.

The turnover per employee has also remained almost constant, indicating that the poor productivity of the employees has not improved. This reveals that the additions to the human resource have not contributed to improvement in the performance of the SLPEs, if we take annual inflation into consideration.

The profit generated by about 15 SLPEs is quite insignificant compared to the losses incurred by the remaining enterprises. The losses have been mounting and the contribution of the ASEB towards
this loss is about 80% of the accumulated loss of Rupees 1370 crores incurred by all the enterprises together. The accumulated loss has eroded the capital base of the SLPEs completely and the negative rates of returns on the capital invested and paid-up capital have been 12 and 30% respectively as on 31.3.92.

About 30 SLPEs retained positive net-worth of about Rupees 170 crores, but the remaining SLPEs have brought down the net positive net-worth to about Rupees (-)270 crores. This would have been in the order of Rupees (-)1100 crores, had the capital structure of ASEB not been changed by conversion of loan of Rupees 800 crores to equity in 1991-92.

Though dividends have been declared by 3 SLPEs, i.e., Assam Mineral Development Corporation Ltd., Assam State Warehousing Corporation and Assam Financial Corporation, the contributions to the state exchequer, including these dividends, are quite insignificant compared to the investments made by the government in the State Public Enterprises of Assam.

Source - Department of Public Enterprises, Government of Assam.
The textile industry is perhaps one of the oldest organised industries in India—almost 135 years old and accounting for about 20% of the total industrial output of the country and employing about 15 million people, which is about 18% of all factory labour. Textile includes garments, handlooms, cotton, synthetic yarn, wool and woolen garments. The cotton textile industry was the first major industry to develop among the modern Indian industries. It is the base on which the pyramid of the industrial sector of the country had been built. What started largely as a spinning enterprise a century ago, has gradually developed into a mature composite industry today. Over the years, it has passed through various phases of development which hold a number of lessons for planners and executives engaged in this sector. During the 1960's India became the second largest textile industry in the world and continued making fairly good profits. Almost every industrial house had a major presence in this industry. However, with the onset of technological revolution resulting in the manufacture of modern, sophisticated products, other sectors of the economy, like Iron & Steel, Automobile, Fertilizers, Oil & Oil-based products started growing in importance. Naturally the textile industry started losing its previous pre-eminent position. Nevertheless, clothing being the second basic need of man, next only to food, the importance of this industry can never decline, only the characteristics of the products have undergone a vast change. Synthetic fabrics now rule...
the roost. Considerable sophistication of the textile machinery industry has taken place, specially in the last couple of decades. As a result of the change thrust upon the industry due to changes in technology and market preferences, a large number of older mills became sick and unviable. It was then that the government had to step in just to take care of those employed in this field, and thus began the story of the Public Enterprises in the textile sector. It needs, however, to be emphasised that as estimated by certain authorities, at today's cost of labour, raw-materials and other charges, the composite textile mills are not in a position to produce cloth cheaply. Economically priced yarn can be produced only by large modern spinning mills using advanced technology. There is considerable demand for durable synthetic and blended fabric at cheaper prices, which is not being met by indigenous production. The full export potential also remains to be exploited. The latest textile policy of the government seeks to achieve these objectives. The need of the hour is to permit full fibre flexibility, as between cotton and man-made fibre/yarn, and establish new units/expand existing units to such capacity which offers economies of scale for production of synthetic fibre/yarns. However, one bright spot on the textile horizon is the fact that the fortunes of the textile industry in India have become brighter today and at the heart of this turnaround is the sea change occurring in cotton production. The physical indicators of performance reveal a robust state of the textile industry in 1990, specially in the spinning segment. The cotton yarn production rose by over 100 million kgs to reach an all-time high of 1438 million kgs during 1990. The output of blended/non-cotton yarn also peaked million kgs in 1990 as against 1602 million in 1989. In recent
years, the crisis shortage syndrome in cotton has been overcome, thanks to the development of hybrid varieties, larger coverage of the crop under irrigation and improved management practices.

ASSAM SCENARIO

Coming to the state scenario, the Assam textile industry consists of a number of cotton and small industries. The Assam Muga Silk is famous all over the World. Assam enjoys a suitable climate for practising sericulture. The spring and autumn seasons are the best time for rearing of Eivoltine Mulberry Silkworm. During summer, even when the weather is very hot and humid, Multivoltine rearing can be done. On account of its conducive climate and suitable environment, sericulture - comprising the culture of Eri, Muga and Mulberry Silkworm is traditional in Assam. Hence, Muga is the monopoly of the state. However, the production of Muga has not been able to keep pace with the demand for it. Muga cocoons are always in short supply.

Public Enterprises in the textile sector, in some form, has been in existence since the inception of the institution of the State. From Kautilya's 'Arthashastra', we come to know that the state had posts like Superintendent of Weaving to 'employ qualified persons to manufacture threads, coats, clothes and ropes'.

The state had to organise their own production of clothes for the army because it could not have been dependent on supply from the market simply due to the fact that the markets in the earlier days were not organised and expanded to be able to assure regular

1. - SITRA Report on 'Productivity of Textile Enterprises in Assam.
supply of required articles by the State.

The story of the Public Sector Enterprises in the textile sector in Assam began only in 1960, and has risen to seven (7) at present. A very striking feature that has emerged out of the development process of the textile industry is that spinning is flourishing in the Public Sector, weaving in the decentralised sector and finishing again in the Public Sector.

The first Public Sector Enterprise to be established in the textile sector in Assam was Assam Spun Silk Mills Ltd. which was incorporated on 31.3.60 as a private limited company and was commissioned on 18.12.61. It was started with the objective of helping weavers of 'Eri', 'Muga' and 'Mulberry' silk yarn. It was started with an authorised share capital of Rupees 85 lakhs, the entire share capital was expected to be contributed by the state government. From the beginning, the Mill started earning net profit and continued to do so for more than a decade upto 1981-82. But suddenly, it performed poorly in 1982-83 by incurring a net loss of Rupees of 9.02 lakhs. Thereafter only nominal profits were made in 1983-84 and 1984-85. After 1985, the Mill again started to incur heavy losses and has since been making heavy losses till date, with the exception of 1991-92, when it made marginal profit. However, the Mill had no accumulated loss till 1990-91, but started accumulating loss from 1991-92 also. The main problem of the Mill is that its machinery is old and obsolete. However, this problem can be overcome by modernising its machinery and technology.

The Assam Co-Operative Spinning Mills Ltd. was the second Public Enterprise to be set up in this region in the textile sector. It
was registered on 2.3.79 under the Assam Co-operative Societies Act, 1947 (Assam Act, 1 of 1950). This spinning mill was established with the objective of promoting the economic interest of its members by undertaking spinning, dyeing, sizing, weaving and manufacturing of textile materials of different blends and supply of yarn of all grades to the weavers. This Mill after making initial losses from 1981-85, started making losses till date. The main problem of the Mill is that the original manufacturer of its machineries, M/S MEI has closed down operations and the Mill has not been able to procure and install the remaining machinery from alternative sources.

Along with the Assam Co-Operative Spinning Mills Ltd., another enterprise named Swahid Kusal Konwar Samabay Sutakol Ltd. was established on 23.3.79 as a Co-operative Society under the Co-operative Societies Act, 1949. It has the same basic objective as Assam Co-operative Spinning Mills Ltd and the same basic constraint, ie. 54% of machinery could not be installed and commissioned - however, the reason for this is due to dearth of funds of around Rupees 4.13 crores. Though it was established in 1979, trial production of yarn could start only from August 1990.

In the next year, in 1980, Assam State Textile Corporation Ltd was registered under the Companies Act of 1956 on 26.2.80 and was commissioned in January 1987. The establishment of Assam State Textile Corporation Ltd has a long and interesting history behind it. In the late 1970's the government of India constituted a 'Task Force' to examine the feasibility of textile industries in Assam on the down stream products of the newly established BRPL (Bongaigoan Refinery & Petrochemicals Ltd). The Task Force was of the opinion
that there was a bright prospect for textile industry in Assam and on the basis of this, the idea of creation of ASTCL was conceived, which was in turn expected to promote the decentralised powerloom and handloom sector and other related economic activities to this end. The creation of ASTCL was mainly to accelerate/strengthen the industrial growth of the state by establishing new projects on textiles using Polyester Staple Fibre from BRPL. Finally, ASTCL was registered under the Companies Act in 1980. ASTCL started with a bright beginning but has not been able to make profits till date. Its yarn market is established and the fabric marketing was initiated, but unfortunately, due to lack of professional marketing efforts as well as lack of efficient production, it died an untimely death. To improve its performance, it has to improve its capacity utilisation which has been rather poor, rising to the highest of 55% in 1991-92.

Assam Polyester Co-operative Society Ltd. (APOL) was registered the next year on the 14th of September 1981 under the Assam Co-operative Societies Act, 1947 (Act 1 of 1950), for setting up of a polyester spinning mill of 19200 spindles capacity, as a downstream project of BRPL. The entire plan for this society was taken by some students at the time of the Assam Movement in 1979-80. In the year 1980, BRPL for the first time announced that it would produce 30,000 MT of polyester fibre. This was the beginning for a few young energetic boys who were studying in the Assam Engineering Collage (AEC), for the formation of APOL. The basic objective of the Society is the manufacturing and trading of PV blended yarn and fabrics. Till date, the performance of the Society is very promising in comparison to other State Sector Textile Mills. However, it does have accumulated loss to the tune of
Rupees 345 crores, the causes for which are mainly due to power shortages leading to 25% loss of production and 15% loss of production due to shortage of raw material (Viscose Staple Fibre).

In 1982, two more enterprises, namely Assam Syntex Ltd. and Assam Polytex Ltd. were established. Assam Syntex Ltd. was established as a subsidiary of AIDC1 Ltd and was registered under the Company's Act, 1956, for setting up polyester spinning mills as a downstream project of BRPL. Commercial production of the Company started from the first week of December 1986. The Company has been successful in acting as a catalyst in establishing downstream projects like power-looms and process houses in the State. However, the capacity utilisation has been around 50% only, against the industry level of 85%. Due to its major constraints like power shortages, working capital shortages and shortages of VSF, the Company is turning into a negative net-worth position. However, there exists possibilities to convert the enterprise into a Joint Sector Company.

Assam Polytex Ltd was incorporated on 29.5.82 as a Government Company under the Companies Act, 1956. The Spinning Mill was commissioned on 1.3.87 and commercial production started on 1.4.88. Assam Polytex Ltd is promoted by Assam Spun Silk Mills Ltd. as its subsidiary. Marketing of products of the Company is

1. AIDC (Assam Industrial Development Corporation Ltd.) is another Public Enterprise of Assam, which plays an important role in setting up large and medium industries in the state. As a wholly owned undertaking of the Government of Assam, AIDC Ltd. acts as a catalytic agent for industrial development of Assam. To fulfil the basic objective of promotion of large and medium industries, the Corporation undertakes promotional activities such as identification of viable industrial projects and providing financial assistance to set up these projects.
smoothly managed, however, its capacity utilisation does not appear satisfactory. As in the case of Assam Syntex Ltd., major constraints like frequent power interruptions, working capital shortage, shortage of VSF and lack of industrial culture resulting in low productivity and heavy absenteeism is turning the company into a negative net-worth position.

Assam State Textile Corporation (ASTC) Ltd. was envisaged in 1980 as an apex body for the planned development of the textile sector in the state. This has however, not been realised and the Weaving Complexes and the Process Houses were also approved in the Public Sector. When everywhere in India, the centralised Weaving Units were on their way out, the Government of Assam continued to establish such Weaving Complexes, each promoted by one of the existing spinning mills, i.e., APOL, ASTCL, Assam Syntex. The performance of these spinning Mills has been far from satisfactory. The following comparison between the Assam Mills and the All India Mills make it more evident -

<table>
<thead>
<tr>
<th></th>
<th>Assam Mills</th>
<th>All India Mills</th>
<th>Scope for Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Capacity Utilisation</td>
<td>50-60 %</td>
<td>95%</td>
<td>45%</td>
</tr>
<tr>
<td>2. Efficiency</td>
<td>65-73%</td>
<td>92%</td>
<td>25.3%</td>
</tr>
</tbody>
</table>

Source - SITRA Report on 'Productivity of Textile Enterprises in Assam.'

Problems of the Public Enterprises in the Textile Sector

The Textile industry occupies a key and important position in the economy of our state. The industry is, however, affected by periodic recessions. How vulnerable the financial health of a spinning mill becomes in such a recession can be understood by
considering the three major items of cost production, namely, Raw-
Materials, power and other Fixed Costs. These costs are uncontrollable by management in the short-run and may increase to more than 85% of the total yarn selling price during recessions from less than 80% in normal time. Thus, the proportion of expenditure which can be controlled is severely restricted during recession. Added to this is the fact that the profit margin in the industry is itself low, with a very large inter-mill variation, the return on capital employed differing between mills by more than 100%. The low profit mills would incur huge losses during recessions and eventually fall sick.

Over a short-term even a mill with poor working condition manage to earn profits either because of favourable trading conditions or because the management happens to procure raw-materials at low prices. But, in the long-run, the profitability of a Mill is determined to a large extent on its ability to reduce real costs of production, i.e., by achieving high labour and machine productivity. Mills should, therefore, maintain these productivity at least at such levels as will enable them to break even during adverse trading conditions since otherwise they are sure to fall sick during a recession. This is exactly what has been happening in our country during the past two decades. Often low productivity and profit ability are not the result of any single factor, but due to an accumulated effect of a large number of small factors, each of which may be small considered seperately, but whose sum total is highly significant. A thorough diagnostic check of the working of the mills from the technical and commercial angles and a comprehensive analysis of the Balance Sheets and Profit & Loss Statements is necessary to find out the state of health of the
mills. In the ultimate analysis, it is the profitability that matters in the efficient working of the Mills.

The profitability in the textile industry is generally low when compared to that of other major industries. The profits for textiles after depreciation but before interest averaged only 6.3% of sales over the past 3 decades as against a profit of 9.6% for other industries in the same period.

The following table brings out the above points clearly:

<table>
<thead>
<tr>
<th>TABLE - III</th>
<th>Gross Profit as percentage of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cotton Textile Industry</td>
</tr>
<tr>
<td>Period</td>
<td></td>
</tr>
<tr>
<td>1951-61</td>
<td>6.2</td>
</tr>
<tr>
<td>1961-71</td>
<td>6.4</td>
</tr>
<tr>
<td>1971-81</td>
<td>6.2</td>
</tr>
<tr>
<td>1981-91</td>
<td>5.4</td>
</tr>
</tbody>
</table>


Hence, it can be seen from the above background that even the most efficient and technologically up-graded spinning mills in the private sector have a very nominal profit margin as compared to the other industries. It is in this perspective, that the new textile spinning mills which has been established in Assam, must be viewed. The very low level of profit margins and the large inter-yarn variations in costs are indicative of the fact that control should be exercised on all costs components in order to operate a mill soundly.

In Assam, four synthetic spinning mills and two cotton mills were conceived at a time when the cotton textile industry in the
country was reeling under one of the worst ever recession. Mills were closing for rising Raw-Materials prices and wages. Trade Unions were getting the upperhand for the settlement of their various demands. Productivity in the Mills suffered due to outdated machines. Funds for modernisation were not forthcoming from financial institutions. Textile machinery manufacturers were turning sick for low capacity utilisation due to demand constraints. Competition from synthetic/blended textiles and yarns which had taken root in the late 1970's were mounting. Above all, demand for textile as a whole was critically affected because of high inflation and consecutive monsoon failures. But the textile industry in the country was more often characterised by such ups and downs. Good years are invariably followed by disastrous ones.

Established under such a scenario, the four mills were new, modern, flexible for synthetic/blended spun yarn and had promise of high production and profit. By the time these mills were put on commercial production, the synthetic spinning industry was flourishing elsewhere in the country. However, these mills could not take advantage of such a favourable commercial background and had started turning in negative net-worth. The answers as to why such a situation has arisen is what this research intends to find out.

In Assam today, the greatest impediment to industrialisation is land and power. Industrial locations are selected more on locality basis rather than on commercial considerations. Being flood prone, inaccessible, needing heavy investment and time in land development, roads and communication being away from townships or markets, raw-materials, banking facilities and lack
of housing and school facilities do not come in the way of such site selection. Term lending institutions does not make any provision for all these factors. Rather, these factors have impelled them to freeze these mills to smaller capacity defying the norms of minimum economic size of viability. The government equity does not cover these either. Such factors are really deterrent to harness professional talents and technical expertise even with contractual agreements.

The poor performance of the mills has been due to a number of factors, some of which are uncontrollable, some are partially controllable by the management, and some of which are controllable. Factors like proper planning, time and cost overruns and imbalances in some machinery are beyond the control of the mills at present. Besides these, there are certain partially controllable factors like-

1. The synthetic mills are plagued with a perennial shortage of Viscose Staple Fibre (VSF).

2. The poor power situation in the whole of Assam has been a very big constraint for industrial development of the state. Power mills of the state and textile mills in general have suffered a great deal due to the poor power situation in the state.

3. Yarn price of these mills has not increased in proportion to the hike in excise duty. This is mainly due to the deficiency in the marketing strategy of these enterprises.

4. Labour productivity in these mills is very low, mainly because of poor training, ignorance and lack of motivation on the part of the workers. The low productivity standards have been allowed to
continue and have now almost been recognised as the norm for all the Mills.

5. The labour absenteeism is comparatively high particularly during night shift and festival time. The reason for this as often quoted by management is the lack of work culture among the workers. But, no attempt has been seriously made to improve the work culture through orientation, training, incentives and cultivation of a sense of belonging among the workers. There is also poor supervisory control over the workers resulting in loss of production, low spindle speeds, unnecessary stoppage of machines resulting in work loss, etc.

6. Market realisation is poor mainly because of the substandard quality of the products, distress sales and ineffective product promotion. No attempt has been made to diversify and plan more profitable product-mixes. There is lack of accountability at all levels as also the lack of thorough monitoring and reporting system. The various MIS records maintained by the mills are confusing and do not help control the critical operations of marketing and sales.

The spinning mills in the Public Sector were established with a view to promoting textile industry in the state, i.e., weaving, processing and textile units. For example, readymade garments were expected to get a fillip due to local yarn availability. Unfortunately, this has not happened despite the huge government investment of about Rupees 36 crores in Public Sector textile units. They have contributed little to the growth of textile sector in the state. The Public Sector mills are sending major part of their yarns to Bombay and other places outside Assam, even though
the local powerlooms are starved of yarn and this is a major constraint in improving capacity utilisation of these units. It is indeed unfortunate that the Public Sector spinning mills, which were established with government funds, should totally disregard the needs of the weaving units located within the state and continue to supply outside the state. One reason quoted by the spinning mills for not supplying yarns to the local units is that these units do not pay in cash. The so-called cash sales of yarn to Bombay agents actually involve a credit of not less than 27-30 days including: 1) Transit period of 10-16 days; 2) Holding period in Bombay prior to final sale of around 10 days; and 3) Cash recovery period of 7 days from the date of lifting. Moreover, when yarn is sold outside Assam, the following extra costs have to be incurred: 1) Transportation cost - Rs 2 per kg; 2) Cash discount - 1.5% on sale price; 3) Commission - 2% on sale price and 4) CST - 2%. The actual sales rate is often not quoted correctly by the spinning mills when fixing yarn prices for the local units.

No attempt has been made to cultivate the local weaving market in powerlooms and handlooms. The original intention behind the establishment of the Public Sector spinning mills was to promote downstream weaving units. This plan is totally defeated as the entire lot of yarn is being sent outside the State.

The Mills are also facing the problem of working capital. Yet there is lack of initiative on the part of the management, particularly in case of Assam State Textile Corporation Ltd, to procure Job Works. Machine maintenance is also not satisfactory.

There is lack of concern on the part of the management to improve the existing pathetic situation of the Mills.

It would, however, be a mistake to think that the textile units
are intrinsically unviable. There are certain factors which make the textile units quite attractive and present a picture very different from the one presented by their current operational results. The machinery of the Mills is new and in reasonably good condition. With a little expenditure on repairs, the machinery belonging to Assam State Textile Corporation Ltd would be worth the value of new machines of the very best quality. The layout and infrastructure of all the mills are excellent and there is adequate scope for expansion. There is no surplus workforce in any of the mills. This is a very significant strength which does not exist in other Public Sector Undertakings of the state government. From the above discussion it can, thus, be concluded that inspite of all the problems being faced by the state textile units, they are still highly viable and attractive. Given the support of the government and the dedication of the management, there is no reason why these mills cannot be made profit centres for the state. It is with this aim in view that this research study is taken up, to probe into the managerial problems faced by these Mills which results in their poor performance. An attempt will also be made to find out the root causes of these managerial problems as well as their solutions looked for.

1.4 - Scope and Need for the Study

The economic responsibility bestowed on the State by the Indian Constitution calls for government interference in the functioning of the economy through the Public Enterprises. The Public Enterprises, both in the centre and in the State sectors
constitute the core of economic activities and are designed for the purpose of playing a pivotal role in the economic development of the country and in the respective States. The Government has assumed four roles to implement its economic policies and programmes - i.e., The Regulatory role, Promotional role, Entrepreneurial role and the Planning role. The Industrial Policy Resolution of 1956, clearly spelled out the categorisation of industries into three groups - the first category contained industries which were to be promoted solely by the Central Government. The Second category of industries were subject to progressively state owned whereas the Third category contains those industries not covered in Category I & II, and were subject to development under the private sector, but in case of need, the State was allowed to intervene in this category of industries also. The Textile sector has been classified under the Third category of industries.

In the background of the National Policy of Public Enterprises, like many other States, the Government of Assam also promoted a large number of Public Sector Undertakings during the Post-Independence period. These Public Enterprises were set up to achieve certain socio-economic objectives. Their justification depends not merely on their existence, but on their performance and the objectives achieved. However, a glance at our State Public Enterprises presents a disturbing picture. Today the position of many of our Public Enterprises are far from satisfactory, whether it be timely compilation and audit of accounts, accumulated losses or sickness. The performance of the SLPEs presents a grim picture when we consider the fact that as against Rupees 2723 crores being invested in the present 48 SLPEs as on 31.3.92, their overall...
accumulated loss is to the tune of Rupees 1370 crores.

It has often been alleged that inefficient use of resources by Public Enterprises, political and bureaucratic interference, coupled with managerial and workers inertia have resulted in the poor performance of these enterprises. However, the common refrain is that the Public Sector is required to fulfill certain socio-economic objectives, which preclude them from overtly concentrating on the profit objective and which put an excessive burden on their operating expenses. In this connection it must be remembered that there are two parts of a Public Enterprise - one is the 'Public' part and the other is the 'Enterprise' part. While the public part implies public ownership and implies obligations towards certain social objectives, the Enterprise part is equally, if not more, important. Hence, it can be stated that Public Enterprises are primarily enterprises owned by the public to meet certain social objectives in the process of their efficient functioning. In other words, social objectives should never be allowed to be used as a shield to hide the inefficiency in the functioning of Public Enterprises.

Though it still stands to reason that the socio-economic objectives of the state needs to be fulfilled through these enterprises, however, Public Enterprises today are expected to generate internal resources not only for financing their own plans, but also to generate a surplus for financing other priority sectors. In today's competitive world, Public Enterprises cannot be allowed to continue to run on losses. It has become imperative that State Enterprises run commercially and contribute to the economy in financial terms rather than through secondary social
With the rapid changes occurring in our economy in recent times, with the opening up of the national market as a result of the liberalisation process and keeping in view the developments in the International scene, the Indian Government, accepting the IMF conditionalities, has declared in Para 29 of the Memorandum on Economic Policies for 1991-92 and 1992-93, that "chronically sick Public Enterprises will not be allowed to continue incurring heavy losses", meaning thereby that they would be wound up.

An urgent need was therefore felt, to take up a detailed research study to find out the problems and constraints being faced by the SLPEs in the day-to-day management of their affairs and to find out whether certain remedial measures could be taken up to improve their functioning in order to ensure that a healthy Public Sector grows to achieve the 'commanding heights' of the economy of Assam.

One of the prime duties of the Public Enterprises is to cater to the basic needs of the poorer sectors of the society. Clothing is one of the basic necessities of man, next only to food. An average human being spends a substantial part of his disposable income on clothing. Hence the SLPEs in the textile sector has an enormous responsibility towards the common man of the state. It has been felt that, an intensive monitoring of their performance, to find out the causes of their maladies is urgently required, if they are to sustain themselves as viable units of the economy. It was thus, to start a process of critical inspection and introspection of the Public Enterprises in the textile sector and to analyse their managerial problems that the need for this study was felt. Notwithstanding the constraints faced by these enterprises, it is
expected that with a greater degree of attention paid to their problems and the needs of their management, a better situation for the Public Enterprises in the textile sector would emerge and their performance would considerably improve.

1.5 - Objectives of the study

This research study has been taken up with the following objectives in view:

1. To study the Organisational Structures and the Management Pattern in the State Level Public Enterprises in the textile sector and analyse their limitations, if any;
2. To review the Objectives and Policies of these Enterprises;
3. To review the Working and the Financial performance of the major Public Sector Enterprises in the textile sector;
4. To critically study, identify and analyse the problems and constraints in the efficient management of the major Public Sector Enterprises in the textile sector;
5. To recommend remedial measures to improve the performance of these Enterprises, and also to find out new areas of development.

1.6 - Hypothesis

To achieve the Objectives of the research study, the following hypothesis were tested:

1. The Organisational Structures and Management Patterns of these Enterprises have serious limitations;
2. The Objectives and Policies of these Enterprises are not specific;
3. The Working and Financial performance of these Enterprises have not been satisfactory;
4. The management of these Enterprises have to function under serious Internal and External constraints which affect their performance.

1.7 - Limits of the study

This study aims at analysing the Managerial Problems of the State Level Public Enterprises of Assam in the textile sector for the period between 1982-1992. This managerial aspect is limited to studying the Organisational Structures and the Pattern of Management in these Enterprises, their Management Control, Organisational Objectives, Policies and Projects of these Enterprises as well as the Performance of these Enterprises. Performance of these Enterprises has been studied under two categories - Financial Performance and Work Performance, which includes a Review of the four Functional areas of management - namely, Personnel Management, Marketing Management, Financial Management and Production Management.

The Public Enterprises in the textile sector under the Government of Assam are seven in numbers. They fall into two broad organisational structure forms, namely the Company Form and the Co-Operative Form. Hence to make an in-depth and detailed analysis of the various issues related to, and the cause of, managerial problems in these Enterprises, two Undertakings - one with the Company Form and the other with the Co-Operative Form were selected. In fact, the two Undertakings chosen were the biggest in terms of their Authorised as well as Paid-Up Capital, within their respective organisational structures. However, as and when needed, information about the other textile enterprises under the
Government of Assam has been provided, for a more broad analysis.

The problems and constraints of these Enterprises has been studied under two divisions - Problems Internal to the Enterprise, and hence within the control of the management of the enterprise, and problems External to the Enterprises which are beyond the control of the respective management of the Enterprises.

Moreover, the period of study has been limited to between 1982 to 1992, as all the Enterprises in the textile sector under study had not been established prior to 1982. The period after 1992 is not considered as this research study was started from the beginning of 1992.

In the context of this research study, the word 'Managerial' has been restricted to the four functional areas of management, namely, Personnel Management, Marketing Management, Financial Management and Production Management.

1.8 - Research Methodology

In order to achieve the objectives stated, data must be collected to test the hypothesis stated. The main source of information in this research work is Primary Data. To collect this data primarily the Survey Method was adopted.

The Survey work was carried out to obtain information from the primary sources, i.e., the employees of the enterprises under study, including its management, who were in actual service during
the time of data collection.

Primary Data was also collected through filling up of a questionnaire by the personnel of the enterprises under study. The questionnaire was designed to consist of three parts.

Part I was designed for collecting Quantitative Data of the enterprises, which had to be filled up before meeting the personnel individually for the purpose of data collection. The questions designed to obtain information in this part were framed in such a way that maximum possible information can be elicited from the respondents. Thus, all questions in this part were of open-ended form. In this part, data was sought to be collected in the following areas -

A) Biographic       B) Financial       c) Administrative
D) Marketing / Sales E) Production

Part II of the Questionnaire was designed to collect individual opinions of these personnel in terms of the existence of various managerial problems in their enterprises, with different magnitude. This part was divided into two sections -

a) a structured component and b) an unstructured component.

The first part of the first Section contains 20 problem Statements prepared from a list of 100 such Statements using the Expert - Opinion method. The respondents were required to select one of the three options given for each problem Statement, making this section closed-ended question form. The next part of this Section requires the respondents to express their opinions regarding the drawbacks of the organisation, hence it was of the Free-Floating answer format.
Part III consists of highly structured open-ended questions in which the respondants were encouraged to answer at length using their own words, regarding the various problems they were facing in their enterprises. This part of the questionnaire is designed to be filled up through an Interview with the respondants. In collecting the information in Part III, it has been the endeavour of the researcher to collect the data orally and in a face-to-face situation with the respondant. This has been done because of the fact that people are usually more willing to talk than write. After the interviewer gains rapport with the respondant, certain types of detailed information may be obtained that the respondant might be reluctant to put in writing. In fact, this part contains questions to obtain detailed information and cross check the validity of the information provided in the earlier part of the questionnaire. This part consists of the following areas:

A) Organisational Structure
B) Personnel Problems
   i) Recruitment Policies  ii) Manpower iii) HRD iv) Promotion
   v) Performance Appraisal vi) Incentives & Rewards
   vii) Grievance & Conflict Handling
C) Marketing / Sales Problems
   i) Marketing Policies  ii) Advertising & Product Promotion
   iii) Pricing iv) Sales Incentives v) Distribution
   vi) Competition
D) Production Problems
E) Financial Problems
Another advantage of including the Questionnaire cum Interview Method is that the interviewer can explain more explicitly the purpose of the research study and what information is wanted. It is also possible to seek the same information in several ways at various stages of the interview, thus checking the accuracy of the responses. During the designing of the questionnaire, it was hoped that the respondents will be stimulated to reveal his/her own experiences in the enterprise, thus exploring significant areas not anticipated in the original plan.

The questionnaire before being administered were given to management experts for their opinion on the content and the areas covered in various topics, and after necessary modifications based on the opinions of the experts, were administered to respondents. Thus, it was safely assumed that the questionnaire posses high content validity.

After obtaining the information required, they have been systematically examined to find out certain similarities and relations in the data. The data has then been classified by division into subgroups and then analysed and synthesized in such a way that the hypothesis stated in the research study can be verified or rejected.

Secondary data sources were also used to bridge the gap in the information made available through the Survey Method. Secondary Data were mainly available from the Public Enterprises under study. Publications of the Government and various books, journals and newspaper articles available on the subject. Proceedings of Seminars and Workshops on Problems of SLPEs, their problems and remedies have been widely used in the research work.
Sampling

The sampling for data collection was done in two phases. The first phase included the total census of all the seven State Level Public Enterprises of Assam in the textile sector existing in 1992, so that a broad performance comparison among these enterprises could be made for the period between 1982-92.

In the second phase, to make an in-depth study regarding the problems of the seven textile Public Enterprises, the two largest Public Enterprises in the textile sector, having two different organisational structures were selected. Thus, this sampling plan can be termed as Purposive Sampling. All the analysis and conclusions of this study are mainly based on these two largest Public Enterprises of Assam in the textile sector, namely, Assam Polyester Co-Operative Society Ltd (APOL) and Assam State Textile Corporation Ltd (ASTCL).

1.9 - Utility of the Study

Public Enterprises were set up to achieve a socialist pattern of society, and hence they need detailed scrutiny to make them an effective tool of socio-economic development of the state. This study focuses on the managerial problems faced by these enterprises in the textile sector. This study also takes into account the organisational structures and the management patterns as well as the objectives, policies and projects of these enterprises. The present textile scenario of the state as well as in the country has been analysed. Moreover, the study makes an attempt to analyse the performance of these enterprises to seek an insight into the problems faced by them. It is thus, to start a
process of critical inspection and introspection of the Public Enterprises in the textile sector and to analyse their managerial problems, that this study was taken up. Notwithstanding the constraints faced by these enterprises, it is expected that with a greater degree of attention paid to their problems and the needs of their management, a better situation for the Public Enterprises in the textile sector would emerge, and their performance would considerably improve.

With the rapid changes occurring in our economy in recent times, with the opening up of the national market as a result of the liberalisation process and keeping in view the developments in the international scene, the Indian Government, accepting the IMF conditionalities, has declared in Para 29 of the Memorandum on Economic Policies for 1991-92 and 1992-93, that 'chronically sick Public Enterprises will not be allowed to continue incurring heavy losses' (meaning that they would be wound up).

In 1992, the Committee on textile units under the Industries Department which was advised to deliberate on the options for reorganising/restructuring of the textile units, has felt that it has become expedient to go in for private sector participation and for this purpose, reorganising of the Mills would be necessary. The Committee has recommended partial disinvestment, therefore, private placement with transfer of management (joint sector). It was therefore a warning signal to all state enterprises when it was reported in the local press that the Government may privatise the entire textile sector (dated 20.9.92 - The Sentinel) and subsequently invitation was issued for private sector participation.

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1. "The Sentinel" is a local English daily newspaper of Assam, covering the entire North East Region of India.
participation in the Public Sector synthetic textile mills of Assam (dated 22.12.92 - The Sentinel), from reputed industrial houses or entrepreneurs, having experience in the textile sector to participate in the equity capital and/or management of the existing and functioning textile units.

It has however, been felt that, before the entire textile sector is offered to the private sector, intensive monitoring of their performance to find out the causes of their maladies is urgently required. It was thus, with this very intention, that this research study was taken up. This proposed study shall benefit not only the SLPEs in the textile sector, but also the state government both at the policy as well as at the implementation level, by way of an impartial assessment of the work done so far and the result achieved. The study shall also reveal both to the state government as well as to these enterprises the extent to which these have been able to achieve their objectives. This will help the concerned parties in improving upon their existing policies, programmes and performance.

1.10 - Plan of Study

To achieve the objectives of the proposed study and to lead to the hypothesis, the study shall consist of the following chapters -

Chapter I - This chapter introduces the topic and the need to undertake such a study in the proposed area of research is justified. The role of State Enterprises in the economy of the state and the origin and growth of the Public Enterprises in the textile sector is outlined. The objectives, scope and limits of
the study, the hypothesis, research methodology, sources of information and the utility of the study is also stated. Moreover, the present textile scenario in India as well as in the state of Assam is analysed.

Chapter II - The second chapter starts with a description of the state enterprises in the textile sector of Assam. A study and evaluation of their organisational structures as well as the pattern of management and control of these enterprises is made. An evaluation of their objectives, policies and projects is also done. In effect, this chapter is aimed at the first and the second objectives of the study. The first and the second hypothesis of the study are also tested in this chapter.

Chapter III - This chapter makes a review of the performance of the state level Public Enterprises in the textile sector. This review is based on two aspects - i) Financial Performance and ii) Work Performance. This review is made individually for the two major enterprises and consists of the broad functions of Personnel Management, Marketing Management, Production Management and Financial Management. The third objective and the third hypothesis is attempted in this chapter.

Chapter IV - The fourth chapter wholly concentrates in the study, identification and analysis of the problems and constraints in the efficient management of the Public Sector Enterprises in the textile sector. Attempt is also made to find out which of these problems relate to the internal environment of these enterprises and are hence under the control of the enterprise and which of these problems are external and hence not within the control of the management of the enterprises. The fourth objective is aimed at
in this chapter and the fourth hypothesis is tested here.

Chapter V - This chapter concludes the study with an analysis of the preceding chapters and draws suitable conclusions. Each problem identified in the earlier chapters is analysed thoroughly to find out its cause and the remedy thereof. This chapter includes the fifth and the last objective of this research study. This chapter also tries to identify certain new areas of development relevant to these enterprises, and forward the same by way of suggestions to minimise the managerial problems faced by these enterprises under study.

1.11 - Present Textile Scenerio in India and in Assam

Textiles, the singlest largest industry accounting for about 20% to the total industrial output of the country and employing about 15 million people, occupies a key and important position in the economy of our country. Textiles, comprising of garments, handloom, cotton and synthetic yarns, wool and woolen garments are exported to almost all the countries of the World, the major ones being European Economic Community member countries, USA, Canada, Japan, Switzerland, Sweden and Australia.

The cotton textile industry was the first major industry to develop among the modern Indian industries. It is the base on which the pyramid of the industrial sector of the country has been built. What started largely as a spinning enterprise a century ago has now gradually developed into a mature composite industry.

A look at the history of the textile industry in the country shows
that most of the old traditional textile mills were set up in India around the late 19th or early 20th century based on the then prevalent technology. These mills continued to flourish till the late 1960's. The early and mid-seventies witnessed a dramatic revolution in textile technology all over the World. Ignorant of this changing trend, the Indian mills continued with the old technology. But, some new companies (notable among them is Reliance Textiles with its 'Vimal' brand of fabrics) entered this field with the latest technology, offering superior quality textiles with a wide range of polyester and cotton blends. The traditional mills could not match these new entrants in terms of either product or price. And one of the oldest and most prosperous industry became plagued with unprecedented levels of sickness. Most of the old mills became unprofitable and had to be bailed out or taken over by the government, or finally shut down. Failure of managing technological changes sounded the death knell of these traditional textile mills.

The Indian textile industry is today at the crossroads having reached a stage which requires appropriate restructuring. The process of restructuring is taking place with the installation of sophisticated shuttleless looms.

The main components of the textile industry are:
Polyester Staple Fibre (PSF); Polyester Filament Yarn (PFY);
Nylon Filament Yarn (NFY); Nylon Tyre Cord (NTC); Acrylin Staple Fibre (ASF); Viscose Stable Fibre (VSF) and Cotton Fibre.

The Polyester Staple Fibre sector has been plagued with the problem of large over-capacity creation. As compared to PSF, capacity and demand for Polyester Filament Yarn is much more
balanced. But one cause for concern is that at present imports of cheaper second grade polyester yarn is reported to be acquiring alarming proportions for domestic producers. With demand exceeding production, Nylon Filament Yarn producers operating at full capacity have shown a distinct improvement in their performance. As compared to NPY, production of Nylon Tyre Cord has gone up substantially over the past few years. Similarly, Acrylic Staple Fibre production has also been showing a marked upward trend. Moreover, with new producers steadily entering the fray, the aggregate production of ASF should continue to escalate during the coming years. The main problem in the man-made textile industry is the shortage of Viscose Staple Fibre. Due to its scarcity in the country, VSF prices have shown a consistent upswing in the recent past. Cotton is one of the most widely used raw-material in the textile industry in the country. However, the productivity of cotton in the country is one of the lowest in the World. The cotton textile industry is composed of three mutually exclusive sectors, namely the handloom, the powerloom and the composite mills. As the largest organised industry in the country, it takes credit of employing around 18\% of all factory labour. It occupies a unique status in the World export market, where India takes the second place, next only to Japan in terms of total quantity of exports supplying 16\% of the World exports.

Production of Cloth - There are two aspects of the pattern of production of cloth in India - the trends in production and the composition of production. Over the period of two decades, the trends in the total production of cloth increased by about 40\%, recording an annual rate of growth of only about 1.7\%. In other words, growth in the textile industry has come almost to a
standstill since the 1960’s.
The second important feature of the pattern of production is the composition of output. Cloth produced in the mills can be classified into five groups - 1. Course 2. Medium B 3. Medium A 4. Fine and 5. Superfine. The first two categories of cloth generally meet the clothing requirements of the weaker sections of the society. The government’s textile policy has made it obligatory for the mills to produce these two categories of cloth in a certain proportion to their total output in order to serve the society. The proportion of superior quality cloth to total output, however, has been increasing over the years.

Pattern of Consumption - The pattern of consumption is affected by the pattern of production. The pattern of consumption therefore can be studied by studying the trends in consumption. Taking into consideration the trends in consumption, it is noticed that the production of cloth has not kept pace with the growth rate of the population of the country, which is the direct determinant of demand for cloth. As to the composition of cloth consumption, there is in evidence a shift to polyester and polyester blends due to wash and wear qualities of polyester and blended fabrics. This shift initially was confined only to the higher and middle income groups, but has now gone down to the low income groups also.

Garment Industry - In India, the ready-made garment industry is considered to be an offshoot of the textile industry, which dates back to the middle of the 19th century. There was no ready-made garment industry worth the name till the dawn of independence, despite the fact that this particular industry calls for no extraordinary skills or huge capital investment. India’s ready-
made garments industry is very small in relation to what might be expected in the context of the needed basic raw material for that industry. It only accounts for about one percent of industrial production and provides employment to about the same percent of the labour force in India. It is also very small in relation to its size in developed countries and some developing countries which have specialised in doing such work for the developed markets.

The trend of ready made garments picked up only in the early decades of the 20th century. In its early stages of development, ready-made garments were limited to only cheap varieties of clothes and under-garments, apart from the needs of the defence personnel. The market then, gradually extended to the high strata of society. Even in some of the more industrialised countries, a major expansion of this industry did not take place until after the First World War. In India, the garment industry had to wait till after the Second World War to get over its teething troubles. With the expansion of the sphere of industrialisation, better paid job alternatives became available to the relatively more skilled workers. This affected sectors like clothing, by way of shortage of labour, where returns to the workers were not commensurate with the degree of skill required to work.

The industry, even after the introduction of power-driven sewing machines and other mechanical gadgets, continued to remain labour intensive. Availability of less expensive labour in developing countries, therefore attracted the garments merchants in developed countries for getting their consignments from the developing countries. The intensity of this factor increased considerably after the Second World War, when the standard of living of the
people in industrialised countries improved rapidly creating demand for garments which could not be met locally.

Another factor besides income levels of the consumers and climatic conditions prevalent in the country is the emergence of man-made fibre. Its lasting qualities and the facilities it affords for washing and easy wear has made the fabric and garments made out of it very popular.

Handlooms - The Indian Textile Industry consists of the organised textile mills on one hand and the decentralised powerlooms on the other. The handloom industry comprises of three sectors : 1) Cotton weaving 2) Wool weaving and 3) Silk weaving. Of the three, cotton weaving accounts for about 90% of the weaving activity in terms of number of handlooms. Thus, even today, the handloom industry is the source of livelihood next only to agriculture for the largest number of Indians. In allied activities such as pre-weaving, post-weaving, marketing, etc., additional employment is created. The bulk of this employment is generated in the rural areas. The handloom industry is characterised by the existence of looms that are either idle for a long period of time or are underutilised. It has been estimated that nearly 56% of the handlooms in the country are either abandoned or underutilised. Also, improvement in the existing looms and in the working conditions of the weavers with a view to reducing the fatigue factor and improving the quality of the fabrics should be given priority. But this policy of 'modernisation' should be implemented carefully. Modernisation, it should be remembered, means to use superior techniques to increase the gross earnings of the weavers and to improve the quality of the fabrics.
Powerlooms - Powerlooms form the decentralised sector of the textile industry. This sector has grown substantially over the years and now accounts for nearly 48% of the total cloth production in India. The powerloom sector is spread over practically every state in India. Maharashtra has the largest number of looms followed by Gujarat and Tamil Nadu. These three states alone account for 73.6% of the total powerlooms in the country. The powerloom sector has grown without much government support, indicating that it is a viable sector.

Man-Made Fibres - The advent of synthetic fibres has undoubtedly contributed to the immense improvement in the lifestyle of millions of people in many a way with a wealth of materials hitherto undreamed of. But its impact is most conspicuously being felt in the textile world.

Though the man-made textile industry started using synthetic fibres in 1950 by importing them, their indigenous production in the form of nylon filament commenced only in 1962. Over the last 25 years, the synthetic fibre industry has been growing in terms of production of various types of both filament and fibres. However, impressive progress has been made only in the recent past. The shift in the demand in favour of man-made fibres, has occurred principally as a result of certain advantages which these fibres have over cotton. These advantages are derived from the greater durability, easy care and the elegance of the man-made fibre fabrics. For consumers, these properties have a high value.

Durability and easy care properties of man-made fabrics give to the consumer the same apparel comfort with a much smaller wardrobe, which compensates him for their higher price. It needs to be remembered that, but for man-made fibre fabrics, the rising
demand for cloth, could not have been met.

Today, fabrics made of blended/mixed yarns are becoming more popular than fabrics made of natural fibres. Blended fabrics aim at combining the desirable properties of two or more fibres and eliminating or reducing to a great extent certain other undesirable qualities. The proportions of different fibres in the blends are so determined as to utilise most effectively the beneficial properties of the component fibres at the least possible cost to the consumers. In view of the excellent shape retention, shrink resistance, durability and easy care properties of polyester fibres, it is used for blending with cotton, viscose, wool, etc. The high initial cost incurred on man-made fibre based fabrics is therefore, largely offset by their long life and abnormally low maintenance cost. As a result, despite their higher prices, most man-made fabrics are more economical to use than cotton fabrics. It is indeed ironical that polyester being such a universally used fibre should be regarded as a luxury fibre and being subjected to all sorts of imports in India. It is hoped that with the spurt in demand for Polyester Blended Fabrics, the government will take adequate steps to reduce duties/levies, etc., which will more than compensate for the increase in prices that is expected for any petro-chemical based product like Polyester.

According to the population projection published by the N.E. Council Secretariat, it is estimated that every year about 6 lakh population will increase in the state of Assam alone. On the other hand, the impact of growth of population in the other N.E. Region will be about 8 lakhs per year. Assuming the projected per capita consumption of 15 metres per annum the additional requirement of
cloth for the state of Assam alone will be 90 lakhs metre every year and at the rate of 10 metres per kg of yarn, the additional requirement of yarn works out to be 9 lakhs kg per year. To satisfy the demand for yarn in the state of Assam alone, additional spindle capacity to the tune of 8,800 spindles per year will have to be installed. The requirement of cloth in the other N.E. Region based on this growth of population is estimated at 120 lakhs metres per year and additional 12 lakhs kg of yarn in every year. The additional demand thus created will require 11,700 spindles to meet the requirement of the area. The total demand of the region will, therefore, require creation of an additional 25,000 spindles capacity mill every 2 years in the N.E. Region for self-sufficiency in the supply of yarn and fabric.

With the growing customer preference for Polyester Blended fabrics in the country, the requirement of Polyester for blending either with cotton or with viscose is growing. The main producers of polyester fibre are the followings -

Chemicals & Fibres of India Ltd.; The Ahmedabad Manufacturing & Calico printing Co. Ltd., Baroda, Gujarat; Swadeshi Polytex Ltd., Ghaziabad, uttar Pradesh; Indian Organic Chemicals Ltd., Manali, Tamil Nadu; J.K. Synthetics Ltd., Kota, Rajasthan; Punjab State Industrial Development Corporation Ltd.; Bongaigoan Refinery and Petro-Chemicals Ltd.

Viscose - The demand for viscose in the country today is much more than supply. In addition to blending with polyester, viscose fibre is being used in the various mills to improve the mixing by

1. NITRA Report on "Techno-Commercial Feasibility of Assam Syntex Ltd", 3.1
blending with cotton. In addition to improving the performance of the fabric, use of viscose as a blend in cotton helps to reduce the cost of the mixing which has a tendency to increase with the non-availability of cotton. The main producers of Viscose in India are the following -

Gwalior Rayon - Birlagram Nagda, Madhya Pradesh;
South India Viscose Ltd - Mettupalayam, Coimbatore, Tamil Nadu;
Assam Industrial Development Corporation - Guwahati, Assam, which produces a very negligible amount of Viscose.

The need of the hour is to provide large working finance to the textile units, not only for sustaining a high level of production but also to encourage them to step up exports vigorously. In view of this, the industry has called for according a special status to the textile industry. By the special status, the industry seeks exemption from the 'harsh measures' that it now faces.

Textile Scenerio in Assam

The Assam Textile industry consists of a number of cottage and small industries. From time immemorable, Assam has been holding an unique position with regards to textiles, not only within the country, but also the whole World. Assam silk - particularly 'Pat' and 'Muga' are famous all over the World for their unique qualities. Sualkuchi in Kamrup district, at a distance of 24 kms. from Guwahati in Assam, is a renowned centre of silk production and is particularly known for its non-mulberry variety of 'Muga'. Sipajhar, a densely populated village, about 15 kms west of Mongaldoi town was once noted for its Eri, Pat and Muga rearing. Assam has a glorious heritage of spinning and weaving of cotton yarn to produce garments of daily use. Likewise, the rearing of
silk worm and weaving the same has become a way of life to the Assamese people. It has penetrated so deep into the psyche of the people that it had gone into the lores and lullaby of the Assamese throughout the nook and corner of Assam. The finished products were so exquisite, subtle and superfine that Assamese women are said to have been able to, in the words of Gandhiji, "weave dreams in their clothes".

The people of Assam in general irrespective of their ethnic lineage love to rear silk worm and produce Eri, Pat and the golden silk Muga. The climatic condition of Assam is also eminently suitable for rearing of Muga cocoon. Japan's efforts to rear Muga in their country were set at naught as the cocoons failed to give the golden lustre of assamese Muga. But, basking in the past glory and good climatic ambiance of Assam has little relevance in today's hard economy and competitive market. Therefore, the industry has to be reorganised for better co-ordination and guidance and also to extent banking facilities whenever necessary. To do this, the Directorate of Handloom & Textiles was established in 1983 and this Directorate has been able to boost up production and marketing facilities of the traditional crafts.

However, due to the lack of commercial acumen and professionalism among the Assamese weavers, this industry has been unable to find a large market outside the state and the golden Muga remained confined within the region, catering primarily to the local home market. However, to encourage the textile industry of Assam the government established an Institute of Textile Technology in Guwahati, but this institute remained confined to producing only Diploma holders and no degree course was introduced in the whole
of the N.E. Region. To overcome this problem, a College of textile technology is being set up near the town of Nalbari in Assam. With the passage of time, the state government, also established some public enterprises in the textile sector.

At present the textile scenario of Assam consists of both organised as well as unorganised sectors. As per the 1987 National Handloom Census, there are 14.09 lakhs of handlooms in Assam, out of which cotton weaving looms stand at 12.75 lakhs and silk weaving looms stand at only .15 lakhs. Full time weavers account for 3.83 lakhs and part time weavers account for 13.33 lakhs totalling 17.16 lakhs. Out of this, 11.77 lakhs constitute women and .56 lakh male and .83 children weavers. The weavers require 135.25 lakh kg of cotton yarn and .9 lakh kg of mulberry silk yarn, .56 lakh kg of Muga silk and .94 lakh kg of Eri silk.

As for the cotton raw material scenario, Assam imports about 80 lakhs of fine cotton threads of 60s, 80s and 120 count from the other States. Assam also produces 6,600 metric tons of yarn from Charduar mill under the aegis of the Assam Cotton Mills and Chandrapur Mills belonging to the National Textile Corporation and 50,000 tons of yarn from the Swahid Kusal Konwar Co-Operative Mills of Golaghat and the Co-operative Mill of Boitamari. A part of this yarn is being supplied to the neighbouring north eastern states.

As mentioned earlier, Assam has a number of polyester spinning mills, under the Public Enterprises of Assam. They are located at Nathkuchi, Tulsibari, Naopara and West Nagoan, all possessing 67,8896 spindles with production capacity of 6000 metric tons. However, these mills now produce 4,500 metric tons of yarn only.
The commissioning of the Polyester Fibre Plant of BRPL in 1985, with production capacity of 30,000 MTPA of polyester fibre raised great hopes for excellent prospects for textiles in the North-East in general and in Assam in particular. This hope was further brightened with the commissioning of a number of large spinning mills in the state to produce polyester, polyester viscose and poly-cotton yarns, with the BRPL fibre as the main feedstock. As pure polyester (100%) is not suitable for making garments due to various bottlenecks, such as discomfort due to the weather, less resistance to fire, less absorbent capacity to sweat/water, less resistance to natural heat, etc., polyester is generally blended with cotton or viscose. But, both these products are not produced in Assam. BRPL’s 30,000 MT polyester fibre has to be blended, otherwise full capacity utilisation will not be possible. In order to utilise the entire quantity of polyester from BRPL, in the North-East, to develop its economy, about 15,000 MTPA of blending materials on a sustained basis is required. The quantity of cotton, eri, muga and mulberry produced in Assam is not at all adequate for such blending. That is why these polyester based textile mills in Assam have not been able to utilise production capacity. Viscose is in short supply in the country, and due to this reason, the four polyester based textile mills in Assam — at Bijni, Rangia, Tihu and Jagiroad have been facing difficulties and uncertainties in supply.

By and large, the present textile scenario in Assam, reveals that a well established management system is found to be lacking somewhat in the textile industry of Assam. The textile scenario in the state, though not entirely undeveloped, is not very satisfactory. There are a number of areas which appear to have
been neglected by the government as also the management of these mills. There appears to be a lot of scope for improving the present scenario of unutilised capacity, cash losses, low productivity, negative net-worth, etc. of the textile mills of the state of Assam.