CHAPTER - III

REVIEW OF THE PERFORMANCE

OF THE MAJOR PUBLIC ENTERPRISES

OF ASSAM IN THE TEXTILE SECTOR
3.1 - A Review of the Financial Performance of the Public Enterprises of Assam in the Textile Sector

(All the Data provided here is based on personal survey of SLPEs)

1. ASSAM SPUN SILK MILLS LTD.

Capital Structure: Authorised - Rs 500 lakhs
Paid-Up - Rs 170 lakhs

Financial Performance of the Company (Rs in lakhs) -

<table>
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<tr>
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<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
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</thead>
<tbody>
<tr>
<td>Capital Inv.</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>85</td>
<td>85</td>
<td>135</td>
<td>170</td>
<td></td>
</tr>
<tr>
<td>Govt. Inv.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>40</td>
<td>40</td>
<td>60</td>
<td>130</td>
</tr>
<tr>
<td>Turnover</td>
<td>-106</td>
<td>92</td>
<td>132</td>
<td>162</td>
<td>99</td>
<td>99</td>
<td>166</td>
<td>196</td>
<td>170</td>
<td>201</td>
<td>228</td>
</tr>
<tr>
<td>Profit/(Loss)</td>
<td>16</td>
<td>(9)</td>
<td>.28</td>
<td>.09</td>
<td>.54</td>
<td>.67</td>
<td>.32</td>
<td>(4)</td>
<td>(55)</td>
<td>(37)</td>
<td>7</td>
</tr>
<tr>
<td>Accumulated Loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(353)</td>
</tr>
<tr>
<td>Net Worth</td>
<td>- 97.8</td>
<td>84.5</td>
<td>81.6</td>
<td>84.9</td>
<td>30</td>
<td>(34.7)</td>
<td>(65)</td>
<td>(78)</td>
<td>(160)</td>
<td>(83)</td>
<td>(113)</td>
</tr>
<tr>
<td>Admn. cost/ Turnover</td>
<td>- 16.6</td>
<td>19.2</td>
<td>17</td>
<td>13.9</td>
<td>22.3</td>
<td>20.5</td>
<td>25</td>
<td>18</td>
<td>22</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td>ROI</td>
<td>- 20%</td>
<td>(11%)</td>
<td>.4%</td>
<td>.1%</td>
<td>(68%)</td>
<td>(84%)</td>
<td>(40%)</td>
<td>(5%)</td>
<td>(65%)</td>
<td>(27%)</td>
<td>4.1%</td>
</tr>
<tr>
<td>Turnover/ Capital Employed</td>
<td>-133%</td>
<td>115%</td>
<td>165%</td>
<td>203%</td>
<td>124%</td>
<td>124%</td>
<td>208%</td>
<td>231%</td>
<td>200%</td>
<td>149%</td>
<td>134%</td>
</tr>
</tbody>
</table>


Note - Inv. - Investment; Govt. - Government; Admn. - Administrative; ROI - Rate Of Investment.
Term Loan: 

a) Long Term Loan of Rs 40 lakhs was available in 1986-87 from the State Government; Rs 3.83 lakhs to Rs 1.58 lakhs was available from 1983-84 to 1986-87 from other sources.

b) Short Term Loan of Rs 4.05 lakhs to Rs 51.6 lakhs was available from Commercial Banks in different years.

Total Resources of the Company:

In 1980-81, the total resources of the Company was Rs 99.37 lakhs and this increased to Rs 302.97 lakhs in 1986-87. This includes Rs 130 lakhs received from the State Government in 1983-84 to be invested in its Subsidiary - Assam Polytex and Grants-In-Aid of Rs 12.67 lakhs.

Remarks:

1. The Company was declaring Dividends upto 1981-82; but thereafter, due to heavy losses, the Company was no longer a resource earner to the Government. Similarly, the Company could pay income tax upto 1981-82 only.

2. The Company had, on the other hand, invested heavily in assets from the year 1981-82 to 1983-84.

3. The turnover of the Company was highest in 1991-92, being Rs 228 lakhs, whereas the lowest was in 1982-83, being Rs 92.02 lakhs only.

4. Administrative Expenses increased suddenly by Rs 4.9 lakhs in 1983-84, over the expenses of the corresponding preceding year. Against this, however, there was increase in production. But, in 1986-87, Administrative expenses increased by Rs 4.1 lakhs but
production fell by about 60%. There was gradual increase in wages and salaries, without any corresponding increase in production. This means, there is scope for planning for proper utilisation of human resources.

5. The Company experienced about 100% increase in cost of power. There was however, no increase in production correspondingly. Thus it must be examined whether this increase in cost of power was due to the increase in cost of electricity or some other factor. It is, therefore, necessary to examine the economics of cost of power in relation to the value of production.

6. Though the Company carried Inventory of almost the same amount all throughout the years under review, there was disproportionate increase in the cost of Raw Materials in relation to the value of the products. This, means, against the increase in price of Raw Materials, there was no corresponding increase in the value of products. It is therefore, necessary for the Company to seek out means of getting better prices for the products and also to find out cheaper sources of Raw Materials.

7. The Inventory carrying cost of the Company also appears substantial and the enterprise should attempt some reduction in Capital Block.

It can thus be seen that the Financial Performance of this Enterprise has not been satisfactory.

2. ASSAM CO-OPERATIVE SPINNING MILLS LIMITED
---------------------------------------------
Capital Structure: Authorised - Rs 1500 lakhs
Paid-Up - Rs 620 lakhs
Status of Accounts: Provisional - 1991-92
Audited - 1989-90

This Mill is on trial run only. Hence its Financial Performance cannot be analysed. The losses shown in the table below, reflects pre-operative losses only.

**TABLE VIII**

Financial Performance of the Society (Rs in lakhs)

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
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<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Invt. -</td>
<td>25</td>
<td>80</td>
<td>369</td>
<td>369</td>
<td>432</td>
<td>469</td>
<td>480</td>
<td>879</td>
<td>928</td>
<td>1085</td>
</tr>
<tr>
<td>Govt. Invt. -</td>
<td>10</td>
<td>66</td>
<td>353</td>
<td>353</td>
<td>393</td>
<td>393</td>
<td>488</td>
<td>571</td>
<td>585</td>
<td>623</td>
</tr>
<tr>
<td>Turnover -</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
</tr>
<tr>
<td>Profit/(Loss) - (1.7)(4.8)(2)</td>
<td>1.57</td>
<td>4.45</td>
<td>26</td>
<td>(76)</td>
<td>(57)</td>
<td>(46)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated Loss -</td>
<td>-185</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Networth -</td>
<td>13.5</td>
<td>66.8</td>
<td>351.8</td>
<td>348</td>
<td>390</td>
<td>430.6</td>
<td>450</td>
<td>502</td>
<td>452</td>
<td>434</td>
</tr>
<tr>
<td>ROI -</td>
<td>.4%</td>
<td>.95%</td>
<td>5.4%</td>
<td>(8.7%)</td>
<td>(5.6%)</td>
<td>4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover/Capital Employed -</td>
<td>1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>


**Note** - Invt. - Investment; Govt. - Government

**ROI** - Return On Investment

**Remarks**

1. The Mill was under Installation during the period under study
and so no production was started till 1990-91. However, 11 kgs of yarn was produced and there is a target to produce 40 kgs in 92-93.

2. The entire Pre-Operative losses were contributed by the Administrative Expenses of the Mill. However, by earning of Interest, these losses were offset till 1987-88. This does not indicate good health, as is evident from 1989-90 onwards again. Moreover, why the Mill was on trial run for so long needs to be examined. Anyway, it is evident that the Financial Performance of the Mill is unsatisfactory.

3. SWAHID KUSAL KONWAR SAMABAY SUTAKOL LIMITED

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Capital Structure : Authorised - Rs 1500 lakhs:

Paid-Up - Rs 557 lakhs

Status of Accounts : Provisional - 1990-91; Audited - 1989-90

**TABLE IX**

<table>
<thead>
<tr>
<th>Financial Performance of the Society (Rs in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Capital Invt. -24.9</td>
</tr>
<tr>
<td>Govt. Invt. -21.3</td>
</tr>
</tbody>
</table>
| Turnover ------------------------------- NIL -------------------------------
| Profit/(Loss) - The Mill is Under Trial Run |
| Networth -12.8 | 65 | 337.5 | 378.8 | 379.8 | 387.6 | * | * | * | 558 |
| ROI - No Production of the Mill during this period ---- |

1 - 1981-82; 2 - 1982-83; 3 - 1983-84; 4 - 1984-85; 5 - 1985-86

**Note** - Invt. - Investment; Govt. - Government; ROI - Return On Investment; * - Data not available
This Mill is also on trial run. However, Commercial Production on an experimental basis started since August 1990. But due to various factors, production had to be stopped again after a very short period of time.

It needs to be examined why there was no commercial production of the Mill for so long. This reflects on the unsatisfactory Financial Performance of the Mill.

### 4. ASSAM STATE TEXTILE CORPORATION LIMITED

#### TABLE X - Financial Performance of the Company (Rs in lakhs)

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Inv.</td>
<td>115.5</td>
<td>215.5</td>
<td>400</td>
<td>1000</td>
<td>1294</td>
<td>1360</td>
<td>1825</td>
<td>2591</td>
<td>2872</td>
</tr>
<tr>
<td>Govt. Inv.</td>
<td>115.5</td>
<td>215.5</td>
<td>300</td>
<td>585</td>
<td>702</td>
<td>870</td>
<td>1185</td>
<td>1688</td>
<td>1871</td>
</tr>
<tr>
<td>Turnover</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15.8</td>
<td>247</td>
<td>594</td>
<td>758</td>
<td>842</td>
</tr>
<tr>
<td>Profit/(Loss)</td>
<td>(2)</td>
<td>(10)</td>
<td>(17)</td>
<td>(65)</td>
<td>(31)</td>
<td>(115)</td>
<td>(127)</td>
<td>(75)</td>
<td>(68)</td>
</tr>
<tr>
<td>Accumulated Loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Networth</td>
<td>115.5</td>
<td>215.5</td>
<td>300</td>
<td>585</td>
<td>434</td>
<td>457</td>
<td>825</td>
<td>1154</td>
<td>1113</td>
</tr>
<tr>
<td>Admn. Cost/ Turnover</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27</td>
<td>16</td>
<td>10</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Turnover/ Employee</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.02</td>
<td>.6</td>
<td>1.1</td>
<td>1.5</td>
<td>1.6</td>
</tr>
<tr>
<td>ROI</td>
<td>(1.7%)</td>
<td>(4.6%)</td>
<td>(4%)</td>
<td>(6.5%)</td>
<td>(2%)</td>
<td>(8.5%)</td>
<td>(7%)</td>
<td>(3%)</td>
<td>(2%)</td>
</tr>
<tr>
<td>Turnover/ Capital Employed</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.2%</td>
<td>18%</td>
<td>32.5%</td>
<td>29%</td>
<td>29%</td>
</tr>
</tbody>
</table>


Inv. - Investment; Admn. - Administrative; ROI - Rate of Investment 

Capital Structure of the Company: Authorised - Rs 2000 lakhs; Paid-Up - Rs 1544 lakhs
The Authorised capital of the Company was Rs 500 lakhs originally. In 1985-86 and 1986-87, the Company received Advances of Rs 134.5 lakhs and Rs 184.5 lakhs respectively from the State Government for setting up of Weaving and Processing Houses pending formation of a separate Company, or raising the Authorised Capital of this Company.

The financial loss suffered by the Corporation all throughout from 1982-83 to 1991-92 has resulted in accumulated loss to the tune of Rs 739 in 1991-92. This proves the Hypothesis that the Financial Performance of the Enterprise has not been satisfactory.

5. ASSAM POLYESTER CO-OPERATIVE SOCIETY LIMITED

TABLE XI - Financial Performance of the Society (Rs in lakhs)

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
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<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Inv.</td>
<td>4.33</td>
<td>6.6</td>
<td>7.4</td>
<td>37.5</td>
<td>215</td>
<td>236.8</td>
<td>1172</td>
<td>1172</td>
<td>2282</td>
<td>2308</td>
</tr>
<tr>
<td>Govt. Inv.</td>
<td>4.2</td>
<td>6.6</td>
<td>7.4</td>
<td>30</td>
<td>198</td>
<td>219.3</td>
<td>600</td>
<td>775</td>
<td>1108</td>
<td>1134</td>
</tr>
<tr>
<td>Turnover</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>106</td>
<td>637</td>
<td>897</td>
</tr>
<tr>
<td>Networth</td>
<td>4.3</td>
<td>6.6</td>
<td>7.4</td>
<td>37.5</td>
<td>201.6</td>
<td>229</td>
<td>474</td>
<td>559</td>
<td>789</td>
<td>789</td>
</tr>
<tr>
<td>Admn. Cost/ Turnover</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Turnover/ Employee</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.2</td>
</tr>
<tr>
<td>Contribution to State Exchequer</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17</td>
<td>47</td>
<td>73</td>
</tr>
<tr>
<td>ROR</td>
<td>-(11%)</td>
<td>(1%)</td>
<td>(12%)</td>
<td>(1.8%)</td>
<td>2.3%</td>
<td>2.5%</td>
<td>(10.8%)</td>
<td>(8.5%)</td>
<td>(3%)</td>
<td>(2%)</td>
</tr>
<tr>
<td>Turnover/ Capital Employed</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9%</td>
<td>54.4%</td>
<td>39%</td>
<td>54%</td>
</tr>
</tbody>
</table>


Invt.-Investment; Govt.- Government; Admn.- Administrative; ROR - Rate Of Return
Capital Structure: Authorised - Rs 1500 lakhs:
Paid-Up - Rs 1135 lakhs

Status of Accounts: Provisional - 1991-92
Audited - 1990-91

The negative Rate Of Return earned by the Society, all throughout the years from 1981-82 onwards, except in 1986-87, proves the Hypothesis that the financial performance of the Society has not been satisfactory.

6. ASSAM POLYTEX LIMITED
---------------------

Capital Structure: Authorised - Rs 1000 lakhs:
Paid-Up - Rs 562 lakhs

Status of Accounts: Provisional - 1991-92;
Audited - 1986-87

Sources of Funds:
- Equity (From Assam Government) - Rs 517.14 lakhs
- Cash Subsidy - Rs 25 lakhs
- Term Loans - Rs 450 lakhs

Total Project Cost - Rs 992.14 lakhs

Financial Ratios of the Company:
---------------------
Operating Profit before Tax to Net Sales - 19.21%
Return on Capital Employed - 14.97%
Profit After Tax to Equity Capital - 37.66%
Net Capital Employed to Net Sales - 12.89 : 15.91
Internal Rate of Return - Before Tax - 19.20 /-
                      After Tax       - 12.44/-
# TABLE XII

**Financial Performance of the Company (Rs in lakhs)**

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Invt.</td>
<td>-52</td>
<td>132</td>
<td>132</td>
<td>689</td>
<td>854</td>
<td>1002</td>
<td>1002</td>
<td>1002</td>
<td>1002</td>
<td>1002</td>
</tr>
<tr>
<td>Govt. Invt.</td>
<td>-52</td>
<td>132</td>
<td>132</td>
<td>378</td>
<td>493</td>
<td>587</td>
<td>587</td>
<td>587</td>
<td>587</td>
<td>721</td>
</tr>
<tr>
<td>Turnover</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>306</td>
<td>466</td>
<td>445</td>
<td>489</td>
<td></td>
</tr>
<tr>
<td>Profit/(Loss)</td>
<td>----</td>
<td>(112)</td>
<td>(158)</td>
<td>(165)</td>
<td>(144)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated Loss</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>(588)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Networth</td>
<td>-52</td>
<td>132</td>
<td>132</td>
<td>378</td>
<td>493</td>
<td>587</td>
<td>486</td>
<td>317</td>
<td>152</td>
<td>8</td>
</tr>
<tr>
<td>Admn. Cost/Turnover</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>21</td>
<td>31</td>
<td>36</td>
<td>21</td>
</tr>
<tr>
<td>Turnover/Employee</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>.6</td>
<td>.8</td>
<td>.8</td>
<td></td>
</tr>
<tr>
<td>ROR</td>
<td>----</td>
<td>(11%)</td>
<td>(15.8%)</td>
<td>(16.5%)</td>
<td>(14%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover/Capital Employed</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>30.5%</td>
<td>46.5%</td>
<td>44.4%</td>
<td>48.8%</td>
</tr>
</tbody>
</table>


**Note**

Invt. - Investment; Govt. - Government; Admn. - Administrative; ROR - Rate Of Return

**Remarks**

1. Lack of modern communication system is affecting the company because it is situated in a backward region of the State.

2. Financial Institutions have imposed innumerable conditions while sanctioning loans to the Company.
Assam Polytex was established at a proposed estimate cost of Rs 992 lakh. This cost however escalated further owing to unavoidable delays and escalation in price of materials, machinery, etc. Finally when the Mill came up in 1987, it was set up at a net cost of around Rs 13 crores. This Mill has been hit by one problem after another since its operation and has been reduced to a pathetic condition at present. The employees have not received their salaries for quite some time and on the other hand, machines have remained idle due to the dis-connection of electricity because of non-payment of electricity bills to the ASEB. Earlier the Mill was closed down due to the non-availability of raw-materials and the damage caused by a fire in the Spinning section. After some time, the Mill resumed its operation, but within a short span of time production had to be stopped again. Several factors are cited as causes for this closure, namely mis-management of Finance and non-availability of raw-materials.

The pre-operative losses shown in its Financial Performance of the Mill has been made on the basis that commercial production of 10,520 spindles would commence from 1st April 1985, which was not to be. A sum of Rs 3 lakhs had also been provided for training of labour and trial runs which was essential as only unskilled labour is available from the neighbouring villages. Hence, the dismal financial performance of the Company. This proves the Hypothesis that the Financial Performance of the Enterprise has not been satisfactory.

7. ASSAM SYNTEX LIMITED

Capital Structure: Authorised - Rs 1000 lakhs;
Paid-Up - Rs 512 lakhs
Status of Accounts - Provisional - 1990-91
Audited - 1988-89

TABLE XIII
Financial Performance of the Company (Rs in lakhs)

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Investment</td>
<td>-</td>
<td>522.5</td>
<td>739</td>
<td>893.7</td>
<td>960</td>
<td>995</td>
<td>974</td>
<td>983</td>
<td>1044</td>
</tr>
<tr>
<td>Government Investment</td>
<td>-</td>
<td>222.5</td>
<td>339</td>
<td>394</td>
<td>500</td>
<td>535</td>
<td>537</td>
<td>587</td>
<td>687</td>
</tr>
<tr>
<td>Turnover</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7.3</td>
<td>272</td>
<td>682</td>
<td>906</td>
<td>829</td>
<td>872</td>
</tr>
<tr>
<td>Profit/(Loss)</td>
<td>(7)</td>
<td>(17)</td>
<td>(76)</td>
<td>(64)</td>
<td>(102)</td>
<td>(85)</td>
<td>(47)</td>
<td>(76)</td>
<td>(155)</td>
</tr>
<tr>
<td>Accumulated Loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(629)</td>
</tr>
<tr>
<td>Networth</td>
<td>-</td>
<td>222.5</td>
<td>317.7</td>
<td>226.6</td>
<td>337</td>
<td>295</td>
<td>249</td>
<td>174</td>
<td>19</td>
</tr>
<tr>
<td>Administrative Cost/Turnover</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Turnover/Employee</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.6</td>
<td>1.3</td>
<td>1.6</td>
<td>1.5</td>
<td>1.4</td>
</tr>
<tr>
<td>Contribution to State Exchequer</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25</td>
<td>63</td>
<td>69</td>
<td>56</td>
<td>67</td>
</tr>
<tr>
<td>Rate of Return</td>
<td>-</td>
<td>(3.3%)(10.3%)(7%)(10.6%)(8.5%)(4.8%)(7.7%)(14.4%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover/Capital Employed</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.8%</td>
<td>28.3%</td>
<td>68.5%</td>
<td>93%</td>
<td>84.3%</td>
</tr>
</tbody>
</table>

1 - 1983-84; 2 - 1984-85; 3 - 1985-86; 4 - 1986-87; 5 - 1987-88
The Capital Outlay of the Project consists of -

Fixed Assets - Rs 950.98 lakhs
Margin Money - Rs 78.00 lakhs
Pre-Operative & Preliminary Expenses - Rs 91.02 lakhs

Total - Rs 1120.00 lakhs

The Debt Equity ratio of the Company is 2 : 1

Sources of fund for the Project (Rs in lakhs)

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>Rs 150 lakhs</td>
</tr>
<tr>
<td>AIDC/Assam Government</td>
<td>Rs 210 lakhs</td>
</tr>
<tr>
<td>Term Loan</td>
<td>Rs 745 lakhs</td>
</tr>
<tr>
<td>Cash Subsidy (Capital Investment Subsidy)</td>
<td>Rs 15 lakhs</td>
</tr>
<tr>
<td></td>
<td>Rs 1120 lakhs</td>
</tr>
</tbody>
</table>

The negative Rate Of Return suffered by the Company all along through all the years of this study, resulting in an accumulated loss of Rs 629 lakhs in 1991-92; proves the Hypothesis that the Financial Performance of this Enterprise has not been satisfactory. Thus it is seen that one part of the third Hypothesis of this research study, that the Financial Performance of the Public Enterprises in the Textile Sector have not been satisfactory, is completely proved.
3.2 A Review of the Work Performance of the Major Public Enterprises of Assam in the Textile Sector

A Review of the performance of the Major Enterprises in the Textile Sector under the Government of Assam is made in this Chapter, on the basis of the broad functions of Personnel Management, Marketing Management, Production Management and Financial Management, with a view to identify and analyse the managerial problems existing in these Enterprises. The Review is made in details for two Enterprises – Assam State Textile Corporation Limited (with the Company Form of Organisational Structure) and Assam Polyester Co-Operative Society Limited (with the Co-Operative Society Form of Organisational Structure) as representatives for the other Textile Public Enterprises of Assam with these two forms of Organisational structures.

A) Review of the PERSONNEL MANAGEMENT Function

'Personnel Management is the planning, organising, directing and controlling of the procurement, development, compensation, integration, maintenance and separation of Human Resources to the end that individual, organisational and social objectives are accomplished'.

Because of the wide changes taking place in our Society as well as in individual organisations, Personnel Management has become one of the most crucial functions of an organisation. 'The Human Resources function has undergone a transition from being an

Organisational stepchild to being a premier force in an Organisation's ability to grow'.

It is needless to emphasise that out of the four factors of production - land, labour, capital and organisation, it is the human resource of an organisation that plays a crucial role in the success or failure of the Organisation. While the other resources of the organisation depreciate through use, the manpower asset is the only resource that increases in value through proper utilisation and adequate development. In the final analysis, an organisation even with minimum or other resources can make a dazzling success story if its manpower is motivated and committed, whereas an organisation even with all the resources of the World will meet with failure if its personnel are ill-motivated, demoralised, frustrated and lazy.

Personnel Management is basically the management of people within an Organisation. There is no standard definition of the term Personnel Management or Personnel Administration. However, there is a wide spread unanimity among writers about its meaning, scope and purpose. Generally, Personnel Management is concerned with the managerial functions, with a view to attaining the organisational goals, economically and effectively as well as meeting individual and social goals.

The top management of a business organisation have the primary responsibility for Personnel Management. The objectives, plans and policies on personnel have to be spelled out by the Board Of Directors. These in turn are assigned to and implemented by

subordinate executives and managers in relation to their subordinates. Thus, everyone in the Management Team, from the Chairman to the first line Supervisor, are responsible for the success or failure of Personnel Management in an Organisation. The Personnel Department also has an important role to play in this connection. 'The main aim of the Personnel Department, since its inception, has been to provide functional guidance to the Managers and Line executives and to advice and assist them. The members of the Personnel Division have always made a sincere attempt to convince managers of the wisdom of the line of action recommended. It is a tribute as much to the managers as to the officers of the Personnel Division that a fine spirit of cooperation has been developed between them. It is only in such an atmosphere of understanding and mutual respect that the Personnel officers can perform their often delicate and difficult tasks'.

**Personnel Management in Public Enterprises** - Personnel Management has got great relevance and importance in Public Enterprises, not only because they are the largest employers of personnel, but because of the need to manage them professionally and efficiently.

Unfortunately in the Public Enterprises of India, the function of Personnel Management has been largely neglected and is the weakest as compared to other management functions like Finance, Production and Marketing. This has mainly resulted from the indifferent attitude of the top management towards personnel functions and, therefore, personnel functions and problems do not receive adequate attention in Public Enterprises under Indian conditions.

The Administrative Reforms Commission (ARC) Study Team which studied the functioning of Personnel Departments in Central Public Sector Undertakings in India, is of the opinion that Personnel Managers in Public Enterprises are not very often, professionally qualified and the Personnel Departments resemble the Establishment Sections of the Government Department with their activities often decying into a lifeless routine affair. The Study Team was of the opinion that the Personnel Management function in Public Enterprises should be reconstructed as a Staff Function of the highest importance and the Department dealing with it need to be equipped with experts in Industrial Engineering, Labour Relations, Manpower Planning etc. and be attached directly to the Chief Executive of the Enterprise.

The Government of India has made it obligatory on the part of Public Enterprises to associate the Public Enterprises Selection Board (PESB) closely with the formulation of selection, training and development, appraisal practices in their Organisations. The PESB has laid down certain guidelines regarding selection of personnel in Public Enterprises. These guidelines are as follows:

1. Unless, a markedly better candidate is available from outside, all posts should be filled from within the organisation. The PESB will assist the Public Enterprises in adopting organisational structures which makes such promotions possible.

2. If internal candidates are not available, preference will be given to those who are already working in other Public Enterprises.

3. Failing availability of candidates from (1) and (2) above, the vacancy will be filled in from other sources.

Training and Development - Training is a systematic programme of an organisation which aims at increasing the aptitudes, skills and abilities of the workers to perform specific jobs. The importance of training and development in the Public Enterprises of India cannot be over emphasised, as they are often charged with bad performance and inefficiency. The Public Sector is a catalyst and a prime mover of National Growth and Resurgent Socio-Economic change. Effective Human Resource Development in Public Sector is therefore of key importance. The importance of the human factor in the industrial development and growth specially in the Public Sector has been recognised from the very start of the Planning Process in the country. In the Industrial Policy Resolution of 1966, a clear enunciation of the Government Policy was in the following words - 'In a democracy, labour is a partner in the common task of development and should participate in it with enthusiasm'. In the subsequent Plans and Policy Pronouncements the Government has been emphasising the need for enhancement of the skill of the worker/employees by continuous training with a view to increase their efficiency and for improving production and productivity of Public Enterprises.

The Parliamentary Committee on Personnel Policies and Labour Management Relations in Public Undertakings, in 1972, has lamented over the inadequate training facilities in Public Sector Undertakings. The Committee recommended that adequate facilities should exist in the Plan for employees to improve their prospects through training courses. Appropriate training schemes for different categories of technicians should be devised by the Undertakings, both in the Plant and outside. As regards the Middle and Senior Executives, the refreshers courses should be arranged
and full advantage of various training centres set up by the well
known Management Institutes and Universities in the country should
be taken.

The Committee also suggested that proper importance be given to
the provisions of adequate training facilities including leaves
for workers at all levels so that they may improve their skills
and knowledge and qualify for higher posts. The training programme
may be devised in consultation with reputed Training Institutes as
well as representatives of Labour, so that it serves the twin
purposes of enabling the employees to improve their prospects of
increasing their efficiency and productivity. The Committee is of
the view that if the training programmes are designed keeping
larger interests of the workers and the Undertaking in view, they
would certainly make the workers more productive and useful to the
Organisation in the long run. Additionally, the workers would be
happy to associate themselves with the organisation continuously.
The views of the National Commission on Labour regarding the need
of training the workers, particularly to re-equip them with new
skills required to prevent obsolences, and to grant them adequate
study leave for the purpose, were accepted by the Government and
brought to the notice of the Public Undertakings for necessary
action with a view to increasing the awareness of Public

1. Report of the Parliamentary Committee on Personnel Policy and

2. Vide BPE Circular dated 31st March 1973, on 'Government Policy
for the Management of Public Enterprises'. pp.33
own well-equipped training facilities to impart training to the various categories of employees working at different levels in the Organisation. However, a number of deficiencies have been observed at various levels in the training programmes, even in Central Enterprises that have their own arrangements. The Bureau of Public Enterprises in one of its studies conducted in 1978-79, shows that out of the total wage bill of Rs 2065 crores of all the 136 Enterprises, only Rs 15.60 crores were spent on training, which is less than 7% of the total wage bill. As many as 95 Enterprises spent less than 1% of the total wage bill on training, while only 8 Enterprises spent over 5% of its wage bill. It is rather surprising to note that about 22 Enterprises did not spend any amount on training.

The other weak area in a number of Public Enterprises is the lack of systematic effort in identifying training needs. Either training needs are not linked with performance appraisal or the data is not transfered from the Personnel Department to the Training Department. Secondly, Public Enterprises do not seem to put in enough efforts and resources to encourage Officers to implement what they have learnt during the training programme. Hence, it is necessary to make training need-based and to ensure that what is learnt is implemented, then only can training really develop in Human Resource Development exercise and efforts.

The Foundation for Organisational Research through a Study established that training system in Public Enterprises are primitive, only 24% Enterprises have Pre-Post training feedback systems and only 29% Enterprises have done training need analysis.

and only 25% Enterprises have done study in developing training materials. The rest are using only available materials. Cost-Benefit analysis on training has been attempted only by 7% of the organisations.

Performance Appraisal & Promotion Policy -
Performance Appraisal is a very powerful tool in the hands of the Management to control the productivity and human resources in an organisation. It also has tremendous strategic potential for governing employee behaviour and, in turn, Corporate decisions through the Appraisal System's dynamic links to Selection System, Training and Career Planning System and the Reward Structure.

Linked with Performance Appraisal, though not always the result of it, is the Promotion Policy of the Organisation. Promotion implies a vertical advancement in one's career, to move from a lower position to a higher position ensuring higher job responsibilities and higher status. The Public Sector Enterprises for their professed Objectives to play the role of a Model Employer need to develop a sound promotion policy to provide enough career development and growth opportunities to a large number of employees working in the Public Sector Undertakings. In Public Sector Undertakings, promotion has been one of the most controversial areas, affecting employer-employee relation. The preparation of Annual Confidential Reports and the criteria for selection of the basis of promotion, i.e. Merit vs Seniority are the most delicate and controversial issues related to promotion policies and practices in Public Sector Undertakings. The

Confidential Report (CR) is generally used as an instrument to evaluate the performance and suitability of an employee for promotion to the next higher grade of job position in the Organisation. According to the Administrative Reforms Commission in its Report on Personnel Administration, the criteria for promotion should be worked out in each Enterprise for each level based on an appropriate combination of Merit and Seniority. For higher levels, less weightage should be given to the role of seniority. At levels where a qualitative change in job requirements occur, as from Operative to Supervisory level, work performance and individual potential to develop for higher jobs should be the sole criteria for promotion. The Study Team further recommended that promotion at higher levels should be entirely on merit, length of service being considered as an integral part of merit itself. In the Report of the National Commission on Labour, 1969, similar views on the issue was expressed. According to it, 'the criterion for promotion should be Seniority at the lowest level, Seniority-Cum-Merit at the middle and Merit at the highest level.

Public Enterprises have not evolved an uniform and well defined promotion policy, in conformity to the guidelines of the ARC and the NCL, 1968. Subsequently, the Parliamentary Committee on Public Undertaking, 1972, also observed that different Undertakings follow different promotion procedures with the result that discontents over promotions in Enterprises is often evidenced. The Committee is also of the opinion that discontents over promotions have been the primary cause of several work stoppages in Public Sector Undertakings. The Committee also suggested that a system of identifying talent among the workers and giving them
opportunities for development should be introduced in the Public Sector Undertakings.


Wage and Salary Administration - Development and Administration of an equitable and sound Wage and Salary Policy is an essential prerequisite and an integral part of an effective Human Resource Management system of an Organisation. Of all the factors that influence the motivation level of an individual, money has been identified by many writers as the most significant. Despite the claim of the psychologists that security is the prime need of a person, money continues to 'weild a powerful influence on productivity and performance of an individual. According to Peter Drucker, 'There is not one shred of evidence for the alleged turning away from material rewards. Anti-materialism is a myth, no matter how much it is extrolled'.

Wage and Salary Administration refers to the establishment and implementation of sound policies and practices of employee compensation. It includes such areas as Job Evaluation, Survey of Wage and Salary, Analysis of relevant Organisational Problems, Development and Maintenance of wage structure, establishing rules for administering wages, wage payment, Incentives, Profit-Sharing, Wage changes and Adjustment, Supplementary payments, control of compensation cost, and other related items.

The basic purpose of a well maintained and scientific Wage and Salary Administration system is to establish and maintain an equitable wage and salary structure. In case of determination of wage of workmen, the recommendation of the Wage Board, Awards of Tribunals or Agreements mostly based on factors like the concept of Minimum Wage, Need-based Minimum Wage, Fair Wages, the Ability of the Industry to Pay Wages in comparison to other industries in the same region, are given consideration. During the early years of the inception and growth of Public Sector Undertakings, majority of these organisations preferred to adopt the scales that were in force in the Government Service for the Supervisory, Administrative and Managerial personnel and allied services. The scales adopted from the Government Services were quite longer in structure of the pay. These factors inevitably resulted in rigidity in the recruitment policy to attract and retain capable, competent and motivated personnel in the employment of the organisation. This also caused a very heavy turnover of employees from the Public Sector to the Private Sector, and, also, from one Public Sector Undertaking to another Public Sector Undertaking. The prescribed structure of pay had an adverse effect on the prospect and promotion for employees as there were fewer levels in the hierarchy. In this context, the Administrative Reforms Commission also pointed out that though the present scale has affected promotion prospects, shorter scales alone cannot solve all the problems caused by longer scales and it is not possible to have an uniform structure in all the industries.

In the Report of the Study Team on Personnel Administration.

Administrative Reforms Commission, also observed that apparently, it seems imperative to evolve a strategy to achieve parity between the emoluments of Public Sector and Private Sector employees. In a Socialistic pattern of society like ours, there are other issues that need to be taken into consideration before suggesting higher scales of emoluments to Public Sector employees. Such a policy and approach may prove counterproductive and may result in further wage inequalities. It is not possible to have a complete comparability of remuneration between the private sector and the public sector. It is not even desirable to attempt it as it would lead to a chain reaction and give a further push to the levels of remuneration in the private sector. Also, the Public Sector cannot afford to be flexible in its Wage policy as the Private Sector, because any upward revision in one section is likely to create similar rise in the other sectors.

Similar to the Central Public Enterprises, the SLPRs of Assam too have not given very great importance to the Personnel function in their Enterprises. Very few Enterprises have organised Personnel Departments with proper grouping of activities under specialised functions, i.e., employee welfare, industrial relations and general administration. About 12 Undertakings had partly organised Personnel Departments, where the basic personnel functions, general administration, employee welfare and establishment matters were clubed together. In most Public Enterprises there was no separate Personnel Departments or Sections and this function was attached to other Departments. In the Public Enterprises of Assam, the personnel function is considered to be in the lower order of

the hierarchy in terms of importance, i.e., not at par with the other functional areas such as Production, Engineering, Finance & Accounts and Commercial functions. This function is mostly viewed, at best, as a supportive function and is not given as much importance as the other functions. The lower importance given to the personnel function is more pronounced when we look at the extent and the nature of participation of the Head of the Personnel Department in deliberations related to the formulation of Personnel Policies, Employees Welfare Schemes and other personnel matters of importance at the Board level meetings. Out of all the Public Sector Enterprises of Assam, only in ASFB, there is provision for the Member Personnel and Administration to participate in the deliberations on personnel matters in a formal capacity. In the other Enterprises, the Heads of the Personnel Departments are not even invited to participate in the Board’s Meeting in a formal capacity, even when important personnel policies and matters relating to personnel department are being discussed. In some Enterprises, the Head of the Personnel Department is invited in an advisory capacity on an ad-hoc basis to the Meetings. Moreover, in most Public Enterprises of Assam, the quality of the personnel function shows considerable variations. In very few Enterprises, the Head of the Personnel Department is professionally qualified and with adequate years of experience in management. In majority of these Enterprises, this function is being looked after by a person in charge of the Establishment branch of the General Administration wings. As for the qualifications and experiences, many of them are Intermediate or a Graduate in any discipline with average or below average merit.

Source - Personal Survey of the Public Enterprises of Assam.
Review of PERSONNEL MANAGEMENT in APOL

The Personnel Function constitutes a very crucial activity in a labour intensive industry like the Textiles, where skilled labour and technical expertise are crucial for the success of the Enterprise.

The main challenges for the Personnel Department of a newly established organisation like APOL are the followings -
1. Availability of professional people and skilled labour locally;
2. Selection of manpower;
3. Analysis of Job Specifications;
4. Training and Development of manpower needed;
5. Planning for the wage structure of the enterprise.

Organisation of the Personnel Department of APOL

From the Organisational Structure of the Personnel Department in APOL, it is seen that the Head of this Department is designated as Director (Administration) and not as Director (Personnel) or Manager (Personnel). However, he is followed by a Deputy Personnel Manager and under him exist the posts of the Asstt. Personnel Officer (Weaving) and Asstt. Manager (Processing).

A glance at the Organisational Structure of the Personnel Department of APOL, makes it evident that it has not been designed
and developed on scientific lines and not much importance appears to have been given to the personnel function of the Enterprise. In an organisation employing more than 1000 workers, the above structure appears to be quite weak and needs to be strengthened, if the Personnel function is to be effective in the organisation.

Moreover, it is not clear as to how the personnel function is carried out for workers in the Mill and how co-ordination is carried out between the Head Office at Guwahati and the Mill site at Tulsibari. It is stated by the Enterprise that the Director (Administration) is in charge of the overall Personnel function of the Enterprise, while the Deputy Personnel Manager looks after the Mill employees. The Asstt. Manager (Processing) and Asstt. Personnel Officer (Weaving) are both posted at the Mill site.

According to the Organisation sources, the Administrative Department looks after the management and the administrative side of the organisation. It also assists other Departments in formulating their Departmental Plans and Projects. They communicate directly to the Department concerned and try to solve problems arising in it. Direct communication also takes place with the concerned Department for solving problems arising while at work. Management of the Organisation looks after the promotion, transfer, recruitment and training of people directly. They also have a say in matters of production, finance and accounts, marketing, even though these Departments are independent and separate.

To review the working of the Personnel Department of APOL, the responses to the questions of the Questionnaire (enclosed at the end of this Chapter), relating to the Personnel Management
function of APOL is analysed here -

Part I - Quantitative Data

Administrative Data:

1. Number of employees in the Organisation -
   - Managerial: 16
   - Supervisory: 60
   - Clerical & Others: 948
   - Total: 1024

In the Spinning Section, there are 480 employees in the Mill, 30 at Head Office and 120 trainees. In the Weaving Section, there are 422 employees in the Mill, 30 at Head Office and 57 trainees.

2. Number of promotions yearly -
   - Senior Level: 2 to 3
   - Middle Level: 4 to 5
   - Junior Level: 5 to 6

In APOL, 8 to 10 people are recruited together at a time, and when the time comes for promotion, they are usually promoted together. Thus, there is always a gap for a few years, till the next batch of recruitees are to be promoted. Promotions do not generally take place annually.

3. Number of Disciplinary actions taken annually -

In case of APOL, on an average 5 to 10 cases of disciplinary actions are taken annually. However, except for Absenteeism there is no other serious cases of indiscipline. The Disciplinary process is very fast in APOL and there is no pending cases of discipline in the Organisation.

4. Number of Managing Directors till Date - one
5. Number of Members/Directors in the BOD - thirteen (13)

6. Number of times the post of the Managing Director / Chairman / Member of BOD were lying vacant during 1982-92 - none

7. Number of Chairmen in the Organisation till date -

Two. Initially the posts of the Chairman and Managing Director were separate. The first Chairman was a political appointee. Later, however, the existing Managing Director was made the CMD.

8. Number of Chairmen/Managing Director being political appointees

One - the previous Chairman

9. Deputations from the IAS and ACS - none.

However, there are deputations of Lecturers from the State Textile Institute.


One or two employees on an average per year.

11. Number of employees sent for training during 1982-92

During this period employees sent for training were as follows-

Executives - 7; Fitters - 4; Non-Technical Officers - 17

12. The Pay Structures of the personnel in the Organisation are

**Workmen**

- 1. 930
- 2. 975
- 3. 1065 - Fitters/ Electricians
- 4. 1125 - Clerical
- 5. 1475 - Technical
- 6. 1595 - Clerical (Promotion from Number)

**Officers**

- 1. 1475 - Technical Officers
- 2. 1735 - Security Officers (Special Scale for Security Officers only)
- 3. 1835 - Senior Officers/Asstt. Officers
4. 2555 - Asstt. Manager
5. 2975 - Deputy Manager
6. 3275 - Manager

13. Details about Trade Unions

   Number of Trade Unions - 1
   Total Memberships - 700
   Date of Registration - Regd. No. 1155 of 1988
   Whether Union is recognised by management - yes
   Names of Central Labour Organisations to which these Unions are affiliated - none.

14. Number of strikes/Lockouts between 1982-92 - none

15. Supreme Controlling Body of the Organisation - Board of Directors

Part II

Part A - Structured Component

This part consists of different problems which have to be marked as follows -

H - Problem Highly exists in the organisation; S - Somewhat exists
DN - Does not exist

Personnel Problems

1. Lack of adequate discretion and flexibility to reward a good worker or punish a bad one - DN
2. Deputation of persons to the top who do not possess adequate and relevant experience - DN
3. Political Interference from concerned Ministry - DN
4. Instability at the top - DN
5. Interference from Unions making management helpless to maintain discipline - H
6. Too much bureaucratization and red tapism - DN
7. Lack of good managerial process and system - DN
8. Non-Profit orientation being perceived as the main goal of the organisation - DN
9. Poor salary and perks - DN

Part III - Interview with the Respondant

Personnel Policies

1. Personnel Policies - From the personal interviews with the Directors as well as the other executives and employees and also visits to the Head Office and the Mill Site, it has been concluded that in APOL, though Personnel Policies have been designed and implemented, they are not very well-developed. Policies exist for Recruitment, Training and Development of executives and employees, Promotion, etc. The Standing Order acts as a guide for the administration of Factory workers.

2. Recruitment - For recruitment of executives in APOL, the main source of recruitment is advertisements in local dailies. Those candidates found suitable or having the requisite qualifications and experience, and who have fulfilled all the criterion for appointment are screened through a Written Test and Interview. For non-executive posts, the usual sources of recruitment are the Notice Board and the Employment Exchanges.

One problem faced by APOL in its recruitment process is that suitable candidates are not found for technical posts. Response to advertisements for recruiting technical people have been rather poor. This is due to the fact that Assam does not have the textile
technical manpower to meet the requirements of its Mills. The only
technical technology institute of the entire North-East Region
(for Diploma and Certificate Courses only) is the Assam Textile
Institute at Ambari in Guwahati. The capacity of this Institute
for both these courses is only 20 and 40 only respectively. It is
a matter of great disadvantage for the textile enterprises of
Assam that the Degree course in Textile Technology is yet to start
in Assam.

Usually vacancies to be filled up through fresh recruitments (or
promotions for existing personnel) are identified by the Personnel
Department in the following ways:

1. For Executives: This is done through Leave vacancies
(temporary, but later made permanent), people leaving the
enterprise after resigning from their posts, expansion of the
Department/Enterprise and through Job creation. Job creation has
not been done till date, but is likely to be enforced in the near
future, as all paper work for its implementation has been
completed.

2. For Non-Executives: The usual method for identifying vacancies
for non-executives is either through leave or resignation or
expansion of factory production.

However, there is enough scope for filling up of vacancies from
within the organisation through promotion. For Middle and Junior
level management, every effort is made by the Enterprise to
promote the existing employees to a higher post as and when it
falls vacant. However, for Top Management level, recruitment is
done through nominations or through election, as in the case of
the Board of Directors.
3. Manpower: In APOL, no formal or written policy exists to identify the adequacy or otherwise of manpower. Adequacy of manpower is measured from the following aspects -
1. Shortage of manpower;
2. Idleness of workers due to not enough work for all workers;
3. Wage Bill in the Cost of production;
4. Job Description.

Thus, it is seen that manpower required and existing in APOL is quite adequate, as according to the Deputy Personnel Manager, there is no shortages or idleness in the mill and the number of personnel is according to the projections of the Project Report.

4. Human Resource Development - APOL has very well-designed and well-developed HRD policies. The HRD policies of APOL are as follows -
1. Initial training for 6 to 12 months after recruitment for new employees is compulsorily given;
2. Managerial and Executive personnel is sent for training outside the state;
3. In-House guidance and Counselling is to be provided to employees/executives, if needed;
4. To motivate employees/executives through promotions, appreciation, delegation of authority, etc;

Training and Self-Appraisal is being developed for Executives to appraise and develop themselves, but is not yet being implemented. Questionnaires will be designed in the near future which will enable executives to analyse themselves and then a review will be made on the basis of the answers to these Questionnaires as to whether to send the Executive for training or through In-House development through Self-Analysis.
The Project Manager (Weaving and Processing) is vested with the responsibility of training employees posted at the Mill. Technical expertise needed by the organisation is not available within the state, hence some employees having extra potential are sent for training outside the state.

As far as training for newly recruited employees is concerned, usually they are given guidance from experienced Supervisors during the first 6-12 months of their training period.

The clerical cadre employees of APOL are trained mostly inside the enterprise by attaching them with some senior and experienced employees and are asked to help them out in their work.

Factory Workers Training: APOL gives prime importance in training bottom level or factory workers because production and productivity and hence the effectiveness of the Enterprise depends mostly on this type of workers. Outside experts like those from South India Textile Research Association (SITRA), Northern India Textile Research Association (NITRA) and Bombay (India) Textile Research Association (BITRA) are engaged in training these types of workers. Generally this type of training is done on-the-job. The workers are attached with the experts and they work under these skilled workers.

The general training programme of APOL can be divided as below -

1. Training at machinery manufacturing factories of India:
2. Training at other operating mills of India having similar machineries as APOL;
3. Training by inviting guest experts from outside Textile agencies like SITRA;
4. Training by some experienced executives and engineers who had
earlier worked outside the state and had acquired exposure to advanced technology;

5. Sending technical employees for training at places outside the state (eg. at Coimbatore, Guwalior, etc) in batches;

6. Sending non-technical employees and executives for training within the state in various training institutes;

7. Visits to BRPL for training in Materials Management.

The Management of APOL claim that 80% of their personnel, both employees as well as executives, have been trained till date.

For identification of training needs of the personnel of APOL, a Committee has been formed which is known as the 'Promotion Committee' which is headed by the CMD. This Committee along with the Heads of the Departments appraises training needs for the personnel of the organisation and identifies who needs to be trained.

For recording Personnel Data, Personnel Files are maintained for every individual and these are opened as soon as an employee joins the organisation. The Files are updated when employees give certain information about themselves or in case any action has been taken against them by the management. Training / Promotion / Transfers and other aspects are also recorded and are periodically updated.

Although no specific schemes exists in the organisation for helping employees to develop themselves technically and professionally, counselling is done when needed by the Deputy Personnel Manager and the Head of the Department.

Job Rotation was tried out for technical people in the
organisation. However, since it was not successful, it has not been repeated hence. In Job-Rotation, those employees were chosen who could not adopt easily to their Departmental working condition, and hence, they were transferred to a new Department to find out whether they would be more suitable in the new Department. This method was used for a short duration of about two months for each employee.

APOL does not have any specific training facilities in the enterprise except for a Club and an Auditorium, in the Administrative building at the Mill site in Rangia, where training courses can be organised.

Moreover, no training budget is prepared at the beginning of the year, in anticipation of sending employees for training during the year. This results in ad-hocism in the training process.

No In-House training programme was held within the organisation till date. All the training programmes were outside the organisation, within the state, and sometimes outside the state.

5. Promotion - APOL has not yet fully designed a Formal System of promotion. After the first three years in the organisation, an employee is given his first promotion; if there is nothing against his promotion. After every five years, this promotion policy is modified. Usually an employee is entitled to a maximum of 4-5 promotions in his life time.

This system of promotion has been agreed upon by both management and employees of APOL.

In APOL, during internal promotions, two factors are given
weightage - Seniority first and Merit second. Professional Degrees/Diplomas or other qualifications have weightage only during appointments and for promotion purposes. Till date no political demand has been entertained by the Society so far as appointment, promotion, production and marketing is concerned.

6. Performance Appraisals - For appraising the performance of employees, yearly performance appraisal is made for each employee. This yearly Report is called Confidential Report (CR). Performance Appraisal is given much importance during the times of regulation and promotion of employees. Usually for assessing the Merit/Performance of employees, 10 factors are generally used. The more important among them are Job Knowledge, Quality of work, Quantity of work, Adaptability to changing times, Discipline, etc. Any worker who scores above average on these ten factors are generally considered to be of outstanding performance. If any employee scores 80% or more in these Appraisals, he/she is entitled to an extra increment in salary.

7. Incentives & Rewards - The Employees and executives of APOL are entitled to the following types of Incentives and Rewards -

i) Fringe Benefits - Uniforms for Factory workers. Conveyance loan, House-Building loan, Bonus, Marriage advance for self and dependents, sickness advance for self and dependents, Insurance, etc.

ii) Welfare Facilities - Medical, Subsidised Canteen facilities, Transport facilities, Co-Operative stores, Housing, Sports and Recreation (cricket, badminton, football, volleyball, indoor club)

iii) Special Reward Policy - In APOL, a special scheme was started wherein if an employee had 100% attendance for three months continuously, he was given a Cash Reward of Rs 500/-.
employee absent for only 1-2 days in three months, was given an Award of Rs 300/-. This was done to combat the problem of Absenteeism, which has grown to serious proportions in APOL. But presently, this scheme has been withdrawn, because it was seen that after an employee was given this reward, from the next month he started being absent from work again.

8. Grievance & Conflict Handling - All grievances within the factory premises are handled by the Departmental Heads. For the Head Office personnel, grievance handling is done by the Personnel Department, where recorded grievances are attended to by the Deputy Personnel Manager and the Asstt. Personnel Manager.

Disciplinary action in APOL is required mainly due to the problem of Absenteeism of the employees of the Mill. APOL is often compelled to resort to initiate disciplinary action almost 5-6 times a year.

The major cause of such disciplinary action is Absenteeism. However, other causes of indiscipline in the organisation are insubordination, indiscipline through interference at work, etc.

Although the workers of APOL have united themselves under the banner of a Trade Union, named 'APOL Workers Union', there exists no association or Union for the managerial personnel. Moreover, no democratic participative forums like Works Committee, Junior Management Committee (JMC) or Legal Cell exists for the benefit of the workers of APOL.

In APOL, there exists a scheme known as the Suggestion Scheme. Under this Scheme, workers are encouraged to give their suggestions to the management on various administrative matters.
and their suggestions are considered carefully and accepted if found suitable. In addition, rewards are also given to those who make constructive suggestions, capable of being implemented. For Collecting suggestions of workers, suggestion boxes are kept in all Departments. Workers may put their suggestions in writing into these boxes. These suggestions are collected every month and a suitable decision on this is made jointly by a Committee consisting of the representatives of workers and management.

A fairly good relation is maintained between the Union and Management. At an interval of every two months, a meeting is called between the Union and the Management. In this meeting, both the Union and the Management place their respective demands and bring their problems to the other party's notice. Thus, problems are solved and decisions are taken at the consent of both the parties. In this way, the management tries to maintain a good relation with the Union.

9. Opinion of Management about the overall performance of the Organisation -

According to the management, the overall performance of the organisation is quite good. There is satisfactory performance at work in case of the Top and Middle Management. In case of the Lower Management, it is felt that the fresh graduates recruited lacks professionalism at work. They lack the basic exposure to the outside industrial and work culture and this disturbs the efficiency of the organisation at times.
10. Specific Problems faced in the Personnel Management function -

<table>
<thead>
<tr>
<th>Specific Area</th>
<th>Problems</th>
<th>Suggestions</th>
</tr>
</thead>
</table>
| 1. Recruitment | Technical people not available. | 1) Certain percentage of people can be recruited from outside the State.  
ii) Local recruits can be sent for training outside. |
| 2. Absenteeism | Very high, and Trend uncertain | Through education, special incentives & orientation |
| 3. Training | No policy or budget is formulated | Special emphasis should be given in this area |
| 4. Performance | Closed System leading to grievances | Both Open and Closed System is needed for assessment |
| 5. Promotion | Difficulty in identifying merit | Merit should be given due importance to bring in professionalism into the organisation. |


Review of Personnel Management in Assam State Textile Corporation Limited (ASTCL) -

Organisation of the Personnel Department in ASTCL

```
MILL

DEPUTY MANAGER (Personnel)

ASSTT. PERSONNEL OFFICER (Process House)

PERSONNEL ASSISTANTS

HEAD OFFICE

ASSTT. MANAGER (Personnel & Administration)

ASSTT. ADMINISTRATIVE OFFICER

SENIOR ADMINISTRATIVE ASSISTANTS
```

The Organisation of the Personnel Department of ASTCL is shown above.
At the Head Office, an Assistant Manager is the head of the Personnel Department, who manages the dual charges of Personnel and Administration. He does not have any employee/executive in Personnel Management to assist him, but only in Administrative line, they are an Assistant Administrative Officer and Senior Administrative Assistants. Thus, there is an overlapping of Personnel and Administration functions in the Department. The Assistant Manager (Personnel & Administration) reports to the General Manager.

At the Mill, the Deputy Manager (Personnel) heads the Personnel Department who is assisted by an Assistant Personnel Officer (only for the Processing House) and Personnel Assistants at the bottom. The Deputy Manager (Personnel) reports to the Mill Manager.

To review the working of the Personnel Management function in ASTCL, the responses to the Questionnaire (enclosed at the end of the Chapter) relating to the Personnel Management function of ASTCL is analysed here.

**PART I - QUANTITATIVE DATA**

**Administrative Data**

1. Number of employees in the organisation -
   
   Managerial - 29
   Supervisory - 40
   Clerical & Others - 704
   Total - 773

2. Number of promotions yearly

Promotions do not take place yearly. An employee/executive gets a promotion when it is due to him. Usually for executives
promotions are due after serving at least a period of 4 years on a particular job. For non-executives, this period is 6 years.

3. Number of disciplinary actions taken
Data is not available as no systematic record on disciplinary action has been kept by the Personnel Department.

4. Number of Managing Directors till date
   Five (5)

5. Number of Members/ Directors in the Board Of Directors
   Eight (8)

6. Number of times the post of the Managing Director / Chairman / Member of BOD was lying vacant during 1982-92
   There has been no specific cases of these posts lying vacant in the organisation, except for the period between the transfer of one Managing Director / Chairman and the appointment and joining of the next, which may vary from one month to six months at a stretch.

7. Number of Chairmen in the organisation till date
   Four (4)

8. Number of Chairmen / Managing Directors which were political appointees
   Managing Directors - none; Chairmen - all.

9. Deputation from the IAS and the ACS
   Managing Directors are all deputed from the IAS and the ACS Civil Services

10. Number of employees leaving the organisation voluntarily during the period 1982-92
    No record is available with the Personnel Department on this account

11. Number of personnel sent for training during 1982-92
Executives - About Eleven (11) Officers were sent for training outside the state. Moreover, within the state, almost the whole Middle Management cadre has been trained.

Employees - About 43 employees (Including two Trade Union Leaders) were sent outside the State for training.

12. The pay structures of the personnel in the organisation

<table>
<thead>
<tr>
<th>Posts</th>
<th>Pay Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Manager (Marketing / Personnel / Personnel &amp; Administration / Materials / Finance &amp; Accounts)</td>
<td>Rs 3828-5900</td>
</tr>
<tr>
<td>2. Deputy Manager (same as above)</td>
<td>Rs 2975-4750</td>
</tr>
<tr>
<td>3. Assistant Manager (Marketing / Personnel / Materials / Finance &amp; Accounts)</td>
<td>Rs 2275-4450</td>
</tr>
<tr>
<td>4. Assistant Officer (Marketing / Personnel / Administrative / Materials / Accounts)</td>
<td>Rs 1835-4325</td>
</tr>
<tr>
<td>5. Weaving Master / Processing Master</td>
<td>Rs 3375-5200</td>
</tr>
<tr>
<td>6. Deputy Weaving Master / Deputy Processing Master</td>
<td>Rs 3275-5060</td>
</tr>
<tr>
<td>7. Asstt. Weaving Master/Asstt. Processing Master</td>
<td>Rs 2275-4450</td>
</tr>
</tbody>
</table>

13. Details about Trade Unions

Number of unions - One

14. Number of strikes/lockouts between 1982-92 - none

15. Supreme Controlling body of the organisation

Board of Directors, headed by the Chairman

PART II

Part A - Structured Component

This part consists of different problems which have to be marked as follows -
Personnel Problems:

1. Lack of adequate discretion and flexibility to reward a good worker and punish a bad one - S
2. Deputation of persons to the top who do not possess adequate and relevant experience - H
3. Political interference and interference from concerned Ministry - H
4. Instability at the top - S
5. Interference from unions making management helpless to maintain discipline - S
6. Too much bureaucratization and red tapism - H
7. Lack of a good managerial process and system - H
8. Non-profit orientation being perceived as the main goal of the organisation - S
9. Poor salary and perks - DN

PART III - INTERVIEW WITH THE RESPONDENT

1. Personnel Policies - Similar to APOL, ASTCL is also weak in its personnel policies. These policies are unwritten and mostly informal; leading to lack of information and knowledge about these policies among the personnel of the organisation which frequently leads to conflict within the organisation.

Moreover, it is frequently seen that some personnel decisions are taken in other departments without prior consultation with the Personnel Department.

Also, information regarding personnel policies are mostly delayed in delivery and there is considerable difficulty in updating such
information. Sometimes, the information obtained is inadequate. Filing system is also lacking which results in most of the records not being periodically updated.

2. Recruitment - It is seen that in ASTCL, the necessity for recruitment arises whenever, there is creation of new jobs or vacancies due to the voluntary or involuntary turnover of employees.

In 1983, the first batch of 8 persons were recruited as Management Trainees in accordance with the first manpower requirement estimate as per the Project Report of ASTCL.

Before actual recruitment, Job Analysis for the new jobs or vacancies is carried out to a certain extent by the Personnel-In-Charge along with the Sectional Heads and then necessary steps are taken to initiate the process of recruitment. In cases of technical jobs, however, the General Manager is also involved in the Job Analysis process.

Job Analysis results in finding out the criteria for requirements of the jobs and after these are analysed, then comes the place of Advertising to draw out the prospective or potential candidates.

For the Floor Level workers at the Mill, the Deputy Manager (Personnel) is responsible for notifying these vacancies to the Employment Exchanges of Bongaigoan, Kokrajhar and Guwahati. Employees are also selected through direct recruitment, advertisement in the local press, recruitment from the factory gate and through recommendation of existing labour.

After the required information is obtained by the Personnel
Department, interview letters are despatched to the eligible candidates, to appear for an interview before the Interview Committee, on their own cost.

Suitable candidates are selected by means of an interview by the 'Interview Committee' consisting of the Deputy Personnel Manager (Mill), Asstt. Manager Personnel and Administration (H.O.), Employment Exchange Officer and respective Sectional Heads as required. Local labour in the case of unskilled labour, is preferred due to the lack of housing facilities for the working class.

During recruitment, the workers are selected on the following criteria:
1. Qualification,
2. Physical Fitness,
3. Locality,
4. Family background (economic condition),
5. Manners they possess,
6. Government obligations like absorbing SC / ST /OBC, etc.

For Officers and Staff at the Plant and Head Office, the personnel in charge at the Head Office is responsible for taking necessary action. It is seen that political interference is rampant in case of recruitment, in this organisation.

For recruitment purpose, Interview is a common means of selecting personnel for Supervisory, Technical and Professional level. Written Tests are held sometimes for recruiting typists, stenographers, accounts supervisors, etc. Group Discussions, though not in use now, were previously carried out for judging the
skills for marketing and materials management personnel.

In certain cases, vacancies are also filled up by Promotions from within the organisation. However, it must be admitted that competent standards or techniques for selection are not developed within the organisation. The general criteria of selection for officers and staff are -

1. Qualification  
2. Experience  
3. Skills & Efficiency

Note - Data regarding yearly recruitment was not available at the time of data collection.

3. Manpower - In ASTCL, no proper scientific or standard process of manpower planning has been carried out. The first initiative on this line was taken by the Corporation's Consultants - National Textile Corporation with National Industrial Development Corporation in November 1981. Another venture which was taken by the Corporation around the same time has been presented in the table below:

**TABLE XIV - MANPOWER PLANNING REQUIREMENTS**

15 YEARS PERIOD 1985 - 2000 A.D.

<table>
<thead>
<tr>
<th>Designation</th>
<th>Qualification</th>
<th>Age</th>
<th>Number of Persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Spinning Master</td>
<td>Degree in Textiles, 10 years experience</td>
<td>as per govt. rules.</td>
<td>1</td>
</tr>
<tr>
<td>2. Spinning Supervisors</td>
<td>Degree or Diploma in Textile Technology</td>
<td>-do-</td>
<td>20</td>
</tr>
<tr>
<td>3. Weaving Supervisors</td>
<td>-do-</td>
<td>-do-</td>
<td>30</td>
</tr>
<tr>
<td>4. Processing Supervisors</td>
<td>-do-</td>
<td>-do-</td>
<td>10</td>
</tr>
<tr>
<td>5. Technical Personnel</td>
<td>Diploma in Engineering</td>
<td>-do-</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Diploma in ITI/HSLC</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6. Accountants  
Degree in Commerce  -do-  

7. Manager (Personnel Finance/Marketing)  
Degree in any discipline with Diploma in management  

8. Assistant  
Degree in Arts/Science/Commerce  

9. Other Personnel (Workers)  
Below HSCL  

10. Sales Representative  
Diploma in Textile  

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Emolument (probable)(monthly)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>531</td>
<td></td>
</tr>
</tbody>
</table>

Another year-wise probable manpower requirement for the next 10 years for ASTCL was estimated in 1981. The divisions in this format was as follows -

<table>
<thead>
<tr>
<th>Year</th>
<th>Sector</th>
<th>Division/Section</th>
<th>Number of posts</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the Corporation's office the table in the following form was obtained. Data on the existing employment was present but the columns for projected requirement were empty.

**TABLE XV - EXISTING EMPLOYMENT AS ON 31.8.88**

<table>
<thead>
<tr>
<th>Kinds of Service</th>
<th>Status</th>
<th>Numbers</th>
<th>Surplus</th>
<th>Kinds of Status</th>
<th>In</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Technical  
Top  

Specialist in Textiles/Petrochemicals/Personnel/Finance/Marketing.  
Middle  
Junior  
Executives/Clerical/Others  

Source - Data made available from the Corporation's Head Office.
However, the manpower estimates were given very little importance subsequently. It was observed that recruitments were not done according to these plans. Thus, it has lost its efficiency.

At present it is seen that long manpower requirements are not projected. Manpower requirements are generally estimated by the Sectional Heads, when the need arises and only after that due information is given to the Personnel Department for recommendation, and the authority above for approval. They are assisted by the organisation's Consultants in this regard. (NTC, National Industrial Development Corporation and South India Textile Research Association).

Thus, it is clear from the above that the Personnel Department of ASTCL plays a meagre role in the process of manpower planning.

4. Human Resource Development - No special efforts was made by the Corporation for developing its Human Resources. There is not much orientation and induction training in the organisation. There is specially a lack of training facilities being made available to Supervisory and Workmen level. Moreover, whatever little training is being imparted to employees, the effectiveness of such training results is not evaluated. However, recently, active interest has been shown by the management to train its employees in various spheres. Following are some of the training data made available from the organisation -

1. In 1988 - the first batch of 8 management trainees were sent to Tamil Nadu (National Textile Corporation) for undergoing training.
2. The first batch of 40 Floor level workers were sent for training in Coimbatore at the NTC's initiative.
3. In 1991, the Asstt. Manager Finance & Accounts was sent to
Nainital to undergo training under the Planning Commission.

4. In 1990, the Asstt. Accounts Officer was sent to Delhi to take part in a training programme in Finance.

5. In 1991, the Private Secretary to the Managing Director was sent to Goa to undergo a training on Secretarial practices.

6. In 1991, two Union leaders went to Goa to undergo training on Union functions and practices.

7. In 1991, the Asstt. Personnel Manager was sent to Hyderabad to be trained on the personnel aspects of management.

Apart from the above, training had also been imparted in - National Institute of Small Industries and Entrepreneurs Training (NISIET) to almost all Middle Management Cadre in legal aspects of management, personal relations, financial work, materials management, etc.

North Eastern Institute of Bank Management (NEIBM) and Assam Institute of Management and Accountancy (AIMA), relating to Accounts and Accounting.

The names of the personnel required to undergo training are usually recommended by the Departmental Heads, but they themselves may apply for the same. In certain cases, the person is selected by the Managing Director.

On the Job Training is imparted to the trainees of management and accounts, supervisory mill workers, etc.

Sometimes Group Training at the Mill premises is conducted for the factory workers to make them acquainted with factory rules.

The South Indian Textile Research Association (SITRA) frequently aids management in this regard.

5. Promotion - In ASTCL, the policy for promotion is that the officers have to serve at least for a period of 4 years on a
certain job before being eligible for promotion. For some other officers, it is seen that this period is 6 years. Merit is not given its due importance during promotions. However, the general criteria for promotion are - Qualification, Skills, Seniority/Experience, Attendance at work, Capacity for taking higher responsibility, Knowledge about the job, etc.

The Head of the Department recommend the name of subordinate workers/employees to the higher authority for promotion. In case of themselves, the issue of promotion is taken care of by the Personnel Department and the Top Management.

6. Performance Appraisal - There appears to be no systematic and scientific process of appraising the performance of employees in ASTCL. What is in existence is the Annual Confidential Report (ACR) which is an outdated and unscientific device for measuring the performance of employees. This ACR is prepared by the immediate superior of the employee on the basis of his own subjective judgement and evaluation. Moreover, the contents of the ACR are kept secret from the employee whose performance is being appraised. Thus, not only does the ACR become highly judgemental with personal bias, but its effectiveness becomes limited because the employee being appraised has no way of knowing how his superior has rated his performance at work during the past one year. Thus, the ACR becomes a routine and useless device which has to be filled in annually and stored away. Thus, the ACR system which exists in the organisation has long lost its importance and utility.

The performance of employees is sought only during promotions.
when an employee is being considered for promotion and to a limited extent, when he is being considered for training. In case of the former, since promotion in ASTCL is basically on Seniority, rather than on anything else, employees feel that promotions will come to them as a matter of course in due time, and will not be based on their work performance. In the later case, as mentioned earlier, ASTCL has yet to pay adequate attention to HRD and hence performance appraisal of an employee during training is very limited.

7. Incentives & Rewards - Incentives and rewards given to the employees of ASTCL is nothing different from those enjoyed by the employees of other state public sector enterprises. The compensations offered by the Corporation are as follows -

a) House Rent Allowance - i) Employees at the Head Office - 12% on Basic Pay, subject to maximum of Rs 600/- per month.

ii) Employees serving in District, Sub-Divisional Head Quarter - 10% of basic pay subject to a maximum of Rs 450/- per month.

iii) Employees serving in places other than i) and ii) will obtain an 7% of basic pay subject to a maximum of Rs 300/- per month.

b) Dearness Allowance - Entitled to twice a year.

c) Conveyance Allowance - Car - Rs 400 per month, Two-wheelers - Rs 100 per month, Bicycle - Rs 25 per month.

d) City Allowance - Rs 20/- per month.

e) Travelling Allowance - as per govt. rule.

f) Medical Allowance - Rs 200/- per month.

g) Leave Encashment - Encashment of earned leave during the period of service.

h) Retirement Benefits - Pension scheme does not exist in the
organisation, but the following benefits exist -

2. Contributory Provident Fund, which is being operated and administered by the Regional Provident Fund Commission.

i) Other Fringe Benefits - Around 15% of total labour costs are represented by fringe benefits. They are --

1. Housing Facilities for the employees (except Floor Level) at the Mill Site.
2. Canteen Facilities
3. Uniform may be granted to some categories of employees depending on funds.
4. Transportation for school children of the employees at the Mill.
5. Recreation facilities for Mill Workers.
6. Leave Travel Concession (LTC) after every four years.
7. Advances for buying car, cycle, scooter; House Building Advance; Festival Advance.
8. Bonus - Maximum bonus under the Bonus Act (8.33%) annually.

8. Grievance & Conflict Handling - No standard grievance handling procedure exists in the Corporation, the result of which is a number of loopholes in the method of grievance and conflict handling in the organisation. Mostly conflicts within the organisation are solved through discussions which are participated by the Administration (eg. the General Manager, Mill Manager, Personnel-In-Charge) and the complainers. If required, the Managing Director also takes place in the discussion at a late stage. If no agreement results from such discussions, then the case is referred to the Court. Sometimes, the District
Administration also takes part in the conciliation process.

9. Opinion of management about the overall performance of the Organisation

According to the management, the overall situation and performance of the Corporation is satisfactory, even though many officers of the Head Office expressed the view that efficiency and output can be increased many fold with proper management and quicker decision-making.

10. Specific Problems faced in the Personnel Management function

The Personnel Management function in ASTCL is faced with several problems related to workers like Absenteeism, strikes, lower labour productivity, etc. These problems faced during the previous years, is mainly due to lack of perception towards the larger industrial environment. Since the very beginning, inducting workers to proper work culture has been neglected, resulting in a big gap between management and labour. This indirectly disturbed the healthy industrial environment of the organisation, and the work culture of the workers. Moreover, one frequent cause of conflict among workers is the biasness of the Gate Keepers at the Mill, while allowing the workers on a daily wage basis to enter the Mill premises. Monitoring the performance of workers on a continuous basis has become essential to overcome the above problem.

11. Whether any service rule exists in the organisation

There does not exist any service rule in the organisation at present. However, the Corporation has assigned the North Eastern Institute of Bank Management (NEIBM) to frame its personnel policies that would govern the organisation.
Disciplinary Action - When any allegation is received against any employee, an enquiry into the allegation is made and a report submitted thereof. Sometimes, an enquiry committee is also formed to look into the incident. After the matter has been thoroughly investigated, disciplinary action is taken by the authority after going through the Report of the allegation, and the recommendation of the enquiry committee is taken into account. In case an Enquiry Committee is formed, the Manager in charge of Personnel Section heads this Committee.

Safety, Health and Security of workers

The Assistant Plant Engineer is responsible for seeing whether proper safety measures have been taken at the Mill. Supervisors are also required to keep an eye on the safety aspects of the workers. Various training programmes are carried out in the Mill Complex to make the workers aware of the safety measures and safety precautions to be observed by them at the time of work. The Personnel-In-Charge is responsible for the enforcement of all safety and health measures of workers. Security personnel are employed to take necessary action in this regard. A Dispensary exists within the Mill premises to give First-Aid and preliminary medical attention to workers, in case of any accident in the Mill Site.

Maintenance - The Managing Director leaves to the Managers below him down the line to see whether the personnel policies and procedures are adhered to. If any deviation occur, he is duly informed and the necessary action is taken. However, since the personnel policies are largely informal, there exists a lot of barriers in enforcing them.
B) Review of the MARKETING MANAGEMENT Function

Marketing is the business function that identifies unfulfilled needs and wants, defines and measures their magnitude, determines which target markets the organisation can best serve, decide on appropriate products, services and programmes to serve these markets and calls upon everyone in the organisation to 'think and serve the customer'. It is the art of identifying and understanding customer needs and coming up with solutions that satisfy the customers and produce profits for the Stockholders. Market leadership is gained by creating customer satisfaction through product innovation, product quality and customer service. If these are absent, no amount of advertising, sales promotion or salesmanship can compensate.

Marketing has its origins in the fact that humans are creatures of needs and wants. Needs and wants create a state of discomfort in people, which is resolved through acquiring products to satisfy these needs and wants. Since many products can satisfy a need, product choice is guided by the concepts of utility, value and satisfaction. These products are obtainable in several ways: self-production, coercion, begging and exchange. Most modern societies work on the principle of exchange, which means that people specialise in producing particular products and trade them for the other things they need. They exchange in transactions and relationship building. A market is a group of people who share a similar need. Marketing, thus, encompasses those activities that represent working with markets, that is, trying to actualise

potential exchanges. Marketing Management is the conscious effort to achieve the desired exchange outcomes with target markets. The marketer's skill lies in influencing the level, timing and composition of demand for a product, service, organisation, place, person or idea.

Marketing Management represents an important functional area of business management effort for the flow of goods and services from the producers to the customers. It looks after the marketing system of the Enterprise. Marketing Management performs all the managerial functions in the field of marketing. It has to plan and develop the product on the basis of known consumer demand. It has to build up appropriate marketing plan or marketing mix to fulfil the set goals of the business. It has to formulate sound marketing policies and programmes. It looks after their implementation and control.

Marketing Management in Public Enterprises - From a review of the Marketing Management function in the Public Enterprises, both at the Centre as well as at the State level, it is seen that the marketing management function is most neglected in these Public Enterprises. This is due to various reasons. Firstly, Public Enterprises enjoy the patronage of the government and operate in well protected markets. Government Departments and Undertakings, which are large buyers of goods and services, purchase their requirements from the Public Sector Enterprises. As a result, these enterprises do not have to make hard effort to sell their products. Besides, their products are well protected in the domestic markets from international or foreign competition on

1. Ibid.
account of heavy import duty and other taxes. These enterprises are capable of monoplisng in domestic markets in the absence of private competition since licenses are not usually issued to the private sector operators where public enterprises already exist. The result of such an approach has been that the public sector could neither attract nor develop marketing talent and continued on the patronage of the government. Such patronage has inhibited managements from being innovative in management practices, specially in the area of marketing functions.

In the case of the Public Enterprises of Assam, perhaps it will not be wrong to state that marketing management is a totally neglected function, and what is seen in the name of marketing is only indifferent selling. Except for a very few SLPEs of Assam, the rest of the enterprises do not have any formal marketing plans, policies or strategies. Thus, even in those areas where these public enterprises co-exist together with the private enterprises, it is frequently seen that they cannot face the competition thrown by the private enterprises, due to the lack of importance given to the marketing function.

Another important factor in this connection is the government policy that the marketing public enterprises have to be patronised by other public enterprises. This means that these marketing public enterprises find a ready market within the other public enterprises, which become their greatest buyers. In this regard, the Public Enterprise Department of Assam, issued circulars in favour of the State marketing public enterprises for patronisation by other public enterprises. To study the impact of the past Circulars and to know the need for any modifications in the
government policies in this regard, all the public enterprises were requested to offer suggestions vide PE/49/84/Pt iv/32 dated 8.9.88. Not a single public enterprise responded to the above mentioned letter. Reminders were again issued on 16.12.88.

In the Conference Cum Workshop of the Chief Executive Officers of SLPEs held in 1988, it was suggested that these marketing public enterprises should try to adopt dynamic marketing strategies for marketing their products in the market. These marketing strategies were suggested to be developed at the enterprise level. However, the Department of Public Enterprises, Government of Assam, asked for specific proposals from the SLPEs of Assam vide PE/49/84/Pt IV/32 dated 8.9.88, where the state government could assist these enterprises in their marketing functions. Proposals for training of employees of these enterprises on marketing management was also called for vide the same reference. Except for one public enterprise, i.e., Assam Plantation Crop Development Corporation, no other public enterprise of Assam, even took the trouble of responding to the above mentioned letter. The said public enterprise which responded also had no proposals or suggestions to send. A reminder was again issued on 16.12.88 by the Department of Public Enterprises, Government of Assam.

Thus, it can be concluded that in the public enterprises of India, marketing management is yet to achieve the professional place of importance it deserves.

2. Ibid.
The organisation of the Marketing Department of APOL is as seen below -

HEAD OFFICE

ASSTT. MANAGER (MARKETING)

MARKETING OFFICER

ACCOUNTS ASSISTANT (Marketing)
ACCOUNTS OFFICER (Exhibition)
ACCOUNTS ASSISTANT (Marketing)

From the above organisational structure, it is seen that the Marketing Department of APOL is headed by an Assistant Manager of Marketing, assisted by a Marketing Officer and supported by two Accounts Assistants and one Accounts Officer.

The main product-mix of the Society consists of fabrics as well as yarn. The fabric of APOL consists of polyester shirtings, suitings, sarees, bedheets, bedcovers, curtain cloth, ready-made garments, ladies dress materials, kidswears, Mekhala, etc. APOL has established a number of Showrooms / Dealers for marketing its products and in a very short time has managed to enlarge its distribution network to engulf not only the whole of North Eastern Region of India, but also outside this region to the rest of the country. Unlike many other public enterprises of Assam, APOL has managed to design its own impressive Showrooms cum retail counters numbering 65 in Assam, out of which 10 are in Guwahati alone. These Showrooms of APOL are to be found even in small towns and
villages of Assam. APOL fabrics as well as APOL yarn are sold through agents as appointed by the Society. These agents are appointed on commission basis in order to motivate them to sell as much as they can.

Advance orders are collected through Agents as well as from the Society itself all over the state. APOL has also managed to sell directly to many State Governments and Co-Operative Departments of the state.

APOL fabrics, soon after their appearance in the market, immediately managed to capture a substantial share of the North Eastern market due to their high quality and low price. Now steadily, it has captured the market in Bhilwara in Rajasthan, Calcutta, Delhi, Bangalore, Hyderabad and many other places. Its yarn is also finding a ready market in the state as well as in Bombay.

To promote its products, APOL advertises through different media like newspaper, magazines, banners, hoardings, etc. APOL had also arranged many exhibitions in different parts of the state, in order to promote its products.

APOL has found a ready market for its fabrics in the whole of the North Eastern Region. This Region has a demand of about 2.89 lakh meters of polyester fibre which is currently being fulfilled through the products brought from the textile centres of Western India. However, owing to the remoteness of the region, a lot of transportation cost is incurred which results in selling the products at a rate beyond the reach of many people. The polyester for the dress materials and ready-made garments, being transported
from BRPL, leads to a reduction of production cost. Thus, consumers are able to receive the products at a cheaper rate compared to products produced by outside renowned companies. Be it yarn, fabrics or ready-made garments, demand for APOL's products far exceeds output. Advance orders are obtained regularly. While according to the management, quality and design specifications based on market requirements are strictly adhered to, plans are underway to expand the market network. It is reported that the Showroom of APOL, located at Panbazar in Guwahati, had a sales figure of over Rs 9,000 on the opening day itself. Thus, it is expected that APOL will be able to serve the local consumers with good quality fabrics at a reasonable price. APOL is also thinking of exporting its products overseas and in this connection, has also received a favourable response from Saudi Arabia.

Showrooms of APOL

At Guwahati -
1. APOL Showroom, R.G. Barua Road
2. APOL Showroom, M.L. Nehru Road, Panbazar
3. Yarntex, Ambari, AGP Market Complex
4. Barmuda Commercials, New Field, Paltanbazar
5. Expertex, Ganeshguri Chariali
6. Cheriki, Beltola
7. APOL Showroom, Bamunimaidan
8. Subhalaxmi, Maligoan
9. APOL Showroom, G.S. Road
10. Stylex, Narengi

Some other Showrooms of APOL at other places of Assam
Anupam, Gohpur; Arunima's, Tezpur; Chayanika, Sibsagar;
Sukanya, Jorhat; Selection, Biswanath Chariali; Styles, Sonapur;
To review the working of the Marketing Management function in APOL, the responses to the questions of the Questionnaire (enclosed at the end of the Chapter) relating to the Marketing Management function of APOL is produced here.

**PART I - QUANTITATIVE DATA**

   
   Spinning - 1065.03 896.65 637.53 106
   Weaving - 250.66
   
   ------
   1315.69

2. Payscale of the Marketing Manager compared to other managers in the organisation

   Payscale of the Head of Marketing in APOL is the same as in other functions.

3. Advertising Budgets - No specific advertising budget is prepared.

**PART II**

*Part A - Structured Component*

This part consists of problems which have to be marked as follows:

H - Highly exists; S - Somewhat exists; DN - Does not exist.

Marketing Problems

1. Shortage of Viscose Staple Fibre (Raw Materials) - H
PART III - INTERVIEW WITH THE RESPONDANT

1. Specific marketing policy
Specific marketing policy includes marketing of APOL's products to local market to cater to local demand. At present, the demand for APOL products is more than supply. Hence, marketing policy is to appoint Dealers and Retailers to sell the products even in far off places within the State.

2. How and by whom is this policy framed
By the Marketing Department with active help from the CMD and the Board of Directors.

3. Whether products are advertised
Yes. Products are advertised mainly in the Print media (local newspapers and magazines) and point-of-purchase advertisement and Showroom display. However, APOL does not believe in large-scale advertising, specially through television, because television does not cover a large portion of the customers to whom APOL products are targeted.

4. Whether a separate Advertising Division exists in the organisation - no

5. Product - promotion policy
Apart from advertising, product promotion is done by appointing Dealers and opening Showrooms. Another policy taken in this direction is to increase the different varieties of fabrics, and by holding Exhibitions Cum Sales in at least two places of the
state every month, in the main towns of Assam from the month of December 1991. In every place where such Exhibitions have been held, APOL has managed to earn the goodwill of the public for its products. Discounts have also been provided to all APOL shareholders in such exhibitions.

6. How price fixation of the products are done
Based on the cost of production and the desired profit margins.

7. Whether a Marketing Research Unit exists in the organisation - No.

8. Specific guidelines in the matter of advertising
No Specific guidelines.

9. Whether the Advertisement budget is formulated for the year ahead - No. According to Col Sarma, CMD, 'If you want to maintain low price and stay in a highly competitive market, cut down on all avoidable expenses. Increased advertisement expenses is sure to tell upon our pricing policy.'

10. Basis of formulation of this budget
Does not exist.

11. Whether any incentives are given to Sales personnel to increase sales
Yes, incentives like Bonus out of Profits, etc.

12. Whether the distribution network of the organisation is satisfactory
Yes. A large amount of the Society's fabrics gets sold through appointed Agencies. Around 75% of sales plus orders from the Entire North-East, West Bengal, Bhutan, Calcutta, Rajasthan, Bhilwara and other places is secured through the three authorised
agents of the Society. The rest of the sales is secured through the Society's retail counters. Among these customers are included the general public, government and semi-government agencies, co-operatives and other retail buyers. In 1990-91, three large orders of 18,000 metres, 15,000 and 3,000 meters of fabrics were procured from ASEB. Another large order of 60,000 meters of fabrics was obtained from Oil India Limited. In the meantime, APOL has received requests from many places in West Bengal, Rajasthan etc. Looking at these, it can be certainly said that the distribution network of APOL is satisfactory. In the APOL Showroom located at R.G. Barua Path in Guwahati, sales worth Rs 1.5 lakhs is secured every month on an average. The retail sales counter at Tulsibari (where the factory of APOL is located) is able to secure sales worth Rs 30,000 per month.

13. Whether any need exists to strengthen the marketing function of the organisation to overcome competition from the private sector. APOL's demand exceeds supply, hence there is no immediate action required. But, Advertising can play a more effective role in its competition with the private sector.

14. Whether satisfied with the functioning of the Marketing Department of the organisation Yes. At present, the yarn of APOL is being extensively used within the state. In June, 1993, out of total sales, 57.22% was local sales. In the meanwhile, 8 more Authorised Showrooms had been opened within the state. Moreover, a decision has been taken to open 13 more such outlets in the near future.

15. Whether any need exists for product diversification
Not at the present. In fact, recently APOL has gone in for a number of product-diversification. The normal products of APOL consists of synthetic blended yarn, fabrics and ready made garments. The Mill normally produces 2/40, 2/60 and 1/62 yarns. But, from 1990, keeping in view the demand for 1/45 yarn, this yarn is also being produced by the Society. Moreover, keeping in view the demand of the North-East market, steps are being taken to produce 100% Acrylic 2/40 coloured yarn.

Review of Marketing Management of Assam State Textile Corporation Limited

Organisation of the Marketing Department

HEAD OFFICE

MARKETING MANAGER

 ASSTT. MARKETING OFFICER

 SENIOR MARKETING ASSISTANTS

From the organisation of the Marketing Department of ASTCL, it is seen that the marketing function in this enterprise exists only at the Head Office and not in the Mill at Noapara.

Textiles is basically a low profit margin industry. Continuous price rise in different cost components like raw-materials, power and fuel, wage and salary, stores and spares, etc possess constant pressure on the Mill Management to reduce the cost of production through improvement in the existing productivity level.

Apart from this, effective marketing of products plays a prominent
role in the profitability of a Textile Mill. That is why, 'Sell the product at a competitive price' has become a common slogan for any professional organisation. This needs a well defined marketing strategy of the organisation to initiate its marketing activity.

From the interaction with the top management as well as the Marketing Department of ASTCL, it has been seen that the organisation lacks a well-defined and well-integrated marketing function. There is no marketing objectives, marketing policies or any other marketing strategies. In fact, it is felt that the existing financial performance of the Mill could have been improved a lot by paying a little attention on this area, since their fabric marketed under the brand name of 'MANAS' did attract the attention of the customer of the state, but failed to sustain the market primarily due to the weakness of the marketing function.

According to the NITRA Report on the study of ASTCL, it was stated that - 'The team observed that lack of professional approach in the Marketing Department fails to study and assess the marketability of their products. In the existing system, all the Units sell their yarn through agents seated in Bombay, with a heavy discount. Mills' personnel are not aware about the existing stand of their product in the market as compared to other competitors. During our interactions, as we understand, the existing selling price of 2/40 P/V of this Mill ranges from 115 to 120 kg. However, presently, the existing market price on the same count ranges between Rs 127 to Rs 130 per kg approx.'

An increase of rupee one per kg of the yarn will fetch a sum of Rs 17.8 lakhs per annum. This figure emphasis the importance of the

1. Northern India Textile Research Association (NITRA) Report on the Techno-Commercial Study on ASTCL , dt. 6.11.92-16.11.92
The NITRA Report has emphasised certain steps which could be taken by the management of the enterprise regarding its marketing function. They include:

1. Higher authority should ensure that a well-defined marketing strategy is being evolved which will be common and effective for all the three subsidiary units;

2. Instead of selling the yarn by the individual unit through their agents which is in practice in the existing system, higher authority may start one common marketing cell for all the three units;

3. In order to initiate the above strategy, one experienced and dynamic marketing man may be deputed who will be solely responsible in marketing the total marketing activity of the group;

4. It will help the individual units to assess their stand in the market regarding quality in comparison to other units of the group which in turn create a health competition among them;

5. This will also help to curtail the necessary expenses being incurred in the account of agents’ commission and the authority can directly monitor the market;

6. Higher authority can directly supervise and monitor the system through their centralised market cell.

At one time (April 1990-March 1991), this Corporation occupied the topmost position among the other textile mills in Assam, with regards to sales. However, the Corporation could not sustain the market due to many deficiencies in its Marketing function.
April 1990-March 1991
--------------------

Turnover / Sales of yarn - Rs 8.42 crores
Fabrics - Rs 32 lakhs
Processed fabric - Rs 11.2 lakhs
Grey fabric - Rs 21.24 lakhs
Growth in sales - 11.7%

during this glorious period of its sales history was -
1. Polyester blended Viscose Yarn
2. Acrylic Yarn
4. Process fabric intended for Suiting, Shirting and dress material, sarees, etc

The raw-materials required by the Corporation are Polyester Staple Fibre and Acrylic fibre obtained from BRPL, and viscose fibre from Nagda (Reliance Industries) and South India Viscose. The Corporation had a future plan of setting up a Viscose Staple Fibre plant to meet the raw-material requirements in the textile units of Assam, which could not be materialised in reality.

To review the working of the Marketing Management function of ASTCL, the responses to the questions of the Questionnaire (enclosed at the end of the chapter), relating to the marketing function of ASTCL is produced here -

PART I - QUANTITATIVE DATA
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1. Sales figure (in lakhs)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>247</td>
<td>594</td>
<td>758</td>
<td>842</td>
<td>1026</td>
</tr>
</tbody>
</table>
2. Payscale of the Marketing Manager compared to other managers in the organisation

Same as other managers, depending on his seniority.

3. Advertising budgets - no specific advertising budgets.

PART II

Part A - Structured Component

Marketing Problems

1. Shortage of Viscose Staple Fibre (raw-materials) - H
2. Lack of professional marketing approach - H
3. Adverse Import/Export policy - DN

PART III - INTERVIEW WITH THE RESPONDANT

1. Specific Marketing policy

No specific marketing policy exists as wherever is produced is sold through the organisation's agents seated at Bombay. However, due to the good quality of the products, it is being bought by such companies as Mafatlal Suitings, S. Kumars' Suitings and Bombay Dyeing.

2. How and by whom is this policy framed

- No policy is framed -

3. Whether products are advertised

No, because the present market demand for its products also cannot be met due to unutilised machine capacity, shortage of raw-materials and working capital.

4. Whether a separate Advertising Division exists in the organisation - no

5. Product-Promotion policy

This has not been framed. However, tenders are filled whenever any
contract supply has to be done.

6. How price fixation of the products are done
   As per State Government's instructions and policy

7. Whether a Marketing Research Unit exists in the organisation
   No

8. Specific guidelines in the matter of advertising
   No such guidelines exists.

9. Whether the Advertising Budget is formulated for the year ahead
   No such Advertising Budget is formulated.

10. Basis of formulation of this budget - no budget is formulated.

11. Whether any incentives are given to sales personnel to increase sales
    No such incentives is given.

12. Whether the distribution network of the organisation is satisfactory
    No distribution network is used by the organisation to market its products except its Agents seated at Bombay. Thus, the distribution network of the organisation is unsatisfactory.

13. Whether any need exists to overcome competition from the private sector
    The organisation has not done anything yet to include the general public as its customers, to whom the private sector caters. Its main product at present is only yarn. Hence, there is no such competition. Its fabric 'MANAS' has been withdrawn from the market.

14. Whether satisfied with the functioning of the Department
    No, functioning of the Marketing Department can be improved a lot.

15. Whether any need exists for product-diversification
    Yes, certainly. Fabrics must be included as its main product. Later on the organisation can go in for ready-made garments.
C) Review of the FINANCIAL MANAGEMENT function

Financial Management, also referred to as Corporate Finance or Managerial Finance, is broadly concerned with the acquisition and use of funds by a business firm. Ezra Solomon defines the scope of Financial Management in terms of the following questions -

How large should the Firm be and how fast should it grow?
What should be the composition of the Firm's assets?
What should be the composition of the Firm's Financing?

Financial Management emerged as a distinct field of study at the turn of this century. Its evolution may be divided into three broad phases - Traditional phase, Transitional Phase and the Modern Phase.

The Traditional Phase lasted for about four decades. Its important features were:

The focus of financial management was mainly on certain episodic events in the life-cycle of the firm - formation, issuance of capital, major expansion, merger, reorganisation and liquidation.

The approach was mainly descriptive and Institutional. The outsider's point of view was dominant, i.e., Investment Bankers, lenders. A typical work of the Traditional Phase is the book 'The Financial Policy of Corporations', by Arthur S. Dewing, New York, Ronalds, 1918, who was a Professor of Finance at the Harvard University.

The Transitional Phase began around the early forties and continued through the early fifties. Though the nature of Financial Management during this phase was similar to that of the

Traditional Phase, greater emphasis was placed on the day-to-day problems faced by Financial Managers in the area of Funds Analysis, Planning and Control. A representative work of this phase is Essays on Business Finance by Wilford J. Eiteman et al., Ann Arbor Michigan, Masterco Press, Inc., 1953.


A developing country like India is characterised by extensive Government regulation over the Financial System and Investment activity. Moreover, it has an under-developed Capital Market. As a result, the following challenges has to be faced by the Financial Managers of India -

Restriction on capital Structure and interest rates payable on borrowings; Few Instruments of Financing making the choice rather limited; Rationing of Commercial Bank Credit due to their priority in other sectors; Restrictions on Investment Opportunities available in the country. Poorly developed Securities Market; which makes it difficult for Firms to raise funds through the Securities Market; Greater uncertainty in supply of Inputs, which renders forecasting and planning of business activities difficult.

Financial Management in Public Enterprises

The problems in this regard concerning Public Sector Enterprises are multifarious. To start with, State Level Public Enterprises have missed the awareness about the management of Cash. The study of the Financial Performance of the Public Enterprises indicate that these enterprises have over-invested money in inventories and receivables, loans and advances. There has been an over-investment in Plant and Machineries. This is seen in the Capital-Output ratios of these enterprises, which is much below the standards obtainable by the Public Enterprises and the Private Enterprises.

Thus, in financial decisions, the picture is not altogether reassuring. The financial mix ranges considerably for different enterprises. Obtensibly the parameters which determine the best possible ratios for a particular enterprise have not been considered. Another weak point in any Public Sector Enterprise management structure is the lack of a well-developed Costing System. Further, there is no precise definition of the Objectives, both Commercial and Social, of an organisation in a meaningful way so that it can form a frame of reference for lying Standards against which actual performance could be evaluated. Not all Public Enterprises should necessarily generate profits, their very nature may not be profit-oriented; but still the initial evaluation itself should indicate that despite the inability of the proposed enterprise to generate commercial profits, it would still be necessary, as a matter of publiv policy to go ahead with it. In such a case, in addition to a purely commercial evaluation, a National Economic Profitability (NEP) evaluation should also be made for justifying the Project. The Commercial evaluation is used
to determine what would be the order of budgeting support that such a losing enterprise would be required during the given time period. Unfortunately, such exercise has not been done.

In the case of the SLPEs of Assam the financial performance of these enterprises is quite dismal. Generally there are five sources of investment Capital in SLPEs in Assam as given below -

1. State Government  -  a) Equity Capital
   b) Short-Term Loan (other than working capital
   c) Long-Term Loan
   d) Grants and Subsidies

2. Financial Institutions  -  Term Loan

3. Union Government  -  a) Loan Capital
   b) Industrial Subsidy

4. Public/Market  -  a) Equity Capital
   b) Loans through banks

5. SLPEs  -  Internal resources for expansion and diversification

Short-Term loans are given to enable the SLPEs to tide over temporary ways and means difficulties. The assumption is that the loans will be cleared as soon as the financial situation of the enterprise improves. The amounts so lent are not large. Nor is it the usual practice to go for this sort of financing. However, in cases of chronically sick units, this type of loan remains for years with the enterprises without repaying, and finally gets converted to either equity or long-term loan.

The State government as a rule does not offer grants and subsidies to the SLPEs. But the units in the Co-Operative sector may claim benefits admissible to them as cooperative Societies and they may obtain managerial and other subsidies. The amounts involved, however, are not large.Industrial Subsidy is admissible as
incentives to new industrial units set up in industrially backward regions. The maximum limit for an unit is Rs 25 lakhs only. Government Companies in Assam are not open for equity participation by the Public. Besides, the concepts of the Joint Sector is yet to be implemented in Assam. Hence, the negligible amount of equity participation in the SLPEs comes from the contribution by the individual cooperators in the SLPEs in the cooperative sector. The question of investment of surplus generated by the SLPEs may arise when healthy units go for expansion or diversification. Both these conditions are not satisfied in case of the SLPEs in Assam.

Sickness of Public Enterprises in general and specially of the state has become a common phenomenon in India. Many studies made by different specialists and Institutions into the causes of their sickness come to one conclusion, ie, the major culprit for sickness of Indian enterprises is managerial failure. The same appears to be the cause of the SLPEs in Assam. Perhaps the situation in Assam is compounded by non-professionalised approach of the government to the problems of SLPEs and the general disabilities that grow out of economic backwardness of the state like lack of industrial culture. However, there is no need for cynicism. A recent experiment clearly illustrates the position. The Assam Co-Operative Jute Mill was commissioned in 1971 and it had all the reasons to be successful. Raw-Material (Raw-Jute) was available at the factory gate and so also was the market for its products. The machineries were new, imported and of the best quality. Workers were new to the job, but could be trained and shaped as the management desired. But the Mill's performance was bad from the early years. The rate of capacity utilisation was
very poor and it was the result of weaknesses in almost all spheres. All this made the Mill chronically sick and finally it was closed down in 1984. Then in the context of the Assam Accord by the All Assam Students Union and the then Prime Minister Late Rajiv Gandhi in 1985, the Mill was opened in late 1985 with a competent expert as the Chairman-Cum-Managing Director of the Mill. The Mill appears to be about to turn the corner within a short span of time with the same workers and the same machineries, etc. The only change has been at the Management level.

Review of Financial Management of APOL

Organisation of the Finance Department

HEAD OFFICE

ACCOUNTS OFFICER

\[ \downarrow \]

ASSTT. ACCOUNTS OFFICER

\[ \downarrow \]

ASSTT. FINANCE OFFICER

From the above organisational structure, it is seen that APOL does not have a very strong Finance Department, not at par with the other Departments like the Marketing or Production Department. However, there exists three Accounts Assistants under the Marketing Department to look after the accounts of the organisation.

The number of total persons in the Accounts Department in APOL are eight (8), divided as follows -
3 Senior Accountants,
3 Junior Accountants,
1 Assistant Accountant Officer,
1 Accounts Officer
Moreover, there are two more Accounts Officer in the Mill, three in the Marketing Department and one each in the Spinning and Weaving/Processing Departments.
APOL maintains two Cash Books. One is meant for the Spinning unit and the other is for the Weaving and Processing Units. The Cash balance as per the cash books of the said units are verified by actual counting by the Senior Accounts Assistant and Junior Accounts Assistant. The Cash balance as per the Cash Book on 15.12.92 of the Weaving Unit was Rs 29,670.58 and that of the Spinning Unit was Rs 35,587.26.
The Capital Structure of APOL is as given below -
I) Weaving - Total Project Cost is Rs 747 lakhs

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Share (from the government of Assam)</td>
<td>Rs 356</td>
</tr>
<tr>
<td>Term Loan (from IDBI, IFCI, ICICI)</td>
<td>Rs 373</td>
</tr>
<tr>
<td>Selling of Shares</td>
<td>Rs 18</td>
</tr>
</tbody>
</table>

Rs 747 lakhs

II) Spinning - Total Project Cost is Rs 1175 lakhs

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Share (from the government of Assam)</td>
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<tr>
<td>Term Loan (from IDBI)</td>
<td>Rs 585</td>
</tr>
</tbody>
</table>

Rs 1175 lakhs
iii) Processing - Total Project Cost is Rs 381 lakhs

Equity Share (from the Co-Operative Department, Government of Assam) - Rs 152.4 lakhs
Term Loan ( - do - ) - Rs 228.6 lakhs
Rs 381 lakhs

95% of the above amount, i.e., Rs 361.95 lakhs is provided by the National Co-Operative Development Corporation (NCDC) as loan to the government of Assam. The remaining 5% has been provided by the government of Assam on its own.

The expenses for running the Society is -
Manpower & Spinning - Rs 575 lakhs
Weaving & Processing - Rs 475 lakhs
Rs 1050 lakhs

It is seen that all the three units, i.e., Spinning, Weaving and Processing have crossed the break-even point. Although APOL has been incurring losses, it has not incurred any cash loss. If depreciation and interest on the Term Loan is not considered.

To review the working of the Financial Management function in APOL, the responses to the questions of the Questionnaire (enclosed at the end of the Chapter), relating to the Financial Management function of APOL is produced here.

PART I - QUANTITATIVE DATA

Financial Data

1. Capital Structure -
Authorised Capital - Rs 1500 lakhs
Paid-Up Capital - Rs 1135 lakhs
The Long Term Loan of APOL is as follows -

i) For Spinning - from the state government - Rs 17.5 lakhs

ii) For Weaving - a) NCDC - Rs 2.5488 crores ( @ 50% interest)
   b) IDBI - Rs 201.44 lakhs
   c) ICICI - Rs 103.50 lakhs
   d) IFCI - Rs 101.64 lakhs

Short Term Loan for Working Capital

i) For Spinning - a) Rs 2.50 crores from UCO Bank
   b) Rs 130.03 lakhs from ICICI
   c) Rs 256.64 lakhs from IDBI
   d) Rs 130.03 lakhs from IFCI

ii) For Weaving - Rs 1.5 crores (approx)

The Society has the following number of shareholders -

Individual Shareholders - 3161
Co-Operative Societies - 19


2. Financial Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit / (Loss)</th>
<th>Capital Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988-89</td>
<td>(126)</td>
<td>1172</td>
</tr>
<tr>
<td>1989-90</td>
<td>(100)</td>
<td>1172</td>
</tr>
<tr>
<td>1990-91</td>
<td>(74)</td>
<td>2282</td>
</tr>
<tr>
<td>1991-92</td>
<td>(55)</td>
<td>2308</td>
</tr>
</tbody>
</table>

PART II

Part A - Structured Component

This part consists of different problems which have to be marked as follows -

H - Problem highly exists; S - Somewhat exists; DN - Does not exist
Financial Problems

1. Working Capital Problem - S
2. High Overhead Cost - S
3. Funding Problem - DN

PART III - INTERVIEW WITH THE RESPONDANT

1. Specific financial position of the organisation
The Spinning Mill has been able to make profits at present. The profit of the Spinning Mill is as follows -

(Rupees in lakhs) 1988-89 1989-90 1990-91
4.02 32.99 47

However, the overall financial position of the organisation is net loss. The losses of the Society are as follows -

126 100 74 55

2. Whether generating enough profit is relevant for the organisation - Yes.
3. Whether the Department has any Accounting Manuals which helps in the preparation, finalisation and presentation of Accounts - Yes.
4. Whether the organisation resorts to Marginal Costing Techniques - Yes -
5. Whether the organisation has been breaking even - Yes -
6. In case of Cash losses, whether the organisation has approached the government for funds in the form of equity or debt.
   This has not happened.
7. Whether the organisation faces any problem in securing money from financial institutions
In 1991, due to the new instructions of RBI, the bank providing Working Capital to the Society (UCO Bank) had reduced the working capital limit of the Mill, by 10%. Moreover, the Society has been unable to procure Central Investment Subsidy of Rs 25 lakhs, with the result that it has to frequently overdraw its working capital. In this case, the interest is much higher. Thus, the Mill had to face a lot of financial crisis.

8. What is the position of the organisation in terms of interest and loan repayment

From the beginning to 1991, Rs 560 lakhs were received as loans from Financial Institutions. Out of this, Rs 2,31,80,670 as interest and Rs 69,96,000 as loan repayment instalment has been paid. Till 1991, the Society has not been irregular in the repayment of any instalment of interest for long-term as well as Working Capital loans. From September 1989, repayment of the loan capital had also started.

Review of Financial Management of ASTCL

Organisation of the Finance Department

<table>
<thead>
<tr>
<th>HEAD OFFICE</th>
<th>MILL</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEPUTY MANAGER (FINANCE &amp; ACCOUNTS)</td>
<td>ASSTT. ACCOUNTS OFFICER (PROCESS HOUSE)</td>
</tr>
<tr>
<td>↓</td>
<td>↓</td>
</tr>
<tr>
<td>ASSTT. MANAGER (FINANCE &amp; ACCOUNTS)</td>
<td>ACCOUNTS ASSISTANTS</td>
</tr>
<tr>
<td>↓</td>
<td>↓</td>
</tr>
<tr>
<td>ASSTT. ACCOUNTS OFFICER</td>
<td>ACCOUNTS ASSISTANTS</td>
</tr>
</tbody>
</table>

As far as the organisation of the Finance Department is concerned.
it is seen that ASTCL does not have a strong Finance Department at par with the Production Department as far as the Head Office is concerned. Both these Departments, ie, the Finance as well as the Production Department, are Headed by the Deputy Managers. Below them are the Assistant Managers and other Officers. However, taking into consideration the Finance Department, the organisation of this Department appears to be sufficient, both at the Head Office and the Mill where there is an Assistant Accounts Officer to keep accounts of the Mill, along with other Accounts Assistants to help him.

However, the activities of the Department are not very well developed. As in the case of Marketing, this Department also does not have well-established policies, rules and regulations. There is no Accounts Manual for the standardisation of accounts. Moreover, the performance of the Accounts & Finance Department have not been satisfactory.

The main sources of finance for the Enterprise are -
IDBI, IFCI, ICI, IRBI

Short-Term Loan has been procured from 'Punjab National Bank'. However, these loans are still not sufficient for the development of the organisation. A large sum is needed for meeting the loss incurred by the organisation and also for further developments.

To review the working of the Financial Management function in ASTCL, the responses to the questions of the Questionnaire
PART I - QUANTITATIVE DATA

Financial Data

1. Capital Structure

   Authorised Capital - Rs 2000 lakhs
   Paid - Up Capital    - Rs 1544 lakhs

   The project worth of ASTCL is Rs 22 crores, excluding the land.

2. Financial Performance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit / (Loss)</td>
<td>-</td>
<td>(127)</td>
<td>(75)</td>
<td>(68)</td>
</tr>
<tr>
<td>Capital Employed</td>
<td>1825</td>
<td>2591</td>
<td>2872</td>
<td>3015</td>
</tr>
</tbody>
</table>

   The provisional loss in ASTCL was Rs 9.41 crores till 1992-93. The total liability was Rs 680 lakhs and the negative networth (-)141 lakhs.

PART II

Part A - Structured Component

Financial Problems

This component consists of a number of problems, which have to be marked as follows -

H - Problem highly exists; S - Somewhat exists; DN - Does not exist in the organisation.
1. Working Capital Problem - DN
2. High Overhead Cost - DN
3. Funding Problem - DN

PART III - INTERVIEW WITH THE RESPONDANT

1. Specify the financial position of the organisation
The organisation has been continuously incurring huge losses. These losses have accumulated to Rs 739 lakhs in 1991-92. The main reasons for these losses are -
1. Low labour productivity and absenteeism of workers which results in huge Overhead costs.
2. Shortage of raw-materials (Viscose) which leads to stoppage of work and hence low productivity.
4. Frequent power failures which again results in stoppage of work.

2. Whether generating enough profit is relevant for the organisation - yes.

3. Whether the Department has any Accounting Manual which helps in the preparation, finalisation and presentation of accounts - No.

4. Whether the organisation uses Marginal Costing techniques - No.

5. Whether the organisation has been breaking even - No

6. In case of Cash losses, whether the organisation has approached the government for funds in the form of equity or debt - yes.

7. Whether the organisation faces any problem in securing money from Financial Institutions
Yes, because the organisation finds it difficult to prove its Credit-Worthiness to the Financial Institutions.

8. What is the position of the organisation in terms of interest and loan repayment
Since the organisation has continuously been incurring huge losses, it has been difficult for it to repay its loans or even the interest of these loans.
D) Review of the PRODUCTION MANAGEMENT Function

Production is the process by which goods and services are created. In other words, it transforms Inputs (raw-materials, men, machines, capital and management) into Outputs (Finished Goods and Services), with the help of certain production processes. The Production function is the basic function of an industrial enterprise around which all other activities like Purchasing, Financing, Marketing, Storing, Personnel, Research & Development revolve. It is therefore very essential that the Production function be managed efficiently and effectively so as to achieve the goals and objectives of the organisation. The main aim of every production system is to produce goods and services economically to the entire satisfaction of the customers for which they are meant. In order to achieve this aim, it is essential to plan, organise, direct and control the production system. These activities of Planning, Organising, Directing and Controlling comprise the activities of Production Management.

Production Management is concerned with the process of producing goods and services through special production processes, so that the resultant products are produced according to the specifications and the quality and quantity demanded by the customers, in the minimum cost possible.

Production Management in Public Enterprises

Production, as far as Public Enterprises, are concerned, is not an area where great heights have been reached. Under-utilisation of installed capacity is one of the most chronic problems being faced by our Public Enterprises, whether it is the Central Public
Enterprises, or the State ones. However, this is not to indicate that Public Enterprises have not achieved anything in the area of production.

The Arjun Sengupta Committee in their recent Report stated that Public Enterprises have achieved a great deal in terms of contribution to quantitative targets of production, to the establishment of a modern industrial structure, to balanced regional development and to the formation of technical skill. They have become principal Instruments of Planning in India, occupying the commanding heights of the economy, controlling and directly in a large measure the whole course of development. It further observed that 'Its coverage has extended beyond the basic and heavy industries into light manufacturing variety of consumer goods, electronics, hi-tech products, construction, Consulting Services, even Tourism and Hotel industries.' Similarly, the 7th Plan Document succinctly sums up by observing that the 'Public Sector has initiated and sustained the industrial transformation of India.'

However, in terms of production and productivity, our Public Enterprises have yet a long way to go. For this, productivity of both men and machines have to increase assiduously. The Public Sector has to be exposed selectively to fair competition in the production of commodities and services to its counterparts in the private sector. Competition will not only raise the quality of the products but also help to reduce the cost of its products and services. Side by side, this Sector has to upgrade, modernise its plants, machinery and equipments. It is also a pre-requisite to raise the average productivity of workers.

In a Conference Cum Workshop of the Chief Executive Officers of the SLPEs of Assam, the government of Assam tried to find out the production problems of the state Public Enterprises of Assam. It was discussed that one of the problems relating to these enterprises was Inventory Control Management. To solve this problem, the government issued a notice that Modern Inventory Management Techniques were to be adopted and an annual physical verification of inventory was to be done. In this connection, the Public Enterprise Department of Assam had arranged for a study on Assam State Transport Corporation Ltd to be conducted by the CIRT, Pune.

Another problem facing the state public enterprises of Assam was that there is absence of Corporate Planning, poor Project Implementation, bad Allocation of Investment and Research & Development Investment. In this connection, a decision was taken to introduce the concept of Corporate Planning in the Public Enterprises. All the Public Enterprises of Assam were advised to draw up Corporate Plans for 10 years vide PE/49/84/Pt IV/32 dated 8.9.88. In addition to this, the matter was stressed in different Review Meetings and a Reminder was issued on 16.12.88. Moreover, the Public Enterprise Department was to provide assistance to Public Enterprises in Research and Development, where it is necessary to improve the performance of the enterprises. In this regard, public enterprises were asked to submit proposals vide PE/129/8/9 dated 2.11.88. However, only four enterprises had replied to the proposal of the Public Enterprise Department.

Source - Conference Cum Workshop of the Chief Executive Officers of the SLPEs, dt 16th & 17th June, 1988, Department of Public Enterprises, Government of Assam.
In APOL, the Production Department is the biggest Department in the Organisation. A part of the marketing, accounts and technical functions are also grouped under the Production Department. The production target of this Department is to produce 5500 kg of yarn per day and 21,000 meters of finished fabrics per day.

APOL uses two types of raw-materials in its production process, ie Polyester and Viscose, though it has started using Acrylic in the recent times. Out of these raw-materials, APOL usually faces the problem of securing Viscose, as this raw-material is mostly in short supply. There is no problem of procurement of polyester which APOL buys from BRPL, Bongaigoan. In fact APOL had been adjusted the Best Buyer of BRPL for 1991, and a reward of Rs 1.55 lakhs was won by them.

For the Spinning Unit, APOL procures its raw-materials Polyester and Viscose from Bongaigoan and Gwalior, Madhya Pradesh, respectively. For the Weaving Unit, it uses PV blended yarn from APOL's own Spinning Mill at Rangia, and Filament yarn from Petrofils Co-Operative Ltd, Calcutta. For the Processing Unit, Gray cloth is procured from APOL's own Weaving Unit, and some Job Work is taken from outside. When the Processing Unit remains idle, due to lack of raw-material from its own unit, then it accepts contract-work of processing of gray clothes from some other textile mills of Assam.

Power for the Production Department is supplied by the ASRB. However, because of the acute power-supply shortage suffered by the Mill, from ASEB, it has also bought seven (7) Diesel
Generating Sets of its own, with a capacity of 1550 KVA.

TABLE - XVI

PRODUCTION CHART FOR APOL SPINNING MILL

<table>
<thead>
<tr>
<th>Years</th>
<th>Yarn Production (in lakhs)</th>
<th>Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988-89 (only for 5 months)</td>
<td>2.60</td>
<td>-</td>
</tr>
<tr>
<td>1989-90</td>
<td>6.53</td>
<td>Rs 7 lakhs</td>
</tr>
<tr>
<td>1990-91</td>
<td>9.87</td>
<td>Rs 10 lakhs</td>
</tr>
<tr>
<td>1991-92 (6 months)</td>
<td>5.60</td>
<td>Rs 11 lakhs</td>
</tr>
</tbody>
</table>

As on 31.3.92, APOL had 1050 employees, including trainees and casual workers. The factory remains open for 24 hours a day and workers are divided into three shifts of 8 hours each.

Plant and Machineries for APOL includes -
156 Automatic Shuttle Looms;
Weaving Preparatory Machines;
Fabric dyeing and Finishing Machines.

To review the working of the Production Management function of APOL, the responses to the questions of the Questionnaire (enclosed at the end of the Chapter), relating to the Production Management function of APOL is analysed here.

PART I - QUANTITATIVE DATA

1. Installed Capacity of Production -

   Spinning - 5500 kg of yarn per day

   Weaving - 21,000 meters of fabrics per day

   Processing - 21,000 meters of polyester fabrics per day

234

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Spinning</td>
<td>13%</td>
<td>34%</td>
<td>51%</td>
<td>52%</td>
</tr>
<tr>
<td>Weaving</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15%</td>
</tr>
<tr>
<td>Processing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13%</td>
</tr>
</tbody>
</table>

3. Number of times production was stopped till date

Only once, for sometimes, due to the strike of workers. Other than that there has been stoppage of production for small periods of time (one day or so) mainly due to the following reasons:

- Shortage of power
- Scarcity of Viscose.

4. Number of personnel in this Department

<table>
<thead>
<tr>
<th>Spinning</th>
<th>Weaving &amp; Processing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officers</td>
<td>25</td>
</tr>
<tr>
<td>Employees</td>
<td>73</td>
</tr>
<tr>
<td>Labour</td>
<td>538</td>
</tr>
<tr>
<td>(Skilled/Semi-Skilled)</td>
<td>636</td>
</tr>
<tr>
<td></td>
<td>440</td>
</tr>
</tbody>
</table>

PART II

Part A - Structured Component

This Component consists of different problems, which have to be marked as follows:

- H - Problem highly exists
- S - Somewhat exists
- DN - Does not exist in the organisation.

1. Dearth of technical personnel - S
2. Obsolete technology and machinery - DN
3. Irregular power supply - H
4. Locational Disadvantage - DN
5. Low capacity utilisation - S
PART III - INTERVIEW WITH THE RESPONDANT

1. Frequency and duration of stoppage of production in the organisation

Except once, there has not been any long duration stoppage of work, only short duration stoppages occur now and then.

2. Reasons for such stoppages

Shortage of power-supply; and Scarcity of viscose

3. Whether any Operating Manual exist in the organisation - Yes

4. Reasons for underutilisation of capacity

Shortage of power-supply and Scarcity of Viscose.


6. Person looking after the Administration/Welfare problems of the factory workers - Mill Manager

7. Whether the following problems exist in the organisation

i) Shortage of raw-material - yes

ii) Disruption of power supply - yes

iii) Work stoppage due to other problems - sometimes due to the Absenteeism of workers.

iv) Machine break-down / failure - very infrequently

v) Lack of balancing facilities - No

vi) Inappropriate layout - no

vii) Lack of Inventory Control - no

viii) Obsolete technology and machineries - no

ix) Quality does not conform to standard - no

x) Workers not properly skilled/trained - no

xi) Recession in demand - no.
Review of Production Management in ASTCL

As far as the production function of ASTCL is concerned, the present level of productivity as worked out by the NITRA team is far below the target level, also projected by the NITRA Team. This area is observed to be the single largest factor behind the continuous poor performance of the Mill. In fact from the Records of the Enterprise, it is seen that total spindleage of the Mill were not fully utilised even for a small period of time, as a result, productivity of the enterprise did not rise to the projected target. According to the Mill Management, the most important factors for lower productivity are:

1. Shortage of raw-materials;
2. Labour unrest and high rate of Absenteeism.

According to the NITRA team, even if the above factors are taken care of, the Mill needs to improve its existing level of technical performance to a great deal in order to achieve the desired production. After analysis the information available, it was observed that:

a) Spindle Speed in the Ring-Frame is very low;
b) The production efficiency is on the lower side even on this low spindle speed.

The above two aspects are related with the technical performance of the Mills and hence the Mills must improve their technical competency to eliminate the above problems.

According to the NITRA Team the existing level of production efficiency is around 60-70% as compared to the standard of 90-95%.

2. NITRA Report on the Techno-Commercial Study on ASTCL dt.6.11.92 to 16.11.92, Annexure - III, pp.2
The production of fabrics had started from October 1990, when all the looms had been commissioned. The Process House was also commissioned from the end of the year 1990. The House is set up with an Objective of catering to the need for processing grey fabric to be received from the local entrepreneurs of the decentralised sector. Both the Weaving Complex and the Process House are equipped with the latest indigenous machniery. Both the Projects are aimed at providing employment to more than 300 people. The Corporation had successfully launched the fabric test marketing with the brandname 'MANAS' from the Bohag Bihu (April) festival of 1990. However, due to the weakness of the Marketing function, this fabric had to be withdrawn from the market.

At present, all categories of workers in the Mill are paid on time-rates. In addition, extra wages as indicated below are paid to them -

1. Rs 3/- per day for all workers in full night shift.
2. Rs 5/- per day for one side extra then normal in the Ring-Frame/ Doubling Frames.
3. Rs 15/- per month for all workers in the Ring-Frame Department.

Generally in the textile industry, wages are paid either on a piece work system or time rates together with a coist of living allowance known as 'Dearness Allowance'. About 30% of workers in textile mills are paid on piece rates. Theoretically, incentive schemes should encourage increased worker productivity, benefit the employer by a reduction in labour costs and worker by an increase in earnings.

The Spinning Mill 's production is showing a healthy upward trend, the average monthly production having increased by about 60%. Thus
production can be increased further in the Mill. However, there is very high absenteeism, particularly in the third shift, hence the Mill has started operating only 2 1/2 Shifts.

To review the working of the Production Management function in ASTCL, the responses to the questions of the Questionnaire (enclosed at the end of the Chapter), relating to the Production Management function of ASTCL ia produced here –

PART I - QUANTITATIVE DATA

1. Installed Capacity of production - 1750 MT per annum

2. Operating Capacity -(MT)  
   
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity</td>
<td>427(24%)</td>
<td>719(41%)</td>
<td>861(49%)</td>
<td>960(55%)</td>
</tr>
</tbody>
</table>

3. Number of times production was stopped till date

   Frequent stoppage of work due to insufficient and irregular supply of raw-materials

4. Number of personnel in this Department - 383 personnel

PART II

Part A - Structured Component

This Component consists of certain problems which have to be marked as follows –

H-Problem highly exists; S-Somewhat exists; DN-Does not exist

1. Dearth of technical personnel - DN

2. Obsolete technical and machinery - DN

3. Irregular power supply - H

4. Locational Disadvantage - DN

5. Low capacity utilisation - H
PART III - INTERVIEW WITH THE RESPONDANT

1. Frequency and duration of stoppage of production in the organisation

Stoppage of production occurs quite frequently, and the duration varies from a short span to a considerable length of time, depending on the reason for such stoppage.

2. Reasons for such stoppages
   i) Insufficient supply of raw-materials
   ii) Irregular supply of raw-materials
   iii) Labour unrest and strikes
   iv) Shortage of power supply

3. Whether any Operating Manual exists in the organisation - Yes

4. Reasons for under-utilisation of capacity
   a) Shortage of raw-material supply
   b) Labour unrest and high rate of absenteeism
   c) High Defining Loss
   d) Unnecessary stoppage of machine without any specific reason due to lack of strict supervision
   e) Higher idle spindle due to -
      i) Worker negligency
      ii) Non-availability of crucial machine components
      iii) Overall negligency of maintenance

5. Whether any Materials Management Manual exists in the Department - Yes

6. Person looking after the Administration / Welfare problems of factory workers - Mill Manager
7. Whether the following problems exist in the organisation

i) Shortages of raw-materials - yes

ii) Disruption of power supply - yes

iii) Work stoppage due to other problems (specify)

Yes, due to the reasons specified above

iv) Machine breakdown / failure - yes

v) Lack of balancing facilities - yes

vi) Inappropriate layout - no

vii) Lack of Inventory Control - no

viii) Obsolete technology/machinery - no

ix) Quality does not conform to standard - no

x) Workers not properly skilled/trained - no

xi) Recession in demand - no

xii) Lack of production planning - yes.

The analysis of the performance of these selected enterprises in all their functional areas of management partly proves the Fourth Hypothesis of this research study that the Financial as well as the Work Performance of the SLPEs in the Textile Sector has not been satisfactory.
QUESTIONNAIRE
for
Identifying Managerial Problems of the State Public Enterprise in the Textile Sector

PART I - QUANTITATIVE DATA
(to be filled in before the Interview)

A) BIOGRAPHIC DATA

1. Name of the Organisation:
2. Administrative Department:
3. Date of Forming:
   Commissioning:
4. Objectives of the Organisation:

B) FINANCIAL DATA

1. Capital Structure (to date):
   i) Share Capital:
   ii) Paid-Up Capital:
   iii) Advances:
   iv) Long Term Loan - a) From the State Government:
       b) Other Sources:
   v) Short Term Loan:

   Total Resources:
2. Financial Performance (last 5 years):
   i) Profit / (Loss):
   ii) Accumulated Loss:
   iii) Cash Loss:
3. Capital Employed (to date):

4. Return on Investment:

5. Administrative Overhead / Production Overhead / Marketing Overhead:

C) ADMINISTRATIVE DATA
---------------------

1. The approximate number of employees in the Organisation:
   Managerial:
   Supervisory:
   Clerical:
   Workmen:
   Casual:
   Others:
   Total:

2. Number of promotions yearly:
   Senior Level -
   Middle Level -
   Junior Level -

3. Number of disciplinary actions taken yearly:

4. Number of Managing Directors in the Organisation till date:
   (Kindly furnish the tenure of each MD)

5. Number of Members / Directors in the Board of Directors:

6. Number of times the post of Managing Director / Chairman / Member of the Board was lying vacant:

7. Number of Chairmen in the Organisation till date:

8. How many Chairmen / Directors were political appointees?

9. How many deputations do you get from the IAS and the ACS?

10. Number of employees leaving the Organisation voluntarily during 1982-1992:

11. Number of personnel sent for training during 1982-1992:
12. Kindly furnish the Pay-Structure of your Organisation:

13. Details about Trade Unions:
   - Number of Unions at present -
   - Total Memberships in these Unions -
   - Date of registration of these Unions -
   - Whether these Unions are recognised by Management -
   - Names of the Central Labour Organisations to which these Unions are affiliated -

14. Number of strikes / lockouts in the Organisation till date

15. Which is the Supreme Controlling Body of your Organisation?

D) MARKETING / SALES DATA
---------------------

1. Sales Figures for 1982-92 :

2. Advertising Budgets :

3. List of the products of the Organisation :

E) PRODUCTION DATA
---------------------

1. Installed Capacity of production :

2. Operating Capacity :

3. Number of times production was stopped till date :

4. Number of personnel in the Department :
   - Engineers
   - Technicians
   - Workers - Skilled / Unskilled / Semi-Skilled

PART II
-------

Designation of the respondent - Senior Management / Middle Management / Junior Management

Number of years in the Organisation -
Number of other Organisations served before -

Part A - Structured Component
------------------------------------

This part consists of different problems. Rank them by writing against them as follows -

H - Problem highly exists in the organisation;
S - Somewhat exists;
DN - Does not exist.

Problems
--------

1. Lack of adequate discretion and flexibility to reward a good worker or punish a bad one.
2. Deputation of persons to the top who do not possess adequate and relevant experience.
3. Political interference & interference from concerned Ministry.
4. Instability at the top.
5. Interference of Unions making management helpless to maintain discipline.
6. Too much bureaucratization and red tapism.
7. Lack of a good managerial process and system.
8. Non-profit orientation being perceived as the main goal of the organisation.
9. Poor salary and perks.
10. Shortage of VSF(raw-material).
11. Dearth of technical persons.
12. Obsolete technology and machinery.
13. Lack of professional marketing approach.
15. Adverse Import / Export policy.
16. Irregular power supply.
17. High Overhead cost.
18. Funding problem.
19. Locational disadvantage.
20. Low capacity utilisation.

Part B - Unstructured Component

"In your opinion, which are the three most important problems for the efficient management of your organisation"?

PART III - (INTERVIEW WITH THE RESPONDANT)

A) Organisational Structure

1. Kindly give a brief idea about the organisational structure of the organisation (along with the organisational chart).
2. Is this Organisation Structure adequate?

B) PERSONNEL PROBLEMS

1. Can you say anything about the personnel policies of the organisation?

Recruitment

2. What is the existing recruitment policy of the organisation for - Managerial; Non-Managerial personnel?
3. How do vacancies in the organisation get identified, for Managerial; Non-managerial personnel?
4. Do you have any policy for filling up of such vacancies from within the organisation?
5. What is the recruitment policy at the Senior level of management?

Manpower

6. Do you think that the existing manpower in your organisation is adequate / inadequate / surplus?
7. On what basis do you say so?
8. What kind of policy / procedure is being adopted to identify the adequacy or otherwise of manpower?

HRD

9. Kindly elaborate on the HRD policy of your organisation.
10. Do you follow and specific procedure / policy for training newly recruited employees?
11. How do you identify the training needs of employees?
12. Do you maintain a personal record system in your organisation? How often does it get updated?
13. What are the specific schemes you have to help employees develop themselves technically and professionally?
14. Do you follow any Job-Rotation Plan? How frequently?
15. Do you have any training facilities in your organisation?
16. Do you have a training budget prepared at the beginning of the year?
17. What is the basis of this budget?
18. How many In-House training programmes have been sponsored by your organisation between 1982-92?
Promotion

19. Does your organisation have any fixed promotion policy?
20. Has this policy been agreed upon by both management and workers?
21. During promotions, what factors are given weightage - Seniority, merit, professional degrees?

Performance Appraisal

22. Do you have any specific policy regarding performance appraisal in your organisation?
23. What are the methods of assessing the merit / performance of employees?
24. What kind of Confidential Reporting / Performance Appraisal System is being followed in your organisation?
25. What kind of uses are being made of this system?

Incentives & Rewards

26. What fringe benefits are being offered to employees?
27. What kind of welfare facilities are being extended to employees?

Grievance & Conflict Handling

29. What kind of grievance handling procedure / policy does your organisation follow?
30. How often are you compelled to resort to initiate disciplinary action?
31. What are the causes in such cases?
32. Do you have any legal cell in your organisation?
33. Do you have any Democratic Participative Forums like the Works Committee?
34. Do the managerial personnel have any Association / Unions?
35. What is your opinion about the overall performance of your organisation? Do you think it is functioning to the best of its capacity?
36. What kind of problems / limitations do you face in the following areas -

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<th>SPECIFIC AREA</th>
<th>PROBLEMS</th>
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<td>Recruitment of employees</td>
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37. Do you have any service rules in your organisation?

C) MARKETING / SALES PROBLEM

1. Do you have any specific marketing policy?
2. How and who frames this policy?
3. Do you advertise your products?
4. Can you elaborate on your product - promotion policy?
5. How do you fix the prices of your products?
6. Do you have a Marketing Research Unit?
7. What specific guidelines do you follow in the matter of advertising?
8. Do you formulate an Advertising Budget for the year ahead?
9. On what basis is this budget formulated?
10. Do you give any incentives to your sales personnel for increasing sales?
11. Do you feel the need for product-diversification?
12. Do you think your distribution network is satisfactory?
13. Do you feel the need to strengthen your marketing function to overcome competition from the private sector?
14. Are you satisfied with the functioning of your marketing department?

D) PRODUCTION PROBLEMS

1. Has there been any stoppage of production in this organisation?
2. What were the causes for such stoppages?
3. Do you have an Operating Manual?
4. What according to you, are the reasons for under-utilisation of capacity?
5. Do you have any Materials Management Manual?
6. Who looks after the administrative/welfare of factory workers?
7. Which of the following problems exist in your organisation
   a) Shortages of raw-material
   b) Disruption of power supply
   c) Work stoppage due to other problems (please specify)
   d) Machine breakdown/failure
   e) Lack of balancing facilities
   f) Inappropriate layout
g) Lack of inventory control
h) Obsolete technology / machinery
i) Quality does not conform to standard
j) Workers not properly skilled / trained
k) Recession in demand
l) Lack of production planning

E) FINANCIAL PROBLEMS

1. Specify the financial position of your organisation.
2. Do you feel that generating enough profit is relevant for your organisation?
3. Do you have any Accounting Manuals which helps in the preparation, finalisation and presentation of accounts?
4. Before making any financial decisions, do you resort to Marginal Costing techniques?
5. Has your organisation been breaking-even?
6. In case of cash losses, have you approached the government for funds in the form of equity or debt?
7. Do you face any problem in securing money from Financial Institutions?

CONCLUSION

Any other comments you would like to make? Do you think that this study will, in any way, help to improve the performance of the SLPEs in the textile sector? Why and How?