CHAPTER - 6

BOARD OF DIRECTORS OF PUBLIC ENTERPRISES IN MIZORAM

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6.1. Introduction:

The Board is the top management organ responsible for implementing the objectives of an enterprise. The men on the Board of an Undertaking are of vital importance to the undertaking. The success or failure of an undertaking is largely depended upon the constitution and composition of its higher levels of management. The main responsibility for the efficient and successful working of the enterprise is vested in the board. Its composition is very importance because the board represents the body corporate. Besides, it is directly responsible for the resources invested in the undertaking. The responsibility for efficient running of a government undertaking is squarely on the board. It is a link between the proprietors of the enterprise and its top executives. Therefore, it is of utmost significance that real importance is attached to a board’s composition.

6.2. Types of the Board of Directors:

Broadly speaking, there are three types of Boards that we come across in public undertaking; namely, Policy Board, Functional Board and Mixed Board.

(a) Policy Boards: Policy Boards are those a majority of whose members are part-timers with the exception of the Chief Executive who would be a full-timer. These members are drawn from outside the enterprise and do not shoulder any specific functional charges.

(b) Functional Boards: Whereas in functional Boards,
the members of a Board are mainly drawn from within the enter­prise and the members are full-timers and have specific responsi­bilities attached to them. The most notable example is that of the Railway Board in India.

(c) Mixed Boards: These types have both part-time and full-time directors, the latter having specific responsibility for some of the subjects.

It is found that the Board of Directors of Public Sector Undertakings selected for detail study have a policy Board.

There is no categorical imperative regarding the usefulness of a particular type of Board—Policy Board, Functional Board or Mixed Board. The usefulness of any particular type of Board will largely depend on the type of an enterprise it will have to handle.

6.2.1. Size of the Board:

W.A Robson opines that there should be no hard and fast rule about the size of the Boards. The size of the Board varies from enterprise to enterprise, depending upon the size of the enterprise and the load of work and responsibilities. However, it may well be remarked that it should neither be too small to be dominated by single individual, nor it be too large to become unwieldy and ineffective. The size of the Boards of Directors selected for study is determined by the respective Bye-laws, Acts and Articles of Association.
6.2.2. **Mode of Appointment:**

In regard to the Central Government's Undertakings, Board level appointments are processed through Public Enterprise Selection Board (PESB), which was established in 1974. However, inMicoram we do not have a counterpart of the PESB. As such, the concerned minister is the sole authority to appoint members of the Board of Directors in the Public Undertaking under his charge.

Again, the persons appointed on the Board may be of two types; namely, Officials and Non-Officials. Officials are those members who are drawn from the Government Departments and other government agencies, for example, representatives of Financial Institutions and other representatives from Government Departments. Non-Officials are those members who are appointed from the field of trade union, private sectors, academic institutions and public life.

6.3. **Powers and Function of the Board of Directors of MKVIB:**

As per the Act, the Board is entrusted with the following functions and powers:

**Functions of the Board.**

1. It is the duty of the Board to encourage, organise, develop and regulate I hadi and Village Industries and per-
form such functions as the Government may prescribe from time to
time.

(2) The Board also discharge and perform all or any of the following duties and functions, namely:

(a) to start, encourage, assist and carry on Ḩadī and Village Industries and to carry on trade or business in such industries and in the matters incidental to such trade or business;

(b) to help the people by providing them with work in their homes and to give loans and other forms of monetary help to individuals, registered co-operative societies and registered institutions.

(c) to encourage establishment of co-operative societies for Ḩadī & Village Industries, and Handicrafts.

(d) to conduct training centres and to train people with a view to equipping them with the necessary knowledge for starting or carrying on Ḩadī and Village Industries.

(e) (i) to manufacture tools and implements required for carrying on Ḩadī and Village Industries and to manufacture the products of such Industries;

(ii) to arrange for the supply of raw-materials and tools and implements required for the same purposes; and

(iii) to sell and to arrange for the sale of the products of the said industries;

(f) to arrange for publicity and popularising of finished products of Ḩadī and Village Industries by opening stores, shops, emporia or exhibitions and to take similar measures for the purpose;
(g) to endeavour to educate public opinion and to impress upon the public, the advantages of patronising the products of \( \text{Hadi and Village Industries} \);

(h) to seek and obtain advice and guidance of experts in Hadi and Village Industries;

(i) to undertake and encourage research work in connection with Hadi and Village Industries and to carry on such activities as are incidental and conducive to the objects of this Act.

**General Powers of the Board:**

To discharge the above mentioned functions, the Act equips the Board with the following powers, namely:

(a) to acquire and hold such moveable and immovable property as it deems necessary and to lease, sell, or otherwise transfer any such property:

Provided that any lease, sale, mortgage, hypothecation or other transfer to any persons or authority other than the Commission of any immovable property belonging to the Board shall be null and void unless it is sanctioned by the Government:

(b) to incur expenditure and undertake any work in any area in the territory for the framing and execution of such scheme as it may consider necessary for the purpose of carrying out the provisions of this Act, or as may be entrusted to by the Government:

(c) to borrow money from the Commission and also to hypothecate or mortgage properties as securities against the
loans; the Board may also borrow money from other source, like banks, and may give first or subsequent charge on its assets to the lenders:

(d) to write off minor irrecoverable losses.

Powers to make contracts:

(a) The Board may enter into and perform all such contracts as it may consider necessary or expedient for carrying out any of the purposes of the Act.

6.3.1. Limitations:

In the performance of its functions, the Board is bound by such directions as the Commission may issue from time to time in the implementation of scheme financed by the Commission. In each year, the Board shall prepare a programme of work and forward the same to the Government of Mizoram and to the I.V.I Commission. The Commission, approve and sanction the programme in whole or in part or with some modifications as it deems fit. Prior approval of the Government is required to make alteration in any scheme financed by the Commission.
6.4. Powers and Functions of the Board of Directors of ZIDCO Ltd.

The powers and functions of the Board of Directors given by its Articles of Association may be mentioned below:

**General Power:**

The business of the Company is managed by the Board of Directors, who may pay expense incurred in setting up and registering the Company, and may exercise all such powers of the Company required to be exercised by the company in general meetings.

**Specific Powers:**

The specific power of the Board include the followings:

(a) To make bye-laws and repeal the same for the regulation of the company, its officers and employees.

(b) To acquire property for the company.

(c) To undertake and execute works of capital nature, not exceeding Rs.25 lakhs.

(d) To pay property in the debenture or other security of the company.

(e) To secure contracts by mortgage any of the property of the company in such manner as it think fit.

(f) To refer any claims by or against the company to arbitration.

(g) To make and give receipts.
(h) To give bonus to any employees of the company, to create provident fund, to subscribe charitable and other funds.

(i) To create posts and appoint officers, remove or suspend the same, to appoint retired government servant.

(j) To execute mortgage and charge on its properties, to make contracts.

6.4.1 Limitations:

The Board of Directors has, however, to consult IDBI on matters of policy involving finance. It shall not, without consultation with IDBI be entitled to exercise,

(a) the powers to issue bonds and debentures

(b) the powers to borrow money from the state government and

(c) the powers to make any rules or regulations.

(d) to create post the maximum pay of which is above Rs. 4000.

6.5 Powers and Functions of the Board of Directors of the Apex Bank:

The powers and functions vested to the Board of Directors by the bye-law may be given below:

(a) To appoint an Executive Committee,

(b) To define the financial policy of the Bank;

(c) To give general direction to the Executive Com-
mittee for training funds:

(d) To scrutinise and put up the Annual Budget to the General Assembly for approval:

(e) To submit to the General Assembly the Annual Report and the Statement of Accounts;

(f) To make arrangement for efficient supervision of borrowing societies;

(g) To supervise and examine the work of the Executive Committee and other committees;

(h) To purchase or acquire buildings or lands for the purpose of constructing offices or any other purposes for the business of the Bank.

(i) To undertake recoveries from the affiliated societies.

(j) To hear all complaints against the decision of the Executive Committee and other Committees and to hear appeals.

(k) To summon meeting of the General Assembly.

(l) To open branches where necessary within the area of its operations.

(m) To frame subsidiary regulations for the conduct of business.

(n) To delegate all or any of its powers and duties to the Executive Committee or the Chairman or the Managing Director or to any employee of the Bank.
6.5.1. Limitations:

Subsidiary rules and regulations framed by the Board of Director need the approval of the Registrar, co-operative societies, Government of Mizoram. Again the approval of the same is needed for the period of loan repayment of which exceed five years.

6.6. Role of Government in the Functioning of the Board of Directors:

The Board of Directors occupies an intermediate position in a Public Enterprise hierarchy with the Minister above it and the Managing Director below it.

The relationship between Government and Public Enterprise constitutes a subject of intense debate, controversy, contention and dispute. The sole reason behind the setting up of autonomous undertakings is the belief that the kind of activities they manage need to be conducted in accordance with strict criteria, flexibility of operation, quick decision making, initiative and enterprise which caused success in industrial and business venture.

The twin requirements of autonomy and control are sought to be balanced by means of an arrangement under which certain functions vis-a-vis the Public Enterprises are entrusted to the government and others to the Board of Directors. The general principle adopted is to reserve such powers to the gov-
ernment as are required by them to determine questions of Policy, see that programme of Public Enterprises conform to the plan and ensure that the enterprise is being run on commercial lines or in accordance with government directives; and, subject to this, invest the management to Board of the Enterprise with the powers necessary to carry on the day-to-day administration or business and commercial principle, and more generally, with the powers necessary to achieve the prescribe objectives and obligations.

The Administrative Reform Commission suggests a general principle to demarcate between policy matters and day-to-day administrative matters. "One way of deciding whether a matter relates to day-to-day administration is to prescribe a set of objectives and obligations for the enterprises and then to treat any act as not being one of day-to-day administration if it is directly affects the fulfilment of those objectives and obligations. In the same way, all matters except those which have a bearing on any established policy of government, either in relation to that undertaking or the Public Sector as a whole, should ordinarily be treated as matters of day-to-day administrations.

6.6.1. Government or ministerial control:

Control is an active function, a purposeful and positive activity. It means directing, restraining, stimulating a person or an organisation to a certain action or end. A Public Enterprise is normally set up by a ministry. By virtue thereof,
it is under the control of that ministry or minister.

An analysis of the relevant statutes creating Public Corporation, the Articles of Association of government company and Bye-law of the co-operative society reveals that the powers have been reserved to the government in the following matters and the minister exercises control over Public Sector Enterprises under study in the following ways:

(a) The government being the sole share-holder of the enterprises, the appointment and removal of members of Boards of Directors are in the hands of the ministry. Change of ministry has resulted in change of the members of the Board. Even in normal time, appointment and removal of members of the Boards of Director is the discretionary power of the ministry. This sort of appointment and removal of members of Public Enterprises is witnessed in the case of Mizoram Enterprises.

(b) According approval is one way of control over the Board of Directors. The approval is needed to make rules and regulations for the enterprises, to make appointment of its employees the pay of with exceed a certain amount of money.

(c) Issuing directives in conformity with the policy already laid down by the government.

(d) Calling for information, reports and returns of the enterprises.
NOTES AND REFERENCES


