CHAPTER 7

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CONCLUSIONS.

Scope of Study:

7.1. The study analysed the Organisations, Administration and Managerial dimensions of Public Sector Enterprises in Mizoram. For an in-depth study, four Public Sector Enterprises are selected, these are - Mizoram State Transport Department (MST), ZoramIndustrial Development Corporation Limited (ZIDCO), Mizoram Khadi and Village Industries Board (MKVIB), and Mizoram Co-operative Apex Bank Ltd. (APEX BAN). MST Department is a departmental undertaking engaged in the operation of passenger bus services in Mizoram while ZIDCO Ltd. is a government Company and the only industrial financial institution in the State. Again, Mizoram Khadi and Village Industries Board is the only statutory corporation in Mizoram engaged in the financing of Khadi and Village Industries and other small scale industrial enterprises; lastly, the Mizoram Co-operative Apex Bank is a co-operative society engaged in the financing of the activities of co-operative societies in Mizoram. The main findings of the study with regard to pattern of organisation, administration, managerial dimension, personal policy and other related issues are summarised in this chapter. The policy implementation of the study are also discussed here.
7.2.1. Public Sector Enterprises in India:

At the national level, there are primarily three basic patterns of organisation of public sector enterprises. These are -(i) Departmental Undertakings (ii) Government Companies incorporated under the Companies Act of 1956 and (iii) Statutory Corporations. The Company form of organisation is the most common one in India. The Industrial Policy Resolution of 1948 and 1956 laid down the foundation for the expansion of public sector enterprises in India. Since the second Five Year Plan (1956-61), the country followed heavy industrialisation programme. Basic and key industries such as power, steel, fertilizers, machine building etc. are given to the responsibility of PSUs.

7.2.2. New Economic Policy:

Beginning with mid-1991, the Government of India initiated some changes in the economic policy of the country which are generally referred as New Economic Policy (NEP). The main thrust of the New Economic Policy are Liberalization, Privatization and Globalisation. One of the major components of the new policy has been the reform of the public sector enterprises in India. The Industrial Policy of 1991 contains four major decisions in respect of public sector:

1. Reduction in the lists of industries reserved for the public sector from 17 to 8;
Disinvestment of shares in Public Sector Enterprises

Reference of sick units of Board for Industrial and Financial Reconstruction (BIFR)

Improving performance through the performance of contract or Memorandum of Understanding (MOU).

So far, the main focus of the reform of PSEs in India has been exclusively confined to non-department and non-financial enterprises which are under the ownership of the central government.

7.3.1. Patterns of Organisation and Administration of Public Sector Enterprises in Mizoram:

In Mizoram, there are usually four types of Public Sector Enterprises: (i) Departmental Undertakings (ii) Government Companies (iii) Statutory Corporation and (iv) Co-operative Societies. Departmental Undertakings are the most common form of organisation of PSEs in Mizoram. Extra-departmental undertakings are of recent origin in the state.

7.3.2. The main functions of MST Department is the operation of passenger bus services in various parts of the state. The department has a sound administrative structure both at the Secretariat and Directorate and District level. The overall administration of the department is under the supervision of a
minister who is assisted by a Secretary who heads the Transport Secretariat and a Director who heads the directorate administration with supporting staff including three Joint Directors, three Deputy Directors and other Technical and Ministerial Staff. Personal policies and management under the department is entirely in the hand of the state government. The employees of the department are recruited and appointed in accordance with the rules and regulations of the state government. Pay scale and promotion policies under the department are also given in the recruitment rules of the employees. The welfare schemes of the employees included medical reimbursement, house rent allowances, house building advance and leave travel concession. The performance of the staff is assessed by means of Annual Confidential Report.

7.3.3. Zoram Industrial Development Corporation Ltd. is the only industrial financial institution in the state. The highest policy making body of the corporation vests with the Board of Directors who are appointed by the state government for a term of three years. It is a policy board and it does not interfere in the day-to-day administration of the corporation. The Managing Director is responsible for the administration, supervision and co-ordination of the activities of the corporation and he is assisted by Managers, Deputy Managers, Assistant Managers and other supporting staff including Staff Officer, Accountant and other ministerial staff.

The Board of Directors laid down terms and conditions
for recruitment and appointment of its employees. Salary structure, promotion policy, facilities and other benefits enjoyed by its employees are formulated by the Board of Directors.

7.3.4 Mizoram Hadi and Village Industries Board is the only statutory corporation in the state and its main function is provision of financial assistance to the co-operative societies and individual entrepreneurs who are engaged in Hadi and Village industries. The Board of Directors, appointed by the state government have the highest policy making powers on the overall functioning of the corporation. The Chief Executive Officer is responsible for the supervision and co-ordination of the various activities of the Board. He is assisted by the Joint Chief Executive Officer, Deputy Chief Executive Officers, Executive Officers and other supporting staff including Development Officers, Account Officers etc. Personal policies and management relating to the recruitment of staff and appointment procedure, pay scales, promotion policy, welfare schemes, and performance appraisal methods etc. are all determined by the Board of Directors.

7.3.5 The management of the Mizoram Co-operative Apex Bank Ltd. is vested in the Board of Directors. Six members of the Board of Directors are representatives from different affiliated co-operative societies and these six representatives are elected by the General Assembly at the annual meeting by a simple majority of votes. The Managing Director is responsible for the admin-
istration, supervision and co-ordination of the activities of the Bank and he is assisted by Managers, Assistant Managers and other supporting staff of the Bank. The personal policies and the management of the Bank’s employees are vested with the Board of Directors.

7.3.6. The Board of Directors are appointed by the Government except in the case of Mizoram Co-operative Apex Bank Ltd. Where six members of the Board of Directors are elected by the affiliated co-operative societies in the General Assembly. In Apex Bank, the Board of Directors elect its Chairman and other office bearers who formed the Executive Committee of the Board of Directors. The Chairmen of the two corporations i.e., ZIDCO Ltd. and MIVIB are presently ruling MLAs.

The three corporations under study have deputationists as Managing Directors. These Managing Directors are generally drawn from the All India Services and Mizoram Civil Services. The Managing Directors of these organisations are appointed by the State Government.

Price and Profit Policy of PSEs in Mizoram:

7.4.1. Pricing and profit policy of the PSEs in Mizoram are governed mainly by consideration of social services or social obligations rather than maximisation of profit. Hence, they follow an administered pricing and profit policy.
7.5.1. State enterprises provide majority of organised employment opportunities in the state. During 1993-94, 87.5% of the total workers employed in the organised sector belong to state government while the share of other sectors are: Central Government (7.90%), Semi-Government (1.1%), District Council (2.5%), and Banking & Insurance (1.0%), as on January 1983, out of the 28.3 thousand persons employed in the organised sector, the share of public sector is 27.1 thousand persons while the share of private sector is 1.2 thousand persons.

7.5.2 The State Government announced its first ever Industrial policy resolutions in 1989 and this policy has given priority to the development of Food and Allied Industries, Handloom and Handicrafts and Electronics. Following the industrial policy, the state government took steps in establishing industrial units within the domain of State Level Public Enterprises (SLPEs). Mizoram Food and Allied Industries Corporation Ltd. (MIFCO) was established in 1990-91 and Zoram Electronics Industries Corporation Ltd. (ZENICS) was again established in 1991.

7.5.3 The performance of Mizoram Khadi and Village Industries Board indicated that the number of beneficiaries under different schemes of assistance had increased from 245 persons in
1986-87 to 546 persons 1992-93 while the production value was increased from Rs.45.95 lakhs in 1986-87 to Rs.676.02 lakhs in 1992-93 i.e., 340 percent increased during the period. But the recovery rate of loan which was 53.99 percent in 1986-87 had fallen to 24.72 percent 1990-91.

7.5.4. The working of Mizoram State Transport Department revealed that the share of the department was 10.60 percent of the total bus population of Mizoram in 1993. The overall financial performance during the period from 1985-86 to 1993-94 showed that the net losses of the department which were Rs.78 lakhs in 1985-86 had increased to Rs.4.04 crores during 1993-94. The total expenditure of the department rose from Rs.1.84 crores in 1985-86 to Rs.6.41 crores in 1993-94. In 1993-94, total operating cost constituted 80.3 percent of the total expenditure while non-operating costs accounted for 19.7 percent of the total expenditure. Productivity indicators as reflected in fleet utilisation, vehicle productivity, staff productivity and fuel efficiency under the department had shown declining trend except in fuel efficiency during 1985-86 to 1993-94.

It had been observed that fleet utilisation fell from 45 percent in 1985-86 to 42 percent in 1993-94. Vehicle productivity during the same period decreased by 17 percent from 55 kms per bus/day to 44 kms. Similarly, staff productivity had shown a downward trend by 40.6 percent from 10.1 kms to 6.0 kms per worker/day during the period from 1985-86 to 1993-94. However, it
is noticed that fuel efficiency improved by 6.7 percent from 3.00 kms per litre in 1989-90 to 3.20 kms per litre in 1993-94.

7.5.5. The performance of Mizoram Co-operative Apex Bank Ltd. indicated that the loans and advances of the Bank are mainly concentrated on individuals whereas the Bank is supposed to finance co-operative societies for agricultural and allied agricultural activities. As on 31st March 1995, nearly 80 percent of the loans and advances are given to individuals. The Bank suffers from high level of overdues. There were 1691 number of overdues account holders with accumulated overdue to Rs.1875.29 lakhs. Overdue may be attributed to lack of proper scrutiny of loan applications, insufficient follow-up action on utilisation of loans and loan recovery drive on the parts of the authority.

7.5.6. The working of ZIDCO Ltd. revealed that the corporation had financed 1885 industrial units since 1980-81 till the end of 1995-96. The number of units that had made full liquidation of the 15794 units. The total amount of loan disbursed increased from Rs.51 thousand in 1980-81 to Rs.124.63 lakhs during 1995-96 i.e., 100 percent increase in the amount disbursed during this period.
Powers and Functions of Board of Directors:

7.6.1. The powers and functions of the Board of Directors are clearly specified in the Memorandum and Articles of Association in the case of ZIDCO Ltd. while the powers and functions of the Board of Directors of the MI VIB and Mizoram Co-operative Apex Bank are found in the MI VIB Acts and the Bye laws of the bank respectively. The Board of Directors are policy making board and they do not interfere which the day-to-day administration of the concerned organisations. However, it is observed that Board of Directors have only sub-policy and strategy roles, main policies are made by the government and issued as directives to the enterprises.
Policy Suggestions:

7.7.1. It is observed that departmental undertakings are the most common form of organizing public sector enterprises in the state. This is due to the fact that the state is still an underdeveloped region with a low infrastructural base. Under this situation, the state government has to assume major roles in the social economic development of the state. For instance, power and electricity in which the commercial and industrial advancement of the state depends is far less adequate than our requirements; similarly road and other means of transports are also grossly inadequate in the state. We are suggesting more government interventions in the field of economy especially in agriculture and industrial development of the state. Forest-based industrial units under state enterprise may be suggested. However, we feel that departmental undertakings should be discouraged as personal initiatives, enterprising spirit and flexibility can not be inserted into their management.

7.7.2. Public enterprises should be economically viable units and all out effort should be made to increase their efficiency and they must be able to generate adequate profits and internal resources. In order to realize this objective, the Public Sector Enterprise should try to formulate rational pricing policy for the goods and services it produced. It is the duty of the state government of Mizoram to develop pricing policy of the state enterprises. The price policy in public enterprises should take into account the following factors:
(a) The price fixed by a public enterprise must to be able to generate adequate resources for re-investment.

(b) The price policy of a public enterprise should be such as to enable it to operate at the lowest cost possible and maximum efficiency;

(c) The price policy should be such as to enable consumers at all levels to buy and make use of the goods and services produced by the public enterprises.

7.7.3. Managerial effectiveness and efficiency are crucial factors in improving the overall performance of public enterprises. PSEs in the state do not have professional men in their management system. The successful operation of public enterprises is dependent upon the availability of experienced and professional persons to fill up the top positions. An unfortunate practice has been the use of professional politicians and bureaucrats as Chairmen and Managing Directors to managed public enterprises in the state. Many of them are not really qualified to run industrial enterprises. The state government should progressively try to cultivate professional management in these enterprises.

7.7.4. With respect to the performance of Mizoram State Transport Department, the following areas deserve special attention from the decision makers:-

(a) Adoption of an economic fare policy that neutralises, on a continuing basis, such increase in input costs arises-
ing from inflation, which cannot be bridged through increase in productivity. There is need to have a mechanism for automatic increase in passenger fare linked with increase in input costs particularly staff, fuel/diesel, tyres and tubes.

(b) The working of passenger bus services should be closely monitored to further improve their financial and physical performance.

(c) Since staff cost is tending to increase out of proportion with other costs, greater emphasis be laid on keeping the staff strength of the department at the bare minimum.

(d) The scope of private sector participation in passenger transport should be encouraged. The incremental demand for passenger transport can well be met by the private sector. Therefore, there is no need for the department to add to their fleet of buses. However, exceptions, in specific difficult areas where private sector may not be willing to operate, can be made.

(e) The Private Sector would need to be properly requested to ensure safe, efficient, regular and punctual transport services. Also the environmental safeguards would need to be enforced to reduce production level in the country.

7.7.5. The financial institution under study such as ZIDCO Ltd., ApeX Bank Ltd., and MIVIB have experience a good amount of overdues which adversely affect the efficiency of these institu-
tions. The recovery rate of loans disbursed to different beneficiaries are extremely dissatisfactory. In these state level financial institutions, the link with the state government should be broken or minimised and these institutions should be helped to work with improved efficiency, take up only that number of projects which they can efficiently follow up and recover their dues.

7.7.6. Board of Directors are dominated by government officers and public figures especially professional politicians who have very little commercial orientation or technical expertise. They implant government culture in these organisations. All part-time directors, with the exception of one or two handpicked experts are dominated by government officials and public figures. The state government should make effort in appointing technical or professional people to the member of Board of Directors.