Chapter 1
INTRODUCTION

1.1 The Prologue

1.2 Research problem

1.3 Significance of the study

1.4 Research Objectives

1.5 Hypotheses

1.6 Research methodology

1.6.1 Sample survey

1.6.2 Data collection and analysis methods

1.7 Limitations of the study

1.8 Design of Thesis
1.1 THE PROLOGUE:

Government companies and establishments have been in India for the past many decades. After Independence attention was given to the formation of large, medium and small scale industries keeping in view, the development of nation. The government thought of developing infrastructure pertaining to road transport, electricity telecommunications and so on. As a result big establishments like Bharth Heavy Electricals Limited (BHEL), Bharath Electrical Limited (BEL), Steel Authority of India limited (SAIL), Bharath Earth Movers Limited (BEML), Hindustan Aeronautical Limited (HAL), Hindustan Machine Tools (HMT), etc. came into existence.

For these society-oriented companies profit making was not the criteria. They were established to provide basic infrastructure and employment. Usually a company is established having profitability in mind. But government companies are expected to be more people oriented and society-oriented. But at the same time the government cannot turn a blind eye towards profit.

The main objective of this research is to analyse the government undertakings with special reference to Karnataka Rural Infrastructure Development limited (KRIDL) formerly known as Karnataka Land Army Corporation Limited (KLAClk). In this research work the origin, development, growth, problems, lucunae pertaining to KRIDL and viable solutions to overcome the problems are given. Assessment, discussions and interviews were extensively conducted in accomplishing the objectives.

In this research work, using traditional and modern ways of evaluation such as financial ratio analysis, fund flow, cash flow analysis, project management analysis including the modern ones (Porters Five force, Value chain and Seven-S analysis) were undertaken.
1.2 Research Problem:

The present study is though related to a public sector undertaking at the outset, it appears to be a study of neither private sector nor public sector, because of the legal entity of the sole sample unit. It is basically apparently focused on multi faceted, multidimensional, complex and competitive aspects related to sanction of funds, allotment and selection of projects, recruitment of personnel and managing its affairs. The performance of the company for the last one decade is not stable and future of the company is not bright. The company is involved in nation building through construction of infrastructure in and outside Karnataka and provides employment to thousands of people in Karnataka without financial burden to State Government.

The company has to follow all rules and regulations applicable to government department. Karnataka civil service rules have to be followed. Reservation policy in recruitment and promotion has to be strictly followed. Accounting procedure, purchasing norms have to be as per the guidelines laid by Accountant General (AG), Government of Karnataka. Further government will not pay salary to employees, but it takes the dividend from the profit. On the other hand it has to work like Private Company duly competing with other private owned companies in getting works, purchasing materials and engaging skilled labourers. It has no power to hire and fire the employees as in private enterprises. It has to make profit every year. Incentives like promotion to the outstanding employees cannot be given as in the private company. All major decisions have to be approved by government through Board of Directors. The Chairman of the company is normally an elected representative. There is no prescribed qualification for the post of the chairman. This results, many a time, in eliciting a chairman having no qualification, knowledge and experience. The Managing Director is usually from Administrative service like Indian Administrative Service (IAS), Indian Forest Service (IFS) and not civil engineers though this organisation is a construction company. Transfers of Chairman and MD are take place as per political decision of government of Karnataka. Huge funds of the company are managed by officer rank of the middle level posted from State Account Department. Administration of the company is managed by an officer of the rank of an Assistant commissioner deputed from revenue department. On an average 30000 labourers are engaged daily on its works in entire Karnataka. The company pays Taxes monthly in
time and it is one of the highest taxes paying Government Company in Karnataka. Performance appraisal system is not effective as in the private sector companies. It has to maintain good quality in works and compete with private contractors. If the company makes loss for 3 consecutive years it is likely to close as per the decision of the Department of public enterprises of the Government of Karnataka.

Due to these peculiar characters of the organisation definitely there is a need to study this unique organisation which is having unique and unusual objectives.

1.3 Significance of the study:

The study would contribute substantially in understanding this state infrastructure development public sector undertaking namely “The Karnataka rural infrastructure development corporation” (KRIDL). The study throws light on problems, limitations of the organization, working pattern and conditions of the organisation. After that suitable solution, remedial measures are suggested relating to management, organisational aspects, supportive profit generating parameters such as employees’ satisfaction, team effort and project execution.

1.4 Research objectives:

The overall objective of the present research is to evaluate the working of KRIDL (Karnataka Rural Infrastructure Development Limited) formerly known as KLAC Ltd., (Karnataka Land Army Corporation Limited) and identify the major existing problems of the organization in its routine and suggest suitable solution to overcome the same. The evaluation of the company has been made using suitable analysis methods and models to arrive at conclusions that are going to be useful not only for this undertaking but also for the other public sector undertakings.

This research has adopted two important research routes one through the random sample survey by means of questionnaires, discussions and interviews with the executives of the research organization and the second through the study of balance sheets and other company documents viewed through the lens of ratio analysis, SWOT analysis and other important financial evaluating tools.
The specific research objectives which were identified are;

1. Understanding of the present position using various evaluation methods.
2. Understanding the working pattern of the company.
3. Analysis of its operating efficiency and financial performances.
4. Analysis of working capital of the organisation.
5. Analysis of the impact of organisational policy on financial performance.

1.5 Hypotheses:
The following hypotheses are drawn after discussions and interviews:

H 1 There is no professional approach in managing funds of the company
H 2 The organizational working pattern is not effective and result oriented
H 3 Poor H R M Practices have lead to negative financial performance of the Company
H 4 The implementation of an effective professional management will have a Leverage effect on sound financial performance
H 5 The consultancy works taken up by the organization in the past three years are Yielding profits and is supported by all executives
H 6 The present operating efficiency levels and working capital management Practices are the reasons for successive losses
H 7 Frequent changes in managerial positions will have adverse effect on the Performance of the company
H 8 Employees are satisfied with the existing service rules of the organization

1.6 Research methodology:

1.6.1 Sample survey:
An empirical study based upon primary and secondary data is undertaken. The primary data analysis, sample of 160 executives and 70 middle level personnel. The analysis is made by way of discussions, interviews and by collecting responses for questionnaires distributed. The study has taken into account 230 respondents.
1.6.2 Data collection and analysis methods

The data formed from the survey are stratified, averaged and assessed. After suitable tests and through the ensuing findings conclusions are drawn. The research work is done pertaining to its finance, profit generation, discussion on long-term plans of the company, financial plans, project management etc. Apart from that organisational working pattern, teamwork, employees’ satisfaction levels, their role in decision making are also taken into consideration.

Balance sheets, financial documents, management journals, research magazines, conference proceedings and its related web sites form the sources of secondary data. The reports of the Committee on Public Undertakings (COPU), Karnataka State Beaure of Public Enterprise (KSBPE), various reports published by the Government of India and Karnataka government, RBI bulletins are used in this regard. Ratio analysis, funds and cash flow analysis are employed before arriving at conclusions.

1.7 Limitations of the study:

The study is confined to the working of this unique state infrastructure development public sector organisation. The conclusions drawn and solution suggested can as well be pertinent and relevant to other public sector undertakings. Of course other parameters have to be looked into before adoption. This aspect may be the limitation of this study.

State cultures, the elected persons and bodies, being different in each state the Public Sector Undertakings (PSU’s) in each state are likely to differ. The solutions suggested may or may not be fitting to all PSU’s. But with suitable alterations, the findings may prove to be effective in other PSU’s also.

The research work has been detailed in the thesis in the form of seven chapters.

Chapter I

The first chapter introduces the main theme and overall objective of the study, the detailed research problem, research objectives which are explicitly listed with the associated hypothesis. It also details research methodology, Sample survey, primary and survey methods, data collection and analysis methods, Significance of the study and finally the chapter ends with the limitations of the study.

Chapter II

The second Chapter presents the literature survey under taken by the researcher about the Evolution of public sector in India and present Indian scenario with reference to public sector undertakings. Then it proceeds with the development of infrastructure, role of public sector undertakings in the development of Indian economy. Then the review of recent research papers on the analysis of public sector undertakings and other new trends are also focused.

Chapter III

The third chapter introduces in detail the company with complete organization profile. This chapter details the profile, the organization structure and working pattern and how the company executes the projects. The progress made by company in this decade and the Present scenario of the company in this financial year 2010-2011 is shown.

Chapter IV

The fourth Chapter presents the theoretical frame work for the evaluation of working of the organization. This chapter describes financial statements, Ratio analysis, SWOT analysis embedded with five force analysis, value chain analysis, seven–s organizational analysis and project management analysis.
Chapter V

The fifth chapter presents the research methodology applied by the researcher, the sample survey selected, the strategy for primary survey, sample size, the data collection, methods of analysis and design of questionnaire to test the hypothesis.

Chapter VI

The sixth Chapter presents the results and interpretations derived from the sample survey, financial statement analysis, SWOT and other analysis conducted. This chapter details the complete financial statement analysis, Ratio- analysis (2001-2010), the SWOT analysis of company with five force, value chain & seven–S analysis and project management analysis of the company.

Chapter VII

Chapter seven of the thesis details the findings, suggestions and conclusions on the working of the company.