

STATE ENTERPRISES IN MIZORAM: ADMINISTRATIVE AND MANAGERIAL DIMENSIONS



THESIS SUBMITTED FOR THE DEGREE OF
DOCTOR OF PHILOSOPHY IN PUBLIC ADMINISTRATION

BY

F. LALHMINGSANGA

DEPARTMENT OF PUBLIC ADMINISTRATION
NORTH EASTERN HILL UNIVERSITY
MIZORAM CAMPUS : AIZAWL
MIZORAM
1996

Thesis

NEHU LIBRARY

103760 ✓

Acc :
A :
Date :
Class :
Sub. He :
Inter b :

9-07
DTS

125

300.909541 no

LAL

CERTIFICATE

Professor R.N.Prasad
Dept.of Public Administration
North Eastern Hill University
Mizoram Campus,Aizawl.Mizoram.
Phone:20805 (0)

This is to certify that Shri.F.Lalhmingsanga,Senior Lecturer in Political Science,Champhai Govrenment College,Champhai,Aizawl District,Mizoram,worked under my supervision on the topic 'State Enterprises in Mizoram:Administrative and Managerial Dimensions' for the degree of doctor of philosophy in conformity to the Rules / Regulations / Ordinances relating to the degree of Ph.D. of North Eastern Hill University,Shillong. The thesis is a product of his own original work and it does not form a part of any other thesis.He is allowed to submit the thesis for examination.


(R.N.PRASAD)

ACKNOWLEDGEMENT

May I take this opportunity to acknowledge my gratitude to my guide Professor R.N.Prasad, Department of Public Administration, Mizoram Campus, N.E.H.U, Aizawl, under whose guidance the study was taken up and completed. My sincerest thanks are once again, to my guide for his constant encouragement and guidance at every step without whose help this thesis would not have been completed.

The present thesis is based on emperical data, collected through interviews and other methods. I wish to express my thanks to all officilas and all ranks of the four selected undertakings for extending their helping hands in all direction for the completion of this thesis.

My thanks are due to officers and staff of different undertakings for their encouragement and co-operation.

I am grateful to the faculty members of the Public Administration, Mizoram Campus, Aizawl for their guidance and valuable co-operation.

I am indebted to Mr. Vanlalchhawna Lecturer of Economics, Hrangbana College, Aizawl for his valuable help in the works of this study.

Finally, I record my appreciation for the services of other individuals and bodies whose assistance has been considerable and real, but whose names cannot be listed here for the fear that the list would be too long.


(F. LALHMINGSANGA.)

CONTENTS

CHAPTER 1

Introduction :

1.1. Nature and Scope

1.2. Geo-political profile of Mizoram

1.3. Demographic characteristics

1.4. Socio-Economic features of the state

1.5. Meaning and Nature of Public Sector Enterprise

1.6. Pattern of Organisation of Public Sector Enterprise

1.7. Method of Creation

1.8. Coverage of the Research

1.9. Objective of the Research

1.10. Methodology and Sources of Data

1.11. Scheme of Chapters

Notes and References

CHAPTER 2

Public Sector Enterprises in India

- 2.1. Evolution of the concept of Public Sector in India
 - 2.2. Patterns of Public Sector Enterprises in India
 - 2.2.1. Departmental Undertaking
 - 2.2.2. Statutory Corporation
 - 2.2.3. Government Company
 - 2.3. Growth of Central Public Sector Enterprise in India
 - 2.4. Break up of Investment in Central PSEs
 - 2.5. Performance of Central Public Sector Enterprises
 - 2.6. Public Enterprises under State Government
 - 2.7. PSEs under the New Economic Policy
 - 2.7.1. Industrial Policy of 1991 and PSEs
 - 2.7.2. Disinvestment of PSE shares
 - 2.7.3. Reference of Sick Units to Board for Industrial and Financial Reconstruction
- Notes and References

CHAPTER 3

Pattern of Organisation and Administration of Public Sector Enterprises in Mizoram.

- 3.1. Growth and Evolution of Public Sector Enterprises in Mizoram
- 3.2. Patterns of Public Sector Enterprises in Mizoram
- 3.3. Organisation and Administration of Selected Public Sector Enterprises in Mizoram

Section A : Mizoram State Transport Department (MST)

- 3.3.1. Objectives and Functions
- 3.3.2. Present Organisational Set Up
- 3.3.3. Composition and Function of State Transport Authority(STA)
- 3.3.4. District Level Organisation
- 3.3.5. Personal Policies and Management under Mizoram State Transport

Section B : Zoram Industrial Development Corporation Ltd. (ZIDCO)

- 3.4.1. Objectives and Functions
- 3.4.2. Organisation and Administration
- 3.4.3. Powers and Functions of Managing Director
- 3.4.4. Personal Policies and Management under ZIDCO

Section C : Mizoram Khadi and Village Industries Boards (MKVIB)

- 3.5.1. Objectives and Functions
- 3.5.2. Classification of Items reserved under Khadi and Village Industries
- 3.5.3. Organisational Set Up

3.5.4. Powers and Functions of Chief Executive Officer

3.5.5. Personal Policies and Management

Section D : Mizoram Co-operative Apex Bank Ltd.

3.6.1. Objectives and Functions

3.6.2. Functions of the General Assembly

3.6.3. Formation of the Board of Directors

3.6.4. Organisation and Administration

3.6.5. Personal Policies and Management under the Bank

Notes and References

CHAPTER 4

Price and Profit Policy of Public Sector Enterprises in Mizoram

- 4.1. Introduction
- 4.2. Price Policies of Public Sector Enterprises in Mizoram
- 4.3. Price and Policies of Selected Public Sector Enterprises
in Mizoram
 - 4.3.1. Price and Profit Policy of MST Department
 - 4.3.2. Price and Profit Policy of ZIDCO Ltd.
 - 4.3.3. Price and Profit Policy of MKVIB
 - 4.3.4. Price and Profit Policy of Apex Bank Ltd.
- 4.4. Control, Autonomy and Accountability in Public Enterprises
 - 4.4.1. Ministerial and Parliamentary Control
 - 4.4.2. Nature and Elements of Autonomy
 - 4.4.3. Accountability of Public Enterprises

Notes and References

CHAPTER 5

Role of State Enterprises in Economic Development of Mizoram

- 5.1. Introduction
 - 5.2. Provision of Organised Employment
 - 5.3. Establishment of Industrial Base in Mizoram
 - 5.3.1. Performance of MKVIB
 - 5.4. Road Transport Development in Mizoram
 - 5.5. Working of Mizoram State Transport Department
 - 5.5.1. Financial Performance
 - 5.5.2. Trend of Expenditure
 - 5.5.3. Productivity Indicators
 - 5.6. Provision of Industrial Credit
 - 5.6.1. General Performance
 - 5.6.2. Advance to Priority Sector
 - 5.6.3. Performance of Mizoram Apex Bank Ltd.
 - 5.6.4. Role of ZIDCO Ltd.
 - 5.7. Conclusion
- Notes and References

CHAPTER 6 :

Powers and Functions of Board of Directors of Public Sector Enterprises in Mizoram

6.1. Introduction

6.2. Types of Board of Directors

6.3. Powers and Functions of the Board of Directors

6.3.1. Board of Directors of MKVIB

6.3.2. Board of Directors of Apex Bank Ltd.

6.3.3. Board of Directors of ZIDCO Ltd.

6.4. Role of Government in the functioning of the Board of Directors

6.5. Conclusions

Notes and References

CHAPTER 7

Conclusions

List of tables

List of figures

Appendices

CHAPTER - 1

INTRODUCTION

Nature and Scope

Geo-political profile of Mizoram

Demographic Characteristics

Socio-Economic features of the State

Meaning and Nature of Public Sector Enterprises

Pattern of Organisation of Public Sector Enterprises

Method of creation

Coverage of the Research

Objective of the Research

Methodology and Sources of the Data

Scheme of Chapters

CHAPTER - 1

INTRODUCTION

1.1 Nature and Scope:

This research study aims to analyse the organisational, administrative and managerial dimension of Public Sector Enterprises in Mizoram. There is practically no written documents nor systematic study on the working of Public Sector Enterprises in Mizoram. This issue has not yet attracted the attention of scholars. This is because of the fact that Public Sector Enterprises, both departmental and extra departmental have come up in Mizoram only in recent years. It is in this context that the present study of Public Sector Enterprises in Mizoram are taken up and this study represents a first step in the direction of further researches on Public Enterprises in the state of Mizoram.

1.2 Geo-Political Profile of Mizoram:

Mizoram is one of the seven states in the North Eastern Region of India. Earlier Mizoram was known as Lushai Hills District and it was one of the Districts of Assam state till it became a Union Territory in 1972. Mizoram attained full fledged statehood on 20th February 1986. It is a small hilly area lying approximately between 21.58° to 24.25° North Latitude and 92.15° to 93.29° East Longitude. The total area of the state is 21,087 sq.km ¹ constituting about 0.64 percent of the total

geographical area of India. It has a strategic location having International boundary with Myanmar in the East and North, and Bangladesh and the Indian state of Tripura in the West. Again, it is bounded by Cachar District of Assam and Manipur in the Northern side. Mizoram is divided into three Districts, namely, Aizawl, Lunglei and Chhimituipui with their respective headquarters being at Aizawl, Lunglei and Saiha. Each district is under the charge of a Deputy Commissioner. Chhimituipui District has three autonomous district councils - (1) Mara Autonomous District Council (2) Lai Autonomous District Council, and (3) Chhalma Autonomous District Council with District Council Headquarters at Saiha, Lawngtlai and Chawngte respectively.

There are 20 Development Blocks, each under a Block Development Officer. According to the 1991 census, there are 698 habited villages and 22 towns. The general welfare of the people in the villages are managed by Village Councils who are democratically elected for a period of three years. In 1994, there were 681 villages in Mizoram having Village Councils.

1.3 Demographic Characteristics of Mizoram:

The population of Mizoram, according to 1991 census stood at 689,756 consisting of 358,978 males and 330,778 females.² A growth rate of 38.98 percent has been registered during the decade 1981 to 1991. The decennial growth rate registered during 1971 to 1981 was 48.55 percent. This shows that

there has been a significant drop in the growth rate of the population in Mizoram.

The literacy rate of Mizoram is 81.23 percent. Male literacy and female literacy rates being 84.06 percent and 78.07 percent respectively. Density of population in Mizoram is 33 per sq.km. against 267 per sq.km. in India. The sex ratio in Mizoram is 924 females per 1000 males.

Of the 689,756 persons in Mizoram, 369,177 live in the rural areas and 317,040 in urban areas. This indicates that 53.80 percent of the population live in rural and the rest 46.20 percent in urban areas. While the population in the urban areas, during the decade 1981 to 1991 has registered a phenomenal growth rate of 160.27 percent, the decadal growth rate in respect of rural had fallen by 0.74 percent.

1.4 Socio - Economic Feature of the State:

Agriculture is the backbone of the state economy. According to 1991 census - 61.3 percent of the working population of Mizoram are cultivators. Shifting cultivation is the major agricultural system except in some valley plains where permanent wet rice cultivation are practised. Recently, the state government introduced New Land Use Policy (NLUP) in order to control and replace shifting cultivation by providing the rural population with alternative income generating activities. This policy is

expected to bring about progressive reduction of areas under shifting cultivation and bring prosperity to the rural people.

The state is industrially backward and the contribution of the industrial sector in the economy in term of output and employment generation is very low compared to other Indian states. The principal characteristics of Small Scale Industrial (SSI) Unit in Mizoram as on March 1988 are summarised in Table 1.1.

Table 1.1 Principal characteristics of SSI Units in Mizoram (March 1988)

Sl.No.	Particulars	Units	Total
1.	Units registered	Nos.	917
2.	Employment	Persons	4223
3.	Fixed investment	Rupees in lakh	1386
4.	Investment in plant and machinery	Rupees in lakh	472
5.	Working capital	Rupees in lakh	457
6.	Production	Rupees in lakh	1470
7.	Capacity utilisation	percentage	71.88

Source : Basic Statistics 1992, North Eastern Council, Shillong.

The state has low infrastructural base. Some of the important indicators of infrastructural development of the state

are summarised in Table 1.2.

Table 1.2 Indicators of Infrastructural Development of Mizoram.

Sl.No.	Particulars	Units	Total
1.	Road length per 100 sq.km. 1989	kms	22.99
2.	Road length per 1000 population 1989	kms	9.82
3.	Population per doctor	persons	5123
4.	Villages electrified March 1982	percent to total villages	71.7
5.	Per capita consumption of electric power 1989	kWh	57
6.	Per capita budgeted expenditure on education (Revenue account) 1989 to 1990	Rupees	466.00
7.	Per capita expenditure on health 1989	Rupees	434.00
8.	Per capita plan outlay (VII Plan)	Rupees	5000.00

Source : 1. Basic Statistics of North East Region 1987, 1982, North Eastern Council, Shillong.

2. Centre for Monitoring Indian Economy, Basic Statistics Volume 2. September 1989.

The Mizos are highly homogenous ethnic group and they belong to Mongoloid stock. They came under the influence of Christian Missionaries in the 19th Century and a majority of them now practise christianity.

The Mizo society is a close knit one and it attaches

great importance to kinship, social relations and co-existence. There is no discrimination on grounds of social status. Though the patriarchal system is practised, women enjoy a position of honour and freedom in society.

1.5 Meaning and Nature of Public Sector Enterprises:

More than a century ago the liberal school of political philosophy was under the influence of the doctrine of 'Laissez Faire'. Under this doctrine the government was expected to leave business alone and confine its activities to the maintenance of law and order. This, it was believed would lead to the greatest happiness of the greatest numbers. ³

The exponent of the economic freedom did not visualise the evils of factory system ushered in by the industrial revolution; the effects of huge enterprises of great industrial combinations, upon public welfare. This shook the public faith in the doctrine of 'Laissez - Faire' for it tended to lead the greatest good of a small number of people who owned or controlled vast business empires. The public opinion changed and expected the government to give up hands-off policy and take measures which would lead to more equitable distribution of wealth. Since the greatest happiness of the greatest number failed to materialise under 'free enterprise' the state was obliged to step in as an enterprenuer. ⁴ The recent years have been particularly marked by an increasing intervention by state in the economic field.

The 19th century concept that the interest of the society is best served by the state interfering as little as possible with the life of the people has lost its meaning and, with it, has lost support. ⁵The important factor leading to an expansion of state intervention in economic affairs was the social evils which accompanied the industrial revolution: the inhumanity of man to man, the emergence of private capitalism which damaged man, his security, his welfare, etc. The first world war necessitated a further increase in state intervention. For mobilising maximum resources for the war, it was essential for the state to control and regulate the apparatus of production, ⁶ The Great Depression of the thirties showed the need for greater intervention by state in economic affairs with a view to control business fluctuation. The Second World War gave a further step to take participation in economic matters.

State Enterprise has become a world wide phenomenon in the 20th century. State Enterprises have come into existence in all countries; whether capitalistic or socialistic; developed or underdeveloped. In the words of Hanson, "Whatever the ultimate perspective may be, the country anxious to develop economically has no alternative but to use public enterprise on a considerable scale, at the very least in order to get things going."

The Public Enterprise is an object of study of diverse sciences, such as Political Economy and its specific economic disciplines; the science of planning, industry etc., in jurispru-

ence, the public enterprise is treated not only as an economic but a legal category as well.⁷

The term 'Public Enterprise' may refer to all governmental activities. Since each and every activity of a government has some direct or remote bearing on development, it is justified and examine and analyse government activities under the caption 'public enterprise'.

Again, 'Public enterprise' can be defined as an activity of the government, (Central or State or Local) involving manufacturing or production of goods; including agriculture, or making available a service either directly, that is departmentally, or through an autonomous body with the government having a majority ownership; that is more than 50 percent of equity. It denotes an organisation operating (or supposed to be operating) on commercial principles, wholly or partly owned and effectively controlled by a public authority. ⁸

In a Public Enterprise, the price charged for goods and services is expected to cover the cost. In some cases, the price charged may not cover the cost, but the aim is that in the long run the enterprise as a whole would atleast break even. Social services and the administrative apparatus of the government are not covered by the term 'Public Enterprise'.

Again, 'Public Undertaking' is often, strictly speaking, any activity of the government, business or otherwise is its undertaking, but the term, perhaps has a limited use for economic and commercial activities. As such, a more comprehensive definition has been given by S.S. Khera: 'By a state undertakings is meant the industrial, commercial and economic activity carried on by the central government and a state government, and in each case solely or in association with private enterprise so long as it is managed by a self-contained management'. Thus Public Enterprise implies the ownership and management of industries or other public enterprise by the government or other public bodies such as statutory corporations, government companies, municipal boards etc. The activities so undertaken by the state in the economic field are commonly termed as 'State Undertakings' or 'Public Enterprise' or 'Public Corporations'.

Broadly, the following criteria may be used for labelling governmental activities as public enterprise:

(a) Activities which entail manufacturing, buying and selling and provision of commercial services.

(b) Activities which are financed not from taxation, but from individual payments, on which alone their use can be made. This excluded initial investment by government as well as governmental grants for meeting public undertakings' losses. Public Enterprises unlike traditional activities of government are revenue generating and self-financing.

(c) Goods and services in providing which government

aims to cover cost of production.

Some non-economic activities like universities and hospitals sometime charge a fee for their service, but as it does not cover the cost, such activities are not public enterprise, though they are owned and managed by the state. Public utilities like railway, post and telegraph are public enterprise; though managed departmentally, if the objective is to break-even over a period of time.

✓ In its simplest sense a public sector or a public enterprise may be thought of as a business organisation owned by government.

Public Enterprise performs functions akin to those of the private enterprise with their ownership control vested in government. As enterprises they are engaged in the production of goods and services, and their marketing, in much the same way in which the private business organisation do. At the same time, however, as public organisations, they are owned and controlled by the government and, therefore, remain exposed, like the government departments themselves, to direct and indirect pressures from politicians, civil servants and public at large.

What does public enterprise imply conceptually? The approach we may apply in outlining the concept is to consider the meaning and significants of the two terms 'Public' and 'Enterprise' which go to constitute the phrase 'Public Enterprise.'

Public Dimension:

V.V.Ramandhan suggests three constituents of the public concept: (a) Non-Private accretion of net benefits (b) Public decision making and (c) Social accountability, whereas Yair Aharoni emphasises (i) public ownership and (ii) the control of internal decision making process by public bodies as the two criteria for judging the publicness of an enterprise. Thus the core of the public dimension would seem to lie in the following elements:

- (a) Public ownership
- (b) Public decision-making
- (c) Distinctive objectives
- (d) Public accountability
- (e) Public control, and
- (f) Public management.

Enterprise Dimension:

In considering the enterprise dimension we, once again, face the definitional problem of what constitutes enterprise. The Dictionary⁹ meaning of enterprise is simply any projected task or work. Strictly speaking, any activity of the government, business or otherwise, is its undertaking or its enterprise. We propose to follow the under mentioned criteria for judging if an undertaking is an enterprise or non-enterprise.

- (a) Whether the activity it is engaged in is or is not of a business nature¹⁰

(b) Whether the undertaking is financed by government taxation or individual payments made by the users of its goods and services ?

(c) If the undertaking is supposed to be financially viable ?

(d) How does the undertaking achieve viability ? The suggestion is that viability must be achieved through a price-cost equation.

The general approach which may be adopted in defining public enterprise is to exclude from consideration the traditional activities of government and concentrate on those which are business like in character.

Another important point to be mentioned here is whether incorporation of public enterprise is an essential defining characteristic or not. It is desirable if a corporate status is conferred on public enterprises to free them from the rigid rules and regulations which typically characterise the public administration of a country. It is also hoped, by conferring a corporate status on public enterprises, to achieve a broad separation between the government's role as a sovereign and its business role. When accorded a legal status a public enterprise is more easily distinguishable from regular government agencies.

However, if incorporation is used as a defining characteristic, it would result in the exclusion of departmental

undertaking from the public enterprise sector of a country. This would be contrary to the facts because many of the undertakings in the state like Mizoram, for example, Power and Electricity Department, Mizoram State Transport Department, Tourism Department and Forest and Environmental Department etc. are departmentally managed. These satisfy the criteria of an enterprise but do not function as legal entities. These are part and parcel of government.

✓ In deciding which particular activity of the government may fall under the category of public enterprises, we have used the following criteria:

(a) It should be an entrepreneurial activity involving buying and selling, or manufacturing and production or a commercial operation.

(b) The products or services produced by these undertakings are sold for a price.

(c) In respect of these undertakings, the government aims to cover the cost of its operations.

1.6 Patterns of Organisation of Public Sector Enterprises :

Public enterprises adopts a variety of forms of organisation for its administrative set up. The form of organisation of public sector undertakings has an important bearing on the success of the enterprise. The right choice of organisational set up would promote good administration and this further would

lead to sound and efficient management, better service and higher production. On the other hand a wrong choice could hinder good administration. W.A. Robson said that there are seven forms of public enterprises, namely: Departmental Management, the Local Authority, the Regulatory Commission, the Mixed Enterprises, the Representative Trust, the Joint Stock Company and the public corporation. However, S.S. Thera has divided public enterprises on the basis of ownership and found four forms, such as, Public Enterprises owned by the central government, State Government Enterprises, Enterprises under joint ownership of the central and state governments, and the joint enterprises of the government and the private entrepreneurs. It may be that there can be several points of views on which public undertakings can be categorised. For instance, we may categorise them as financial enterprises, developmental enterprises, industrial enterprises, commercial enterprises and so on. In our study, we have identified four types of Public Sector Enterprises, namely Departmental Undertakings, Government Company, Statutory Corporation and Co-operative Societies.

1.7. Method of Creation:

A departmental undertaking may be formed in two ways First, an exclusive department for the purpose may be created and charged with the responsibility of managing the undertaking. The Power and Electricity Department, Tourism Department and the Mizoram State Transport Department are examples from Mizoram. Second, the undertaking may be entrusted to a department within

the department. The department manages it along with its other activities. For example, Irrigation project is managed by Department of Agriculture in Mizoram.

Thus, the creation of the departmental undertaking is done through an Executive Order.

✓ Co-operative society may be created by a registration of every co-operative society as per co-operative societies Act, 1948. The said legislation governed the registration, working and management of co-operative organisation.

The Indian companies Act of 1956 has to be evoked while creating the Government company type of organisation. Zoram Industrial Development Corporation is an example of this type of organisation in Mizoram.

The statutory corporation is constituted by a special statutory law passed by the state legislature in the case of State Level Public Enterprises, the Parliament of India in the case of central Public Enterprises. The Mizoram Hand and Village Industries Board is an example of this type of organisation in Mizoram.

1.8. Coverage of the Research:

The present research aims to study the different forms of organisation of Public Enterprises in Mizoram and their

administrative as well as managerial dimensions. In Mizoram a large majority of the undertakings are departmentally managed. Very few of them have an extra-departmental or autonomous management. There are four main forms of organising public enterprises in Mizoram these are - Departmental form of organisation, Government Company, Public Corporation and the Co-operative Societies form. It is good indication that more and more extra-departmentally managed enterprises are coming up in Mizoram in recent years. Presently, the following autonomously managed Public Enterprises are operating in Mizoram.

- (a) Zoram Industrial Development Corporation Limited (ZIDCO)
- (b) Mizoram Co-operative Apex Bank Limited. (APEX BANK).
- (c) Mizoram State Co-operative Marketing and Consumers' Federation Ltd. (MIZOFED)
- (d) Mizoram Hand and Village Industries Board (MHVIB)
- (e) Mizoram Food and Allied Industries Corporation Ltd. (MIFCO)
- (f) Zoram Electronic Development Corporation Ltd. (ZENICS)
- (g) Mizoram Apex Handloom and Handicraft Co-operative Society Ltd. (MAHCO)
- (h) Mizoram Handloom and Handicrafts Development Corporation Limited (ZOHANCO)
- (i) Mizoram Agricultural Marketing Corporation Limited. (MAMCO)

Of the above mentioned autonomously managed enterprises, the Mizoram Hand and Village Industries Board is the only statutory corporation which is constituted by a special statutory law passed by the Mizoram Legislative Assembly in 1982. The Zoram

Industrial Development Corporation, Mizoram Handloom and Handicrafts Development Corporation and Mizoram Agriculture Marketing Corporation are Government companies incorporated under the companies Act of 1956. The remaining enterprises namely; the Mizoram Co-operative Apex Bank, the Mizoram Handloom and Handicrafts Development Corporation, the Mizoram Apex Handloom and Handicraft Co-operative Society and the Mizoram State Co-operative Marketing and Consumers' Federation are registered enterprises under the Co-operative societies' Act of 1948.

In Mizoram, it is observed that the key sectors of the economy, such as, generation and distribution of Electricity, Irrigation, Tourism, Sericulture, Horticulture, Forest etc. are continued to be departmentally managed. Regarding the activities of these bodies, the government does not treat the citizens of the country as a sovereign or ruler but as a businessman or an industrialist. The relationship of the citizens and the government in regard to these activities, is more or less synonymous to a relationship of buyers and sellers. These activities are revenue generating activities and not revenue consuming activities, unlike the case with public administration proper. These activities are again, self financing activities; they are supposed to generate revenue which shall be adequate to meet the costs involved. It is often argued that the public sector is not meant to make profits but to discharge crucial social responsibilities. However, it is a fact that in the absence of a specific criterion to measure the degree of its success in that regard, such an approach has often

served as an excuse for inefficiency.

In deciding the coverage of the research in question, and the undertakings which might be included within its scope, we are governed by the above mentioned criteria. The form of organisation through which an undertaking might be managed is in no way the deciding criterion for effecting a demarcation between public enterprise and public administration dimensions of the government, although it is true that most public undertakings tend to have an extra-departmental form of organisation.

Departmental management of public enterprise is best suited in case of enterprises which are important from the point of view of secrecy and defence. Such enterprises are ordinarily owned and operated not with a view to earn profits but for achieving certain national goals and serving public interest. For an indept analysis of the organisation, administrative and managerial aspects of Public Sector Enterprises in Mizoram, the present work is confined to a few selected public undertakings of the state. Four Public Sector Enterprises are selected for detailed investigation and systematic study, namely:- ✓

- (a) Zoram Industrial Development Corporation Ltd.
- (b) Mizoram Hand and Village Industries Board
- (c) Mizoram Co-operative Apex Bank
- (d) Mizoram State Transport Department.

These public undertakings are selected from the

organisational point of view and they are representatives of the existing organisation patterns in Mizoram. Thus, Zoram Industrial Development Corporation (ZIDCO) Ltd. is a government company registered under the Companies Act of 1956; Mizoram Khadi and Village Industries Board is a statutory corporation created by a special Act passed by the Mizoram State Legislative Assembly; Mizoram Co-operative Apex Bank is a co-operative society registered under the Co-operative Societies Act and lastly, the Mizoram State Transport is a departmentally managed undertaking.

1.9. Objectives of the research:

The present research study has the following objectives:-

(a) To investigate and analyse the organisational, administrative and managerial dimensions of Public Sector Enterprises in Mizoram.

(b) To identify the problem faced by Public Sector Enterprises in Mizoram.

(c) To study the profit and pricing policy of public sector enterprises of Mizoram and to probe into the effectiveness of the control system.

(d) To evaluate the role and performance of Public Sector Undertakings in the economic development of Mizoram.

(e) To analyse various factors which affect the

dominance of departmentally managed state enterprises over other system of organisation in Mizoram.

1.10. Methodology and Sources of data:

The methodology adopted for the study mainly consist of collection of information and data from the four selected public sector enterprises. Personal interview with key officials of the organisations were also made to have a deeper understanding of the decision making process and the management system of the covered undertakings.

Basic data relating to organisation structure of the enterprises are collected from the selected Public Sector Undertakings and other sources of data including Auditors Report, Annual Report and other official records both published and unpublished. The data so generated are analysed with simple statistical tools such as percentages, averages, and other simple diagramatical representation.

1.11. Scheme of Chapters:

Chapter-I : Introduction:

The chapter deals with the aims and objectives, basic concept of Public Enterprise, coverage of the research and methodology applied for the research.

Chapter-2 : Pattern of Public Enterprises in India:

This chapter deals with the evolution and organisational framework of Public Enterprises in India. Attempt is also made to highlight the impact of the introduction of New Economic Policy on the Public Sector Enterprises in India.

Chapter-3 : Patterns of organisation and Administration of Public Enterprises in Mizoram :

This chapter deals with the Origin, growth and patterns of organisation and Administration of Public Enterprises in Mizoram.

Chapter-4 : Pricing and Profit policy of Public Sector :

An attempt is made here to elaborate pricing and profit policy of Public Sector Enterprises in Mizoram and other related issues like Autonomy and Accountability.

Chapter-5 : Role of Public Sector Enterprises in Mizoram Economy :

This chapter is devoted to study and find out the position and performance of Public Enterprises in Mizoram Economy.

Chapter-6 : Powers and Functions of Board of Directors of Public Enterprises in Mizoram and its relations with Government :

This chapter deals with the organisation, position and role of the Board of Directors in the Management and Administration of Public Enterprises in Mizoram and their relationship with the Government is also studied.

Chapter-7 : Conclusion :

The concluding chapter is meant to highlight our findings and observations based on the analyses made in our study.

NOTES AND REFFERENCES

1. Stastical Handbook Mizoram 1994, Directorate of Economics and Statistics ,Government of Mizoram,Aizawl,1995.
2. ibid
3. Gupta,K.R.,Organisation and Management of Public Enterprises,(edited) Vol I,New Delhi,Atlantic Publishers and Distributors,1978,p.32.
4. Shukla,M.C.,Business Organisation and Management,New Delhi, S.Chand & Company Ltd.,17th edition 1986,p.290.
5. Gupta,K.R., op.cit,p.1.
6. ibid p.1.
7. Sosna,S.A.,Public Enterprises in Developing Countries : A legal study,Moscow,Progress Publishers,1983,p.30.
8. Khera,S.S., Government in Business,Bombay,Asia Publishing House,1963,p.24.
9. Webster Comprehensive Dictionary, U.S.A., International Edition,J.G.Ferguson Publishing Company,1977

CHAPTER : 2

PUBLIC SECTOR ENTERPRISES IN INDIA

Public Sector Enterprises in India

Patterns of Public Sector Enterprises in India

Growth of Central Public Sector Enterprises in India

Break-up of Investment in Central Public Sector Enterprises

Performance of Central Public Sector Enterprises

Public Enterprises under State Government

Public Sector Enterprises under the New Economic Policy

CHAPTER - 2

PUBLIC SECTOR ENTERPRISES IN INDIA

2.1. Evolution of the concept of Public Sector in India:

The need for the creation of the public sector was felt after attaining Independence. The role and the scope of the public sector was defined by the Industrial Policy Resolutions of 1948 and 1956 in the context of dynamic national policy. The industrial Policy Resolution of 1956 said : "The adoption of the socialistic pattern of society as well as the need for planned and rapid development require that all industries of basic and strategic importance or in the nature of public utility services, should be in the public sectors". This concept was incorporated in the First and Second Plans. The idea was to provide a firm base for setting up core industries like power, coal, steel, fertilizers, atomic energy and machine building in the public sector and to have the rest for the private sector.

Thus, the expansion of the public sector in the field of industries took place in a big way with the launching of the Second Plan (1956-61) which gave top priority to the rapid industrialisation of the country. The Second Five Year Plan adopted "socialist pattern of society" as the goal of socio-economic policies of the government. The objective of national economic policy became the promotion of rapid economic growth combined with more equal distribution of income and wealth and economic opportunities for individuals and for various regions. The crea-

tion of such a pattern of society, according to the planning authorities required the public sector to move towards "commanding heights" in the operation of the economy over time.¹ The following statement in the Document of the Second Five Year Plan makes clear the role of the public sector in the planned economic development of the country. "For creating the Socialistic pattern of society the state has to take on heavy responsibilities. The public sector has to expand rapidly. It has to play a dominant role in shaping the entire pattern of investment—both private and public in the economy and has to initiate development which the private sector is unwilling or unable to undertake. The responsibility for new developments in certain major lines of activity which require the use of modern technology, large-scale production and a unified control and allocation of resources must be undertaken in the main by the state. Public ownership, partial or complete, and public control or participation in management are specially required in those fields in which technological considerations tend towards a concentration of economic power and of wealth, private enterprise has to play its part within the framework of the overall plan. In a growing economy there is scope both for public and private sectors to expand simultaneously, but if development is to proceed at the pace envisaged and is to contribute effectively to the larger social ends in view, it is inevitable that the public sector must grow not only absolutely but also relatively to the private sector".²

In the pre-Independence era, only the railways, post and telegraph department, port trusts and some ordnance factories

are being run under state control but in the last four and half decades the public sector has emerged as a major factor in the country's economic growth. Public sector enterprises now constitute a major national capability in terms of their scale of operation, coverage of the national economy, technological capability, and stock of human capital. There are over a thousand public enterprises, about 700 of which are owned by the states. The rest are in the central sector. ³

2.2. Patterns of Public Sector Enterprises in India:

Organisationally, there are three types of public sector enterprises in India: (i) Departmentally managed; (ii) Public Corporations, and (iii) Government companies. The company form of organisation is the most common. Besides these three basic forms, public enterprises, may also be organised, depending upon the requirements of specific situation in the following forms :

- (a) Semi-autonomous Enterprise
- (b) Control Board
- (c) Operating contracts
- (d) Co-operative Society
- (e) Form of Organisation of Non-Profit making Public Enterprises. ⁴

2.2.1 Departmental undertaking :

Under this form of organisation, a public enterprise is run as a department of the government. Departmental

undertakings are directly subordinate to a ministry. The study team on public sector undertaking of the Administrative Reforms Commission has mentioned the following as the principal characteristic of the departmental undertaking.⁵

(a) It is financed by annual appropriations from the treasury and all, or a majority share of its revenue are paid into the treasury.

(b) It is subject to budget accounting and audit controls applicable to government activities.

(c) Its permanent staff consists of civil servants, and their conditions of recruitment and service are the same as other civil servants.

(d) It can be sued only by following the procedure prescribed for filing suits against the government.

✓ The departmentally managed public undertaking have some definite advantages⁶. Under this form, the concerned minister who is responsible to legislature, has the advantage of exercising the maximum control over the public undertakings. Hence, maximum public accountability can be ensured. Again, it is a simple form for organising public undertakings.

The departmental pattern of organisation has some limitations. Basically, this institutional pattern is designed to handle the traditional, sovereign functions of government and, as such, the rules and regulations, and procedures, within whose framework its functions, are incongruent with the requirements of busi-

ness management⁷. They have to rigidly follow the rigorous rules and regulations. Hence, they lack flexibility, initiative, dynamism and drive.

Departmental undertaking is the oldest form of organising public enterprise. In India, the traditional public enterprises like the Railways, the Posts and Telecommunication, Broadcasting, etc. are even operated in the form of departmental organisation. The other examples of departmental undertakings are Chittaranjan Locomotive Works, Integral Coach Factory, Tarapur Atomic Energy Plant etc.

2.2.2 Statutory Corporation :

W.A. Robson describes statutory corporation as the most important constitutional innovation of this century. When at the dawn of the present century, the government began to assume entrepreneurial role, it found increasingly necessary to look around for organisational and procedural modalities suited to carry out its new industrial and business functions. The traditional department organisation stood discarded in favour of the modern corporate organisation.

According to the International Encyclopaedia of the social sciences, "A corporation is a form of organisation which enables a group of individuals to act under a common name in carrying on one or more related enterprises, holding and managing property and distributing the profits or beneficial interests in

such enterprises or property among the associates. Its structure is defined and sanctioned by a statute, charter or certificate granted by the state; its shares are transferable; its life is independent of the lives of the individuals; and its debts do not usually create a liability for the latter". It is created by a public authority with defined powers and functions. It is administered by a board appointed by government to which it is answerable. In India, Coal India Ltd. Air India, Indian Airlines, National Thermal Power Corporation etc. are statutorily created by Acts of Parliament.

The basic ideology of public corporation rest on autonomy in its normal, often described as day-to-day operations of the enterprise. The rationale of creating a public corporation is that commercial activities require quick decision which ordinarily departments are either incompetent or unwilling to arrive at. The public corporation, as an autonomous unit, can be more flexible and agile in its operational framework. ✓

2.2.3. Government Company :

Whenever a government company is to be set up for management of public enterprises, the provision of the Indian Companies Act of 1956 have to be invoked. According to Article 617 of the said Act, a company is called as a 'Government Company' if at least 51 percent of its paid up capital is held either by the central government or by a state government or by both central and state government. Most of the extra-departmentally

managed undertakings in India are, in fact, a government company eg. Steel Authority of India, Indian Petrochemicals Corporation Ltd.etc. We may mention that there are the merits and demerits of government companies compared to public corporations. In the first place, as compared to public corporations it is easy and convenient to set up a government company. The whole long-drawn and time consuming process of fresh enactment can be conveniently by-passed. No fresh enactment is essential for setting up a government company. Only provision of the companies Act have to be invoked and the company will be there. It is the only form of management of public enterprises in which without any inconvenience, government can make use of private capital, be it from inside or outside the country. Besides, there is healthy competition between the private and the government companies and this is good in the interest of the consumers.

It may be mentioned that 'Government company' and 'Public company' are not one and the same thing. According to the Companies Act, a public company is one which is not a private company, the membership of which is open to the general public under the provisions of its articles. The minimum number required is seven, but there is no limit to the maximum number.^B Government company is a company in which not less than 51 percent of the paid up shares capital is held by the government. Up to 49 percent of the paid up share capital may therefore be held by private individuals or financial institutions.

A Government Company may be either Private or Public

Company. The point which needs to be specifically underlined in this connection is that in the phrases 'Public Company' and 'Private Company' the respective prefixes have nothing to do with the ownership attribute of either category of companies. Regarding the number of share holders, there can be, in a private company, as few as two share holders but their upper limit cannot exceed fifty; as against this, in a public company, there is no upper limit imposed on the number of share holders. Again, a private company cannot issue a prospectus; whereas, a public company must file a prospectus or a statement in lieu thereof.

1.3. Growth of Central Public Sector Enterprise in India:

As on March 31st 1993, there are 245 Central Public Sector Enterprises, excluding banks, financial institutions and departmental undertakings like the railways, ports, etc. The growth of investment in Central Public Sector Enterprises is shown in table 2.1. It will be clear from the table that since 1951. The number of industrial and commercial undertakings of the Central Government has increased from 5 in 1950-51 to 245 unit in 1992-93 and the capital investment has increased from Rs. 29 crores to Rs.146.971 crores on 31st March, 1993. The investment is in the form of equity capital and long term loans.

Table 2.1. Growth of Investment in Central Government Enterprises

As on 1st April	No units	Total Investment (Rs.crores)
1951	5	29
1956	21	81
1961	47	948
1969	84	3897
1974	122	6237
1980	177	18150
1985	215	42673
1990	244	99329
1991	246	113.896
1992	246	135.445
1993	245	146.971

Source: Government of India, Public Sector Enterprise Survey (1992-93)

2.4. Break up of Investment in Central PSEs:

Out of the total investment of Rs.146.971 crores at the end of March, 1993, the share of enterprises producing goods amount to Rs.106.865 crores (i.e.72.7 percent of total) and that of service enterprises was Rs.39,002 crores (i.e about 26.5 percent). The balance of Rs.1,104 crores was accounted for by

Companies under construction (0.8 percent). The details of break-up of investment in Central Public Sector Enterprises are summarised in Table 2.2. The enterprises in the power group had the highest investment at the end of 1992-93 (19.0 percent). This was followed by steel accounting for 13.1 percent. Next, in order of importance were petroleum (10.7 percent), coal and lignite (9.6 percent), minerals and metals (4.9 percent), fertilizers (4.2 percent), engineering (3.7 percent) are so on.

In the service sector, the most important are financial services accounting for 12.0 percent followed by transport services 5.2 percent, telecommunication service 3.4 percent, and trading and marketing service 1.8 percent.

Table 2.2. Break-up of Investment in Central Public Sector Enterprises.

Sl.No.		Investment (Rs.crores)	Percent of Total
1		2	3
1.	Enterprisiss under construction	1,104	0.8
2.	Enterprisiss producing goods	106,865	72.7
	a) Power	27,942	19.0
	b) Steel	19,282	13.1
	c) Coal and lignite	15,668	10.7
	d) Petroleum	14,139	9.6
	e) Mineral and metals	7,123	4.9
	f) Fertilizers	5,870	4.0
	g) Engineering	5,455	3.7

1	2	3
h) Transport Equipment	2,638	1.8
i) Consumer goods	2,939	2.0
j) Agro-based	62	0.1
3. Enterprises producing services	39,002	26.5
a) Financial services	17,621	12.0
b) Transportation services	7,672	5.2
c) Telecommunication services	5,012	3.4
d) Trading and marketing services	2,573	1.8
e) Other services	6,124	4.2
TOTAL : (1+2+3)=		
	146,971	100.0

Source : Dutt, Rudder and Sundharam K.P.M., Indian Economy

32nd Edition, S.Chand & Company Ltd. 1995, New Delhi, P-159

2.5. Performance of Central Public Sector Enterprises:

The financial performance of the public enterprises has been a matter of wide interest and concern. Table 2.3 presents the performance of Central Public Sector Enterprises in India.

Table 2.3 Profitability profile of Central PSEs.

Particulars	1981-82	1990-91	1991-92
1. Operating enterprises	188	236	237
1) profitable enterprises	104	124	134
ii) loss-making enterprises	83	109	101
		Rs. crores	
2. Capital employed	21935	102083	118491
3. Gross margin	4012	18312	22435
4. Gross profit	2654	11102	13857
5. Net profit	445	2272	2475
6. Profits of profit making enterprises	1293	5432	6149
7. Losses of loss-making enterprises	848	3064	3674
		Percent	
8. Ratio of gross margin to Capital employed	18.29	17.94	18.93
9. Percentage of gross profit to capital employed.	12.10	10.88	11.69
10. Ratio of net profit to capital employed	2.03	2.23	2.09

Source : Government of India, Ministry of Finance Economic Survey 1992-93, New Delhi.

As seen from Table 2.3 profits of profit making enterprises went up from Rs.1293 crore in 1981-82 to Rs.6147 crore in 1991-92; but the losses of loss-making enterprises also increased from Rs. 848 crore to Rs.3674 crore over the same period. Thus Public Sector Enterprises earned a rate of return of 2.23 percent on capital employed in 1990-91, which declined to 2.09 percent in 1991-92. During 1991-92, nine PSEs have shown improvement in their performance over 1990-91. The gross margin (i.e.before depreciation, interest and taxes) of PSEs as percent of capital employed improved from 10.88 percent of capital employed improved from 10.88 percent in 1990-91 to 11.69 in 1991-92. The heavy capital investment in the past combined with a massive interest burden eats into the gross margins of Public Sector Enterprises and results in an unsatisfactory financial performance overall. 9 ✓

The profitability of Public Sector Enterprises in 1991-92 in terms of ratios of gross margins, gross profits and net profits to capital employed at 18.93 percent, 11.69 percent and 2.09 percent, respectively, has not improved over the last ten years, and was, indeed, depressed in 1990-91 and only slightly improved in 1991-92 as compared to past several years. They are observed to be, on the whole, lower than those for private enterprises. However, the performance of public enterprises varies widely and some of them have profitability ratios comparable to private enterprises.

The loss-making public enterprises also represent a

variety product or industry groups and market structures. They are large enterprises which are monopolised and operated in the core sector, while the remaining ones function in a competitive environment producing a variety of goods and services. As between these categories, the monopolise account for about three-fourths of the capital employed and one-fourth of the accumulated losses; the competitive enterprises employing a quarter of the capital, make three-quarters of the losses. The share of monopolise and competitive Public Sector Enterprises in employment is nearly equal.

✓ The loss-making monopolise mentioned above include Food Corporation of India, Indian Airlines Corporation, Delhi Transport Corporation, Coal India Ltd. Vayudoot, Bharat Gold Mines, National Firm Development Corporation and North Eastern Regional Agricultural Marketing Corporation.

The remaining loss-making enterprises, of which about half constitute sick units taken over by the Government from the private sector, account for the bulk (about three-fourths) of the losses of public enterprises. The loss per employee in these enterprises exceeds the average wage rate. The Government has also been borrowing at a high cost from the market to support them. They, therefore, deserve special attention in economic restructuring.

2.6 Public Enterprises Under State Governments:

Not much information is available about State Level Public Enterprises (SLPEs). The Institute of Public Enterprise at the instance of the Planning Commission, has compiled information regarding SLPEs. As on March 31, 1986, there were 636 SLPEs functioning in 24 states. The investment in SLPEs, as on March, 1986, was of the order of Rs. 10,000 crores, as against Rs. 2,860 crores, as on March 31, 1977. While inclusive of State Electricity Boards and State Road Transport Corporation, total investment stood at Rs. 25,000 crores in 1986, as against Rs. 9,576 crores in 1977. The average rate of growth of investment in State Level Enterprises during 1977-86 period was of the order of 20 percent per annum.

The above figures refer to the investment in non-department enterprises of Central and State government and do not include departmental undertakings like Railways, Posts and Telegraphs and other departments, which account for an investment of nearly Rs. 25,000 crores, if all these are included, then the total public sector investment in the entire country, in all kinds of enterprises (departmental and non-departmental), at the centre, state and local level, would be around Rs. 2,20,000 crore.¹⁰

2.7 PSEs under the New Economic Policy :

Beginning with mid-1991, the government of India has made some changes in its economic policy which marks a big departure from what has gone before. The main features of the New Economic Policy are : Liberalisation, Privatisation and Globalisation of the economy.

The thrust of the policy is the freedom for the private sector to enter any industry of business except which are reserved for PSE. All that is needed is to follow certain guidelines to get into a line of one's choice. This has become possible as the control systems and licensing frameworks which once governed the entry of private sector in almost all the activities have been done away with.

Another aspect of the New Economic policy is the large increase in the scope for the privatisation in the functioning of the economy. The new policy provides for the privatisation of the public sector units.

The new Economic Policy has also made the economy outwardly oriented that its activities are now to be governed both by the domestic market as also the world Market. This will mean integration of the domestic economy with the Global economy.

One of the major components of the New Economic Policy initiated since 1991 is the reform of public sector enter-

prises. The key elements of the strategy for the reform of public sector include strengthening managerial autonomy; promotion of Private Sector Competition in areas where social considerations are paramount; reduction in budgetary support to public enterprises in view of severe budgetary constraints, and increasing dividend payments to ensure adequate return on Government's equity; partial disinvestment of equity in selected enterprises to mobilise non-inflationary resources and to widen public and private sector participation in public sector in order to introduce a greater sense of accountability; restructuring or closure of unviable enterprises and creation of a safety net to protect the interests of workers.

2.7.1. Industrial Policy of 1991 and Public Sector Enterprises:

The Government of India announced a New Industrial Policy in July 1991 which contains the following four major decisions in respect of the public sector :

- (a) Reduction in the list of industries reserved for the Public Sector from 17 to 8 and introducing selective competition in the reserved area.
- (b) Disinvestment of shares in PSEs to raise resources and encourage wider participation of general public and workers in the ownership of the PSEs.
- (c) Policy for Sick Public Enterprises to be same as that for the private sector; and

(d) Improving performance through the performance contract or Memorandum of understanding (MOU) system by which management are to be granted greater autonomy and held accountable for results.

The policy was further elaborated in the statement made by the Prime Minister in parliament on 20th December, 1991 in which he stated that while the mixed economy system will continue in the country no further nationalisation would be resorted to; that there will be reduced budgetary support to sick or potentially sick public enterprises with a view to eliminating it as early as possible; but while dealing extent possible through the National Renewal Fund.

The Industrial Policy statement opened up nine of the 17 industries hitherto reserved for the public sector for private investment and participations, this step is expected to augment the flow of investible resources to priority sectors and at the same time enhance competitiveness and efficiency in these sectors. While the mixed character of our economy will remain, public sector units will focus more on strategic areas in keeping with the original intention.

The Eighth Plan visualises an important role for an autonomous and efficient public sector in providing essential infrastructural and strategic support for achieving the targetted rate of economic growth during the plan period (1992-97).

The Plan Document also enumerates the following policy initiatives in this regard :

- (a) Restructuring involving modernisation, rationalisation of capacity, product-mix changes and selective exit and privatisation.
- (b) Increase in autonomy and performance accountability through an effective system of MOUs between Administrative Ministries and Public Enterprises launched since the Seventh Five Year Plan.
- (c) Changes in management in specific enterprises to promote leadership, resourcefulness and innovation.
- (d) A major effort by the State Government to streamline the working of their public sector enterprises which are beset with interference and adhoc investment and employment decisions.
- (e) Technological upgradation through an integrated R & D effort and import of technology.
- (f) Re-orientation of approach in Ministries and other Government agencies corresponding to liberalisation and dismantling of regulations (Price, distribution, investment and import controls) to develop a new institutional capacity to facilitate operation of market forces, orchestration of integrated R & D effort and evolution of consensus and partnership among various state-holder.

2.7.2 Disinvestment of PSE shares :

Equity varying between 5 and 20 percent in selected public enterprises was disinvestment in two phases in December 1991 and February 1992 (Table 2.4). The 51 companies whose shares

were selected for disinvestment were a mix of 8 very good, 12 good, and 11 not so good companies with net asset value of Rs.10 shares exceeding Rs.50, between Rs.10-50 and less than Rs.20, respectively. The shares were offered in bundles consisting of 9 PSEs as randomly structured portfolios each with a national reserve price. The reserve price were offered to selected financial institutions and Mutual funds.

During the first phase of disinvestment in December 1991, bids were received from nine parties totalling Rs.1427 crore; 51.62 crore shares constituting 4.7 percent of the equity were sold. The average realisation per share (with a face value of Rs.10) was Rs.27.65. In the second phase in February 1992, bids were received from 19 parties for Rs.1611 crore; 35.59 crore shares constituting 3.3 percent of the equity were sold. The average realisation per share was Rs.45.25. Thus comprised 8 percent of the total Government share holding in the 31 PSEs, and the total amount realised was Rs.3038 crore.

Table 2.4 Disinvestment of PSE shares

(Rs.)	No. of shares sold	Total realisation (crore)	Average realisation	Rs. crore
1991-92				
1st tranche	51.62	1427		27.65
2nd tranche	35.59	1611		45.25
1992-93				
1st tranche	12.87	682		53.00
2nd tranche	31.06	1184		38.10

Source : Economic Survey 1992-93

For the year 1992-93 a target of Rs.3500 crore of PSE disinvestment was set. In October 1992, tenders were invited for 39.29 crore shares of PSEs. Valid bids were received for 56.41 crore shares, amounting to Rs.2100.82 crore. The reverse price was fixed as an average of the price recommended amounted to Rs.681.95 crore for 12.87 crore shares as shown in below:

Table 2.5 Disinvestment in October 1992.

Name of the company	Share sold (lakh)	Share of equity (percent)	Realisation (Rs.crore)
1	2	3	4
Steel Authority of India	205.67	0.52	82.59
Bharat Petroleum Corporation	25.00	5.00	169.53
Hindustan Petroleum Corporation	31.92	5.00	178.10
Hindustan Zinc	104.61	2.53	44.33
Rastitriya chemicals fertilizers	86.85	1.57	26.36
H.M.F	39.28	5.00	21.98
National Aluminium Company	644.31	5.00	124.13
Neyveli Lignite Corporation	149.69	1.04	35.02
TOTAL=	1286.08		681.95

Source : Economic Survey 1992-93

In the second phase of disinvestment in December, 1992, Government offered 46.27 crore share of 14 PSEs. In the auction 225 bids for Rs.1792 crore were received. Based on the reserve price fixed by the Government 31.06 crore shares of 12 PSEs were sold for Rs.1183.08 crore. No disinvestment was effected in the case of 2 PSEs as the bids received for their shares were below the reserve price. (see table 2.5).

In the initial phases in 1991-92, for the reason cited, it was not considered desirable to sell shares to the general public and only mutual funds and institutions were approached during 1992-93, the shares were unbundled and the bidding was made open to the public and other institutions, as by now the public sector shares had been exposed to some extent, to the market and people were better placed to assess their worth. Modalities for offering PSE shares to workers and for floating scrip offerings on the stock market, are being worked out.

Table 2.6 Disinvestment in December, 1992.

Name of the company	Share hold (lakh)	Share of equity percent	Realisation (Rs.crore)
Bharat Petroleum Corporation	25	5.00	161.45
Bongaigoan Refinery and Petrochemicals	100	5.00	42.18
Fertilizers & Chemicals, Travancore	5	0.15	1.50

cont...

1	2	3	4
Hindustan Petroleum Corporation	32	5.00	153.75
Hindustan Zinc	103	0.54	16.47
Indian Telephone Industries	10	1.14	10.47
National Aluminium Company	644	5.00	118.19
National Fertilizers	3	0.06	0.72
Nayveli Lignite Corporation	173	1.20	34.94
Rashtriya Chemicals and Fertilizers	15	0.28	4.00
State Trading Corporation	3	0.10	2.25
Steel Authority of India	1993	5.00	617.60
Total	3106		1183.60

Source : Economic Survey 1992 to 1993

2.7.3 Reference of Sick Units to Board for Industrial and Financial Reconstruction (BIFR)

The Sick Industrial Companies (Special Provisions) Act, 1995 was amended in December 1991 to enable chronically sick public enterprises to be referred to the BIFR for rationalisa-

tion. A detailed process of consultation with labour as to broaden and strengthen the consensus for rationalisation of these enterprises. The scheduled industries in the public sector which satisfy the conditions of sickness under the Act, namely seven years of unincorporation, complete erosion of net worth and two years of continuous cash losses, will be referred to the BIFR. As on 31st December 1992, 91 referred to BIFR. Out of these, 9 cases were rejected at the stage of registration and 11 were under scrutiny of the board, leaving effective registration at 71 of the registered companies. 38 belong to the central and 33 to the states. 11 ✓

The other important component of PSE reform is the decision to close down the chronically sick enterprises. The workers thus retrenched are to be retained and redeployed using the National Renewal Fund (NRF). This fund is to be supplemented with the sale proceeds of disinvestments upto a certain amount. The NRF is thus envisaged as a mechanism to minimise the social cost (i.e. in so far as displaced labour is concerned) of such plant closures. At the first instance, funds have been allocated from the NRF for implementation of the Voluntary Retirement Schemes (VRS) of the Central Public Sector Enterprises.

The main focus of the reforms in public sector enterprises in India so far has been exclusively confined to non-departmental and non-financial enterprises which are under the ownership of the central government. The PSEs which are engaged in road and rail transport, distribution of electricity and tele-

communication services, provision of water in urban and rural areas have remained the exclusive domain of the government till today. There is no major change in social sector like health and education excepting in engineering and management education where there has been a drastic reduction in the subsidy component.

NOTES AND REFERENCES:

1. Wadha, Charan D., Some Problems of India's Economic Policy.
2nd Edition, New Delhi, Tata McGraw Hill Publishing Company
Ltd., 1980, p.139.
2. Second Five Year Plan, Planning Commission, Government of India
Summary 1956, pp.10-11.
3. Economic Survey 1992-93 New Delhi, Ministry of Finance, Govern-
ment of India. p.145.
4. Mishra, N., Modern Business Organisation and Management.
New Delhi, Allied Publishers Ltd., 1989, p.269.
5. Report On Public Sectors Undertakings.
New Delhi, ARC Study Team, The Manager Publications, 1967. p.28.
6. Singh, K.R.P., Organisation and Management of Public Enterprises.
New Delhi, Deep & Deep Publications, 1987. p.22.
7. Shukla, M.C., Bussiness Organisation and Management.
New Dehli, S.Chand & COmpany Ltd, 1986. p.295.
8. Ibid., pp.55-56.
9. Economic Survey 1992-93.
New Delhi, Ministry of Finance, Government of India. p.145.
10. Dutt, Rudder and Sundharam, K.P.M., Indian Economy,
New Delhi, S.Chand & Company Ltd. p.159.
11. Economic Survey 1992-93. op.cit., p.151

CHAPTER - 3

PATTERN OF ORGANISATION AND ADMINISTRATION OF PUBLIC SECTOR ENTERPRISES IN MIZORAM

3.1. Growth and evolution of Public Sector Enterprises in Mizoram:

After independence when the constitution of India came into force, Mizoram, then known as Lushai Hills was one of the Autonomous Districts of the state of Assam under the sixth schedule to the constitution and a District council was formed in 1952 for the area covered by Aizawl and Lunglei sub-divisions while a Regional council was started in 1953 for the remaining region inhabited by the Pawis, Lalhers and the Chalmas. In 1954, the Lushai Hills District was renamed Mizo District by an Act of Parliament called the Lushai Hills District (change of name) Act 1954.

However, it was soon realised that the District Council administration was found very ineffective in spearheading development works in the region; moreover the mishandling of the 1959 famines by the government led to much disenchantment among the local people. It was under this atmosphere of general despondency and failure of development works under the District council that one political organisation called the Mizo National Front (MNF) was formed in 1961. In 1966, there was an open insurgency started by the M.N.F in Mizoram and the whole district administration was completely paralysed. Development works had

been the major casualty in an atmosphere of complete uncertainty during insurgency. However counter insurgency measures like grouping of villages and building of roads have given a great impetus to development of basic infrastructure in the region.

Again, in 1972, Mizo district was separated from Assam and made a Union Territory according to the provision of the North Eastern Areas Reorganisation Act 1971.

It was these two landmarks i.e., the insurgency movement and the new administrative status which had caused the establishment of various administrative departments in Mizoram, which in turn, paved the way for the evolution and development of Public Enterprises in Mizoram. The administration was strengthened; road communication and other basic facilities like electricity, health, education, public distribution system, safe drinking water were given top priority of the government.

It is to be noted that departmental undertakings which are the oldest form of public enterprise, are the pattern of public enterprise first emerge in Mizoram. Typically, under this system, commercial enterprises are run departmentally i.e., road transport, distribution and generation of electricity etc. Extra-departmental pattern of public enterprise such as government company, statutory corporation and co-operative societies are of recent origin in the state of Mizoram.

Mizoram became full-fledged state on 20th February 1986. The state has now formulated its own industrial policy in 1989 and the development of infrastructure networks were given topmost priority under the state's Five year Plan. New departments and other specialised institutions were created to pursue the goal of planned economic development in Mizoram. These policy measures have resulted to the deliberate expansion of Public Enterprises in Mizoram.

For the first time the Government of Mizoram has pronounced its industrial policy which has been notified on the 15th March 1989 and the same has been made effective from the 1st April 1989. The main features of the industrial policy are :-

(a) The policy gives top priority to the development of Food and Allied Industries, Handloom and Handicraft, Electronic Industries, Sericulture Industries, Village Cottage Industries.

(b) The state government endeavours to provide necessary support and protection to the local industries by means of fiscal, legal, economic, administrative and other method.

(c) Infrastructure development in the form of setting up of industrial growth centre, improvement of existing industrial estate, construction of multi-storied industrial estate at Aizawl etc.

(d) Maintenance of ecological balance, development of local resources of industrial raw materials, survey and research

of potential and availability of medicinal herbs in the state.

(e) The formation of State Level Industrial Advisory Board as co-ordinating agency.

(f) Provision of new and liberal incentives such as subsidy for preparation of project report, development of industrial land, man-power development, interest subsidy, power subsidy, transport subsidy, price preferences etc.

3.2 Pattern of Public Sector Enterprises in Mizoram :

There are four main forms of organising Public Sector Enterprises in Mizoram. These are: Departmental Undertakings, Government Companies, Statutory Corporations and Co-operative societies. Departmental undertaking includes among other organisation, the followings - Mizoram State Transport Department (MST), Power and Electricity Department, Forest and Environmental Department, Tourism Department, Fisheries Department etc.

The state government company comprises the following organisations - Zoram Industrial Development Corporation Ltd.(ZIDCO), Mizoram Food and Allied Industries Corporation Ltd.(MIFCO), Zoram Electronic Development Corporation Ltd.(ZEN-ICS), Mizoram Handloom and Handicrafts Development Corporation Ltd.(ZOHANCO), Mizoram Agricultural Marketing Corporation Ltd.(MAMCO).

Under Statutory Corporation, there is only one establishment i.e., Mizoram Hand and Village Industries Board (MIVIB).

Under Co-operative Societies, there are various establishments in Mizoram. Some of the important Co-operative Societies in Mizoram are, Service Co-operative Societies, Industrial Co-operative Societies, Handloom and Weaving Co-operative Societies, Livestock Co-operative Societies, Dairy Co-operative Societies etc. Mizoram has the following State Level Co-operative Societies as follows :

- Mizoram Co-operative Apex Bank Ltd. (APEX BANK)
- Mizoram Urban Co-operative Bank Ltd. (MUCO BANK)
- Mizoram State Co-operative Marketing and Consumer's Federation Ltd. (MIFCO)
- Mizoram Apex Handloom and Handicraft Co-operative Society Ltd. (MAHCO)
- Mizoram State Co-operative Union (MSCU)
- Mizoram Co-operative Mill Union
- Mizoram State Co-operative Fruit and Vegetable Federation.
- Mizoram State Housing and Financing Federation
- Mizoram State Co-operative Pig Producers' Federation

3.3. Organisation and Administration of Selected Public Sector Enterprises in Mizoram:

This section presents a detailed investigation and systematic study of the organisation, administration and managerial dimensions of selected public sector enterprises in Mizoram. Section A deals with the organisation and administration of Mizoram State Transport Department alongwith personal policies and management under the department; Section B analysis the organisation, administration and personal management under Zoram Industrial Development Corporation, Section C presents the organisation and administrative set up of Mizoram Thadi and Village Industries Board. Lastly Section D is concerned with the organisational set up and personal policies of the Mizoram Co-operative Apex Bank Ltd.

SECTION A : MIZORAM STATE TRANSPORT DEPARTMENT.

3.3.1. Objectives and Functions.

The MST Department was established in the month of July 1987 when the then Directorate of Supply and Transport was bifurcated into Department of Food and Civil Supply and Transport Department. One of the main functions of the Transport Department is to run passenger Bus services to different routes in Mizoram. The Department also arrange inter-state Bus services for

Aizawl, the capital of Mizoram, to Shillong, the capital of Meghalaya. Apart from the normal Bus services, MST Buses are also deployed for various duties on hire basis such as- Choir party, religious services, study tours, games and sports etc. Again, along with passenger Bus services, postal mails are also carried to various places in Mizoram. Other functions include enforcement agency and issuing permits for Taxi and Bus for different localities and routes.

3.3.2. Present organisational set up:

Secretariat level:

The State level administration is headed by a transport minister who is assisted by a secretary and other supporting staff. The Secretary heads the Transport Secretariat and is responsible for controlling and directing the activities of the department. The organisational set up of the Transport Department is given in figure 3.1.

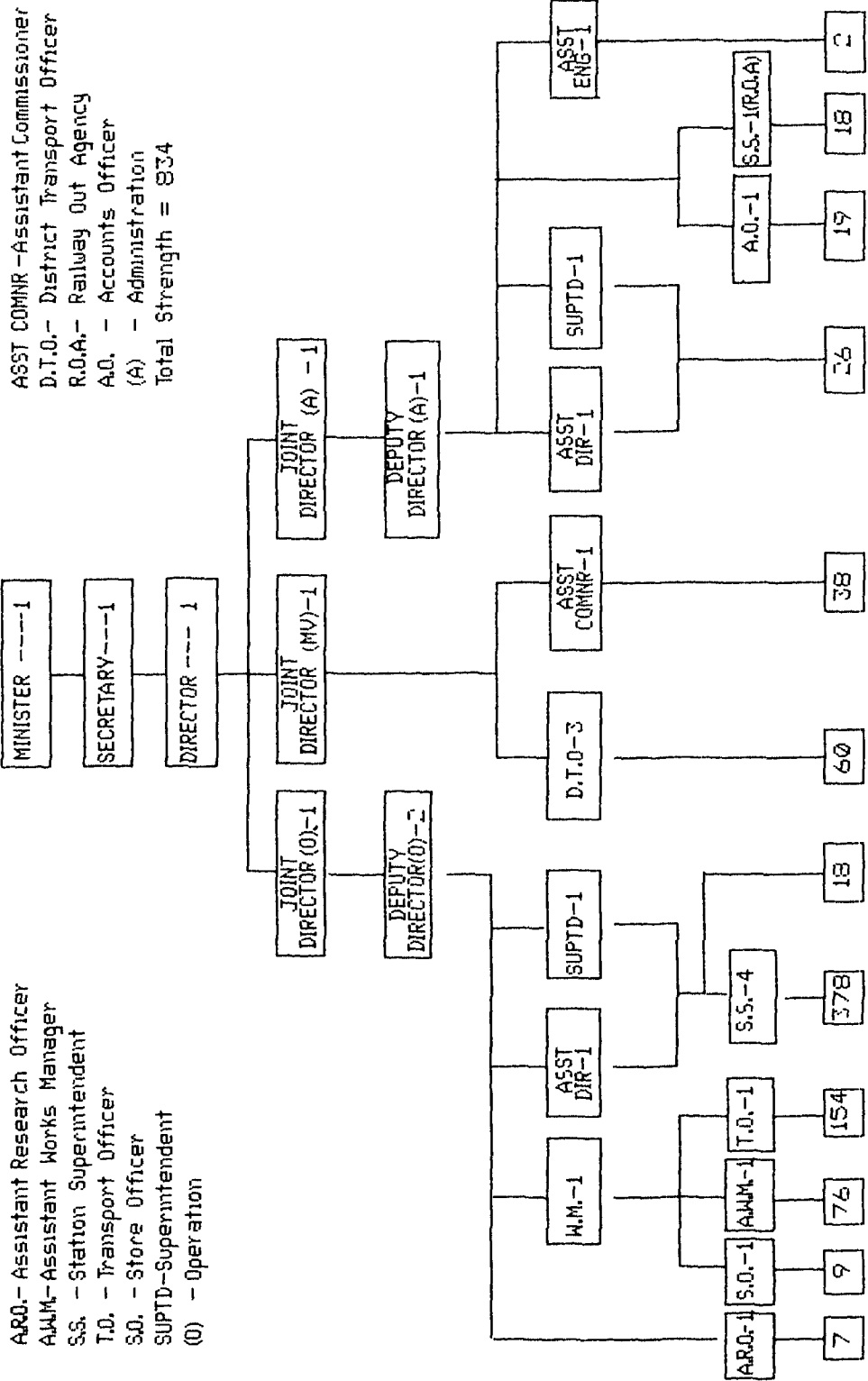
Directorate level:

The Directorate looks after the following activities:

(a) Controlling the operation of passenger Bus services and other Departmental Vehicles.

(b) Maintenance of Central Workshop at South Hlimen

ORGANISATION CHART SHOWING EXISTING POST UNDER TRANSPORT DEPARTMENT MIZORAM



Source : Statistical Cell, Directorate of Transport, Government of Mizoram. (As on July 1975)
Figure 3.1

and Depot-Cum-Workshop at Chaitlang which are responsible for technical and mechanical supports for passenger Buses and other Vehicles.

(c) Enforcement agency of Motor Vehicles 'Act and Rules which are applied in the State of Mizoram.

(d) Provision of advance booking facilities for Indian Railways through Railway out Agency.

(e) Provision of issuing Bus and Taxi permits for different routes and localities.

At the Directorate level, the Director is the head of the administration and he is responsible for supervision and co-ordination of the activities at the Directorate level. He is assisted by three joint Directors namely - Joint Director who is responsible for operation i.e., controlling the operation of passenger Bus services, other Vehicles, Central Workshop and Depot-Cum-Workshop. He is assisted by two Deputy Directors and other supporting staff including work manager, Assistant Director, Superintendent, Assistant Research Officer, Store Officer, Transport Officer and other ministerial and establishment staff.

Joint Director who is responsible for Motor Vehicleing i.e., enforcement of Motor Vehicles' Acts and Rules. He is also engaged to look after the activities of the State Transport Authority. He is assisted by one Assistant Commissioner in charge

of STA and the District Transport Officers locating at Aizawl, Lunglei and Chhimituipui respectively.

Joint Director who is responsible for the day to day administration including Account and Railway out Agency. He is assisted by one Deputy Director, the other supporting staff include Assistant Director, Superintendent, Assistant Engineer, Account Officer and Station Superintendent and other Ministerial Staff.

3.3.3. Composition and functions of State Transport Authority:

This is an important wing of the Transport Department. It is a state level board and its members are appointed by the government. It consist of Six members : Four non officials and two official members. The minister of the Transport Department is the Chairman of this board. The main functions are:-

- Provision of Bus and Taxi permit for different routes and localities.
- Provision of plying permit in the allotted routes for bus and Taxi permit holders.

3.3.4. District level organisation :

The District level administration of the department is looked after by District Transport Officer who is responsible for registration of Vehicle and collection of Road Tax and other fees payable to the government as per Vehicles' Act and rules of Mizoram. The District Transport Officer is assisted by Assistant District Transport Officer and other supporting staff including Motor Vehicle Inspector and other Ministerial Staff.

The Transport Department employs 834 personnel at present and only 76 employees are engaged in the Mechanical section. The activities of the Department is financed by annual appropriation from the government and it is subject to budget accounting and audit control applicable to government activities.

3.3.4. Personal policies and management under MST.

Personal policies and management under any organisation refers to the practices relating to recruitment of staff, training and promotion, placement, salary structure, welfare scheme, discipline and conduct of the staff.

Recruitment of staff and Appointment procedures :

In the case of technical and mechanical posts such as

Assistant Engineer, Vehicle Inspector, Electrician, Welder etc. as well as for certain kind of ministerial staff like lower division clerk, booking clerk, line checker etc. the selection is by direct recruitment. The vacancies are advertised in newspapers and the Employment Exchange is also requested to send information of the candidate who are suitable for the posts. Middle level staff such as Store Officer, Transport Officer, Station Superintendent, Work Manager, Assistant Director, Superintendent, Assistant Commissioner etc. are filled in by promoting internal candidates. While Assistant Research Officer is deputed from Planning Department and Account Officer is from Finance and Account service. The top level promotion at the Directorate level such as Deputy Director, Joint Director and Director are filled either through deputation from other services, especially from Mizoram Civil Service or by promotion from internal candidates.

At the secretariat level, the post of secretary is normally go to the personal belonging to Indian Administrative Service and other secretary of lower ranks are appointed from Mizoram Civil Service and ministerial staff.

For all posts below group B, the recruitment selection is made by Departmental Promotion Committee while the promotion for group A and above other then Central and State Civil Services are done by Mizoram Public Service Commission.

Pay scale of the staff :

The employees of the department enjoy pay scales of the government of Mizoram. The scale of pay and other allowances are subject to modification by the state government. Details of pay scale of the staff of the department is given in appendix J.

Promotional avenues :

Promotional prospects are limited. The employees belonging to various categories are generally get promoted on the basis of seniority. The department has its own Recruitment Rules and promotion policy for various categories of staffs.

Electrician of grade III has the prospect of becoming Foreman (Electrical) after having five year regular service in each of the Grade III, Grade II and Grade I respectively. Similarly, mechanic grade II will get promotion to foreman (Mechanical) after having minimum eight years regular service in the grade and five years service as mechanic I or Head Mechanic. Foreman with seven years experience in the grade and eligible for promotion to the post of Assistant Work Manager. Again, Assistant Work Manager are entitled to get promotion to the post of Work Manager after seven years service in the grade.

Routing clerk with eight years service are eligible for promotion to the post of Station Superintendent, similarly

Supervisor and Line Inspector who have completed five years regular service are eligible for promotion to the post of Assistant Director of Transport.

Work Manager, Assistant Director and Superintendent have the prospect of becoming Deputy Director after rendering qualifying service in their respective grade. Deputy Director are eligible for promotion to the post of Joint Director on the basis of seniority and merit as prescribed in the recruitment rules. Similarly, Joint Director also have the prospect of becoming Director of Transport.

Ratios are fixed for direct recruitment and promotion of inside candidate but these ratios between the insiders and the directly recruited or Deputationist vary from post to post depending on the service rule, recruitment policy and the government's directives.

Welfare Schemes :

The employees of the Transport department have the following welfare schemes -

- Medical Reimbursement
- House rent allowance included in the salary,
- House Building Advance

- Leave travel concession as admissible to the government employees /

Performance Appraisal and Career Development :

The annual confidence reports (ACR) is the only formal method for evaluating and appraising the performance of employees under Transport Department. These reports contain information like the employees personal qualities integrity and general abilities. The employees also furnishes other vital information about himself. The ACR is of the most important instrument for assessing the merit of the employees for promotion. Any adverse remarks by the concerned authority should be immediately informed to the employees and he is given the chance to explain his position.

SECTION B : ZORAM INDUSTRIAL CORPORATION (ZIDCO) LTD.

3.4.1. Objectives and Functions :

Zoram Industrial Development Corporation Ltd.(ZIDCO), formerly known as the Mizoram small Industries Development Corporation Ltd. (MSIDC), incorporated under the company Act of 1956 is formed on 7th October 1985. The Corporation had been included as member of Council of State Industrial Development and Investment Corporation of India (COSIDICI). The main object for which

the company is establish, among other things, are :

- (a) To assist, finance, protect and promote the interest of industries in the state of Mizoram.
- (b) To undertake procurement and distribution of raw materials.
- (c) To establish and maintain trade centres
- (d) To undertake and provide marketing facilities to the industries of Mizoram.
- (e) To establish and administer industrial estates in the state of Mizoram.

ZIDCO is the only industrial financial institution of the state. The industries financed include handloom and handicraft, motor works and servicing, hotel, carpentry, tailoring, fabrication works, food processing etc. and motor vehicle like Buses, Truck, Taxi etc. under the scheme of Small Road Transport Operator.

ZIDCO is also helping the entrepreneurs in developing their unit and its production and technical assistant is also provided by arranging assistance from Small Industries Service Institute, Aizawl.

3.4.2. Organisation and Administration :

The Board of Director, headed by the Chairman manages the business of the corporation and it is the highest policy making body. The Governor appoints the member of the Board of Directors and its membership should not be more than twelve but not less than two. The Industrial Development Bank of India (IDBI) and NECDN have the right to appoint Director to represent them. The term of the Board of Directors is one year. All the Director excepting the Managing Director who acts as the secretary of the Board are part-timers. The Board of Director is in fact, a policy board, so the over all administration of the corporation is managed by the MD. Out of nine MDs appointed so far since its inception in 1985, four are from Indian Revenue Service, two from Indian Administrative Service, one from Indian Defence and Accounts Service, and one from Mizoram Civil Service.

The Managing Director is assisted by a manager, three Deputy Managers and four Assistant Managers. The Managers are responsible for the following activities :-

- Project
- Company Affairs
- Establishment
- Accounts

- Legal Affairs

- Recovery and follow up

Other supporting staff of the corporation include Staff Officers, Staff Assistants, Account Officer and other Ministerial Staff. The organisational structure of the Company is shown in figure 3.2.

3.4.3. Powers and functions of Managing Director :

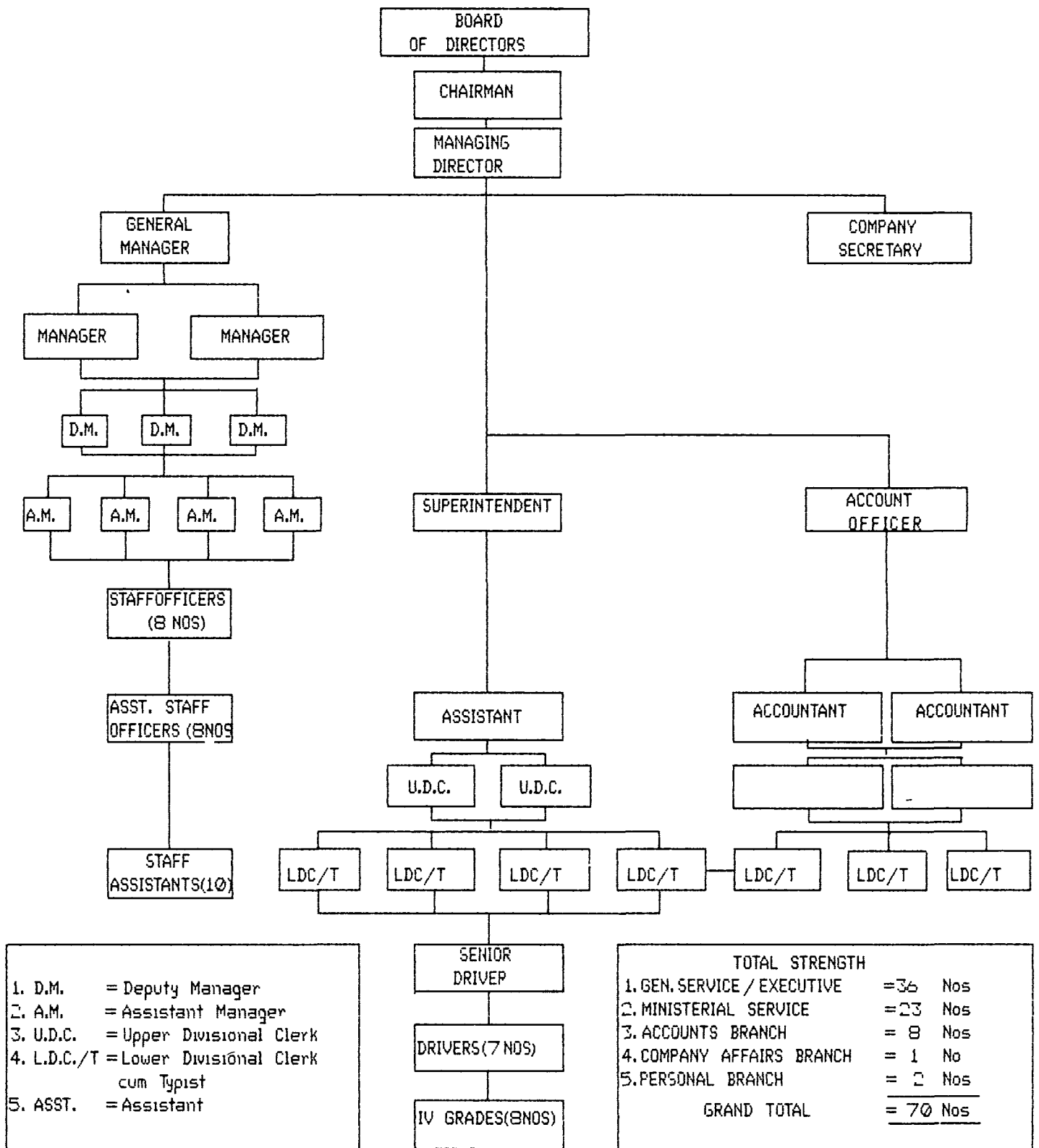
The powers and functions of MD of the corporation are as follows :

- to implement the decisions taken by the Board of Directors
- to supervise and control the work of all the employees employed by the Board of Directors.

3.4.4. Personal policies and management under ZIDCO :

The personal policies of the corporation include recruitment of staff, salary structure, promotional policy, welfare schemes and conduct and discipline of the employees and staff of the undertaking.

ORGANISATION CHART OF ZORAM INDUSTRIAL DEVELOPMENT CORPORATION



- 1. D.M. = Deputy Manager
- 2. A.M. = Assistant Manager
- 3. U.D.C. = Upper Divisional Clerk
- 4. L.D.C./T = Lower Divisional Clerk cum Typist
- 5. ASST. = Assistant

TOTAL STRENGTH	
1. GEN. SERVICE / EXECUTIVE	= 36 Nos
2. MINISTERIAL SERVICE	= 23 Nos
3. ACCOUNTS BRANCH	= 8 Nos
4. COMPANY AFFAIRS BRANCH	= 1 No
5. PERSONAL BRANCH	= 2 Nos
GRAND TOTAL	= 70 Nos

Figure 3.2

1. Recruitment of Staff and Appointment procedure :

The posts under the corporation are created by the Board of Directors. The Board lays down the terms and conditions of Services of its employees including age limit, minimum qualification, experience required, conduct and discipline etc. The Board constitutes selection committee for recruitment of the candidates.

The employees of the corporation are appointed by the Board after consultation with the Department Selection Committee. All appointments as per the recommendation of the selection committee is made by the MD.

2. Salary Structure :

ZIDCO Ltd. has its own pay scales. However, while fixing the scale of pay and allowances of its employees, the Board takes into account the scales of pay and allowances of similar categories of the employees of the State Government. Details of pay scales of the employees of the corporation belonging to various categories is given in Appendix-II.

3. Promotional Avenues :

The employees of the corporation belonging to various

categories generally get promotion on the basis of seniority and recommendation of the Departmental Promotion Committee. ZIDCO Ltd. has its own system of recruitment/service Rules and promotion rules. Ratios are fixed for direct recruitment and promotion of insiders for each category of posts. The employees are promoted as per the existing rules and regulations of the corporation. Deputy Managers with five years service are eligible for promotion to the post of manager while Assistant Manager with five year service are eligible for promotion to the post of Deputy Manager.

• Non-managerial staff like Staff Assistant, Lower Division Clerk and Junior Accountant have the prospect of becoming staff officers, Superintendent and Accountant, Account Officer respectively.

4. Welfare Schemes :

The corporation has the following welfare Scheme for its employees:

- Medical allowance and medical reimbursement in case of hospitalisation
- House rent allowances
- Leave travel concession (LTC) as per their counterpart in the state government service

- Conveyance advance as per norms, terms and condition laid down by the corporation
- Provision of employees's Provident fund (LPF) with family pension
- Leave facilities as per the leave rule of State Government.

5. Performance Appraisal and Career Development :

The performance of the employees are evaluated by means of the Annual Confidential Report. The merit of the employees for promotion are assessed by these reports. The corporation has its own conduct rules. Details about the misconduct of the employees, relating to taking part in demonstration, criticism of government and the company, accepting of gifts, undertaking of private trade or employment and other disciplinary against the employees, etc. are clearly specified in these rules.

SECTION C :MIZORAM KHADI AND VILLAGE INDUSTRIES BOARD

3.5.1. Objectives and Functions :

The Mizoram Khadi and Village Industries Board is the only statutory corporation in Mizoram and it was established under the MKVIB Act, enacted by the Mizoram Legislative Assembly

in 1982. The Board is responsible for the development and spread of Khadi and Village Industries in Mizoram.

3.5.2. Classification of Items reserved under Khadi and Village Industries:

The items of activities reserved under the Board may be classified into seven groups as follows :

Group 1 : Mineral Based Industry :

There are twelve industries under this category including cottage pottery industry, Limestone and Lime Products Industries, Stone cutting and crushing, utensils, washing powder, manufacture of bangles, manufacture of paints, pigments, varnish and distemper etc.

Group 2 : Forest Based Industry :

This includes Handmade Paper, Bamboo and Cane Works, Manufacture of Paper Cups, Plates, Book binding, Envelope Making, Photo framing, Processing and Packing of Forest Products etc.

Group 3 : Agro Based and Food Industry :

This group consists of the following items: - Processing, Packing and Marketing of Cereals, Pulses, Spices, Condi-

ments, Masala etc., Manufacture of Cane gur and Khansari, Bee keeping, Fruits and Vegetable Processing, Preservation and Canning including Pickles etc.

Group 4 : Polymer and Chemical Based Industry :

This group included Curing and Tanning of Hides and Skins; cottage soap factory; manufacture of Rubber goods; Candle, Camphor and sealing wax making; manufacture of Shampoos; Hair oils etc.

Group 5 : Engineering and non-Conventional Energy :

This includes, Carpentry, Blacksmithy; Manufacture of Paper Pin; Manufacture of Household Aluminium Utensils; Manufacture of Clips; Safety Pins; Store Pins etc., Production of Radios, Voltage Stabilizer; Manufacture of Musical Instruments etc.

Group 6: Textile Industries :

This group includes Hosiery; Tailoring and Preparation of Readymade Garments; Embroidery; manufacture of Surgical Bandages etc.

Group 7 : Service Industry :

This includes Laundry; Barber; Repairs of Diesel Engines; Pump Sets etc., Tyre Vulcanising Unit; Art Board Paint-

ing; Cycle repairs Shops; Masonry etc.

3.5.3. Organisational Set Up :

The Organisational set up of the MKVIB is shown in Figure 3.1. The highest policy making body of the MKVIB is vested with the Board of Directors headed by the Chairman. The members of the Board of Directors are appointed by the Government of Mizoram for a term of three years. The present Board consist of eleven members. Out of these, the Chief Executive Officer who also is the member secretary is a full time member and all other are part-time members.

The other members of the Board of Directors include four officials members, namely- (a) Secretary of Finance (b) Director of Industries (c) Deputy Director of IVIC, representing the Commission from the regional Headquarters, Dimapur and (d) Assistant Director of Small Industries Service Institute. The rest of the Board of Directors are formed by public men - two sitting MLAs who are the Chairman and Vice Chairman respectively and four non officials who have some experience in Industrial and Business spheres.

The Board has three standing committee on Finance, Purchase and Selection/Promotion. The Standing Finance Committee consists of 6(six) members and it is headed by the Chairman of the Board itself. The Board's Purchase Committee comprises of six

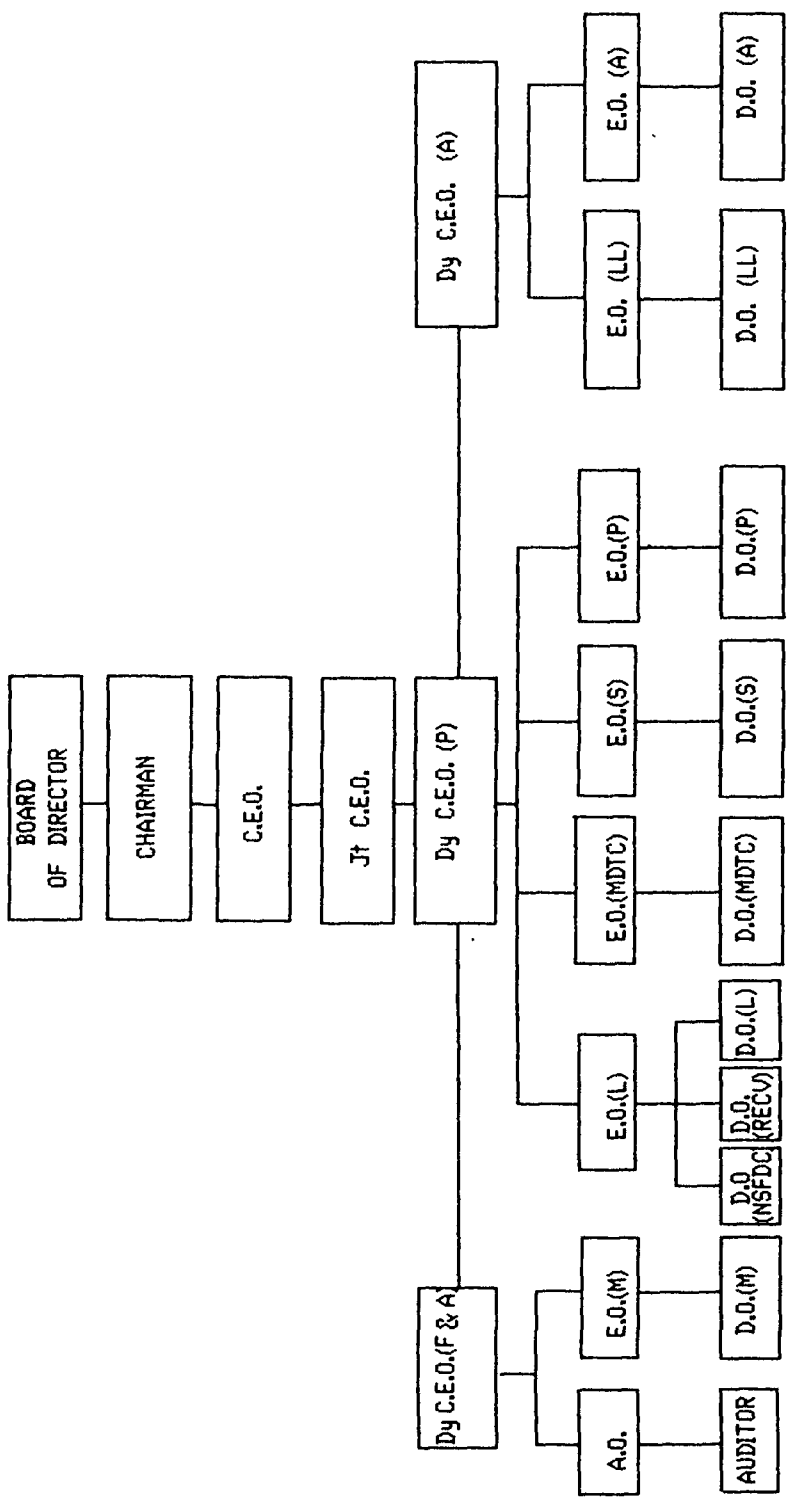
members and the CEO is the Chairman of the committee. The Departmental Promotion Committee headed by the Vice-Chairman of the Board has five members.

The Chief Executive Officer is responsible for the administration, Supervision and Co-ordination of the activities of the Board. He is assisted by Joint Chief Executive Officer and three others Deputy Chief Executive Officers. The responsibilities of the Deputy CEO are distributed as follows:

- Deputy CEO who is responsible for Finance and Accounts and Marketing. He is assisted by Account Officer, Executive Officer (Marketing), and other supporting staff like Auditor and Development Officer (Marketing).

- Deputy CEO who is responsible for Project. This section includes Loan, Statistics, Multi-Disciplinary Training Centre(MDTC) and Project evaluation and verification of Loan applicants. Each of the section is managed by Executive Officers. EO (Loan) is assisted by three Development Officers who are responsible for loan, recovery and National Schedule Caste and Schedule Tribe Finance and Development Corporation (NSFDC) respectively and others supporting staff. Similarly, Executive Officers who are responsible for MDTC, Statistics and Project are assisted by Development Officers and other Ministerial Staff and Technical Staff.

ORGANISATION CHART OF MIZORAM KHADI AND VILLAGE INDUSTRIES BOARD



- | | |
|--|--|
| 1. C.E.O. = Chief Executive Officer | 10. A.O. = Accounts Officer |
| 2. Jt C.E.O. = Joint Chief Executive Officer | 11. NSFDC = National Schedule Caste and Schedule tribe Finance and Development Corporation |
| 3. Dy.C.E.O. = Deputy Chief Executive Officer | 12. RECV = Recovery |
| 4. P = Project | 13. L = Loan |
| 5. M = Marketing | 14. A = Administration |
| 6. M.D.T.C. = Multi Disciplinary Training Centre | 15. S = Statistic |
| 7. F & A = Finance and Accounts | 16. LL = Lunglei |
| 8. E.O. = Executive Officer | |
| 9. D.O. = Development Officer | |

Source : Mizoram Khadi and Village Industries Board Figure 3.3

3.5.4. Powers and Functions of Chief Executive Officer :

The Chief Executive Officer shall work under the Control of the Chairman. He shall be entitled to attend all meetings but shall not be entitled to vote. The duties and responsibilities of the CEO includes:

(a) supervise and control the work of Officers and servants employed by the Board;

(b) implement the decisions taken by the Board;

(c) frame annual budget estimate and supplementary budget estimate under the direction of the Secretary and place them before the Board along with the views of the Financial Adviser;

(d) administer the contributory provident fund of the Board when established;

(e) sanction contingent expenditure to the extent of powers delegated to him by the Board from time to time;

(f) examine application for financial assistance (both grants and loans) and place before the Board for sanction;

(g) have the right to record his view in consultation with the Financial Adviser on every proposal involving expenditure from funds of the Board, prior to consideration and approval of such proposal by the Board; and

(h) undertake such other duties and exercise such other powers as may be assigned to him by the Board or the Chairman.

3.5.5. Personal Policies and Management :

All posts under the Board are created by the Board of Directors by passing resolutions to that effect on reasonable scale of pay ordinarily similar to the scale of pay applicable to the Government Servants entrusted with similar responsibilities. All orders regarding creation of posts is issued by the Chief Executive Officer.

The Board appoints its employees as well as honorary employees. However, in appointing its officer and the staff, the Board may consult a Selection Committee formed by the Board. All appointments as per the recommendation of the Selection Committee is made by the CEO.

The Board lays down the term and conditions of services of its employees including age limit, minimum qualification, experiences require for the post, gratuity, contributory provident fund, conduct and discipline etc.

Scale of Pay and Emoluments :

In fixing the scale of pay and allowances of its own employees, the Board takes into account the scale of pay and allowances of similar categories of government servants. The employees of the Board are classified into four classes, Class I to class IV. Details of pay of scale of the Board's employees belonging to various categories is given in Appendix 1.

Promotional Avenues :

The employees of the Board belonging to various categories generally get promoted on the basis of seniority and merit and after recommendation by the Departmental Selection Committee. Vacant posts can be filled up either by promotion from internal candidates or by direct recruitment from open candidates. Promotional prospects are limited. Executive Officers with four years service are eligible for promotion to the post of Deputy Chief Executive Officer while Development Officers with four years experience are eligible for promotion to the post of Executive Officer. Assistant Development Officer with four years experience are eligible for appointment to Development Officer and any employee who is a matriculate and have rendered 8 years experience in the feeder grade are also eligible for promotion to the post of Development Officer. An employee who is a matriculate with 4 years experience are eligible for promotion to the post of Assistant Development Officer.

Welfare Schemes :

The Board has the following Welfare Schemes for its employee :

- Medical reimbursement.
- House rent Allowance.
- Leave Travel Concession as admissible to other government employees.

- Motor Cycle/Scooter Advance as per norms, terms and condition that applicable to the State Government Servants.
- Provision of contributory Provident Fund to the employee.
- Female employees are entitled to a maternity leave upto 60 days at a time and 25 days for abortion leave.

Performance Appraisal and Career Development :

The performance of the staff of the Board is assessed by means of the Annual Confidential Report which is the basis of determining the merit of the employees for next higher promotion. These reports contain three parts- part I is dealing with the personal data like employees pay scale, post held, leave taken other than medical leave, training attended, state of health, numbers of date for late coming and unauthorised absence, warning and explanation served to the employees in the official record; Part II relates to the report, the remarks of Reporting officer, Revising officer and Accepting Officer on the employees quality like knowledge of work and office procedure, obedience, punctuality, promptness, integrity and character while Part III is about the remarks and comment by concerned officer on the basis of Report and Records or on the basis of facts which are not entered in official record.

SECTION D : MIZORAM CO-OPERATIVE APEX BANK LTD.

3.6.1 Object and Functions :

The Mizoram co-operative Bank Ltd. was established in 1978. The objects for which the Bank is established, among other things, are as follows :

- To promote the economic interest of the members of the banking in accordance with co-operative principles.

- To receive demand deposits on current saving, fixed or other accounts and to raise or borrow from time to time such sums of money as may be required for the purpose of the bank.

- To grant loans to co-operative institutions registered under the co-operative societies' Act and individual member.

- To serve as a balancing centre for all co-operative banks and societies in the state registered under the co-operative societies 'Act.

- To issue Debentures.

3.6.2. Functions of the General Assembly :

The General Assembly, stands for the general meeting of the Bank consists of one representative from each affiliated society and the ex-officio members of the Board of Directors of the Bank. The main functions of the General Assembly include the

following :

- (a) To elect the Board of Directors from amongst the members present by simple majority of votes;
- (b) Adoption of Annual Report and Annual Statement of accounts of the Bank;
- (c) Distribution of net profit;
- (d) To pass the Annual Budget as approved by the Board of Directors;
- (e) To fix the amount of liability to be incurred and the maximum rate of interest payable on deposit during the ensuing year and until the next meeting of the General Assembly;
- (f) To establish and support provident and other funds for the benefit of the employees of the Bank.

3.6.3 Formation of the Board of Directors :

The management of the Bank is vested in the Board of Directors and its composition is as follows :

- (a) Six representatives from different co-operative societies
- (b) Four nominees of the State Government of whom the Registrar shall be one,

(c) The Managing Director

The members of the Board of Directors other than the ex-officio members shall retire annually, but they are eligible for re-election. Generally the Board of Directors usually appointed by the Government are - (i) Financial Commissioner Mizoram or his representative, (ii) Secretary of Co-operative Societies, Mizoram, (iii) Secretary, Rural Development, (iv) Registrar of Co-operative Societies. They constitute the ex-officio members of the Board of Directors along with the Managing Director of the Bank.

The Board of Directors form an Executive Committee from amongst its members consisting of the following members:

- (a) Chairman
- (b) Vice-Chairman
- (c) Managing Director
- (d) One Director to be elected by the Board out of the representatives of co-operative societies
- (e) Three nominees of the Government of whom the Registrar shall be one.

The main functions of the Executive Committee, among other things include admission of members, allotment of shares of members, fixation of terms of deposits accepted by the Bank, fixation of terms of loan taken by the Bank etc.

3.6.4 Organisation and Administrative set up of the Bank :

The organisational set up of the Bank is shown in figure 3.4. The MD is responsible for administration, supervision and co-ordination of all activities related to the Bank. The MD is assisted by General Manager and Managers. The Managers are responsible for Office Administration, Loan, Inspection and Accounts. These Managers are again assisted by 4 Assistant Managers.

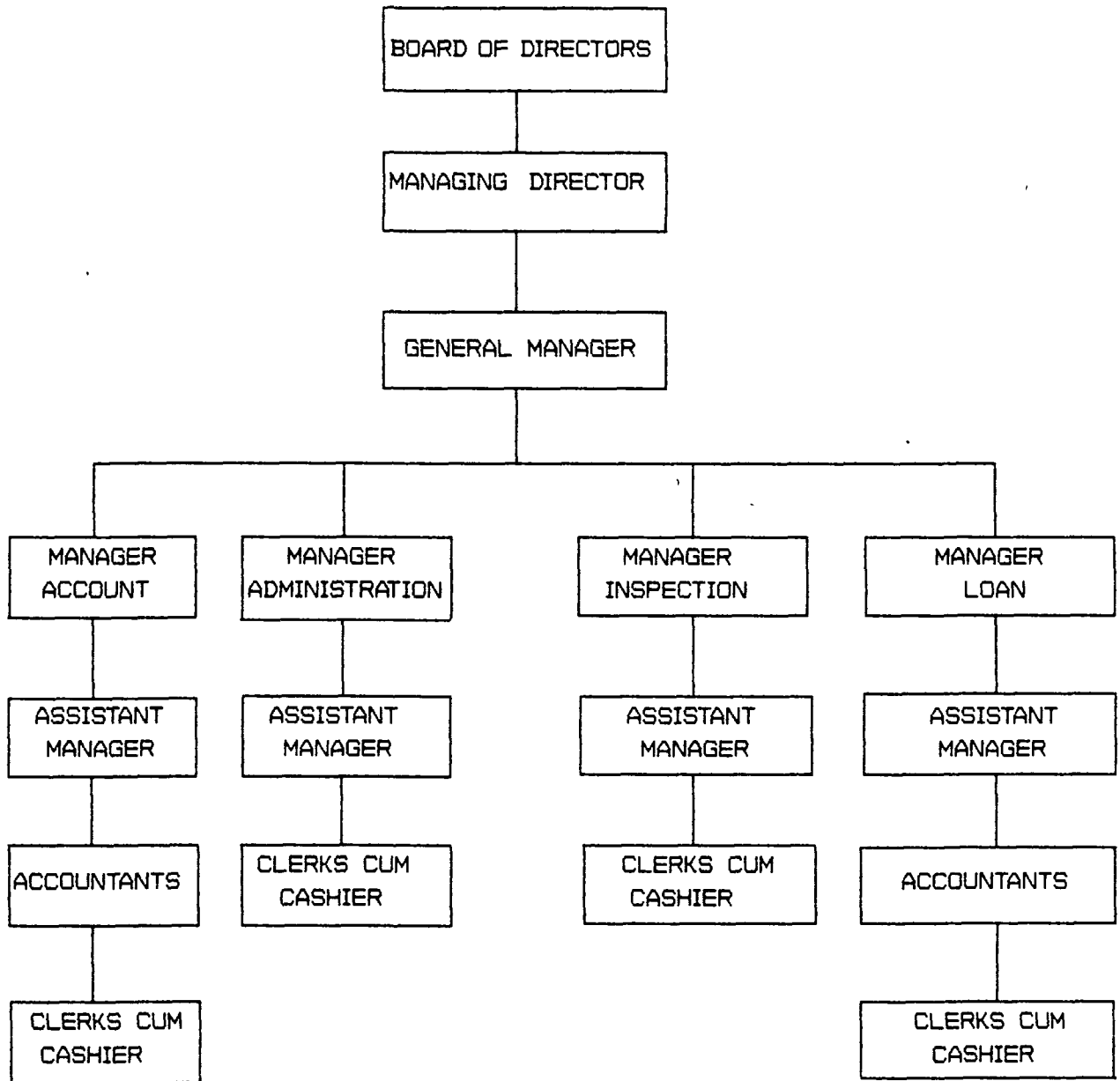
The Supporting Staff of the bank include Accountant, Cashier-Cum-Clerk and IV Grade Staff. The Mizoram Co-operative Apex Bank Ltd. has eight branches excluding the Head Office i.e., Main Branche. the Branch Offices are run and managed by Branch Manager along with other supporting staff like Accountant, Cashier-Cum-Clerk and Office Attendant. It may be noted that the post of the Branch Manager is equivalent to the post of Assistant Manager in the Head Office.

3.6.5 Personal Policies and Management under the Bank :

Recruitment of staff and appointment procedure :

The post under the Bank are created by the Board of Directors. The Board lay down the terms and condition of its employees including scale of pay, age limit, minimum qualification, experience required etc. The employees of the bank are appointed

ORGANISATION CHART OF MIZORAM CO-OPERATIVE APEX BANK LIMITED



SOURCE : APEX BANK LIMITED.

FIGURE 3.4

by the Board of Director after consultation with the Department Selection Committee. The appointment order is made by the MD.

The Departmental Selection Committee conducts written examination for in-service employee and also for direct recruitments.

Scales of Pay :

The scale of pay of the Bank's employees are fixed by the Board of Directors. While fixing the scale of pay and allowances of its employees, the Management of the Bank takes into accounts the scale of pay and allowances of other financial institutions as well as the State Government's employees. Details of pay scale of the Bank's employees is presented in Appendix III.

Promotional Avenues :

Promotional prospects are limited. Generally the post of MD is filled up on deputation from the State's Civil Services. A Manager with five years service is eligible for promotion to General Manager while Assistant Manager with five years experience is eligible for the post of Manager. Cashier-Cum-Clerk with graduate degree has the prospect of becoming Assistant Manager and accountant after completion of manimum five years service in the grade.

Welfare Schemes :

The employees of the Bank has the following Welfare Schemes :

- Medical Reimbursement
- House Rent Allowance
- House Building Advance
- Leave Travel Concession
- Personal Loan
- Conveyance Allowance as per norms and conditions laid down by the undertaking
- Maternity Leave of 60 days and abortion leave of 25 days for female employee and other leave as admissible under the rules

Performance Appraisal and Career Development :

The performance of the employees are evaluated by means of the Annual Confidential Report. The merits of the employee is assessed by these reports. These reports contain information like the performance of works, integrity and general abilities. Any adverse remarks in this report should be immediately conveyed to the concerned employees.

NOTES AND REFERENCES

1. Mizoram Co-operative Apex Bank Ltd., Bye laws, Aizawl, 1978.
2. Mizoram Khadi and Village Industries Board Act, 1982, Aizawl Mizoram.
3. Zoram Industrial Development Corporation Ltd, (Conduct, Discipline and Appeal) Rules, 1985, Aizawl, Mizoram.
4. Zoram Industrial Development Corporation Ltd. Memorandum of Association and Articles of Association, Aizawl, 1987.
5. Mizoram Co-operative Apex Bank Ltd., Service Rules 1978, Aizawl, Mizoram.
6. Zoram Industrial Development Corporation Ltd., Recruitment Rules-1994, Aizawl, Mizoram.

CHAPTER 4

PRICING AND PROFIT POLICY OF PUBLIC SECTOR ENTERPRISES IN MIZORAM

4.1. Introduction :

Formulation and implementation of proper and efficient pricing policy is of great significance in case of Public Enterprises. It is very much difficult to lay down a general rule or prescription with regard to the pricing policies due to various factors, viz; lack of clear-cut statutes or guideline of government, variety of theories of pricing as advocated by the authorities, divergent nature or activities in various enterprises and emphasis on social objective in their functioning.

The nature of different enterprises vary greatly; some are industrial and trading, some are developmental and promotional, and some are either basic, or provide essential services. Much also depends upon the competitive environment, domestic and international, in which an enterprise operates. ¹

Again, the pricing policy will not be uniform in all the economies- capitalist, socialist and mixed. In socialist where public enterprises operate as a rule, the pricing of products manufactured by public enterprises is done by a Central Planning Authority. In capitalist economies, the products manufactured by PEs are priced on the base of market forces of demand

and supply. Interference of the state in this sphere is rarely found. PEs have to function in a competitive environment and they are not given any protection by the Government.

In a mixed economy, as in India, the process of price-fixation results in a different type of problem which we do not find either in socialist economies or in capitalist economies. It is very much difficult to lay down a general prescription for pricing the products of PEs in such economy.

While the be all and end all of private enterprises is usually the maximisation of profits and dividends, Public Enterprises are set up with a variety of objectives in mind. All these motives, varying and at times conflicting in nature, account for the difficulty in arriving at a clear-cut policy of fixation of prices in public enterprises.

In almost all the cases the prices of the products of the Public Enterprises are administered prices. That is, these are fixed by the administration or management, and not by the market forces of demand and supply. As such, the fixation of prices has to be based and justified in terms of some principles and objectives.

In view of the inherent conflict between the social objectives of the PEs and their commercial viability, a rational pricing policy is all the more necessary. Accordingly, the Administrative Reforms Commission in its reports² on public undertak-

ings had made far reaching recommendations in this connection and had suggested the following principles for the formulation of an appropriate pricing policy for the PEs.:

(a) PEs in the industrial and manufacturing fields should aim at earning surpluses to make a substantial contribution to capital development out of their earnings besides making a contribution to the exchequer.

(b) Stress should be laid on output than on return on investment in public utilities.

(c) PEs should not run into losses except in pursuance of express directives issued by the Government in public interest.

(d) While determining the price structure commensurate with the surpluses expected from them, PEs should keep the level of output as near the rated capacity as possible, subject, of course, to the volume of demand for the product.

A number of theories of pricing in PEs have been put forward. Most of them are as follows : 3

- (a) Marginal Cost of Production Theory,
- (b) Average Cost of Production Theory,
- (c) No Profit No Loss Theory,
- (d) Theory of Making Profit,
- (e) Theory of Below Cost Price,
- (f) Discriminating Price Theory,

- (g) General Theory of Demand and Supply,
- (h) Two-Par Tariff Theory, and
- (i) Import Parity Theory.

Economists have propounded a number of theories of pricing in Public Enterprises. They are usually divided into two categories - The classical theory or the theory of no profit no-loss and the theories supporting the idea of surplus being earned by public enterprises.

Those who believe in no-profit no-loss principle advocate that the Public Enterprises should be able to meet their cost, should be able to compensate for depreciations of capital and should also build up reserve funds for replacements of machines out of their income. This means fixation of a price according to the Marginal Cost of Production. However, Public Enterprises should not aim at Profit-Making. But many economists have criticised this theory on the ground of theoretical as well as administrative difficulties. Hence, the principle of Marginal Cost pricing cannot be accepted as the only or the main principle for determining the price of goods and services produced and supplied by Public Enterprises. Regarding the non-desirability of adoption of break-even method, the Taxation Enquiry Commission stated that " A policy of 'no profit no loss' may be appropriate for public utilities in an advanced country, and is, perhaps, the best to be hoped for in the earlier stages of working of some Public Enterprise here. But we do not recommend it as the long-term goal for public enterprise or as a permanent policy for

most state undertakings in India,"⁴

Another theory which has been suggested is average cost pricing policy. Averaging of costs and prices, is very much prevalent even in Private Enterprises. It has been pointed out that Indian railways are rendering services throughout the country but it is not feasible nor very desirable that from each area they should charge at such varying rates that the cost of rendering service is met areawise. It may incur losses in some areas while it earn some surplus in some areas. however, this principle has also many limitations.

There are some economic and political thinkers, who believe that public enterprises should be run on commercial line. They opined that public enterprises should contribute a definite amount to the public exchequer in lieu of the capital earlier provided to it by the government for its establishment and also for occasionally meeting its losses.⁵

4.2. Price Policies of Public Enterprises in India :

A policy of charging discriminating prices, higher prices for consumers' goods and lower prices for capital goods has also been advocated in the context of developing countries. The idea behind the advocacy is that consumption will be discouraged and investment encouraged.

There may be no single policy which is acceptable to

a large mass of economic and political thinkers. In order to make public enterprises in developing economies self sufficient they should be allowed to fix the price of their products in such a way that they are able to earn adequate funds for their growth and expansion and do not have to depend on the government for this purpose. Besides, if not all most of the public enterprises should try to contribute something to the treasury.⁶

Government undertakings in India have not developed any precise and uniform policy of pricing. Each undertaking has been following a price policy conditioned by certain internal and external circumstances. Some of the following features of price policy of Public Enterprises in India are :-

- Profit as the basis of price policy
- No profit No loss basis
- Import - parity price

Public Enterprises in India generally follow a policy of profitability. Profits of public enterprise indicate its efficiency as well as serve important sources of self financing. Some Government enterprises have been required by law or by the Memorandum and Articles of Association to form a "no profit no loss" price policy while some public enterprises whose products are in direct competition with imported goods have adhered to a policy of import-parity prices.

4.3. Price Policies of selected Public Enterprises in Mizoram:

Public sector undertakings in Mizoram do not have precise formulation of the price policy. Basically the price policy is determined by the state government in case of departmental undertaking, prices of goods and services are fixed by the State Government while government companies also follow government directives. In case of financial institution like Zoram Industrial Development Corporation Ltd., interest rates are fixed by the Reserve Bank of India.

4.3.1. Price and Profit Policy of Mizoram State Transport Department :

Transport being a departmentally managed enterprise, the fares of passengers' bus and also Trucks carrying goods is fixed by the Government of Mizoram. Certainly, profit making is not the guiding principle while fixing the fares. The State Transport Authority looked after and fixed the fares with the approval of the government. Social obligation is rather more important, it appears, while fixing the fares. The decision making machinery is influenced by the principle of 'social service' because the fare collected by private bus owners is much higher than that of the Buses and Trucks of the department. For example private buses plying between Aizawl to Champhai Road of 198 kms., the fare of the private bus is Rs. 80/- per passenger whereas the MST is Rs. 60/-.

4.3.2. Price and Profit Policy of Zoram Industrial Development Corporation Ltd.

Interest rates of loans chargeable by the corporation is subjected to the RBI guidelines. The Corporation then received instruction for that through Industrial Development Bank of India (IDBI) which in turn formally approved by the Board of Directors.

Table 4.1. Interest rates under ZIDCO Ltd.as on 1st April,1996 :

Sl.No	Particulars	With effect from 21st.2.1995
Term Loans		
1.	Upto and inclusive of Rs.25000	12.50%
2.	Over Rs.25000 & upto 2 lakhs	14.00%
3.	Over Rs.2 lakhs	
	(a) SSI Units	16.00%
	(b) SRTD Units	17.25%
IBBI Purview (Non-SSI)		
1.	Hotel and Tourism related activities	18.25%
2.	Electro-Medical equipment	18.25%
3.	Hospital & Nursing Home	18.25%
4.	Mobile sale Van	18.25%

Source : ZIDCO Ltd.

4.3.3. Price and Profit Policy of Mizoram Khadi and Village Industries Board :

The MFVIB has showroom cum Emporium in Aizawl and Lunglei where the products of the small industrial units financed by the Board are displayed and sold for a price. The Purchase Committee of the Corporation constituted by the Board decides how to buy and sell the products. The guiding principle is that MFVIB is a promotional agency in which profit is not the main objective in fixing the prices of the commodities. Again, the necessity to preserve and popularise the local custom is also an important factor while fixing the prices of commodities. For example, the hand-made cane hat is the traditional dress of the Mizos. The Purchase Committee of the Board fixed the price of cane hat much lower than its cost of buying from the local producers.

Regarding fixation of interest chargeable to different kind of loans, the corporation is controlled by the MVI Commission in Bombay. However, the Commission follows the prevailing guidelines made by the Reserve Bank of India.

4.3.4. Price and Profit Policy of Mizoram Co-operative Apex Bank:

While fixing the interest rates of different kinds of loans and advances paid to loaness, the Apex Bank followed the guidelines made by the Reserve Bank of India. However, the RBI

deregularised fixation of interest chargeable since October, 1995. The RBI fixed only the floor rate, that is 12%. Since then, the interest rates on loans/advances are fixed at the Bank's discretion but subject to the prevailing RBI guidelines. It is the Board which exercises final authority for that.

Table 4.2. Interest rates under Apex Bank as on 1st, April, 1996:

Sl.No	Particulars	Rate in percent
Term Deposit		
1.	Saving Bank Account	5%
2.	46 days to 179 days	7.5%
3.	180 days to less than a year	8%
4.	1 year and above but less than 2 years	9.5%
5.	2 years and above	10%
Loans and Advances.		
1.	Upto inclusive of Rs.25,000/-	13.5%
2.	Rs.25,000/- upto 2 lakhs	14.5%
3.	Rs. 2 lakhs upto 3 lakhs	16%
4.	Above 3 lakhs	17.5%
5.	Personal loans to Govt.employees	16%

Source : The Manager i/c Loan of the Bank.

4.4. Control, Autonomy and Accountability in Public Enterprises:

4.4.1 Ministerial and Parliamentary Control :

The creation of an adequate structure and making suitable arrangements for effective control system occupy a central position in an enterprise.

Controlling is the "Steering wheel" or the "Short rein" which keeps activities of the enterprise from wandering away from Primary Objectives.⁷ Control need not have any negative connotation. If control is introduced and applied with a clear understanding of the contributory role it has to play in the process of achievement of objectives there should not be any conflict with the highly valued notions of freedom of action and exercise of authority in a public enterprise.

Since Public Enterprises are set up out of the precious scarce money paid up by the tax-payers, they have a right to make them accountable. Hence the Legislature can make Public Enterprises accountable both directly and indirectly. It can make Public Enterprises directly responsible through its various committees and also through different other methods, while indirectly it can make them accountable through the concern ministers which are in a parliamentary system of Government, responsible to it for their commissions and omissions.

The property of FEs, its assets, functions, powers, organisation etc., all spring from the Act of Parliament. It is Parliament in case of PEs created and owned by the Central Gov-

ernment and the State Legislature in case of State Controlled PEs, which are required to provide finances to them, in the form of grant, loans and subsidies.

Legislature has the right to discuss and determine the important matters concerning PEs, however, it should not interfere in the day-to-day matters and working of the enterprises. The usual practice is that it is left to the discretion of the minister concerned to decide whether the matter is connected with the general policy or the day-to-day administration regarding the enterprises.⁸

The Parliament controls the Public Enterprises in the following ways⁹:

(1) The Parliamentary questions is the most immediate and convenient way open to member of parliament to obtain information about public matters.

(11) Debates and discussion is another mean by which the parliament controls the PEs. Debates on budget covers a wide range of matters including PEs performance and working on other occasions, debates on PEs statutes and amendments thereto also provided an opportunity for a discussion on PEs.

(111) The most effective and important instrument of parliamentary control is Committee on Public Undertakings. The Committee comments upon important aspects of PE working. The reports of the Committee provide much useful data and analysis of the enterprises studied by it.

4.4.2. Nature and Elements of Autonomy :

The autonomy implies freedom to act, it is related to the freedom in internal management. Om Prakash takes autonomy as a great motivational force and points out that the concept of autonomy, however, should not be taken to mean violation of established government policies. It only implies freedom of decision making within the limits of these policies and safeguard against arbitrary interference and behind the scene manipulations on the part of those wielding political power or individual influence.¹⁰

Om Prakash¹¹ has pointed out the following seven elements of autonomy :

(i) The minister and other officials of the government should not interfere, in the decision making of state corporations.

(ii) The Governing Board should have full powers to make appointment within the organisation.

(iii) The Financial Adviser and Account Officers should not be a deputationist from the government; he should not be allowed to become de facto decision maker in policy matters. He should not be permitted to introduce a perpetual elements of antagonism within the organisations.

(iv) The pattern of audit should be drastically changed so that attention is focussed on major variables in the assesment of performance rather than on petty technical objections which have only a nuisance value (of increasing harassment and of killing initiative)

(v) The people and their representative and parliament should improved a self-denying ordinance on their curiosity for information with regard to petty matters so that they can concentrate their attention on overall objective assesment of the progress of an enterprise, and the decission- makers within the organisation can do their job in an atmosphere free from suspi- sion and strain.

(vi) The Governing Board should be free from delegate powers to lower levels of management within the organisation.

(vii) The structure of government control in relation to various public enterprises would be rationalised so that historical anomalies can be wiped out in the context of changes in price level, increase in size, integration of enterprises, other current developments and past experiences.

Public Enterprises should be given sufficient auton- my so that they may be run on commercial lines efficiently and may achieve their objectives. However, autonomy or flexibility should not wrongly be interpreted as meaning that they could work in exactly as the same manner as private entrepreneurs.

4.4.3. Accountability of Public Enterprises :

The accountability of Public Enterprises implies rendering of accounts by the Public Enterprises to the public who own these enterprises. N. Das has defined accountability in the following words. "It means that account should be rendered by a public undertaking to some higher authority and that, if the

latter is dissatisfied, it can order that steps be taken to put matters right. Accountability, therefore, include control : One is meaningless without the other".¹²

The need for accountability arises because the investment in PEs is from the public funds and the public would like them to uphold those values and achieve those objectives for which they were established.

The Legislature can make PEs directly responsible to it through its various committees and also in the form of questions, short discussions and debates, while indirectly it can make them accountable through the concerned minister who is, in a parliamentary system of government, responsible to it.

Public Enterprises are accountable through audit. The Auditor and Comptroller General has a legal authority to audit the affairs of PEs, and his reports are laid before the legislatures as prescribed by Article 151 of the constitution.¹³

The annual report is again an important medium through which an enterprise gives an account of itself. It is the only instrument issued by every PE which provides to the public and parliament information on a continuous basis about the activities of PEs.

The Government, too, as the sole shareholder, should

respond to the changing needs and among other things consider giving the public sector more effective autonomy, together with better accountability.

4.5. Nature of Control, Autonomy and Accountability of Public Sector Enterprises in Mizoram.

It is learnt that the Government of Mizoram controls its Public Enterprises at the maximum. This can be seen in its overwhelming authority in appointing the members of the Board of Directors and Managing Directors and the personnel of the enterprises.

NOTES AND REFERENCE

1. Narain,Laxmi,'Principles and Practice of Public Enterprise Management',New Delhi,S.Chand & Company Ltd.,1992,p.366.
2. ARC,'Report on Public Sector Undertakings', New Delhi, 1967, p.366.
3. Prakash, Jagdish.,'Public Sector Management',New Delhi,p.277.
4. Narain,Laxmi, op.cit. p.370.
5. Singh,K.R.P.,'Organisation and Management of Public Enterprises',New Delhi,Deep & Deep Publication,1987,p.76.
6. -ibid-.p.84.
7. Narain,Laxmi, op.cit.p.211.
8. Prakash, Jagdish,'Public Sector Management'.p.277.
9. Narain, Laxmi,op.cit. pp.A 36-A 38.
10. Prakash,Om., Thoery and Working of State Corporations with Special Reference to India',London,1962,p.219
11. Prakash,Om, op.cit. pp.218-219
12. Das,N.'Public Sector in India,'Bombay, Asia Publishing House, 1961,p.88.
13. Narain,Laxmi,op.cit. p. 269.

CHAPTER 5
IMPORTANCE AND ROLE OF STATE ENTERPRISES IN ECONOMIC DEVELOPMENT
OF MIZORAM

Introduction

Provision of Organised Employment

Establishment of Industrial base in Mizoram

Performance of Mizoram Khadi & Village Industries Board

Road Transport Development in Mizoram

Vehicle Population in Mizoram

Working of Mizoram State Transport Undertaking.

Financial Performance

Trend of Expenditure

Productivity Indicators

Provision of Institutional Credit

General Performance

Advance to Priority Sector

Performance of Mizoram Co-operative Apex Bank Ltd.

Role of Zoram Industrial Development Corporation Ltd.

Conclusion

References

CHAPTER 5

IMPORTANCE AND ROLE OF STATE ENTERPRISES IN ECONOMIC DEVELOPMENT OF MIZORAM

5.1 Introduction:

In a developing and backward region like Mizoram, State Enterprises departmentally managed or Corporation/Board managed—play a crucial role in the socio-economic development of the people. As mentioned in chapter 2 in India, there has been a progressive expansion in the scope of the public sector after the attainment of Independence and advent of planning. The passage of Industrial Policy Resolution of 1956 and the adoption of the socialist pattern of society as our national goal in the Second Five Year Plan (1956-61) further led to a deliberate enlargement of the role of public sector. Provision of employment opportunities, capital formation, infrastructure development, establishment of strong industrial base etc. are the important contribution of Public Sector Enterprises in India. Mizoram is also witnessing a deliberate expansion of State enterprises especially during the last twenty years. The present chapter gives an account of the contribution of State Enterprises in the economic development of Mizoram.

5.2. Provision of organised employment:

State Enterprises provide majority of organised employment opportunities in the state. During 1993-94, total

numbers of workers employed in the organised sector i.e., government and semi-government, other public sector undertakings like banking and insurance etc. was estimated at 39684 persons in Mizoram. The share of employment by government and other public bodies are given in Table - 5.1

TABLE 5.1 Census of Government Employees in Mizoram, 1993-94

Sl.No	Sector	Total
1.	State Government	34676 (87.4)
2.	Central Government	3135 (7.9)
3.	Semi-Government	453 (1.1)
4.	Autonomous District Councils	1012 (2.5)
5.	Banking & Insurance	408 (1.0)
TOTAL =		39684 (100)

Note : Figures in brackets are percentage to total.

Source: Statistical Handbook Mizoram 1994.

It is observed from Table 5.1 that 87.5 per cent of the total workers employed in the organised sector belong to State Government while the share of other sectors are : Central Government (7.9%) semi-government (1.1%), District Councils (2.5%) and Banking and Insurance (1.0%). The relative contribution of Public Sector and Private Sector in the provision of organised employment in the State is given in Table 5.2.

TABLE 5.2 Establishments and Employment in the Organised Sector Mizoram (as on 1.1. 1988)

Particulars	Total
A. Establishment (Numbers)	
a) Public Sector	437
b) Private Sector	16
TOTAL =	453
B. Employment (thousand)	
a) Public Sector	27.1
b) Private Sector	1.2
TOTAL =	28.3

Source : Basic Statistics of North Eastern Region 1992 North Eastern Council Secretariat, Shillong.

In Table 5.2, we found that out of 453 total establishments, there were 437 establishments under Public Sector and 16 establishments under Private Sector with a total employment of 28.3 thousand persons the share of Public and Private sector being 27.1 thousands and 1.2 thousand persons respectively.

5.3. Establishment of Industrial base in Mizoram.

Mizoram has vast potentialities for industrial development based on her rich varied resources especially forest resources. All these resources could be exploited with only government support and intervention. The following steps had been undertaken in Mizoram to promote industrial development :-

a) The State government announced its first Industrial Policy Resolution in 1989 which has given top priority to the development of Food and Allied Industries, followed by Handloom & Handicrafts and Electronics;

b) During 1990-91, Mizoram Food & Allied Industries Corporation (MIFCO) Ltd. was established. MIFCO had taken over all the Departmental Project like Ginger Oil & Oleoresin Plant at Sairang, Food Preservation Factory at Vairengte and Maize Processing Plant at Thawzawl;

c) Zoram Electronic Development Corporation (ZENICS) was established in 1991 in order to promote electronic industries in Mizoram;

d) Thansari Sugar Plant at Saitual under Khadi and Village Industries Board, Mizoram was commissioned on 21-12-1993;

e) Establishment of Industrial Estates at Aizawl, Kolasib, etc.

Presently, Mizoram is one of the most backward states in India in terms of industrial development. The contribution of industrial sector in the state economy is very small. The condition of industrial economy may be judged from the principal character of Small Scale Industries (SSI) units in Mizoram as given in Table 5.3.

Table 5.3 Principal Characteristics of SSI units in Mizoram (As on March,1988)

Sl.No.	Particulars	Total
1.	Number of units	917
2.	Employment (No.of persons)	4223
3.	Fixed Investment (Rs.in lakhs)	1388
4.	Investment in plant & machinaries(Rs.in lakhs)	471
5.	Working Capital (Rs.in lakhs)	457
6.	Production (Rs.in lakhs)	1470
7.	Capacity utilisation (percentage)	71.88

Source : Same as Tables 5.2.

As on March 1988, SSI units in Mizoram consisted of 917 units with total employment of 4223 persons. Total fixed investment was 1388 lakhs with production value of Rs.1470 lakhs. As given in Table 5.3 the capacity utilisation is worked out to 71.88 per cent.

During the Seventh Five Year Plan (1985-90), out of the total plan allocation of Rs.1546.99 lakhs, Rs.1227.83 lakh (82.6%) were spent on Small and Village Industries; other industries and mining accounted for Rs.203.15 lakhs (13.1%) and Rs.116.01 lakhs (7.4%) respectively. The year wise expenditure under the three sectors during the Seventh Plan are given in Table 5.4.

5.3.1. Performance of Mizoram Khadi & Village Industries Board:

Mizoram Khadi & Village Industries Board plays a dynamic role in the socio-economic development of Mizoram. The Board provides employment opportunities to many artisans especially in rural areas and facilitates an effective mobilisation

Table 5.4 Expenditure on Industries During Seventh Five Year Plan(1985-90)

Rupees in lakhs				
Year	Village & Small Industries	Other Industries	Mining	Total
1985-86	131.31	43.84	1.01	176.16
1986-87	184.00	30.00	15.00	229.00
1987-88	189.00	40.00	20.00	249.00
1988-89	293.11	59.00	30.00	381.00
1989-90	430.41	31.31	50.00	511.72
TOTAL	1227.83	203.15	166.01	1546.99

Source : Economic Survey of Mizoram 1990-91.

of sources of capital and skill which might otherwise remain unutilised and also provides direct financial assistance along with marketing supports. During 1992-93, the Board had assisted 546 units by providing loans and grants as per pattern of assistance of Khadi & Village Industries Commission to various co-operative societies, institutions and individuals engaged in Khadi & Village Industries. The total value of production during 1992-93 was Rs.676.02 lakhs and provided employment to 3391

persons as full-time workers. The performance indicators of the Board is outlined in Table 5.5.

The Board conducted Artisan Training Course at MDTC (Multi-Disiplinary Training Centre) at Zembawh every year in various discipline of trade. In 1992-93, the Board provided training to 51 artisans and the trade-wise achievement is given in Table 5.6. Since 1986-87, the Board had recorded an increasing trend in total number of beneficiaries. The total number of beneficiaries was 245 numbers in 1986-87 and this had rose to 546 numbers in 1992-93. Similarly, production also had increased

Table 5.5. Performance indicators of KVI Board, Mizoram 1992-93.

Sl.No	Particulars	Total
1.	Production (Rupees in lakhs)	676.02
2.	Sales (Rupees in lakhs)	728.40
3.	Employment	
	a) Full time workers (No. of persons)	3391
	b) Part time workers (No. of persons)	4091
4.	Wages	
	a) Full time workers (Rupees in lakhs)	268.91
	b) Part time workers (Rupees in lakhs)	71.80
5.	Total units assisted	546
6.	Total number of working units	2494
	as on 31.3.93.	

Source: 8th Annual Report 1992-93, Mizoram Khadi & Village Industries Board.

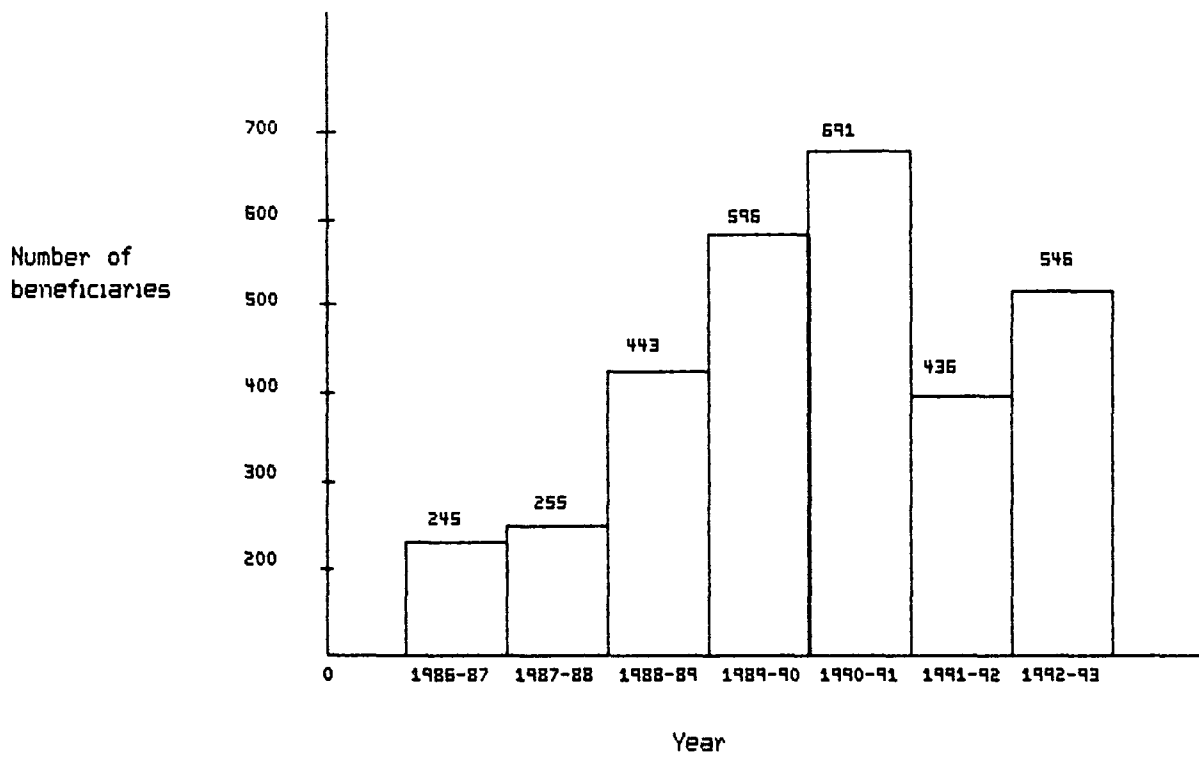


Figure 5.1 Number of beneficiaries 1986-87 to 1992-93

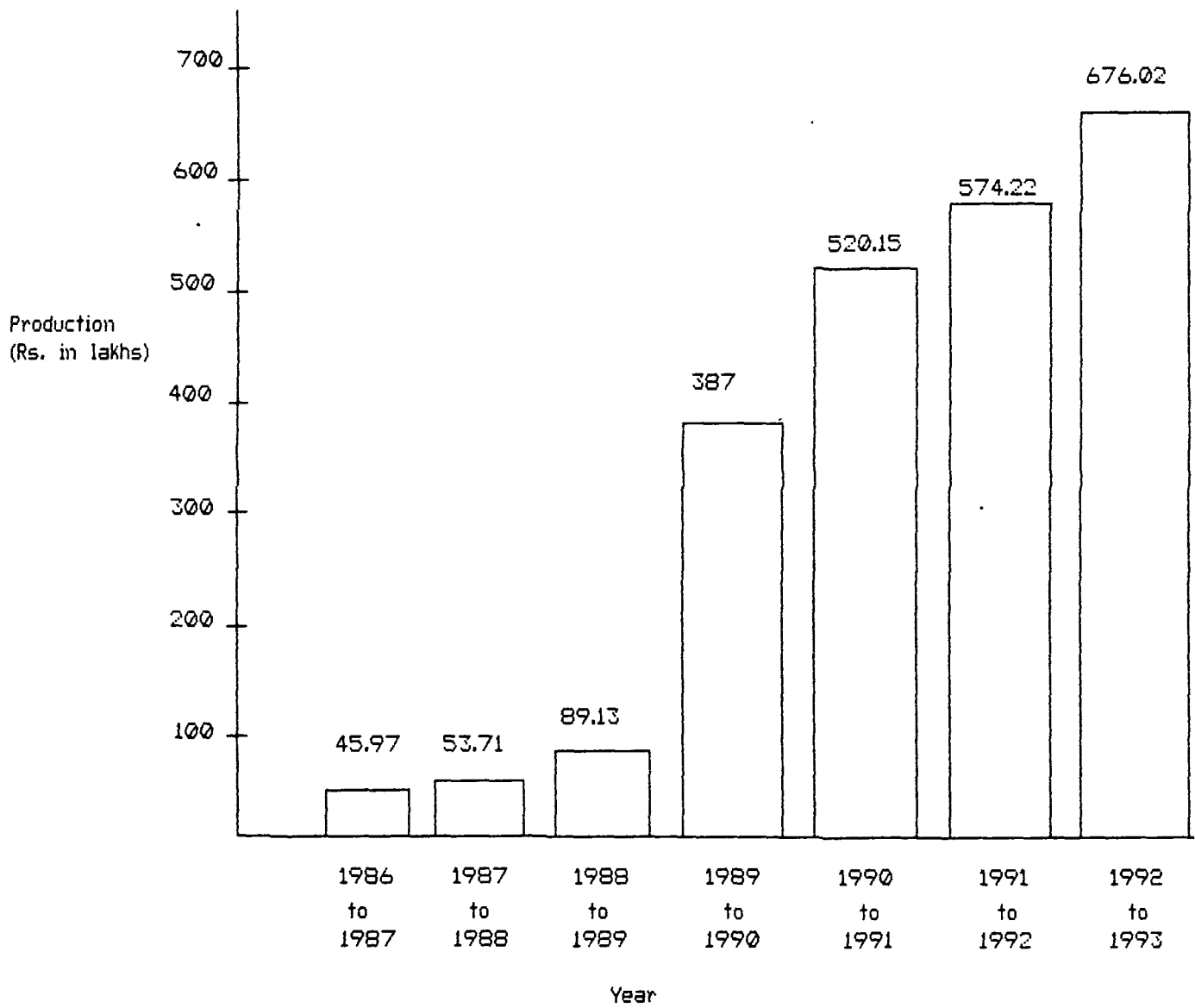


Figure 5.2 Production under Mizoram Khadi and Village Industries Board 1986 - 87 to 1992 - 93

Table 5.6. Trade wise achievement, MDTC, 1992-93.

Sl.No	Trade	No. of trainees
1.	Soap	26
2.	Cane cap	5
3.	Cane Furniture	8
4.	Carpentry	10
5.	Fibre	2
TOTAL =		51

Source: Same as Table 5.5

from Rs.45.97 lakhs in 1986-87 to Rs.676.02 in 1992-93. The year wise beneficiaries and production during the period from 1986-87 to 1992-93 are given in Figure 5.1 and Figure 5.2 respectively.

The year-wise aggregates recovery rates are presented in Table 5.7. It is observed from the data given in Table 5.7 that the recovery rates had shown a downward trend during 1986-87 to 1990-91; the rate had fallen from 53.39 per cent in 1986-87 to 24.72 per cent in 1990-91.

Table 5.7. Recovery rates (Per centage)

Sl.No	Year	Recovery Rate
1	2	3
1.	1986-87	53.39
2.	1987-88	51.11
3.	1988-89	35.74
		cont...

1	2	3
4.	1989-90	26.82
5.	1990-91	24.72

Source : Same as Table 5.5.

5.4. Road Transport Development in Mizoram:

In Mizoram, the programme of road construction has been accorded high priority throughout the Five Year Plans. This is quite justifiable in view of the fact that road transport occupied the most important means of communication as there are practically no other means of transport. Road transport is the basic infrastructure needed for generation of economic activity, and for bringing about prosperity and well-being in the country. In Mizoram road transport is still the lifeline of the people.

During the Seventh Five Year Plan (1985-90), the transport sector had made considerable achievement in strengthening the road infrastructure network within the state of Mizoram. The road density in Mizoram at the beginning of the Seventh Plan was 16.09 km/100 sq.km as against the national average of 40.8 km/100 sq.km and the average of the neighbouring North Eastern Region is 38.27 km/100 sq.km. The road situation had improved with the progress of the Seventh Plan. By 1990-91, the road length including Border Road Organisation road was 1955.9 kms of surfaced road and 3094.65 of unsurfaced road and the road density had improved

to 29.95km/100sq.km. The expenditure under Road & Bridges during the Seventh Plan was Rs.5607.00 lakhs.

5.4.1 Vehicle population in Mizoram:

Table 5.7 gives information about the vehicle population in Mizoram as on 31st, March, 1994. It is observed that the total number of all types of vehicle registered was 12193, out of which 5885 (48.3%) vehicles are Light Motor Vehicles (LMV) whereas Medium and Heavy Vehicles accounted for 6.8 per cent respectively.

Table 5.7: Vehicle Population in Mizoram (As on 31.3.1994)

Sl.No	Type of Vehicle	Number of Vehicles
1.	Two Wheelers	4034 (33.1)
2.	Light Motor Vehicles (LMV)	5885 (48.3)
3.	Medium Motor Vehicle (MMV)	831 (6.8)
4.	Heavy Motor Vehicle (HMV)	1270 (10.4)
5.	Tractor	173 (1.4)
TOTAL =		12193 (100)

Source : Statistical Handbook Mizoram 1994.

5.5. Working of Mizoram State Transport Understanding:

The Chief function of Mizoram State Transport undertaking under the Directorate of Transport Department is to provide passenger bus services in different routes within and outside Mizoram. In 1993-94 the total bus registered in Mizoram was

1038 buses and the share of the State Transport undertaking was 110 buses i.e., 10.60 percent of the total bus population in Mizoram. In table 5.8 total bus population, number of buses in State Transport undertakings and number of buses per lakh population in Mizoram 1993 are given in table 5.8.

Table 5.8. Total Bus Population, Number of Bus in the State Transport Undertaking and number of buses per lakh population, Mizoram, 1993

Sl.No	Particulars	Total
1.	Number of Buses	1038
2.	Buses in State Transport Undertakings	110
3.	Percentage of State Transport buses to total Bus population	10.60
4.	Population (000)	690
5.	Number of Buses per lakh population	150.43

Source: Government of India, Planning Commission A Study of the Performance of State Road Transport Undertakings, New Delhi, 1994.

5.5.1 Financial Performance:

The overall financial performance of the Mizoram State Transport undertaking during the period from 1985-86 to 1993-94 are summarised in Table 5.9. The data given in this table revealed that the net losses of the Undertaking is on the increase. These losses which were Rs.78 lakhs in 1985-86 had in-

creased to Rs.4.04 crores during 1993-94.

Table 5.9 Financial Performance of Mizoram State Transport Undertaking (1985-86 to 1993-94)

Year	Operating revenue	Operating expenditure	Operating surplus (2-3)	Misc.receipts over expenditure	Gross profit (4+5)
1	2	3	4	5	6
1985-86	0.64	1.51	-0.87	0.09	-0.78
1986-87	0.56	1.61	-1.05	0.06	-0.99
1987-88	1.31	3.89	-2.58	0.04	-2.54
1988-89	1.00	4.11	-3.11	0.05	-3.06
1989-90	1.40	3.86	-2.46	-0.02	-2.48
1990-91	1.25	3.47	-2.22	-0.48	-2.70
1991-92	1.25	3.97	-2.72	-0.32	-3.04
1992-93	1.26	4.95	-4.01	-0.03	-4.04

Note : The figures given in 1985-86 to 1992-93 are actuals while the figures for 1993-94 are as per revised estimates.

Source: Same as 5.8

5.5.2 Trend of expenditure:

The trend of expenditure both operating and non-operating of the Mizoram State Transport Undertaking in 1985-86 and 1993-94 are given in Table 5.10.

Table 5.10 Trend of expenditure incurred by Mizoram State Transport Undertaking.

Item/Year	Rupees in crores	
	1985-86 (Actuals)	1993-94 (Revised Estimate)
A. OPERATING COSTS		
1. Staff	0.54 (29.3)	2.58 (40.2)
2. Materials		
a) Fuel	0.27 (14.7)	0.77 (12.0)
b) Tyres & tubes	0.30 (16.3)	0.64 (10.0)
c) Other materials	0.40 (21.7)	1.16 (18.1)
TOTAL A :	1.51 (82.1)	5.15 (80.3)
B. NON-OPERATING COSTS		
3. Taxes	0.00	0.00
4. Depreciation	0.33 (17.9)	0.98 (15.3)
Reserve Fund		
5. Interest	0.00	0.00
6. Others	0.00	0.28 (19.7)
TOTAL B :	0.33 (17.9)	1.26 (17.7)
C. GRAND TOTAL (A+B)	1.84 (100)	6.41 (100)

Note : Figures in brackets indicate percentage to total

Source: Same as Table 5.8

It is seen that operating costs constituted more than 80 per cent of the total costs in 1985-86 and 1993-94 respectively. The share of staff cost had increased from 29.3 per cent in 1985-86 to 40.2 per cent in 1993-94. Material costs accounted

52.7 per cent of the total costs in 1993-94. Non-operating costs had increased from 17.9 per cent of the total costs to 19.7 per cent of the total costs in 1993-94. In all the total expenditure rose from Rs.1.84 crores to Rs.6.41 crores in 1993-94.

5.5.3. Productivity Indicators:

The productivity indicators of the Mizoram State Transport undertaking and all-India average covering a period of nine years from 1985-86 to 1993-94 are presented in Table 5.11. It is observed from this Table that all the productivity indicators at the national level such as fleet utilisation, vehicle productivity, staff productivity and fuel efficiency had recorded an improvement during the period under consideration. Fleet utilisation improved from 85% in 1985-86 to 88% in 1993-94; Vehicle productivity during the same period increased by 16 per cent from 230 kms per bus/day to 267 kms, and again, staff productivity had shown improvement by 21% from 31.1 kms per worker/day and fuel efficiency by 70% from 4.21 kms per litre in 1985-86 to 4.50 kms per litre in 1993-94.

However, in the case of Mizoram State Transport undertaking, productivity indicators had shown a declining trend except in fuel efficiency. It is seen that fleet utilisation had deteriorated from 45% in 1985-86 to 43% in 1993-94. Vehicle productivity during the same period decreased by 17 per cent from 53 kms per bus/day to 44 kms. Similarly, staff productivity had shown a downward trend by 40.6% from 10.1 kms to 6.0 kms per worker/day during the period from 1985-86 to 1993-94. Fuel efficiency im-

Indicators	1985 - 1986	1986 - 1987	1987 - 1988	1988 - 1989	1989 - 1990	1990 - 1991	1991 - 1992	1992 - 1993	1993 - 1994
1. Fleet utilisation (percentage of on road to buses held)	45 (85)	48 (86)	50 (88)	48 (89)	42 (85)	73 (87)	45 (87)	39 (87)	43 (88)
2. Vehicle producti- vity (kms per bus/ day)	53 (230)	45 (239)	44 (249)	41 (256)	41 (257)	70 (241)	44 (253)	49 (259)	44 (267)
3. Staff productivity (kms per work/day)	10.1 (31.1)	9.1 (32.4)	10.3 (32.9)	7.1 (35.1)	10.0 (35.3)	9.0 (33.0)	6.0 (34.8)	7.0 (36.2)	6.0 (37.5)
4. Fuel efficiency (kms per litre)	N.A. (4.21)	N.A. (4.28)	N.A. (4.33)	N.A. (4.33)	N.A. (4.35)	N.A. (4.36)	N.A. (4.46)	N.A. (4.48)	N.A. (4.50)

Table : 5.11 Productivity Indicators of Mizoram State Transport Undertaking.

Note : Figures within the brackets show the figures for the all India average.

Source : Same as table 5.8.

proved by 6.7% from 3.00 lms per litre in 1989-90 to 3.20 lms per litre in 1993-94.

5.6 Provision of Institutional Credit:

The existence of a well-organised financial institutions is necessary in order to promote rapid economic development in the country. Financial institution provides mechanism through which financial resources from the public are mobilised and chanelised into productive investment. Institutional credits are provided by banks, co-operative societies and other specialised financial institutions created for the purposes. In Mizoram, there were 83 bank branches upto 1991 of which 24 branches are commercial banks, 50 branches are rural banks and 9 are co-operative banks. There is one specialised financial institution i.e., Zoram Industrial Development Corporation under the State Government which provides institutional credit to industries and other tertiary sectors. These financial institutions, especially commercial banks, rural banks and co-operative banks are providing both long term and short term credit to farmers to help them adopt modern technology and improved agricultural practices so as to improve crop productivity and production.

5.6.1 General Performance:

As on 31st, March, 1992 the average population served by per bank happened to 8369 number of persons while the area covered by per bank is worked out to 257 sq. km. The performance of commercial banks, rural banks and co-operative banks in terms

Sl.No.	Types of Bank	Rupees in lakhs					
		1989 - 1990			1990 - 1991		
		Deposits	Advance	Credit-DepositRatio	Deposits	Advance	Credit-DepositRatio
1	Commercial Banks	8049.92	1973.33	24.52	9694.37	2066.24	21.32
2	Rural Banks	532.18	480.81	90.35	908.45	448.23	49.34
3	Co-operative Banks	1642.82	1345.50	81.91	1865.53	1477.53	79.21

Table : 5.13 Bank Deposits & Advances in Mizoram.

Source ; Economic Survey of Mizoram 1990 - 1991.

of deposits mobilisation and disbursement of advances for 1989-90 and 1990-91 are presented in Table 5.13. As given in the table, it is seen that during these two years, commercial banks had received the largest amount of deposit from the public but they had shown the worst credit deposit ratio compared to rural banks and commercial banks. In the case of commercial banks, public deposit improved from Rs.8049.92 lakhs in 1989-90 to Rs.9693.37 lakhs during 1990-91 whereas credit deposit ratio had decreased from 24.52 per cent to 21.32 per cent during the same period.

5.6.2 Advance to Priority Sector:

The advance given to the Priority Sector by the banks in Mizoram may be considered 'satisfactory'. Priority Sector advance constituted 44.55 percent total advance upto 1990-91. Agriculture accounted for 11.10 percent while small scale industries and small business etc. constituted 14.70 percent and 19.29 percent respectively. Details are given in table 5.14.

Table 5.14 Priority Sector Advance in Mizoram.

Sl.No.	Particular	Upto (1990-91) Rupees in lakhs	Percentage to total advance
1	2	3	4
1.	Agriculture and allied activities	Rs.442.81	11.10

cont...

1	2	3	4
2.	Small scale industries	Rs.565.60	14.70
3.	Small business / Retail trade and transport operation	Rs.770.20	19.29
Total		Rs.1778.43	44.55

Source : Same as Table 5.13

5.6.3. Performance of Mizoram Co-operative Apex Bank Ltd.

The Mizoram Co-operative Apex Bank Limited is established with a view to provide credit facilities to rural sector mainly for agriculture and allied activities. The members of this Bank include 515 co-operative societies and the state government. It has nine branches throughout the state of Mizoram.

The total outstanding loan and advances as on the 31st March 1995 stood at Rs.2089.63 lakhs. The outstanding loans and advances of the bank for various purposes were as follows:-

Table 5.15 Loans and Advances of Apex Banks Ltd. (as on 31.3.95)

Sl.No.	Purposes	Amount (Rupees in lakhs)	Percent to total
1	2	3	4
1.	Short term including Cash Credit/Overdrafts		

cont...

1	2	3	4
	(a) Seasonal Agriculture -ral Operations	33.88	1.62
	(b) Other Loans to Societies	255.96	10.81
	(c) Others (Individuals)	1267.25	60.64
2.	Medium term		
	(a) Agriculture & Allied Agriculture (Societies)	62.04	2.97
	(b) Agriculture & Allied Agriculture (Individuals)	379.91	18.18
3.	Long term loan		
	(a) Staff loan	99.60	4.77
	(b) Agriculture (Individuals)	5.30	0.25
	(c) Transport operators	2.45	0.12
4.	Integrated Rural Develop- ment Programme (IRDP) Loan	13.24	0.64
	Total	2089.63	100.00

Source : Annual Statutory Audit Report of Mizoram Co-operative Apex Bank Ltd. 1994 to 1995.

It is observed from the above table that the loans and advances are concentrated mainly to individuals whereas the bank is supposed to concentrate on co-operative societies for agricultural purposes.

The bank suffers from high level of overdues which adversely affect the operational efficiency of the bank itself. The age-wise classification of the Bank's overdues are given in Table 5.16.

Table 5.16 Age-wise Classification of Overdues

Years	Number of Account	Rupees in lakhs
		Total Amount
1. Less than 1 year	403	87.10
2. 1 Year to 2 years	575	360.02
3. 2 Year to 3 years	301	490.76
4. 3 Years to 4 years	273	685.07
5. 4 Years to 5 years	33	44.15
6. Above 5 years	106	168.19
TOTAL =		1835.29

Source : Same as Table 5.15.

As observed in Table 5.16, there were 1691 number of overdues account holders with accumulated amount of Rs.1835.29 lakhs. The high level of Bank's overdue may be attributed to lack of proper scrutiny of loan applications, insufficient follow-up action on utilisation of loans and low recovery drive on the parts of the authority concern.

The recovery rate on principal amount and interest on loans and advances are estimated to be 16.43% and 10.17% respectively.

5.6.4 Role of Zoram Industrial Development Corporation Ltd.

Zoram Industrial Development Corporation Ltd (ZIDCO) is established by the State Government to provide financial facilities for the industrial development of the State. So far the Corporation had financed 1885 industrial units from 1980-81 till the end of 1995-96. The number of units that had made full liquidation of the loan is 394 units and the number of loan accounts in operation at the end of 31st March 1996 is 1491. The overall performance of the Corporation may be assessed by the amount of total loan disbursed since its inception. This is presented in Table 5.17.

Table 5.17 Total amount of loan disbursed by ZIDCO

Year	Rupees in lakhs
	Amount
1	2
1980-81	0.51
1981-82	19.73
1982-83	56.85
1983-84	41.01
1984-85	118.23
1985-86	260.88
1986-87	350.75
1987-88	505.17
1988-89	517.27
1989-90	311.18
	cont...

1	2
1990-91	303.22
1991-92	152.95
1992-93	98.66
1993-94	149.74
1994-95	153.58
1995-96	134.63

Source : ZIDCO Ltd.

It is seen from the data given in the table that the total amount of loan disbursed by ZIDCO Ltd. had increased from Rs.51 thousand in 1980-81 to Rs.134.63 lakhs during 1995-96 i.e., 100 percent increase in the amount disbursed during this period.

The financial performance of the corporation during the last fifteen years showed the existence of high level of overdues i.e., the loan recovery position remained unsatisfactory. The loan recovery performance of the corporation is presented in Table 5.18 .

Table 5.18 Recovery of Loan by Zoram Industrial Development Corporation Ltd.

Year	Amount recovered (Rs. in lakhs)	Recovery Rate (%)
1	2	3
1981-82	0.19	N.A
1982-83	2.53	N.A
		cont...

1	2	3
1983-84	6.19	N.A
1984-85	26.85	N.A
1985-86	18.75	N.A
1986-87	43.48	N.A
1987-88	119.02	N.A
1988-89	117.17	24.85
1989-90	193.91	18.68
1990-91	212.29	14.91
1991-92	190.15	10.47
1992-93	213.03	9.41
1993-94	368.49	14.36
1994-95	284.79	9.46
1995-96	231.89	N.A

Source : ZIDCO Ltd.

5.7. Conclusion:

From the analysis given above, it is observed that State Enterprises play a very important role in providing organised employment, strengthening infrastructure facilities like road transport, etc. and building up of financial institutions to facilitate the flow of institutional credit to agriculture and industrial sectors in the state of Mizoram. These facilities are provided through various public sector enterprises in the form of governmental departments and specialised institutions. However, we

noticed that these bodies have not been able to generate desired results. Rather, they were incurring financial losses and the management suffered from inefficiencies.

NOTES AND REFERENCES

1. Annual Statutory Audit Report of Mizoram Co-operative Apex Bank Ltd. for the year 1995-96.
2. Basic Statistics of North Eastern Region 1992, North Eastern Council Secretariat, Shillong.
3. Government of India, Planning Commission, A study on the Performance of State Road Transport Undertaking, New Delhi June 1994.
4. Government of Mizoram, Directorate of Economics & Statistics, Economic Survey of Mizoram 1990-91 Aizawl.
5. Government of Mizoram, Directorate of Economic & Statistics, Statistical Handbook Mizoram 1994, Aizawl.
6. Mizoram Khadi & Village Industries Board, 8th Annual Report 1992-93 Aizawl.

CHAPTER - 6

BOARD OF DIRECTORS OF PUBLIC ENTERPRISES IN MIZORAM

Introduction

Types of Board of Directors

Powers and Functions of the Board of Directors

Board of Directors of MKVIB

Board of Directors of Apex Bank

Board of Directors of ZIDCO

Role of Government in the Fuctioning of the Boards of
Directors

Conclusion

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, in Mizoram 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 life².

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

As per the Act³, 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 Khadi 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 Hhad1 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 form of monetary help to individuals, registered co-operative societies and registered institutions.

(c) to encourage establishment of co-operative societies for Hhad1 & 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 Hhad1 and Village Industries.

(e) (i) to manufacture tools and implement required for carrying on Hhad1 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 Hhad1 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 Hand and Village Industries;

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

(i) to undertake and encourage research work in connection with Hand 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 F.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 ⁴ 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 lacs.
- (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 ⁵ 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, contension 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 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 which 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

1. Shukla, M.C., Business Organisation and Management, New Delhi, S.Chand & Company Ltd., 1986, p.303.
2. Jaddish Prakash, Rao, Shukla, Administration of Public Enterprises in India, New Delhi, Himalaya Publishing House, p.149.
3. MKVIB, The Mizoram Khadi and Village Industries Board Act 1982.
4. The Government of Mizoram, The Memorandum of Association and Articles of Association, Aizawl, 1978.
5. The Bye laws of the Mizoram Co-operative Apex Bank Ltd., Mizoram, 1978.

CHAPTER 7

Conclusions

Scope of Study

Public Sector Enterprises in India

Pattern of Organisation and Administration of Public Enterprises in Mizoram

Price and Profit Policy of PSEs in Mizoram

Role of PSEs in the Economic Development of the State

Powers and Functions of Board of Directors

Policy Suggestions

CHAPTER 7

CONCLUSIONS.

Scope of Study :

7.1. The study analysed the Organisations, Administration and Managerial dimensions of Public Sector Enterprises in Mizoram. For an indepth study, four Public Sector Enterprises are selected, these are - Mizoram State Transport Department, (MST), Zoram Industrial Development Corporation Limited (ZIDCO), Mizoram Khadi and Village Industries Board (MKVIB), and Mizoram Co-operative Apex Bank Ltd. (APEX BANK). 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, Privatisation 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;

- (ii) Disinvestment of shares in Public Sector Enterprises
- (iii) Reference of sick units of Board for Industrial and Financial Reconstruction (BIFR)
- (iv) 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 over all 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 Pkhadı 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 intrepeneurs who are engaged in Pkhadı and Village Industries. The Board of Directors, appointed by the state government have the highest policy making powers on the over all 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.

Role of PSEs in the Economic Development of the State :

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 1988, 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 Hand 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 53.39 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 fall from 45 percent in 1985-86 to 43 percent in 1993-94. Vehicle productivity during the same period decreased by 17 percent from 53 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 is 394 units. The total amount of loan disbursed increased from Rs.51 thousand in 1980-81 to Rs.104.63 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 MFVIB and Mizoram Co-operative Apex Bank are found in the MFVIB Acts and the Bye laws of the bank respectively. The Board of Directors are policy making board and they do not interfere with 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 organising public sector enterprises in the state. This is due to the fact that the state is still an under developed 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 requirement; 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 realise 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 the 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 enterprise 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 aris-

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 MfVIB 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.

BIBLIOGRAPHY

BOOKS

1. Adiseshiah, Malcolm, S., (Edited) The why, what and whither of the Public Sector Enterprise, New Delhi, Lancer International, 1985-86.
2. Dutt, Rudder and Sundaram, K.P.M., Indian Economy 32nd Edition, New Delhi, S.Chand and Company Ltd., 1995.
3. Kendadamath, S.C., Administrative relations in Public Enterprises, New Delhi, Deep and Deep Publication, 1986.
4. Khera, S.S., Management and Control in Public Enterprises, Bombay, Asia Publishing House, 1964.
5. Khera, S.S., Government in Business, 2nd Edition, New Delhi, National Publishing House, 1977.
6. Lianzela, Four decades of Planning in Mizoram, Liankungi Press, Aizawl 1995.
7. Maheshwari, Avasthi, Public Administration, Agra-3, Lakshmi Narain Agarwal Publication, 1980.
8. Mittal, A.C., Public Sector Management (Edited), New Delhi, Omson Publications, 1992.

9. Mishra,N.,Modern Business Organisation and Management,New Delhi, Allied Publishers Ltd.,1989.
10. Narain,Laxmi, Principles and Practice of Public Enterprise Management,New Delhi, S.Chand and Company Ltd.
11. Prasad,R.N.,and Agarwal,A.K.,Landmarks : A Study of Public Administration in Mizoram, Aizawl, Indian Institute of Public Administration, Local Branch, 1995.
12. Prakash, Om.,The Theory and Working of State Corporations, 2nd Edition, New Delhi, Orient Longman, 1971.
13. Sachdeva,S.K.,and Sachdeva,T.N.,Advanced Economic Theory. New Delhi,Sudha Publications,1975.
14. Robson, W.A.,(Edited), Problems of Nationalised Industry, London,George Allen and unwin,1971.
15. Seth,M.L.,Principles of Economic, Agra, Lakshmi Narain Agarwal Publications,1989.
16. Shukla,M.C., Business Organisation and Management, New Delhi,S.Chand and Company Ltd.,1986.
17. Singh,K.R.P.,Organisation and Management of Public Enterprise, New Delhi,Deep and Deep Publication,1987.

18. Upadhyaya,K.K., Development Problems and Prospects of Mizoram, New Delhi,Inter India Publication,1986.
19. Wadha,Charan D.,Some Problems of India's Economic Policy 2nd Edition,New Delhi,Tata McGraw Hill Publishing Company Ltd.,1980.

Reports - Documents - Government Publications.

1. Government of India, Ministry of Finance (Economic Division) Economic Survey 1992-93,New Delhi,1993.
2. Government of India, Planning Commission,A Study of the Performance of State Road Transport Undertakings,New Delhi June 1994.
3. Government of India, Planning Commission, Second Five Year Plan, Summary 1956, New Delhi.
4. Government of Mizoram,Department of Industries,Statistical Hand Book Mizoram 1994.Aizawl.
5. Mizoram Co-operative Apex Bank Ltd.,Annual Statutory Audit Report 1994-95,Aizawl. Mizoram.
6. Mizoram Co-operative Apex Bank Ltd.,Bye Laws,Aizawl 1978

7. Mizoram KVI Board, The Mizoram Khadi and Village Industries Board Act 1982, Aizawl. Mizoram.
8. Mizoram KVI Board, The Mizoram Khadi and Village Industries Board Regulations 1988, Aizawl. Mizoram.
9. Mizoram KVI Board, The Mizoram Khadi and Village Industries Board Rules 1988, Aizawl. Mizoram.
10. Mizoram Khadi and Village Industries Boards, 8th Annual Report 1992-93, Aizawl. Mizoram.
11. Mizoram Khadi and Village Industries Board, 6th Annual Report 1990-91, Aizawl. Mizoram.
12. Zoram Industrial Development Corporation Ltd., Memorandum of Association and Articles of Association, Aizawl. 1978.
13. Zoram Industrial Development Corporation Ltd., (Conduct, Discipline and Appeal) Rules, 1985, Aizawl. Mizoram.

List of Tables :

- 1.1. Principal Characteristics of SSI units in Mizoram, March 1988
- 1.2. Indicator of Infrastructural Development of Mizoram
- 2.1. Growth of Investment in Central Government Enterprises
- 2.2. Break-up of Investment in Central Public Sector Enterprises
- 2.3. Profitability Profile of Central PSEs
- 2.4. Disinvestment of Public Sector Enterprises Shares
- 2.5. Disinvestment of in October 1992
- 2.6. Disinvestment in December 1992
- 4.1. Interest Rates under ZIDCO Ltd. as on 1st April 1996
- 4.2. Interest Rates under Apex Bank as on 1st April 1996
- 5.1. Census of Government Employees in Mizoram 1993-94
- 5.2. Establishment and Employment in the Organised Sector
- 5.3. Principle Characteristics of SSI Units in Mizoram as March 1988
- 5.4. Expenditure on Industries during 7th Five Year Plan (1985-1990) Mizoram
- 5.5. Performance Indicators of KVI Board Mizoram 1992-93
- 5.6. Trade wise achievement of MDTC, 1992-93
- 5.7. Recovery Rates (Per Centage)
- 5.8. Vehicle Population in Mizoram as on 31st March 1994
- 5.9. Total Bus Population, Number of Bus in the State Transport Undertakings and number of Buses per lakh population Mizoram 1993
- 5.10. Financial Performance of Mizoram State Transport Undertaking 1985-86 to 1992-94

5.11.Trend of Expenditure incurred by Mizoram State Transport
Undertakings

5.12.Productivity Indicators of Mizoram State Transport
Undertakings

5.13.Bank Deposits and Advances in Mizoram

5.14.Priority Advances in Mizoram

5.15.Loans and Advances of Apex Bank Ltd.(as on 31st March 1995)

5.16.Age-Wise classification of overdues

5.17.Total amount of loan disbursed by ZIDCO Ltd.

5.18.Recovery of loan by ZIDCO Ltd.

List of Figures :

- 3.1. Organisation chart showing existing post under Transport Department, Mizoram
- 3.2. Organisation chart of Zoram Industrial Development Corporation Ltd.
- 3.3. Organisation chart of Mizoram Khadi and Village Industries Board
- 3.4. Organisation chart of Mizoram Co-operative Apex Bank Ltd.
- 5.1. Number of beneficiaries 1986-87 to 1992-93 under MKVIB
- 5.2. Production under Mizoram Khadi and Village Industries Board 1986-87 to 1992-93

APPENDIX I

Pay Scales of Staff of Mizoram State Transport Department, Directorate, as on May 1996.

Sl.No.	Categories of Post	Pay Scale (Rs.per month)
1.	Director	Rs. 4500-5700
2.	Joint Director	Rs. 3700-5000
3.	Deputy Director	Rs. 3000-4500
4.	Assistant Director	Rs. 2200-4000
5.	Work Manager	Rs. 2200-4000
6.	Assistant Engineer	Rs. 2200-4000
7.	Station Superintendent	Rs. 2000-3500
8.	Assistant Work Manager	Rs. 2000-3500
9.	Store Officer	Rs. 2000-3500
10.	Transport Officer	Rs. 2000-3500
11.	Assistant Station Superintendent	Rs. 1640-2900
12.	Assistant Research Officer	Rs. 2000-3500
13.	District Transport Officer (Non-Cadre)	Rs. 2000-3500
14.	Assistant Commissioner	Rs. 2000-3500
15.	Motor Vehicle Inspector	Rs. 1640-2900
16.	Assistant	Rs. 1640-2900
17.	Upper Divisional Clerk	Rs. 1400-2600
18.	Line Inspector	Rs. 1400-2600
19.	Supervisor	Rs. 1400-2600
20.	Lower Divisional Clerk	Rs. 1200-2040
21.	Booking Clerk	Rs. 1200-2040
22.	Line Checker	Rs. 1200-2040
23.	Head Mechanic	Rs. 1400-2600
24.	Mechanic I/Electrician I	Rs. 1400-2300
25.	Electrician II	Rs. 1350-2300
26.	Mechanic II	Rs. 1200-2040
27.	Electrician III	Rs. 1200-2040
28.	Conductor I	Rs. 1400-2600
29.	Conductor II	Rs. 1200-2040
30.	Conductor III	Rs. 950-1400
31.	Driver I	Rs. 1400-2600
32.	Driver II	Rs. 1200-2040
33.	Driver III	Rs. 950-1500
34.	Handyman	Rs. 800-1150
35.	Fitter	Rs. 800-1150

Transport Officer's post is abolished now.

APPENDIX II

Pay Scales of Employees under Zoram Industrial Development Corporation Ltd., as on May 1996.

Sl.No.	Categories of Post	Pay Scale (Rs.P.M)
1.	Managing Director	Rs. 4500-5700
2.	Manager	Rs. 3700-5000
3.	Deputy Manager	Rs. 3000-4500
4.	Assistant Manager	Rs. 2200-4000
5.	Staff Officer	Rs. 2000-3200
6.	Assistant Staff Officer	Rs. 1640-2900
7.	Accountant	Rs. 1640-2900
8.	Staff Assistant	Rs. 1640-2900
9.	Junior Accountant	Rs. 1400-2600
10.	Upper Divisional Assistant	Rs. 1400-2600
11.	Lower Divisional Assistant	Rs. 1300-2350

APPENDIX III

Pay Scales of Employees under Mizoram Khadi and Village Industries Board, as on May 1996.

Sl.No.	Categories of Posts	Pay Scale (Rs.P.M)
1.	Chief Executive Officer	Rs. 4500-5700
2.	Joint Chief Executive Officer	Rs. 3700-5000
3.	Deputy Chief Executive Officer	Rs. 3000-4500
4.	Executive Officer	Rs. 2200-4000
5.	Account Officer	Rs. 2200-4000
6.	Development Officer	Rs. 2000-3500
7.	Auditor	Rs. 2000-3500
8.	Assistant Development Officer	Rs. 1640-2900
9.	Accountant	Rs. 1640-2900
10.	Statistical Assistant	Rs. 1640-2900
11.	Marketing Assistant	Rs. 1400-2300
12.	Account Assistant	Rs. 1400-2300
13.	Upper Divisional Assistant	Rs. 1400-2300
14.	Lower Divisional Assistant	Rs. 1200-2040
Technical Staff :		
15.	Project Manager	Rs. 2200-4000
16.	Chemist	Rs. 2000-3500
17.	Supervisor	Rs. 1640-2890
18.	Junior Supervisor	Rs. 1400-2300
19.	Instructor	Rs. 1400-2300
20.	Junior Instructor	Rs. 1200-2040
21.	Demonstrator	Rs. 1200-2040

APPENDIX IV

Pay Scale of Employees under Mizoram Co-operative Apex Bank, as on May 1996.

Sl.No.	Categories of Post	Pay Scales(Rs.P.M)
1.	Managing Director	Rs. 5000-7910
2.	Manager	Rs. 3900-6800
3.	Assistant Manager	Rs. 3000-5580
4.	Accountant	Rs. 1900-3550
5.	Senior Clerk	Rs. 1400-2650
6.	Supervisor	Rs. 1400-2650
7.	Clerk-Cum-Cashier	Rs. 1300-2350
8.	Junior Supervisor	Rs. 1300-2350
9.	Driver	Rs. 1100-1950
10.	Attender	Rs. 1100-1950

MENU LIBRARY 103760
 Acc ..
 Ar ..
) ..
 Class ..
 Sub.Hea ..
 Enter b. ..
 Trans. ka ..