

STATE ENTERPRISES IN MIZORAM: ADMINISTRATIVE AND MANAGERIAL DIMENSIONS



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This is to certify that Shri.F.Lalhwingsanga, 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)

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CHAPTER - 1

INTRODUCTION

1.1 Nature and Scope:

This research study aims to analyse the organisation-
al, 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 Enter-
prises, 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 24.35° 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) Chakma 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 78.09 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	5200.00

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 entrepreneur. 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-

dence, 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 to 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 at least break even. Social services and the administrative apparatus of the government are not covered by the term 'Public Enterprise'.

aims 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. Strickly 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 nature ?

(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. Khera 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 view 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 Khadi 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 Khadi and Village Industries Board (MKVIB)
- (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 Khadi 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 Khadi 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.