



Review of Literature



FINANCIAL MANAGEMENT PRACTICES OF PUBLIC SECTOR ENTERPRISES IN KERALA.

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ABSTRACT :

A Study on money Management Practices of Public Sector Enterprises in Kerala .The total paid up capital of the State Level Public Enterprises at the top of the year 2006-07 amounts to Rs. 5924.19 crores and also the capital invested with totalled to Rs.17852.80 crores. The turnover from sales throughout the year was Rs. 10,885.37 crores with a complete profit standing at Rs.456.06 crores. whereas fifty enterprises have earned profits price Rs. 816.13 crores, sixty four Enterprises have according losses amounting to Rs. 360.05 crores. internet price taken along for the State Level Public Enterprises was Rs. 1518.92 crores once setting off the accumulated losses as on March 2007 amounting to Rs.5815.14 crores. this suggests that the hard-earned capital contribution of the State has scoured by quite ninety eight per cent by now. The payment to the State cash in hand by approach of taxes amounts to Rs. 1800.83 crores (about thirteen per cent of State Tax revenue), whereas the guarantee commission paid throughout the year was Rs. 19.36 crores. Amidst the loss creating undertakings there have been rays of hopes conjointly and dividends price Rs.13.27 crores are declared and got the year by the profit creating units.

KEYWORDS: *Financial Management Practices , money Management Practices, public sector enterprise .*

DEFINITION OF PUBLIC ENTERPRISE

There are many definitions of public sector enterprise reflecting its different aspects. A definition which seemed most comprehensive to us was evolved at a meeting of experts held in Tangiers in December 1980 at



the initiative of the International Centre for Public Enterprises in Developing Countries and of African Training and Research Centre in Administration for Development. According to them, an enterprise is public when the state or any other national, regional or local authority holds at least 50% of its capital; it is under state control and reports to the state; and its objectives are of a public or multi-dimensional nature.

Companies Act 1956 has defined a public enterprise as follows: "A government company is one in which not less than 51% of the paid up share capital is held by the central government or by any state government or governments or partly by the central government and partly by state government or governments" (Section 617, Indian Companies Act 1956). The subsidiary of such a company is also a

government company.

The public sector undertakings are not restricted to any one country, and their importance is realised throughout the world in bringing about socio-economic development. In fact, Hanson expressed the view that 'the whole process of development might be described as public enterprises'.

Objectives of Public Enterprise

The major objectives of public enterprises could be summarised as follows:

- 1) To help in the rapid economic growth and industrialisation of the country and create the necessary infrastructure for economic development.
- 2) To promote redistribution of income and wealth.
- 3) To earn return on investment and thus generate resources for development.
- 4) To create employment opportunities.
- 5) To promote balanced regional development.
- 6) To assist the development of small scale and ancillary industries and,
- 7) To promote import substitution, and to save and earn foreign exchange for the economy.

Sources and Applications of Funds:

It is discovered that the State PSUs square measure to a fault counting on external debt, each future and short term versions within the absence of enough plough backs on account of internal accumulations. As on thirty first March 2007, against a complete share capital investment of Rs. 5924 crores by the State and therefore the quantity plowed back by the profit creating entities amounting to Rs. 3100 crores, the future external borrowing stood at Rs.11929 crores and therefore the same for shorter term at Rs.11612 crores. Out of this Associate in Nursing atrocious Rs. 7505 crores was utilised to fund the accumulated losses of loss creating undertakings. A web fastened quality to current assets state of affairs is additionally not promising. Against a complete of web fastened assets amounting to Rs. 10745 crores the investment in current assets stood at Rs. 13592 crores, that is putt pressure on the fastened assets (revenue generating) to get extra returns to support the present assets (revenue maintaining assets).

Investments:

The total investment (capital invested) publically enterprises within the State as on March thirty one, 2007 amounts to Rs. 17852.80 crores. The investment was Rs. 18701.07 crores at the top of the previous year. the most investment is in Kerala Water Authority (Rs. 4701.97 crores). the opposite enterprises with major investment (above Rs. five hundred crores) embrace Kerala State Electricity Board, Kerala State Housing Board, The State Power and Infrastructure Finance Corporation Ltd., The Kerala State Civil provides Corporation restricted, Kerala money Corporation and Kerala State Road Transport Corporation.

Turnover

During the year, the State Level Public Enterprises have along earned a turnover of Rs. 10885.87 crores throughout 2006-07 as compared to Rs. 9282.95 crores throughout 2005-06 (an increase of seventeen.27 per cent). the best turnover has been achieved by Kerala State Electricity Board (Rs.4286.13 crores) followed by Kerala State Beverages (M&M) Corporation Ltd. (Rs. 1679.62 crores) and Kerala State Civil provides Corporation Ltd. (Rs. 1011.02 crores).

Profitability

Fifty enterprises have reportable profits in 2006-07 totaling to Rs. 816.13 crores as against a complete profit of Rs. 308.35 crores attained by thirty two enterprises in 2005- 06. The remaining enterprises have incurred losses amounting to Rs. 360.05 crores. Nineteen enterprises that had incurred losses throughout the previous year have reportable profits throughout 2006-07, whereas one Company that had attained profit throughout 2005-06 has incurred losses for the year. This puts several serious queries on the running and management of the undertakings and therefore the cues the personal sector players are going to be deducing from such circumstances.

Employment

The total employment within the public enterprises within the State throughout 2006-07 was 109934. this is often additionally to the indirect employment avenues these undertakings square measure making to support their major activities. expulsion the statutory firms, Kerala State Cashew Development Corporation Ltd. alone provides 14702 employment opportunities followed by Plantation Corporation of Kerala Ltd with 2924 and Kerala State Beverages Corporation Ltd. with 2554 . However, the typical investment per worker throughout the year 2006-07 was Rs. 16.24 lakhs that was on the upper facet compared with the Central Sector undertakings.

Net Worth

The net worth of the State Level Public Enterprises as on 31st March 2007 was Rs. 1518.92 crores (Rs. 2522.81 crores as on 31st March 2006). It was negative in 34 enterprises at the end of the year. The net worth had eroded fully and become negative in Roads and Bridges Development Corporation, Kerala State Coir Corporation Ltd. Kerala Police Housing and Construction Corporation Ltd. and Kerala Maritime Development Corporation Ltd. Leaving out the statutory corporations, the highest negative net worth was observed in Kerala State Electronics Development Corporation Ltd, The Kerala State Cashew Development Corporation Ltd, Autokast Ltd, Kerala Drugs and Pharmaceuticals Ltd. and Steel Complex Ltd.

Dividend

Nine State Level Public undertakings had declared dividends worth Rs.13.27 crores during the year ending on 31st March 2007 as against 11 undertakings with a total dividend of 7.93 crores during 2006-07. The Kerala Beverages Corporation Ltd. has reported a payment of Rs. 8.20 crores followed by Oil Palm India Ltd.(Rs. 1.77 crores) and Rehabilitation Plantation Ltd. (Rs.0.68 crores) on account of dividend for the year. Considering the volume of shareholding interest of the State in these undertakings the figure is very much on lower side which again pinpoints upon the performance level of Public Sector Units of the State.

Comparison with Central Public Sector Enterprises:

In this respect a comparison of the State Level Undertakings with their counterparts in the Centre looks meaningful. Information on the Central Public Sector Enterprises for the year 2006-07 indicates that about 70 per cent of the 225 operating Central Public Enterprises have earned profits. In the case of PSEs in the State, 56.18 per cent of the 90 operating enterprises had earned profits in 2006-07. The return on capital employed in the Central PSEs was close to 12 per cent, while that from the State Level Public Enterprises was negative at 3.58 per cent during 2006-07 (-0.78 per cent in 2005-06). Fifty five enterprises had carried forward losses at the end of March 2006 amounting to Rs. 5706.96

Crores. This dismal performance of PSUs, if allowed to continue for sometime can seriously damage the reputation which Kerala tries to project as an industry savvy State. This is to be viewed seriously in the backdrop of the fact that the states like Gujarat, Punjab, Karnataka and Andhra Pradesh are forging ahead with innovative and dynamic business ideas implemented under their respective Public Sectors.

Scope of the Study

An important characteristic of this study is that of an almost exclusive focus on the central government public enterprises and does not take into account companies owned by the state government. The study concentrates on the industrial and commercial undertakings in the public sector organised as companies. It excludes autonomous corporations set up under central or state laws, departmental undertakings and financial, promotional and developmental concerns. The departmental undertakings are engaged mainly in economic infra-structure, while the promotional autonomous and providing the and financial concerns do not function strictly on business principles. In other words, this study covers only the operating, non-financial manufacturing companies in Kerala owned by the Central Government.

In order to study the efficiency of central public sector enterprises in Kerala all the four companies that have been registered in Kerala are identified. They are Fertilisers and Chemicals Travancore Ltd. (FACT), Cochin Refineries Ltd. (CRL), Cochin Shipyard Ltd. (CSL) and Hindustan Latex Ltd. (HLL).

An attempt is also made to compare the efficiency of the central public sector enterprises in Kerala to that of its counterpart in the state sector. For this purpose Travancore Cochin Chemicals Ltd. (TCC) is identified as the comparable representative state enterprise.

Earlier the study was planned to concentrate on all the 13 central public sector enterprises in Kerala excluding five units managed by National Textile corporation (NTC). But the present study is confined to four central public sector enterprises registered in Kerala only, such as Fertilisers and Chemicals Travancore Ltd., Cochin Refineries Ltd., Cochin Shipyard Ltd., and Hindustan Latex Ltd. All other central public sector enterprises in Kerala are only units of multi-unit companies. Some of them refused to give the unit level data. So they are excluded from the present study.

A generalisation based on the above four companies may not be fully justified. There are many criteria of efficiency of public enterprises. Here efficiency of the public enterprises is evaluated on the basis of productivity, profitability and capacity utilisation. So this evaluation will be partial to the extent of the criteria selected for evaluation.

CONCLUSION:

The other enterprises with major investment include Kerala State Electricity Board, Kerala State Housing Board, The State Power and Infrastructure Finance Corporation Ltd., The Kerala State Civil Supplies Corporation Limited, Kerala Financial Corporation and Kerala State Road Transport Corporation. Leaving out the statutory corporations, the highest negative net worth was observed in Kerala State Electronics Development Corporation Ltd, The Kerala State Cashew Development Corporation Ltd, Autokast Ltd, Kerala Drugs and Pharmaceuticals Ltd. Information on the Central Public Sector Enterprises for the year 2006-07 indicates that about 70 per cent of the 225 operating Central Public Enterprises have earned profits.

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