

S.S.m.6. WILSON, P.R—Financial Planning & Control in Public Sector Undertakings in Kerala—1982—Dr. N. Nanukuttan Nair

India is wedded to the ideals of socialism and democracy. Our country is undergoing a unique experience of planned economic development in a democratic set up. We are experimenting on a system of mixed economy for the speedy transformation of our semi-stagnant agro-based economy to a strong dynamic and industrially advanced one. In this growth oriented endeavour the public sector along with the private sector is playing a vital role.

The state of Kerala is industrially backward and so the government has started many industries in the public sector. Most of them being commercial enterprises are expected to make sizeable surplus and contribute to the meagre resources of the Government and for their further growth. But it is a sad fact that many of them had continuously incurred losses and even depleted their capital resources. In fact success or failure of all functional areas considerably depends upon the manner in which the finance function is executed and controlled.

So the major problems posed are:

How is financial manager in public sector performs his functions? What are the salient features of financial performance?

Are there proper financial planning and effective financial control in these organisations?

If they are practised, why are they not effective in controlling and improving

financial performance?

The following are major hypothesis.

It is said that in all the public sector undertakings there is financial planning and control but is not practised according to sound management principles.

Financial performance analysis is not systematically done to identify the strengths, weaknesses, opportunities of the firm and the threats faced by them.

Financial planning is done and control exercised at different levels of the organisation without proper integration and co-ordination.

The present study is both descriptive and analytical. Descriptive in the sense that it trace the historical growth and present performance and analytical in the sense that it interprets and analyses the data and also projects future trends.

The study is limited to the industrial undertakings in the public sector run by Kerala State. Out of the total 21 manufacturing units 18 units are covered. The study is particularly directed to financial performance concentrating on planning and on control of finance.

Major conclusions and recommendations are the following:

Many of the concerns are depending on borrowed capital for their existence. Interest charges proved to be very heavy as compared to other expenses.

More than 50% of the units covered by the study are practically insolvent and they are made to exist by artificial respiration in the form of liberal loans from the governments.

External factors like ministerial intervention, multiunionism, trade union interference, political influence etc. have many a time proved to be stumbling blocks to the smooth functioning of the undertakings.

Appointment of inexperienced bureaucrats to top positions for short periods, lack of motivation and incentive systems are other major causes for inefficient functional performance.

Incompetency of non-professional managers in these undertakings is great drawback. Profits are made only in the concerns having a protected market. Those concerns producing goods competing with private sector are selling their products below the cost of production.

Decisions are made on the basis of experience. In many cases, they are unscientific and proved to be unsound.

In a few cases the reluctance to follow the trends of product life cycle have proved to be disastrous. In many undertakings lack of production control resulted in continued losses.

A number of concerns having surplus labour consider it as social responsibility to keep them. This inflates the labour cost and reduces the labour productivity.

Expansions and diversifications often end up in dead investments and financial crisis.

Decisions like location of industry, employee strength etc., should not be political decisions but should be on the basis of economic viability and sound business principles.

Diversifications and expansions should be on the basis of proper market studies and realistic project reports and should be implemented and completed according to the schedule.

Work standards should be introduced in all the units. This can be made a part of bargaining at the time of long-term wage agreements.