

Managerial Perception on Operational Performance of Public Enterprises in Kerala

*Leena Varghese

Assistant Professor of Commerce, AI – Ameen College, Edathala, Aluva (India)

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*Corresponding Author

Email: leenag79[at]yahoo.com

ABSTRACT

The public enterprises in Kerala play a significant role in the development of the economy, especially in the manufacturing sector. Both central and state Government have been developing and restructuring various plans and programmes for the progressive improvement of state owned industries. In Kerala, industrial sector mainly consists of medium and large industries, micro, small and medium enterprises (MSME) and traditional industries. The Review of Public Enterprises has come up with the view that many of the State Owned Enterprises in Kerala are not performing in the expected level. The financial as well as operational performances of these enterprises are found to be very pathetic. The researcher confines study to the operational area of performance of State Owned Industrial Enterprises in Kerala. The performance of a company cannot be evaluated merely relying upon income statements alone. Operating profits are also an important tool to measure the sound position of a company. Operational performance is analysed through various factors like Profitability, Production, Sales and Marketing and Management of funds, posing impact on the performance of the firm. An attempt is made to study the managerial perception towards operational performance of State Owned Industrial Enterprises in Kerala.

1. Introduction

Public Sector Undertakings play an important role in the economic as well as social development of a nation. It helps the nation in providing with opportunities to attain self sufficiency in manufacturing process and technological advancement. Public sector is expected to be the Principal agent for rapid economic & social transformation by developing infrastructure and core sector and closing the gaps in the industrial sector. The economic growth through public enterprises will be adequately learned with social justice. As stated in UN resolution public enterprises play an important and vital role in developing countries in capital formation, fully utilization of natural resources and in achieving a more equitable distribution of income and wealth expansion of GNP.

Public sector has its origin in the 19th century Europe. In developing countries and even in developed countries public sector enterprises have been set up to enter areas of high cost and technology which private sector cannot or does not enter. A public sector enterprise is an organization which is owned by public authorities (central or state Government) to the extent of 51% or more. There were 298 Central Public Sector Undertakings in India during the year 2015-16, out of which only 235 were under operations. Out of these 235 PSU's, 157 were generating profits and 78 were incurring losses during the year 2015-16. The investment in the Central Public Sector Undertakings in the year 2014-15 has shown an increase from Rs. 1756530.80 crore from Rs. 1906796.31 in the year 2013-14. State Public Sector undertaking also leads a significant path towards socio – economic development especially in the manufacturing sector.

The state of Kerala holding the largest number of Public Sector Undertakings in India has showed an increase in the investment in its Central Public Sector Undertakings of 11.69% in the year 2014-15 compared to the previous year. Public

Sector Undertakings in Kerala consists of State Government Companies and Statutory Corporations. As on 31st March, 2015 there 126 State Owned Public Sector Undertakings in the state, out of which 122 were Government Companies and 4 were statutory corporations. Even though 126 Government companies were registered only 107 were currently operating and the remaining are not operating.

2. Review of Literature

M.B.G.Tilak (1989) concluded that if effective measures like professionalization of the board of management, observation of scientific principles of management, strict vigil over the public enterprises performance by nodal agencies like the Bureau of Public Enterprises will obviously help the public sector enterprises in achieving its objectives in better manner.

The study conducted by **P. Mohanan Pillai (1990)** has revealed the fact that while considering the performance of various Public Sector Enterprises in Kerala, it was found that the chemical industry has performed better and in a study "Overview of Performance of Public Sector Enterprises of the Government of Gujarat" **Satya Raju (1991)** has found that poor incentives for management and weak commitment to profitability was considered to be the major reasons behind the poor performance of public sector enterprises in India.

Bimal Jalan (1992) in his study has concluded that the performance of public enterprises has been satisfactory in respect of the rate of total investment but the economic performance has not been up to the expectation. **A. Prakash (1994)** disclosed that the sustained losses incurred by the industrial undertakings run by state Government discourage initiation of any new undertaking. In spite of the efforts of the state Government, private investors are reluctant to start large or medium industrial units. This may be attributed to higher

cost of production arising out of higher input cost and labour cost compared to other states.

Geevarghese (2002) while conducting a study has opined that the absence of proper market research and updating towards cost effective technology have resulted in the below par performance of Public Sector Chemical Units under the State Sector. Public Sector undertakings, posed with meeting simultaneously the twin objectives of social commitment and competing with other commercial operators, are being put under tremendous pressure. They are often required to choose a middle path, forced to compromise on the best commercial practices otherwise available to a private sector player. **Deva Kumar P.S (2008)** undertook a research study on "Financial Performance of Selected Public Sector Industrial Undertakings under Revival in Kerala". The study identified the causes leading to the sickness and the extent to which the causes were addressed by operating agencies through BIFR and examined the improvement in performance level of these undertakings in financial terms, once the net worth becomes positive.

3. Statement of the Problem

As on March 31, 2016, the total investment (capital invested) in public enterprises in the State (92 enterprises) is Rs. 44323.12 crore (increased by 9.83%) as compared to the investment of Rs. 40357.29 crore during the previous year. **(BPE, Government of Kerala, 2015-16)** Currently there are substantial outflows as financing for capital projects under the budget of the State or as loans provided under various loan heads in the budget. Lack of professional management and the intrinsic unviable nature of the operations have been identified as the key reasons behind the poor performance of State Owned Enterprises in Kerala. Instead of instilling professionalism for improving the performance of these enterprises, disinvestment has been considered by various experts in the relative fields. During 2015-16, overall profitability is reported from six sectors as against four sectors during the previous year. Chemical Industries, Electronics and Engineering & Manufacturing sectors reported net profits as against net losses during 2014-15 previous years. Hence the researcher has observed a need for assessing the profitability and operational performance in chemical industries.

4. Objectives

1. To analyse the profitability and sales trends of Public Enterprises under the Chemical sector
2. To know the managerial perception about operational performance of Public Enterprises in Kerala of Chemical Sector.
3. To provide suggestions for improving the performance of Public Enterprises in the Chemical sector on the basis of findings made.

5. Methodology

Sample size: All the six units from Chemical Sector under the public sector and a total of 65 managerial respondents were selected at a random basis from all these six enterprises.

No. of Respondents: 65- Total population: 446.

6. Data Selection

Both primary and secondary data was used for the analysis. The annual review reports of state owned enterprises published by Bureau of Public Enterprises, Government of Kerala and annual reports of the selected companies were used as a source of secondary data in order to compare and evaluate financial performance. The primary data was collected from the managers and executives of companies under the electrical sector.

7. Period of Study

The study has been undertaken for a period of 15 years from 2001-01 to 2015-16.

8. Tools Used For Analysis

The profitability and sales trend growth is analysed over a period of fifteen years from 2001-02 to 2015-16 and for assessing the managerial perception in Chemical sector four variables are selected and analysed thereon.

9. Variables of the Study:

Profitability, Production, Sales and Marketing and Management of Funds.

10. Analysis and Findings

10.1 Primary Data Analysis:

The primary data was collected from the four enterprises operating in the electrical sector with the help of structured interview schedules. The responses were collected only from the executive level of employees of these organizations. For scaling the responses of managers, the researcher developed a five Point Likerts Scale indicating the response mode of managers is adopted.

10.1.1 Response Status: Profitability

The primary factor necessary for the survival of every enterprise either private or public is profits.

Even though social objectives play a crucial role in the performance of public enterprises, it is significant to assess the profitability of the concern. The responses of managers in relation with this factor are depicted below.

Table -1
Managerial Perception on Profitability

SI.No.	Sub Variables	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	Total
1.	Growth in Sales	23 (35)	15 (23)	8 (12)	7 (11)	12 (18)	65
2.	Investments are Fluctuating	5 (8)	10 (15)	22 (34)	18 (28)	10 (15)	65
3.	Changing Preference of Buyers	19 (29)	15 (23)	10 (15)	12 (18)	9 (14)	65
4.	Ineffective Advertisement	8 (12)	12 (18)	10 (15)	23 (35)	12 (18)	65
5.	Unsatisfactory Dividend Policy	10 (15)	7 (11)	23 (35)	12 (18)	13 (20)	65
6.	Rising Operating Costs	18 (28)	22 (34)	7 (11)	10 (15)	8 (12)	65
7.	Negative ROI	8 (12)	12 (18)	18 (28)	15 (23)	12 (18)	65
8.	High Competition	22 (34)	25 (38)	5 (8)	8 (12)	5 (8)	65
9.	Increased Labour Turnover/Absenteeism	10 (15)	15 (23)	12 (18)	16 (25)	12 (18)	65
10.	Easy and Cheap Import of Raw Materials	12 (18)	13 (20)	15 (23)	21 (32)	4 (6)	65

(Computed from primary data collected using interview schedule)

Figures given in the brackets represents percentage of values to the total

Interpretations:

It is found that majority (58%) of the managers in the chemical sector has an opinion that there is a significant relationship of sales growth with profitability and only a minority (23%) of the managers agree that fluctuating investments affect profitability. Most of the Managers consider changing preference of buyers, rising operating costs and high competition as major factors affecting the profitability. Only 25% of the managers agree that high labour turnover and

absenteeism affected profitability and an equal percentage of managers agree and disagree about cheap import of raw materials affects profitability.

10.1.2 Response Status: Production

Production plays a significant role in every manufacturing concern. The managerial responses relating to the various factors having impact on the production process in the chemical sector is depicted below:

Table - 2
Managerial Perception on Production

SI.No.	Sub Variables	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	Total
1.	Proper Production Planning and Control Measures	22 (34)	25 (38)	5 (8)	10 (15)	3 (5)	65
2.	Low Capacity Utilisation	21 (32)	15 (23)	8 (12)	16 (25)	5 (8)	65
3.	Delay in Placing Orders and Receiving Materials	8 (12)	11 (17)	10 (15)	17 (26)	19 (29)	65
4.	Proper Vendor Evaluation and Rating	23 (35)	28 (43)	4 (6)	7 (11)	3 (5)	65
5.	Materials Management is Satisfactory	24 (37)	18 (28)	3 (5)	12 (18)	8 (12)	65
6.	Equipment and Tool Availability is Kept at the Optimum Level	22 (34)	15 (23)	5 (8)	13 (20)	10 (15)	65
7.	Frequent Stoppage of Machines Due to Break Down	12 (18)	11 (17)	10 (15)	12 (18)	20 (31)	65
8.	Alternative Measures to Meet Power Failure	10 (15)	15 (23)	12 (18)	18 (28)	10 (15)	65
9.	Undertakes Diversification of Products	12 (18)	16 (25)	10 (15)	16 (25)	11 (17)	65
10.	Focus on Quality of Products	15 (23)	32 (49)	6 (9)	7 (11)	5 (8)	65

(computed from primary data collected using interview schedule)

Figures given in the brackets represents percentage of values to the total

Interpretation:

It is found that majority of the managers opines that company follows adequate production planning and control measures and agree about low capacity utilisation but majority disagree to the fact of delay made in placing orders and receiving materials.

Majority of the managers agrees about maintaining proper vendor evaluation and rating and satisfactory material management contributes towards production process.

Around 57% of managers confirms that tool and equipments are maintained properly and disagree that there is frequent stoppage of machines however majority of the managers disagrees that there is alternative measures to meet

power failures. Majority, ie, 72 percent of the managers agrees that company focus on quality of products which contributes significantly towards production and related activities.

10.1.3 Response Status : Sales and Marketing

Sales and Marketing is a very important factor of great concern in organisations. An effective sales and marketing department is a great asset in all enterprises.

The managerial perception regarding various aspects affecting the sales and marketing is collected from the managers of chemical sector working under various public sector enterprises in Kerala coming under the administrative control and purview of Department of Industries, Government of Kerala are depicted below:

Table – 3
Managerial Perception on Sales and Marketing

Sl.No.	Sub Variables	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	Total
1.	Poor sales forecasting	8 (12)	7 (11)	6 (9)	22 (34)	22 (34)	65
2.	Only a Limited Number of Customers	21 (32)	15 (23)	7 (11)	10 (15)	12 (18)	65
3.	Input Cost is Too High	15 (23)	18 (28)	10 (15)	14 (22)	8 (12)	65
4.	Project Size is Uneconomical	16 (25)	15 (23)	4 (6)	18 (28)	12 (18)	65
5.	Element of Wastage is High.	15 (23)	17 (26)	10 (15)	13 (20)	10 (15)	65
6.	Lack of Market Feed Back	19 (29)	20 (31)	5 (8)	12 (18)	9 (14)	65
7.	Too High Breakeven Point	15 (23)	21 (32)	10 (15)	12 (18)	7 (11)	65
8.	Technical Knowhow is not Adequate	17 (26)	11 (17)	8 (12)	19 (29)	10 (15)	65
9.	Satisfy the Needs of its Clients	21 (32)	17 (26)	5 (8)	10 (15)	12 (18)	65
10.	Have a Good Distribution Network	19 (29)	22 (34)	5 (8)	10 (15)	9 (14)	65

(Computed from primary data collected using interview schedule)

Figures given in the brackets represents percentage of values to the total

Interpretation:

Majority of the managers have disagreed about the fact that the firms are not having proper sales forecasting and majority have agreed that their customers are limited to few and too high input costs are incurred.

Majority of them do not consider lack of market feedback as important but low and inadequate technical up gradation was found. Majority of them agrees to the fact that there is good distribution network and they work hard to satisfy their clients' needs and in certain cases they also agree that the project size adopted seems to be uneconomical.

10.1.4 Response Status : Management of Funds

Finance is the life blood of business. The success of the business depends upon the efficient utilisation of its resources like men, machine, material and money. Among these resources money has a significant role. An attempt is made to assess the response relating to management of funds in selected enterprises.

The following table depicts the response collected from different managers under the various Public Sector Enterprises in Kerala falling under the administrative control and purview of Department of Industries, chemical sector.

Table - 4
Managerial Perception on Management of Funds

Sl. No	Sub Variables	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	Total
1.	Adequate Source of Funds.	8 (12)	12 (19)	10 (15)	25 (39)	10 (15)	65
2.	Good Capital Budgeting Decisions	13 (20)	15 (23)	8 (12)	17 (26)	12 (19)	65
3.	Government Interference is Positive	21 (32)	18 (28)	11 (17)	7 (11)	8 (12)	65
4.	Credit Policy Adopted is Effective	14 (21)	12 (19)	10 (15)	18 (28)	11 (17)	65
5.	The Length of Production Cycle is Very Long	15 (23)	13 (20)	16 (25)	9 (14)	12 (19)	65
6.	The Length of Flow of Working Capital is too Short.	20 (31)	12 (19)	8 (12)	14 (21)	11 (17)	65
7.	Technological Advancement is Low.	18 (28)	14 (21)	7 (11)	14 (21)	12 (19)	65
8.	Inefficiency in Asset Management	16 (25)	10 (15)	12 (18)	15 (23)	12 (19)	65
9.	There is an Increase in loss incurrence	19 (30)	14 (21)	15 (23)	12 (19)	5 (8)	65
10.	Management of Inventory is Satisfactory.	18 (28)	12 (19)	8 (12)	20 (31)	7 (11)	65

(computed from primary data collected using interview schedule)

Figures given in the brackets represents percentage of values to the total

Interpretation:

Around 54% of the managers disagree to the fact that the companies are having adequate source of funds and majority disagrees that firm has good capital budgeting decisions and 39 % of managers agrees to the fact about positive Government interference towards companies. While on the other hand majority of the managers disagrees about effective credit policies but majority of them have registered a positive opinion that inventory is managed properly and assets are managed properly. Majority of the managers have agreed about the statement that the companies' loss incurrence has

increased during the years and also regarding low technological advancement in their respective concerns.

10.2 Secondary Data Analysis:

10.2.1 Profitability Trends in Chemical Sector:

Public sector enterprises which are owned, controlled and managed by the Government gives due consideration in fulfilling the moral responsibility towards economic policies of the country. Profits play a significant role in every business organisation whether it is a private or public. To assess the growth and progress of public sector enterprises the trends in their profits over the years is calculated and depicted below:

Table - 5
Profitability Trends in the Chemical Sector (Amount in Lakhs)

YEAR	KMML	KSDPL	MCL	TCL	TCC	TTP
2001-02	10026.62	-795.16	649.12	-109.00	-666.74	590.74
2002-03	9403.18	-807.93	-1150.7	-224.00	-691.80	8.62
2003-04	4648.40	-746.89	175.83	-296.00	90.16	118.29
2004-05	3842.96	-662.92	-271.06	-265.00	-829.24	239.16
2005-06	1773.27	-664.23	540.94	-390.00	571.06	-1552.91
2006-07	2077.07	-596.99	2573.97	-84.00	53.75	-397.74
2007-08	1014.72	-406.62	3994.27	10.00	32.92	753.12
2008-09	3042.90	-395.04	4785.86	-77.00	-282.08	574.20
2009-10	8371.50	138.18	3031.70	-198.00	-249.73	1322.7
2010-11	6259.17	270.26	4428.30	-51.00	-471.43	1913.49
2011-12	15408.46	253.39	5080.66	-872.00	298.31	2070.53
2012-13	7312.40	-189.02	3171.46	-343.00	172.72	123.55
2013-14	2641.18	-1011.55	240.97	-618.00	-322.71	-34.42
2014-15	-2478.34	-714.23	1579.45	-1091.00	63.10	-1265.56
2015-16	327.49	1228.86	3899.82	-1205.00	-737.26	-446.90
Average	4911.40	-339.99	2182.04	-387.53	-197.93	267.79

(computed from various issues of BPE, Government of Kerala from 2001-02 to 2015-16)

KMML – Kerala Minerals & Metals Ltd., KSDPL- Kerala State Drugs & Pharmaceuticals Ltd, MCL – Malabar Cements Ltd
TCL- Travancore Cements Ltd, TCC – Travancore Cochin Chemicals Ltd., TTP – Travancore Titanium Products Ltd.

10.2.2 Sales Trends in Chemical Sector:

Sales growth also lays strong pillars in the successful development of enterprises irrespective of their ownership

status. A trend in sales is also undertaken and depicted below of various public enterprises in the chemical sector:

Table - 6
Sales Trends in the Chemical Sector (Amount in Lakhs)

YEAR	KMML	KSDPL	MCL	TCL	TCC	TTP
2001 -02	30194.78	477.44	12185.62	2798.00	10435.29	9248.87
2002-03	29604.91	472.95	10946.40	2936.00	8491.27	6801.99
2003-04	30118.30	247.93	16487.41	2789.00	10436.08	12895.68
2004 -05	31831.69	7.96	16752.83	2779.00	10201.26	11940.81
2005 -06	32304.14	27.84	22780.37	1930.00	12583.06	13388.24
2006 -07	30684.85	341.75	20989.34	2396.00	12344.90	10265.35
2007 -08	31368.30	876.20	21807.69	2705.00	10629.18	11458.45
2008 -09	43067.23	1197.08	24989.17	3305.00	12091.53	10434.62
2009 -10	49704.88	1433.99	17608.29	2909.00	10781.89	13344.89
2010 -11	54762.99	2891.47	25062.33	1984.00	12940.06	16226.28
2011 -12	58446.42	3325.08	27156.00	2492.00	15603.59	18528.29
2012 -13	54763.36	1343.63	26757.43	2494.00	16289.21	16918.55
2013 -14	65219.73	2000.87	24707.14	2947.00	16251.08	15909.40
2014 -15	53801.11	2254.59	31503.97	2950.00	15606.23	12021.95
2015 -16	51506.79	2677.05	40411.25	2764.00	16622.03	11652.63
Average	43158.63	1305.055	22676.35	2678.533	12753.78	12735.73

(computed from various issues of BPE, Government of Kerala from 2001-02 to 2015-16)

KMML – Kerala Minerals & Metals Ltd., KSDPL- Kerala State Drugs & Pharmaceuticals Ltd, MCL – Malabar Cements Ltd

TCL- Travancore Cements Ltd, TCC – Travancore Cochin Chemicals Ltd., TTP – Travancore Titanium Products Ltd.

11. Findings of the Study

11.1 The profitability position of KMML is somewhat satisfactory it has come through wide fluctuations during the fifteen years but managed to generate profits in almost all fourteen years of the study period except in one year in 2014-15. The sales have gone through slight variations during the fifteen years of the study period and has shown an increasing trend till 2013-14 and started to come down in the next year.

11.2 The profitability position of KSDPL is very pathetic only in four out of fifteen years of the study period the company was able to come up with profits. However in the current year there was a reversal trend from loss incurring to profit generating which is quite satisfactory. The sales figures also have depicted wide fluctuations over the years but in the current year it has shown a hike.

11.3 MCL also has shown a satisfactory picture of performance with regard to profitability, out of the fifteen years of the study period except in two years all the other years were profit generating. Sales also have been exhibiting an increasing trend till 2009-10 where there was a steep decline which was recovered in the next year, in the current year it is showing an increasing trend.

11.4 TCL is not all depicting a satisfactory position out of the fifteen years of the study period the company managed to generate profits only in one year and moreover in the current year the incurrance of losses was showing an increasing trend also. It is also noted that in spite of increase in sales figures the firm was incurring losses over the years.

11.5 TCC also exhibited a not much satisfactory performance where the company succeeded in generating profits only in seven years out of fifteen years of the study period. The sales trends shows highly fluctuating picture of the company where in the current year has depicted an increase compared to the previous year values.

11.6 TTP has come out with profits in ten out of fifteen years of the study period. The sales trend was more or less increasing till 2011-12 which has come down from 2012-13 onwards and continues to fall in the current year, 2015-16 also.

11.7 From comparing the profitability and sales performance of the six companies operating in the chemical sector it was found that KMML has come up with a better picture which was followed by MCL. Companies like KSDPL, TCL and TCC were generating losses in an average of fifteen years from 2001-02 to 2015-16.

12. Conclusion

The management and Government should take serious administrative measures for the proper control over the activities of all enterprises under the Chemical sector. Three companies under the same sector have been incurring losses and three others succeeded in generating profits. it was found that two companies in the chemical sector which has undertaken manufacturing and sales of cements, one has come out with profits in majority of the years of the study period whereas the other has exhibited losses in many years. This is something which has to be considered with utmost importance.

13. Suggestions

The companies under the study should concentrate more on its profitability and sales position. It is seen that the companies operating under the chemical sector has shown a reverse trend in the current year 2015-16 compared to the previous years of the study period. Even though profit earning is not the primary objective of a public enterprise, profits are required for the survival and growth of all firms so the profitability condition of all the firms should be given due consideration.

Even though there is considerable increase in the sales during the years the profitability has not increased in par with the sales so this factor should be urgently attended on. So

companies should concentrate more on sales promotional techniques, effective advertisement and adopt customer

friendly approach. The companies should also give due consideration to diversification of its products.

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