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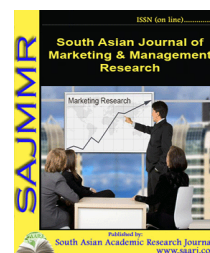
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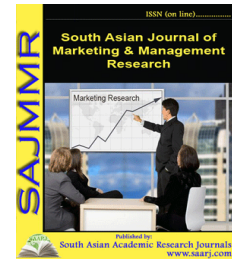


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# South Asian Journal of Marketing & Management Research (SAJMMR)

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## MANAGEMENT OF EDUCATIONAL INSTITUTION FOR DEVELOPMENT OF STUDENTS PERSONALITY: A CASE STUDY IN ALIGARH DISTRICT

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### ABSTRACT

*School plays a great role in development of individuals. Environment provided is requisite for the better development of individuals. School management is standing pillar in determining the school environment. The focus of this study is to find out the influence of school management in personality development of individual. The objective of study was to find out the impact of different activities and facilities provided by the school on personality development of the student. Tool for the study was developed by the researcher, one for the students and other for the principals of the school. The result of the study indicated that there is positive impact of the infrastructural facilities on the personality development of the student, school providing better facilities have student with good personality, while students provided with less facilities showed a lower personality development patterns. The suggestions recommended for providing improved facilities and arrangement of better activities. The suggestions also included recommendations for recruitment for professionally trained teachers.*

**KEYWORDS:** *Personality Development, Institutional Management*

## INTRODUCTION

Personality refers to the uniqueness of a person and it can be recognised right immediately after birth. Every child has some personality aspects which are based on his hereditary and environment. The word personality itself derived from Latin word 'persona' which referred to a theatrical mask by performer in order to disguise their identities. It also refers to the pattern of thought thoughts feelings and behaviour that makes a person unique. Funder DC (1997) describes personality as individuals characteristic pattern of thoughts emotions and behaviour together with psychological mechanism hidden or not Behind Those patterns. It is dynamic concept with changes as the environment changes since from infancy stage through-out life development of personality takes place. It is also defined as organization of individual's person pattern of tendencies (White 1948). There are number of discussions with the personality that weather is born gift or it can be improved. Because of the spread of education especially professional courses scarcity of jobs and employment situation is worsening day by day. Academic excellence alone is not sufficient to lead the successful life. Comprehensive personality traits are required to seek job or admission. Now a number of efforts to be taken in order to shape a perfect personality teacher plays a great role in shaping future of students time spent by the student in senior colleges is very vital in shaping the personality hence is school management in teaching staff should take a conscious effort in personality development for ensuring personality development School management has taken a number of steps such as personality laboratories games reading rooms elocution competitions conversation and group discussions presentations yoga and cultural activities extra research on personality development of the students can be undertaken keeping in view the different aspects of Mind with physical religious social here mean focus is given to the management of school for personality development. The research on personality development of the students can be undertaken keeping in view the different aspects in mind i.e. the personality development can be studied from psychological aspect, mental and physical aspects, religious aspect, social aspect etc. But for this research the researcher has given stress only on the management aspect of personality development. The intelligent quotient and emotional quotient of each and every student can be measured and on establishing co-relation between these the personality development needs of an individual student can be identified scientifically and corrective measures can be taken.

## OBJECTIVES

1. To analyse the academic working of the educational institution relating to development of the students' personality
2. To study the impact of various co-curricular activities carried out by the educational institution for the overall development of the students.
3. To study the teachers' contribution in imparting knowledge and implementation of modern educational aids relating to personality development.
4. To analyse the application of infrastructural growth of the educational institution for better development of the personality.
5. To study various problem faced by educational institutions in imparting education.

## **METHODOLOGY**

The present study is descriptive research. To find out the role of academic administration on students' personality development. A sample of 100 students from different schools of Aligarh district were taken, along with a sample of 10 Principal from same school. In order to find the role of administration and facilities provided by the school for personality development, two questionnaire were designed by the researcher, one for the student and another for the principal/head of the school. The questionnaire developed for students consist of 24 questions on various aspects of school infrastructure, role of teachers and facilities provided by school. The questionnaire developed for Principals consist of 20 items on same aspects as for students. Data was analyzed using descriptive statistics.

## **RESULT**

After data analysis, to find out the role of school administration in development of personality it was found that 80% of Principal answered affirmative while 20% principals felt that school administration does not hold much impact in development of student personality. Secondly, to look for the impact of co-curricular activities carried out by school administration in personality development of student, it was found that 55% students are benefited with the co-curricular in school in their personality development, while 90% of principal are of the opinion that co-curricular activities are beneficial in personality development of the student. Thirdly, it was found that 78% students have much influence of their teachers in their personality while 22% students don't believe that teachers have much influence on their personality. Resulted indicated that 89% principals believed that teachers hold much impact on the personality of the student. Fourthly, while investigating the infrastructural growth in school as a factor for personality development of student it was found that Only 40% students are benefited from the infra structural development while 60% students didn't found infra structural development has any impact on their personality development. Lastly, it was found that out of ten school surveyed four school were having some lack of resources viz. lack of library, computer lab, trained teachers etc. one of the factor for lacking behind the proper personality development of their student.

## **DISCUSSION**

From the above results, it can be concluded that school administration hold a direct relationship with the personality development of student either directly or indirectly. The facilities provide in school is of great importance to the personality development of the student. However, it was also found that teachers also possess a much influence on the personality of their student. It is also evident from the fact that student always try to imitate the character of their teachers which results in inculcation of some aspect in their own personality. Hence school administration should be very conscious while recruiting teachers. It is suggested that trained teacher should be appointed. Activities are the base for providing a real life experience to the student, therefore co-curricular activities are one of the important pillar in school for enhancing of development of student. Therefore school should make proper arrangement for the co-curricular activities, these should be planned in such a manner that they along with providing real life experiences they should also inculcate righteous habits among the students. School administration is key principal in defining the school environment, arranges all the facilities required in the school fulfills all the requirements required for governing of school. For a good school administration the persons involved in should have idle leadership qualities. Therefore foremost thing required

for the good school administration should be in hands for person with leadership qualities. He should be much experienced to have a foresight vision to understand the benefits of school and students in long terms. They should have an ideal personality to make good impact on the students. They should make efforts for inculcating such practices and provide such facilities in there school which will help in personality development of the students ie. They should make proper arrangements for different resources required by the students for their knowledge enhancement viz. computer laboratory science laboratory, library provided with the latest books for referencing etc. As all the above mentioned are part and parcel of role and responsibilities of school administration therefore for the better personality development of students school should have a strong school administration.

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## PERFORMANCE OF PUBLIC ENTERPRISES AND ITS MANAGEMENT CHALLENGES IN NEPAL

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### ABSTRACT

*Public Enterprises are created in both developed and developing countries of the world to accelerate economic and social development. Yet, increasing evidence indicates that most of public enterprises either do not contribute strongly to national development or do not supply their public goods and service functionally effectively and efficiently leading to policy maker and academician engaging in continuing debate over whether or not public enterprises are viable to economic and social development and why so many of them have failed to deliver the services for which they were created and how their performance can be improve by efficient service delivery and sustainable national development. Continuous performance is the objective of any organization because only through performance, organizations are able to grow and progress. These issues are more crucial. In this context this article explores the contribution and performance level PEs and discusses its major management challenges. For the discussion, about Growth of PEs operating status of PEs, financial status of PEs, total investment Share and loan investment, dividend received, contribution on GDP, Revenue, Shareholder's Fund/net-worth, working capital, administrative and unfunded liabilities of PEs on the based on PBM theory assumptions, Secondary data are obtain from Ministry of Finances and National planning commission and some of the key personnel of the PEs are also interviewed. The finding shows that there are still very important roles of PEs for service delivery system, social and economic development, the roles of income Tax, value added tax and not taxable-tax collection and social welfare, Employees' generation, curtailing, syndicate and market control, the role of crisis management and emergency situation etc., which however, also facing problem of lack of smart management, lack of proper attention of Government.*



**KEYWORDS:** *Public Enterprises, Management, Contribution, Performance, Efficiency, Effectiveness, quality, Service Delivery, Reforms.*

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## 1. INTRODUCTION

### 1.1 Background of the study

Public Enterprises are created both developed and developing countries of the world to accelerate economic and social development. Specially, After the great depression of 1930 and particularly after the 2nd world-war, numerous State Owned Enterprises (Public Enterprises) were created in both developed and developing countries to address market deficits & capital shortfalls, promote economic development, reduce mass unemployment or ensure national control over the overall direction of the economy(U.N,2005,P.3; Adsanmi,2011 as cited from Ogohi,2014,p.24). Nepal was also not exception for establishing such entities. Nepal establishes more than five dozen of such enterprises up to the late Sixties. PEs have been established with objective to make basic goods and services accessible to the general people, sell and distribute it to them at affordable prices, build basic infrastructures for development, produce and sale goods and services, earn profits to become self-reliant, contribute for physical contribution of infrastructure development, economic growth and promote the social justice through the adopting principles and enhancing efficiency and effectiveness. Similarly, the public enterprises were set up in the sectors such as public service, industrial, trade, financial, productive etc. considering need to construct basic structure, in the situation when public sectors locked required amount of entrepreneurship, technical knowledge, capacity to invest business capital and even experience to develop mega infrastructure for developing nation. Nepal Bank Ltd. was established in 1934 and government had a major holding in 1951. When the government decided to go for major holding from 40 percent share ownership to 51 percent in Nepal Bank Limited. (K.C.1999,P.6), the formal initiation of public enterprises had begun and by1992, there were all together 66 public enterprises were existence. Public enterprises were offered appropriate provision for policies, flexibility in investment and proper protection in operation in order to help them make production, distribution and service delivery more effective and operate professionally. Although, they performed well at the beginning but later neither they could create significant employment, or nor could adequately supply basic goods and services of people's daily need at affordable price (MOF,2017). Public enterprises could not achieve business efficiency and entrepreneurship despite entertaining prolonged protection from government. Instead, they continued suffering from huge loss and colossal burden to government. At last, Financial capacity, service delivery capacity, professionalization and entrepreneurship capacity were detracted (MOF,2016 ,p.1). However, rising corruption, management inefficiencies, overstaffing without due regard to their economic viability, many governments treated PEs as easy conduits for job creation and a convenient vehicle for patron age distribution inflation and rising current account deficits of the 1980s, exposed serious "government failures" and the limits of PEs as major players in economic development. In addition to management deficits many PEs also suffered from technological shortcomings. Imported through either foreign aid or soft loan from abroad, many of the PEs were either equipped with low or second grade machineries contributing to low capital low output ratio or were established without due regard to their economic and financial sustainability (Okoli,2004,p.12).

"The contemporary globalization, liberalization and marketization and ongoing structural transformation of national economics have contributed to the expansion of the private sector on the one hand and downsizing of public sector including dismantling or divestment of public

enterprises on the other" (Ogohi,2014,p.24). These initiatives have been undertaken to accomplish two main objectives giving more space to the private sector to function as the main engine of growth and at the same time, by downsizing and divesting inefficient public enterprises operations, save costs and generate revenue. However despite being divested or dismantled, PEs continues to occupy significant roles in both developed as developing countries the principle suppliers of Social services, some relevant to the attainment of the Millennium Development Goals(MDGs)(Abubakar,2011 as cited from Ogohi,2014,p.24).

These developments necessitated painstaking and meticulous review of the role of the public enterprises in socio-economic development of countries several scholars (Abubakar, 2011; Nwoye,2011;Ogohi,2014) have argued that the current debate on public enterprises is no longer whether public enterprise have a role to play in national development but on what role should be and how it should be played, a sit become crucial that new public enterprises must perform efficiency and effectively and where appropriate, under the market conditions to excel. The reform agenda of PEs includes, inter alia, the issues of management structure, performance monitoring and feedback arrangements including exploring options of public private partnership (ppp) etc. in privatization. In 1990s, there was a rapid wave of privatization all over the world. The state Owned Enterprises (SOEs or PEs) were decreasing rapidly all over the world.Since1990s more than 15,000 SOEs in over the 100 countries have been privatized (Yadav, 2014, P.2.).

Hence, after the restoration of the multiparty system in Nepal in 1990s, the major policy shift had been taken by the new government as a various governance reform agenda in Nepal. The ARMC, immediately after its formulation in 1992, constituted different task forces to study work loads of various government organizations. When this process was in full swing government dismissed a large number of institutions indirect measures for downsizing due to open market oriented economic liberalization, deregulation, commercialization and privatization to improvement of national economy. Privatization is the process of the government took a phase-wise approach for privatizing public enterprises to private sector are sale of shares of enterprises, formulation of cooperatives, sale of the assets of the enterprises, leasing out of the assets of the enterprises, involving private sector in the management of enterprises and any other modalities considered appropriate by government. Owing to such phenomena, out of 66public enterprises only 30s were privatized by 2008 due to the ground of open market oriented economic policy adopted by the Government (Tiwari,2009,p.10).While evaluating situation after privatization of privatized enterprises, 19 PEs were closed or terminated and 11enterprises are currently operating whereas remaining other enterprises are not in operation and some of enterprises are in state of closure. Among operating 11 privatized enterprises, only 5 enterprises are good and are capable to earn profit (MOF, 2016, p.20).Privatization of public enterprises have been very much in the agenda of economic liberalization in contemporary world specially in developing countries in transitional different modalities of privatization with lofty goals such as enhancing productive efficiency, locative efficiency, economic efficiency and to rescue governments from budgetary burdens. Upon evaluation of private and public undertaking in Nepal it was revealed that public enterprises were capital intensive, better in capacity utilization profitability and with high economical returns compared to private undertakings. Barring a few, production level did not increase much (KC, 1994, P.2).

Performance of public enterprises was at the heart of the appeal of privatization to policy makers unfortunately, with the experiences of last three and half decade privatization programme itself

has not shown the positive result as expected(K.C,1999).The operating income of majority government owned 37 PEs has reached Rs.3220619 million in fiscal year 2017/18 the figure increasing by 33.9 percent compared to previous fiscal year (MOF, 2018).The total 26 PEs have been operated in net profit and 11 PEs have been operated in net loss. The total profit was 414277 million and s Rs.27770 million net profit in reference year. However, the loan and share investment of government of Nepal has reached Rs.1302532million and 1670634 million respectively. The government loan and share investment of government in public enterprises have increased by 27.3 percent. The Government of Nepal has received total revenue of Rs.58744.9 million, from PEs which is 11.8 % of overall GDP of Nepal (MOF,2018). The huge figures of cumulative losses indicate that PEs has been adding up liabilities to the government rather than achievements and does not yielded fruitful achievements as per expectation.

In this background, it is curious that why some of the Nepalese PEs are able to perform well and the others are not able to make profits. To What extent the PEs contributing to national income? What are the major challenges of PEs management in Nepal? Against, this backdrop, this research has been attempted to analyze and review the financial efficiency and operational condition of PEs. The researcher discussion 14 years trends analysis of Nepalese public enterprises from different corner i. e. growth of the Nepalese PEs during different plan periods, operating status of Nepalese PEs in different fiscal year, financial efficiency of Government owned Public Enterprises , government share investment, loan & dividend received from PEs, PEs contributions on Gross Domestic Product (GDP), revenue & shareholders' fund and also analysis of working capital, administrative expenditure & unfunded liabilities of PEs.

## **2. Objectives and Methodology**

The primary objective of this study is to review and analyze the overall performance trends of PEs in Nepal. It is also finds out the causes of poor performance and to trace the PEs management problem in Nepal. In order to achieve the objective, the relevant information and data have been collected both primary and secondary sources. Primary data was collected from personnel interview with policy makers, academician, CEO, executive committee, key personnel of PEs and others. The secondary sources was included the various publication of ministry of finance(MOF), National planning commission (NPC) ,Central Bureau of Statistics(CBS), Research and survey reports of various national and international institutions, Books, Journals, thesis and dissertation Reports etc.

## **3. The literature and Analytical Framework**

In this section, literature related to Performance Based Management (PBM) and Public Enterprises performance reviewed so as to provide a background of the study, to identify the relevant variables and to formulate an analytical framework for the study. The concept of organizational performance or effectiveness holds a central position in the management of both public and private organizations as well as in the field of organizational research over the last decades, concerns for efficiency, productivity, excellence and total quality have become increasingly widespread in western organizations (Lewin& Minton, 1986 as cited Morin & Auuebrand, 1995, p.1). Performance Management (PM) is more than the end of the year appraisal about it translating goals in to results. Performance Management focuses not only on individual employees but also on teams, programs, processes and the organization as a whole. Performance is a multi-dimensional concept. On the most basic level (Borman and Motowidlo, 1993, P.7).

Various studies that have examined in the past issues of the performance evaluation of public enterprises include (Sherpherd,1965; 1976, Pryke,1981, Millward,1982, Fernandes and Kreacic, 1982, Short1983, Marchand et al.,1984, Kirkpatrick et al.1984,Rees,1984, Nellis1986:1989, Pestieau,1989).The majority of previous study examine the development of a general framework for performance evaluation of public enterprises, although the determination of the appropriate performance evaluation criteria for evaluation of public enterprises. Performances are directly related to the objectives of each public enterprise (Ree1984; Pestieau,1989. as cited by Anastassiou & Doumpos, 2000,p.13).The others significant determining issue of public enterprises objectives is a social as well as a commercial role so that there is multiple objectives in the operation of PEs including efficiency, profitability, income distribution and contribution to the implementation of macroeconomic policies (Rees,1984, p.11).Organizational Performance may be defined as the transformation of inputs in to outputs for achieving certain outcomes with regard to its content, performance informs about the relationship between minimum effective cost (economy) and outputs (efficiency) or achieved outcome (effectiveness) (Chen & Barnes, 2006).

Organizational performance refers to ability of an enterprise to achieve such objective as high profit, quality product, large market share, good financial results and survival at pre-determined time using relevant strategy for action (Knontz and Donnel, 1993). The current debate on terms like performance, productivity and quality is still confusing, since and adequate and commonly accepted definitions are rarely found within both academic and commercial circles (Tangen, 2005, as cited from Gresty, 2010, p.23). However, performance is the Umbrella term of excellence and includes profitability and productivity as well as other non-cost factors such as quality, speed, delivery and includes profitability and productivity as well as other non-cost factors such as quality, speed, delivery and flexibility (Tagen, 2005). For instance, Venkatraman & Ramanujan (1986) consider three aspects of performance among them are financial performance, business performance and organizational effectiveness and the later have been subsequently known as organizational performance.

Continuous performance is the focus of any organization because only through performance, organizations are able to grow and progress. (Gavrea, Lilies and Stegorean, 2011).The main objectives of organizational Performance Evaluation is refers to ability of an enterprise to achieve such objectives as high profit, quality product, large market share, good financial results and survival at pre-determined time using relevant strategy for action (Koontz & Donnel, 1993 cited as Kehinde et al., 2012, p.315). Performance management is important for an organization, as it helps organizations ensuring employees are working hard to contribute to achieving the organization's mission and objective. Organizational performance can also be used to view how an enterprise is doing in terms of level of profit, market share and product quality in relation to other enterprises in the same industry. Consequently, it is a reflection of productivity of members of an enterprise measured in the terms of revenue, profit, growth, development and expansion of the organization (Kehinde et al., 2012, p.316). Performance measurement is made up of a set of procedures that help government organizations optimize their business performance and it provides a background for organizing, automating and analyzing business (tendency) trend, metric, process and systems that drive business performance.

Furthermore, Performance Based management provide an effective approach to study and identify the management strategy as well as enabling a proper perception of prosperous and present circumstances that influence the process of organization. The significant roles of PM are

Monitoring business progress, monitoring the effect of strategies and plan of the organization, problem diagnosis, supporting and feedback of decision making progress, facilitation of motivation and communication.

#### **4. Theoretical Considerations**

The study draws upon the theoretical insights of the academic literature on Performance Based Management (PBM) theory. Performance-based management (PBM) theory is a systematic approach to performance improvement through an ongoing process of establishing strategic performance objectives, measuring performance, collecting, analyzing, reviewing and reporting performance data and using that to drive improvement. Performance measurement is the comparison of actual levels of performance to pre-established target level of performance. It's generally indicates inputs, activities, outputs, outcomes and goals. The main objective of this approach is to increase efficiency and effectiveness in terms of organizational performance and service delivery.

#### **5. Indicators of Performance Evaluation/M Measurement**

Organizational performance evaluation technique and methods used to measure and manage it have been a current debate in both management theory and practice. Performance evaluation process of organization generally involves in both implementation and monitoring strategy of the organization that sets of standard ratio between the goals purposed and the results obtained (Simon, 2000). Performance measurement as the sets of metrics used to quantify both the efficiency and effectiveness of actions (Neely, 1994).Hancott, point out that, a number of indicators have been adopted to measure organizational performance since mid-1900, such as profit growth rate, net or total assets growth rate, return on sales, shareholder's return, growth in market share, number of new products, return on net assets etc.(Hancott,2005). A number of studies have applied in different ways to evaluate organizational performance (Schiuma &Lerro, 2008; Garrett, et al.,2008; Green & Inman,2007;Chung & Lo,2007;Chung & Lo,1975) review 17 organizational effectiveness models, integrate these measurement of organizational performance from various studies and generalize these measurement in to three dimensions: financial performance, business performance and organizational effectiveness. In addition, Delaney and Huselid (1996) suggest two ways to assess organizational performance there are organizational performance and marketing performance.

Later, Tippins and Sohi (2003) purpose organizational performance is measured on four dimensions. These are relative profitability, return on investment, customer retention, and total sales growth. The Economic Advisory council in its report titled "PEs in India: Some current issues" Suggests different parameters of performance evaluation Indicators such as financial, production, investment efficiency, productivity and social audit. Furthermore, Victor Powell (1987, p. 37) has explained that there are several indicators for measuring PEs performance such as General performance, management performance, Investment performance, costs break down (input co-efficient and physical performance (i.e. resource use). Previous research had used many indicators to measure organizational performance such as profitability, gross profit, return on asset (RoA), return on investment (RoI), return on equity (RoE), return on sale (RoS), revenue growth, market share, sales growth and operational efficiency (Fuentes – Fuents et al., 2004&Curkovic et al., 2000).

There are various indicator of organizational performance evaluation of public enterprises but in this study focused to analyze and review the financial efficiency and operational condition of

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PEs. The researcher discussion 14 years trends analysis of Nepalese public enterprises from different corner i. e. growth of the Nepalese PEs during different plan periods, operating status of Nepalese PEs in different fiscal year, financial efficiency of Government owned Public Enterprises , government share investment, loan & dividend received from PEs, PEs contributions on Gross Domestic Product (GDP), revenue & shareholders' fund and also analysis of working capital, administrative expenditure & unfunded liabilities of PEs.

## 6. ANALYSIS AND DISCUSSION

### I. Growth of PEs in different development plan in Nepal.

Public enterprises have been established in both developed and developing countries like the USA, UK, Canada Australia and France as well as in Somalia, Kenya, Nepal, India, Bangladesh, Sri-Lanka and Taiwan among the others. The corporate from PEs in Nepal existed only in 1952 when the government of Nepal decided to go for majority holding from 40% share ownership to 51% in Nepal Bank Limited. Only the first commercial Bank operating in the country and with the initiation of first development plan in 1956 public enterprises have started to grow in Nepal until seven development plans in 1985-1990. The industrial policy in acted in 1957, the role of public and private sectors are defined and government has lunched privatization programs on the ground of open economic policy. Due to the effective of privatization policy and ground of performance issue of PEs in Nepal many enterprises were privatized so that the rate of growth of PEs in decreasing and currently operated only 37 PEs in Nepal which in details given in Table. No.-1

**TABLE 1 PES ESTABLISHED IN NEPAL IN DIFFERENT PERIODIC PLANS**

S.N.	Periodic Plan	No. of PEs Addition	No. of PEs Exclusion	Total PEs
1.	Perior to 1956	-	-	1
2.	First Plan (1956 - 61)	7	-	8
3.	No plan period (1961 - 62)	3	-	11
4.	Second Plan (1962 - 65)	11	-	22
5.	Third Plan (1965 - 70)	12	-	34
6.	Fourth Plan (1970 - 75)	27	-	61
7.	Fifth Plan (1975 - 80)	4	6	59
8.	Sixth Plan (1980 - 85)	9	14	54
9.	Seventh Plan (1985 - 90)	12	3	63
10.	No Plan Period (1990 - 92)	-	1	62
11.	Eight Plan (1992 - 97)	2	18	46
12.	Ninth Plan (1997 - 02)	-	3	43
13.	Tenth Plan (2002 - 2007)	-	7	36
14.	Eleventh Plan (2007/8-09/10)	-	-	36
15.	Twelfth Plan (2010/11-12/13)	1	-	37
16.	Thirteenth (2013/14-15/16)	-	-	37
17.	Fourteenth (2016/17-18/19)	-	-	37

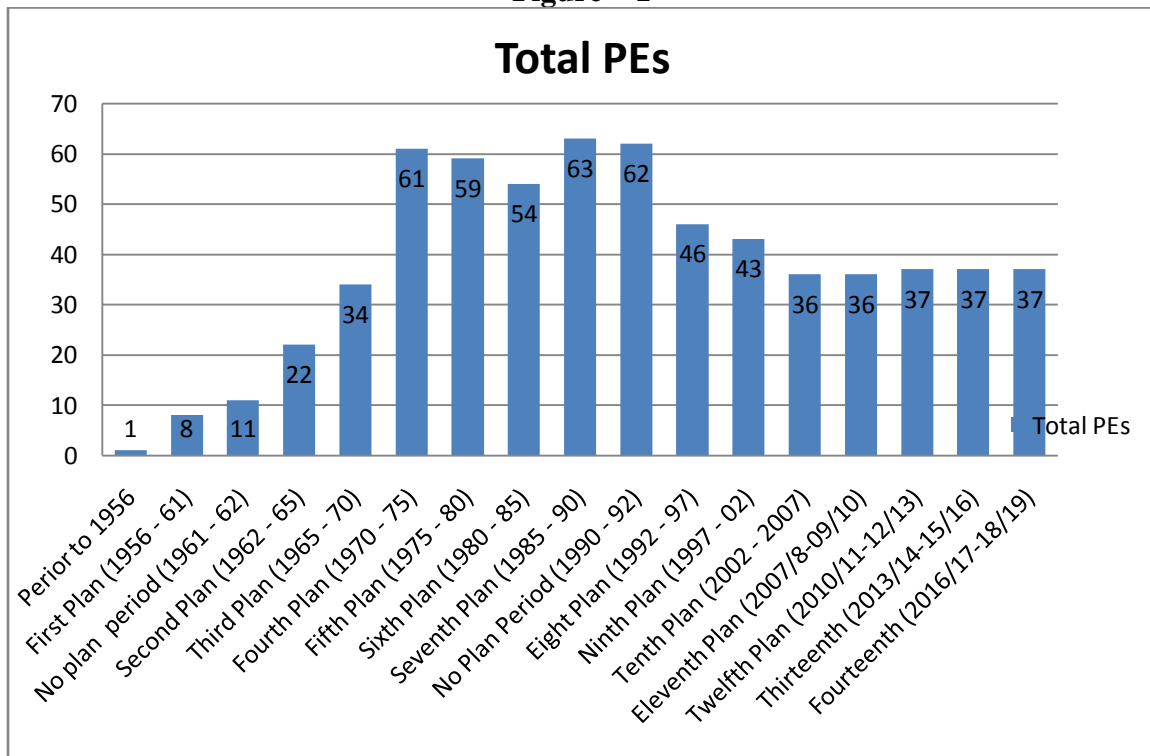
**Source: Original data from MOF:2004/05/06/07/08/09/010/11/12/13/14/15/16/17/18**

The above Table 1 show that the growth of Public Enterprises in Nepal in 1951. The first five years plan (1956-1960) altogether 7 PEs were created and reached to 8 PEs in Nepal. After No plan period (1961-1962) created 11 PEs and the number of PEs had reached altogether 22. After

third five year plan 12 PEs were established. Four fifth year plan (1970-75) total 27 PEs created in Nepal and had reached 61 public enterprises in Nepal. Fifth five year plan (1975-80), only 4 PEs were addition whereas 6 PEs were also privatized and have reached total number of PEs were 59. In six five year plan (1980-85) only 9 PEs were created and 14 were privatized and have reached 54 PEs only. In seventh five years plan (1985-90), there were 12 PEs additions whereas 2 were exclusion and all together 63 PEs were existence in Nepal. In no plan period (1990/91 - 91/92) only 1 PEs was privatization and total PEs were any 62. Furthermore, eight five years plan (1992 - 97) only 2 PEs were addition whereas as 18 were privatized and have reached 42 PEs in existence in Nepal. The date of arrived until last fourteen three years interim plan (2016/17-18/19) there are only 37 PEs currently operating in Nepal.

From above table, PEs was highly addition until 5<sup>th</sup> development plan. After 6<sup>th</sup> development plan question might be arise due to the performance issue of public enterprises in Nepal. Performance, privatization, policy shift and globalization impact are the major factors for privatization of public enterprises in Nepal. On the basis of open market policy private sectors was growth and Public sectors were downsizing. The trends of PEs were increasing until seventh development plan and decreasing trends until eleventh interim plan (2007/08-9/10) in Nepal. Furthermore, after fourteenth interim plan (2016/17-18/19) the trends of PEs growth as remaining constant. The growth trends of PEs in Nepal ups and downs which Cleary shown in figure-no.1.

Figure – 1



## II. the operating Status of Nepalese PEs in different FY

The operating status of PEs determine the overall financial, economic, social, distributable and others performance of PEs. Which are very important variables for measuring public enterprises performance. The operating status of PEs in different fiscal year which details given in Table-2.

**TABLE 2 OPERATING STATUS OF NEPALESE PES IN DIFFERENT FY**

S.N.	Fiscal Year (FY)	No. of PEs in Existence	No. of PEs in Operations	No. of PEs Not in Operation	No. of Profit Earning in PEs	No. of Loss Making PEs
1.	2004/5	39	38	1	20	18
2.	2005/6	36	36	-	19	17
3.	2006/7	36	36	-	17	19
4.	2007/8	36	36	-	22	14
5.	2008/9	36	36	-	17	19
6.	2009/10	36	36	-	18	18
7.	2010/11	36	36	-	22	14
8.	2011/12	37	36	2	21	15
9.	2012/13	37	36	1	15	21
10.	2013/14	37	37	1	19	17
11.	2014/15	37	33	4	18	15
12.	2015/16	37	34	3	20	14
13.	2016/17	40	36	5	23	12
14.	2017/18	40	37	3	26	11

**Source: Original data from MOF:2004/05/06/07/08/09/10/11/12/13/14/15/16/17/18**

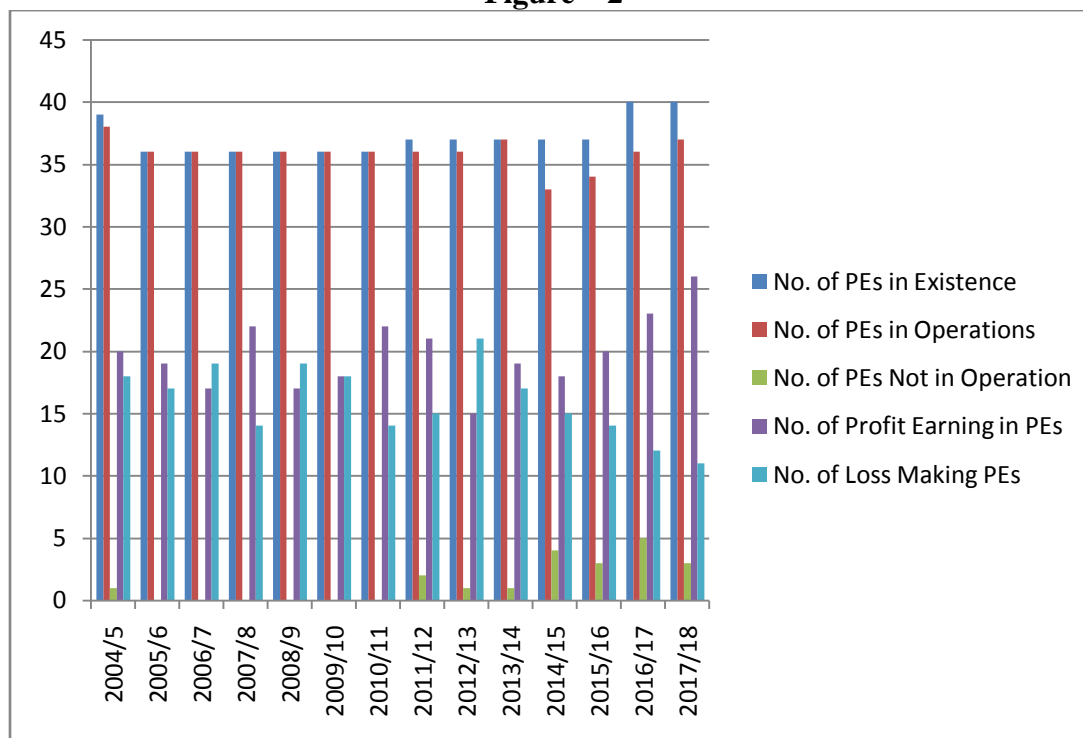
The above table No.2 shows that existence of PEs is increasing in FY 2004/05. The wholly owned and majority Shareholding PEs No. has reached 39. The number of PEs profit earning was 20 out of 39 and 1 PEs not in operation. FY 2005/06, 36 PEs were existence but only 19 PEs earning profit other 17 PEs were in existence but only 19 PEs earning profit other 17 PEs were making loss which was decreasing 3 PEs then previous fiscal years. In fiscal year 2006/07 altogether 36 PEs were in existence whereas 17 PEs were making profit and 19 were losses. The next FY 2007/08, the existence numbers of PEs were constant only 36. The number of profit earning PEs increasing and had reached 22 and loss making PEs were only 14. Another, FY 2008/09, almost 36 PEs established in Nepal but only 17 PEs were earning profit other remaining 19 were loss. Next FY 2010/11, altogether, 36 PEs in operation whereas 18 were profit and 18 PEs was loss. Another Fiscal Year 2010/11, 36 PEs in operation but only 22 PEs making profit and (14) rest was losses. In the FY 2011/12, in total 37 PEs were created in Nepal although 21 PEs were making profit, 15 were making loss and two were not in operation. Furthermore, FY 2012/13 total 37 PEs were in existence whether only 15 were earning profit, 21 were making loss and one Public enterprise not in operation. Another, FY 2013/14 total 37 PEs in existence whereas 19 PEs earning profit, 17 making loss and only one Public enterprise not in operation. In a fiscal year 2014/15 altogether 37 PEs in existence but only 33 PEs in operation. 18 out of 37 PEs earning profit and 4 PEs was not in operation.

Furthermore, In FY 2015/2016, altogether 37 PEs in existence in Nepal but only 34 PEs in operation whereas 20 PEs making profit and 14 PEs making loss. In Fiscal Years 2016/17, 40 PEs is in existence but only 34 PEs in a operation whether 23 PEs earning profit, 12 PEs were making loss and 5 PEs not in operation. At last fiscal year 2017/18, altogether, 40 Public Enterprises in existence but only 37 PEs in an operation whereas 26 PEs earning profit, 11 PEs making loss and 3 PEs not in operation.



In above analysis about PEs growth rate is almost constant since FY 2004/05 to 2009/2010 and FY 2011/12 to 15 – 16 but Profit earning numbers of PEs were ups and downs. The perfect earning PEs numbers growth continuous since FY 2014/15 to 2017/18 only. Despite the increasing attention that, the PEs operating states of Nepal is not very satisfactory. It became only loss making entities rather than its sustainable development of PEs. Which is clearly shows in figure No.2

Figure – 2



### III. the financial status of Government owned Public Enterprises

Financial performance measure of public enterprises depend upon the economic viability, including directing cost comparison, ignore both of the non-cash element and the time of value of money. PEs investment out of general revenue to support overall economic development rather than produce profit so that PEs performance focused on Net capital investment, overall net profit/loss, total operating income, total operating profit/ loss, operating profit to net capital investment percentage and cumulative profit/loss were taken important financial indicator of PEs performance evaluation which was details given in table-3.

**TABLE 3 FINANCIAL EFFICIENCY (PROFIT/LOSS) OF GOVERNMENT OWNED PUBLIC ENTERPRISES**

S.N.	Fiscal Year (FY)	Net Capital Investment (in millions)	Overall Net Profit/Loss (in millions)	Total operating income (in millions)	Total operating profit/Loss	Cumulative Profit/ Loss (millions)	Operating Profit to Net Capital Investment (%) <sup>6666</sup>
1.	2004/5	969042.62	(59191.25)	NA	(25243.59)	59191	(-2.61)
2.	2005/6	1766738.24	15054.16	NA	21302.70	NA	1.21

3.	2006/7	1884434	25479.62	NA	16887	NA	0.90
4.	2007/8	NA	77461	NA	14895	NA	NA
5.	2008/9	1889803	49432	NA	22988	NA	1.22
6.	2009/10	2226520	105503	1082897.60	100033	NA	NA
7.	2010/11	2337075	105586	1309832	99824	NA	4.27
8.	2011/12	2680226	12115	1839688	24116	NA	0.90
9.	2012/13	3250835	(34959.38)	1857928	(59968)	NA	(-1.84)
10.	2013/14	2710590	114005	2232639	114005	(206194)	4.21
11.	2014/15	2448741	50503	2578173	50503	(269227)	2.06
12.	2015/16	3041971	339227	2704847	339227	132203	11.15
13.	2016/17	3090686	349609	2404975	349609	288240	11.31
14.	2017/18	4459020	414277	3220619	414278	277705	9.29

**Source: Original data from MOF:2004/05/06/07/08/09/10/11/12/13/14/15/16/17/18**

In above table No. 3, the wholly and majority Government owned 37 PEs Net Capital Investment has reached Rs. 969042.62 million in FY 2004/05. At the same duration the total operating income was Rs. (25243.59) million and overall Net loss was reached Rs. (59191.25) million and cumulative profit was only Rs.59191 million whereas the same FY operating profit to Net Capital Investment percentage was negative (-2.61). Another, fiscal year 2005/06, the overall Net Capital investment of PEs had reached Rs.17667338.24 million, total operating profit Rs.21302.70 million, overall net profit Rs.15054.16 million and operating profit to the next capital investment percentage was positive 1.21 %. Furthermore, fiscal year 2006/07, the Net Capital investment had reached Rs. 1884434 million, total operating profit Rs. 16887 million, overall net profit Rs. 25479.62 million and operating profit to Net capital investment percentage was 0.9 % which was increasing than previous FY 2005/06. In this fiscal year total operating profit was only Rs. 14895 million and overall net profit Rs. 77461 million. Next fiscal year 2008/09, the total Net Capital investment was Rs. 1889803 million, total operating profit Rs. 22988 million and overall Net profit was Rs. 49432 million and operating profit to Net Capital investment percentage was only 1.22 %, which was increasing than previous FY 2007/08. In FY 2009/10 the overall Net capital investment of Government holding public enterprises was Rs. 2226520 million, total operating income Rs. 100033 million and overall net profit was Rs. 105503 million which was increasing than the previous fiscal year 2008/09.

Another fiscal year 2010/11, the overall net capital investment of PEs had reached Rs. 23307075 million, total operating income Rs. 99824 million, overall net profit was Rs. 105586 million and operating profit to net capital investment percentage was increasing and had reached 4.27 %. Furthermore, FY 2011/12, altogether Rs. 2680226 million capital investment of totals 37 PEs in Nepal. As a same duration total operating income of PEs was Rs. 24116 million, overall net profit was Rs. 12115 million and operating profit to net capital investment percentage decreasing and reached only 0.90 %. Similarly, FY 2012/13 the total net capital investment of 37 PEs had reached Rs. 3250835 million, the total operating income and overall net profit were negative subsequently reached Rs. (59968) millions and Rs. (34959.38) million. The operating profit to the net capital investment percentage was also negative (- 1.84 %). Again, next fiscal year 2013/14, the overall net capital investment was Rs. 2710590 million, the total operating profit had reached Rs. 114005 million, overall net profit was Rs. 114005 million, and operating profit to the net capital investment percent was increasing and reached 4.27 %. Similarly, fiscal year

2014/15 the total capital investment was Rs. 2448741 million, total operating income and overall net profit both were Rs. 50503 million. The operating profit to the net capital investment percentage was only 2.06 %. Furthermore, FY 2015/16 the total net capital investment of Government had reached Rs. 3041971 million, total operating income and net profit both was Rs. 339227 million. The operating profit to the net capital investment had increased significantly and reached 11.15 %. In the fiscal year 2016/17, the total net capital investment had reached Rs. 3090686 million, the total operating income and net overall profit was only Rs. 349609 million. The operating net profit to net capital investment percentage was 11.31 %. At last fiscal year 2017/18, the total net capital investment of PEs had reached Rs. 4459020 million, total operating income and overall net profit was Rs. 414277 million. The operating profit to the net capital percentage was only 9.29 %.

In above analysis shows that the amount of net capital investment of public enterprises form government of Nepal whereas the operating to net capital percentage ratio was very low which was lower than the current interest rate of market price. Hence, the significant improvement is required to maintain their fiscal discipline. This clearly shows on in figure-3.

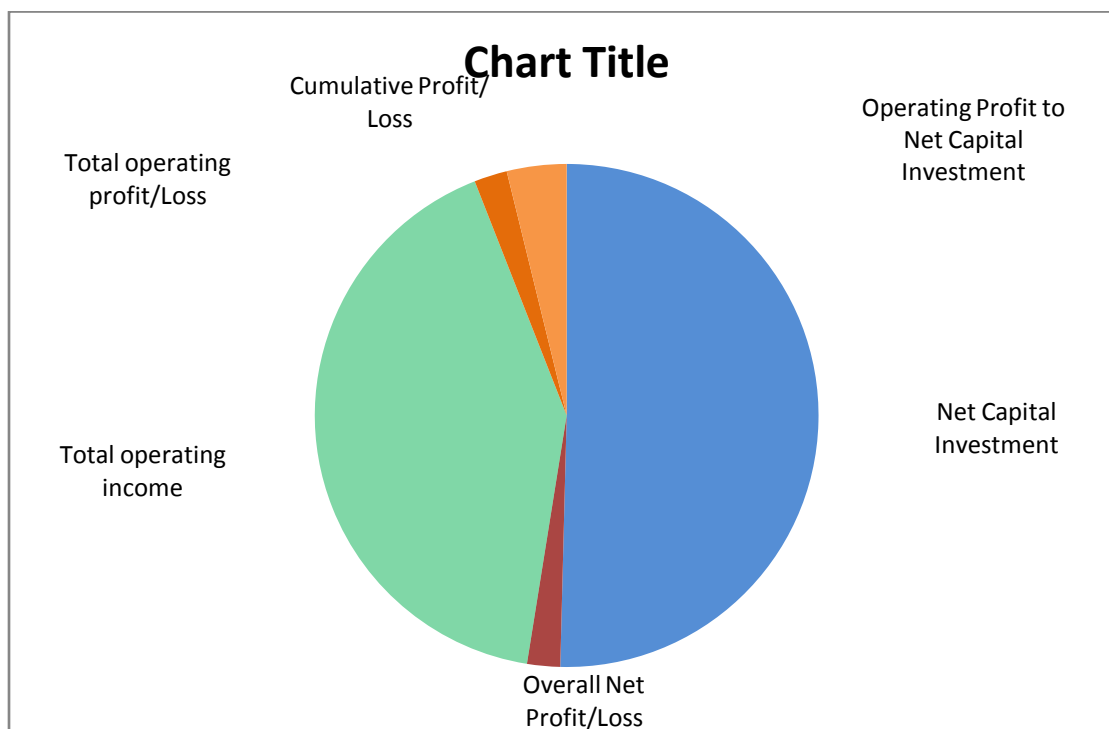


Figure 3

#### ***IV. Government Share investment, Loan & Dividend received from PEs***

The total share and loan investment of Government of Nepal and dividend received from public enterprises is very important indicator for measuring performance of public enterprises so that in this research also find out the total share and loan investment of Government of Nepal and dividend received from public enterprises in different fiscal year which is given in table No.-4.

**TABLE 4 GOVERNMENT SHARE INVESTMENT, LOAN& DIVIDEND RECEIVED FROM PES**

S.N.	Fiscal Year (FY)	Total Investment of GONs		Dividend received (in millions)	Operating Profit to Net Share Investment (%)
		Share Investment(in millions)	Loan Investment(in millions)		
1.	2004/5	590452	517728	15211	2.58
2.	2005/6	596759	645519	33546	5.62
3.	2006/7	656810	627237	20779	3.16
4.	2007/8	758027	651416	14895	1.96
5.	2008/9	752548	651070	15158	1.85
6.	2009/10	807935	792336	34345	4.03
7.	2010/11	844782	848254	48250	5.80
8.	2011/12	775717	825153	54922	5.96
9.	2012/13	769198	898445	62623	6.11
10.	2013/14	966379.61	995448.04	66818.88	6.49
11.	2014/15	1070281.49	1076042.46	65656	5.71
12.	2015/16	1158870	1250925	69440	5.12
13.	2016/17	1295904	1242499	73707	5.44
14.	2017/18	1670634	1302532	76207	5.87

Source: Original data from MOF: 2004/05/06/07/08/09/10/11/12/13/14/15/16/17/18

In above table No.4 shows that, according to the office of the financial controller General/Ministry of finance records, the loan and share investment of Government of Nepal in 37 public enterprises has reached to Rs. 645519 billion and Rs. 596759 billion respectively in a fiscal year 2005/06 which was Rs. 517728 billion and Rs. 59042 billion respectively in the previous fiscal year 2004/05. The Government of Nepal had received dividend from Rs. 33546 million in fiscal year 2005/06, which was Rs. 1524 million in previous FY 2004/05. Which were only 2.58 % of total share investment of Government of Nepal, FY 2004/05. Similarly, fiscal year 2006/07, the total loan and share investment of government of Nepal in 37 PEs has reached to Rs. 627237 billion and Rs. 656810 billion respectively and Government had received Rs. 20779 billion dividend in the same fiscal year, which was 3.16 % of total share investment of Government. The dividend received percentage was lower than the current interest rate of market price. Another, fiscal year 2007/08, the loan and share investment of Government had reached Rs. 651070 billion and Rs. 752548 billion respectively and Government had received Rs. 14895 million dividend as a same fiscal year which was only 1.96 % of total share investment. The rate of dividend received was very lower than the current interest rate in market. Furthermore, fiscal year 2008/09, the loan and share investment of Government of Nepal had reached Rs. 651070 billion and Rs. 752548 billion respectively. The Government had received Rs. 15158 million dividends from public enterprises which was just only 1.85 % of total share investment.

Similarly, Fiscal year 2009/10, the Government of Nepal's loan and share investment in PEs had reached Rs. 792336 billion and Rs. 807935 billion respectively. As the same fiscal year, Government of Nepal had received Rs. 34345 million of dividend from public enterprises which was 4.03 % of total share investment of Government. Which rate was lower than the current interest rate of Nepal. In Fiscal year 2010/11, the total loan and share investment of Government has reached Rs. 848254 billion and Rs. 844782 billion respectively. As the same period,

Government had received Rs. 48250 million dividends from PEs. Which was 5.80 % of total share investment of Government. Which was also lower than the current interest rate of market in Nepal. Again, fiscal year 2011/12, the government loan and share investment in public enterprises has reached Rs. 825153 billion and Rs. 775717 billion respectively. The Government has received Rs. 54922 million of dividend from PEs, which was also lower than the current interest rate of market.

Similarly, fiscal year 2012/13, the government loan and share investment in PEs has reached Rs.898445 billion and Rs.769198 billion respectively. The Government had received Rs. 62623 million dividends from PEs as same fiscal year which was 6.11 % of total share investment. The rate of dividend received was lower than the current interest rate. Furthermore, Fiscal year 2013/14, The Government loan and share investment of public enterprises had reached Rs. 9952448.04 million and Rs. 966379.61 million respectively. The Government had received Rs. 66818.88 million dividends from PEs. Which was 6.49 % of total share investment. In fiscal year 2014/15, The Government loan and share investment of PEs has reached Rs. 1076042.46 million and Rs. 1070281.49 million respectively. The Government had received Rs. 65656 million dividend from PEs which was 5.71 % of total share investment. Again, Fiscal year, 2015/16, The Government total loan and share investment of PEs has reached Rs. 1250925 million and Rs. 1158870 respectively. The Government had received Rs. 69440 dividend from PEs as a same period. Which was 5.12 % total share investment. In fiscal year 2016/17, the Government loan and share investment in PEs has reached Rs. 1242499 million and Rs. 1295904 million respectively. The Government had received Rs. 73707 million dividends from PEs which was 5.44 %. Total share investment of Government. At last fiscal year 2017/18, The Government loan and share investment has reached Rs. 1302532 million and Rs. 1670634 million respectively. The Government had received Rs. 76207 million dividends from public enterprises. This was only 5.87 % of total share investment of Government. Which is the lower than the current interest rate of Market of Nepal.

The above phenomenon shows that, the rate of government loan and share investment is increasing tendency but to some extent the operating profit to share investment percentage is decreasing tendency or the achievement of Public Enterprises investment of government is lower than the expectations. The rate of return from public enterprises in Nepal is getting lower than the current interest rate. The role of public enterprise is very important for income tax; value added tax and not taxable tax, revenue collection and the role of public welfare and service deli9very point of view. The PEs has deposited Rs. 58744.9 million in Government fund under different revenue heads. As part of other heads which included custom duty, local and road tax and fees has the highest share of 42.5 % deposit. The contribution of income tax is 24.2 % which is the second highest share. The contribution of PEs government revenue collection (Rs. 609.18 billion) is 9.7 % in the FY 2016/17 PEs has contribution 16.1 % in non-tax revenue (Rs. 61.69 billion) in this fiscal year, which is clearly given in figure -4.

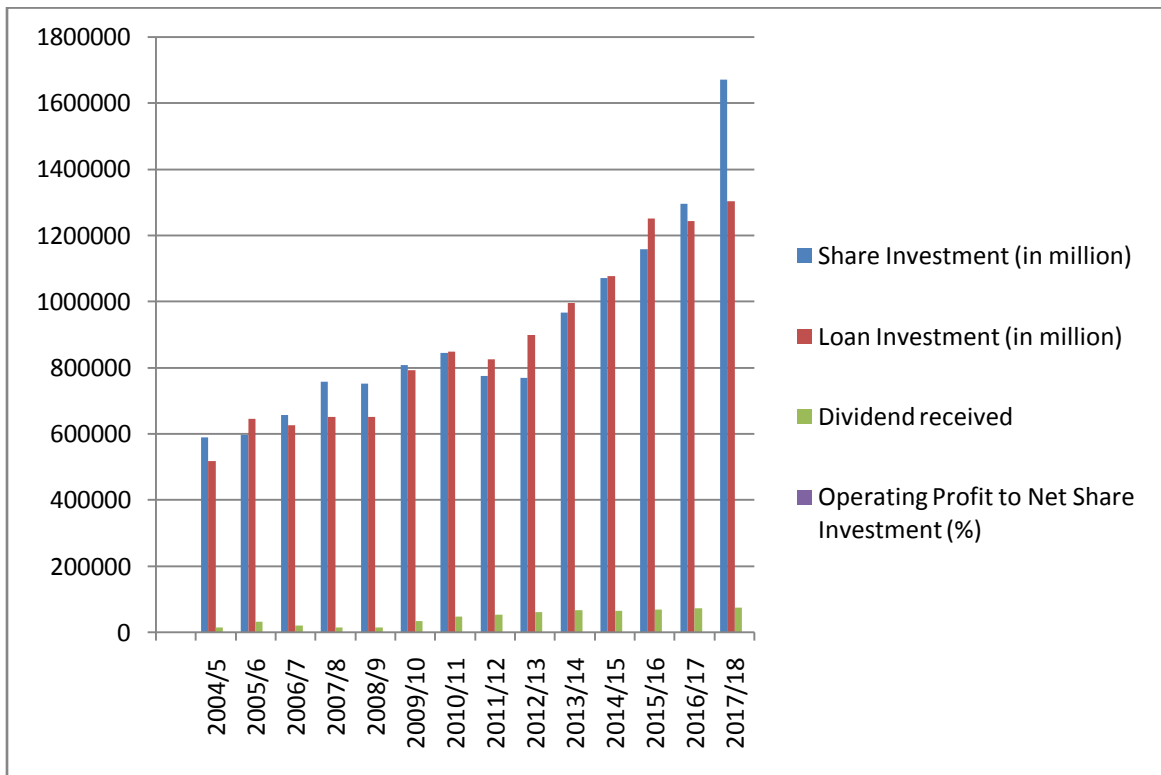


Fig4

#### V. Performance status of PEs contributions on GDP/ Revenue & share holder's Fund

The contribution on Gross Domestic Product (GDP) and the role of Revenue generation of Government from public enterprises determine the overall performance of PEs. The role of Shareholder's fund is also very important variable of performance measurement so that the performance status of PEs contributions on government GDP, revenue and shareholder's fund /net-worth are given details in table No.-5.

**TABLE 5 PERFORMANCE STATUS OF PES CONTRIBUTIONS ON GDP/REVENUE& SHAREHOLDER'S FUND**

S.N.	Fiscal Year (FY)	Total Revenue Earning from PEs in %	Total GDP in %	Total Revenue earning (million)	Shareholder found/Net-worth (in million)	Comparative Net Profit/Loss
1.	2004/5	NA	11.4	488881.9	349506.62	(59191)
2.	2005/6	NA	4.4	762641.8	324839.84	(58008.89)
3.	2006/7	NA	6.7	760221	395779	25479.62
4.	2007/8	NA	8.8	651416	390000	79600
5.	2008/9	NA	NA	422030	481104	22988
6.	2009/10	NA	NA	1116624	611046	105503
7.	2010/11	2.67	11.15	845858	799181	121217
8.	2011/12	2.75	11.09	1383413	1009903.0	12115
9.	2012/13	2.56	13.5	1897550	975987	(59968)
10.	2013/14	2.36	13.17	2278751	978415	114005
11.	2014/15	1.86	13.29	2536993	1059895	50503

12.	2015/16	1.59	12.71	2709774	1733793	339227
13.	2016/17	1.3	10.7	4097647	2094956	349609
14.	2017/18	1.86	11.8	2661432	2895625	4142747

**Source: Original data from MOF: 2004/05/06/07/08/09/10/11/12/13/14/15/16/17/18**

The table No.5 shows that according to the Ministry of Finance/The Financial control General the total revenue and Gross Domestic Product (GDP) of operating wholly or majority owned 36 Public Enterprises in Nepal in the FY 2005/06, revenue was reached Rs. 33546 million and GDP was Rs. 21302.70 million which was the only 4.4 percent of current fiscal year growth domestic product (GDP) which was 11.4 percent in previous of FY 2004/05. The trend has decreasing than previous years. As a same duration, comparative net loss had reached (Rs. – 58008.89 million) which was (Rs. – 59191 million) in previous FY 2004/05. In fiscal year 2007/08, government earning total revenue had reached Rs. 15158 million and total income in Gross Domestic Product (GDP) from PEs Rs. 141898 million which was only 8.8 percent contribution of current fiscal year Gross Domestic Product from the public enterprises which was only 6.7 percent of GDP in previous fiscal year 2006/07. The cumulative profit has reached Rs. 79600 million which was increasing than previous FY. The amount was only Rs. 25479.62 in FY 2006/07. Furthermore, in fiscal year 2010/11 PEs was contributed in Rs. 54922 million in revenue and Rs. 9824 million GDP in the Government treasury which was significant increasing than the previous FY 2009/10. Again, fiscal year 2012/13, public enterprises had contributed in Rs. 62623 million in Revenue collection which was 2.56 percent of whole revenue collection of this fiscal year and 12.10 % of Gross Domestic product (GDP). Which was 2.75 % and 11.15 % of respectively in previous FY 2011/12. As a same duration of FY 2012/13, comparative net loss has increasing significantly and reached (Rs. –595968). Similarly, another fiscal year 2014/15, the Government has received Rs. 65656 million revenue from public enterprises which was 1.86 % of whole revenue collection and 13.29 % of Gross Domestic product of same FY 2014/15. Which was only 2.36 % and 13.17 percent in previous FY 2013/14. The comparative Net profit has increasing slowly and has reached Rs. 50503 million of reference FY 2014/15.

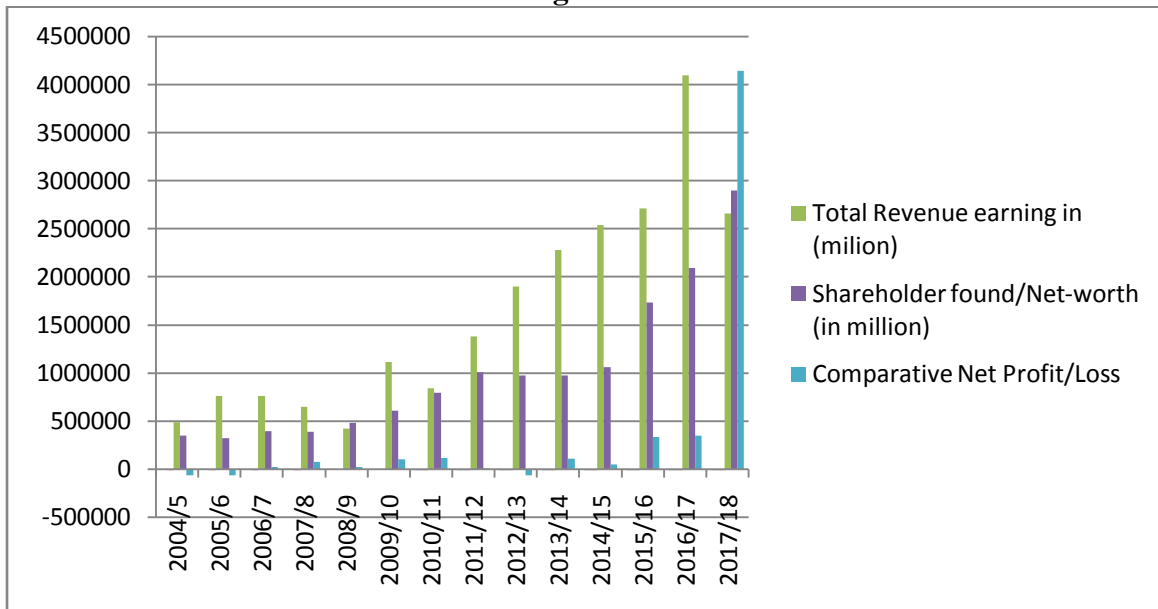
Although, FY 2016/17 the total revenue collection from PEs has reached Rs. 73707 million which was 1.3 % of Rs. 482.75 billion of whole revenue mobilization of this fiscal year 2016/17 and 10.7 % of whole Gross Domestic Product Rs. 224.7 billion of reference year. The comparative net profit was highly increasing and has reached Rs. 349609 million, which was 1.59 % revenue 12.71 % of GDP and Rs. 39227 Net profit in previous FY 2015/16. At last, fiscal year, fiscal year 2017/18, Government has received significant Revenue collection of total revenue collection of Rs. 691.8 billion from 9.7 % of revenue from public enterprise Gross Domestic product (GDP) Rs. 264.3 billion of 12.2 % (328.6 billion) and contribution from public enterprises. In this year, PEs had paid 42.5 % custom duty fee (Tax) and local tax, and 24.2 % of total income tax.

The shareholders fond was Found/net worth in Rs. 349506.62 million in 2004/05 and decreasing in FY 2005/06 and has reached Rs. 324839.84 million. In fiscal year 2007/08, the share found has reached Rs. 390000 which was slightly decreasing than previous FY 2006/07. Furthermore, fiscal year 2010/11, shareholder found/Net-worth has significantly increasing and has reached Rs. 799181 million which was only Rs. 611046 in previous FY 2009/10. Again FY 2012/13, the shareholder found has reached Rs. 975987 million which was Rs. 1009903 in FY 2011/12, which was decreasing than previous year. Similarly Fiscal year 2015/16 the shareholders found or net worth has increasing and has reached Rs. 1733793 million which was Rs. 1059895 in previous

FY 2014/15. At last fiscal year 2017/18, public enterprises shareholder found or net worth has increasing significantly and has reached Rs. 2895625 million which was only Rs. 2094956 million in last fiscal year.

In above situation shows that the contribution ratio of revenue from public enterprise was decreasing trends since fiscal year 2004/05 to until FY 2008/09 and slightly increasing trends from FY 2008/09 to until last fiscal year 2017/18 in in amount but the percentage in the whole revenue collection from Government of Nepal in current reference year which was sometime ups and down. The Constitute of PEs in Gross Domestic Product ratio was also ups and downs according to the current situation which was generally in increasing trend until FY 2014/15 and slightly decreasing trend still last FY 2017/18. The shareholder found or net-worth and comparative loss and profit also up and downs in different fiscal years. The share-holder found generally increasing from FY 2005/06 to until last fiscal year 2017/18. Due to some expectation, net profit was slightly increasing but FY 2004/05, 05/06 and 12/13 were making losses. The return is only 5.87 percent of total share investment of Government of Nepal. In public enterprises which is lower than prevailing interest rate of the market. On other hands, the role of public enterprises has been remaining significant in mobilizing, income tax, value added tax and non-taxable tax, public welfare, service delivery, employee's generations curtailing, syndicate control and market control etc., which is clearly given in figure-5.

**Figure -5**



#### ***VI. Working Capital, Administrative expenditure & unfunded Liabilities of PEs.***

Employee's generation possibility, administrative expenditure & unfunded liabilities also impact to determine on public enterprises performance so that these all of above variables are given in table no. -6.



**TABLE 6 WORKING CAPITAL, ADMINISTRATIVE EXPENDITURE & UNFUNDED LIABILITIES OF PES**

S.N.	Fiscal Year (FY)	No. of Employees	Administrative expenditure (In millions)	Unfunded Liabilities of PEs. (In millions)	No. of PEs audit status completed still correspondence FY.
1.	2004/5	31599	44853.70	25551.44	24
2.	2005/6	37412	47313.11	38729.00	22
3.	2006/7	36957	111359.01	3664529	20
4.	2007/8	35053	191737	4960	21
5.	2008/9	34170	231611	4955.8	19
6.	2009/10	33603	231611	266541	14
7.	2010/11	33526	267603	293812	16
8.	2011/12	32408	242274	242999	21
9.	2012/13	31755	289391.39	212021	22
10.	2013/14	30692	24733	269695.78	24
11.	2014/15	29579	330101.22	270190.76	19
12.	2015/16	27862	230203	258068	16
13.	2016/17	29008	232733	326803	15
14.	2017/18	28405	303031	385677	18

Source: Original data from MOF:2004/05/06/07/08/09/10/11/12/13/14/15/16/17/18

In above table No. 6 shows that the wholly owned 36 PEs public enterprises of Nepal altogether, 37 employees were working in FY 2005/06 which was 31599 in previous FY 2004/05. The Administrative Expenditure has reached Rs. 47313.11 million in 2005/06 which was also Rs. 44853.70 in last FY 2004/05. The unfunded liabilities of PEs have been increasing by 34.02 % percent annual average during the review period 2 and the amount had reached Rs. 38729 million in 2005/06 which was 25551.44 million in last fiscal year 2004/05. However, the numbers of PEs that complete audit Function on regular basis were 22 out of 36 within the period of FY 2004/05. Similarly, all 35053 employees were placement in FY 2007/08, which was declined by 5.43 % of past fiscal year 2006/07 due to the liabilities of privatization of PEs. The administrative expenditure and unfunded liabilities increasing in last fiscal years and unfunded liabilities has reached Rs. 496000 million in FY 2007/08 which was Rs. 3664529 million in last fiscal year. However the number of PEs that completed audit function on regular basis was 21 out of 37 with in the period of FY 2007/08. Again, fiscal year 2011/12, Altogether 32408 employees working in 37 public enterprises this was 335226 in previous FY 2010/11. The rate of Employees Generation from public enterprises was decreasing tendency. The administration expenditure and unfunded liabilities slowly than previously and has reached Rs. 242274 million and unfunded liabilities has reached Rs. 242999 million which was Rs. 267603 million and Rs. 293812 million in previous FY 2010/11. However the number of PEs that completed audit function on regular basis was 21 out of 37 within the period of FY 2011/12. Which was only 16 PEs completed their regular audit in previous FY 2010/11.

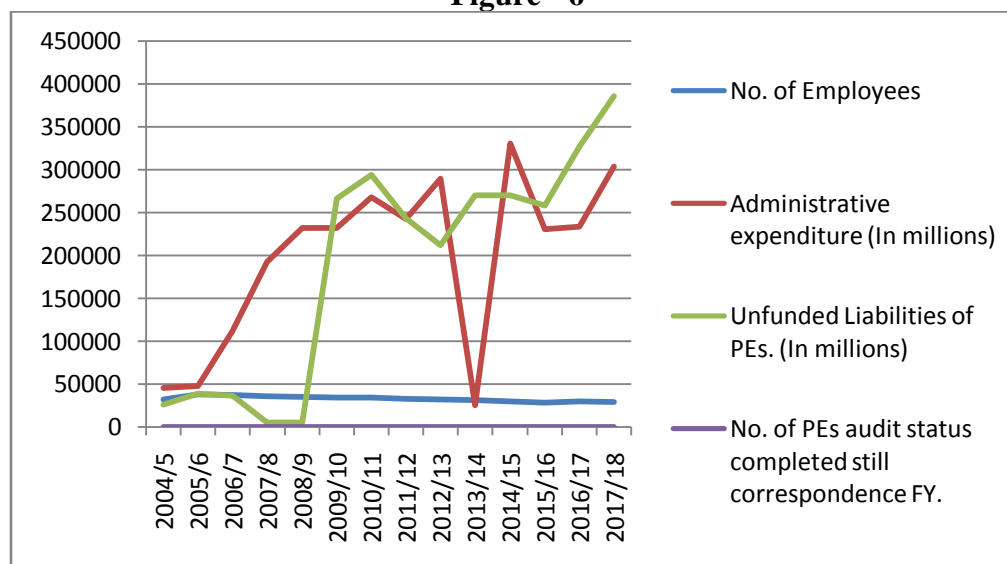
Furthermore, altogether 29573 employees working in 37 PEs in Nepal in Fiscal year 2014/15 which was 30692 employees were working in last FY 2013/14. The total administrative expenditure has reached Rs. 330101.22 million and unfunded liabilities of PEs has reached Rs.

270190.76 million however, the number of PEs that completed their audit function on regular basis were 24 out of 37. Again, in fiscal year 2015/16 all 27862 No. of Employees working in 37 public enterprises in Nepal. The administrative expenditure has reached Rs. 230203 million. However, the number of PEs that completed audit function on regular basis was found 16 out of 37 PEs in Nepal. At last fiscal year 2017/18 altogether 28405 employees working in the 37 public enterprises which were 29008 in last FY 2016/17. The administrative expenditure has increasing by 23.20 % and unfunded liabilities have increasing by 15.27 % and have reached subsequently Rs. 303031 million and Rs. 385677 million respectively. However, the number of PEs that completed their audit function on regular basis was found 18 out of 37 PEs in Nepal.

Over the analyzed period the employees Generation capacity of existence 37 PEs public enterprises in Nepal has been decreasing tendency. The employees of PEs decreasing by 31.72 % since FY 2005/06 to until 2017/18. The administrative expenditure and unfunded liabilities were significantly increasing during the research period which indicates that the question about the transparency, accountability, profitability, productivity and performance of PEs in Nepal. In addition this, the administrative expenses and unfounded liabilities in overall PEs due to increase in salary expenditure in human resources, refinement, gratuity, pension, insurance, voluntary on force refinement of privatized divestment, dissolution and liquidation of public enterprises in Nepal.

Audit is a major part of enhance the sound economic governance and financial accountability of PEs Office of the Auditor General has issued necessary instruction to all government owned enterprise in order to clear audit status in time. Most has also circulated the guidelines several times to all PEs for audit completion. However, the number of PEs that only few completed audit function on regular basis with in the period of research FY 2004/05 to until FY2017/18. Some of PEs that completed the audit function with one year late remains but some of PEs that have not completed their audit since 5/6 years period also so that ultimately government have to bear such liabilities in future to settle their imbalance in such funds. Therefore all PEs should be maintain the fund at certain level for the purpose of such liabilities through allocating some amount of their own income at present as the condition may rise to bear such liabilities by the government ultimately in this review period which is clearly shows in figure no-6.

**Figure - 6**



## **7. Causes of poor performance**

The government adopted privatization of Public Enterprises mainly to bring private sector to expand more in service delivery in the country. PEs was also not able to fulfill the demands of the public to both social welfare perspective and financial perspective due to the lack of sufficient entrepreneurship development of PEs. It can also be said government has given little or no attention to expand PEs's capacity enhancement. In addition, establishment of conflicting objectives, lack of adequate autonomy & accountability, lack of financial discipline and accountability, weak management and politicization for recruitment of executives and among the employee for managing PEs also affected to enhance the capacity which directly or indirectly affects the performance of PEs. How to development its capacity for improving performance of PEs has become challenging in Nepal. Of course there is enough opportunity to earning government revenue and GDP from PEs. PEs occupies or captures only 9.7% contribution on total revenue collection and 11.8% contribution on Gross Domestic Product (GDP) which was the total revenue collection of government Rs.609.18 billion in FY2017/18,in Nepal.

## **6. Management Challenges of Public Enterprises in Nepal**

The management composition of wholly or majority - owned 37 Public Enterprises currently operating are incorporated under five different acts of which, 23 public enterprises are formed under company Act, 2 PEs are formed under the corporation act,7 PEs are formed under the concerned enterprises' own specific Acts, 2 public enterprises are formed under the communication Act. And 3 public enterprises are formed under the Bank and Financial institution Act. The basis of operation of PEs appears separate owing to the Acts related their incorporation being separate. Furthermore, lack of uniformity in rules and regulations by laws formulated for operation/ management of public enterprises incorporated through different acts has posed great problem to bring harmonization in recruitment procedures and facilities' to be provided to their own employees by public enterprises. Public Enterprises established in Nepal with multiple goals and objectives like Social VS. Commercial. Both goals cannot be easy achieved at the same time so that multiple goals and objectives also one of the major problem of performance of PEs in Nepal. Most of PEs in Nepal do not have their own product i. e. Salt Trading Corporation sell salt but it's not their own product. If Government does trade business on its own. Like private enterprises, it also should embrace common valid principles of market like competitiveness, professionalism etc. The entrepreneur who can succeed to supply goods and services to consumer and earn targeted income by making competitive and strong to self can sustain but those who cannot succeed will be collapsed in common rule of market(MOF,2014,P.23). Public enterprises are required to formulate and execute clear business plan in accordance to their objective, vision, mission, goals, strategy and working policies but most of them has not acted accordingly. Most of PEs neither have contemporary business plan nor possess short-term, mid-term and long-term improvement plan. The execution status of business plan of some of PEs which has it is also weak (MOF, 2017). The chief executive officer, president and members of board in the top -level management are appointed by the government of Nepal. Which is not fairly on merit based due to the political ideology or others related phenomenon. The internal and external coordination and monitoring system of public enterprises seem weak while making physical, financial and managerial analysis of public enterprises in research period. After economic liberalization policy initiated in 1990s, private sector had been flourishing but the public enterprises had been deteriorating. Private sector is aggressively moving forward even in service delivery but public enterprises do not have

strategies to compete with private sector so decline in competitive capacity and lack of professionalism is another problem of management of Nepalese PEs. Public enterprises also cannot be able to manage their Audit and financial accountability on regular basis due to administrative expenditure and unfunded liabilities are increasing as another burning issue of PEs. The public enterprises have overstaffing comparison to the related similar business organization of private sector. The public enterprises lack of quality and competitive in workforce. The role of trade union for welfare of employees cannot be denied in democratic system. The activation of trade union required to jog management's memory of accomplish the objective of the organization but the growing tendency of taking more facilities without taking into account the financial health of organization has been deteriorating economic and managerial aspect of our Nepalese public enterprises. Regular monitoring and evaluation of business plan and programs relating to operation of PEs from concerned Ministries appeared ineffective. Lack of clear policy and mechanism for monitoring and evaluation public enterprises were always realized in Nepal. The economic condition and business of public enterprises are deteriorating imposing burden of the government further and is the major problem of public enterprises' operation and management.

## 7. CONCLUSION

Public enterprises were established in Nepal mainly for providing basic goods and services with access to general public at affordable price. Accordingly, PEs was created in the areas of infrastructure development, production, distribution and even in trade and commerce. The major objectives of creating this PEs have been developing infrastructure, creating employees opportunities generation, production and marketing for sell and distributing good and service to the public for exports, increasing contribution to the government revenue and also help to industrialization along with economic development and growth. In order to achieve these goals and objectives, public enterprises have been created since first five year plan in 1956. Most of public enterprises were setup during 60s to 70s. By the end of the seventh development plan (1985-90) in all 63 PEs were established. Currently, total 37 Public Enterprises existence in Nepal. The trends are still constant last few years. The profit earning PEs number was ups and downs in different fiscal year which was generally increasing situation from FY 2004/05 to until FY 2009/10 and from FY 2011/12 to FY 2015/16, the number of profit earning PEs has decreasing trend. The last FY2016/17 to 17/18, number of PEs for profit earning was slightly increasing and reached 26 out of 37 respectively.

It is also obvious that, in spite of huge capital investment by government of Nepal in Public enterprises have not been able to provide satisfactory financial returns on the overall net profit, total operating income operating profit to net capital investment, Government revenue generation contribution of GDP and Employees Generation. During the FY 2004/05 through 2017/18, the overall investment has increasing of almost 97.85 % from Rs. 969042.62 million to Rs. 4459020 millions. However the level of profitability remained either negative or very low. Furthermore, the amount of net capital investment in PEs from Government of Nepal whereas the operating profit to net capital percent was very low which was lower than the current interest rate of market price. The share and loan investment of Government of Nepal in 37 PEs has reached Rs. 1670634 millions Rs. 1302532 million last FY 2017/18. The Government had received Rs. 76207 million of dividend from PEs which was only 5.87 % of operating profit to net share investment which was also lower than the market current interest rate. Government has collection 9.7 % revenue and 11.8 % GDP from PEs in a reference year.

The rate of Employees Generation in this research period decrease 31.72 %. The administrative expenditure and unfunded liabilities were significant increasing trends which indicate that the question about transparency, accountability, productivity and performance of PEs in Nepal. In addition this, the administrative expenses and unfunded liabilities have increased in overall PEs due to increase in salary, expenditure in human resource like retirement, gratuity, pension, insurance, voluntary and force retirement of privatized, divestment, dissolution and liquidation of public enterprises in Nepal. However, the numbers of PEs that only few completed audit function on regular basis within the period of research. Some of PEs that completed that audit function with one year late remains but some of the PEs that have not completed their audit since 5/6 years period.

The achievement of PEs public enterprises investment of Government is lower than the expectations. The rate of return from the public enterprises in Nepal is getting lower than the current interest rate of market price. The capital output ratio also remained unsatisfactory the labour productivity also showed unfavorable trends with a few exceptions. In fact, the all capital output ratio, employee productivity ratio, and value added employee return, share and loan and investment ratio on dividend received ratio have not been up to the mark. PEs has failed to perform in an efficient manner. In spite of the long-term protection given to this PEs, these have not been able to achieve satisfactory financial capability and work efficiency. Finally, it may be said these enterprises have become the white Elephant.

On the other hand, the role of public enterprises has become remaining significant in mobilizing income tax, value added tax and non-taxable tax, public welfare, service delivery, employees Generation, Carting, Syndicate controlled, Market controlled, crisis management and an emergency situation.

Furthermore, Lack of uniformity in rules and regulations by laws formulation for operation management of PEs, problem of harmonization in recruitment procedures and facilities, multiple goals and objectives like social VS. Commercial lack of clear business plan, strategy and working policies, political appointment of chief executive officer, lack of performance based reward and punishment system, weak physical, financial and managerial activities, Professionalism, traditional administrative culture, high Administrative expenditure and unfounded liabilities, lack of quality and competitive workforce, Lack of innovative marketing strategy, demand driven facilities oriented trade union, lack of proper audit and accountability, lack of clear policy and mechanism for regular monitoring and evaluation of business plan and programs and political intervention. These type of management problems of public enterprises the performance become burning issues in world wide. In above performance review and overall management problems of public enterprises are accused as being "the babies born out of unplanned Parenthood" So that, the overall management improvement mechanism should be strongly need to be institutionalized for the better performance of PEs. If any delays in implementing such reforms strategy would be determine to the overall health condition of PEs in Nepal. For this, improvement of performance of PEs is the primary requirement.

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## **BUILDING CUSTOMER-CENTRIC ORGANIZATIONS- AN EVOLVING ROLE OF HR**

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### **ABSTRACT**

*An organization sustains its strength from its customer centricity. Only 14% of the Marketers say that customer centricity is a hallmark of their companies, and only 11 percent believe their customers would agree with that characterization (CMO Council Research center Report, 2014). The customer database is huge and vast and companies don't have sufficient expertise to categorize the emotional requirements of customers and develop customer empathy in organizational culture. The big data analysis in HR is still in nascent stage. Empathy with customers is possible if the employees are engaged in customer-centric activities. The role of HR in employee recruitment, training, job design, placement, and engagement play a significant role in building such teams. Hiring customer friendly employees, facilitating direct interaction with customers, developing employee culture in synchronization with customer culture, tying employees to cluster of customers, opening customer insights to employees, instill customer empathy in the organization and the like are few measures the HR Manager can think of to build agile teams capable enough to navigate with the mindset of customers. The authors of this paper are interested in analyzing the evolving trends of HR in meeting customer needs and the focus is on exploratory research. The literature survey is from the research papers from popular journals and the databases from Ebsco, Proquest, J gate and the like. The research may be useful for organizations which are driven by customer needs and requirements.*

**KEYWORDS:** *Customer-centric; Employee Engagement, Evolving HR, Employee Culture; Customer Empathy*

## INTRODUCTION

### Central Theme

The reason for the existence of an organization is a customer. The different departments, the horizontal and vertical structures of an organization exist as long as the customer exists. Marketing and Sales is no more the exclusive domain of marketing teams. HR department's primary role may be talent management but the ultimate objective remains to stay in the market and ensure the successful navigation of the organization in the rigid competitive market. The skills that are required to gauge consumer behavior are as important as the skills required to perform the job. There is no dearth of data relating to consumer behavior. The marketing teams are saddled with data domains and they need the expert staff capable enough to explore deep into the depths of data and decipher the data for a decisive advantage in the market. The role of HR is to search for the talent required by the marketing teams, align the culture of the teams with the culture of the customers and institutionalize customer centricity in the organizational domain.

### Broad dimensions

Once the HR embraces the culture of customer centricity, its objectives are clearly defined. Everything under the domain of HR namely recruitment, training, placement, postings, promotions, compensations, and the like revolve around the customer, his needs, his problems, and the innovative solutions. It is a game changer in the sense that every employee is sought to be projected as brand ambassador for the company, its mission, and vision statements. What can HR do to institutionalize customer culture? Here are the ways to do that.

#### 1. Develop teams that empathies the customers

Kinetic Honda was a company which was a joint venture of Kinetic Honda Engineering Limited of India and Honda Motor Company of Japan. During the 1980s it was manufacturing two-stroke scooters which were initially a big hit in the market. One big complaint from the customers was that the body of the engine used to hit the ground whenever the scooter passes over a bump on the roads. Kinetic Honda was releasing sleek new models but did not bother to empathize the problems of the customers. The company had to vanish in no time when Honda Activa started introducing its scooters into the market. When empathy is neglected in the organization, the company suffers ignominious exit from the market. The role of enlightened HR in a company is to hire employees who have customer empathy in their genes. Once employees are hired and placed, a sufficient time is allowed for the employees to see the customer viewpoints, criticism, comments etc in the social media. The needs of the customers are to be identified before giving a signal for new initiatives and ventures.

#### 2. Encourage 'A day with the customers'.

The role of the HR is to ensure that the employees stay with the customer groups for a day or two, engage with them in public and private functions, dinner parties and the like to closely watch the usage of its products by the customers and allow them to record their experiences. LIC of India, the public sector giant in India consciously allows selected employees to go to rural India with publicity vans. The employees play puppet shows, dramas, mimicry with the help of expert artists and ultimately the message of insurance is spread to the mass of the people. Employees stay overnight in the houses of the customers, village heads and village *pramukhs*. The employees feel the pulse of the people, understand their emotional needs and try to design solutions with the help of marketing teams.

### **3. Aligning employee attitude with the needs of customers**

While hiring employees care is to be taken to recruit on the basis of customer orientation of the incumbent employee. Gamification is the popular technique employed by elite HR teams to navigate the aspirant job seeker to play the games on their own, understand company culture and decide his or her fitness to the organizational culture. The HR Manager, in turns, understands the employability of the prospect. The Generation Z people ‘process information at faster speeds, but their attention spans are shorter and their brains have evolved to process more information at faster speeds, and are cognitively more nimble to handle bigger mental challenges’ (Julian Smith, 2014). They cannot be assessed on the basis of traditional written tests, oral interviews etc. Price water house Coopers (PWC) is known for its recruitment game named Multipoly which allows both the HR Manager and the prospective employee to know the culture of each other.

### **4. Job Rotations**

Internal mobility- intradepartmental and interdepartmental transfers and job rotations are the ploy used by the major public sector and government organizations in India for ensuring the employees to understand their clientele. The HR in LIC of India interchanges the officers in Operations, Marketing, Accounts, Housing, Finance, and Legal departments among the departments. This is to ensure that the officers in each department should know the customers of all departments and this ensures mutual empathy among officers themselves and for smooth flow of office business.

### **5. Blurring the difference between the functions of the back office and front office**

The back office is not necessarily to attend the customer complaints forwarded by the front office desk. The elite HR teams are blurring the line of difference consciously to focus customer friendliness. The Bajaj Allianz Life Insurance Company, a joint venture Bajaj Finance (India) and Allianz of Germany consciously ensure the operations team in the back office visit at least three customers a day for collecting the renewal premiums. By virtue of their contacts with the customers, the employees of the back office understand and appreciate the nuances of customer contacts and front office limitations. At the end of the day, the employees are encouraged to report ‘customer experience’ delivery. Airbnb considers hosts, the people who rent out their homes, to be customers, so it facilitates employee-host interactions by requiring employees to stay in Airbnb rentals whenever they travel for business (Denise Lee Yohn, 2014)

### **6. Encourage and Institutionalize Customer Advisory Board Meetings**

‘Meet the Customer’, ‘Customer Advisory Boards’, ‘Customer Contact Programs’ and the like are as much driven by HR as any other Marketing department. The members of these committees normally constitute of customer representative groups, NGOs, opinion makers, Marketing Heads, and HR Chiefs. In some organizations like BSNL, Canara Bank etc, these initiatives are driven by the HR teams. The purpose is to sensitize the HR teams in understanding customer grievances.

The HR practices of elite organizations have not restricted to the above practices. A blend of many practices is on vogue. The basic idea is HR should drive the employees to the customers, HR should sensitize its employees to customer needs and HR should stand as a fulcrum around which the other departments rotate.

**Benefits**

If employees across the organization feel sensitized by the customer needs, what would be the benefits? “Like a lot of other companies, we started with the belief that if people felt great about working with us, our clients would too. That wasn’t a new thought, but it’s certainly one we took very seriously, going back about four or five years. We’ve since seen it borne out. We’ve found that employee engagement explains two-thirds of our client experience scores. And if we’re able to increase client satisfaction by five points on an account, we see an extra 20% in revenue, on average. So clearly there’s an impact. That’s the business case for the change”( Lisa Burrell, 2018). The drive and the push by HR department towards customer centricity result in recruitment of customer-focused staff across all the departments. Each one in the organization is aware of the vision and the mission for which the organization propels its activities.

**Challenges**

The HR drive towards customer centricity is not as easy as it is said. The lurking challenges always limit the organization to make HR assuming marketing roles.

- a. HR is a staff agency and if it takes up the activities of a line agency, there are always protests and that may mean undermining the significance and primacy of Line agencies.
- b. HR teams may not have the expertise to gauge the pulse of the customers in the way the marketing teams can do. Marketing teams meet the customers by intrinsic nature of work and also by compulsions of reaching the assigned targets. An HR driven customer centricity may not have the same drive and zeal and may result in perfunctory activity.
- c. Training HR teams in the areas of product, placement, advertisement, etc is a tedious and herculean task and also expensive.
- d. When the demarcation between line and staff are blurred, the nature of organizational functioning, and the management philosophies like ‘unity of command’, ‘theories of Scientific Management’, ‘Specialization’ and ‘Division of Labor’ etc. get a back seat and there may arise a need for recasting the organizational behavior from other perspectives.
- e. It may be viewed as HR intrusion into the activities of others.

**SUMMARY**

Like any other wing of an organization, HR has also been increasingly becoming innovative. Many elite organizations have HR teams driving customer centricity across the board. HR has been embracing the concepts of building teams that are empathetic to customers. A conscious theme of synchronizing employee culture with that of customer culture and attempts to institutionalize customer culture by the HR have been paying rich dividends to the organizations. But there are lurking challenges which need to be addressed for the smooth functioning of the organizations.

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