STATUS OF PUBLIC ENTERPRISES AND RE-INVENTING THEM: BASED ON CASES OF NEPALESE PUBLIC ENTERPRISES

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Presentation outline

- Introduction
- Statement of problem
- Objective
- Methods
- Analysis
- Conclusions
- Implications
Introduction

- Public enterprises are business organizations wholly or partially owned by the state & controlled through the public authority.
- Their objective is to achieve outcomes—enhancing or maintaining the well-being of citizens—rather than generating profits.
- There were 63 PEs by the end of 7th plan (1985-90).
- Now there are 37 PEs.
Nepalese SOE are categorized in 6 sectors (Industrial sectors, Trading sectors, Service sectors, Social sectors, Public utility sectors and Financial sectors).

Pes in Nepal are criticized for being process driven rather than being demand/customer driven.

Though a pervasive dissatisfaction with the performance of PEs was at the heart of the appeal of privatization to policymakers, unfortunately, with the experiences of the last one decade, privatization programme itself has not shown the positive result as expected [(K.C., 1999(a)].
Global evidences have proved that the organization in the verge of failure have also been revitalized.

One of the major tools for the improvement of the public enterprises/sectors can be through the intervention of organization development

Organizational development can be defined as a series of planned interventions designed to facilitate change within an organization
Public sector is the largest sector of the economy in developing economies (ECA, 2003).

Public enterprises in Nepal are mainly criticized for unsatisfactory financial returns on the capital employed.

Contribution from the dividend of PEs to total revenues is only 1.86% and return on investment from the share is only 5.71% which is lower than the market interest rate (Economic survey, 2071/72)

It is quite imperative to change the PEs so that they can compete with private sectors at the same time producing higher economic value to the society and nation.
Objectives

The study is pursued so as to

- Analyze the status of public enterprise in Nepal
- Analyze the sectorial performance of public enterprises
- Create an understanding of organizational development that PEs can utilize in pursuit of improvement of organizational performance with reference to cases of NBL, RBB, ADBL
Methods

- Research design is mixed method (descriptive plus case study method)
- Data sources are secondary (Major source “Yellow Book” and Economic survey report of MOF)
- Analysis is done in three ways (Aggregate performance of public enterprises, sectoral performance on various variables & case analysis of selective enterprises which were revitalized)
- Study period - 2008/9 to 2014/15 (7 fiscal years).
Analysis

- The 'performance' of a PE is the attainment of goals by the enterprise (Basu, 1982).
- Financial performance, employees productivity and compliance are used for performance analysis.

Financial status

The financial indicators the researcher has used are Profitability, Operating Income, GDP contribution and Government investment and return
Sectoral employees analysis

Industrial Sector

Trading Sector

Public Utility Sector

Financial Sectors

Service Sector

Social Sector
The legal provision clearly mentions that all Public Enterprises are required to get their audited transactions within the particular timeline of each fiscal year; but different is the status of audit in these public enterprises.
Evidences of Change management in NBL, RBB, ADBL

- After economic liberalization policy in 1992 AD Nepalese public sectors banks face stiff competition from private sectors bank.

- OD interventions were applied in the following areas to reinvent those banks.

- Organizational Restructuring
- Business Process Restructuring
- Goal setting and planning
- Human Resource
Conclusions and implications

- Performance of the SOEs was found below average.
- There are possibilities to revive these Enterprises. For this, the role of Public enterprise Directive Board (PEDB) should be strengthened.
- Leadership is key ingredient for success of any organization.
- Public enterprises that cater the needs of the people already catered by the private sectors in competitive and efficient basis could be liquidated.
Thanks for your attention!

Time for Q&A