Performance of Public Enterprises in Nepal

Dr. Fatta Bahadur K.C.*

Public Enterprises (PEs) have been established in Nepal with multiple goals and responsibilities. Though PEs have assisted in developing the infrastructure and institutional base in the country, these enterprises have neither been functioning in an efficient manner nor been able to perform their assigned roles. Performance analysis, in terms of the financial, economic and social parameters, shows that the Nepalese PEs have not been successful in achieving the financial and economic objectives, and also in providing social benefits to the people at large. Excessive political interference, lack of adequate autonomy and accountability, absence of professionalism, rampant financial indiscipline and conflicting goals have been the main reasons responsible for the dismal performance of PEs in Nepal. However, their performance can be improved by allowing greater autonomy and more accountability by introducing reward and punishment system linked with performance, and by appointing the Chief Executive Officer (CEO) by merit basis. In the absence of such measures, these enterprises need to be either privatized or liquidated. Presently, PEs in Nepal are, no doubt, at the cross-roads. Any delay in implementing reforms (privatizing or liquidating or continuing to operate through restructuring) would be detrimental to the overall health of the national economy.

Section I : Introduction

1. Background of the Study

PEs have been established in Nepal primarily with a view to improve the socio-economic conditions of the country. They are assigned the responsibility of strengthening the national economy and also improving the living conditions of the people at large *(K.C., 1994:1)*. By the end of the Seventh Plan (1985–90), altogether 63 PEs were established in Nepal. After the advent of democracy, HMG has adopted liberal economic policy since 1992. As a result, one and a half dozen PEs have been privatized so far. Currently, there are 43 PEs in which HMG has invested a total of Rs. 76.6 billion till fiscal year (FY) 2000–01 including Rs. 19.3 billion as equity and Rs. 57.3 billion as loan capital. These enterprises have contributed only Rs. 245.7 million to the government treasury as dividend in FY

* Reader, Nepal Commerce Campus, T.U.

2000–01, which is only 1.27 percent of the equity investment *(MoF, 2002:xiii)*. In spite of huge investment in PEs, their total contribution to GDP is about 3 percent only. They are constantly perceived as consumer of resources rather than the producer of wealth in the economy. 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)]*. It is, thus, a high time to examine the performance record of PEs so as to recommend appropriate measures for their improvement in Nepal.

2. Objectives and Methodology

The basic objective of this study is to review and analyze the overall performance of PEs in Nepal. It also aims at identifying the main causes of poor performance of PEs and suggesting suitable measures for improving their performance of PEs. In order to achieve the objectives, the relevant data and information have been collected from both the primary as well as secondary sources. The primary data has been collected mainly through questionnaire and personal interview with policy makers, academicians and others. The secondary sources include the 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 and journals, thesis and dissertation reports, etc. The information so collected has been suitably organized, tabulated and analyzed with the help of relevant statistical tools, i.e., percentage analysis, ratio analysis, index number analysis, mean value, ranking method, etc.

3. Organization of the Study

This study is mainly dividend into four sections. The first section introduces the study and also states the objectives and methodology. The second section contains the rationale for establishment and growth of PEs in Nepal, and their performance measurement indicators. The third section examines the performance of PEs in Nepal. The performance of PEs in terms of the financial, economic and distributional aspects has been analyzed. Finally, the causes of poor performance have also been identified in this section. In the final section, the summary and conclusions of the study have been presented.

SECTION II: RATIONALE AND GROWTH OF PUBLIC ENTERPRISES IN NEPAL

1. Rationale for Establishment of PEs in Nepal

Nepal accorded a high priority to PEs from the Second Plan to the Seventh Plan. They were seen as a vehicle for development. They were envisaged as an instrument for production and for execution of socio-economic policies in the country (*Bajracharya and Sharma, 1996:28).* PEs are organization that have primarily economic, but additionally social and political objectives and characteristics *(Powell, 1987:5)*. They have, therefore, been established to attain multiple objectives.

PEs in Nepal, by and large, have been established mainly to serve the following objectives *(Shrestha, 1990:73)* :

a. infrastructural facilities and services,
b. basic consumer and development goods,
c. adequate supplies of essential goods,
d. managerial support to needy enterprises, and
e. entrepreneurial support to needy enterprises.

Like in other developing countries, the rationale for establishing PEs in Nepal has been many. Ideological reasons, political considerations, development purposes, socio-economic considerations, macro and micro-economic justifications can be identified as the leading rationale. The need for carrying out development activities has indeed been the prime reasons to create PEs in the country. PEs can realize various development objectives as observed by *Praxy Fernandes et.al. (1982)*, such as; adopting socialist model of development, controlling strategic sectors of economy, developing requisite economic infrastructure, managing "*essential services*", controlling "*commanding heights of economy*", managing and controlling "*natural monopolies*", developing backward areas, providing competitive element to the private sector, generating income and employment, developing technology, utilizing economic resources, discouraging concentration of economic power, etc. These motives help in creating PEs in the country supported by other considerations particularly the socio-economic aspects, such as, protection of public interest, employee protection, equitable distribution of income, national self-preservation, and others *[K.C., 1999:134(b)]*.

Generally, the rationale for establishment of PEs in Nepal could be listed as follows:

- Private sector was weak in both capital and know-how (technical as well as managerial) and government initiation was vital to enhance economic activities.
- Donor countries and agencies, particularly China and former USSR, were much interested to invest in several enterprises, hence PEs were established to utilize these resources.
- Additional return was expected from government investment in productive sector which was essential to mobilize other priority and backward areas.

- Government was responsible to prevent private sector exploit general public by charging monopoly price and rendering low quality and quantity of goods and services.
- Slogan of socialism, mainly in the post-war era, was popular in the developing countries including Nepal though Nepal's constitutions have not incorporated the doctrine of socialism as has been the case in other countries.
- Being newly independent from the domestic oligarchic rulers, the new political leadership aspired for providing the basic economic services through the public sector with the pious objective of alleviating the poverty of the people and improving the underdeveloped condition of the country.

Obviously, PEs have been established in Nepal with different objectives and rationale. Their performance, thus, needs to be concentrated on various spheres of activities. On the other hand, performance evaluation of these enterprises has to be based on the activities carried in pursuit of established objectives. It would be ideal, therefore, to look into the growth of PEs prior to focusing on the performance evaluation of these enterprises.

2. Growth of PEs in Nepal

PEs have been universally established in most developed countries like the USA, UK, Canada, and France as well as in developing countries like Nepal, Bangladesh, Brazil, Chile, India, and Sri Lanka, among others. It was estimated that the share of PE output in gross domestic product in the 1970s ranged from 1 per cent (Nepal) to 14 per cent (Taiwan) in Asia, 7 per cent (Liberia) to 38 per cent (Zambia) in Africa, and 1 percent (Gautemala) to 75 per cent (Guyana) in Latin America and the Caribbean. By the early 1980s, however, PEs accounted, on an average, for 17 percent of gross domestic product in sub-saharan Africa, for 12 per cent in Latin America, 3 per cent in Asia (excluding China, India and Myanmar), and for 10 per cent in mixed economies worldwide *(Hemming & Mansoor, 1988: 3; Hope, 1988:2; Kikeri, et.al. 1992:15).*

Nepal has adopted a mixed economic system whereby public and private sectors coexist to enhance public welfare. With the initiation of First Five Year Plan in 1956, PEs have started to grow in Nepal. The Industrial Policy of 1957 formally recognized for the first time the responsibility of the government in "promoting, assisting and regulating" industrial development in the country and the First Plan intended to establish state monopolies in the fields of transportation, telecommunication, hydro-electric power generation and irrigation, and to run some big industries, such as, cement, sugar, cigarettes, textiles, iron and steel *(Government of Nepal, 1956:55).*

The role of public and private sectors are defined in each development plan. However, shortage of capital, skill, know-how and entrepreneurial abilities in the private sector combined with the inadequacies of physical and institutional infrastructure made it necessary for the government to step in and breakthrough the barriers of stagnation with various measures including direct participation and management of industrial activities *(Shrestha, 1991:1)*. A review of the history of PEs in Nepal tends to suggest that, "the desire for more rapid development, the desire for self-sufficiency, the heavy aid-dependency syndrome of the government and the theoretical virtuerity of the public enterprises as an instrument of implementing national plans have served as powerful objectives for their establishment" *(Pradhan, 1982)*. The emergence of PEs was thus predicted by the inability of private sector to adequately fulfill these national objectives *(Shah, 1991:98)*. It appears that the government participation in non-basic industries was considered merely as temporary measure designed to fill up the vaccum created by the lack of capital, initiative and entrepreneurial ability of the private sector. But the state ownership and operation of public utilities and basic industries were deemed essential partly because of ideological consideration and partly because of broad socio-economic consideration *(Shrestha, 1991:2)*.

The social and political sentiments that have given rise to the development of the PE sector in Nepal are often traced to the Constitution of Nepal (1962) which provides for maximum participation by the general public in economic development. As stated in the outgoing constitution of 1962 (Article 19):

> *"The economic objective of the panchayat system shall be to establish a system that will provide maximum participation of the general public in the economic uplift of the country as well as to encourage private enterprises, and wherein no individual or class is able to exercise undue economic pressure upon individual or class."*

The new Constitution of Nepal (1990) that was promulgated after the historic movement of 1990 has reiterated the same mixed feature of the economy as in the previous constitution of 1962. This indicates that fundamental changes in the political system of the country has not affected its basic economic system. With regard to the economic system of the country, Article 25(2) of the new constitution reads as follows *(Law Books Management Committee, 1990):*

> *"The economic objective of the State shall be to transform the national economy into independent and self-reliant system by preventing the concentration of available resources and means of the country within the limited sections of the society, by making arrangement for the equitable distribution of economic gains..... prevent economic exploitation of any class or individual .... preferential treatment and encouragement to the national private and PEs."*

Thus, the existence of PEs in Nepal is not only an economic consideration, but also the constitutional imperative.

PEs in Nepal mostly came into existence during the Second, Third and Fourth Plans in 1960s and the first half of 1970s. However, their historical roots could be traced back well over a century, when the government decided to provide public services like financial service, drinking water, postal service, telephone, railways and ropeways through departmental management. During the period of *Ranodeep Singh (1878-1886),* a government owned financial institution was opened in 1880 by the name of *Tejarath Adda* (Office of Finance). During the period of *Bir Shumsher Rana (1886-1891),* drinking water office was established. Postal services in 1892, electricity in 1912 and telephone and rail & ropeway service were provided in 1928. Many of the present day PEs have roots in these government units *(Pradhananga, 1983).*

Table 1. Growth of the Nepalese PEs During Different Plan Periods

Periodic Plan		Total Number	Change
Prior to	1956	1	-
First Plan	(1956-61)	8	7
No Plan Period	(1961-62)	11	3
Second Plan	(1962-65)	22	11
Third Plan	(1965-70)	34	12
Fourth Plan	(1970-75)	61	27
Fifth Plan	(1975-80)	59	-2
Sixth Plan	(1980-85)	54	-5
Seventh Plan	(1985-90)	63	9
No Plan Period	(1990-92)	62	-1
Eighth Plan	(1992-97)	46	-16
Ninth Plan	(1997–02)	43	-3

Source: National Planning Commission, *Various Plan Documents* and Ministry of Finance, *Various Publications.*

The corporate form of PE in Nepal existed only in 1952 when the government decided to go for majority holding-from 40 percent share ownership to 51 percent in Nepal Bank Limited, the only commercial bank operating in the country. The objective was clearly to control the financial market. Three sick units (jute, cement, and tea) were taken up by the government and two electrical companies were nationalized *(Manandhar, 1993:84).*

The table 1 shows that the majority of PEs were established during sixties and early seventies. However, unlike in most developing countries, the growth of Nepalese PEs was not based on the nationalization of private companies, but new enterprises were created in many areas, with the support of external donors including China, former USSR, the Netherlands, Japan and multilateral agencies. In other cases, units already existing as Government departments were converted into statutory corporations and other kinds of autonomous bodies. The Government also took over two private companies that were on the verge of closure in order to save jobs *(World Bank, 1990:2).* By the end of the Seventh Plan in 1990, 63 PEs were in operation including 50 first generation PEs, 11 second generation PEs and 2 joint ventures. With the implementation of the Eighth Plan in 1992, the Government adopted the privatization policy instead of PE policy in the country as it embraced economic liberalization policy for the improvement of national economy. HMG has already privatized 17 PEs under different phases of privatization programme. Presently, there are 43 PEs in Nepal.

3. Public Enterprise Performance

The 'performance' of a PE is the attainment of goals by the enterprise *(Basu, 1982)*. In the PE economic, 'performance' refers to the extent to which a PE achieves the objectives which have been set for it *(Rees, 1984:10)*. More specifically, performance is interpreted in terms of success in achieving the stated objectives *(Kirkpatrick et.al.,1984:165)*. Performance is, thus, essentially correlated with the objectives.

It is widely believed that, in most developing countries, the performance of the PE sector has been disappointing. Originally established to generate public savings for investment and growth, and to achieve social redistributive goals, the PE is now perceived to have performed poorly in fulfilling these various objectives. *Cook and Kirkpatrick (1987:13)* further note that the performance of a PE is difficult to measure. In principle, the process of performance evaluation ought to flow a sequential procedure of identifying the objectives set for the PE, constructing indicators to measure the degree of attainment, and then measuring performance. In practice, there are considerable difficulties in following this procedure-objectives are seldom specified in a clear and unambiguous way. Objective may be mutually inconsistent. There are problems in devising satisfactory single and multiple-goal performance measures and the necessary data are often not interpreted. The existing information on PE performance must be interpreted therefore with caution, and few firm generalizations can be drawn from it.

United Nations (1973) has observed that a climate of controversy has continued to surround performance measurement in PE sectors with an air of inconclusiveness. There are always the votaries and the critics of PE. In an atmosphere of controversy any measurement of its performance that would invite ready comparison with private enterprise is likely to be questioned by the votaries and endorsed by the critics. Measuring PE performance is therefore a difficult task *(Merchand et.al., 1984)*.

Performance Measurement

A positive and scientific performance approach to PE is by now acknowledged to be very important for the PE management, the government and the vast majority of citizens. The management of a PE is not always aware of the weakness of the organization. If by comparison with past performance or with the performance of other similar firms, private or public, national or foreign, some weaknesses can be pinpointed, the chairman or managing director will have some explanation to do. The most valuable outcome of performance studies is to explore the scope for improvement in the operations and management of PEs and thus to provide both government and managers with an instrument of improvement *(Parris et.al., 1986:138)*.

Performance studies can also serve other purposes. They can help public authorities to improve control of the managers to whom they delegate powers, who act in the name and for the good of the government and the public. Moreover, in the debate over whether to privatize or to deregulate certain activities, such studies, by showing the relative weaknesses and strengths of public versus private production, should be an essential requirement *(Parris et.al., 1986:134)*. Performance measurement provides valuable information.

Ray Rees (1984:11) argues that a more appropriate (and sympathetic) concept of performance will be the extent to which a PE achieves the objectives which have been set for it. Ideally, to every objective that can conceivably be assigned to an enterprise one would like to see correspond a specific performance measure, i.e., an indicator of the extent to which the objective is actually achieved *(Merchand et.al., 1984:26)*. It implies that performance of a PE is closely related with the objectives of the enterprise.

There is a growing view that PE performance need to be based on the realm of operational activities. Indeed, the assessment of the performance should amount to appraising the extent to which they do, in fact, achieve the goals which are attributed to them *(Parris et.al., 1986:136)*. Killick (1983:278) argues that the success of an enterprise should be assessed by its ability to do the job it was created to do, and this requires us to ask about the reasons for creating PE in the first place. Furthermore, the circumstances under which an enterprise is created often affect the performance. In this respect, the performance evaluation requires proceedings through several successive stages which include *(Tulkens, 1986:430):*

a. specifying explicitly the objectives attributed to the PE;
b. providing a convincing justification for the selected objectives;
c. translating each one of these objectives in terms of indicators that are observable and, preferably, measurable;
d. devising methods whereby the comparison can be established between the observed values of the said indicators and those values that correspond to a complete fulfillment of the corresponding objectives.

Performance evaluation provides a valuable guideline for the control mechanism to the management. Enabling government to identify major weaknesses, it assists in the policy formulation as well as reform. PEs can truly be assessed in terms of the benefits extended and also the ability to protect the public interest *(Shrestha, 1988)*.

Performance is concerned with the efficiency, particularly the Pareto efficiency, which has at least three facets, i.e., technical efficiency, financial efficiency or cost minimization and overall efficiency of the enterprise. In this regard, it is noted that one sided approach is, of course, bound to induce a severe bias in most judgements on PEs *(Merchand et.al., 1984:26)*. Performance can be measured either through direct statistical analysis of time series or cross-sectional data of the enterprises themselves or comparisons with the private sector enterprises which are alike in nature.

Performance Indicators

Performance indicators provide guidance when considering matters relating to value for money. They generally take the form of statements usually qualified on resources employed and achievements secured in relation to areas relevant to the particular objective of the enterprise. Due to the multiple goal structure of the PEs, performance evaluation of PEs generally takes into account all the relevant objectives of PEs. *Jenkins (1978)* views that PEs have three set of objectives, namely, financial, economic and social (distributional). Thus, if a PE is established to attain these objectives it can be evaluated within these frameworks using suitable indicators. If it is being used to meet the specific social objective, it ought to be measured against cost effectiveness.

Generally, the performance of PEs is assessed by employing the conventional indicators, such as, financial, partial productivity, and informal indicators. The financial indicator indicates the share of current and capital expenditure covered by revenue or simply the rate of profit or loss. The partial productivity indicators, such as, the ratio of output to labour, capital output ratio, capacity utilization, output quantity, sales volume, etc. guide the success or achievement from one particular aspect. The informal indicators are largely based on the surveys. These indicators provide the satisfaction level of consumers organizations or the users group. Moreover, the indicators like technical efficiency, gap in cost functions, index of total productivity growth and productivity gains and sharing of these gains have been used in recent years for measuring PE performance. The self-financing ratio, the share of the enterprise in the overall budgetary deficits and external debts, is also used in determining the efficiency of PEs.

The Economic Advisory Council (EAC) in its report titled "PEs in India: Some Current Issues" suggests different parameters categorized under five headings for performance evaluation *(Kazmi, 1993:138; Business India, 1988:77-79)*. The performance evaluation indicators included are presented in Box 2.1.

Box 2.1

Performance Evaluation Indicators for PEs

1. *Financial*
   (a) Gross margin to total capital employed
   (b) Total working capital employed
   (c) Total net interest payments due to working capital
   (d) Variance between the actual and the budgeted per unit cost.
2. *Production*
   (a) Capital utilization
   (b) Total value of production
   (c) Total outgo due to defaults on contractual performance obligations
3. *Investment Efficiency*
   (a) Average slippage on ongoing projects
   (b) Cumulative progress in the utilization of plan funds
   (c) Deviation between actual capital costs and the budgeted cost of the completed projects.
4. *Productivity*
   (a) Growth in total factor productivity
   (b) Trends in international competitiveness
5. *Social Audit*

Source: "The Strategic Cutting Edge" in *Business India,* Jan. 11-24, 1988, pp. 77-79.

Performance indicators give an overview of the performance of an enterprise. If these indicators are related to a time scale trend, declining performance can be isolated and action can be taken by enterprise management to forestall further deterioration before it reaches a crisis stage. Many indicators are specifically designed to reflect performance of enterprises in particular sector. *Victor Powell (1987:37)* has explained that there are several indicators for measuring PE performance. However, the indices can be classified into six groups:

a. General performance indices
b. Management performance
c. Financial performance
d. Investment performance
e. Costs breakdown (input co-efficient)
f. Physical performance (i.e. resource use)

The appropriate use of the type of performance indicator lies on the laid down objectives of the particular enterprise. All of these indicators assist in assessing the functioning of PEs. In the following section, an attempt has been made to evaluate the performance of the Nepalese PEs using different performance indicators.

SECTION III: PERFORMANCE ANALYSIS OF PUBLIC ENTERPRISES IN NEPAL

1. Financial Performance

Financial performance occupies a significant place in the performance evaluation of PEs. Financial profitability, with regard to the financial performance evaluation, shows its "ability to earn profits proves a measure of its market strength, its ability to keep down costs. Profitability also affects the amount of investment, for much industrial investment is financed out of reinvested profits, and hence the contribution of the firm to the overall growth of the economy" *(Killick, 1983:183)*.

Similarly, *Mary M. Shirley (1983:30)* argues that "profit is a composite indicator that applies positive weights (price) to benefits (outputs) and negative weights to costs (inputs). If the prices are correct, a profit maximizing firm strives to achieve maximum benefits for minimum costs - the definition of efficiency." Financial profitability is thus a simple and straight forward indicator which indicates the extent of success of an enterprise.

The Nepalese PEs have been largely criticized on the ground of financial performance. Despite the huge capital investment these enterprises have not been able to reveal satisfactory financial returns on the capital employed.

Table 2. Sectoral Investment in PEs (Rs. in million)

Sector	1980-81	1990-91	1998-99	1999-00	2000-01	2001-02	Indices 2001-02 1998-99 =100
Manufacturing	636	2205.2	6287.4	4858.6	4078.1	4247.8	67.55
Trade	-310	177.6	1107.4	952.4	1770.7	1253.1	133.00
Services	-	3647.5	497.5	702.8	290.4	361.9	72.74
Social	-	184.8	947.2	984.2	1066.2	1217.6	128.55
Public utilities	1078.3	25997.0	66545.5	72971.2	79027.8	102891.1	154.62
Financial	1927.0	3631.1	8300.4	2951.4	-3322.7	2633.5	31.73
Total	3331.3	35843.2	83685.6	83420.6	82910.5	112604.2	134.56

Source: Ministry of Finance (2002), *Economic Survey 2001-02,* Table 9.9, p. 60.

Capital investment in PEs has increased in substantial proportion. The net capital investment in the fiscal year 2001-02 amounted to Rs. 112.6 billion as compared to Rs. 3.3 billion in the fiscal year 1980-81. An analysis of the table reveals that the overall investment in PEs registered over one and a one third times growth during 1998-99–2001-02, the index being 135 in 2001-02 taking 1998-99 as the base. It is significant to note that investment in public utilities sector witnessed the highest growth followed by trade sector and social sector. On the centrary, investment in finance sector showed a dismal picture.

With the increasing capital investment, it is not unusual to expect satisfactory return. On the contrary, PEs have shown almost negligible ability to fulfill the expectation. The profit earning capacity has been significantly low on the one hand and many PEs have been running at losses on the other. These enterprises present a gloomy picture even from gross profit front. In many cases, they have been unable to reveal gross profits. Even if they show a profit, it has been substantially low.

Table 3. Profitability of PEs (1980-81 - 1997-98) (Rs. in million)

Year	Capital Employed	Gross Profit	Gross Profit as % of Capital Employed
1988-89	17118.0	-38.8	-0.23
1989-90	18476.2	-244.6	-1.38
1990-91	35843.2	-1871.7	-5.22
1991-92	50530.3	-1145.5	-2.27
1992-93	43482.9	146.4	0.34
1993-94	63885.0	1073.7	1.68
1994-95	59244.8	1965.6	3.32
1995-96	62010.9	1377.6	2.22
1996-97	85757.9	475.9	0.55
1997-98	81270.8	1317.6	1.62
1998-99	83685.6	2903.6	3.47
1999-00	83420.6	2404.6	2.88
2000-01	82910.5	-1353.2	-1.63
2001-02*	112604.2	2378.3	2.11

*Estimate
Source: Ministry of Finance (2002), *Economic Survey (2001-02),* Table 9.9, p. 60.

PEs have not been able to show gross profits throughout the period under study. It is evident from table 3 that PEs incurred losses from the FY 1988-89 to 1991-92. Losses incurred by PEs in 1990-91 amounted to Rs. 1871.7 million while it decreased to Rs. 1145.5 million in 1991-92. In the year 1998-99 PEs have shown a gross profit amounting to Rs. 2,903.6 million, while it decreased to Rs. 2404.6 million in 1999-00. With a gradual decline in the profitability it reached Rs. 1343.2 million in the FY 2000-01. The gross profit ratio to the capital employed was 1.63 percent in the FY 2000-01, while it was expected to turn positive by 2.11 percent in the FY 2001-02.

The percentage of gross profits to the capital employed was much higher in the early period. It was 5.9 per cent in the year 1970-71. But, for some years, it also presented even a negative picture. PEs had greatest negative rate of return of 5.22 per cent in the year 1990-91. However, the rate of return on investment in PEs had been improved with a variation for some years.

PEs profitability had always remained at low level. During the early 1970s when returns were considerably better it was assumed that the standard expected rate of return was 12.5 percent in India and 16 percent in the private sector in Nepal *(Joshi, 1982)*. Many PEs were established by the government to support the national treasury. But, unfortunately, the enterprises did not fulfill this set hopes.

Except for the abnormal situation (due to eighteen month long Nepal-India trade transit barrier) in 1989-90 the sectoral rate of return indicates that the performance of finance and manufacturing sectors has been relatively better than the other sectors. Trading sector accounts for the poorest performance result. The two trading units, namely, the Agriculture Inputs Corporation and Nepal Food Corporation, account for 60 percent of losses in the PEs *(World Bank, 1990:10)*.

Table 4. Sectoral Rate of Return from PEs (in Percentages)

Sector	1990-91	1998-99	1999-00	2000-01	20001-02
Manufacturing	-7.77	-7.71	-8.42	-8.76	-5.26
Trade	-174.02	23.95	72.39	4.89	4.96
Service	-4.95	-18.15	3.83	-330.44	-53.22
Social Service	-2.00	-2.77	-2.51	-1.98	5.22
Public utilities	-3.33	-3.84	4.67	2.74	2.40
Finance	-10.99	8.23	43.65	68.26	7.37
Total	-5.22	3.47	2.88	-1.63	2.11

Source: Ministry of Finance (2002), *Economic Survey (2001-02),* Table 9.9, p. 60.

The nominal rate of return of PEs is due to the heavy losses incurred by a majority of enterprises. In terms of number, only 18 PEs earned profit of Rs. 2253.1 million in 2000-01 while other PEs incurred losses of Rs. 3606.3 million resulting in the net deficit of Rs. 1353.2 million. However, the number of profit making PEs decreased to 15 with profit of Rs. 2794.1 million and remaining PEs incurred losses of Rs. 415.8 million in 2001-02 resulting in the net surplus of Rs. 2378.3 million *(MoF, 2002:xvi)*.

As the capital investment is increasing significantly in PEs, returns on the investment have not been at a satisfactory level. Indeed, the return on capital investment has been very low and often showed a negative trend.

The poor financial performance of PEs has a direct impact on the government budgets. Deficits on the balance sheet of the enterprises need to be adjusted by the government through subsidies or loans. Financially, the government has been left supporting the PEs. It can be made clear with the analysis of funds flow between the government and PEs which is presented in table 5.

Table 5. Flow of Fund Between Government and PEs (Rs. in million)

Particular	1997-98	1998-99	1999-00	2000-01	2001-02*	Indices 2001-02 1997-98 = 100
Funds from Government:	*7562.7*	*6213.7*	*7950.5*	*8255.1*	*9225.0*	*122*
Share capital	1839.0	1420.0	1373.0	1088.8	2140.0	166
Loan capital	4658.8	4090.8	5945.0	6898.0	6800.0	146
Operating/Transport subsidy	988.0	698.7	577.5	268.3	285.0	29
Capital subsidy	76.9	5.0	55.0	0.0	0.0	0
Funds from Public Enterprises	*4913.3*	*6830.0*	*8523.2*	*8784.3*	*7452.8*	*152*
Indirect Taxes	0.0	0.0	0.0	0.0	0.0	0
Income Taxes	1317.8	1150.0	2190.2	2928.0	1102.8	84
Dividend	1194.5	1780.0	2623.0	2336.3	2400.0	201
Interest	1153.0	1660.0	1568.0	1463.0	1750.0	152
Principal	1248.0	2240.0	2142.0	2057.0	2200.0	176
Difference (B-A)	*-2649.4*	*616.3*	*572.7*	*529.2*	*-1772.2*	*67*

* Estimate

Source: MoF (2002), *Economic Survey (2001-02),* Table 9.8, p. 59.

The table reveals that the flow of funds from the government to the PEs registered more than one and a one fifth times growth during 1997-98 - 2001-02, the index being 122 taking 1997-98 as the base year, while the flow of funds from the PEs to the government recorded over one and a half times (i.e., the index being 152) growth during the same period.

The fund flow analysis also indicates that flow was in favour of the government for the FYs 1998-99, 1999-00 and 2000-01. For the years 1997-98 and 2001-02, the fund flow has been in favour of the PEs but at varying levels. However, the fund flow position shows the inability of the enterprises to generate capital as required.

2 Economic Performance

Economic performance provides a firm base for measuring the performance of PEs. It presents a picture on how far the enterprises have been able to increase the volume of outputs to a given level of inputs. With regard to economic performance, a variety of indicators, such as capacity utilization, capital- output ratio, labour-output ratio, labour-administrative cost per output, etc. can be adopted.

(i) Capacity Utilization

Capacity utilization is an important indicator in course of performance evaluation. Economic efficiency of an enterprise, indeed, depends much upon the capacity utilization. It has been well realized that the capacity of the enterprise has to be utilized to its maximum in order to improve the performance. However, the capacity utilization rate of the Nepalese PEs has not increased significantly over the past few years. A *World Bank* report (1979:25) has stated that the average capacity utilization rate is below 60 percent and this was regarded as one of the major causes for the poor PE performance.

Table 6 presents the capacity utilization rates for the selected PEs. It is noteworthy, while analyzing the capacity utilization rate on the individual enterprises, to note that there are variations in the capacity to use its potential capacity. But the capacity utilization in some PEs (textile, cigarette, cement) is found to be very low. It is true both in theory and in practice that optimum capacity utilization helps in achieving the objective of cost minimization.

Table 6. Capacity Utilization of Selected PEs (in percentage)

Enterprises/Annual Capacity	1997-98	1998-99	1999-00	2000-01	2001-02*
Birgunj Sugar Factory					
13500 M. Ton (sugar)	58.87	69.54	99.87	61.07	31.85
Rectified Spirit (1350000 lit)	12.96	20.96	20.96	15.26	3.78
Lumbini Sugar Factory					
10800 M. Ton (sugar)	89.76	58.21	84.19	56.02	62.59
Alcohol (108000 lit)	54.06	50.93	37.96	21.95	7.83
Janakpur Cigarette Factory					
5.25 billion sticks	40.00	41.90	43.81	78.93	78.00
Bhaktapur Brick Factory					
20 million (bricks)	NA	NA	NA	NA	NA
Heatuda Textile Industry					
11 million metres	42.74	17.11	NA	NA	NA
Himal Cement Factory					
108400 M. Ton	44.42	37.57	35.46	NA	NA
Hetauda Cement Factory					
260000 M. Ton	52.69	49.55	45.64	33.42	48.08
Udayapur Cement Co.					
277300 M. Ton	47.49	35.94	39.85	38.21	54.11

* Estimate NA = Not available

Source: MoF (2002), *Economic Survey (2001-02),* Table 9.7, p. 58.

The table reveals that information on capacity utilization of Himal Cement Factory, Bhaktapur Brick Factory and Hetauda Textile Industry is not available. Birgunj Sugar Factory and Lumbini Sugar Factory utilized their capacity between a range of 56 percent and 99 percent. Other factories utilized their capacity between a range of 33 percent and 50 percent. In the FY 2001-02, it is estimated that the capacity utilization rate has declined. As a consequence of the lower capacity utilization, the financial performance of PEs in general has been adversely affected.

(ii) Capital-Output Ratio

The capital-output ratio of PEs is also regarded as not being at a satisfactory level. The capital-output ratio for the FYs 1977-78 and 1978-79 was recorded 6.1:1 and 5.7:1 respectively. The capital-output ratio in manufacturing and trade sector is usually found to be very low as compared to the financial and utility sectors *(CCC, 1981:6)*. However, another study *(IDS, 1987:137)* has revealed that capital-output ratio is particularly high in trading and finance sector PE (Table 7). Given the capital-output ratio of 4.5:1 assumed during the Seventh Plan period (1985-90), or 4.1:1 assumed during the Eight Plan period (1992-97), the capital output ratio of 5.7:1 in PEs is relatively high.

Table 7. Sectoral Capital-Output Ratios and Value Added per Employee (Labour-output Ratios) in the PEs (Rs.)

PE Sector	Capital-Output Ratio		Value Added/Employee	
	1974-75	1984-85	1974-75	1984-85
Manufacturing	3.9	2.8	11753	10278
Public utilities	7.4	4.2	12950	21742
Trade	0.8	15.3	22023	1527
Social services	3.6	5.8	11818	5578
Finance	8.6	9.7	9632	10979
All Sectors	5.3	5.7	12739	12204

Source: Integrated Development System (IDS) (1987), *Financing Public Sector Expenditures in Nepal,* (Kathmandu: IDS), p. 137.

(iii) Labour-Output Ratio (Labour Productivity)

The labour-output ratio provides an indication with regard to labour productivity. The labour productivity in the PEs has declined from Rs. 12739 to Rs. 12202 (Table 7). Sectorally, there has been tremendous gain in public utilities, whereas most noticeable declines took place in the trade and social service sectors. Therefore, it is clearly indicated that PEs have stagnant labour-output ratios defined in terms of value added per employee.

Another study on improving PE performance *(Manandhar, 1993:320)* covering the period from 1980 to 1990 found that the labour productivity as sales per unit of labour, increased from 1980 to 1988. In 1980, sales were only Rs. 50.87 thousand per employee which increased to Rs. 161.32 thousand per employee in 1988. However, from 1989 onward there was decline in the ratio indicating that the growth in sales had not matched the growth in the employment in the PEs.

The above analysis in different aspects of the economic performance indicates that the Nepalese PEs have not been able to reveal a sound economic performance. Capacities of the enterprises have been utilized below to their optimum capacities. Capital-output ratio, labour productivity ratio, and value added-employee ratio have not been improved as desired by the government on the one hand and the enterprises on the other. These could be identified as the convincing reasons for the poor economic performance of the Nepalese PEs.

3. Distributional Performance

It has been clearly mentioned in the various periodic plans that one of the basic reasons behind creating PEs in Nepal is to generate employment opportunities and also reduce regional economic imbalances. It can, therefore, be observed that many PEs are expected to pursue social objectives rather than the economic ones. It is more often noted that the "*non-economic*" considerations dominate the "*economic*" ones. The emphasis needs to be given to the PE performance in fulfilling "*non-economic*" objectives along with the financial and economic performance *(Cook and Kirkpatrick, 1988)*.

PEs are increasingly considered as the major source of employment. They are also regarded as the vital instrument to redistribute income. In this respect, the *Seventh Plan (1985-90:91)* has recognized, "with rising government spending for the enterprises and diminishing returns from them, the government-owned corporations have become more a liability to the government. However, corporations have proved to be a major source of employment."

PEs have played a modest role in generating employment opportunities in Nepal. They provided employment to 23,133 persons at different levels from top management to manual workers level in 1975-76. Subsequently, the figure increased rapidly to 32,932 in 1978-79 *(CCC, 1978:5)*. Upto the FY 1989-90, a little less than 60,000 people were engaged in public sector *(MoF, 1992:60)*. Because of the privatization policy adopted by the government since 1992, there is a decreasing trend of employment in PEs. In 2000-01, only 46900 people were being engaged in this sector. Employment in PEs is less than a half percent (0.44 percent) of the total labour force in the country. Its share in the non-agriculture labour force is 8 percent *(Manandhar, 1993:104)*.

Table 8. Sectoral Share of Employment in PEs

PE Sector	1975-76	1978-79	1984-85	1989-90	2000-01
Manufacturing	6,419	9,694	10,249	14,415	9,082
Public utilities	3,570	4,420	10,608	15,534	17,182
Trade	2,906	3,363	5,405	7,210	4,938
Service and Social	3,170	4,726	5,278	6,340	4,485
Finance	7,068	10,727	8,681	16,051	11,213
(a) Total	23,133	32,932	40,221	59,550	46,900
(b) Total Economically Active Population	4,853,000	6,687,000	7,400,000	8,585,000	10,637,243
(c) Percent of (a) on (b)	0.48	0.49	0.54	0.69	0.44

Source: Ministry of Finance, *Various Publications* and Central Bureau of Statistics (2002).

The employment contribution is quite high when one compares the share of employment vis-a-vis the number of people engaged in the organized sector of the economy. The share of PEs is around 40 to 45 percent *(Manandhar, 1993:105)*.

The largest share of employment is in the public utilities sector, i.e., 37 per cent followed by finance sector (24 per cent) and manufacturing sector (19 per cent). Table 9 presents the employment in PEs for the FYs 1989-90 and 2000-01.

Equally, the principles of social equity, serving the rural poor and regional balance have been stifled by the major concentration of PEs in the urbanized central development region of the country. Out of 57 enterprises in 1993, 46 PEs have their head-offices in the central development region and 36 of them have their head office in the capital of Kathmandu alone *(Manandhar, 1993:127)*. Realizing the severity of this problem, in 1991, the government issued a directive to the PEs to close their liaison office in the capital so as to economise the administrative expenses.

Table 9. Employment in PEs in Nepal

PE Sector	1989-90		2000-01	
	Number	Percentage	Number	Percentage
Manufacturing	14,415	24	9,082	19
Public utilities	15,534	26	17,182	37
Trade	7,210	12	4,938	10
Service	4,405	7	2,648	6
Social Service	1,935	3	1,837	4
Finance	16,051	27	11,213	24
Total	59,550	100	46,900	100

Source: Ministry of Finance, (2002).

On the basis of the above analysis, it can be concluded that PEs have been successful neither in achieving their prescribed objectives nor towards providing social returns to the of poor of this country. Performance analysis in terms of the financial, economic and distributional performance shows that, the Nepalese PEs are not performing satisfactorily. As a consequence, they have been increasingly perceived as liabilities instead of assets to the government. Having been failed to contribute to the national development in both aspects, i.e. economic and social, the government is being compelled to search for the alternatives. Privatization policy, in this regard, has been advocated as the suitable policy option to the country as in other developing countries.

On the other hand, it is also advocated that PE performance should not be measured merely against the financial criterion but be evaluated against its established objectives. It is on the ground that many PEs are established to satisfy social and distributional objectives than meeting the financial ones.

In the following section, attempts have been made to make an empirical study with regard to identify the cause of poor performance on the one hand and improving the performance of PEs in Nepal on the other. This empirical study is based on the responses of the policymakers, academicians, public sector managers, entrepreneurs, employees and trade unions selected for the study.

4. Causes of Poor Performance

Privatization of PEs has been advocated on the ground that their performance is not upto the mark. The charges levied are basically financial performance and operations. The author has conducted an opinion survey to detect the causes of poor performance of the PEs, the results of which are summarized in Table 10.

Table 10. Causes of Poor Performance of PEs

Causes	Mean	Rank
Establishment of conflicting objectives	3.96	5
Excessive political interference	1.72	1
Lack of adequate autonomy & accountability	2.42	2
Absence of professional management	2.84	3
Financial indiscipline	3.52	4

An analysis of the table reveals that in the Nepalese context, it is perceived that excessive political interference has resulted in the poor performance of PEs. In the process of determining the cause and factor relationship, many of the respondents viewed that PEs have not been able to adopt *'business culture'*. Instead, they have been bound to adopt *'bureaucratic culture'* as a result of control and interference by the government to a greater extent. The mean value for holding this view is 1.72. Similarly, others hold the view that lack of adequate autonomy and accountability, absence of professional management, financial indiscipline and establishment of conflicting objectives are the basic reasons for the poor performance of the enterprises, showing the mean value of 2.42, 2.84, 3.52 and 3.96 respectively.

5. Performance Measurement and Its Criteria

Though, the PEs have been criticized in most cases on the ground of financial performance, it is equally important to note that they are not created with the sole objective of earning profits. They are rather expected to meet social objectives too. As such, it is more often argued that it is not appropriate to evaluate all enterprises on the basis of a single criterion.

Table 11. Criteria for PE Performance Measurement

Criteria	Mean	Rank
Established objectives	2.32	1.5
Social performance	3.54	4
Economic performance	2.92	3
Financial performance	2.32	1.5
Equity/distributional performance	4.30	5

The majority of respondents opined that the performance of PEs needs to be measured against the established objectives on the one hand, and the financial performance on the other as the mean value for both the criteria equate at 2.32. Others view economic, social, and equity/distributional performance evaluation, showing the mean value 2.92, 3.54 and 4.30 respectively. It, therefore, indicates that consideration should also be give to other factors in PEs performance besides the financial criteria.

6. Improvement in Performance

In the foregoing sections, it has already been discussed that the performance level of PEs, in general, is below the satisfactory level. In this perspective, it is also equally important to explore the possibilities of improving PE performance in the Nepalese context. Table 12 suggests certain key elements to be considered in view of deteriorating PE performance.

Table 12. Steps for Improving PE Performance

Steps	Mean	Rank
Allowing greater autonomy and accountability	2.33	1
Reward and punishment linked with performance	2.79	2
Appointment of CEO by merit	2.92	3
Performance contract	3.09	4
Privatization	3.54	5

Majority of respondents under the study responded that the existing situation of the poor performance might be improved by allowing greater autonomy and accountability to the enterprises. The mean value holding this perception is 2.33. It is also advocated that reward and punishment linked with performance could also help in improving the performance level. The appointment of Chief Executive Officer (CEO) by merit (mean value 2.92), performance contract of management (mean value 3.09) and privatization (mean value 3.54) are also considered to be some of the major steps for improving PE performance by which government would be comparatively relieved.

SECTION IV : SUMMARY AND CONCLUSIONS

In Nepal, PEs were set-up as a vehicle for growth and as an instrument for execution of socio-economic policies in the country. Accordingly, PEs were established in the areas of infrastructure, production, distribution and even in business and trade. The broader goals of establishing these enterprises have been developing infrastructure, creating employment opportunities, producing and offering required goods and services to the people, helping in controlling price situation, making goods available for exports, increasing revenue to the government and, finally, strengthening and accelerating the tempo of industrialization along with economic development and growth. In order to achieve these goals, PEs have been promoted since the beginning of the First Five Year Plan in 1956. As a matter of fact, a majority of PEs were set up during 60s and 70s. By the end of the Seventh Plan (1985-90), in all, 63 PEs were established. Many of these units were established with the support of external donors, such as, China, the former USSR, the Netherlands, Japan, etc.

In this way, banks and insurance in the financial sector; telecommunications, electricity and water supply in the public utilities sector; cement, bricks, textiles and medicines in the manufacturing sector came into existence in the country. These enterprises have been playing a dominant role in the major sectors of the economy. They occupy a monopoly position in electricity and water supply, in telecommunication sector, in petroleum sector, etc.

Though the PEs in Nepal have greatly assisted in industrial and corporate sector development and in developing required infrastructure and institutional base, these enterprises are not functioning in an efficient manner. Consequently, these enterprises have not been able to develop a sound financial capability on the one hand and demonstrate expected work efficiency on the other, thereby all depending on government grants and subsidies. Their performances has continuously been lagging behind the expectations.

It is also obvious that, in spite of huge capital investment, PEs in Nepal have not been able to provide satisfactory financial returns on the capital employed. During 1980-81 through 2001-02, the overall investment witnessed a rise of almost 34 times, from Rs. 3.3 billion to Rs. 112.6 billion. However, the level of profitability remained either negative or very low. Sectoral rate of return shows that the performance of trade and manufacturing PEs has been relatively better than that of the other sectors. In particular, service sector's performance has been highly unsatisfactory or has remained the poorest one. The capacity utilization level remained low, in some cases much below 50 percent mark. The capital-output ratio also remained unsatisfactory. The labour productivity ratio showed unfavourable trend with a few exceptions. In fact, all the capital output ratio, labour productivity ratio and value added employee ratio have not been up to the mark. Less than a half per cent (0.44%) of the active population is employed in the PEs (in absolute terms, 46,900 people are employed in these enterprises). Mention may be made that the employment opportunity has been generated at the cost of profit and productivity.

As a result of poor financial performance, the PEs in Nepal have been increasingly perceived as a liability instead of an asset to the nation. Though these enterprises have helped to a greater extent in creating employment opportunities, in increasing production and providing basic services, these have failed to perform in an efficient manner. In spite of the long-term protection given to these enterprises, these have not been able to achieve satisfactory financial capability and work efficiency. Finally, it may be said that these enterprises have become the *white elephants*. . It may thus be concluded that the PEs in the country have been successful neither in achieving the pre-determined objectives nor in providing social returns to the poorer segments of the population. Excessive political interference, lack of adequate autonomy and accountability, absence of professionalism, rampart financial indiscipline and existence of conflicting goals are some fundamental reasons attributable to this deteriorating performance of the PEs in Nepal. Owing to these reasons, these enterprises could not develop sound and effective business culture and acumen as well. It seems that the objectives behind the establishment of the PEs look quite sound and highly significant for expediting the socio-economic development of the country. However, the actual implementation strategies, organizational/management modalities, operational systems and work processes are not sound enough to meet the stated objectives. Thus, the PEs looked nice in words and papers but failed miserably in the actual practice. This is what is called the problem of "*nice words and bitter deeds"* or "*distributing hollow dreams to the deprived multitudes*".

Our study reveals that exploring the possibility of improving the performance of PEs in Nepal would be a better option. This can be done by allowing greater autonomy and more accountability; by rewarding those who contribute greatly in achieving the pre-determined goals and by punishing those who are proving themselves as hurdles. In the absence of such measures, these enterprises need to be either privatized or liquidated. Thus, PEs in Nepal are, no doubt, at the cross-roads. Despite this, some PEs that cater to the public utilities needs of the society would continue to remain in the operation because of the imperfections that govern the public utilities if handed over to the private sector without appropriately developing competitive economic climate and efficient regulatory environment. At the same time, it should also not be forgotten that monopolies in the private sector would be far more dangerous than that in the public sector. So, the logical conclusion would be to liquidate or privatize immediately PEs that cater to the needs that have already been catered by the private sector in a competitive, efficient basis. Similarly, PEs that work as natural monopolies could continue to work as PEs until more efficient/competitive private sector operators are in place. Till the PEs are either privatized or liquidated or continued to allow operate as PEs, the overall management improvement mechanism should be strongly institutionalized so that inefficiency in the use of resource is restricted and the public liability in such PEs does not invite crisis situation. Any delay in implementing such reforms would be detrimental to the overall health of the national economy.

REFERENCES

Ayub, Manmood A. and Sven O. Hegstad (1987), "Management of Public Industrial Enterprises", *Portfolio: International Economic Perspectives,* Vol., 14, No. 4, 77–101.

Bajracharya, Puskar and Shankar Sharma (1996), *Impact of Economic Liberalization in Nepal,* Kathmandu: IIDS.

Basu, Pralhad Kumar (1982), *PEs: Policy Performance and Professionalism***,** New York: Allied Publishers.

Central Bureau of Statistics (CBS) (2002), *Population Census 2001*, Kathmandu: CBS.

Cook, Paul and Colin Kirkpatrick (1987), *Privatization in Less Developed Countries : The Survey of Literatures,* A Report Submitted to Overseas Development Assistance (ODA), UK.

Cook, Paul and Colin Kirkpatrick, eds. (1988), *Privatization in Less Developed Countries*, London: Wheatseaf Books.

Corporation Coordination Council (CCC) (1978), *Profiles of PEs in Nepal,* Kathmandu : Ministry of Finance.

Corporation Coordination Council (1981), *Performance Review of PEs in Nepal,* Kathmandu: CCC.

Fernades, Praxy et.al. (1982), *Government and PEs in Sri Lanka,* Colombo: UNDP.

Government of Nepal (1956), *Draft Five Year Plan: A Synopsis*, Kathmandu : GON.

Hemming, Richard and Alil M. Mansoor (1988), *Privatization and PEs*, Occasional Paper 56, Washington, D. C. : IMF.

Hope, Kemple R. (1988), *An Assessment of the Economic Performance of the Guyana State Corporation Group of Corporation*, Report Prepared for UNIDO/UNDP, Technical Assistance Project Gny 86/008.

Integrated Development System (1987), *Financing Public Sector Expenditures in Nepal*, Kathmandu : IDS.

Jenkins, Glenn P. (1978), *Performance Evaluation and Public Sector Enterprises,* Harvard Institute for International Development, Discussion Paper, No. 46 and 47.

Joshi, Nanda Lal (1982), *The Role of PEs in Resource Mobilization,* Kathmandu : CEDA.

Kazmi, Azhar (1993), *Business Policy*, New Delhi : Tata McGraw-Hill Ltd.

K.C., Fatta Bahadur (1994), *Privatization in Nepal*, A Research Report Submitted to Research Division, T. U.

K. C., Fatta Bahadur [1999(a)], *Impact of Privatization in Nepal*, Economic Review, Nepal Rastra Bank, No. 11.

K.C., Fatta Bahadur [1999(b)], *Privatization of PEs in Nepal*, Unpublished Ph.D. Thesis Submitted to Banaras Hindu University, Varanasi, India.

Kikeri, Sunita et. al. (1992), *Privatization : Lessons of Experience,* Washington D.C.: World Bank.

Killick, Tony (1983), *Policy Economic : A Textbook of Applied Economics on Developing Countries,* London : Heiemann.

Kirkpatrick, Colin, et.al. (1984), *Industrial Structure and Policy in Less Developed Countries,* London: George Allen and Union.

Law Books Management Committee (1991), *The Constitution of the Kingdom of Nepal 1990,* Kathmandu : LBMC.

Manandhar, Narayan (1993), *Improving PEs Performance in Nepal,* Unpublished Ph.D. Thesis, Submitted to University of Birmingham, U.K.

Merchand, Maurica et. al., (1984), *The Performance of PEs: Concepts and Measurement,* Amsterdem : North-Holland.

Millward, R. (1988), "Measured Sources of Inefficiency in the Performance of Private and PEs:, in P. Cook and C. Kirkpatrik (eds.), *Privatization in Less Developed Countries,* London : Wheatsteaf Books.

Ministry of Finance (MoF), *Economic Survey,* Various Issues.

Ministry of Finance (2002), *Targets and Performance of PEs (FY 2001-01 – 2002-03).*

National Planning Commission (NPC) (1985), *The Seventh Plan (1985–90),* Kathmandu : NPC.

Parris, Henry et. al. (1986), *PEs in Western Europe,* London : Croom Helm.

Powel, Victor (1987), *Improving PE Performance : Concepts and Techniques,* New Delhi : Oxford and IBH Publishing Co.

Pradhan, Bharat B. (1982), *Problems and Prospects of PEs in Nepal,* Kathmandu : CEDA.

Pradhananga, Upendra B. (1983), *Development of Public and Government Enterprises,* A Seminar Paper Distributed at NASC Training Programme.

Rees, Ray (1984), *PEs Economics,* London : Weidenfeld and Nicolson.

Shah, Arjun J. (1991), "Privatization in Nepal : Concepts, Forms and Some Lessons", in V. Kanesalingam (ed.), *Privatization : Trends and Experiences in South Asia,* New Delhi : Macmillan India Ltd.

Shirley, Mary M. (1983), *Managing State-owned Enterprises,* World Bank Staff Working Papers, No. 577, Washington D.C. : World Bank.

Shrestha, B.P. (1991), "Privatization in Developing Countries : Lessons and Experiences, *Nepal Rastra Bank Samachar*.

Shrestha, G.R. (1988), *Performance of PEs with Special Reference to Nepal,* Unpublished M.A. (Econ.) Dissertation, University of Manchester, U.K.

Shrestha, P. (1990), *PEs Management in Nepal,* Kathmandu.

The Constitution of Nepal, 1961, Kathmandu : HMG/N.

Tulkens, Henry (1986), "The Performance Approach in PE Economics", *Annals of Public and Cooperative Economy,* Vol. 57, No. 14.

World Bank (1979), *Nepal Development Performance and Prospects,* Washington D.C. : World Bank.

World Bank (1990), *Nepal : Non-financial PEs,* Washington D.C., : World Bank.

United Nations (1973), *Measures for Improving Performance of PEs in Developing Countries,* Department of Economic and Social Affairs.