

A Review of the Affairs of State Level Public Enterprises of Sikkim

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Abstract - The State Level Public Enterprise (SLPEs) have been the engine of development in the federal structure of India. These enterprises spread across the country are divided in their functions in three parts namely developmental, commercial and mixed corporations. Sikkim as a part of India also promoted several SLPEs over the past few years which had added to the development of the state. However, as the senerio is there in other parts of the country due to mismanagement some of these SLPEs soon became non profitable and burden on the exchequer. A normal course of event was to privatize them or close them. These drastic steps were required to save meager government funds. The 15th Finance Commission in its charter had taken up this issue and tried to quantify the reforms and its issues in its report. This paper which is a part of the report on the state finances of Sikkim tries to understand the affairs of the SLPEs of Sikkim, its reforms and agenda for change.

Key Word: SLPEs, Privatization, Reforms, Financial Performance

I. INTRODUCTION

1.1 Overview of State Level Public Enterprise of Sikkim

Sikkim a north- eastern state of India and is surrounded by Nepal on West, China on North, Bhutan on East and West Bengal in South. It covers a total area of 7,096 sq. km. Sikkim covers barely 0.22 percent of the total geographical area of India, but has a huge potential for development. Lying between 27th to 28th Degree North Latitude and 88th to 89th degree East on the Longitude, this Eastern Himalayan state is a place of extraordinary “Valleys” and profusion of bio diversified flora and fauna.

Tracking a long history where the territory of Sikkim, passed from Lepcha and Limboo communities to the hands of the Namgyal Dysentery in the Seventieth Century. From a protectorate state of India and few political developments it became a full-fledged 22nd Sate of Indian Union on 16th May 1975.

The State had due to economic compulsion, started to take up the onus of generating employment and utilization of recourses set up public enterprises some of which dates back to the dynastic rule of the Namgayals. This enterprises which we would refer to as State Level Public Enterprises (SLPEs) in this study, forms an important and integral part of the functioning of the states. They provide for creation of employment, opportunity for investment and make an overall impact in the economic growth of the state. Sikkim has a moderate number of SLPEs most of them being corporate in nature. The table below gives the list of SLPEs in Sikkim along with their economic status.

Table 1: List of SLPEs in Sikkim

SL. NO.	NAME	TYPE	COMPETITIVENESS/COMMERCIAL
1.	SIDCO	Financial	Non- Competitive/Commercial
2	State Bank of Sikkim	Financial	Non-Competitive/Commercial
3	Sikkim State Cooperative Bank	Financial	Non-Competitive/ Commercial
4	Sikkim Hatchery	Manufacturing	Competitive/Commercial
5	Sikkim Poultry	Manufacturing	Competitive/Commercial
6	Tea Board of Sikkim	Manufacturing	Competitive/Commercial
7	Sikkim Milk Union	Manufacturing	Competitive/Commercial
8	Sikkim Handloom and Handicraft	Promotional	Non-Competitive/Commercial

9	Khadi and Village Industry Board	Promotional	Non-Competitive/Commercial
10	State Trading Corporation	Trading	Non-Competitive/Commercial
11	Sikkim Consumers Cooperation Society	Trading	Non-Competitive/Commercial
12	SIMFED	Trading	Competitive/Commercial
13	Denzong Agricultural Coop Society	Trading	Competitive/Commercial
14	Sikkim National Transport	Utility	Non-Competitive/Commercial
15	Sikkim Energy and Department of Power	Utility	Non-Competitive/Commercial
16	Sikkim Power Development Corporation	Utility	Non-Competitive/Non-Commercial
17	SABCCO	Welfare	Non-Competitive/Non-Commercial

Source: Compiled from Various Government of Sikkim's Publications

Sikkim being a small and non-industrialized state had to fall back on the growth of the SLPEs to sustain itself. However, over a period of time as the some of the units became loss making it had to take decision for closer of these organizations. Companies like Sikkim Jewels Ltd and Sikkim Times Corporation had to be shut down. The continuance of the State PSUs has been marred with debate as there is pressure on the state exchequer by them.

1.2 Composition of SLPEs in Sikkim.

The State has 17 SLPEs which are denoted in the table 1. 1. The SPUS are categorized as follows.

Table 2. Categorization of SPUs in Sikkim

Sl. No.	Name	Structure
1.	SIDCO	Company
2	State Bank of Sikkim	Company
3	Sikkim State Cooperative Bank	Company
4	Sikkim Hatchery	Company
5	Sikkim Poultry	Company
6	Tea Board of Sikkim	Board
7	Sikkim Milk Union	Cooperative
8	Sikkim Handloom and Handicraft	Board
9	Khadi and Village Industry Board	Board-Departmental Organization
10	State Trading Corporation	Company
11	Sikkim Consumers Cooperation Society	Cooperative-Departmental Organization
12	SIMFED	Cooperative-Departmental Organization
13	Denzong Agricultural Coop Society	Cooperative-Departmental Organization
14	Sikkim National Transport	Departmental Organization
15	Sikkim Energy and Department of Power	Departmental Organization
16	Sikkim Power Development Corporation	Corporation-Departmental Organization
17	SABCCO	Departmental Organization

Source: Compiled from Various Government of Sikkim's Publications

Of all there are six companies, two boards (of which one is a departmental organization and seven departmental organizations.

II. FINANCIAL PERFORMANCE

2.1 Financing Patter of the SLPEs

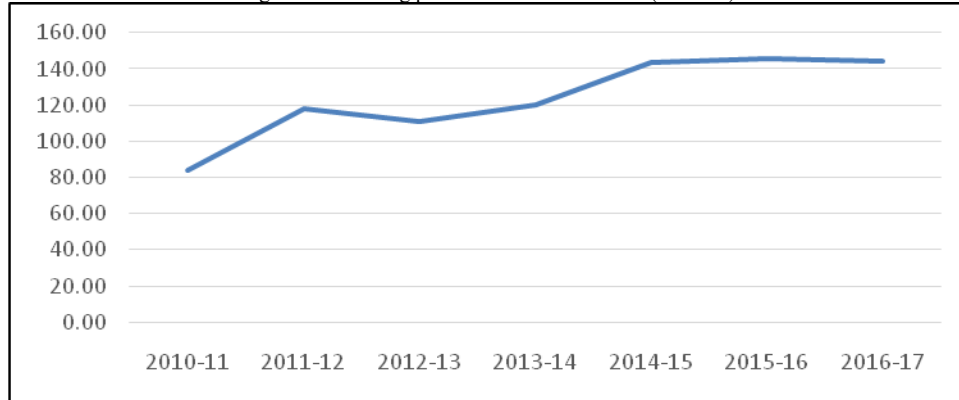
The state provides finance to the SLPEs through capital support, budgetary support and grants. The total financial support of the SLPEs has gone up from 84.16 crore to 144.65 crore during the period of 2010-11 to 2016-17. Table 10.3 depicts the sectarian investment of the State in SLPEs from the period of 2010-11 to 2016-17.

Table 3. Sectarian Investment of the State in SLPEs (in Rs Cr)

Sector	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Welfare of SCs/STs/OBCs	13.31	19.12	19.99	25.99	27.31	30.92	29.11
Dairy Development	1.04	2.32	2.99	1.74	3.73	5.43	0.93
Co-operation	8.81	8.85	11.07	10.96	9.81	11.49	13.66
Village & Small Industries	16.14	16.55	15.91	19.36	19.39	22.24	22.48
Industries	2.19	27.52	6.23	6.97	16.70	7.02	4.50
Non- Ferrous Mining and Metallurgical Industries	2.49	2.53	3.15	3.58	3.78	3.70	4.56
Road Transport Services	28.25	32.13	35.84	39.65	44.38	43.13	49.94
Tourism	11.31	8.92	15.86	11.97	18.69	21.33	18.52
Civil Supplies	0.61	0.44	0.47	0.49	0.62	0.81	0.96
Total	84.16	118.40	111.50	120.71	144.42	146.07	144.65

Source: Budget Papers, Government of Sikkim

Figure 1: Financing pattern of SLPEs in Sikkim(in Rs Cr)



Source: Budget Papers, Government of Sikkim

It is clear that the state had increased the investment in SPUS during the beginning of the period and then started to withdraw it thereafter. Though, increased industrialization activities during the period of 2013-14 lead to substantial increase in investment, the state has started to withdraw thereafter from the SLPEs again. This in itself is a welcome trend as this would decrease the pressure on the exchequer.

2.2 Total income from the SLPEs

The state has moderate income from the SLPEs both in the revenue and capital form. The total income sectarian is given below.

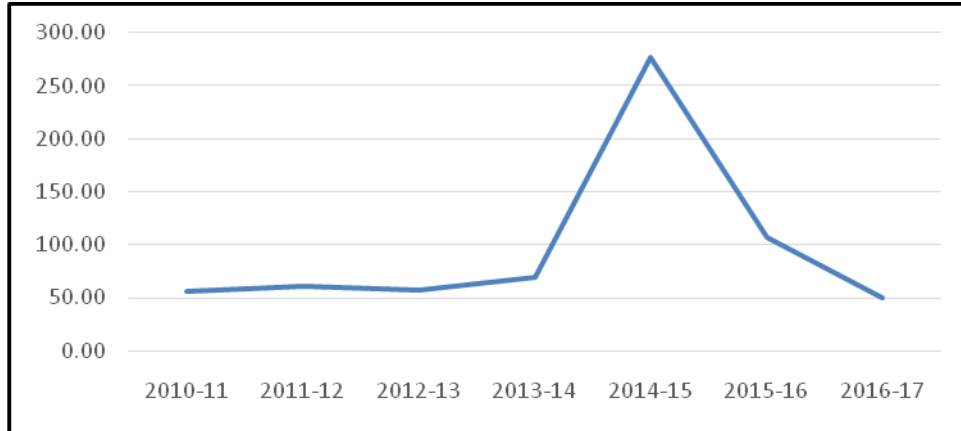
Table 4 Sectarian Total income from SLPEs in Sikkim (Rs. in Cr)

Sector	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Dividends and Profits from SLPEs	2.37	0.00	1.53	0.55	0.87	12.70	2.01
Welfare of SCs/STs/OBCs	0.44	1.30	0.70	1.86	1.40	3.67	6.64
Food, Storage & Warehousing	0.70	0.60	0.55	0.55	2.73	1.89	0.00
Cooperation	1.00	1.70	3.00	3.27	5.50	0.00	1.00
Village & Small Industries	1.24	0.72	1.48	0.00	0.00	0.00	0.00
Tourism	49.72	57.00	49.64	63.08	266.56	88.34	40.18
Total	55.47	61.32	56.90	69.30	277.05	106.60	49.83

Source: Budget Papers, Government of Sikkim

The trend of income during the period is given in the figure below. It shows that there was a steep rise in the income during the period of 2012-15 and then a fall in the income.

Figure 2: Total income from the SLPEs in Sikkim



Source: Budget Papers, Government of Sikkim

The state has taken up several reforms for the SLPEs. In the recent past several SLPEs based on their market structure and competitiveness have been closed in order to reduce the burden on state exchequer.

2.3 Total Investment in SPUCs

The total investment of the State is depicted in the table below. It shows that the investment stands at Rs. 852 crores in the year 2015-16. The general pattern in the investment is falling as the state had taken steps to close down few enterprises in the period preceding the study.

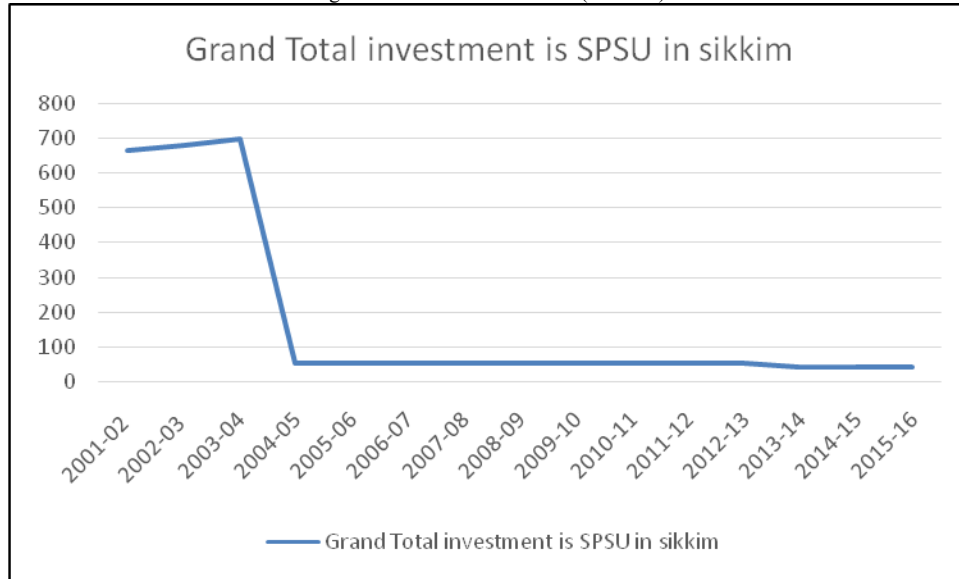
Name of the enterprise	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
SIDICO Financial	19.46	19.48	19.66	19.66	19.66	19.66	19.71	19.71	19.71	19.71	19.71	19.71	19.71	19.71	19.71
State Bank of Sikkim Financial	4.56	4.98	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4
Sikkim State Co-operative Bank Financial	8.5	8.91	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.38	9.39	9.39	9.39	9.39
Total	32.52	33.37	34.42	34.42	34.42	34.42	34.42	34.42	34.42	34.42	34.42	34.42	34.42	34.42	34.42
Sikkim Jewels Manufacturing	7.1	7.82	7.04	7.04	7.04	7.04	0	0	0	0	0	0	0	0	0
Sikkim Hatchery Manufacturing		0.46	0.46	0.46	0.46	0	0	0	0	0	0	0	0	0	0
Sikkim Poultry Manufacturing	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79
Sikkim Precision Industries Manufacturing	0	0	3.7	3.7	0	0	0	0	0	0	0	0	0	0	0
SITCO Manufacturing	11.96	12.03	11.74	11.7	11.7	11.7	11.7	11.7	11.7	11.7	11.7	11.7	0	0	0
Tea Board of Sikkim Manufacturing	19.52	20.44	22.71	22.73	23	23	23	23	23	23	23	23	23	23	23
Sikkim Milk Union Manufacturing	0.1	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Govt. Fruit Preservation Factory Manufacturing	0.76	1.07	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	40.69	45.2	41.63	115.4	111.97	111.51	104.56	104.56	104.56	104.56	104.58	104.59	92.85	92.85	92.85
Sikkim Tourism Promotional	4.79	4.79	6.06	6.06	6.06	6.06	6.06	6.06	6.06	6.06	6.06	6.06	6.06	6.06	6.06
Sikkim Handloom and Handicrafts Dev. Corp Promotional	0	0	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Khadi and Village Industries Board Promotional	10.09	11.24	12.01	12.01	12.01	12.01	12.01	12.01	12.01	12.01	12.01	12.01	12.01	12.01	12.01
Total	14.88	16.03	18.87	18.87	18.87	18.87	18.87	18.87	18.87	18.87	18.87	18.87	18.87	18.87	18.87
State Trading Corp. Trade and Service	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11
Sikkim Consumer Co-operative Society Trade and Service	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
SIMFED Trade and Service	1.01	1.01	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
Denjong Agricultural Co-Operative Society Ltd Trade and Service	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total	2.53	2.49	2.5	40.24	40.24	40.24	40.24	40.24	40.24	40.24	40.24	40.24	40.24	40.24	40.24
Sikkim Nationalized Transport Corp. Utility	33.08	34.49	34.39	34.39	34.39	34.39	34.39	34.39	34.39	34.39	34.39	34.39	34.39	34.39	34.39
State Energy and Department of Power	470.92	470.92	514.79	514.79	514.79	514.79	612.12	612.12	612.12	612.12	612.12	612.12	612.12	612.12	612.12

Utility															
Sikkim Power Dev. Corp. Utility	53.01	53.01	53.01	53.01	53.01	53.01	53.01	53.01	53.01	53.01	53.01	53.01	53.01	53.01	53.01
Total	557.01	558.42	602.19	602.19	602.19	602.19	699.52	699.52	699.52	699.52	699.52	699.52	699.52	699.52	699.52
SABCCO Welfare	15.61	20.1	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5
Total	15.61	20.1	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5
Grand Total	663.24	676.86	697.11	770.88	767.45	766.99	864.37	864.37	864.37	864.37	864.39	864.4	852.7	852.7	852.7

Table 5. Investments in SPUS

Source: Budget Papers, Government of Sikkim

Figure 3: Investment in SLPEs (in Rs Cr)



The figure above shows that the total investment in SLPEs has decreased in the state. The state had taken significant steps to close loss-making enterprises over the year. Besides, in several enterprises, the State has not brought in new investment. This has helped the State to consolidate its finances.

III. GOVERNMENT OF SIKKIM (GOS) POLICY ON PRIVATIZATION AND DISINVESTMENT

3.1 Policy Rational

- i. The State accepts, the need for restructuring SLPEs in the age of economic liberalization paving the growth of private sector.
- ii. The restructuring decided on the merit of each case.
- iii. The state would downsize the manpower of the SLPEs through appropriate policy decision such as VRS.
- iv. SLPEs will be retained keeping in mind the social consequences of their existing in the economy.

3.2 Objectives

- i. To releasing public resources locked up in non-productive SLPEs so that it can be redeployed in other productive areas of the economy.
- ii. Branching out further flow of scarce public resources to provide for the unviable SLPEs.
- iii. Controlling public debt which is assuming unmanageable proportions.
- iv. Ensure that the commercial risk is transferred to Private sector so that the taxpayers' money can be saved and unproductive money in SLPEs in unlocked.
- v. To release and redeploy the tangible and intangible assets locked in the SLPEs to priority sector of the economy.

3.3 Pricori conditions and Criteria

The GOS propose to make sure that disinvestment does not result in unnecessary estrangement of state assets. Further, it does not propose to take any action that may result in formation of private monopolies. The criteria for investment/ privatization are as follows:

- i. Privatize and disinvest loss making SLPEs in last five years.
- ii. Disinvest or privatize SLPEs, which have not paid dividends to the GOS for the last three years.
- iii. Disinvest or Privatize SLPEs from which the return on investments is less than the prime-lending rate of the Nationalized Banks.

3.4 Reform status of the SLPEs in Sikkim

The table below shows the reforms enterprise was taken up in the form of SLPEs in Sikkim

Table 6. Government Investment and Reforms of SLPEs in Sikkim

Sl. No	Name	Investment (Rs. in crore)	Share holding pattern	Period upto which accounts have been finalized/audited
1.	State Bank of Sikkim	0.53	Equity share	2005-06
2.	Sikkim Mining Corporation	6.12	Equity share	2006-07
3.	State Trading Corporation of Sikkim	1.61	Equity share	2010-11
4.	Sikkim Time Corporation	13.72	Equity share	2011-12
5.	Sikkim Industrial Development and Investment Corporation	16.83	Equity share	2010-11
6.	Sikkim Livestock Development Corporation	0.22	Equity share	Closed
7.	Sikkim Livestock Development Processing	0.35	Equity share	Info. not available
8.	Sikkim Tourism Development Corporation	7.05	Equity share	2011-12
9.	Sikkim Power Development Corporation	11.36	Equity share	2011-12
10.	Sikkim SC/ST/OBC Finance Development Corporation	4.55	Equity share	2011-12
11.	Sikkim Jewels Limited Company	11.54	Equity share	Closed
12.	Sikkim Distilleries Limited	2.42	Equity share	Info Not available
15.	Sikkim Flour Mills Ltd.	2.44	Equity share	1994-95(Privatized)
16.	Cold Storage	0.28	Equity share	(Privatized)
17.	Indian Telephone Industries	0.26	Equity share	Non-Existing
18.	Ginger Processing Plant	0.01	Equity share	Non-Existing
19.	Investment in B.O.G Ltd	0.14	Equity share	Non-Existing
20.	Chandmari Workshop & Automobiles Ltd.	0.30	Equity share	1994-95 (Closed)
21.	Sikkim Precision Industries Ltd.	4.30	Equity share	2010-11
22.	Sikkim Himalayan Orchid Ltd.	0.16	Equity share	Information not available
23.	Sikkim Handloom & Handicraft	1.02	Equity share	Information not available
24.	Sikkim Flora Ltd.	0.15	Equity share	Information not available
25.	State Bank of India	-	Equity share	Information not available
26.	Sikkim Consumers' Co-operative Society	0.99	Equity share	2011-12
27.	Multi-purpose Co-operative Society	1.14	Equity share	2011-12

28.	Investment in State Co-operative Bank (SISCO)	9.36	Equity share	2011-12
29.	Sikkim Dairy Co-operative Society (Sikkim Milk Union)	0.03	Equity share	2011-12
30.	Joint Ventures	0.51	Equity share	Information Not available
31.	Wood Working Centre, Singtam	0.01	Equity share	Closed
32.	Sang-Martam Tea Growers Co-operative Society Ltd.	0.01	Equity share	Information not available

Source: Memorandum to the 14th Finance Commission, Vol. III, pp-87-88

IV. CONCLUSION

A small hilly state, Sikkim has its own requirements and logic of growth of state level public enterprises. The history of growth of the SLPEs traces its path from the feudal state to the modern welfare state. Today, the SLPEs that the state operates are the ones which had been a part of economic necessity.

The State has taken substantial steps to rationalize its investment in the SLPEs. It has closed the enterprises which have earned recurrent loss and or failed to pay dividend to the state for the last three accounting years. The State has also taken care to reduce its investment in the SLPEs thereby reducing its burden on the exchequer.

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