

ON ENTERPRISE'S AUTONOMOUS RIGHT AND THE IMPACT OF THE STATE MANAGEMENT ON ITS PERFORMANCE

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I. AS FOR STATE RUN ENTERPRISES

Up to Dec 31, 1994 in HCMC there are 878 state-owned enterprises, of which 523 are under the local authorities and 329 are of the Central Government. The central state enterprises on average have capital 3.2 times more than that of local ones.

As for business performance, according to a survey in 1993 the central profit-making enterprises accounted for 79% and the local ones 84% of the total operating ones. Nevertheless the profit rate was too low, above 60% of enterprises produced a profit rate of 5%. The average profit rate only reached 6% to 7%. The highest profit rate is of the tertiary industry (8% for the central businesses and 13% for the local ones), the lowest one is of the secondary industry (7% for the central businesses and 5% for the local ones).

In the renovation process of management mechanism, state enterprises have been given many-sided autonomy. From Decision No 217-HĐBT (November 1987) to directives of ministries, state enterprises' autonomy has been expanded in such aspects as planning the production and trade; securing material and technique; marketing their products and fixing price, finance-accountancy; money, credit and payment; labor, salary and allowance.

State enterprises nowadays enjoy full autonomy in planning production and marketing their products. In the past they were directed by plans and orders of the superior agencies, but today they are freed to plan, expand production, market their products, exchange and trade material, machinery, goods. They are entitled to seek for

customers and markets and they will take responsibility for their products before customers.

So far besides some products are uniformly priced by the State, the remaining are priced by the enterprise in accordance with customers and markets. This means they apply the value law to production.

As for accountancy - finance, according to Decision 217/HĐBT and recent regulations, state enterprises are self-controlled in their finance. In addition to capital allotted by the State, enterprises can make capital by deducting from profits, borrowing from home and abroad.

Tax policy has been changed. Instead of paying state charge and part of profits, at present they have to pay taxes on sales, income and special consumption imposed on every economic sectors.

Reformed mechanism of money, credit and payment has enabled state enterprises to attract various capital sources including foreign ones to expand non-cash payment forms.

As for salary and social policies, according to the old mechanism, the State controlled salary fund by reviewing and approving of the enterprise's suggestion of salary, bonus, allowance and personnel... This means the State heavily intervened in the state enterprise's economic performance. For the time being the state enterprise has rights to recruit workers by labor contracts and pay their salary in accordance with requirement of production and trade plan. The worker's income depends upon the enterprise's performance and his/her productivity. The State only stipulates the minimum salary, gives guideline of salary scale to

calculate input and does not curb the maximum income. The enterprise is entitled to use its welfare fund to improve the workers' living. The enterprise has to pay to the social security fund and realize the social security regimes toward the workers defined by the State. Recently, the State has renewed the salary policy and scale by Decision No 317. Thereby the input salary is raised and the enterprise can distribute funds of reward and welfare.

The above expanded autonomy of state enterprises has created internal dynamic to develop and better the function of goods producer, improved the creativeness, made precondition for healthy competition and equality between economic sectors. Thus, the state management has changed to some extent and given rise to micro-managerial efficiency in establishments. However in our macro-management there are still many deficiencies, making the whole socio-economy unstable and poor, especially in the state sector and not achieving the expected targets.

The deficiencies of the current management mechanism can be pointed out as follows:

Firstly, we cannot assess the real value of fixed asset, therefore we do not express properly the enterprise's fixed capital in the value of factory building, machinery, and land advantage. Their value is underestimated as compared with the reality and unequally assessed in every industry and economic sector. This leads to a fact that many enterprises have enjoyed their advantages and subsidy. Therefore the efficiency of the real capital is much lower than that of accounting figures

and this causes a situation of "false profit, real loss"

Secondly, as for salary, the State stipulation on salary cannot be realized because it does not accord with the real requirement. The enterprises have try to increase income by taking advantage of weaknesses of the current financial policies, and make the State management on salary become disorderly. The State cannot check and control this situation, the macro-management is broken and as a result of this, social inequality is increasing. The high real income of some branches does not result from their performance but from monopolistic and subsidized advantages.

Thirdly, many state enterprises did not observe strictly the finance-accountancy regime so the state could not collect full taxes on sales, income and special consumption. Due to their benefit, many enterprises made use of the State deficiencies in management and did wrong things such as accounting far from booking, doing business under the cloak of the state sector, smuggling, evading taxes...All of these deeds resulted in loss of State revenues. Moreover, many state enterprises ran into debt toward the national budget or appropriated capital from one another and the State had no effective solutions to problems of debt and loss.

Fourthly, autonomy created conditions for state enterprises to raise their initiatives and responsibility, secured the equality between economic sectors. However, the State does not yet have synchronous policies. This leads to irresponsibility in wastefulness of the public assets and funds...The process of recruiting staff still follows the old way, many unqualified directors are assigned (according to an investigation, there are 35% to 48% of directors and 33% to 50% of chief accountants not graduated from university). Due to unskilled directors and excessive autonomy, the workers in state enterprises will be ruled without diplomacy. To date we do not yet have mechanism to recruit talented managers.

Fifthly, since the State does not yet identify rights and obligations of the director and the workers, the State- the owner of the enterprise - is still a vague perception, representative agencies of State management have lost their orientation of managing and controlling enterprises, making capital to develop. Many regulations of the State and authorities at various levels are not strictly executed.

II. AS FOR NON-STATE ENTERPRISES

Non-state enterprises in HCMC have increased sharply (private com-

pany, limited liability company, jointstock company), on average 100 establishments come into being every month, trading households rise unremarkably, the number of co-operatives goes down step by step. On the whole, non-state enterprises have had certain contribution to the city's GDP growth, created many jobs for workers (nearly 80% of labor force is working in this sector), their performance is better than that of the state sector, their profit rate was 12% in 1992 (8% in the public sector). Since the enterprise's asset has the real owner, and it enjoys full autonomy in planning, marketing, pricing, fixing salary, income...it exerts itself to produce profit. However, there are still weaknesses in State management toward this sector as follows:

- The number of private companies are increasing but the State cannot know how they work, whether they operate in accordance with their licences or not and their real capital source. There is no State agency supervising these issues.

- The birth of too many enterprises without orientation had bad effect on development (environmental pollution, negative services toward social ethics)

- So far the State has suffered from losses in the collection of revenues toward non-state sector because most of them haven't performed the State accountancy and statistics regime. Trading was settled in cash, not through banks so they found it easy to avoid taxes by making false statements on their sales...It is difficult for tax agency to identify the private business's receipts and real profits. Many private companies in the tertiary industry worked illegally. The state sector has a fact of "false profit, real loss" but, contrariwise, the private one has a fact of "real profit, false loss". An investigation over 700 private enterprises revealed above 49% of which made statements of loss so as to avoid income tax. Trading households mainly pay taxes according to the agreement with tax collectors.

- Most of private enterprises did not sign labor contracts and agreements. This gave rise to violation of the workers' benefit but no State agency supervises this issue.

III. SOME SUGGESTIONS

1. Perfecting legal system

At present, enterprises of various forms of ownership are established and operate according to specific laws. This leads to inequality on many sides (different establishment process, encouragement policy and agency of State management...). In my opinion, the country should have a common law

on business for every form of enterprise and a unique agency authorized to grant business licences aiming to make condition favorable for the State development plan.

2. Perfecting macro-economic policy

The weakness of the policies and accounting regime made national budget suffer from loss in revenues and brought about unfair distribution of income. In order to restrict these deficiencies, the State should perfect accountancy-statistics system; strengthen inspecting authorized agencies, realize auditing regime in enterprises. In the present environment the State should force enterprise to make payment through banks or strictly check accounting regime. By doing this can the State check the enterprise's income.

3. Transforming state enterprises

The enterprise is owned by the State but a group is entitled to have full autonomy in using its asset. This together with lack of clear definition of their responsibility has accidentally made the enterprise owned by nobody. Its owner-the State is an abstract concept and the State's interest can be protected by nobody. It will be gradually lost and fully deformed. The solution to this problem is distinguishing the right of management from that of use, changing state enterprises to limited liability companies (jointventuring with other partners) or jointstock ones (selling shares to the public). Through this transformation, the State can properly value its asset. It should be seen that the enterprise's director and workers are not representative of the State ownership. They can be only regarded as employees or vested boss but not real boss. Therefore the concept of autonomy should be reviewed by stipulations like the limited company's charter in which the board of directors' rights and obligations are defined.

4. Administrative reform

Division of too many levels of management has broken up activities of economic units of the same branch and of the same owner. This makes the public sector's potentials unable to center and compete with other sectors. Due to cumbersome apparatus and procedures, the city's strategic targets are realized in difficulty. Therefore, the State should review division of three levels managing the enterprise (the Central Government, the city, the district). Should the State abolish this division or concentrate management on one local agency (as institution of federation or state in developed countries)? ♣