

## PERFORMANCE OF U. P. FOREST CORPORATION

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**Abstract:** *Forests offer vast potential for livelihood, development and economic growth in India while also supporting critical national conservation goals. Forestry is the second largest land use in India after agriculture. However, India's forests are under intense pressure and the nation is facing timber and fuel wood deficits. Reforms in forestry sector are imperative in order to exploit opportunities unleashed by the globalization and economic liberalization while current forest management systems need significant strengthening to monitor forest change and support national conservation goals. Uttar Pradesh Forest Corporation was established in 1974 for better preservation, supervision and development of forests and better exploitation of forest produce within the state. The Corporation is performing well. However, it needs to have a strategic planning to surmount any difficulty that might arise in view of more thrust being given. The Corporation is facing severe challenges in terms of forest produce harvesting, since most of the forest area now falls in the newly created state of Uttaranchal. Thus, for the sustainable development of forest resources, sustainable use of resources, conservation, management and protection of forest resources are imperative. Against this backdrop, the present attempts to assessing the performance of the Corporation and suggesting policy measures for strategic planning, management and development of forest resources in the state.*

### INTRODUCTION

Forests offer vast potential for poverty reduction and rural economic growth in India while also supporting critical national conservation goals. Forestry is the second largest land use in India after agriculture. However, India's forests are under intense pressure and the nation is facing timber and fuel wood deficits. Moreover, about 40 per cent India's forests cover has been degraded to some degree and thus, current forest management systems need significant strengthening to monitor forest change and support further transitions in community-based forestry. Reforms in forestry sector are also imperative in order to exploit opportunities unleashed by the globalization and economic-liberalization.

Forest land plays an important role in the general economic development of the country through the utilization of forest products—major and minor. Forests produce the requisite raw materials for industries, defence, communications, other public purposes and domestic use and contribute to the country's export and create a large volume of employment in the primary, secondary and tertiary sectors. They also provide material for direct use by the agriculturists, like fuel wood, small timber, fodder, grazing, etc. The benefits from forests in the matter of soil and water conservation, recreation, wildlife, etc. have been well recognized. Natural Resource Management is expected to play a key role in the development of the nation in the years to come. The government stands committed, as part of its Vision 2020 to bring

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about a new ethos of people centred growth oriented governance. Joint Forest Management is one of several areas where the government has tried to translate this vision into action, on a sizeable scale, by transferring decision-making to the people. It is now widely accepted that future of food, health and livelihood security depends upon the attention paid to the management of natural resources. India's forest based secondary industry encompasses a wide range of small, medium and large scale firms that process primary timber (logs) in to a variety of products for the domestic market. The vast majority of plants and production capacity is small. Several emerging investments constraints impede the growth of the sector. These include shortage of raw materials (mainly for logs, due to felling bans in many state forests until forest management working plans are completed and numerous restrictions on log supply from private land and farmers); growing concern over environmental issues (mainly in larger production facilities, such as pulp and paper mills); judicial decisions to close unlicensed mills (particularly in the North East); economic liberalization and completion from imports (especially pulp imports); and poor management and technical skills (World Bank, 2005). There is vast scope and potential for the livelihood development in the forest based resources development and management. These resources are mainly Joint Forest Management Programme, Green India Programme, development and management of agro-forestry, social-forestry and industrial forestry; development and management of biofuel, bamboo resources, organic farming, horticultural crops, handicrafts, cultivation of medicinal and aromatic plants, etc. Even, livelihoods can be generated in the field of tourism development since the rural and cultural tourism has vast potential along with the wider scope for wild life tourism (World Bank, 2006) National Environmental Policy (2006) seeks sustainable development concerns in the sense of enhancement of human well-being. The dominant theme of the policy is that while conservation of environmental resources is necessary to secure livelihoods and well being of all, the most secure basis for conservation is to ensure that people dependent on particular resources obtained better livelihoods from the fact of conservation, than from degradation of the resources. The policy outlined the regulatory and legislative reforms for adopting strategies of conservation and management of forest resources (Singh, 2008).

It is now felt increasingly that management and development of NTFP resources is essential for various reasons. Moreover, local processing of NTFPs can increase off-farm rural employment opportunities. Small-scale forest-based enterprises, many of them based on NTFPs, provide up to 50 percent of income for 20 to 30 percent of the rural labour force in India (Campbell, 1988). Forests are significantly contributing to the GDP of country. A large segment of rural population is depending on forest resources for their livelihood development. Non-timber forest products contribute significantly in poverty alleviation, sustainable livelihood development and conservation of forest resource (Singh, 2014). It is estimated that 275 million poor rural people in India constituting 27 percent of the total population are depend on NTFPs for at least part of their subsistence and cash livelihoods (Malhotra & Bhattacharya, 2010; Bhattacharya & Hayat, 2009). This dependency is particularly intense for half of India's 89 million tribal people, the most disadvantaged section

of society, who live in forest fringe areas. According to an estimate the NTFP sector alone is able to create about 10 million workdays annually in the country. Export of NTFPs and its products contributes 68 percent of the total export from forestry sector. NTFPs have a tremendous potential to involve local collectors for establishing micro-small and medium enterprises through clear tenured rights, better collection methods, financial support, capacity development, infrastructure and institutional support in near future. Sustainable extraction of NTFPs together with processing and marketing can generate significant income and economy. In fact, in terms of employment as well as income, NTFP in many instance have been found to give better return than commercial (Planning Commission, 2011). In case arrangements to extract the total available NTFPs are made employment on this account shall go up to 4 million man years from the present 1.6 million man years. This will not only improve the economy of poor inhabitants living in and around forests but also boost the state revenue as well as export earning of the country. Management of NTFPs has therefore, gained renewed importance in India for sustainable development (Gill, 2001).

#### **ESTABLISHMENT OF U.P. FOREST CORPORATION:**

National Commission on Agriculture, after a careful study of the problems in the Forestry Sector, especially those concerning the forest management based on sound commercial principles, recommended in 1972, the establishment of Forest Development Corporations to do away with the contractors agency and create business relationship directly with the consumers and wood based industries. In view of these recommendations U.P. Forest Corporation was created on 25 November 1974 as Local Authority under the U.P. Forest Corporation Act, 1974.

#### **AIMS & OBJECTIVES OF CORPORATION:**

The preamble of the U.P. Forest Corporation Act 1974 says as following: “To provide for the establishment of a Corporation for better preservation, supervision and development of forests and better exploitation of forest produce within the state and for matters connected therewith”.

The detailed objectives of the establishment of U.P. Forest Corporation. are as follows:

1. To bring to an end the contract system and to bring under the Corporation’s functional area all work relating to the forests of U.P.
2. To bring about desirable modernization and introduce use of improved tools to reduce to the extent possible, loss of timber and to increase the wages of the workers.
3. To bring about an end to the workers exploitation by contractors by providing for them prescribed minimum wages and cheap and good ration.
4. To make available quality timber and firewood to the public in general at reasonable prices.

5. To make available quality timber to public industries and government departments.
6. To provide employment to educated unemployed young persons by training them in the technique of modern logging.
7. Afforestation in erosion—prone areas.
8. Construction of working roads in mountainous and far-flung areas.

#### **FUNCTIONS OF U.P. FOREST CORPORATIONS:**

The provisions of the U.P. Forest Corporation Act, 1974 facilitate the Corporation with the following functions:-

1. To undertake removal and disposal of trees and exploitation of forest resources entrusted to it by the State Government.
2. To prepare projects relating to forestry in the State.
3. To undertake research programmes relating to forest and forest products and render technical advice on matters relating to forestry.
4. To manage, maintain and develop such forests as are transferred to it by the State Government.
5. To perform such functions as the State Government from time to time require.

#### **POWERS OF U.P. FOREST CORPORATION:**

1. To set up workshops or factories for processing forest raw materials.
2. To establish, maintain and operate laboratories and experimental and research stations.
3. To enter into such contract or arrangement with any person as the Corporation may deem necessary for performing its functions under the Act.
4. To borrow money, issue debentures and manage its funds, and
5. To incur expenditure and grant loans and advances to such persons as the Corporation may deem necessary under this Act.

#### **ADDITIONAL ACTIVITIES OF U.P. FOREST CORPORATION:**

1. Timber and firewood extraction of the entire Reserve Forest of Uttar Pradesh.
2. Removal of fallen, dry and drifted trees of road side, canal side, and railway lines, etc. in the State.
3. Extraction of trees of Social Forestry areas of Uttar Pradesh; and
4. Collection of non-wood forest products, e.g. tendu patta, baib grass, bamboo, cane, etc. of the entire State.

**ACHIEVEMENT OF CORPORATION:**

There is no doubt that Uttar Pradesh Forest Corporation is doing very well financially which bodes well for its future survival. However, it needs to have a strategic planning to surmount any difficulty that might arise in view of more thrust being given. There is also paucity of literature, empirical data and findings of research studies, which demand for carrying out a systematic and well planned study. In view of newly created state Uttaranchal, Uttar Pradesh Forest Corporation is facing severe challenge in terms of forest produce harvesting, since most of the forest area now falls in the new state. Thus, for sustainable development of forest resources, sustainable use of such resources and conservation, management and protection of forest resources are imperative. Against this backdrop, present study is proposed to review the performance of the Corporation and suggest policy measures for strategic planning, management and development of resources in the state.

More than 30 years have passed since the establishment of the U.P. Forest Corporation, therefore, the researcher thought it better to evaluate the performance of the Forest Corporation in all its bearings and to examine whether the Corporation has been successful in achieving the objectives that were laid down at the time of the establishment of the Corporation (Table 1).

*Table 1: Overall Achievements of U. P. Forest Corporation*

Year	Physical Achievements					Financial Achievements	
	Timber (Cub. Meter)	Fire Wood (Cub. Meter)	Bamboo (Scores)	Tendu Patta (Std. Bags)	Baif Grass (M. Tons)	Sales (Lakhs)	Net Profit (Lakhs)
1993-94	447585	315097	241555	314609	3044	12873.09	2685.43
1994-95	303071	177716	208675	408148	2751	13278.31	3290.17
1995-96	384657	142139	177904	435299	1442	17958.08	3707.09
1996-97	195236	554464	94349	386232	3393	17836.82	4464.16
1997-98	328607	77865	212656	331272	2603	12812.34	3579.99
1998-99	476480	109905	170726	418574	2672	16284.43	2930.03
1999-2000	452680	138444	183043	518067	1095	22266.59	2970.49
2000-2001	456217	147119	152808	571005	1078	21176.89	4295.40
2001-2002	196981	56369	140286	440901	45	10908.80	2758.30
2002-2003	178160	36945	22035	479861	38	11079.61	2788.76
2003-2004	205715	21299	142076	454428	43	12817.75	7329.12
2004-2005	188022	18948	228230	472530	30	13227.68	2649.36

Source: Based on Annual Reports of U. P. Forest Corporation

There has been fluctuating trend in production of forest produce in the state over the period of 2009-10 to 2020-21. The production of forest produces has sharply declined over

the corresponding period. The production of Tendu leaves was recorded 219915 bags in 2009- 2010 which declined to 163000 bags in 2020-2021. Similarly, the production of fire wood has declined by 38.85 percent, timber wood production by 53.19 percent and bamboo production by 22.81 percent declined over the period. However, revenue from forest produce has shown an increase of 63.65 percent over the period. The revenue from forest produce was recorded Rs. 250.56 crores in 2020-2021 ( Table 2).

**Table 2; Production of Forest Produce in Uttar Pradesh**

Year	Bamboo Production (Kauri)	Bhabar Grass Production (MT)	Tendu Leaves Production ( St. Bags)	Fire wood Production (Cu MT)	Timber Wood Production (Cu MT)	Revenue ( Rs.Crore)
2006-07	47285	48	-	-	-	153.11
2007-08	104005	47	-	-	-	201.24
2008-09	98535	65	-	-	-	215.80
2009-10	90243	25	219915	24087	315305	283.16
2010-11	80814	30	269675	18745	275956	329.90
2011-12	68132	31	166491	21368	274414	339.91
2012-13	82803	17	201307	28046	309082	361.14
2013-14	62851	32	204386	31612	385441	405.32
2014-15	35080	31	158760	35653	343228	451.66
2015-16	47373	32	147816	27397	269728	381.29
2016-17	60604	32	169714	31087	255956	330.28
2017-18	15714	-	230576	21286	198261	345.50
2018-19	37251	-	176452	23421	174466	285.26
2019-20	14436	-	148528	14498	121696	216.31
2020-21	36500	-	163000	14728	147583	250.56

Source: U.P Forest Corporation, Govt. of UP.

The royalty paid by U. P. Forest Corporation to Department of Forests, Government of Uttar Pradesh has shown nominal increase over the period of 2009-2010 to 2016-2017. The royalty paid was recorded Rs. 12639.24 lakh in 2009-2010 which increased to Rs. 12520.00 lakh in 2016-2017 ( Table 3).

**Table 3: Reality Paid to Forests Department By U. P. Forest Corporation ( Rs. Lakh)**

Year	Amount of Royalty
1999-00	12639.24
2000-01	9753.29
2001-02	5083.81
2002-03	5628.43
2003-04	5714.36
2004-05	5956.18

2005-06	5329.15
2006-07	5521.69
2007-08	6050.16
2008-09	8810.02
2009-10	13024.57
2010-11	11859.08
2011-12	11509.00
2012-13	14006.00
2013-14	17643.00
2014-15	21056.00
2015-16	14856.00
2016-17	12520.00

Source: Deptt. of forests, Govt. of Uttar Pradesh

The income earned by U. P. Forest Corporation over the period of 2014-2015 to 2016-2017 is shown in table 4. There has been increase of 31.6 times in the income of U. P. forest Corporation over the period of three years. The income of the Corporation was recorded Rs. 31.92 crores in 2016-2017.

**Table 4: Income Earned By U. P. Forest Corporation**

Year	Income (Rs. Crore)
2014-15	1.01
2015-16	4.26
2016-17	31.92

Source: Deptt. of forests, Govt. of Uttar Pradesh

### **FINANCIAL PERFORMANCE OF CORPORATION:**

Performance of a corporation is affected by so many factors, which are inter-related and cannot be satisfactorily examined in isolation. Control system and the motivation of personnel are key elements in this process. Appraisal of performance of a corporation can be done through a careful and critical analysis of financial statements. Financial analysis helps managers in controlling their concerns, operations or performance. It does this by providing them with a system and set of procedures or by analyzing and understanding the financial indicator of performance. Financial appraisal plays a key role in performance evaluation of any enterprise. In such appraisal, the efficiency of finance function is measured from different angles with a view to evaluating profitability and financial viability of the concern. The important parameter of financial appraisal in public sector undertakings are adequacy of working capital, optimal capital structure, management of earnings, profitability, etc. The capital structure means the financial remix of the long-term funds of an organization. There are no hard and fast rules to indicate as to which capital structure will be ideal. Actually, the portion of equity shares, preference shares, debentures and other long-term sources differs

from industry to industry and unit to unit but while evolving the capital structure, basic principles are generally followed. Ratio of unfunded debts to equity should be geared to a degree of stability of earnings and the capital structure must be balanced. While evolving a sound capital structure of an organization, the goal of management should be an optional capital structure. The optional capital structure is the combination of debts and equity that attains the stated managerial goals in the most relevant manners. The main objectives of devising a sound and balanced capital structure are minimizing risk, preserving the control of organization, reducing the cost of capital and providing the maximum return to equity shareholders. This is probably on account of the fact that the Corporation has been established as a public utility concern. Normally, such organizations do not have any share capital but as the Corporation is engaged in the selling activities. By nature it becomes a business enterprise whereas a business enterprise without owned capital is unthinkable. The working capital of any organization should always remain at an optimum level. There should neither be shortage of working capital nor excess of it at any point of time as both these situations are harmful for the health of any organization. Whatever working capital is available with the enterprise must be properly utilized. At no point of time, any part of it, should remain idle. Most of the working capital requirements of U.P. Forest Corporation are met by operational earnings and shortage, if any, is met out from short term borrowing from banks and other financial institutions. The study reveals that working capital position of the Corporation has been satisfactory in all years. The proportion of current assets is more than the current liabilities, resulting in a working capital surplus and this surplus is also rising year by year, showing presence of idle funds in the organization.

The Corporation divides its total sources of earnings into operational and non-operational sources but the Corporation derives its maximum revenue from the operational source which constitutes 61.16 per cent to 99.54 per cent of its total earnings in various years. On the other hand, earnings from non-operational sources are insignificant. It shows that the Corporation has been able to employ its resources efficiently. Due to the above facts, the net profit of the Corporation has showed an increasing trend throughout the period of the study. The contribution of the Corporation towards socio-economic development cannot be ignored. The Corporation pays taxes and provides job opportunities to large number of people. Here the profit earning can not be the sole objective but it must be operative at least at breakeven point.

The discussion clearly shows that the U.P. Forest Corporation has performed satisfactorily in all the functional areas. The physical achievements as analyzed before depict the continuous increase in the forest products. But after the division of the state, almost 60 per cent of the forest area went to Uttaranchal. On account of this, the production of forest products of U.P. Forest Corporation, got a setback. So far as the profitability of the U.P. Forest Corporation is concerned, it has shown a net profit almost every year. That clearly indicates that the U.P. Forest Corporation has performed well financially and has been a financially viable enterprise. So far as the management employees relationship is concerned, the survey conducted by the researcher clearly indicates the satisfactory relationship as nearly 47 per



cent employees are satisfied with their jobs. Over the years, the Corporation has created new jobs. Besides this, the Corporation has provided the state government annually a royalty of Rs. 7110 lakh on an average, thus, providing the resource base to the state government. The Corporation has also been able to remove the evils associated with the old contract system. Thus, the Corporation has been able to achieve the socio-economic objectives for which it was established. Though, the performance of U.P. Forest Corporation has been satisfactory for all the years for which the study has been made yet there is always scope for improvement. The researcher after completing the study feels that the suggestions given will help the Corporation in improving the operational and financial efficiency.

**SUGGESTIONS:**

- U.P. Forest Corporation should be diversified in its activities. The activities of furniture manufacturing and its retailing, mining of sand, stone, bajari/morung and manufacturing of bricks, manufacturing of fuel briquette, establishing high technology nurseries for growing plants, collection, processing and manufacturing of herbal medicines and their marketing, etc. need to be taken up.
- U.P. Forest Corporation should establish an information system for collection and processing of data pertaining to its various business activities. This database should be regularly updated and be analyzed by internal experts to examine the performance appraisals and evolving action plan.
- Retired Forest Officers may be involved in development and management of Forest Corporation in honorary capacity. The consultancy and advisory services of such knowledgeable and experienced persons will be useful for improving the efficiency and effectiveness of the organization.
- Decentralization of administrative and financial powers at different levels should be made in order to ensure democratic functioning of the Corporation. Suitable administrative and financial powers commensurate with their charge should be delegated to knowledgeable and experienced managers for effective functioning of the Corporation.
- The Audit Wing of the Corporation should be strengthened in order to ensure better financial control and to check pilferage. Monthly and quarterly review of marketing need and price of forest produce should be done by the marketing wing. The price of raw materials supplied to various forest based industries should be fixed on realistic basis.
- U.P. Forest Corporation should have a proper marketing strategy. The logging and transport should be completed timely in order to reduce the cost of production and increase profitability. Efforts should be made to determine market dynamics in neighboring states and beyond. It should look beyond the borders of the state in

marketing its products and determining which products could have advantage in other states.

- U.P. Forest Corporation may conduct studies about the possibility of appointing agents in marketing its products in order to capture a wider market especially in areas where its marketing facilities are absent. The Corporation should be a marketing and consumer oriented organization rather than sales and distribution oriented as it is at present.
- Inventory control is one area where proper action is needed. The Corporation should have a proper inventory control system to reduce the cost. Sales promotion, advertising and market survey will be helpful for enhancing customers' awareness and knowledge regarding sale of local timbers and other forest produce.
- In order to enhance efficiency in collection and marketing of Tendu leaves, the officers of the Forest Corporation should be provided equal rights with the general forest officers.
- The Corporation should develop wasteland through plantation of various plants for enhancing the resource base. The industrial forestry shall be promoted through public private partnership and leasing land to the private sector for plantation, processing and manufacturing of forest produce.
- U.P. Forest Corporation should promote eco-tourism through ensuring construction and establishment of Forest Rest Houses, tourist facilities and amenities. This will also ensure development of tourism and conservation of biodiversity.
- U.P. Forest Corporation should allocate land and resources for the development of Jatropha Plantation in order to ensure bio-fuel development in the state and avoid the energy crisis. In this context, participation of private sectors including non-government organizations may be increased through providing incentives and support.
- The mining of minerals in river basins should be allotted to U.P. Forest Corporation. Similarly, the work of renovation of bamboo cultivation area in Bundelkhand and Vindhya region may be allocated to U.P. Forest Corporation. This has enormous potential for development of bamboo resources and bamboo-based industrial products. This will also enhance the resource base of the Corporation.
- U.P. Forest Corporation may be entrusted with the task of urban plantation and conservation of forest resources in urban and semi-urban areas. More nurseries should be established by the Corporation in the urban areas in order to create awareness and sensitizing among the urban dwellers regarding plantation of various plants.
- In order to improve the efficiency of harvesting operations, appropriate technology should be used. The harvesting techniques currently in use are wasteful. The extent

of wastage at various stages of timber harvesting should be reduced through use of improved tools and equipments for harvesting, logging and transportation.

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