

Appraising of Public Enterprises in India

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Growth of the public sector in India is definitely a part of the increasing social purpose at work in the country after independence. It is intended to be an instrument of rapid planned economic development of the country and also of social change with socialism as its goal. Accelerated economic development is the primary need of the country, owing to the appalling poverty of the people, but it is postulated that it has to take place in the context of development of a socialistic society and the social content of the development is as, if not more, important than its extent and the rate of development. Development of the economy has to be an all sided process and socialism has to be realised in all its sectors, but owing to the pressure of population on the land and the accelerated rate of growth, industrialisation has been and has to be given a place of its own in all plans of the development. Its two aspects i. e. large scale and small scale industrialisation, are both of fundamental importance and have to be correlated to each other and also to plans of development of agriculture, trade and social services i. e. integration has to be the keynote of planned development and necessarily implies that it has to be informed by socialist objectives—its impress has to be manifest on all the schemes of development and it has to be promoted and realised in their inter-relations and complexes. Public ownership of the industries is an essential part of the integration and has to be taken to include not only ownership by the

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central and state governments, but also the local bodies and the institutions like the autonomous corporation, the cooperatives etc.

Our professed faith in the socialistic pattern of society can be made tangible and meaningful only by broadening the rate of public sector in our economy in the coming decades. The growth of public enterprises in India can be traced to the socialistic objectives of the planned economic development and the industrial policy resolution framed in keeping with it. The first industrial policy resolution was declared in 1948 which laid heavy emphasis on the setting up, growth, development and the acquisition of the industries in the public sector, on account of the socio-economic and political changes, it was changed in 1956. The new industrial policy resolution demarcated certain industries for both the private and public sectors. The 1977 Industrial policy resolution which was adopted by Janta Government, attempted to reduce the stronghold of the public sector on the national economy. This trend was however reversed when the Congress (I) was voted back to the power, which restored to the public sector the place it had in the industrial policy resolution in 1956. The present government at the centre has re-endorsed its policy of following this resolution in the future. It is, however, exposing the public Enterprises to the private sector in India and also to the international economy.

Increasing Growth and importance of the public Enterprises can be incricated by :

1. The rate of growth in investment in Public Enterprises.
2. Public Sector Contribution in the total production.
3. Pattern of investment in Public Enterprises.
4. Export earnings of Public Enterprises.
5. Employment in the public sector.

I. Growth of Investment in Public Enterprises

From a modest beginning of investment of Rs. 29 crores in five industrial units in 1951 to more than 35,411 crores in 214 industrial units in 1984 was a long arduous journey to the "commanding heights" of the economy by the public sector. It is indicated in the Table-I given below :

TABLE-I

Growth of Investment in Public Enterprises

Period	Total Investment (Rs. in crores)	Number of Enterprises
At the commencement of first five years Plan (1.4.1951)	29	5
At the commencement of second five years Plan (1.4.1956)	81	21
At the commencement of third five years Plan (1.4.1961)	953	48
At the commencement of fourth five years plan (1.4.1969)	3902	85
At the commencement of fifth five years Plan (1.4.1974)	6237	122
At the commencement of sixth five years Plan	18,225	186
As on March 31, 1984	35,411	214

This clearly indicates how the public sector has been and is going to expand and though the private sector is building up pressure and in all sorts of insidious ways is encroaching on the field reserved for the public sector.

II. Public sector contribution in the total Industrial production.

In spite of the increase in the investments in the public sector, the proportion of the out-puts from the public undertakings to the total national out-put is relatively quite impressive in 1983-84 as compared to the past. This can be envisaged from the Table-II.

TABLE-II

Public Sector Contribution in Total Industrial Production

Item	Unit	National Production in 1983-84	Public Enterprises Production in 1983-84	Percentage of Public enterprises contribution in total production
Fuel				
Coal	Million Tonnes	138.39	134.20	96.97
Lignite	„	6.60	6.60	100.00
Petroleum-Crude	„	26.03	26.03	100.00
Basic Metal Industries				
Steel ingot	„	7.93	5.96	75.11
Salable steel	„	6.40	4.77	74.53
Non-Ferrous Metals				
Aluminium	Thousand Tonnes	220.29	61.34	27.85
Copper	„	35.37	35.37	100
Lead	„	15.42	15.42	100
Zinc	„	60.17	53.70	89.25
Fertilisers				
Nitrogenous	„	3485.00	1660.5	47.65
Phosphatic	„	1048.00	286.5	27.35
Communications Equipments				
Telephones	Lakh Nos.	5.47	5.47	100.
Teleprinters	„	81.49	81.49	100.

III. Pattern of Investment in Public Enterprises

The importance of Public Enterprises is to be measured not only by the size of the public investment or their contribution to the total national output, but also by their importance to the economy as a whole owing to their position in the working. The public sector is not merely an industrial and commercial activity of the state, but also a service activity. In some cases, public enterprises are monopolies in undertakings like railways, postal, telegraph, and telephone services, major and medium irrigation, life insurance, Reserve Bank of India etc. The pattern of the investment can be judged from Table-III.

TABLE-III

Pattern of Investment in Public Enterprises

Rs. in Crores

Group of Enterprise	Number of Enterprises As on 31.3.84	Investment As on 31.3.1984
1. Enterprises under construction	6	1747.18
2. Enterprises producing and selling goods :		
(i) Steel	6	5717.24
(ii) Minerals and Metals	13	2936.79
(iii) Coal	5	4068.82
(iv) Power	2	2510.71
(v) Petroleum	12	3774.21
(vi) Chemicals, Fertilisers and pharmaceuticals	25	3992.74
(vii) Heavy Engineering	14	1651.69
(viii) Medium and light engineering	20	587.47
(ix) Transportation Equipment	12	1178.84
(x) Consumer goods	14	801.36
(xi) Agro based	10	36.20
(xii) Textiles	13	860.07
TOTAL A	152	29863.32

Group of Enterprise	Number of Enterprises As on 31.3.84	Investment As on 31.3.1984
3. Enterprises rendering services :		
(i) Trading and Marketing Services	19	823.17
(ii) Transportation services	9	2194.81
(iii) Contract and construction services	7	265.84
(iv) Industrial Development and technical consultancy services	11	94.19
(v) Development of small industries	1	47.86
(vi) Tourist services	2	81.85
(vii) Financial servicers	3	1835.75
(viii) Companies registered under sec. 25	3	83.06
TOTAL B	55	5426.53
4. Insurance companies C	7	121.00
GRAND TOTAL—A+B+C	214	35,410.85

In this connection it may be pointed out by observing Table-I and Table-III that firstly, the rate of growth of investment in Public Enterprises is much more than the rate of growth of savings and plan outlays in the Indian Economy. Secondly, investment in Public Enterprises have concentrated in the enterprises manufacturing and selling goods.

IV. Export Earnings of Public Enterprises

By observing the data given in Table IV we find that there is a sharp increase in the export earnings of public enterprises. The percentage increase is relatively more in 1981-82 as compared to 1980-81. But in 1983-83 the percentage increase is relatively less as compared to 1981-82. Compared with 1982-83 the trend in export earnings can be indicated as follows :

TABLE-IV

Export Earnings of Public Enterprises

(Rs. in crores)

Year	Export canalised goods	Export of non-canalised goods	Export of services	Total
1979-80	753.82	385.34	773.82	1912.98
1980-81	660.65	727.03	829.07	2216.75
1981-82	611.99	1110.09	1033.70	2755.78
1982-83	651.57	2752.86	1342.77	4747.20
1983-84	710.18	3276.85	1431.11	5418.14

V. Employment in the Public-Sector

By observing Table-V, one can judge that with the increase in the number of public enterprises, and the rapid increase in investment, the employment in public sector undertakings is not increasing sharply. It may be because of the effects of the government policy. In this connection, it can be observed that there is a sharp increase in 1976 as compared to 1971. But after that increase is almost constant or it is insignificant. But this does not detract from the public investment in large scale economic undertakings but only points to the conclusion that employment potential of this form of investment is and relatively speaking cannot but be small.

TABLE-V

Share of Public Sector Employment in Major Industries and Services

End of March	Public Sector	Total	Share of Public Sector in Total Employment
1971	10.73	17.74	61.4
1976	13.32	20.14	66.0
1980	15.08	20.31	67.6
1981	15.48	22.88	67.7
1982	15.95	23.49	67.9
Dec 1985	16.28	23.81	68.4

Organisation of Public Enterprises

Organisation of Public Enterprises is a matter of primary importance from the stand point of view of efficiency, economy and social significance. It is believed that public undertakings as far as possible be free from the disadvantages of bureaucratic administration i.e. lack of imagination, rigidity, disregard of human considerations. Public Enterprises in manufacturing field in our country have been organised in three forms viz. (a) as a department of Government (b) as public corporation (c) mixed ownership corporation or the Government Companies set up under Companies Act. In our country most of them have been set up as Government Companies. The public corporation as a form of organisation could never be appreciated because of the tendency of the political and bureaucratic machinery to interfere with its operations. Really speaking our public enterprises, whatever their organisation, are being run by high officials, secretaries and joint-secretaries and their nominees. Besides the administrative machinery, the finance ministry, other ministries and departments, the bureau of public enterprises and adhoc-committee also strain in the working of public enterprises. The whole system of control is so much expensive and demanding that Public Enterprises often face the problem of autonomy in their day-to-day operations with the result there has been much criticism of the excessive controls imposed on the public enterprises, because they have affected the working of Public Enterprises. Considering the bottlenecks, one could easily conclude that a reappraisal of the whole position is called for and it is essential to bring into action the forces without which democracy will remain only as for the pursuit of acquisitive private interest.

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