

"PUBLIC SECTOR ENTERPRISES IN INDIA: JOURNEY THROUGH THE CHANGING DECADES"

***Dr. Somesh Dhamija**
****Aruna Dhamija**
*****Amit Agrawal**

Abstract

In today's changing times, every country is known by the business scenario prevailing there and India is no exception to it. The country has been having not-so-encouraging business scenario since the Raj days especially due the over-interference of a foreign regime which had no interest in the well being of this nation. However, the situation has changed for the better but not to the extent as the purists would have wanted it to and there exist reasons for the same, more so in the public sector. At the same time, the public sector enterprises have been playing a dominant and unique role in industrial growth and development of the Indian economy. Owing to the profit-driven mind-set of the private sector, regional imbalances have created zones of impressive growth which contrast with zones of chronic under-development. Due to this, the government went in for direct participation in as well as regulation of business and hence set up public enterprises in the fields of tactical and economical significance. However, the performance of most public sector enterprises has been below the planned targets. Thus, there exists a considerable need to examine and analyze the operational aspect of select public sector enterprises as there are a number of tough challenges amongst public sector units, posing a threat to survival thus leading to closer of a good number of them. Therefore to sustain, the management of these public enterprises needs to work on various issues simultaneously. This paper would delve upon analytically on such issues which bog these enterprises the most. The authors have tried to paint a picture of the current standing of the public sector vis-à-vis their past performance and what this trend indicates about the future of Indian economy.

Introduction

When we talk about the business scenario in India, we have a tale of two sagas. One before independence and the other after independence. This is so because while the nation was ruled by the British regime, the developments in this sector were abysmal. What was to be produced in the nation and what not was solely decided by the Britishers who were clearly interested in their own welfare rather than that of the nation which they ruled with much ruthlessness. However, the scene changed for the better post independence. After independence, unlike the past when they were handled chiefly by the British, business activities were taken care by individuals in the form of private organizations and individual enterprises. The government took care of the essential services only such as railways, electricity supply, postal services, law and order etc. Thus, the role of the government in the industrial sector saw a tectonic shift from its previous avatar in which it had a vice-like grip in the day-to-day functioning of the industries during the British Raj. However, it was observed that private sector did not take interest in areas where the gestation period was long, investment was heavy and the profit margin was low; such as machine building, infrastructure, oil exploration, etc., much to the dismay of the policy makers and observers as it is precisely these sectors which make or mar the future of any nation committed to its development in the long run. Not only that,

industries were concentrated in only some of the regions which had certain advantages like availability of raw materials, natural resources, skilled labour, proximity to the market. This inevitably led to regional imbalances thus creating zones of impressive growth which contrasted with zones of chronic under-development. Due to this, the government, while regulating the business activities of private enterprises, went in for direct participation in as well as regulation of business and hence set up public enterprises in fields of tactical and economical significance like coal industry, oil industry, machine building, steel manufacturing, finance and banking, insurance etc. Presently, apart from being managed and controlled by the central, state or local government they are also owned by the government and are termed as Public Sector Enterprises.

Since last many decades, Public Sector Enterprises have been playing a dominant and unique role in industrial growth and development of the Indian economy. In order to dismantle the accumulated problems of unemployment, disparities at rural, urban, inter-regional and inter-class levels, technological backwardness and to set up a socialistic pattern of society in the country, establishment of Public Enterprises had been conceived. Public Enterprises have become the temples of modern India where the future of the nation is shaping up.

Public Enterprises were established to attain commanding

***Dr. Somesh Dhamija**, Associate Professor, Institute of Business Management, GLA University, Mathura,
Email : somesh.dhamija@gla.ac.in

****Aruna Dhamija**

*****Amit Agrawal**

Assistant Professor, Institute of Business Management, GLA University, Mathura, Email: aruna.dhamija@gla.ac.in, amit.agrawal@gla.ac.in

heights with regard to the prosperity of the nation and for promoting critical development be it in terms of social gains and strategic advantage or to generate commercial resources for capital formation. Besides, they are considered as powerful instruments of bringing about socio-economic transformation in our country. However, on the contrary, the performance of most Public Sector Enterprises has been below the planned targets. Many enterprises have accumulated deficits over a period of time causing considerable drain on the exchequer. This worrying trend has attracted the attention of policy makers, politicians, bureaucrats, academicians, researchers and the public at large to find out the reasons for such an unsatisfactory performance not only against the stated objectives but also their stand on adopting sound commercial principles of viability in the long run. Thus, there is a considerable need to examine and analyze the operational aspect of select Public Sector Enterprises which dominate the entire industrial scene of our country. The details worth consideration of a decade can be summarized as follows:-

Table
Performance Status of Public Sector
(Rs. In crore*)

Particulars	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
No. of operating CPSEs	234	231	226	230	227	226	217	214	213	217	220
Capital employed	331372	389934	417160	452336	504407	585484	661338	724009	792232	908007	949499
Turnover	458237	478731	572833	630704	744307	837295	964890	1096308	1271529	1244805	1473319
Total Income	479838	498315	548912	613706	734944	829873	970356	1102772	1309639	1272219	1497903
Net Worth	171406	225472	241846	291828	341595	397275	454134	518485	583144	652993	715084
PBDITEP	69287	89550	101691	127320	142554	150262	177990	195049	186836	211184	227636
Depreciation	20520	26360	28247	31251	33147	34848	33141	36668	36780	41603	43003
DRE/Prel. Exps. Written Off	-	-	905	1025	986	992	5841	5802	7661	9565	14009
Profit before int., tax & EP (PBITEP)	48767	63190	72539	95039	108420	114422	139008	152579	142395	160017	170625
Interest	23800	24957	23921	23535	22869	23708	27481	32126	39300	36060	38998
Profit before Tax & EP (PBTEP)	24967	38233	48618	71144	85550	90714	111527	120453	103095	123957	131627
Tax provisions	9314	12255	17499	22134	21662	24370	34352	40749	33828	40018	45303
Net Profit before EP	-	-	31119	49010	63889	66344	77715	79704	69267	83939	86324
Net (Extra Ord. Items & Prior Period Adj.)	-	-	-1225	-3933	-1075	-3192	-3880	-1517	-14600	-8264	-5753
Profit of profit making CPSEs	28494	36432	43316	61606	74433	76382	89581	91577	98488	108434	113770
Loss of loss incurring CPSEs	12841	10454	10972	8522	9356	6845	8526	10303	14621	16231	21693
Profit making CPSEs (No.)	123	420	119	139	138	160	154	160	158	157	158
Loss incurring CPSEs (No.)	110	109	105	89	79	63	61	54	55	60	62
CPSEs making no profit/loss (No.)	1	2	2	2	-	1	1	-	-	-	-
Operating CPSEs not furnished information (No.)	-	-	-	-	2	1	-	-	-	-	2
Dividend	8260	8068	13769	15288	20718	22886	26819	28123	25501	33223	35681
Dividend tax	842	8	1193	1961	2852	3215	4107	4722	4132	5151	5394
Retained profit	6551	17902	17382	35835	41393	43435	50129	48429	54233	53820	51002

(Source Public Enterprises Survey Various Reports)

PERFORMANCE OF PUBLIC SECTOR

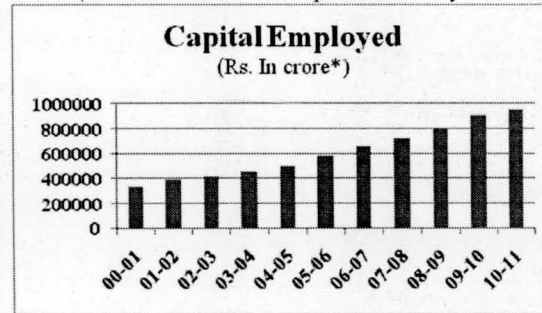
1. Capital Employed

Table A

Years	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
Capital Employed	331372	389934	417160	452336	504407	585484	661338	724009	792232	908007	949499

(Rs. In crore*)

(Source Public Enterprises Survey Various Reports)



Graph A

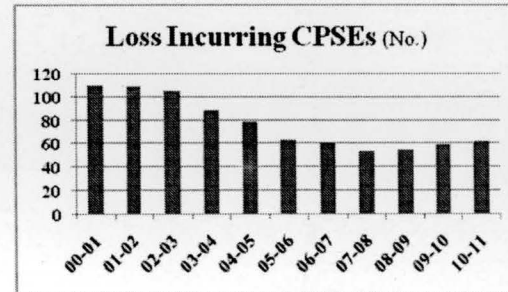
The capital employed has increased from Rs. 331372 Crores in 2000-01 to Rs. 949499 Crores in 2010-11 recording a growth of 286%.

2. Loss Incurring CPSEs

Table B

Particulars	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
Loss Incurring CPSEs (No.)	110	109	105	89	79	63	61	54	55	60	62

(Source Public Enterprises Survey Various Reports)



Graph B

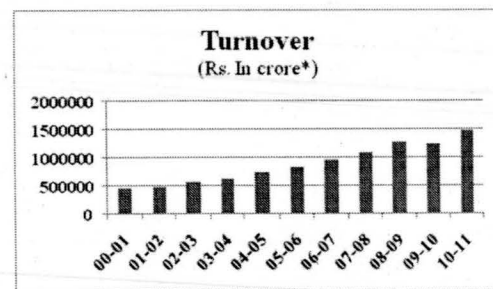
Number of loss incurring CPSEs, it has come down from 110 in 2000-01 to 62 in 2010-11.

3. Turnover

Table C

(Rs. In crore)	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
Turnover	458237	478731	572833	630704	744307	837295	964890	1096308	1271529	1244805	1473319

(Source Public Enterprises Survey Various Reports)



Graph C

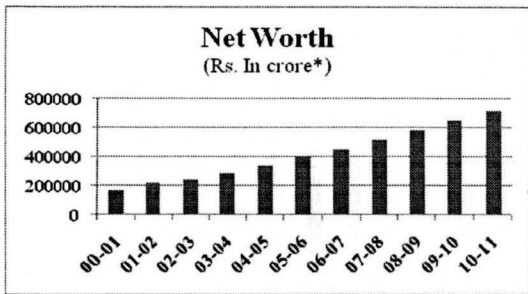
Turnover increased to Rs. 1473319 Crores in 2010-11, from Rs. 458237 Crores in 2000-01 recording a turnover growth of 321%.

4. Net Worth

Table D

Years	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
Net Worth (Rs. In crore*)	171406	225472	241846	291828	341595	397275	454134	518485	583144	652993	715084

(Source Public Enterprises Survey Various Reports)



Graph D

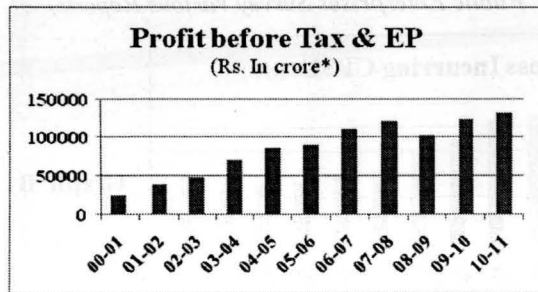
Net worth increased to Rs.715084 Crores in 2010-11, from Rs. 171406 Crores in 2000-01 recording a net worth growth of 417%.

5. Profit Before Tax & EP

Table E

Years	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
Profit before Tax & EP (Rs. In crore*)	24967	38233	48618	71144	85550	90714	111527	120453	103095	123957	131627

(Source Public Enterprises Survey Various Reports)



Graph E

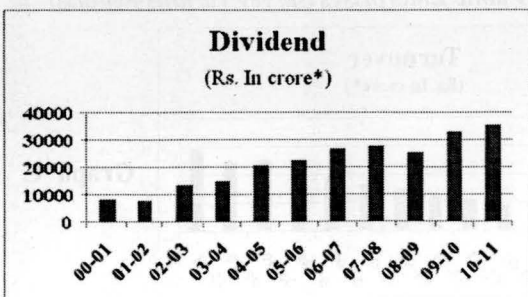
Profit before tax & EP has increased to Rs.131627 Crores in 2010-11, from Rs. 24967 Crores in 2000-01 recording a growth of 527%.

6. Dividend

Table F

Years	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
Dividend (Rs. In crore*)	8260	8068	13769	15288	20718	22886	26819	28123	25501	33223	35681

(Source Public Enterprises Survey Various Reports)



Graph F

Dividend has increased to Rs.35681 Crores in 2010-11, from Rs. 8260 Crores in 2000-01 recording a growth of 431%.

Conclusion

Once we have gone through the various statistics related to the Indian economy and the role of Public Enterprises in it in the last decade, it becomes clear that the industrial scenario of our country witnessed a number of important changes which had a positive as well as negative impact on the performance of Public Sector Enterprises at large, which can be concluded as follows:-

In terms of performance of the public sector, many signs of improvement in efficiency have been there to be noticed in the last decade, such as increased capital employment (from Rs. 3,31,372 Crores in 2000-01 to Rs. 9,49,499 Crores in 2010-11, recording a growth of 286%), reduced number of loss-incurring CPSEs (it has come down from 110 in 2000-01 to 62 in 2010-11), increased turnover (increased to Rs.14,73,319 Crores in 2010-11 from Rs. 4,58,237 Crores in 2000-01, recording a turnover growth of 321%), increased net worth (increased to Rs. 7,15,084 Crores in 2010-11 from Rs. 1,71,406 Crores in 2000-01, recording a net worth growth of 417%), increased Profit Before Tax & EP (to Rs. 1,31,627 Crores in 2010-11 from Rs. 24,967 Crores in 2000-01, recording a growth of 527%) & increased dividend (to Rs.35,681 Crores in 2010-11 from Rs. 8,260 Crores in 2000-01 recording a growth of 431%).

Seeing such positive figures one should not reach to a conclusion that things in public sector undertaking are going in the right direction. Despite all these rather promising factors, there are a number of tough challenges amongst public sector units, posing a threat of survival thus leading to closer of a good number of Public Sector Enterprises. Therefore, to sustain, the management of these public enterprises needs to work on various issues simultaneously such as introduction of new technologies, training and retraining of workers, implementation of proper HR strategies for employees, establishing a machinery of quick decision making as well as ensuring efficient utilization of resources thus leading towards prosperous tomorrow.

References

1. Avinash Kumar Srivastav, 'Proactive Industrial Relations-A Framework' *Indian Journal of Industrial Relations*, Vol. 40(2), 2004.
2. Government of India 'Annual Report on Public Enterprise Survey, 2000-01 to 2010-11, Department of Public Enterprises, New Delhi, India.
3. Gurdeep Singh Batra and Bhatia, B.S., 'Industrial Relations in India: Some Challenges', *The Indian Journal of Labour Economics*, Vol.35 (4), 1992.
4. 'Indrasena Reddy, P., "Performance Appraisal in Public Enterprises through Value Added Approach, *The Journal of Institute of Public Enterprises*, Vol 18 (3 & 4), 1994.
5. Kumaramangalam, S. Mohan. "Public Sector: Yesterday, Today and Tomorrow", *Mainstream*. May 1987
6. Mamta Panda, 'Industrial Relations Environment and Work Culture in Public and Private Sector Organisations - A Case Study', *Indian Journal of Industrial Relations*, Vol.39, (4), 2004.
7. Rao, E. M., "The Rise and Fall of Indian Trade Unions: A Legislative and Judicial Perspective", *Indian Journal of Industrial Relations (IJIR)*, Vol 42, No. 4, pp. 678-695 (April) 2007.
8. Sen, Amartya. "Work and Rights" *International Labour Review*, Vol. 139, No. 2, 2000
9. Shyam Sundar, K.R., 'Industrial Conflicts in India in the Reform Decade', *The Indian Journal of Labour Economics*, Vol.46 (4), 2003.