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Public Sector Enterprises: A Current Scenario

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Abstract:

The present paper shows that the current scenario at the commencement of first five-year plan Government's investment was Rs. 29 crores in five central public sector enterprises. The public enterprises have played a significant role in Indian economy. But the overall performance of most of the public sector enterprises is not satisfactory. The government is taking every step to revive and restructure the public sector enterprises to improve their performance, productivity and profitability.

Keywords: Public Sector Enterprises, Current Scenario, BHEL, BPCL, GAIL, HPCL, IOC, MTNL, NTPC, ONGC, SAIL etc.

Introduction:

The present paper shows that the Public Sector Enterprises occupy an important place in the Indian economy. At the time of independence, the Indian economy was basically agrarian with a weak industrial base. There were very few public sector enterprises in our country. The Indian Railways, the Posts and Telegraphs, the Port Trust, Government Salt Factories were the prominent public sector enterprises. After getting independence, the government felt that if the country needs to speed up its economic growth, then state's intervention in all sectors of the economy is inevitable. At the commencement of the first five-year plan (1.4.1951) Government's investment was Rs. 29 crores in five central public sector enterprises. Now it has increased to Rs. 3, 93,057 crores in 239 enterprises as on 31 March 2006. The public sector enterprises have been making substantial contribution to augment the resource of central government. During 2004-05 their contribution to the central exchequer was Rs. 1, 10,599 crores. There is no doubt that public enterprises have played a significant role in the Indian economy. But the overall performance of most of the public sector enterprises is not satisfactory. The rate of return on capital investment is very low. Most of them suffer from the limitations already discussed in the earlier sections. To improve the performance of the public enterprise, Government of India has taken several measures. On 24 July 1991 the Government of India announced its Industrial policy to improve the performance and portfolio of public sector enterprises. The new economic policies also emphasized on liberalization, privatization and globalization of Indian economy. The role of public was redefined. In July 1997, Government identified nine central public sector enterprises as 'Navaratnas'. They are BHEL, BPCL, GAIL, HPCL, IOC, MTNL, NTPC, ONGC, SAIL. These public sector enterprises have been given



autonomy for capital investment, to enter into joint ventures, to raise capital from domestic and international market etc. In October 1997, the Government granted enhanced autonomy and delegation of financial power to some other profit making public sector enterprises and categorized them as 'Miniratnas'. Presently there are 45 Miniratna Public Sector Enterprises functioning in India. The Government has taken every step to revive and restructure the public sector enterprises to improve their performance, productivity and profitability. Major emphasis has been laid on the sick and chronically loss making enterprises, which are capable of being revived. These enterprises are referred to Board for Industrial and Financial Reconstruction (BIFR) to prepare appropriate revival or rehabilitation package. The government has set up a Board for Reconstruction of Public Sector Enterprises (BRPSE), which considers and advises the Government on the proposal of restructuring/ revival of sick and loss making units including the proposal for disinvestment or closure or sale. BRPSE has made recommendations in respect of 31 central public sector enterprises so far and out of them the Government has approved revival plan of 15 cases till 30 March 2006.

The present paper makes an attempt to probe the current scenario of public sector enterprises. This can be focused with the help of the following headings:

Objective of the Study:

The present paper highlights the origin of the Current Scenario of Public Sector Enterprises.

Methodology:

The data for the present study has been collected from existing secondary literature, such as books, journals, published and unpublished annual reports, Govt. Manuals/Orders, websites etc.

A Current Scenario of Public Sector Enterprises:

Business units owned, managed and controlled by the central, state or local government are termed as public sector enterprises or public enterprises. These are also known as public sector undertakings.

Characteristics of Public Enterprises are as under:

- Owned managed and controlled by Government. Funded by Government
- Welfare oriented □ Concentrate on public utility services □ Responsible to parliament
- Observance of Government formality is necessary.

Forms of organization used for the public sector enterprises:

- Departmental Undertaking;
- Statutory (or Public) Corporation and
- Government Company.

Departmental undertakings are organized, managed and financed by the Government. It is a part of the government and is managed like any other government department. It is financed through the government funds. It is subject to budgetary, accounting and audit control. So the possibility of misuse of funds is reduced. It fulfills the social and economic objectives of the government and irresponsible to the legislature. It helps the government to exercise control over the specialized economic activities. Departmental undertakings suffer



from limitations of bureaucratic functioning. Excessive parliamentary control, lack of flexibility, inefficient functioning are the other limitations of Departmental Undertakings. The Statutory Corporations are the organizations, which are incorporated under the special Acts of the Parliament/State Legislative Assemblies. These are autonomous bodies and are free from government control in respect of their internal management. However, they are accountable to parliament and state legislature. The capital is wholly provided by the government. They are managed by Board of Directors, which is composed of individuals who are trained and experienced in business management. The members of the board of Directors are nominated by the government. It is true that the greatest advantage of statutory corporation is its independence and flexibility, but it is found only on paper. In reality, there is excessive government interference in most of the matters. The amendments to their activities and rights can be made only by the Parliament. Since all these organizations face little competition, sometimes they ignore the commercial approach in managing their affairs. A company in which 51% or more of its capital is held by central and/or state government is regarded as a Government Company.

These companies are registered under Companies Act 1956 and follow all those rules and regulations as are applicable to any other registered company. The capital is wholly or partially provided by the government. The Government Companies are formed simply by following the procedure laid down by the Companies Act. These companies are managed by the Board of Directors consisting of professionals and independent persons of repute. The government company can be run on business principles and it provides a healthy competition to private sector. In spite of all these advantages, these companies suffer from the limitations like lack of initiative in taking right decisions at the right time, lack of expertise in business management, frequent change of policies and management due to change in Government, etc. **Importance of Public Sector Enterprises:**

- Balanced regional development.
- Boost the basic industries of an economy.
- Concentrate on public welfare activities.
- Promote export □ Price control of essential goods.
- Limit the influence of private monopoly.
- Ensure security of the country.
- Minimize economic inequalities.

Current Scenario at the commencement of first five-year plan Government's investment was Rs. 29 crores in five central public sector enterprises. The public enterprises have played a significant role in Indian economy. But the overall performance of most of the public sector enterprises is not satisfactory. The government is taking every step to revive and restructure the public sector enterprises to improve their performance, productivity and profitability.

Conclusion:

It is observed that the current scenario at the commencement of first five-year plan Government's investment was Rs. 29 crores in five central public sector enterprises. The public enterprises have played a significant role in Indian economy. But the overall



performance of most of the public sector enterprises is not satisfactory. The government is taking every step to revive and restructure the public sector enterprises to improve their performance, productivity and profitability.

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