STANDING COMMITTEE ON PUBLIC ENTERPRISES IN INDIA

Dissertation submitted in Lieu of Four Courses for M. A. fourth Semester Examination in Political Science, 1976

Under the Supervision of
PROFESSOR S. NASIR ALI
Department of Political Science.
A. M. U., Aligarh

By
HAFIZ. ANWAR MOHAMMAD. KHAN
Roll No. 74 PLM - 26

Aligarh Muslim University, Aligarh
## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preface</td>
<td></td>
<td>1 - 11</td>
</tr>
<tr>
<td>Chapter I</td>
<td>INTRODUCTION — HISTORICAL BACKGROUND</td>
<td>1 - 27</td>
</tr>
<tr>
<td>Chapter II</td>
<td>STANDING COMMITTEES (HISTORICAL BACKGROUND)</td>
<td>28 - 45</td>
</tr>
<tr>
<td>Chapter III</td>
<td>PUBLIC ENTERPRISES — A COMPARATIVE STUDY</td>
<td>46 - 93</td>
</tr>
<tr>
<td>Chapter IV</td>
<td>PUBLIC CORPORATION IN INDIA</td>
<td>94 - 127</td>
</tr>
<tr>
<td>Chapter V</td>
<td>CONCLUSION</td>
<td>128 - 137</td>
</tr>
</tbody>
</table>

## INDEX

1. COMMITTEE ON PUBLIC U N D E R T A K I N G S  ..... 138 - 145
2. UN D E R T A K I N G EXAMINED (DURING III LOK SABHA) ..... 146 - 148
3. UN D E R T A K I N G S UNDER CONSTRUCTION  ..... 154
4. BIBLIOGRAPHY                                      ..... 155 - 161
Preface

In the developmental economy of India the over increasingly significant role being played by the Public Sector Enterprises cannot be unduly under emphasised. Millions of rupees, coming from the purse of the tax-payers, are being invested in these enterprises. Although this has become a matter of serious concern to the Government, Parliament and the people at large but the exchequer is much more concerned about the utilisation of his huge sums of money. Its concern is, perfectly, justifiable. There was, therefore, an over riding concern for constituting a specialised, vigilant, and the permanent body of the expert Parliamentarians with the view that it can associate with itself expert knowledge and representative capacity. This body which is known as the "Committee on Public Undertakings" was being formed on 1st May, 1964 and now this is devoting its full time and keeping abreast of the authentic information regarding the working of these enterprises.

In the social sciences any study cannot claim originality. Nevertheless new material is unearthed and an analytical approach is brought to bear in the subject of study. Hence I do not venture to claim originality in the real sense of the term. I have, however, made an extensive use of the books, and reports, journals etc. available on the public sector enterprises. In collecting the latest information on the subject. I earnestly
hope that I have tried to do my level best in the limited time and space at my disposal. A detailed bibliography of the works on which this study is based is given at the end of this dissertation. In the Appendix latest information such as the names of members annually elected to the "Committee on the Public Undertakings" all the reports of the Undertakings on whose working are these based etc. are also included there in.

It is my pleasant duty to express my sincere and deep sense of gratitude to Professor S.A.H.Haqqi (Head of the Department of Political Science, A.M.U.Aligarh) who very kindly allowed me to offer this dissertation. I am also indebted to Professor S.Nasir Ali under whose supervision and guidance I have prepared this dissertation. I have to make a special note about the facilities that the Parliament House Library, Sapru House Library, Indian Institute of Public Administration and the Bureau of Public Enterprises, (Ministry of Finance, Government of India) had extended to me. The whole staff was very cooperative and extended all possible help to me. I do thank them all.

H. ANWAR MOHD. KHAN
CHAPTER I

INTRODUCTION

Historical Background:

Public Enterprises, in one form or another, now exist in almost all countries in the world. They exist in countries that believe in a 'planned economy' as well as in countries that believe in 'free economy or where mixed economy is in vogue. They exist in countries with differing political systems and ideologies. There is hardly any argument to day about the need for Public Enterprises. Their role in a developing economy is now accepted in all quarters as a forgone conclusion. They have acquired a unique position in India. Public Enterprises are functioning in vital areas of the Indian economy. The state sector has expanded considerably and is no more confined to the sphere of public utilities and social services, but also includes industrial and commercial sector of the economy. The public sector in India covers nearly 15% of the economy. This percentage is small, yet it is vital for growth as it provides the infrastructure and includes basic and heavy industries like coal, iron and steel, heavy machines, electronics etc. In the first plan one third of the investment was in the public sector and in the second and the third it was nearly two-thirds and this trend still continues. The country's future growth depends on the successful implementation of plans which in turn largely depends on the efficient management of the public sector. The exchequer has invested millions of rupees
in these undertakings. There are very high expectations from them. They have to achieve the ability to generate reinvestible resources and fulfill the social and developmental objectives that warrant investment in the public sector.

Since the beginning of the 20th century certain events of far reaching consequences, such as the two World Wars, the emergence of socialism and communism as politico-economic forces, the Great Depression and the process of decolonisation, have changed the course of history. The wars changed the world's political map. Colonies of the defeated nations gained independence and also the victorious powers found it difficult to retain their colonies and had to shrink the responsibilities of their defence. The Great Depression, in the inter-war period shattered the economies of the world's major powers. Capitalism was shaken by the Great Depression.

Immediately after the Second Great War, the process of decolonisation began. It was partly owing to local nationalist movements and resistance to foreign rule and partly due to the emergence of socialist thinking in the West. Both led to the Western nations to give a second thought to their policy towards the colonies. India's independence in 1947 as was a landmark in the history of the process of decolonisation. India's freedom opened the door for the freedom of other nations, which were subject to foreign rule for varying periods.
The consequences of foreign rule in India are felt in every walk of life, social and political, as well as economic. The old economic institutions were either destroyed or distorted to its disadvantage and new economic institutions were not created. Indian trade and commercial interests were sacrificed for their British counterparts. The Government was following a policy of laissez-faire on the plea that the British Government was pursuing the same policy in the U.K. and thus, for a long time, the state did not take any active part in the industrial growth of the country.

The philosophy of Laissez-faire in industry was the dominant note in the British policy after the revolt of 1857 (commonly called the Sepoy Mutiny of 1857), when the British Crown assumed the responsibility of direct rule. This policy was followed till the close of the century. The main tenet of this policy was that as India was destined to be an agricultural country, her economy should be confined to agriculture and extractive industries. In the interest of British Industry and

---

1. "It was thought inevitable that India should remain predominantly agricultural....Hence even at the end of the 19th century all the Government did was to provide a certain amount of technical and industrial education and to attempt to collect and disseminate commercial-industrial information. Verena Astey "The Economic Development of India." Longmans, London 1929, p.210."
exports of industrial products, the Government turned a deaf ear to Indian aspirations. Men like Dada Bhau Moroji and Hanade and others from time to time tried to draw the attention of the Government but these and similar other protests from industries were of no avail. For a long time the Government neither had a department of industry nor any definite policy for industry. Apart from Indians the Famine Commission of 1880 and 1901 drew the attention of the Government and pointed out that one of the main reasons for the recurrence of famine was, "the absence of diversity of industries." The Government policy gives a dismal picture and shows the antipathy and unhelpful attitude towards industry.

The first cotton mill in India was setup at Calcutta in 1888 and the first modern steel plant was established by the efforts of J.R.D.Tata of Sakchi in 1908, which went into production in 1911. During this 100 years Indian enterprises appeared and disappeared from the industrial map of the country. It is very common to blame Indian capital for its shyness and timidity but one of the main reasons for the consequent failure was the states' deliberate policy of discouraging local initiatives.

2. For some time the industries struggled for life but were ultimately killed or crippled by competition with foreign manufactures, "aided by state action." Indian Economics, Banerjee (Seventh Edition) 1954, p.65.
Throughout this period there was notable exception where the State took not only a keen interest but an active part, namely the railways. Lord Dalhause in his report emphasised the construction of railways in the country and suggested connecting the important towns of Bombay, Calcutta, Madras and Delhi. The construction of railways was motivated by military and foreign trade requirements. The construction of first railway line started in 1851 and when India became free it had 34,000 miles of railways. After initial period of ten years of construction, i.e. 1861, the State itself took the responsibility of construction. The State has now shown itself distinguished in the field of economic activities and through its efforts has made itself an entrepreneur and partaker in the industrial development of the country.

For the sake of convenience, the whole period may be studied by dividing it into four phases:

I. The First Phase (1830-1913)
II. The Second Phase (1914-1938)
III. The Third Phase (1939-1960)
IV. The Fourth Phase (1961 - upto-date).

First Phase (1830-1913):

This phase is termed as the period of State intervention in public utilities in general and the beginning of indirect
assistance to industries in particular. One of the oldest factories was established in 1830. This was the Mathematical Instruments Office (later the National Instruments Factory) for the maintenance and repairs of precision instruments like theodolites required by the Survey of India. Under provisions of the Act XVII of 1837, Government established a public postal system and assumed the exclusive right to convey letters for hire in the dominion of the East India Company. The Post Office Act of 1854 converted the post office into an Imperial Department, under a single head called the Director General. The construction of the first telegraph line in India started on 6th November, 1850. Thus began the story of the oldest Government owned public utility in India and perhaps in the world.

In 1880 the necessity for state ownership of irrigation works was definitely recognised by the Government. In subsequent years this policy has been followed throughout and now most of the major and some of the minor irrigation works are being developed under state auspices.

The Department of Geological Survey of India was set up on a permanent basis during 1870. In Madras Presidency and

other provinces similar efforts were made for the appointment and of provincial directors of industries and the introduction of new and stimulation of existing industries. In 1906 Lord Morley sanctioned the creation, as an experiment, of a new department under a Director of Industrial and Technical Enquiries in Madras. By the turn of the century the Governments' attitude softened. In 1906, an Imperial Department of Commerce and Industry was established by Lord Curzon.

The institution of the Indian Industrial Conference in 1906 in association with the Indian National Congress was a sign of alliance between political and economic discontent prevailing in the country. The Government of India appointed an Indian Industrial Commission 1916-18, which marked a turning point in State policy. It recommended the end of laissez-faire and a policy of energetic intervention in industrial affairs.

As a result of this report, the clamour of Indian nationalism and the widespread discontent of Government policy vis-a-vis industry, the policy of Discriminatory Protection was adopted in 1923. This change in policy was also the result of the First World War, and the realisation of the military importance of developing the economic resources of the country.

2. Indian Industrial Commission, p.4.
Second Phase (1914-1938):

During this period the Government became more active in matters of developing the industries. The Government felt the pinch of the scarcity in respect of various articles specially of strategic significance. Government, naturally became conscious of evolving the means to produce arms and ammunition. In 1915, Lord Hardinge, the then Viceroy pointed out in his despatch the need for industrial policy and its expansion. After the war, the new Government of India Act was passed on the Montagu Chelmsford Report, which gave autonomy to the provinces and introduced other constitutional reforms. The Act of 1919 made industry a provincial subject and many provinces created separate Departments of industries. One of the most important development was the appointment of the Indian Fiscal Commission in 1921 under the Chairmanship of Sir Ibrahim Rahmatullah, which recommended, "Discriminating Protection." In pursuance of this recommendation a Tariff Board was setup in 1923. Despite of criticism from various quarters this policy aided some of the major industries of India.

1. In actual practice, however, the policy was so slow and half-hearted that very few industries could benefit by it. The only exception were cotton textiles, iron & steel, sugar paper. India, Industry & Trade, Publication Division, Government of India, New Delhi, 1967, India's Industrial Revolution, by Manubhai Shah, p. 23.
After the war boom conditions coupled with assistance by the central Government was given by means of protective tariffs, bounties or subsidies, on the advice of the Indian Tariff Board, to steal, railway wagons, textiles, paper, cement, jute, safety machines, inks, plywood, iron and steel and other manufacturing industries to make great headway, and the industries which suffered due to lack of replacement and working on obsolete machinery were able to recover within a short period. But this boom was short lived. India, like, the rest of the world was adversely affected by the Depression. India, being an agricultural country, was worse affected. Further the rent controversy which culminated in 1926 after the report of the Hilton Young Commission also affected India's export capacity and consequently its industry and agriculture. During the Depression period India's trade dropped by two-thirds and the industry and agriculture were adversely affected. Thus, the Great Depression retarded India's march towards industrialisation.

A technological Institute was started in 1920 at Kanpur. The Forest Research Institute was also established at Dehradun for scientific and industrial research. The biggest enterprise started in these years was the Security Printing Press at Nasik owned by the Government of India. Among the important provincial concerns established were a Metallurgical Institute in
Bihar, Bengal Training Institute, Government Textile Institute at Madras etc. At the same time there were seven ordinance factories, the Telegraph Workshops at Alipore and Government Dock yards for the construction repairs of the Government vessels. In 1930, the Indian Broadcasting was placed under the control of the Government of India. There were 61 railway workshops owned by the Government alone employed more than 75,000 employees in 1926, and 42 official printing press owned by the Government or local bodies employed over 13,000 workers.

Following the recommendations of the Working Committee of the Indian National Congress (in August 1937) the Congress Ministries which came into power in most of the provinces made an active effort towards industrial reconstruction. A National Planning Committee was set up to prepare comprehensive scheme of National Planning. The committee in its report spoke about the control and regulation of economic activities by state but did not emphasize the setting up of large industries to be owned by state.

The Third Phase (1939-1950):

The second World War which, like its predecessor stimulated production in existing industries and brought about the creation of others. Thus, the war offered new avenues and opportunities of improving the economic organisation of the country. The strategic dangers enhanced the States' interest
During this period of more than six years the industrial activity of the state was switched on to the requirements of the war in particular. The defence and strategic establishments were started to meet the need of war emergencies. Ordinance factories which were in operation were expanded and reconstructed for this purpose. These industries which were considered essential by the Government for defence requirements and, as early as 1940, the commerce Member of the Viceroy’s Executive Council announced on the floor of the Legislative Assembly that industries which would be started during the war would be protected, if and when necessary, provided they were organised on round lines. During the war due to exchange difficulties and exchange controls the industries automatically received some sort of protection and had a breathing time so far as the foreign competition was concerned. But at the same time they were working with the old fashioned machinery and some of them were working beyond their maximum capacity. Thus the immediate post-war problem was replacement and renovation of machinery and plant.

In 1940, the Hindustan Aircraft Ltd., Bangalore was established. This was due to the shortage of food compelled the state to participate in the trade of food grains. Both the centre and state Governments strove hand to meet the food

1. The telephone companies, like company managed railways were nationalised in 1943.
requirements of a section of India's population. Food grains were procured from abroad. By the end of 1944, the scope of state enterprise had been extended to include the entire wholesale and most of the retail trade in food grains. Several multipurpose schemes were also planned and one of the major projects is the Damodar Valley Project, the scheme of which was considered in 1945 and finally in 1948, when the project was developed on the lines of Tennessee Valley Authority (T.V.A.) in the United States.

The country was conscious of the need of rapid economic growth and as the war was coming to an end, reconstruction schemes were formulated. A group of the industrialists and economists published a plan which is commonly known as the "Bombay Plan." Though unrealistic yet it shows the keenness of the industrialists for a balanced and planned future growth. Meanwhile the Indian Federation of Labour published a plan called the People's Plan prepared by M.N. Roy, a noted Communist. Another plan based on Gandhian philosophy of decentralisation and cottage industries was published from Bardha, and is known as "Gandhian Plan." The Government of India also appointed a committee that prepared the "Post-War Reconstruction Scheme." Some of the former princely states like Hyderabad and Mysore

1. The Plan was called a Plan of Economic Development for India, Bombay, 1944.
(now Karnataka), were taking active part in establishing and subsidising industries in their respective states. All these efforts immediately following independence showed awareness on the part of the various agencies for planned and coordinated development. These aspirations took a concrete shape, after independence, in the form of 'Industrial Policy Statements (1948 and 1956). Besides this, Economic provisions of the Constitution (1950), setting up of the Planning Commission and other policies of national government. As pointed out earlier, World War II brought a definite change in the industrial policy of the then Government of India. In 1944, the Government setup a planning and Development Department which issued a statement of Industrial policy in 1945 - the first attempt on the part of Government to establish a positive industrial policy. It went to the extent that basic industries "of national importance may be nationalised provided adequate private capital is not forthcoming and it is regarded essential, in the national interest, to promote such industries." The basic industries listed were aircraft, automobiles, tractors, chemicals, iron and steel, machine tools, electrical machinery and a few others. This policy, however, was not implemented and "appeared more as a cover behind which traditional laissez-faire policy continued to operate."

1. See "Industrial Growth in South India" by George B. Baldwin, Massachusetts Institute of Technology, 1969.
After independence the Government called an Industrial Conference in December 1947, representing Labour, Industry and Government. The basic objectives of this conference were to ensure industrial peace and to evolve a realistic policy (Industrial policy) with the support of industry and labour. Broadly speaking, the principles enunciated at this conference were a kin to those laid down by the National Planning Committee (1938) and formed the basis for the Industrial Policy statement of 1948. These objectives of economic development in the country were laid down in the "Directive Principles of State Policy" of the new constitution. For the first time it was, bereft, emphasised in explicit terms that the ownership and concentration of the material resources of the community should be distributed to subserve the common good and there will not be an economic system resulting in the concentration of the means of production to the common detriment.

Industrial Policy Statement of 1948:

The statement was issued in April 1948 and thus removed the uncertainties prevailing in the industrial sector as well as amongst the foreign investors, as both were eagerly waiting for the declaration of a new policy. The policy was received with mixed feelings. One of the provisions covering the taking over of certain category of industries by the state, with adequate compensation, within 10 years, created misgivings. The statement divided the industries into 3 categories. Category I consisted
arms and ammunition, atomic energy and the ownership and management of railway transport, the exclusive monopoly of the state. The second category consisted of coal, iron and steel, aircraft manufacture, ship-building, manufacture of telegraphs, telephone and wireless apparatus and mineral oils, in which all new concerns to be started by the state, while the existing undertakings should be allowed to continue for at least ten years, and when the state would take over, adequate and fair compensation would be paid. It was also provided that at the end of 10 years the whole matter will be reviewed and a decision taken in the light of circumstances obtaining at that time.

The third category was made up of industries of such basic importance that the central Government would feel it, from time to time, necessary and regulate them. For this purpose the central Government would consult the state Government. The industries not covered in the third category were placed in the fourth category and were left for private enterprises, with a provision that the state was to "progressively participate in this field." The state had to intervene when the progress was unsatisfactory or the occasion demanded it. The statement also emphasised the need for the development of cottage and small

scale industries as they constitute the core of Indian economy. It favoured that this sector be organised and established on a cooperative basis.

It was for the first time that the term Mixed Economy was used in which the state was assigned a definite and positive role to encourage the industry and trade. As stated above that the basic and heavy industries were made the responsibility of the state. It was due to the fact in India the infrastructure was either not built indigenously or if it was built then it was inadequate to meet the requirements of the economy. Thus, for the rest, the state reserved the right to intervene so as to attain harmonious development. In the policy statement these were conciliatory remarks regarding foreign investment. A mixed reaction on the Policy statement was shown. It was hailed by a section of population, while it was criticised and assailed by another section of industrialists owing to the threat of nationalisation.

After a careful review of this policy it could be concluded that the statement manifesto the policy to which congress was committed as far back as 1938. It laid the foundation of mixed economy where the state role is not to be confined to certain defence industries or public utilities only.
Thus, during this phase where we find the Government had accepted the principle of state ownership and control in regard to a segment of the economy. To fill up the lacunae in the country's industrial structure, the Government realised that a purposive, planned organisation was the need of the hour. Therefore, in March, 1950 by a Resolution of the Government, the Planning Commission was setup. The task allotted to this body was in fact to direct the state activities in the economic field towards the common good.

The Last Phase (1951 upto-date):

After setting up of the Planning Commission in 1950 with a view to preparing for the most effective and balanced utilisation of the country's resources, the Draft outline of the First Five Year Plan covering the period from April 1951 to March 1956 was published. And in December, 1952, the Final Plan was laid before Parliament. The Plan gave the objectives as a process of development which will raise the peoples standard of living and open out to the people new opportunities for a richer and more varied life. It envisaged a rise in the national income of 11% and also visualised an investment rate of 5%. The total outlay was Rs. 3,360 crores, out of which Rs. 1,800 crores was in the Private sector and the rest in the public sector. It

1. First Five Year Plan, p.2.
was followed by the Second Plan and now India has embarked on the Fifth Five Year Plan.

During the period of the First Plan the country went a long way towards the attainment of a rapid and balanced economic development. The state took many steps to diversify industrial production and also to build up many new industries in the country. Apart from establishing many industries in the public sector, a very significant step in the development of industries in conformity with the objectives set out in the Plan was the setting up of Licensing committee under the Industries (Development and Regulation) Act, 1951 which provided two main instruments, viz. licensing and organisation of development councils for individual industries. With the amendment of the Act in 1963 more industries were brought within the licensing powers of the Government.

By the end of the Plan period twelve state Financial Corporations were established. In 1960, a National Small Industries Corporation was setup and four Regional Small Industrial Institutes were opened. The Railways were completely nationalised by 1960. India's Air transport services were also nationalised by the Air Corporation Act, 1953. Eventually the year 1966 being the last year of the Plan in which the foundation of the Second Five Year Plan was also laid down was marked by a tremendous tempo in the industrial activities with the result
that the National Industrial Development Corporation, setup in 1954 to serve as an instrument to secure the harmonious development of industries in both the public and private sectors took in hand a number of projects including those which were expected to make a major contribution in the manufacture of heavy plant and machinery.

This is, in brief, an account of the state 'initiative in the field of industry till the end of the year 1965. There came a change in the outlook of the country's industrial policy which was reflected in the new 'industrial policy. Resolution of the Government of India of 1966. Many reasons were there necessitating this new Industrial Policy of 1966. As it was declared in the April 1948 statement that the new policy would be reviewed after sometime, so in 1966 a new policy Resolution was passed. Another major event was the coming into force of the Republic Constitution on 26th January 1960. The constitution envisages the establishment of a co-operative commonwealth based on a "classless society" and the 'Welfare State' was the national objective. It contains the Directive Principles of State Policy which are 'intended to achieve the objectives. The constitution provides that the state can acquire any property (a) by due process of law, (b) for public purposes, and (c) after paying fair compensation. The last mentioned clause was amended later on as the question of 'adequate' compensation was subject to
differing interpretation by the court and was considered as an obstacle in the way of attaining the objective of establishing a classless society. By this amendment the question of 'adequate' compensation became an executive decision.

By 1953 the Congress party went a step further towards socialism. When the party at its Avadi Session adopted a resolution moved by Maulana Azad to establish a 'socialistic pattern of society'. Later on the word socialistic was changed into socialist. This phrase is not the same as the term 'socialism' because the 'idea of outright state ownership of means of production was not accepted.

Due to these events the Policy Statement was replaced by the Industrial Policy Resolution of 1956. The resolution referring to the preamble of the constitution, the Directive Principles of State Policy and the goal of the 'socialist pattern of society' accepted by Parliament says, "Industrial policy, as other policies, must and therefore be governed by these principles and direction". The state participation in industry is by and large determined by this Resolution. It states: "In order to

1. The mover said, "I would like to draw your attention, especially at this time, to the deliberate use of the phrase socialist pattern of society. This is most important, as we went to have a socialist pattern and not socialism." Quote in Industrial Relation in India by Charles A. Meyers, Asia Publishing House, May 1968, p.47.
realise this objective, it is essential to accelerate the rate of economic growth and to speed up industrialisation and in particular, to develop heavy industries, and machine making industries to expand the public sector and to build up a large and growing cooperative sector ....... Equally, it is urgent...... to prevent private monopolies and the concentration of economic power in different fields in the hands of a small number of individuals. Accordingly the state will progressively assume a predominant, direct responsibility for setting up new industrial undertakings and for developing transport facilities. It will also take state trading on an increasing scale. At the same time, as an agency for planned national development in the context of the country's expanding economy, the private sector will have the opportunity to develop and expand."

"The adoption of the socialist pattern of society as the national objective as well as the need for planned and rapid development, require that all industries of basic and strategic importance, or in the nature of public utility services, should be in the public sector. Other industries which are essential and require investment on a scale which only the state in present circumstances, could provide, have also to be in the public sector. The state has, therefore, to assume direct responsibility for the future development of industries over a wide area." The industries were classified into 3 categories but a rider is provided that "it is always open to the state to undertake any type of industrial production." The Resolution does not envisage
Category one will consist of all industries the further development of which will be the sole responsibility of the state. The second category will be of those which "will be progressively state owned and in which the state will therefore generally take the 'initiative in establishing new undertakings," but private enterprise will also be "expected to supplement the effort of the state." The third category will be of all the remaining industries and their future development will, in general, be left to the 'initiative and enterprise of the private sector'. The category A is listed in the Schedule A and includes industries such as arms and ammunition, atomic energy, iron and steel, heavy machinery and heavy electrical plants, coal and lignite, mineral oils, mining industries, aircraft, air transport, railways, ship building, telephone, telegraph and wireless apparatus (excluding radio receiving sets) generation and distribution of electricity. With the exception of arms and ammunition, atomic energy and railways, which will be state monopolies, the state will encourage the cooperation of the private sector by share participation or otherwise. But the state will remain the power "to guide the policy and control the operations of the undertakings."

The schedule B lists the industries in the second category, totalling 12 in number, including machine tools, heavy chemicals, fertilizers, road and sea transport. With a view to accelerating their future development, the state will increasingly establish
new undertakings in these industries. At the same time private enterprise will also have the opportunity to develop in this field either on its own or with state participation.

The third category includes the remaining industries and it is expected that their development will be undertaken ordinary through the initiative and enterprise of the private sector, though it will be open to the state to start any industry even in this category." The Resolution is extensively quoted here as it forms the basis of public ownership in the country. This new statement removed certain fears created by the first statement of 1948, and brought about a revolutionary change in the attitude of state towards industry. It is "the landmark in the story of the emergence of public sector in India.

There are a number of problems which the public enterprises are facing. These are also very many shortcomings which have been revealed during their running. In judging the performance and shortcomings of the public enterprises certain features such as their role and relevance to the society are also to be taken care of. The health of the undertakings, their well being, growth, current performance and future development are, therefore, a matter of general interest. It can not be gainsaid that the public enterprises in India have served as powerful instruments for achieving social and economic objectives. But serious gaps in the economy, particularly in the field of heavy industries,

such as manufacture of steel, heavy machine tools, heavy electrical equipment, exploration and refining of oil, manufacture of heavy and indigenous defence equipment have been overcome through public enterprises. For example the total production of steel ingots, which was entirely in the private sector, was 1.6 million tonnes in 1960-61. It increased to 6.2 million tonnes in 1965-66 with the Hindustan Steel alone producing 3.44 million tonnes. The production of machine tools increased from Rs. 30 lakhs worth of goods in 1960-61 to Rs. 23 crores in 1965-66.

Perhaps of even greater importance is the extent of progress achieved in the manufacture of a wide range of equipment needed for defence, such as military tanks, jet aircrafts, e.g. Ajit and electronic devices.

While the public enterprises have strengthened and diversified the Indian economy and given impetus to economic growth their working has also revealed defects which needed to be removed with a view to improving performance in the future. Several public sector projects have accumulated substantial losses. By the end of the Third Plan period, the Hindustan Steel had accumulated losses of about Rs. 60 crores, the Heavy Electricals, Bhopal of about Rs. 26 crores, \textsuperscript{1} in the Neyveli Lignite

\textsuperscript{1} Administrative Reforms Commission Report on Public Sector Undertakings; October 1937, Chapter 11, para 16, p.8.
corporation of about Rs. 4.5 crores and the National Mineral Development Corporation of Rs. 2.5 crores. According to the A.R.C., Report, the causes of losses are, apart from long gestation periods, the over capitalisation is one of the main causes.

The Estimates Committee in their 73rd Report (1959-60) had recommended to Government that in addition to individual annual reports a separate comprehensive report should be submitted to Parliament indicating Government's total appraisal of the working of public sector enterprises. Accordingly, the Ministry of Finance (Bureau of Public Enterprises) has been presenting every year an over all review of the physical, financial and socio-economic performance of the central Government undertakings. This annual Report, in other words, is an essential part of the system of accountability.

The public sector in India is an empire by itself. This is quite obvious from some fore going lines. The total turnover of all enterprises amounted to Rs. 10,217.19 crores in 1974-75 as compared to Rs. 6855.24 crores in the previous years. The total foreign exchange earned by public enterprises during 1974-75 amounted to Rs. 1081.50 crores as against Rs. 675.06 crores in 1973-74.

1. Ibid., para 22, p. 8.
As on 31st March, 1975, the total working capital of 121 running concerns amounted to Rs. 3157 crores out of which bank cash credit and foreign deferred credits for procurement of raw materials accounted for Rs. 1028 crores and Rs. 126 crores respectively and the balance was financed from internal resources or owned funds. As compared to gross internal resources of Rs. 287 crores generated by public sector enterprises during Third Plan period the Fourth Plan set a target of Rs. 1265 crores. The actual internal resources generated by public sector enterprises during the Fourth Plan amounted to Rs. 1260 crores constituting an achievement of about 99.6%. The estimates of gross internal resources of central public sector enterprises during the Fifth Plan period as per draft Fifth Plan envisages a total generation of Rs. 2764 crores or on the average Rs. 553 crores annually. The actual internal resources generated during the year under review 1974-75, the first year of the Fifth Plan period amounted to Rs. 580 crores, the achievement in momentary terms constituting about 105%.

There is by now an investment of Rs. 7,261 crores in Public Sector with employment of about 1.5 million workers and

---

over 50,000 managers. This is a fact that the growth of public sector enterprises needs more imaginative planning, clean and efficient administration. The management i.e. the men, methods and material resources are available and need be more properly organised. This fact should not be lost sight of that India ranks third next to the U.S.A. and the U.S.S.R. in regard to skilled man power which on the skilful manipulation can, in a short time, put India among the industrially most advanced countries of the world.

If seeing is believing, the India of today is an immensely exciting country where big things are happening in a big way in the sphere of industrialisation.

---

CHAPTER II

STANDING COMMITTEE — HISTORICAL BACKGROUND

Discussions and deliberations are the backbone of a democratic society. Dialogue at all levels, a system of self-criticism should be firmly established before democracy can succeed.

There are various matters for which the legislature is not a suitable forum of discussion or action. If, for example, an enquiry is to be held, it must be made by a small committee in a business like fashion rather than a big legislature containing hundreds of members; such tasks are often entrusted to committees constituted on an ad hoc basis or select committees or standing committees such as the committees of privileges. The committees collect evidence, if necessary, investigate or deliberate upon the matters referred to them and make a report containing their conclusions and findings. No committee can, however, bind the legislature by the report. It is for the House to take any action on the report. Very often reports are made only for the purpose of information of the House and no action is taken.

Certain general rules govern the procedure of committees. The members of the committees are often elected on a motion, but

some of them are formed by nomination by the Presiding Officer. In some of the committees, the composition of the House party wise is reflected, e.g. the Committee of Public Accounts which is elected on the principle of proportional representation. The Committee of Privilege is nominated by the Presiding Officer.

One of the numerous such committees, known as 'The Committee on Public Undertakings.'

1

"Committee on Public Undertakings":

The introduction of planned economic development in the country and the adoption of the Industrial Policy Resolution by the House in 1948 and 1956 have led to a steady growth of various enterprises which are controlled and managed by the Government of India. Several statutory Corporations and Government Companies involving large investment of capital funds have thus come into existence. The performance of such public undertakings has become a live subject. It is quite natural that in a democratic set up where large sums are involved the public exchequer should be controlled by those who authorise the grants and allocate funds. Lok Sabha has therefore decided that where moneys required to finance them are appropriated from the consolidated fund, Lok Sabha should have adequate control over their

affairs. With this end in view, a 'Committee on Public Undertakings' has been constituted in the year 1964.

The question of exercising adequate parliamentary control over public enterprises was discussed for the first time in the House in 1963. The creation of a separate parliamentary committee to look into the affairs of various categories of public corporations, companies and institutions was suggested; but the Government thought it inadvisable to proceed with the setting up of the committee at that time. The demand for setting up a separate committee to take over the functions in relation to public corporations or autonomous bodies from the Estimates and Public Accounts Committees was again put forward in 1956 but with no result.

Speaker Mavalankar, in a letter of December 19, 1953, addressed to the Prime Minister, had observed that there was a general feeling in favour of appointing a standing parliamentary committee to examine the working of autonomous public corporations. He pointed out that the Estimates Committee and the Public Accounts Committee were already overburdened with the work and would not find time to go into the working of these corporations. The Prime Minister in his reply, observed that there should be

---

1. Based mainly on the success of the committee on Nationalised Undertakings of the House of Commons in U.K., it was decided that we should also have a committee on Public Undertakings to examine the working of our public enterprises.
over all control of Parliament over autonomous and semi-autonomous corporations. He, however, added that the object of having autonomous corporations would be defeated, to some extent, if there was any interference in their day-to-day working. The chairman of the Estimates Committee wrote to the speaker suggesting that instead of a separate Parliamentary Committee, a standing sub-committee of the Estimates Committee and the Public Accounts Committee might be set up to deal with the public undertakings. The Speaker agreed to the suggestion and a sub-committee of the Estimates Committee was constituted in July 1957.

On April 10, 1958, the Prime Minister appointed a sub-committee of the Congress Party in Parliament to consider the problems relating to state owned corporations and companies and to suggest how broad to supervision could be maintained by Parliament in the day-to-day activities of the concerns. The sub-committee endorsed the suggestion of Speaker Mavalankar for the setting up of a separate committee of Parliament for public undertakings.

On November 24, 1961, the Government decided to appoint a joint committee on state undertakings. On the same day a motion for the constitution of the committee, with 10 members from Lok Sabha and 5 members from Rajya Sabha was moved in the House but further discussion was postponed due to the objections raised
by some members. Later, the matter was taken up in Rajya Sabha and the members of that House objected to their association with the committee unless they were given full rights.

After taking into consideration the various objections raised by members in both the Houses, the Government on September 21, 1963 moved in Lok Sabha two revised motions for constituting the committee which were later adopted by the House and Rajya Sabha also agreed to associate its members with the committee. In pursuance of these motions the committee was constituted for the first time with effect from May 1, 1964.

**Composition:**

The committee consists of not more than 10 members who are elected by the House from among its members. According to the principle of proportional representation by means of single transferable vote.

A Minister is not elected a member of the committee. If a member, after his election to the committee, is appointed a minister, he ceases to be a member of the committee from the date of such appointment. The Chairman of the committee is appointed by the speaker from amongst the members of the committee.

---

1. Rules 312 B(1).
2. See En. (11), 1-5-1964, regarding appointment of the first Chairman of the Committee consequent on his appointment as Minister of state with effect from January 24, 1966, be ceased to be a member of the committee, was appointed as Chairman.
Five members from Rajya Sabha, elected in like manner, are associated with the committee. The members of Rajya Sabha are invited to associate with the committee on a motion adopted by Lok Sabha and concurred in by Rajya Sabha.

FILLING OF CASUAL VACANCIES:

Casual vacancies occurring in the committee are filled on a motion moved in regard thereto in the House concerned. Motion in the Lok Sabha is moved by the Chairman of the committee, and in Rajya Sabha by a member of the committee from that House. Prior to the moving of such a motion in Rajya Sabha that they do agree to nominate a member from that House to associate with the committee for the unexpired term of the committee a motion is adopted by Lok Sabha recommending to Rajya Sabha to fill a casual vacancy and Lok Sabha is officially informed through a message about the name of the member elected by that House. The same procedure is followed to fill a casual vacancy when any member of the committee from Rajya Sabha retires.

1. Motion to fill the casual vacancies caused on the appointment of the first Chairman as Minister and a resignation of another member was moved in Lok Sabha by the new chairman on February 6, 1966.

2. On May 12, 1966, a motion was to be moved in Rajya Sabha to nominate resignation of three members from the committee on that day there was no member of Rajya Sabha on the Committee to move the motion (as had already been two vacancies due to the retirement of members from Rajya Sabha which had not been filled by then). The motion was, therefore moved by the Minister of state in the Department of Parliamentary Affairs.

3. See Bn (11), 19-5-1966.
under the provisions of the constitution.

The term of office of members of the committee is one year. However, members of the committee constituted for the first time with effect from May 1, 1964, held the office for the duration of the Third Lok Sabha i.e. for about 3 years.

**FUNCTIONS OF THE STANDING COMMITTEE**

The functions of the committee are as follows:

(a) to examine the reports and accounts of such public undertakings as have been specifically allotted to the committee for this purpose.

(b) to examine the reports, if any, of the comptroller and Auditor-General on public undertakings;

---

1. Art. 33(1): On retirement from Rajya Sabha with effect from April 2, 1966, two members serving on the committee ceased to be its members. A motion recommending to Rajya Sabha to fill the vacancies caused due to their retirement was moved in Lok Sabha by the Chairman of the committee on April 12, 1966.

2. Rules 312 B(2), Proviso.

3. A public undertaking has been defined as "an organisation endowed with a legal personality and set up by or under the provisions of a statute for undertaking on behalf of the Government of India an enterprise of industrial, commercial or financial nature or a special service organisation in public interests and possessing a large measure of administrative and financial autonomy."

4. The public undertakings specified for the committee are:

   I. Public undertakings established by central Acts, namely Damodar Valley Corporation, Industrial Finance Corporation; Indian Airlines Corporation, Air India International Life Insurance Corporation; Central Warehousing Corporation and Oil and Natural Gas Commission.

   Contd....
(c) to examine, in the context of the autonomy and efficiency, of the public undertakings, whether the affairs of the public undertakings are being managed in accordance with sound business principles and prudent commercial practices.

(d) to exercise such other functions vested in the Public Accounts Committee and the Estimates Committee in relation to the public undertakings specified for the committee as are not covered by clauses (a), (b) and (c) above and as may be allotted to the committee by the speaker from time to time.

(Footnote continued from the previous page)

II. Every Government Company whose annual report is placed before the House of Parliament under sub-section (1) of section 619A of the Companies Act, 1956.

III. Specific enterprises, namely, Hindustan Aircraft Ltd., Bharat Electronics Ltd., Mazagan Docks Ltd., and Garden Reach Workshop Ltd. In February 1967 there were 71 public undertakings (including 7 of statutory corps.) within the purview of the committee.

1. State Government undertakings do not fall within the purview of the committee. Kerala State came under the President's rule from September 10, 1964 and the Government of India became responsible for the administration of the state. During 1965-66, the Government took up the examination of seven Kerala State Government Companies under the direction of the Speaker on a request made by the Governor of the state.

2. Provided that the committee shall not examine and investigate any of the following matters, namely:
   (a) matters of major Government policy as distinct from business or commercial functions of the public undertakings.
   (b) matters of day-to-day administration.
   (c) matters for the consideration of which machinery is established by any special statute under which particular public undertaking is established.
PROCEDURES IN COMMITTEE

At the beginning of each year, the committee selects or the undertakings for examination during the course of the year. It is also the practice to select a few subjects or undertakings in advance for the ensuing years.

Besides, the full-fledged examination of an undertaking or a subject the committee can also conduct a limited enquiry into the affairs of an undertaking, which are of a topical interest. In such cases, the chairman is authorised to ascertain full facts from the undertaking concerned without prior reference to the committee.

The Ministry or the undertaking concerned with the subjects to be examined by the committee is asked to furnish preliminary materials for use of the members of the committee. The material on receipt is circulated to the members, who, after going through it, frame questions or points on which further information is required by them. Based on these points as also

1. During 1964-65, the committee selected 9 subjects undertakings and projects for examination, and for 1965-66, the committed selected 8 subjects, undertakings etc. Min. (C.P.U.), 5-5-1964 & 24-12-64.
3. Ibid., 8.9.64.
on an independent scrutiny of the preliminary material and other available literature on the subject, the secretariat prepares a memorandum, a questionnaire for the Ministry and the undertaking is also prepared. Both the memorandum and the questionnaire are circulated to the members of the committee for their comments, if any. After approval of the committee, the questionnaire is sent to the Ministry and the undertaking who are required to send written replies within specified period. The replies when received are circulated to members of the committee.

The committee also invites memoranda on the subjects under examination from non-official organisations, such as Chambers of Commerce, trade, organisations, professional consultants, companies in the private sector and also from private individuals. Memoranda are called for from such non-officials organisations etc. as have shown a keen interest in the subject or have expert knowledge of the industry and whose views may be of help to the committee.

The committee also calls for memoranda from the chief office-bearers of registered unions of the undertakings taken up for examination. As and when the committee visits any of the undertakings or projects under examination, an opportunity is given to the registered unions of employees or workers of that undertaking to express their views on the working of the undertaking. If it is deemed necessary the committee asks the unions to send their representatives to Delhi, at their own expense,
to give further evidence before the committee. The views of the unions on matters like productivity, cost of production, avoidance of waste, efficiency, economy are taken into consideration but the committee does not go into individual cases or matters pertaining to industrial disputes.

HORIZONTAL STUDY OF PUBLIC UNDERTAKINGS:

In addition to the public undertakings selected for examination, the committee also takes up horizontal study of a few common aspects or problems of these undertakings.

In such cases information on the particular aspects or problems selected for examination is called for from all the undertakings. After the information has been received and scrutinised, evidence of the representatives of the concerned Ministries is taken together. In other respects, the procedure adopted by the committee in such horizontal studies does not differ much from that followed in the examination of individual undertakings. The committee has not appointed any study group so far, there is no bar, however, to do so.


2. For examination during 1964-65, the committee decided to take up the following subjects: Township and Factory Buildings of Public undertakings, Management and Administration of Public undertakings (Planning of Projects). For 1965-66, the committee decided to examine Materials Management in Public undertakings. Min (C.P.U.), 5-6-1964.

3. In (C.P.U.), rule 2, 5.5.1964.
STUDY TOURS:

The committee undertakes tours to make a study of the working of the undertakings under examination if it appears to the committee that a study on the spot should be made. The itinerary is so prepared as to enable the committee to visit a number of projects and officers of the undertakings under the examination in the same tour. The committee usually undertakes tours once and sometimes twice, in a year and the tours are arranged when Parliament is not in session. Besides such tours, visits to a project or an office near about Delhi or visits to local offices are also arranged during a weekend.

While on tour, the committee like the other parliamentary committees, hold informal sitting at the place of the visit where working of the undertaking is discussed with the project authorities, but at such sittings - no decisions are taken nor any evidence records. Occasionally, the committee holds discussions with the representatives of non-official organisations to have their views and suggestions on the working of the undertakings under examination. A note summing up the impressions formed and discussions held with the secretariat and circulated to the members of the committee after it is approved by the Chairman of the committee.

2. Ibid., rule 16.
EVIDENCE:

The committee calls officers of the undertakings to appear before it to give evidence in connection with the examination of that undertaking and the evidence is usually completed in two to four sittings of the committee. Thereafter, the committee takes evidence of the officers of the administrative Ministry concerned. Where discussion with the officers of the undertaking relates to matters connected with detailed working of the organisation, evidence of the Ministry is concerned with party or wholly. The practice of calling the representatives of an undertaking separately from those of the concerned administrative Ministry has been established in view of autonomy claimed for the undertakings and in order to afford them full scope to put forward their point of view freely.

ASSISTANCE OF COMPTROLLER & AUDITOR-GENERAL OF INDIA:

The committee takes assistance of the comptroller and Auditor General or his representatives in pursing such matters as have been raised in the Audit Report (Commercial) or in the Audit reports pertaining to Government Companies or statutory corporations which have been taken up for examination. The

1. Ibid., rule 12.

2. For instance, in connection with the examination of Courkela Steel Plant, and Air India International, the Committee held informal discussions with the comptroller and Auditor-General.
committee obtains a 'Memorandum of Important Points' from the comptroller and Auditor-General on the issues raised in the Audit Reports. Suitable questions are framed on the basis of the Audit Reports and the memorandum furnished by the comptroller and Auditor-General. The association of the comptroller and Auditor-General or his representatives ask in the discussion is confined only to points relatives to audit paras. When such discussion is over, they withdraw from the committee room.

**PREPARATION AND PRESENTATION OF REPORT:**

After the examination of a subject has been completed, the committee frames its conclusions and recommendations for inclusion in the reports. On the basis of these conclusions and recommendations, a draft report is prepared by the secretariat. After the chairman's approval, it is circulated to the members of the committee and considered at a sitting held for the purpose.

Advanced copies of the report, as adopted by the committee, are marked "secret" and sent to the Ministry and the undertaking concerned and also to the accredited Division of the Ministry of Finance for verification of factual details. Portions of the report which are based on or are related to Audit paragraphs are sent to the comptroller and Auditor-General for factual verification. It is enjoined on them to treat the contents of the report as secret until its presentation to Lok Sabha.
Any comments that may be offered by the Ministry and the undertaking are placed before the chairman who makes suitable modifications to in the report to correct factual in accuracies. When additional facts which are likely to alter decisions contained in the report are furnished by the Ministry, the Chairman may place the matter before the committee for consideration.

The report is presented to the House by the Chairman, but if he is unable to do so, then one of the members of the committee is authorised to present it on his behalf. Simultaneously, the report is laid down on the table of Rajya Sabha by one of the members of the committee belonging to that House and who has been specifically authorised by the committee in this behalf. If Rajya Sabha is not in session on the day on which the report is to be presented to Lok Sabha, the Report is sent to Rajya Sabha secretariat with the request that it may be laid on the table of that House when it assembles next.

As convention, the report of the committee like those of the Estimates Committee and Public Accounts Committee is not discussed in the House.

During the brief period of three years 1964-1967 the committee had done considerable work. It had submitted 40 Reports to the House of which 10 Reports were on action taken
by Government on the earlier Reports of the committee and of the Estimates Committee relating to Public undertakings. The examination covered several undertakings including the National Buildings Construction Corporation, the Hindustan Insecticides, Shipping corporation of India, the Life Insurance Corporation of India, the oil and Natural Gas Commission, the Fertilizer Corporation of India, the Hindustan Steel Limited, the Air India, The Indian Drugs and Pharmaceuticals Limited, The Indian Airlines Corporation, The Neyveli Lignite Corporation Limited, The Indian Oil Corporation, The Bharat Heavy Electricals Limited, The Hindustan Shipyard Limited and Pyrites and Chemicals Development Corporation.

The first Report relates to the National Buildings construction corporation Ltd. It is based on the examination of the working of this corporation up to the year ending 31st March, 1964. The Committee took the evidence of the representatives of the Ministry of works and Housing and the National Buildings Construction Corporation Ltd. On the 30th November and 1st and 2nd December, 1964. The Report was adopted by the committee on the 10th March 1965.

BACKGROUND:

The idea of a construction corporation originated in an observation made by the Late Prime Minister that an appreciable
proportion of the money spent on construction of buildings
accrued to contractors as profits and that the question of
setting up a corporation to effect savings in construction costs
should be examined by the Planning Commission. On 30th March,
1969. A report was submitted on 31st March, 1960, on the basis
of which the cabinet approved, on the 10th September, 1960, the
setting up of the National Buildings Construction Corporation.
The Corporation was incorporated on the 15th November 1960, as
a wholly Government owned company under the Companies Act, 1956.

In this fashion many reports on various public undertakings
which come under the purview of this committee have, from time
to time, been submitted to the House. As it is clear enough from
the above example of the National Buildings Construction Corpora-
tion Ltd. that every such report is based on the examination of
the working of these public undertakings.

It is beyond the scope of this dissertation to mention
the working of all the public undertakings based on all those
reports presented before Parliament. There have so far been a
hundred ninety nine reports laid on the Table of the House.
There were 40 reports which were presented to Parliament during
the duration of the Third Lok Sabha. 70 reports were presented
during the Fourth Lok Sabha and 99 reports have so far been
submitted to the Fifth Lok Sabha.

1. Names of all the members annually elected to the Committee on
Public undertakings have been mentioned in the Appendix.
The setting up of the 'Committee on Public undertakings' has fulfilled the long felt demand for a separate committee to examine the working of Public undertakings. The Reports of the committee have helped to keep Members well informed of the working of various public undertakings and the undertakings themselves have benefited, because the examination by the committee has pinpointed several lacunae in their working. With the Public Sector expanding at a considerable pace, it is certain that the committees' task will be more onerous in future years. It is hoped that it will continue to play a vital role in India's Parliamentary life hitherto.
CHAPTER III

PUBLIC ENTERPRISES — A COMPARATIVE STUDY

Regarding the use of terminology of public enterprises which is the concern of various academic disciplines such as public administration and political science, economic and business management, law and jurisprudence, it would be correct to say that it has not yet been agreed upon. Therefore the connotation of the term varies from one sphere of treatment to another. The term public enterprises itself is a subject to different interpretations. Moreover, countries with differing political and administrative set-ups have assigned different meanings to this term. For example, "In the Italian terminology economic public corporation and public enterprises are not synonymous expressions because the municipalities as well as certain autonomous government departments are also regarded as public enterprises." In the French terminology public enterprises do mean industrial and commercial enterprises of the state. In the U.K. the term public enterprises is used for all public corporations as well as the departmental undertakings. In U.S.A. the Hoover Commission included all the state agencies engaged in providing goods and certain categories of services, as public enterprises.

1. Nuggries in "Public Corporations — A Comparative Symposium", Edited by Friedman, p.244.
Public enterprises can be classified on economic basis as those providing essential services and non-essential services. Another economic basis can be whether they cover the industrial or the agricultural sectors of the economy. The legal classification can be those having a separate legal entity and those not having such a separate existence. On the basis of public administration the classification can be whether they are run by local authorities, State Governments or Federal Governments. Taking these various disciplines as the basis these might be an overlapping but such or overlapping is inevitable as no hard and fast line can be drawn.

"The term public enterprises does refer to public undertakings of an industrial, commercial or financial nature set up by Government. In a sense every Government organisation is a public undertaking but it is deemed convenient to give the term a restricted connotation as indicated above." A second definition runs as follows, "The term public sector of the economy may be defined as that domain in the economic life of the nation owned, controlled, regulated and operated by the public authorities.

Adam Smith had limited the scope of public enterprises to 'erecting and maintaining certain public institutions, which

3. The term includes all forms of enterprises.
he thought, could not be in the interest of individuals to erect or maintain because the project could never repay the expenses incurred, though it might be of immense benefit for the community, e.g. light houses, pavements.

Mere ownership without control and operation, vice versa can not be classified under the public sector. What is important is that the right of ownership must be backed by some degree of control and management. Similarly, control without some degree of right of ownership also can not be grouped under this category. Often private trusts are managed by the State, for one reason or another, but as the state is not the owner of these trusts they do not constitute the public sector. Public services and social benefits accruing to the community should also be excluded as they are not merely economic in character. Education, administration of justice, Health etc. can not be treated under the domain of the public sector.

From the above definition of the public enterprises, it follows that they comprise of nationalised undertakings, those which came under state ownership by act of transfer, secondly, public undertakings, those initiated, established and started by the state (provided they are not transferred to private hands); and lastly, mixed-ownership enterprises in which the State participates with domestic private capital or foreign capital, private individual or state. All three could be further
classified into Public utilities, Regional Development Authorities, Financial Institutions, Defence Establishments, Industrial and Commercial Enterprises. Now in a sense this whole spectrum does go to make the public sector of the economy.

There are some more institutions which do not form part of the public sector, but are auxiliary to it. They are (a) Advisory bodies, (b) Regulatory agencies, (c) Franchise and Licences. Before describing those various components of the public sector, a brief description of this auxiliary sector is given.

**Advisory Bodies:**

These are the bodies ad hoc or otherwise, established for fostering trade, commerce or industry, are advisory in character and provide all the help for those seeking it and guidance. In some cases their advice may be mandatory in character but the nature of their advice depends on the intention of the establishing authority. They are concerned with individual units and they have nothing to do with the management aspect of the industry in question. In the Indian context the examples are the Export Promotion Council, Coffee Board, Handloom Board, Tea Board etc.

**Regulatory Agencies:**

Again they may be ad hoc or permanent in character. They stand for to regulate trade or industry and do cover both public
and private establishments. They might decide the establishment of new units, their size, location and expansion programme and such other related matters. National coal corporation, Industrial Development Councils, Tariff Commission etc. are such examples.

Franchise and Licences:

Koontz and Gable do call this "the grant by a sovereign government of a special privilege to an individual or corporation which could not otherwise be exercised legally and which ordinarily rests exclusively with the State."

In the 18th century the East India Company was given the trading rights with India by the British Crown. This also falls in this category when it is for providing a service it resembles public utilities, otherwise it is an economic activity of a business nature.

The following is a brief account of the constituents of the public sector.

Public Utilities:

The term does imply all those business that the bodies, legislative, administrative and judicial etc. regard as having a public interest bias and needing intensive government regulations of practically every detail of their activities. Koontz

1. Public control of Economic Enterprises" by Koontz & Gable, pp. 50-51.
and Cable call them essentially a legal concept. But, actually, it is the extent of 'Public interest' with which the enterprise is affected which determines whether it is a public utility or not. The public utilities, therefore, may be defined as units owned and/or controlled by the local bodies and/or by a central or state Government managed generally on a non-profit basis with a public interest bias, enjoying either the status of natural or state monopolies.

Regional Development Authorities:
They are statutory or non-statutory bodies, either having an independent legal entity or located in the Government Department. They are designed to develop a particular area or region within or without a political boundary. Their basic aim for which they are created is the socio-economic development of the region. The management is not on business lines, though it may enter into such business deals as sales, purchases, and transfer of property and material. Production of goods is their subsidiary function but, essentially, they

1. Ibid., p.197. They have traced the evolution of public utility concept from the legal interpretation ones and court cases in the U.S. It may be noted that even in the Middle Ages, the state was controlling water supply, etc. In India, during the period of Sher Shah, roads were built and controlled by the State.

2. A public utility may be privately owned but regulated by the State, as in the U.S.A. In such cases it can not be treated as part of public sector.
do provide certain services. Regional Coordinated growth is their basic objective and economic and social uplift their chief aim.

Financial Institutions:

These are also statutory or non-statutory organisations for financing, short or long term needs of agriculture, industry trade and commerce, wholly owned by the state or jointly with private capital. The funds are managed by the state 'in the light of its declared fiscal, monetary and industrial policy. In some countries financial institutions do own the enterprises as well. In Soviet Union the state control over the economic enterprises is exercised through banks. Summer Bank in Turkey is such an example. Similar institutions exist in Nigeria, Burma, Sri Lanka, Brazil etc. In India, the Reserve Bank of India (R.B.I.), State Bank of India, the State Finance Corporation the Federal Finance Corporation, all provide financial assistance but do not assume the rights of control and ownership. The Reserve Bank and the State Bank are forbidden by their statutes to advance money on landed property or immovable assets.


Defence Establishments:

Defence industries are considered one of the oldest forms of state enterprises. As far back as the Middle Ages, monarchs used to have the arms and ammunition factories under their control. In India, roads, and public utilities and defence industries were under the state control. During the Mauryan period the state regulation and aid of industry and trade became very common. The kings used to superintend and control, mines, weaving, irrigation and trade - all the sources of wealth. In the Mughal India, the state was the largest manufacturer in respect of several commodities and especially defence industries. With few exceptions in some countries, normally the defence industries are run by the government department. Defence industries are characteristically different from other state enterprises. Their policies are conformity with the defence policies of the nation. Under no circumstances management can adopt an independent line and production is under rigid control. They are generally on a non-competitive basis. It is not to say that there is no competition. In the present day world there is competition even in the production of armaments. It is day to day observation where we see that one super power is unceasingly manoeuvring to exceed the other


In the world market of war equipments. But the market is stable at home and as such there is no competition between various ordnance factories. Due to these characteristics these industries stand aloof from the rest of the industrial sector of the economy.

**Industrial and Commercial Enterprises:**

The two are grouped in one as from management and administrative points of view there is hardly any difference between them and to some extent both are complementary to each other. With the expansion in the states' industrial activity, the commercial activities have also been expanded. Over and above the commodities traditionally sold by the state, the establishment of more and more units has increased the task of the state as a seller. It has become so diverse that big from "public utilities like, transport and tele-communications, banking credits and insurance, it includes also cultural projects like radio, television, opera houses and sangeet Natak Academy which constitutes the economic and social overheads."

There is no country in the world that has not entered into the 'industrial field as an owner and manager. The most

symbolic of all the capitalist states, the United States of America, and where free enterprise is a creed, also has many public enterprises. India has lately entered into the field of industrial production and "not only is the success or failure of the economic plans of the Indian Government a matter of life and death for some 400 million people, it will be widely regarded as a conclusive answer to the question, present in the minds of people in every part of the underdeveloped world, whether there's practicable alternative to communism as a means of economic development....she is engaged on an experiment of vast potential significance, in democratic planning. Hence, all who believe, or who would like to believe that communism is not the only way forward or who feel that the price it demands is too heavy, even for rapid economic development, look to her with anxious hope, following the progress of the Indian Five Year Plans as intensely as some of them once followed that of the Russian Plans of the later inter-war period."

In this study the term Public Enterprise is used for this category of state enterprise. The public sector might consists of those units set up by the state or taken over from the private sector and lastly the units in which the state is taking part.

as a collaborator with private capital. In India, in order to have a controlling hand, the Government always retains majority shares (i.e. minimum 51%), but there are countries like France, Italy and Pakistan, minority state participation is not uncommon.

Nationalised sector or nationalised industries are the terms used for the enterprises under the ownership and control of the state. Nationalisation may be defined as the legislative measure which a state on political grounds or otherwise or when reforming economic structure, assumes for itself its ownership and administration of industrial or agricultural enterprises from private persons and entrust them to public agencies. From this definition it appears that the basic ingredients of nationalisation is the 'taking over' or the transfer from private to public ownership, and this may be with or without compensation. It is true to say that nationalisation is not affected by the stipulation of compensation. Thus the definition of nationalisation should not be qualified by compensation. This may make difference from the standpoint of budgetary and fiscal policy as it would certainly make a difference from the point of view of the owners whose industry or property is taken over or transferred.

A distinction has to be made between the enterprises taken over by the state and those established by the state with
which the state had been associated since their creation. The term nationalisation can not be used for the enterprises which the state had created. This differentiation, however, is not very significant as it would seem to be from the economic policy of the state is concerned, but this is of great consequences from the managerial point of view. Government has to make changes from the viewpoint of administration so that the nationalised industries may be fitted in the larger machinery of the government.

The state, however, faces certain problems, especially when the enterprise is one of which the state has no prior experience. But with the nationalisation the state does acquire personnel who have experience of running the enterprise since it came into existence. These problems increase in magnitude and in variety when the state has to go to create new enterprise. It has to recruit requisite qualified personnel and to provide the essential training facilities before they take up the job. There are other tasks also which the state has to take up for the creation of a new venture such as to prepare, examine the project, selection of the site, determining of the size and investment, purchase of machinery, to acquire premises, to execute the contracts and so on. The need for the competent specialised cells in the administrative ministries is all the more to examine these technicalities and approve these measures. There is a great deal of success of
failure depending upon the initial decision of the Government taken. The Estimates Committees have pointed out similar mistakes committed by the ministries in matters of contracts, locations and so on. Government had to incur a loss of about Rs. 30 lakhs due to the subsequent changes in location of site of Durgapur steel Plant.

Apart from managerial point of view these are differences of financial and other aspects too. In nationalisation the state pays compensation, whenever it is paid at a price either mutually agreed upon or decided unilaterally by the state. Compensation is generally paid in the shape of long-term interest bearing bonds. In starting new enterprises, when financed from the current budget the state has to seek for additional sources of revenues. In the developing economy, the augmentation of economic activity and production is of utmost importance, and this end could be better served by initiating new undertakings than by the nationalisation of the existing enterprises. Therefore, more transfer of ownership can not stimulate the economy. It is not to advocate here that nationalisation is a inexpedient. Nationalisation has to be resorted to in the overriding consideration of national objectives and in their realisation. Commenting on the nationalisation the Administrative Reforms Commission in its Report emphasised that, 'Nationalisation or socialism does not mean bureaucratisation. Not only should the
Public enterprises have maximum possible autonomy to function on sound business principle they should also be responsible to the needs and interests of the community. Unlike the private sector where profit is the motive force, the main objective in the public sector ought to be public good."

Public Utilities and Public Enterprises:

The two differ from each other in more than one sense. Firstly public utilities provide certain essential services, while public enterprises provide goods and services produced either on a competitive basis or under state regulation system. Secondly the public utilities are generally owned and operated by the communal institutions such as municipalities and local bodies. On the other hand, public enterprises are either owned, controlled and operated by the states or central Government. It follows that direct economic and other benefits in the case of public utilities are mostly of local character. On the contrary the public enterprises normally have a national bearing, where the whole nation is directly involved in its financing and operation which is not the case in public utilities. Due to this difference in the pattern of ownership of the two, managerial and operational methods and techniques are bound to differ.

As a consequence, the management of public utilities is motivated by the local and, in rare cases, the national interests while in public enterprises public interest has to be integrated with business and commercial practices in such a way that the enterprise may operate on profitable lines.

If public enterprises are not managed on the same techniques and principles as that of other industrial units, then it is ambiguous if they stand the test of time. It is the duty of the owner i.e. the state to follow the policies in matters of administration and administration, but in other respects most of the industrial management techniques have to be followed adhered to.

Like public utilities, regional development agencies including river valley projects are also excluded from the purview of this study. These are basically administrative instrumentalities designed to meet the socio-economic needs of the development of specific regions, and not managed on purely commercial lines. The nature of financial organisations and their operations differ from the industrial enterprises. Similarly, Advisory Councils and Boards are also not included as they are advisory and consultative in character. Defence establishments are mostly run departmentally or contractual basis under the strict secrecy and often non-competitive basis.
It is obvious enough from the above study that the Public Enterprises can be one of the best possible measures to achieving the principal objectives of the Indian Plans such as "the reduction of inequalities in income and wealth and a more even distribution of economic power."

**Forms of Organisation:**

There is no unanimity in the different countries as far as the form of organisation is there. However, departmental management company and corporation are adopted in various countries, with variations to suit the economic, political and administrative set-up. In India, since 1963, the trend is to set up companies, though now and then controversy arises about the form of organisation. Great bulk of public enterprises are given company form and it seems obvious that the Government of India has chosen the most suitable form of organisation for public enterprises and that is the company form. This is quite pertinent to say that the public enterprises have certain distinctive characteristics which distinguished them from the private enterprises and this necessitates the search for a more suitable form of organisation. The problems which the public sector is confronted with are not identical with those

---

of the private sector. Thus, before discussing the forms of organisation of the Indian public enterprises, it is logical to explain the reasons why this controversy exists and why one single form has not been generally accepted.

Public & Private Enterprises:

Industry and trade, either publicly or privately owned, has to be managed on sound business principle. Many business have come to a grief owing to insufficiency of capital. Reference may be made in this connection to a significant observation of Professor Hoagland of Ohio State University. He says, "Perhaps the more prolific source of failure of business undertakings is the lack of definite financial plan. Bad production management and bad sales management have slain their thousands but faulty finance had slain its tens of thousands." In connection with the financial of public enterprises Prof. Ramadham suggests that, "Financial organisation should be such as to work automatically towards the pricing and profit policies declared as appropriate to it. It should be conducive to the right allocation of the national resources and be compatible with the national financial policies. Every efficient government would like to ensure that all economic activities whether

In the private or public sector, are compatible with its over all policies at any given time. The main distinctions between a public and a private industry are discussed in the foregoing paragraphs.

1. Private sector industries assume gigantic dimension through a gradual process of evolution, while giant public enterprises come into being within a very short span of time just by a government decision to set up or 'take over.' The interplay of economic forces is either cut short or some times superseded by government political decisions. The Tata Iron & Steel Works was set up in 1917, and has now reached its present size with a capital investment of Rs. 100 crores, while Hindustan Steel was started in the first Five year Plan and has now four times more capital investment than that of Tatas.

2. The private sector is not the object of much public criticism as the public sector. The private sector is judged by the economic profits, while in case of public sector economic plus non-economic factors are tried to be found out.

3. In private industry, business autonomy is ensured by the top management which represents the shareholders and to whom an enterprise owes business accountability. In public

1. Finance of Public Enterprises, V.V. Ramanadham 1933, p. 100.
enterprises matters become somewhat complicated where a synthesis of 'political accountability' and 'business autonomy' has to be found. Here accountability is prefixed with the word 'political' and autonomy with the word 'business'. The agencies exercising control over public enterprises generally derive power from the highest political institution of the country, i.e. Parliament and are basically political in character. Thus the accountability is basically political in character. Autonomy has two facets viz, 'procedural' autonomy and directive autonomy. In the sphere of procedural autonomy a business enterprise has to enjoy full powers and in the field of 'directive' autonomy sufficient powers are to be delegated to ensure that policy decisions are taken on economic considerations.

4. Another distinctive feature is the levels of hierarchy. In private industry from the foreman up to share-holders there is management and a board. Upto the boards, the levels are identical in the two sectors, but beyond this public enterprises have many more layers than in private enterprises. Over the board there is the parent ministry and other related ministries, the planning authority, and lastly Minister and Parliament which represents shareholders. They also function as a body which supervises and controls. In the private industry, the shareholder's control is nominal. This is in the hands of directors and business executives. These professional men have virtual control of industry though they hold a very small percentage of shares among themselves.
5. In matters of financial resources and their utilisation, the two sectors differ from each other. A public enterprise being financed out of public funds has larger public resources. In the private sector it is the market which plays a predominant role in allocating capital to different sectors and every sector has to justify its existence. Public enterprises being created by the state have to depend heavily on various matters of policy decisions on the state whereas the private enterprises in these and similar other matters enjoy greater degree of freedom.

6. The management of public enterprises must be public interest oriented. In the world of today, the private enterprises can not remain indifferent to this objective and to this end they have adopted more and more measures which serve the public interest. But the difference lies here that it serves public interest as it sees it, while in a public enterprise management has to serve the public interest as seen by the state.

7. Then there is a problem of goals and their communication. There is hardly any contradiction in the goals which an enterprise is supposed to attain and the management in the private enterprises is given freedom by the owners to attain their goals. But such a contradiction is often noticed in public enterprises. In public enterprises the goals are communicated apart from
statutory instruments like the Articles of Association, in the case of companies, and parliamentary acts, in the case of public corporations, through ministerial powers to issue directives, the presence of officials on the boards, government's decision to include or to deter the Board from taking a decision on a certain matters, as retaining certain categories of financial powers. All this implies that unlike a private enterprise, there is a permanent and continuous channel of communication between the state and public enterprises.

These distinctive characteristics have an important bearing on the form of management and operation of the public enterprises. Any form filling these four requisites will be an ideal one. These are:

(i) The public enterprise management must enjoy procedural autonomy. The relationship between the micro and macro structures are to be so devised as to ensure this autonomy.

(ii) Management should be given directive autonomy to execute procedural decisions and the form of organisation should be such that management could be able to decide sub-policy matters.

(iii) Thirdly their accountability should be ensured and

(iv) fourthly, the form of organisation has to be so devised as to secure an adequate internal degree of decentralisation of power and management.
Forms of Organisation:

Public enterprises in India are given three forms of organisation, viz., departmental undertakings, corporation, and company.

Departmental Undertakings:

This is one of the oldest form of running economic activities of the state and is still there in many countries in the world over. They are set up by an executive act of the Government. Their creation does not require any legislative or legal formalities. It is easy, the Government adopts a resolution, defining the purpose, prescribing the form of management, and nominating the persons who should constitute the management. The responsibility runs like this: the management is responsible to the department under which it is placed, which in turn, is responsible to the ministry headed by the Minister.

Characteristics:

(1) "Finances are exclusively drawn by the annual appropriation from the treasury. All the revenues and incomes are paid back to the Treasury. If some funds are to be retained that is done by the permission of the Treasury. So, it is obvious enough that in matters of finance it is solely dependent and it does not enjoy a separate existence and is treated like other branches of the ministry to which it belongs."
(2) Its budget and accounts are fully subject to the audit and financial control.

(3) The personnel have the status of civil servants. The terms and conditions of services are ordinarily the same as in the civil service.

(4) Being part of a department, it is subject to the control of the departmental head.

(5) It is not a separate legal entity. It can neither sue (prosecute) nor be sued in a court of law without the prior consent of the concerned Ministry. It enjoys immunities like a sovereign body."

Advantages & Disadvantages:

Being located inside the Government realm and, therefore, state administrative machinery can exercise maximum control. This control solves the problem of communication of goals as well as ensuring perfect accountability. Its executive decisions are closely watched and supervised. Policy decisions are taken at the departmental level and are executed under the vigilance of the department. The Minister is responsible for its management and can be questioned in Parliament in the same

way as for other activities of the ministry. This is more
suitable for defence establishments, where questions of secrecy
and security are involved. Other notable examples of this
form are the railways and post offices, but all these examples
are not very applicable. Their operation directly or indirec­
tly affect the entire community and as such the Parliament
and Government have necessarily to exercise direct and near­
continuous control on their working. But it is now generally
accepted that the form of departmental undertaking is unsuitable
for the type of commercial and industrial enterprises. It is
universally recognised that if the public enterprises are to
be run successfully, they must, with a more liberal concept of
accountability, have the flexibility and autonomy necessary to
function on sound business principles and, therefore, should
not be subject to the procedures obtaining in the administrative
departments of Government. And as Professor Dimock has pointed
out, "If sufficient improvements could be made among the
departments in the direction of greater economy and flexibility,
there would be little or no justification for Public Corpora­
tions at all."

This type of management suffers from government bureaucrac-
red-tape and over centralisation. This is due to this fact that

1. M.S. Dimock, Government Corporations, a Focus of Policy and
Administration, in American Political Science Review, Vol.
XLIII, p.1163.
the normal government administrative and financial structure is incompatible with operational requirements of an enterprise of a commercial nature. Also due to too many officials at different levels are to be consulted before taking a decision, which means delay in decisions that often entails loss of an opportunity for a successful transaction. The management looks more and more towards the Government which, in turns, does not encourage it to take independent decisions.

Furthermore, the system of government audit, to which departmental undertakings are also subjected, is not suitable for commercial activities. To overcome this the Government has created a cell under the Comptroller and Auditor General, to audit the accounts of the commercial enterprises.

The staffing procedure, specially at top and middle management level, is also not conducive to better economic results. The permanent staff is derived from the civil service who are trained in a particular environment. They are not familiar with the industrial matters. Time factor is often a decisive factor which does not permit consultations with higher authorities before a decision is taken, and where every situation needs an immediate and prompt decision. The conditions necessary for an efficient running of a business enterprise call for a different type of a staff disposition.

The managerial functions are diffused among many officials, and the enterprises do not receive the type of managerial attention it needs. Due to lack of financial autonomy managements' financial powers are restricted and each time for financial grants minister is approached. All such things go to affect the efficiency of the enterprises.

There are other demerits of the departmental undertakings they operate under government cover; their reports appear along with the reports of the departments, they receive their finances from the departmental budgetary provisions and lastly they can not reinvest their profits. All these factors develop a tendency not to take losses seriously. The Rangoon Seminar also expressed the same view when it said, "Another weakness of this type of organisation that has been noted in countries of this region (i.e. Asia and the Far East) is that some times there has been a tendency not to take seriously the losses that have been incurred."

From the above discussion it can be summed that departmental management is not suitable for public enterprises of a commercial and industrial nature. A.G. Gorwala rightly observes "Departmental management must be the rare exception, not the

---
general rule. In many ways, it is the direct negation of the requirements of autonomy. It militates against initiative, flexibility.... "Nevertheless, in a few types, departmental management is inevitable. These must be defined, isolated and kept down to the minimum.

Departmental Undertakings in India:

The early State enterprises were set up as a branch of a ministry. The Railways and the Post & Telegraph are the classical examples of departmental management. The Post and Telegraph constitutes a department of the Ministry of Transport and Communication, while the Railways, headed by a Board was under the Ministry of Commerce and Industry till 1947, when a separate Ministry of Railways was set up as a result of the reorganisation of ministries after India won independence. A few examples are also there which show that some enterprises of industrial and commercial nature are departmentally run. These are Integral Coach Factory at Perambur (under the Ministry of Defence), Chitranjan Locomotive Works, the Wagon Assembly Plant (under the Ministry of Railways) and Jan Path Hotel (under the Ministry of Housing).

The industries directly meeting the requirements of the Defence Ministry are departmentally run. There is a Department of Defence Production Organisation in the Defence Ministry which is responsible for (1) overall defence production, (2) the coordination of plans for the maximum utilisation of existing production capacities, (3) the production of new capacities in the defence sector and (4) rendering such assistance to other ministries as is necessary for production in the civil sector for equipment and stores for the armed forces.

Management of Departmental Undertakings:

General pattern of Management is as follows. The top management consists of a General Manager or Managing Director, under whose charge the undertaking is placed. Normally a person of the rank of Secretary or Joint or Deputy, depending upon the situation, is deputed. He is under the supervision of the Head of the Department of parent ministry and is assisted by a team generally drawn from the ministry. In some cases Boards are set up with a view of flexibility and allowing for quick decisions. In India, the Railways, Post & Telegraph, the Defence Establishments have a board system. The Railway Board was set up as far back as 1905 and the Post & Telegraph Board was created in 1959. The Railway Board is assigned all the functions of a ministry. It has its own financial, administrative and
appointment procedures. It has its own account and audit section, which is under the charge of a Railway Board member called Member of Finance. It does not exist as a separate entity. The position of the Post & Telegraph Board is different than that of the Railways. Its powers are restricted to matters of non-policy decisions while policy decisions are taken by the Ministry of Transport & Communication under which it functions.

The nature of the Defence Production Board is different from the other two Boards. Its activities are confined to matters of Co-ordination, planning and research. It is assisted in its task by three sub-committees. Individual defence production units are under a chief executive, who, in turn, is under the four directors - the Director of Inspection (Arms) the Director of Vehicles, the General Director of Research & Development, and the Director of Production & Inspection (Electronics). At the open there is a controller General of Defence Production, who is assisted by a Director General of Finance.

But these boards are also not immune from certain sufferings. The responsibility for decision among several persons may cause irresponsibility, friction and indcision because often it holds true that every body's responsibility is nobody's responsibility. As has been rightly observed by
W.F. Willoughty, A prime essential of efficient operation is the definite location of administrative authority in the hands of a single individual rather than the division of such authority among a number of persons. The Boards enjoy real authority to the extent to which such authority is delegated. It has been a long felt necessity that for an efficient running of public enterprises a more independent authority needs to be created than is possible to do under the rigidities characterising the working of Government departments.

The Public Corporation:

The public corporation is the most important invention of the 20th century in the sphere of government institutions. This form of organisation is found in a number of countries throughout the world. In Britain, it has now been accepted by all political parties that a public corporation is the appropriate instrument for operating nationally-owned undertakings requiring management of a commercial or industrial character with the exception of iron and steel, the other industries nationalised in the U.K. were on the public corporation model.

With the rapid expansion of public enterprises, it became necessary to evolve new institutions to manage them. This is the one reason. Another reason propounded was the defects present in the departmental system. The opinion in many countries has run fairly in favour of the public corporation, on the ground that it provides just the right combination of commercial freedom and government control. The solution was found in the public corporation device which Professor Robson considered "Constitutional innovation." The underlying reason for the creation of the modern type of public corporation is the need for a high degree of freedom, boldness and enterprise in the management of the undertakings of an industrial or commercial nature and the desire to escape from the caution and circumspection which is considered typical of government departments. The two reasons viz. parliamentary supervision on the management and the Treasury Control over personnel and finance were likely to hamper efficiency and restrict initiative in undertakings of an industrial or commercial character.

Earnest Davies has described the public corporation as "a corporate body created by public authority, with defined powers and functions and financially independent. It is administered by a board appointed by public authority, to which it is answerable. Its capital structure and financial operations are similar to those of the public company but its stock holders

receive no equity interest and are deprived of voting rights and power of appointment of boards."

In the U.S. President Roosevelt's classic phrase, "It is clothed with the power of government but possessed of the initiative and flexibility of private enterprise.

Characteristics:

1. It is wholly owned by the state, and has no shareholders in the ordinary sense by of the term.

2. It is created by a special law and is not governed by the company law of the land. This special law defines its duties, powers, prescribes the form of management and determines its relationship with Parliament and the ministries.

3. As a body corporate, it has a separate legal entity, and can sue and be sued, enter into contracts, and acquire property in its own name. It enjoys a high degree of freedom in making contracts and dealing in matters of property.

4. It is independently financed and its finances are divorced from national budgets, except for appropriations to provide capital or cover losses. It obtains funds by borrowing,


either from the Treasury or from the public, and from the sale of its goods and services.

5. It is generally not subject to the regulatory and prohibitory statutes ordinarily applicable to public expenditure.

6. Generally its employees are not civil servants, and are recruited and remunerated under terms and conditions determined by the Corporation itself.

Merits & Lemerits:

Professor Hobson has laid down four "leading principles" of public corporation, and one of them is what he calls "disinterestedness." It has no interest of its own except to promote the interest for which it is created. It does not constitute a part of the government administrative machinery, and hence has no political interest. It has no shareholders in the ordinary sense of the terms and is not supposed to meet the interest of the shareholders. It exists for the fulfillment of the tasks enjoined upon it by law. This disinterestedness is the result of the fact that public corporations are not set up for profit motives but to meet public ends. This "disinterestedness" according to Herbert Morrison can be defined as "The

---

public corporation must be no more a capitalist business, the be all and end-all of which is profits and dividends .... It must have a different atmosphere at its board's table from that of a shareholder's meetings, its boards' and its officers must regard themselves as the high custodians of public interest.

Its second advantage is that it is free from Parliamentary enquiry into its management. Its policies are subject to parliamentary and ministerial control, but being a separate legal entity, it is not accountable to Parliament about its day-to-day working. The cannon of accountability is satisfied by the submission of its report and annual accounts to Parliament. Here accountability and autonomy are not blurred as it is Parliament itself which has given autonomy and has restriction on itself from intervening in the day-to-day management. Thirdly, its employees are not civil servants. This applies not only to its chairman, members of the board, Managing Directors, but also to the salaries and wage earning staff. This means that the Government allows a public corporation a greater measure of freedom within broad policy limits.

Fourthly, it is self-financed. Funds once allocated by the state, it is free to utilise them. It enjoys operational

and financial flexibility and can follow commercial practices in selling, purchasing and in carrying out its business. It can reemploy its revenues and borrowed funds and thus finance its projects.

Besides these advantages, there are certain defects also in this device. It is governed by the Special Act which provides certain immunities which are not extended to other corporate bodies of the land. These immunities may be in the form of taxation, accounting, sovereign privileges etc. This also raises some legal questions.

Secondly, its formation requires the lengthy process of going through the whole legislative procedure. Any subsequent change needs the amendment of the original Act. This inflexibility does not provide a suitable device for enterprises of a purely business and commercial nature.

Thirdly, as it is called "a state within a state", by Appleby. This means that a public corporation is also vested with some political powers which essentially should rest with politically responsible agencies of the government. A handful of men at the head of a corporation, who are not peoples' representatives, in the strict sense of the term, enjoy powers for which they are not fully accountable.
From the above discussion it is clear that the public corporations to some extent enjoy procedural independence and thus are better than the departmental undertakings. The government's powers to instruct a corporation on question of policy does not necessarily mean an encroachment on the sub-policy areas, but the embarrassing situation is that it is the Government which decides whether a question is or is not a matter of policy, so there can not be any statutory safeguards of corporations' autonomous working.

A Company Form:

This form of organisation, despite being castigated by certain authorities like Robson, the Rangoon Seminar, is commonly and employed in various countries including India. It has found favour in Sweden, Ireland, Pakistan, Italy etc. etc. The choice between public corporation and Government company is a difficult one. Because both the Corporation and the company provide autonomy and flexibility. It is not, therefore, possible to prescribe one and rule out the other. From the list of public undertakings it will be clearly apparent that the choice so far has been predominantly in favour of the company form. Of the total of 136 Central Government undertakings, 121 running public enterprises are registered under the company form as on 31st March, 1976.

2. See Appendix.
Characteristics of a Company:

Its capital is either wholly owned by the Government or jointly owned with private capital - domestic or foreign. The foreign collaborators may be either state or individual. In India, the state, in general, holds major shares, but in countries like France, Italy, Turkey, Pakistan etc. minority shares are also not uncommon. In India state holds not less than and 51% share are classified as state companies.

2. It follows that both state and private individuals can take part in management. In India, a common feature is to appoint foreign firms as consultants and they are allotted a certain number of shares for the sake of making them interested in the financial results of the enterprise.

3. The company is registered under the statutory laws enforced in the country. Its legal status is identical to those of the companies in the private-sector. Being registered under the company law, it enjoys a separate legal entity, with a perpetual succession and a common seal. It can sue and be sued in its own name. Its shareholders have a limited liability and its affairs are conducted through the recognised organ of the board of directors.

4. Financially it is free from Treasury and budgetary appropriations. Its capital funds are derived from the sale of stock to government or to private investors (if the government so decides) and its can borrow from both sources.
5. Its revenues are its own and it can plough them back in the enterprise. The income is derived through the sale of its goods and services, which do not constitute State revenue and also do not go to the Treasury. The State, being the shareholders, receives a proportional share of the profits.

6. From viewpoint of accounting it is free from the audit and account rules of the Government. Its final accounts are prepared and audited as in the case of a private establishment. In India, under the Indian Companies Act of 1956, was suitably amended and new sections were added which entitled the Auditor-General of India to approve the names of auditors and who also can cause audit either on his own initiatives or at the request of the concern or both."

Modes of creation in India:

The enterprise is registered, with the Registrar of Joint Stock Companies, under the Indian Companies Act. The law requires that at least two persons should sign as promoters and to fulfil this requirement the secretary of the parent ministry signs on behalf of the President of India, and also on his own behalf. The bulk of the shares are held in the name of the President, i.e., the state and shares worth a nominal value

(one or two) are taken in the name of the secretary of the department concerned. Standard Memorandum and Articles of Associations are also drafted for all companies. They are adopted with certain modifications and are not the same. These two documents have the legal force. These two documents determine the relations of the enterprise with the outside world and its internal working relations. Also the concerned ministry issues Instruments of Instruction to the companies under its control. Normally, it describes the objectives of the project and the responsibilities which are delegated to the Board. Although the President can, if occasion arises, issue directives.

It is pertinent to point out that before 1961, all government Companies used to put two words "Private Limited" after their name. Hindustan Steel on its request, was allowed to drop the word "private." Subsequently, it was decided as a matter of policy to delete the word "private." This is also to point out here that the words private or public have nothing to do with the two sectors, viz. public or private. So, its use should not be the cause of confusion as to the nature of the enterprise. Om Prakash has suggested a word "companies sole" to make it a provision in the Indian companies Act just for the

sake of distinguishing Voarment Companies and to avoid the
necessity of making one person sign on behalf of two. Professor
I.H. Farooqi has made another suggestion to put up the word
'State' after the name of the company to distinguish the Compa-
nies of the public sector from the private sector. And this
may be adopted for companies holding, 51% share on behalf of the
State 51% or more shares.

"There are a number of a Government Companies carrying
the word Corporation, such as State Trading Corporation, Metal
and Minerals Trading Corporation, Fertiliser Corporation of
India, etc. and at the same time public corporation created by
special Act of Parliament, make the whole matter analogous.
For example Indian Airlines Corporation, Life Insurance Corpora-
tion of India, Air India Corporation, etc. So to do away with
the confusion this can easily be done if the word corporation
is replaced by some suitable word like board or commission, e.g.
State Trading Corporation (Ltd.) can may be named as "The
State Trading Board (Ltd.)" or the Fertiliser Corporation
2
may be called the Fertilizer Company."

Reasons for Adopting Company Form:
The main arguments for adopting Company form are as
follows. It provides an opportunity for the participation

1. Macro Structure of Public Enterprise in India, Farooqi, I.H.
2. Ibid., p. 111.
of private capital as well as association of non-officials on the Boards. Secondly the Government of India had invited foreign investors which in turn have to deal with the Government of India. In the case of corporations, such contracts are more difficult and, due to rules of protocol, foreign embassies and Governments can not directly deal with the units. Thirdly, the state companies Act, which imposes the same disciplines for State Companies as for private companies. Fourthly, on the ground of a developing economy, there it is advocated that the need is for or later flexibility, delegation and quick decision and all such requirements are readily obtainable in this form of organisation, i.e. Company form.

There are other reasons also which favour this form of organisation. Its employees are not necessarily civil servants which consequently makes its working less bureaucratic. The enterprise can chalkout its own policy of recruitment, training and promotion. Another advantage, in the words of V.V.Ramanadhan, is its "philosophical significance". Public and private companies are treated on almost equal footing. By and large, except certain sections of the companies Act which are not applicable to the state companies, the State Companies resemble the private companies.

Despite these advantages, the company form has come under heavy fire from different quarters. Most of the criticism is based on the accountability aspect. First, the companies are not indeed as accountable to Parliament regarding their affairs as departmentally managed undertakings. But in practice the undertaking operates under the surveillance of the department to which it is attached. Therefore, in reality, it neither enjoys autonomy nor is fully accountable.

Main criticism as summed up by the Administrative Reforms Commission are as follows:

(i) the undertakings set up as Government Company evade constitutional responsibilities which a state-owned enterprise owes to Parliament.

(ii) the law regulating limited companies become a mere fiction as all or most of the functions normally vested in the shareholders and management are with the Government.

(iii) a meeting of the shareholders in the case of a Government company is meaningless as declaration of profits and appointments to the Boards resulted with the Government.

(iv) the extent of autonomy provided could be reduced by the executive agencies of the Government.

The Estimates Committee in their 80th Report (April, 1960) took note of this criticism and recommended that all wholly state-owned public undertakings should generally be in the form of statutory corporations. The company form should be an exception to be resorted to only when Government have in an emergency to take over an existing enterprise or have decided to launch an enterprise either in association with private capital or with a view eventually to transferring it to private management. In their reply to this recommendation given in September 1962, Government contended that "Company form was advantageous in that it allowed the flexibility and autonomy for the successful operation of Commercial enterprises and also provided for Parliamentary control over the Companies under the special provisions of the Companies Act."

A.R.C. Report made some recommendation to this effect are: "For projects in which there is an element of private participation, the Government company form may be adopted. Secondly, undertakings which are dominantly trading concerns or which are set up to improve and stabilise particular areas of business may have the company form. Thirdly, the corporation form is not suitable for promotional and developmental undertakings. Government reexamine the desirability of continuing

1. Estimates Committee 80th Report, April 1960, p.5.
these undertakings as Government Companies. Since the Commercial and trading concerns operate in a competition with their counterparts in the private sector, there is perhaps some justification in retaining the company form. Also, in the category of financial institutions, Life Insurance Corporation of India is a statutory corporation. The two other undertakings, viz., the Export Credit and Guarantee Corporation and the Film Finance Corporation which function as lending agencies may continue to retain the company form."

**MANAGEMENT**

With the growing participation of state in industry and with the progressive widening of public sector, management of Public Enterprises has assumed considerable significance. These enterprises are contemplated to generate directly and indirectly the bulk of new employment and to provide economic surpluses and savings out of which future additional growth would be financed. They should obviously run efficiently. They should have decentralised authority to take decisions quickly. The essence of the problem of management of Public Enterprises is the development of a suitable form of control, the foundation of an expanding nucleus of suitable personnel at all levels and above all the building up of sound traditions suitable methods

---

The top management of a state company consists of a Managing Director or a General Manager. The Articles of Association of various Government companies provide that the President of India shall have the right to appoint all the directors with the exception of directors to be appointed by the technical consultants or private interests, if any. In the case of the H.S.L. Hindustan Steel (Ltd.) all the directors are appointed by the President. In the Hindustan Shipyard Ltd. where it had private participation as well, the President was authorised to appoint 6 directors, apart from the Chairman and the Managing Director. The maximum numbers of directors provided by the Articles was 14, thus private interest was authorised to appoint a maximum of 8 directors.

The Articles generally provide a maximum and minimum number of directors. The actual strength of the board is determined by the President, within the limits specified in each of the Articles of Association. The number of directors vary from 3, as in the Hindustan Housing Factory Ltd., to 12 as in the Hindustan Ship-Yard. The normal strength of a board is between 7 to 10, the President of India determines their salaries and allowances. He also determines the term of

office and has a right to remove any director from office. The directors are not required to hold qualifications shares, thus a financial stake is not a necessary condition to be a director, as is the practice in the private enterprises.

Each Board has a chairman who is also appointed by the President. In some cases one of the directors is appointed as chairman and in other cases a man from outside the word is nominated as chairman. Generally his powers are defined but in few cases such as the Bharat Electronics Ltd. the powers are not defined. His principal duties are to preside over the meetings and conduct the proceedings. He has a right to reserve for the decision of the Government any proposals or decision of the Board of Directors or any matter brought before the Board, which raises, in his opinion, an important issue, and which is, on that account, fit to be reserved for the decision of the Government. On such matters no decision can be taken by the Board in the absence of the Chairman. The President can also nominate a person to sit and vote at any specific meeting of the Board.

The Managing Director is the executive head of the organisation. He is ipso-facto a member of the Board. His appointment and terms and conditions of service are also determined by the President of India. He is the whole time employee and conducts the management of the concern under the supervision
and control of the board of directors. He has got delegated powers and is accountable to the board. But an anomalous situation is that he is neither appointed by the board nor can the board remove him from office. In some cases an official of the parent ministry holds the office of the managing director, and retains at the same time his office in the ministry, thus becoming a part-time managing director. In the state trading corporation (Ltd.), the joint secretary of the ministry of commerce and industry was the managing directors.

The financial adviser also constitutes an important part of the management. A representative of the ministry of finance is appointed as finance adviser. Generally, he is a member of the board and performs the function of advising the managing director on financial matters. The position of the financial adviser is a matter of subject regarding his relationship with the managing director. One view is that he should be given a right to approach the authorities higher than the managing director in case of a disagreement between himself and the managing director. This view is based on the plea that as an expert on finance his advice if, not accepted by the managing director, should be made known to the higher authorities such as the board and the government on the other hand, it is argued that it is the managing director who is responsible for running the enterprise, that, to maintain the unity of
command, the Financial Adviser should not be allowed to by-pass him.

In the light of the above discussion it is easy to understand the close relationship between the management and the efficiency of Public Enterprises. The success of Public Enterprise, which interdepends on their successful management, Managerial efficiency and better coordination efforts have resulted in steep increase in capacity utilisation in enterprises which were operating below capacity.

---

CHAPTER IV

PUBLIC CORPORATION IN INDIA

The public corporation is to be found in one form or another in many countries of the world; in Britain and Common wealth countries, in the United State, in France, Belgium and many continental countries. Public Corporation was specifically devised as an organ of Public Enterprise and it has become a chosen instrument for this purpose in many lands. "The principal object which had led to the development of public corporation were the desire to entrust the economic functions of the state to bodies which should possess a large measure of independence of the Executive, and thereby secure freedom from the regulations normally applying to personnel and finance in Government departments. In Parliamentary democracies an important factor was the need to provide immunity from liability to parliamentary questions in respect of day to day administration."

Public Corporations are of a recent origin in India. Before the year 1948 no public corporation had been set up in India but in that year alone 5 public corporations had been set up one by one. These were the Rehabilitation Finance Administration, the Damodar Valley Corporation, the Industrial

---

Finance Corporation, the Employees State Insurance Corporation and the Reserve Bank of India. The R.B.I. had already been in existence since 1935 but it was converted into a Public Corporation in 1948.

Then in 1953, two Airlines Corporations were created. These were the Air India International Corporation and the Indian Airlines Corporation under the Air Corporation Act, 1953, by nationalising the then existing all the private companies working in the field of air transport. The Imperial Bank of India, now the State Bank of India was made a public corporation in 1955. The Central Ware Housing Corporation was established in 1956 with the view to facilitate the availability of short term rural credit on the security of farm produce. The business of Life Insurance was nationalised first in 1956 for the administration of which the Life Insurance Corporation of India was set up. After a gap of 5 years in 1961 the Deposit Insurance Corporation was set up to ensure bank deposits of this country. In 1963 the Agricultural Refinance Corporation was set up as an agency to provide long term credit needs of agriculture.

Modes of Creation in India:

Public Corporations are established by a special Act of Indian Parliament. The Constitution of India lays down that

1. Article 246 of the Constitution of India.
only the Union Government has the authority to set up such bodies. Even when a corporation is meant to serve a state, it has to be created by Parliament as the State Assemblies cannot create autonomous corporations. A bill in Parliament is piloted by the minister who is directly connected with the corporation. The Air Corporation Act was moved by the Minister of Communications, the Life Insurance Corporation Act was moved by the Minister of Finance. Such a bill can not originate in the Rajya Sabha (the Upper House), but has to be moved in the Lok Sabha (the Lower House) as the constitution provides that all money bills must originate in the Lower House.

The Government appoints Board which are delegated power to run corporations. While dealing with powers of appointments, etc., the Act provides that the Central Government would exercise such powers. The word Government signifies that the public Corporation is not under a particular ministry or department.

"It is, however, possible that in course of time we may have a law of Public Corporations, under which public corporations can be established as and when found convenient obviating the necessity of obtaining a fresh mandate from Parliament on every occasion. Already in case of corporations established under the State Governments in India, there are several such
laws. Therefore under the Road Transport Corporation Act, 1950, State are free (now) to establish state-owned Corporations. Similarly there is State Financial Corporations Act, 1951, State Warehousing Corporations can be established under the Produce (Development and Warehousing) Act, 1956. Under this two public corporations were established at the Central Government level."

**Damodar Valley Corporation:**

The Damodar Valley Corporation has been set up for the administration of a multi-purpose river valley project which was established to control floods which used to take a heavy annual toll. The Damodar Valley Corporation Act was passed in February, 1948 that brought into existence the Damodar Valley Corporation whose functions as enumerated in the Act are as follows:

(a) The promotion and operation of schemes for the generation, transmission and distribution of electrical energy, both hydro-electric and thermal.

(b) The promotion and operation of schemes for irrigation, water supply and drainage.

---

(c) The promotion and operation of schemes for flood control in the Damodar Valley and its tributaries and the channels if any, excavated by the corporation in connection with the scheme and for the improvement of flood conditions in the Hoogly river.

(d) The promotion and control of navigation in the Damodar river and its tributaries and channels.

(e) The promotion of afforestation and control of soil erosion in the Damodar Valley and

(f) The promotion of public health and the agricultural, industrial, economic and general well-being in the Damodar Valley and its area of operation.

Achievements:

The 3 main objects of this project are flood control, power and irrigation including subsidiary objects which mainly comprise of navigation, afforestation, control of soil erosion and promotion of public health and the agricultural and industrial, economic and general well-being in the Damodar Valley. The important industries benefiting from the Damodar Valley Corporation transmission are the Iron & Steel Works at Jamshedpur, Burnpur and Kulti, the copper mines and works at Ghatshila, the coal mines at Jharia and Maniganj, the Locomotive Works at Chitrakait, the Associated Cement Works at Sindri, the Bicycle Factory and Glass Factory at Asansol, the
Fire Clay and Engineering Works at Kumardhuti etc.

A correct evaluation of the working of the Damodar Valley Corporation cannot be made merely by considering the constructions that it ultimately has to its credits. Time and cost that these constructions have involved are also to be taken note of. Judged by these criteria the working of the corporation is by no means very satisfactory. As observed by the Public Accounts Committee, "Not a single unit of the project has been completed by the date forecast in the estimates prepared in 1961." But judged by its performance now it is all poised for earning high profits. Latest information is that "the Damodar Valley Corporation has made a net profit of Rs. 10.84 crore and a gross gain of Rs. 16.84 crore in 1975-76 as against a loss of Rs. 48 lakh in the previous year." The Corporation does hope to earn a gross profit of Rs. 22 crore this year. Mr. A. K. M. Hasan, Damodar Valley Corporation General Manager ascribed the Corporation's improved performance to higher generation of power and off-take. "A high average load

factor of 60 to 70 percent marked the steady demand during 1975-76. Damodar Valley Corporation produced 484 million units in August, 1976, which was a record for any month since its inception."

**Industrial Finance Corporation**

In 1948 another public corporation, namely, the Industrial Finance Corporation of India was set up "for the purpose of making medium and long-term credits more readily available to industrial concerns in India, particularly in circumstances where normal banking accommodations is in appropriate or recourse to capital issue is impracticable. One of the causes of the slow industrial progress of the country has been the non-availability of industrial finance. After the Second Great War, the creation of such an institution became imperative to support the industries which had sprung up in the country during the Second Great War due to the favourable conditions which were created by the war. Some of the industries were in bad shape due to lack of finance when favourable conditions had gone with time and increased competition had arisen in the field. After independence the Government adopted a progressive industrial policy and realised the importance of its role in the plan for a rapid economic development of the country.

---

Employees' State Insurance Corporation:

In 1948 another public corporation, viz. the Employees' State Insurance Corporation was set up for administering a social insurance scheme for the industrial workers in the country. Social insurance is a device for providing social security to the members of a community. Social security is the economic security which society furnishes to its members against certain hazards to which generally exposed. These hazards are, sickness, maternity, disablement, death of the bread-winner, unemployment, invalidity, old age, etc. The need for social action for making a provision against such contingencies arises because of the fact that one can not provide for himself adequate protection against them by his individual efforts and foresight alone. It is true of the classes of industrial workers, not only because its income is so low as to leave hardly any margin for saving but also because it is more exposed to such risks than other sections of the community. On December 10, 1948, the General Assembly of the U.N.O. adopted and proclaimed the Universal Declaration of Human Rights, Article 25 of which runs as follows:

"Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including good, clothing, housing and medi-care and necessary social services and the right to security

in the event of unemployment sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control."

Under the Directive Principles of State Policy, Article 41 of the Constitution of India also recognised the obligation of State in this regard. It lays down:

"The state shall, within the limits of its economic capacity and development, make effective provisions for securing the right to work to education and to public assistance in cases of unemployment, old age, sickness, and disablement and in other cases of undeserved want."

Air Corporations:

Air transport services in India are of recent origin. There were two pioneer companies in this field, Tata Airlines Ltd. and the Indian National Airways Ltd. During the Second World War these two companies made remarkable progress. They operated the Empire Mail Service and received contracted payments from the Government.

In May 1963, the Air Corporations Act was passed which provided for the setting up of two Air Corporations, viz. the Indian Airlines Corporations and the Air India International Corporation. The former is run to meet the internal air services
and the latter one the external. The Act lays down that it shall be the function of each of the corporations to provide safe, efficient, adequate, economical and properly co-ordinated air transport services, whether internal or international or both and the corporation shall also exercise their powers as to secure that the air transport services are developed to the best advantage and in particular, so exercise those powers as to secure that the services are provided at reasonable charges.

State Bank of India:

Formerly State Bank of India was known as the Imperial Bank of India. Mainly, these were to objectives of the nationalisation of the Imperial Bank of India, viz. avoidance of concentration of economic power and reduction in equality. Secondly, it was conceived as a state sponsored bank. However, there were counter reatutation regarding the nature of the Imperial Bank that the Act of the Government did not put it on a different footing from other commercial banking institutions.

The monopoly that the Imperial bank enjoyed enabled it to earn huge profits, which in its turn enabled this bank to indulge in an unfair competition with other commercial banks in their usual banking business. It was being contended by the

1. Section 7 of the Air Corporations act, 1953.
commercial banking interests in India that if any particular bank was to be "the sole beneficiary of the Government patronage it should be divested of its commercial activities. The bank was being accused of pursuing a policy detrimental to the growth of commercial banking in India and of being absolutely indifferent to the rural banking needs of the country. Serious defects were also found to be inherently present in the system of the constitution of the Board of Directors which made the executive extremely bureaucratic.

The Bank was also said to be non-Indian in character and 'a strong exception has been taken to the fact that an institution working under a special Act of the Indian Legislature and holding the custody of currency chests and monopoly of Government cash work should have a majority of its senior appointments held by non-Indians. It was being further argued that extreme centralisation of banking in a vast country like India would not meet needs of a developing economy for which local resources should be allowed to mobilised and developed.

In pursuance of the recommendations of the Rural Enquiry Committee which was established in 1949 and to report on the Imperial Bank of India, the Government of India passed the State Bank of India Act in 1955. The main object of creating the State

2. Ibid., p.87.
Bank of India was the creation of a strong, integrated, State sponsored, State partnered Commercial banking institution with an effective machinery of branches spread over the whole country which by further expansion can be put in a position to take over cash work from non-banking treasuries, provided vastly extended remittance facilities for cooperative banks and other banks, thus stimulating the further establishment of such banks.

Central Warehousing Corporation:

Another field in which a public corporation was set up by the Government of India was that of warehousing, both rural and urban. The sorry state of affairs is that the agriculturist who is very poor in India has to sell his produce just after the harvest season because he needs cash for different purposes. Agriculturists have to pay debts which they usually incur during the sowing seasons. Secondly, he is also confronted with the problem of storage. Also he gets poor return on the sales of agricultural produce due to the slump in prices.

The problem of agricultural finance was thoroughly investigated by the All India Rural Credit Survey Committee (1951) which submitted its Report in 1954. This committee analysed the causes of the hopelessly slow progress of the cooperative movement in the country in general and the growth of cooperative rural credit in particular. It held the view that the movement had failed to tackle the problem of agricultural development in an integrated manner.
The All India Rural credit Survey Committee made concrete and detailed recommendations in this respect. It lays down as follows:

"A planning and financing body at the centre, e.g. Under the Ministry of Food and Agriculture, sufficiently expert and representative and adequately provided with finance, which would plan a whole system of storage warehousing after taking into account such part of the civil supplies storage of the central Government and the State Governments as may be suitable for the purpose. This body would plan for the whole country and would be put in a position to subsidise and finance. At the same time it would be organisationally related to different coordinated agencies which would carry out the programme."

As a result of recommendations made by several committees the Government of India enacted the Agricultural Produce (Development and Ware Housing) Corporation Act in 1956. For the purpose of warehousing the Act itself provided for the creation of the

central warehousing corporation and state warehousing corporations. Consequently in 1962 a new Act, viz., the Ware Housing Corporation Act, 1962 was enacted, which gave the Central Ware Housing Corporation an independent status.

The Life Insurance Corporation Act 1956:

In the year 1956 the Government of India passed the Life Insurance Corporation Act which created the Life Insurance Corporation of India to carry on the life insurance business, both in and outside India and to "so exercise its powers under this Act as to secure that life insurance business is developed to the best advantages of the Community." To perform its functions the corporation has been empowered to invest its funds and to take all such steps as may be necessary or expedient for the protection or realisation of such investment, to acquire, hold and dispose of any property, to advance or lend money upon the security of any movable or immovable property or otherwise, to borrow or raise money and to carry on any other business which may seem to it to be capable of being conveniently carried on in connection with its business and calculated directly or indirectly to render profitable the business of the Corporation.

Deposit Insurance Corporation:

Deposits Insurance Corporation has been established in the year 1962 to ensure the bank deposits of this country. The main

1. Section 6 of the Act.
aim of a banking institution is to collect the savings of the masses by way of deposits and to make a profitable investment of the same. Thus, the fund which a bank invests consists of small savings of the masses and not of the bank. Under such circumstances if a bank fails the ultimate loss is caused to the depositors. Therefore it is necessary that in order to save the depositors' interest every deposit of a bank should be saved and insured. The depositors should not suffer on account of the bankers mistake.

There were two banks, namely Laxmi Bank Ltd., and the Palai Bank Ltd. which failed due to heavy run on 28th June, 1960 and 9th August, 1960 respectively. The sufferings caused by these two banks affected the confidence of the depositors to a great extent in the banking business. As a result, the Government passed the Deposit Insurance Corporation Act in 1961, and the Corporation started functioning from 1st January, 1962.

**Agricultural Refinance Corporation:**

In the year 1963, another field covered by the institution of public corporation is that of agricultural finance. India is primarily an agricultural country. Agriculture provides employment to over two-thirds of the country's population, produces good grains for the teeming millions, supplies raw materials to a number of industries and earns some amount of foreign exchange

every year. It is of paramount significance that there should be full development of agriculture in the economic edifice of the country is to be sound and secure.

With the view of fulfilling the long felt need for a separate agency for agricultural development and thus to have the facility of long term credit structure for agriculture that the Agricultural Refinance Corporation Act was passed which created the Agriculture Refinance Corporation. It started functioning from 1st July 1963. The Corporation is mainly a refinance agency concerning itself only with major projects for agricultural development.

Thus, from the above study, we infer that although small in number the public corporations cover a wide field like the all round development of a river valley, the supply of air transport, insurance and banking services, supply of long term industrial and commercial credit, provision of storage facilities for agricultural produce and thereby facilitating the availability of short term rural credit and the administration of social security scheme. Each one of the public corporation is a huge concern and is vital to the growth of the country's economy. It is on the successful working of these corporations, as on that of other public enterprises, that the success of planning in the country largely depends.
Top Management:

The success of any enterprise depends, among other factors, on the quality of men constituting. Professor John C. Baker in the preface of his book says that "All too little attention, however, has been paid to corporate directors." Professor Robson also considers the board as an important element of the "theory of public Corporation."

The top management of the public corporations, as compared to the organizational structure of the State Companies, varies to a substantial extent. Normally the incorporating Acts provide for a board of directors to be appointed by the Government. In the case of D.V.C., the Board consists of only 3 members, appointed by the Central Government in consultation with Governments of Bihar and West Bengal. According to section 55 of the Act, the Centre is empowered to determine the terms and conditions of service of the Chairman and other members of the board. The Central Government also appoints a secretary and a financial adviser; the former is the chief executive officer. All other officers and employees are appointed by the Corporation itself. The D.V.C. has the smallest board of 3, while another public corporation, i.e. the Employees State Insurance

---

1. Directors and their Functions, J.C. Baker, Division of Research, Graduate School of Business Administration, Harvard University, Boston, 1946.

Corporation has a Board of 34 members. The former has a functional Board, while the latter has a policy Board. The Employees State Insurance Corporation Act does provide for a standing committee of the corporation, whose Chairman is nominated by the Central Government, and also provides a Medical Benefit Council. The Chief Executive Head is the Director-General appointed by the Central Government in consultation with the Corporation. His term is for five years subject to renewal. Among other officers appointed by the Central Government, in consultation with the corporation is the actuary. In other Acts there is no provision for the consultation of the Corporation by the Central Government in making the appointment of the Chief executive or other officers. The Corporation can create posts carrying a salary up to Rs. 500 per month, beyond this limit the permission of the Central Government is required.

In the two Air Corporations the Act provides for boards appointed by the Government. The number of Directors may be between 4 and 8. One of the members of the Board is appointed as a Chairman. The same person can be the Chairman of both corporations, and the members may sit on both boards. The term of office is determined by the order of appointment. The Chairman of the Indian Air Lines is full-time while that of Air India is on a part-time basis, and instead has a Managing Director who is a member of the Board. The Act empowers of corporations to
appoint a General Manager with the approval of the Central Government. Thus in one corporation the executive head is the General Manager, while in the other he is the Managing Director. It further provides that corporations may appoint a Committee or Committees to whom it can delegate its powers; and can direct its officials to exercise its powers "to the extent to which the corporation deems it necessary." Thus, the Board enjoys greater autonomy in matters of delegation of powers.

The Board of the Life Insurance Corporation of India (L.I.C.) can not exceed 15, and its actual number is determined by the Government of India. There are 15 members including the Chairman, who is on a whole time basis. Section 20 of the Act does lay down that the Corporation may appoint one or more managing directors, who will be whole time employees of the Corporation. It has one Managing Director and three Executive Directors, who are all members of the Board. Thus the Board does consist of full-time as well as part-time directors and also presents a third alternative form. Section 19 of the Corporation provides that the Chairman will be the chief executive, who, in the emergencies shall be authorised to exercise all the powers of the Executive Committee, otherwise the Executive Committee would be the body to take decision on behalf of the Board. The Act provides for 4 Zonal offices and the Corporation can increase their number with the approval of the Central Government. Each Zonal Office shall be under the Zonal Manager, who is not a member of the
The Corporation is authorised to set up Zonal Boards as well as to advise the Zonal Manager.

From the above brief discussion of the top management of a few public corporations clearly shows that the Government has adopted a pragmatic approach in setting up the boards and the top management. Except in matters of general principle, no two corporations are formed alike. The size of boards, their character, and their functions differ from Corporation to Corporation.

The D.V.C. has a functional board, R.S.I.C. has a policy board and the L.I.C. has a combination of the two. Differences are found even in the two Air Corporations, which are set up by one Act. In one case, Mr. J.R.D. Tata, a private industrialist was appointed as a part-time chairman, while in the other Mr. Shankar Prasad, I.C.S. (Indian Civil Service), was appointed as a whole time Chairman. The L.I.C. has been given a greater latitude than the D.V.C. to form its own top management. The Air Corporations may appoint committees, but in the case of L.I.C., the Act provides for an Executive Committee.

The Board of Directors:

Definition of Board of Directors: It may be defined as an organ, with a continual existence, consisting of a group of persons working jointly and collectively, for the control,
supervision, and management of the affairs of a corporate body. For a Board there should be at least two persons. Secondly the Board acts jointly and collectively. No individual director can take a decision on matters vested in the Board. An individual director may enjoy delegated authority and may be given certain executive powers, but in matters of policy decision it is the Board in whom the ultimate power rests. Thirdly, to make its decision legal they must be taken at a legally convened date. Fourthly, a Board is a nucleus which makes a corporation a workable type of institution.

There is need for a Board to find out the areas of decision — what Simon calls the second stage in the decision making process. One man direction has a tendency to lead to autocracy and concentration of managerial powers. Both these trends are not conducive to efficient management. Another important aspect of the efficient management would be to taking a decision at the right moment. And, therefore, "pushing up" or "pushing down" the decision would result in delays and bad management. Professor 2 Galbraith has rightly remarked that a bad decision can be rectified but the time lost in waiting for good decision can not be recovered. This symbolises the importance of the time-factor in decision making.


Then there are some practical aspects, other than legal requirements, calling for a Board. For instance, the success story of T.V.A. was accomplished due to the resourcefulness of its Chairman Mr. Gordon R.Clapp. This aspect emphasise the importance of the leadership which goes to the making or unmaking of an enterprise. A group of men, in the form of a board, can resist more easily pressure from above than a managing director. The D.V.C. resisted the Bihar and Bengal State Governments' interference to such an extent that ultimately the matter was referred to the Supreme Court of India.

**Types of boards:**

Generally speaking, non-industrial and financial enterprises, such as banks, insurance companies, finance corporations, have larger boards than enterprises of an industrial and commercial nature. The type of the board itself influences the size. A policy board may be bigger than in size than a functional board. Broadly speaking there are three types of boards that we have come across in the public enterprises and each of these may be found suitable under different circumstances. These are the policy making board, the members of such a board are part time except the chief executive who may be the full-time chairman or managing director (most of the public undertakings have this type of boards at present).
(2) **The Functional Board:** The members of such a board are full-time, and have specific responsibility for different subjects (the most notable example is that of the Railway Board); and

(3) **The Mixed-Board:** which is a combination of both part time and full-time directors, the latter having specific responsibility for some of the subjects (the boards of the Indian Oil Corporation and the two trading Corporations are examples of this type.

Preferences on this issue differ widely. One of the arguments advanced in favour of a policy-making board is that of economy. It is argued that where the operations of an undertaking are not on a sufficiently large scale, the work does not require more than one full-time director, and the appointment of more may simply involve unnecessary expenditure and cause frictions. On the other hand, opinions in favour of the policy making board are on the ground that the presence of functional directors on the Board often blurs the authority of the chief executive and leads to friction. They, therefore, hold that there is considerable advantage in having only one executive responsible for the undertakings operations as a member of the board.

On the other hand, it is asserted that a board composed of part-time directors hardly serves much purpose. Since part-time directors are unable to devote the time and attention required of a director. Most of these part-time directors are but Government officials. Sometimes, they are so pre-occupied with other responsibilities that they do not find the time to attend the meetings of the boards especially if meetings take place fairly frequently. It so happens that in most cases the part-time directors are neither fully aware of the problems of the undertakings nor in a position to make any significant contribution to the functioning or growth of the undertakings. These and for some other reasons it is that the policy-making boards constituted today attract criticism.

There is little doubt that a fully functional board is neither possible nor desirable for every public undertaking, so Professor Hanson in view of special conditions in the developing countries, suggested "mixed boards" consisting of full-time Chairman with a few full-time executive directors and the rest part-time members. For, except the very small enterprises of functional director must be included in every board. This will neither cause friction nor blur the authority of the chief executive. The chief executive authority should be recognised but

the executive heads of key departments should not be worked upon as a mere subordinates of the chief executive. This must be remembered that the success of industrial or commercial undertaking will depend upon the ability of the top management to function as a team. To this end a pointed suggestion of the Administrative Reforms Commission has made. "No organisational reforms can be effective unless special attention is paid to the human factor, both at the managerial and operating levels. It is, therefore, necessary that personnel of all categories should be helped and encouraged to develop the requisite will, attitude and a sense of belonging as well as necessary abilities, skill and spirit de corpse required for forging public enterprises into an effective instrument for economic advancement national welfare."

Delegation of Power:

The powers delegated to the boards of the Public Enterprises can be classified into two categories - (a) General powers and (b) specific powers. In case of public corporation general powers include all such acts which a corporation or by the acts setting up public corporations is authorised to exercise for carrying out the business of the concern and for which the acts have not specifically mentioned any condition. The specific powers are those which are mentioned in the Acts such as to acquire property, to conduct monetary transactions, to invest and

---

to borrow money to appoint officers and other employees, to delegate powers subject to ultimate control by the boards, to utilise surpluses and soon. For the sake of convenience we can study these powers as Financial Powers and Administrative Powers.

**Financial Powers:**

"The Boards of Directors of Public Enterprises are authorised to sanction capital expenditure without prior reference to Government within specified limits on works and schemes which comes within the approval objectives of the enterprises. The boards are also fully authorised to sanction all capital expenditure in cases where the Detailed Project Reports have been approved by Government and also permit variations in the estimates of not more than 10% for any particular component part. This delegation also covers invitation to tenders and their acceptance relating to such works."

"It is not necessary for public Enterprises to submit their revenue budgets for prior approval except in cases where Government is expected to make up the deficit, if any, in the budget. The revenue budgets as approved by the Boards of Directors of Public Enterprises have to be sent to Government only for information of production targets, profitability, etc."

"The Public Enterprises may approach financial institutions such as Industrial Finance Corporation, the Industrial Development

---

Bank of India for financial assistance for expansion programmes, provided they have sufficient internal resources and have declared dividends and provided they do not come to Government for financing their future expansion programmes.

Administrative Powers:

"Till recently appointments to the top posts of Managing Directors, General Managers, Financial Advisers etc. were to be made by Government. In respect of others where the pay exceeded Rs. 2250 p.m. (and in some cases Rs. 2,500 p.m.) many enterprises had to obtain the approval of Government both for creation of posts and for making appointments. But henceforth the Public Enterprises will be competent both to create posts and to make appointments thereto, in irrespective of pay for all posts below the Board level (excluding only the General Managers of constituent units) without any reference to Government."

"The appointments of Financial Advisers will also be made by boards. Only the Chairman/Members of the Board of Directors and the General Managers of constituent units will in future be appointed by Government.

Tenure of Office:

In this respect no uniform practice is followed. The D.V.C. Act says that the term of service shall be in accordance with the
rules of the corporation (the rule lays down that the Chairman, Members, Secy, and Financial Advisers shall be appointed for such terms not exceeding five years as the Central Government may think fit and shall be eligible for reappointment).

The Air Corporation Act fixes no Tenure and the Government decides the term at the time of appointment. The members of L.I.C. hold office for two years. In the Industrial Finance Corporation, the directors hold office for 4 years and can not be eligible for reappointment after having served two consecutive terms.

If the Board is for too short a period, it would lack continuity and consistency of policies. A Board having one or two years life span would be more inward looking and would perhaps devote less energies to long term policy-making. On the other hand, a Board for a very long term had its own drawbacks. It will be an obstacle in infecting new blood and the Board will be deprived of new ideas, and the new outlook which new members might have brought with them. Therefore, a short tenure is harmful and a very long one is inexpedient. It appears that a period of 4 to 6 years can be considered as conducive to better working. The tenure of three years for the Chairman and the Managing Directors and of two years, for other members of the board, as suggested by the Menon Committee seems to be too short

a period. The Gorwala Committee's view that a tenure should be 4 to 5 years is more appropriate.

**Remuneration:**

In the public corporations, members are part-time, who are paid for travelling and other allowances for attending the meetings. The part-time directors drawn from the Civil Service are paid allowances for attending the meetings and the directors having the executive duties are paid as executives. For such directors, the Menon Committee recommended "to compensate these directors, for the additional responsibilities placed on them, one may adopt the practice to pay them either an allowance or a solatium for the additional work and responsibilities entrusted to them (or pay directors' fee for meeting only)."

The rate of remuneration in the state enterprises can not be as high as in the private industry. Fat salaries can not be paid to the executives of state enterprises mainly due to factors viz. it is in compatible with ideal of socialist pattern of society and the government efforts to reduce in equality and secondly, the state cannot pay more to its employees than what the President of the Republic gets. The salary scales in Public Sector should also have some relationships with the scales in the government service. The salary scales in private firms are much

higher especially for the top management positions. When the Imperial Bank of India was nationalised, its General Manager was getting Rs. 20,000 per month. Another feature of private sector's remuneration policy is that the scale of pay are basically personal. Can this practice be followed in Public Enterprises? The appointment of a Swiss national as chief in the Ashoka Hotel at a very high salary was criticised in different quarters and even the Estimates Committee did not spare the Government on this issue. It is a common knowledge that pay and prestige go together, thus the executives, in the Public Enterprises can not be paid more than the Civil servants who exercise control over them.

However, the need for monetary incentive is there. Also due to the consideration of retaining the talents in the Public Enterprises and, therefore, some form of improvement in the scale of pay is necessary.

"Public Corporations despite many improvements are frequently charged with defects of bureaucracy. But given greater mobility in public services and between these services and private employment, it is fully practicable and possible to prevent in them any development of bureaucracy." The Estimates Committee

1. Even in the U.K., the appointment of Dr. Beeching, formerly of the ICI as Head of the Railway Board at a salary of £ 24,000 per annum was criticised in the Press and Parliament.

once considered that "the Board of Directors who have been appointed to the various undertakings, have not been fulfilling any useful role in as much as they are all nominated by Government, mostly from the Government officials of the various ministries, their power being limited. They meet after long intervals and, except for being modelled on the pattern of organisation usually adopted in a private joint-stock company, nothing of importance either from the point of view of Government or from that of the undertaking has been done by them. It, therefore, suggested that this system of appointing board of directors should be abandoned and the management should be entrusted to a managing director or a board of managing directors. The Krishna Menon Committee also suggested that the board of directors should consist of financial talents and representatives of labour. The committee expressed its opposition to placing on the Board such people who are drawn from public life.

However, Dr. Appleby wrote: "The business world is far from an ideal place from which to derive administrators of Public Enterprises." Lot of truth in this statement is there. "As a matter of principle there should be proper balance between autonomy and control of Public Enterprises which can be maintained only by appointing and nominating efficient and honest personnel."

1. Ibid., p. 416.
The Minister and Public Corporation Boards in India

In public corporations, the Acts lay down ministerial responsibilities and govern his relation with the Board. Chagla Commission has declared in unequivocal terms that "whenever the Government wants a public corporation to act in a certain way, it must issue a directive which should be in writing", and however, it would be clear that these 'normal procedures' do not interfere with matters of day-to-day administration of autonomous corporations and the minister himself should rarely interfere in such matters."

Let us examine the provisions of the law which govern Minister - Board relations. The L.I.C. Act provides that the corporation in the discharge of its functions is to be guided by such directions in matters of policy involving public interest as the central Government may give it in writing, and if any question arises as to whether a question relates to a matter of policy or not the Central Government's decision is final. In the cases of two Air Corporations it is provided that the Central Government can give directives and the corporations will be bound to give effect to such directions. The Central Government retains certain specific powers also. For example in the L.I.C. some of the rules making powers are the disposal of provident and

---

1. See Dr. N.Das, The Public Sector op.cit.
super annuation funds, the manners in which and the conditions subject to which, investment may be made by the corporation, the form of reports and accounts, the manner in which, and the person to whom any compensation under the Act may be paid, the terms of office and conditions of service of board members and any other matter which has to be or may be prescribed.

In the Air Corporations the Central Government may direct the Corporation specially in these matters: (a) to undertake any air transport service which the corporation has power to undertake; (b) to discontinue or make any change in any schedule service. For instance, once Indian Air Lines was asked to include a state capital which the Corporation wanted to remove from the air maps due to the futility of traffic.

Thus the ministerial powers are established through these devices:

1. Appointment of board members.
2. Participation in management as a member of the Board.
3. To issue directives on policy matters.
4. To issue directives in specific matters.
5. Matters in which the Minister's prior approval is needed.
6. Matters which are referred to the Minister by the Board on its own initiatives.

But at the same time it is to be born in mind that mere statutory provisions can not solve the question of delegation of
power as the most important factor is, and would continue to be, how these powers are exercised by the components of the macrostructure. The personality of the Minister as well as members of the board, especially its Chairman, plays an equally important role in determining the relationship between the Minister and the board. In any human relationship the personal equation can not be ignored.

Since Parliament does create public corporations and asks the Minister to look after them on its behalf and therefore the mode of creation changes the pattern of relationship between the Minister and the boards. It is rightly remarked by Lloyd that "an increasing use of public corporations in democratic countries has brought in its wake a growing awareness of devising an acceptable form of control." In a modern democratic state the executive is accountable to Parliament. The public corporations, though situated outside the normal government agencies, are also accountable to Parliament. The extent and the degree of accountability and control is not the same as in departmental undertakings where it is absolute. Parliament exercises control by enacting legislations or approving Government decisions providing finances and, lastly, by supervising the administration of the public corporations. Beyond any ambiguity there is need for public accountability and there can not be two opinions about it.

CHAPTER V

CONCLUSION

It can not be gain said that the Central Public Sector enterprises have attained a dominant role in the development of our economy. The enterprises were set up in order to bring about certain avenue of social justices like reducing in equalities in income, expanding employment opportunities, removing regional imbalances etc. These domenifest themselves in the creation of greater employment opportunities, development of infrastructural facilities, like road, railways, power and in setting up of social amenities like schools, housings, hospitals, parks and community centres and ancillary development of industries.

According to the bureau of Public Enterprises the public sector enterprises and specially those in the key segments of the economy like steel, coal, heavy engineering, petroleum, machine building, non-ferrous metals, fertilizers and the like made a major contribution towards achieving the seven percent growth of the economy during the year 1975-76. "They have not only earned a record profit of Rs. 350 crores in 1975-76 but also generated substantial resources for further development and growth."


2. Quoted by The Times of India, New Delhi, July 19, 1976.
Development of Ancillary Industries:

Development of ancillary industries in a systematic manner is one of the most effective means of ensuring balanced growth in the economy of a country. Ancillary activity, apart from improving the strength of the small scale sector establishes a complementary economic relationship between small scale, medium sized and large scale units which is vital for rapid industrial development.

In our country, generally, the most pressing problems facing the Government and society is one of mass unemployment, particularly in the sensitive sector of educated unemployed and it has been recognised that rapid development of ancillary industries would not only provide immediate large scale employment but would facilitate effective mobilisation of human and financial resources which are yet unutilised. "Latest information is that the final draft of the Fifth Plan has specifically dealt with the employment problem and suggested methods by which there is no substantial addition to the unemployed workforce at the end of the Plan period. It has pointed out that investments in irrigation and agriculture, especially projects like multi-cropping, should help bring about a significant increase in employment in rural areas."

The task of developing ancillary industries requires intensive planning in respect of existing projects as also new

1. Times of India, New Delhi, September 5, 1976.
projects and expansion schemes.

The importance of ancillisation and the advantages have been increasingly realised by the managements of Public Enterprises and as a result of the efforts made by them 70 ancillary units have been set up during 1974-75, making a total 432 units set up so far under the umbrella of Public Enterprises.

Township:

Apart from the main responsibility of producing goods and services, the Public Enterprises have also aimed at being model employers in regard to provision of housing and connected facilities for their employees.

The number of Public Enterprises increased from 5 at the end of the First Five Year Plan to 83 at the end of March, 1968 and 136 on 31st March, 1975. It should be noted that of actual expenditure on townships as on March 31, 1975 constitutes 4.8% of the total gross investment in fixed assets. This shows the all pervasive significance of the Public Enterprises and hence the establishment of specialised agency was called for.

Capital Utilisation:

The optimum utilisation of "production capacity in the public sector is a matter of great importance to the national economy as vast resources of the country invested in this sector. Nearly 30% of total investment in the Central Public Sector is
accounted for by enterprises engaged in manufacture of goods. A very wide range of manufacturing activity is covered by them. Their production profile includes steel minerals and metals, petroleum, fertilisers, chemicals, heavy, medium and light engineering, transport equipment and consumer goods industries.

Efficient operation of these enterprises has all along been of great concern to the Government, to Parliament and the people. A number of high level committees of Government and the Parliament have stressed their importance. In particular the committee on Public Undertakings have drawn pointed attention of Government on this subject in their horizontal studies on "Production Management in Public undertakings" and the "Role and Achievements of Public Undertakings." Stressing the need for utilising fully the productive assets created and entrusted for operation to Public Sector. "Latest notable feature is that all public sector units improved their capacity utilisation, in a smaller or greater measure, during 1975-76. The improvement ranged between seven percent and 188 percent."

Performance of Running Enterprises:

Of the 136 Central Public Sector Enterprises 8 were under construction as mentioned earlier. On 31st March, 1975, there were 121 running enterprises as against 115 as on 31st March, 1974. Salient features of the running concerns are detailed in 1. "Lok Udyog Journal, July 1976, op.cit.
the following paragraphs:

(a) **Investment:—** As on 31st March, 1975 the total investment in the running concerns amounted to Rs. 7172 crores made up of equity Rs. 3770 crores and loans Rs. 3402 crores. This is after eliminating all investments (equity and loans) by holding companies in subsidiaries (Rs. 805 crores in the enterprises producing goods and Rs. 264 crores in enterprises rendering services).

(b) **Working Capital:—** The working capital of the running concerns as 31st March, 1975 amounted to Rs. 1895 crores in respect of enterprises producing goods and Rs. 1262 crores in respect of enterprises rendering services making a total of Rs. 3157 crores.

(c) **Inventories:—** The value of inventories held by the running concerns amounted to Rs. 3269 crores at the end of March, 1975.

(d) **Sundry Debtors:—** The overall increase in sundry debtors is mainly due to increase in turn over. The ratio of the sundry debtors of all running concerns to turn over was 11.3 percent in 1974-75 as compared to 13.9 percent in the previous year.

**Summarised Working Results:**

Of the 121 running public sector (central) the Steel Authority of India Ltd. being a pure holding company which has

---

no manufacturing or commercial activities directly under its change, it has been excluded from the summary.

"The four integrated public sector steel plants — Bhilai, Durgapur, Bokaro — have produced 3.82 million tonnes of steel during the period compared to 2.84 million tonnes in the previous year. The estimated total profits of the public sector steel plants during 1975-76 are Rs. 52 crores, which is 40 percent more than that of 1974-75."

Eight Undertakings are under construction, 3 Insurance Corporations which have been distinguished by their special nature of operations; then there are 4 companies registered under-section 25 of the Indian Companies Act, 1956 have also not counted in.

**Investment:**

The investment in equity and long term loans in the Central Government Enterprises other than Departmental Projects totalled at the end of 1974-75 to Rs. 7261 crores as against Rs. 6237 crores at the end of the previous year. To appreciate the growth in investments made in the Central Public Sector during the post-Independence period, the Changing profile is shown below:

1. Times of India, New Delhi, July 15, 1976.
2. See Appendix.
The final draft of the fifth plan is believed to envisage a step-up in the total public sector outlay by over Rs. 2,000 crores above the original draft provision of Rs. 37,250 crores. It indicates the order of outlays required in the remaining two years of the plan, 1977-79 totalling approximately Rs. 20,000 crores. This would be achieved by over 15% annual increase in
the plan outlay in the next two years."

Of the total investment of Rs. 7261 crores, the equity capital accounted for Rs. 3839 crores and long term loans Rs. 3422 crores. The general principle followed by the Government is to have parity between equity and loans while making investments.

The bulk of the investments whether as equity or loans has come from the Central Government. In some of enterprises, State Governments have participated in the equity capital and in a few cases private parties both Indian and foreign have also made investments. The investments have been utilised for meeting capital expenditure for the establishment of new units and the expansion of the existing ones. The working capital requirements to the extent financed by commercial Banks used to be met by cash credits arrangements with the State Bank of India. Consequent upon Nationalisation of certain commercial Banks the Public Sector Enterprises are empowered to have cash credit arrangements with the Nationalised Banks. It is open to each enterprise to deal with one public sector bank or a consortium of public sector banks depending upon operational convenience and the extent of cash credit requirements. In exceptional cases, short term non-plan loans are also advanced by Government towards working

1. Planning Commission, quoted by Times of India, New Delhi, September 5, 1976.
Capital requirements. The total amount outstanding under cash credit arrangements amounted to Rs. 1028 crores as on 31st March 1975 which was mostly from State Bank of India. In addition, foreign deferred credits for procurement of raw material owing at the end of 1974-75 amounted to Rs. 126 crores. Thus, the total funds drawn i.e. equity and loans as also over drafts and deferred credits at the end of March 1975 was of the order of Rs. 8415 crores as detailed below:

<table>
<thead>
<tr>
<th></th>
<th>Rs. (in crores)</th>
<th>Rs. (in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31-3-1975</td>
<td>31-3-1974</td>
</tr>
<tr>
<td>Central Government</td>
<td>6437</td>
<td>5818</td>
</tr>
<tr>
<td>State Government</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Private Parties (Indian)</td>
<td>362</td>
<td>320</td>
</tr>
<tr>
<td>Private Parties (Foreign)</td>
<td>453</td>
<td>389</td>
</tr>
<tr>
<td></td>
<td>7261</td>
<td>6237</td>
</tr>
<tr>
<td>Bank over drafts under cash credit arrangements.</td>
<td>1028</td>
<td>726</td>
</tr>
<tr>
<td>Foreign deferred credits for purchase of raw material and components</td>
<td>126</td>
<td>128</td>
</tr>
<tr>
<td></td>
<td>8,415</td>
<td>7,091</td>
</tr>
</tbody>
</table>

The cash credit advances drawn by the Public Sector Enterprises outstanding as on 31st March, 1975 amounted to Rs. 1028 crores as against Rs. 726 crores on 31st March 1974. The
increase in the closing over drafts of Bharat Heavy Electrical Ltd., Heavy Engineering Corporation, Food Corporation of India, and Uddition of Enterprises like Sectors India Ltd., Hindustan Petroleum Corporation account for the bulk of the growth in bank financing.

Bokaro Steel Ltd. with a total investment of Rs. 1046.42 crores has been the largest investment not only in the Public Sector but in the country as a whole.

The above survey and analysis shows the importance of Public Enterprises in the developing country of India and the need of having some central, democratic, specialised parliamentary agency to scrutinize periodically the working of these enterprises, where large sums of money, coming from the pockets of the taxpayer, are involved parliamentary control is essential. The whole parliament cannot effectively control in this vast and varied field, nor can it give any useful suggestions based on expert and technical knowledge of economics, statistics, industrial management, the interaction between inputs and outputs and so on and so forth. Still there are two opinions on the issue whether the public sector is a profitable concern or is still not yielding the margin of benefits which private industry is yielding. The confidence of the people demands that an agency like standing Committee on Public Undertakings should be there to give out the correct picture.
Chairman
1. Shri Panampilli Govind Menon.

Members
2. Shri Surendra Nath Dwivedy
3. Shri Homi F. Daji
4. Shri S. Handa
5. Shrimati Subhadra Joshi
6. Shri Harish Chandra Mathur
7. Shri Kashi Nath Pandey
8. Shri Krishna Chandra Pant
9. Shri N.G. Ranga
10. Pt. D.N. Tiwary
11. Shri Abid Ali
12. Shri Loknath Misra
13. Shri M.K. Govinda Nair
14. Shri T.S. Pattabiraman
15. Shri M. Govinda Reddy


### III Lok Sabha 1966-67

#### Committee on Public Undertakings

<table>
<thead>
<tr>
<th>Chairman</th>
<th>Pt. D.N. Tiwary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Shri Homi F. Daji</td>
</tr>
<tr>
<td>2.</td>
<td>Shri Surendra Nath Dwivedy</td>
</tr>
<tr>
<td>3.</td>
<td>Shri S. Handa</td>
</tr>
<tr>
<td>4.</td>
<td>Shrimati Subhadra Joshi</td>
</tr>
<tr>
<td>5.</td>
<td>Shrimati Savitri Nigam</td>
</tr>
<tr>
<td>6.</td>
<td>Shri Kashi Nath Panday</td>
</tr>
<tr>
<td>7.</td>
<td>Shri Krishna Chandra Pant</td>
</tr>
<tr>
<td>8.</td>
<td>Shrimati Maimoona Sultan</td>
</tr>
<tr>
<td>9.</td>
<td>Shri N.C. Kanga</td>
</tr>
<tr>
<td>10.</td>
<td>Shri Arjun Arora</td>
</tr>
<tr>
<td>11.</td>
<td>Shri Vimal Kumar M. Chordia</td>
</tr>
<tr>
<td>12.</td>
<td>Shri M.S. Gurupadaswamy</td>
</tr>
<tr>
<td>13.</td>
<td>Shri Ram Singh</td>
</tr>
<tr>
<td>14.</td>
<td>Shri Awadheshwar Prasad Sinha</td>
</tr>
<tr>
<td>15.</td>
<td></td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Elected w.e.f. 23.2.1966 in the vacancies of P.N. Menon.</td>
</tr>
<tr>
<td>2.</td>
<td>Retirement of Lokanath Mishra from Rajya Sabha on 2.4.66.</td>
</tr>
<tr>
<td>3.</td>
<td>Elected w.e.f. 7.5.66 on the retirement of Shri T.S. Patta bhiram from Rajya Sabha.</td>
</tr>
<tr>
<td>4.</td>
<td>Elected w.e.f. 18.5.66 in the vacancy caused on the resignation of Shri M.N. Govinda Nair on 6.5.66.</td>
</tr>
<tr>
<td>5.</td>
<td>Elected w.e.f. 18.5.66 in the vacancy caused on the resignation of Shri M. Govinda Ready on 6.5.66.</td>
</tr>
</tbody>
</table>

* Pt. D.N. Tiwary appointed as Chairman w.e.f. 24.1.66 vice Shri Panampilli G. Menon ceased to be a member of the Committee on his appointment as a Minister.*
IV LOK SABHA 1967-68

Committee on Public Undertakings

Chairman

1. Pandit D.N. Tiwary

Members

2. Shri C.C. Desai
3. Shri Surendranath Divivedy
4. Shri S.S. Kothari
5. Smt. T. Lakshmi Kanthamma
6. Shri Krishna Manoharam
7. Shri Mani Bhai Patel
8. Shri S.K. Shukla
9. Shri Prem Chand Verma
10. Shri Chandrasek Yadava
11. Shri Arjun Arora
12. Shri Vimal Kumar M. Chordia
13. Shri Banka Behary Das
14. Miss B. Mary Kaidu
15. Shri Awadheshwar Prasad Sinha
IV LOK SABHA 1969-70

Committee on Public Undertakings

Chairman

1. Shri M.B. Rana

Members

2. Shri R.K. Amin
3. Shri Balraj Madhok
4. Shri K. Anand Membali
5. Shri Vishwa Nath Pandey
6. Shri T.A. Patel
7. Shri G.S. Reddi
8. Shri P.M. Sayeed
9. Shri Digvijaya Narain Singh
10. Shri G. Viswanathan
11. Shri Rand Kishore Bhatt
12. Shri Godey Murahari
13. Shri Bhabhanil Charan Pattenayak
14. Shri Rajendra Pratap Singh
15. Shri Dattopant Thengari

Study Group IV on Action taken Reports 1969-70

1. Shri B.C. Pattanayak (Convener)
2. Shri D. Thengari (Alternate Convener)
3. Shri T.A. Patil (Member)
4. Shri G.S. Reddi
5. Shri N.K. Bhatt
V LOK SABHA 1971-72

Committee on Public Undertakings

Chairman

1. M.B. Rana

Members

2. Shri K. Baladhandayutham
3. Shri Dinen Bhattacharya
4. Shri G. Bhuvarahan
5. Shri Khana Chand bhai Chavda
6. Dr. Kailas
7. Shri S.N. Misra
8. Shri Amrit Mahata
9. Shri P. Pattha Sarathi
10. Shrimati Subhadra Joshi
11. Shri Syed Ahmad
12. Shri Narayana Kalliyana Krishnan
13. Choudhary A. Mohammed
14. Shri Daya bhai V. Patel
15. Shri Kota Punnaiyah

Sub Committee

1. Shri M.B. Rana
2. Shri P. Parthasarathi
3. Shri S.N. Misra
4. Shri Daya bhai V. Patel
5. Shri Syed Ahmad
6. Shrimati Subhadra Joshi
7. Dr. Kailas
Committee on Public Undertakings

Chairman
1. Shrimati Subhadra Joshi

Members
2. Shri Dinen Bhattacharya
3. Shri G. Bhuvarehan
4. Dr. Kailas
5. Shri Murasoli Maran
6. Dr. Habipatrav Mehta
7. Shri S. N. Misra
8. Shri Amrit Nahata
9. Shri P. Parthasarathi
10. Shri Ranen Sen
11. Shri Lal K. Advani
12. Shri M. Kamalanathan
13. Shri U. N. Mahida
14. Choudhary A. Mohammed
15. Shri D. P. Singh

Composition on Study Group on Action Taken Reports and Miscellaneous Matters

1. Shrimati Subhadra Joshi (Chairman)
2. Shri Amrit Nahata (Alternate Convener)
3. Dr. Kailas
4. Shri S. N. Misra
5. Shri P. Parthasarathi
6. Shri G. Bhuvarehan
7. Shri D. P. Singh
8. Shri Lal K. Advani
9. Shri U. N. Mahida
10. Shri Ranen Sen
Committee on Public Undertakings

Chairman

1. Shrimati Subhadra Joshi

Members

2. Shri Dinen Bhattacharya
3. Shri T.H. Gavti
4. Shri K. Gopal
5. Shri J. Matha Gowder
6. Dr. Malipatray Mehta
7. Dr. Sankta Prasad
8. Shri Naval Kishore Sharma
9. Shri Ram Ramavtar Shastri
10. Shri R.P. Yadav
11. Shri M.S. Abdul Khader
12. Shri Lal K. Advani
13. Shri U.N. Mahida
14. Shrimati Purabi Mukhopadhyaya
15. Shri Suraj Prasad

Study Group on Horizontal Study
(1973-74)

1. Shrimati Purabi Mukhopadhyaya (Convener)
2. Dr. Sankta Prasad (Alternate Convener)
3. Shri Ramavtar Shastri (Member)
4. Shri Lal K. Advani
5. Shri Naval Kishore Sharma
Committee on Public Undertakings

Chairman
1. Shri Naunal Kishore Sharma

Members
2. Shri Dinen Bhattacharya
3. Shri Bhogendra Jha
4. Shrimati Sheila Kaul
5. Shri V. Mayavan
6. Shri Surendra Mohantrty
7. Shri Damodar Pandey
8. Shri Pao Kai Haokip
9. Shri Natwarlal Patel
10. Shri Ram Surat Prasad
11. Shri K. Narayana Rao
12. Shri Vasant Sathe
13. Shri C. K. Jaffer Sharief
14. Shri Atal Bihari Vajpayee
15. Shri Amarnath Vidyalankar
16. Shri Shriram Profulla Goswami
17. Shri Harsh Deo Malaviya
18. Shri Jagdish Prasad Mathur
19. Shri Bholu Prasad
20. Shri Virendra Patel
21. Shri Sultan Singh
22. Shri Pandit Bhanwari Prasad Tiwary

Sub-Committee
1. Shri Naunal Kishore Sharma (Chairman)
2. Shri Harsh Deo Malaviya (Members)
3. Shri Vasant Sathe
4. Shri Amarnath Vidyalankar
5. Shri C. K. Jaffer Sharief
6. Shri Damodar Pandey
7. Shri Atal Bihari Vajpayee
<table>
<thead>
<tr>
<th>Report No.</th>
<th>Undertaking Examined</th>
<th>Ministry concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>National Building Construction Corporation Ltd.</td>
<td>Ministry of Works and Housing</td>
</tr>
<tr>
<td>II</td>
<td>Hindustan Insecticide Ltd., New Delhi</td>
<td>Ministry of Petroleum &amp; Chemicals</td>
</tr>
<tr>
<td>III</td>
<td>Shipping Corporation of India, Ltd., Bombay</td>
<td>Ministry of Transport</td>
</tr>
<tr>
<td>IV</td>
<td>Life Insurance Corporation of India, Bombay</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>V</td>
<td>Oil &amp; Natural Gas Commission, Dehradun (U.P.)</td>
<td>Ministry of Petroleum &amp; Chemicals</td>
</tr>
<tr>
<td>VI</td>
<td>Fertilizer Corporation of India Ltd., New Delhi</td>
<td>Ministry of Petroleum &amp; Chemicals</td>
</tr>
<tr>
<td>VII</td>
<td>National Coal Development Corporation Ltd., Ranchi</td>
<td>Ministry of Steel &amp; Mines</td>
</tr>
<tr>
<td>VIII</td>
<td>Township &amp; Factory Buildings of Public Undertakings</td>
<td>Ministry of Works &amp; Housing</td>
</tr>
<tr>
<td>X</td>
<td>Industrial Finance Corporation of India</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>XI</td>
<td>Howkela Steel Plant of Hindustan Steel Ltd.</td>
<td>Ministry of Steel &amp; Mines</td>
</tr>
<tr>
<td>XII</td>
<td>Indian Oil Company Ltd., (New Indian Oil Corporation Ltd.)</td>
<td>Ministry of Petroleum &amp; Chemicals</td>
</tr>
<tr>
<td>XIII</td>
<td>Management &amp; Administration of Public Undertakings, Planning of Projects</td>
<td></td>
</tr>
</tbody>
</table>
XIV  Indian Refineries Ltd.  Ministry of Petroleum & Chemicals.


XVI  Travancore Titanium Products Ltd. (Trivandrum)  Department of Industries, Government of Kerala.

XVII  Travancore Cochin Chemicals, Ltd. Udyogamandal  Department of Industries, Government of Kerala.

XVIII  The Plantation Corporation of Kerala Ltd., Kotayam  Department of Agriculture, Government of Kerala.

XIX  Trivandrum Rubber Works Ltd. Trivandrum  Department of Industries, Government of Kerala.

XX  The Kerala Ceramics, Ltd. Kundara  Department of Industries, Government of Kerala.

XXI  Air India  Department of Aviation.


XXIII  Indian Airlines Corporation New Delhi.  Department of Aviation.

XXIV  Neyveli Lignite Corporation  Ministry of Mines & Metals.

XXV  The Kerala Frenic Pipe Factory Ltd., Trivandrum  Department of Public Health & Engineering Government of Kerala.

XXVI  Troco Cable Co. Ltd., Ernakulam  Department of Industries, Government of Kerala.

XXVII  Planning, Management, & Administration of Kerala State Government Companies.  Planning, Management & Administration Govt. of Kerala.
<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>Ministry</th>
</tr>
</thead>
<tbody>
<tr>
<td>XXVIII</td>
<td>Head Office of Hindustan Steel Ltd.</td>
<td>Ministry of Iron &amp; Mines.</td>
</tr>
<tr>
<td>XXX</td>
<td>Bhilai Steel Plant of Hindustan Steel Ltd.</td>
<td>Ministry of Iron &amp; Steel.</td>
</tr>
<tr>
<td>XXXI</td>
<td>Hindustan Steel Ltd.</td>
<td>Ministry of Iron &amp; Mines.</td>
</tr>
<tr>
<td>XXXII</td>
<td>State Trading Corporation of India Ltd.</td>
<td>Ministry of Commerce.</td>
</tr>
<tr>
<td>XXXIII</td>
<td>Rourkela Steel Plant</td>
<td>Ministry of Iron &amp; Mines.</td>
</tr>
<tr>
<td>XXXIV</td>
<td>Hindustan Aircraft Ltd. bangalore</td>
<td>Ministry of Defence.</td>
</tr>
<tr>
<td>XXXVI</td>
<td>Indian Oil Corporation Ltd. Refinery Division.</td>
<td>(&quot;&quot;&quot;)</td>
</tr>
<tr>
<td>XXVII</td>
<td>Hindustan Shipyard, Ltd. Dept. of Transport, Shipping &amp; Tourism.</td>
<td>Ministry of Transport &amp; Aviation.</td>
</tr>
<tr>
<td>XXXIX</td>
<td>Bharat Heavy Electricals Ltd., New Delhi.</td>
<td>Ministry of Industries.</td>
</tr>
<tr>
<td>L</td>
<td>Materials Management in Public Undertakings.</td>
<td></td>
</tr>
</tbody>
</table>
RUNNING CONCERNS

1. Air India
2. Air India Charters Ltd.
3. Banana and Fruit Development Corporation Ltd.
4. Banmer Lawrie and Company Ltd.
5. Bharat Aluminium Company Ltd.
6. Bharat Coking Coal Ltd.
7. Bharat Dynamics Ltd.
8. Bharat Earth Movers Ltd.
9. Bharat Electronics Ltd.
10. Bharat Gold Mines Ltd.
11. Bharat Heavy Electricals Ltd.
12. Bharat Heavy Plates & Vessels Ltd.
13. Bharat Opthalmic Glass Ltd.
15. Bharat Refractories Ltd.
16. Biscoo Lawrie Ltd.
17. Bokaro Steel Ltd.
18. Bridge & Proof Company of India Ltd.
19. Cashew Corporation of India Ltd.
20. Cement Corporation of India Ltd.
21. Central Fisheries Corporation Ltd.
22. Central Inland Water Transport Corporation Ltd.
23. Central Road Transport Corporation Ltd.
24. Central Warehousing Corporation Ltd.
25. Coal Mines Authority of India Ltd.
26. Cochin Refineries Ltd.
27. Cotton Corporation of India Ltd.
28. Delhi Small Industries Development Corporation Ltd.
29. Electronic Corporation of India Ltd.
30. Electronics Trade & Technology Development Corporation Ltd.
31. Engineers (India) Ltd.
32. Engineering Projects India Ltd.
33. Fertilizer & Chemicals (Travancore) Ltd.
34. Fertilizer Corporation of India Ltd.
35. Film Finance Corporation Ltd.
36. Food Corporation of India.
37. Garden Reach Workshops Ltd.
38. Goa Shipyard Ltd.
39. Handicrafts & Handloom Export Corporation Ltd.
40. Heavy Engineering Corporation Ltd.
41. Hindustan Antibiotics Ltd.
42. Hindustan Aeronautics Ltd.
43. Hindustan Cables Ltd.
44. Hindustan Copper Ltd.
45. Hindustan Housing Factory Ltd.
46. Hindustan Insecticides Ltd.
47. Hindustan Latex Ltd.
48. Hindustan Machine Tools Ltd.
49. Hindustan Organic Chemicals Ltd.
50. Hindustan Petroleum Corporation Ltd.
51. Hindustan Photo Films Mfg. Co. Ltd.
52. Hindustan Salts Ltd.
53. Hindustan Shipyard Ltd.
54. Hindustan Steel Ltd.
55. Hindustan Steel Works Ltd. Construction Ltd.
56. Hindustan Teleprinters Ltd.
57. Hindustan Zinc Ltd.
58. Hotel Corporation of India Ltd.
59. Housing & Urban Development Corporation Ltd.
60. Hydro Carbons India Pvt. Ltd.
61. Indian Air Lines
62. I.D.P.L. (Indian Drugs and Pharmaceuticals Ltd.)
63. Indian Motion Pictures Export Corporation Ltd.
64. Indian Oil Corporation Ltd.
65. Indian Petro Chemicals Corporation Ltd.
66. Indian Rare Earths Ltd.
67. Indian Telephone Industries Ltd.
68. Indian Tourism Development Corporation Ltd.
69. Indo-Burma Petroleum Co. Ltd.
70. Industrials Containers Ltd.
71. Instrumentation Ltd.
72. International Airport Authority of India.
73. Jessops & Co. Ltd.
74. Jute Corporation of India Ltd.
75. Lubrizo India Ltd.
76. Machine Tool Corporation of India Ltd.
77. Madras Fertilizers Ltd.
78. Madras Refineries Ltd.
79. Mandya National Paper Mills Ltd.
80. Mazagon Dock Ltd.
81. Metallurgical Engineering Consultants (India) Ltd.
82. Metal Scrap Trading Corporation of India Ltd.
83. Mica Trading Corporation Ltd.
84. Mineral Exploration Corporation Ltd.
85. Minerals & Metals Trading Corporation Ltd.
86. Mining and Allied Machinery Corporation Ltd.
87. Modern Bakeries Ltd.
88. Mogul Lines Ltd.
89. National Building Construction Corporation Ltd.
90. National Coal Develop Corporation Ltd.
91. National Industrial Development Corporation Ltd.
92. National Instruments Ltd.
93. National Mineral Development Corporation Ltd.
95. National Projects Construction Corporation Ltd.
96. National Seeds Corporation Ltd.
97. National Small Industries Corporation Ltd.
98. National Textile Corporation Ltd.
99. National Textile Corporation (A.P., Karnataka, Kerala & Mabe) Ltd.
100. National Textiles Corporation (Delhi, Punjab & Rajasthan) Ltd.
101. National Textile Corporation (Gujrat) Ltd.
102. National Textile Corporation Madhya Pradesh Ltd.
103. National Textile Corporation (Maharashtra North) Ltd.
104. National Textile Corporation (South Maharashtra) Ltd.
105. National Textile Corporation (Tamil Nadu & Pondicherry) Ltd.
106. National Textile Corporation (Uttar Pradesh) Ltd.
107. National Textile Corporation (West Bengal, Assam, Bihar & Orissa) Ltd.

108. Neyveli Lignite Corporation Ltd.

109. O.N.G.C. (Oil and Natural Gas Commission)

110. Prosa Tools Ltd.

111. Projects & Equipment Corporation Ltd.

112. Pyrites, Phosphates & Chemicals Ltd.

113. Rail India Technical & Economics Services Ltd.

114. Rehabilitation Industries Corporation Ltd.

115. Richardson & Cruddes (1972) Ltd.

116. Rural Electrification Corporation Ltd.

117. SAIL International Ltd.

118. Sambhar Salts Ltd.

119. Scooters India Ltd.

120. Shipping Corporation of India Ltd.

121. State Farms Corporation Ltd.

122. S.T.C. Ltd. (State Trading Corporation Ltd.)

123. Steel Authority of India

124. Steel Containers Ltd.

125. Tannery & Footwear Corporation Ltd.

126. Tea Trading Corporation Ltd.

127. Triveni Structuralls Ltd.

128. Tungabhadra Steel Products Ltd.

129. Uranium Corporation of India Ltd.

130. Water & Power Development Consultancy Services Ltd.
- 154 -

UNDERTAKINGS UNDER CONSTRUCTION

1. Bongaigaon Refinery and Petro-Chemicals Ltd.
2. Central Electronics Ltd.
3. Cochin Shipyard Ltd.
4. Hindustan Paper Corporation Ltd.
5. Misra Dhatu Nigam (P) Ltd.
7. National Fertilizers Ltd.
8. Salem Steel Ltd.

ENTERPRISES REGISTERED UNDER SECTION 25
OF THE COMPANIES ACT, 1956

2. The Central Social Welfare Board.
3. Indian Dairy Corporation.
4. The Artificial Limbs Manufacturing Corporation of India.
BIBLIOGRAPHY


Bhambri, C.P. ....... Parliamentary Control over State Enterprises in India, Metropolitan Book Co. Private Limited, Delhi, 1960.


<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Davies, Garrenst</td>
<td>The Development of the Public Corporation in National Enterprise quoted in &quot;U.K. Administrative Problems&quot; relating to Nationalisation.</td>
</tr>
</tbody>
</table>
Jain, P.C.  ..... Industrial Finances in India, Suneja Book Centre, New Delhi.


Kaul, M.N. (M.P.)  ..... Practice and Procedure of Parliament (with particular reference to Lok Sabha) B.V. Gupta (Publisher), Metropolitan Book Co. Private Limited, Delhi, 1968.

Koontz and Gable  ..... Public Control of Economic Enterprises.


Myrdal, Gunnar

Prakasam, Om

Paranjape, H.K.

Ramanadhan, V.V.

Ramanadhan, V.V.

Reynolds, R.L. (Translated)

Robson, W.A.

Robson, W.A.

Singh, L.P.

Shukla, M.C.

Sir Jadunath Sarkar

---


Public Control of National Enterprises in India, Centre for International Affairs, Harvard University, 1960.

Administrative Problems of Public Enterprises in India, Chand & Co., Delhi, 1959.

Moghul Administration, 1936.


Tiwary D.N. (M.P.) ..... The Committee Public Undertakings Lok Sabha, Secretariat, New Delhi.


Willoghbuy, W.F. ..... Principle of Public Administration.


REPORTS & OTHER GOVERNMENT DOCUMENTS RELATING TO PUBLIC ENTERPRISES


REPORTS OF THE ESTIMATES COMMITTEES

1. 19th Report 1957-58
2. 56th Report 1958-60
3. 80th Report 1959-60
4. 86th Report 1960-60

REPORTS OF THE COMMITTEES ON THE PUBLIC UNDERTAKINGS

1. 19th Report 1957-58
2. 86th Report 1958-60
3. 80th Report 1959-60
4. 86th Report 1960-60

JOEUNALS AND NEWS PAPERS

1. Indian Journal of Public Administration, New Delhi.
5. Times of India, New Delhi.

REPORTS