CONTRIBUTION OF PUBLIC SECTOR UNDERTAKINGS IN U. P. TO THE DEVELOPMENTAL PROCESS

ABSTRACT

THESIS
SUBMITTED FOR THE AWARD OF THE DEGREE OF
Doctor of Philosophy
IN
Political Science

BY
AFGHAN AHMAD

UNDER THE SUPERVISION OF
PROF. (Mrs.) ABIDA SAMIUDDIN

DEPARTMENT OF POLITICAL SCIENCE
ALIGARH MUSLIM UNIVERSITY
ALIGARH (INDIA)
1994
ABSTRACT

CONTRIBUTION OF PUBLIC SECTOR UNDERTAKINGS IN UTTAR PRADESH TO THE DEVELOPMENTAL PROCESS
ABSTRACT

Development can be defined as the dynamic change of a society from one state of being to another. The goals, values and strategies of change may vary but there is a generic process through which agreement on goals is reached and plans, process and programmes are formulated and implemented. In a way the developmental process involves developmental strategies and developmental administration to achieve the target laid down for development.

In this perspective we have to examine the impact of developmental strategy of Uttar Pradesh. The present study entitled, "Contribution of Public Sector Undertakings in Uttar Pradesh to the Developmental Process", attempts to make a detailed, comprehensive and systematic analysis of public Sector Undertakings of U.P. within the national framework, with a view to make this sector economically more viable. The basic philosophy for setting up these State Enterprises was to bring about a result oriented cost benefit approach to the developmental activities, accelerate growth in different sectors of the economy through specialized agencies and finally to ease the burden
on State financial resources through use of institutional finance. Setting up of these numerous enterprises reveals the Government's desire and intention to bring about a rapid all round growth of the State with its meagre resources.

Uttar Pradesh covers an area about 8.9 per cent of the total geographical area of India. But since it has the highest 16.5 per cent share in the total population of India, the State occupies the first place in the country in terms of population.

According to 1991 Census, there were a total of 448.61 lacs workmen in the State. Out of these, 413.42 lacs were main workmen and 35.19 lacs marginal workmen. Thus, the share of workmen in the total population was 32.27 per cent. Agriculture is the mainstay of the State's economy. According to 1991 Census, of the main total workmen, 72.1 per cent were agricultural workmen, and the contribution of 44.5 per cent increase from farm and animal husbandry sector to total State income in 1990-91 at 1980-81 fixed prices was the highest. In this background, all possible efforts are being made by the State Govern-
ment for the all round development of the State's agricultural sector.

Besides these sectors, new industries are also coming up and developing in the State. For an idea of the total progress in the industrial sector, the industrial production index is an appropriate yardstick. The industrial production index (1970-71 = 100) in the State was 276.6 in 1984-85. This went up to 421.2 during the Seventh Five Year Plan period (1985-90) registering an increase of 52.3 per cent. In the next year, with an increase of 5.9 per cent, it rose to 445.9. This gives an indication of the expansion and progress in the State's industrial sector.

The rate of industrial growth in the State, which was 2.3 per cent in the first Five Year Plan, touched the level of 12.5 per cent in the Seventh Plan. Up to March 1992, as many as 2.80 lakh small units with an investment of over ₹ 1670 crores, had been set up in the State, providing employment to 17.11 lakh persons. Till then, 1125 medium and heavy industries had also been set up in the State with an investment of ₹ 9287 crores which
provided employment to 4.66 lakh persons. Consequently, the rate of industrial growth went up from 2.3 per cent to 12.5 per cent. Simultaneously, while the share of income from agriculture and allied sector to gross internal product came down from 60.2 per cent in 1970-71 to 38.3 per cent in 1986-87, the contribution of income from industry and allied sector rose from 14.4 per cent to 22.1 per cent.

As a result of it the per capita income in the State as per 1989-90 estimates is Rs. 3,072 as against the national per capita income of Rs. 4,252. As yet the credit deposit ratio of commercial banks in the State is 46.2 per cent against the national average of 63.5 per cent. This indicates that there is need to increase the contribution of industrialization in the State's economic development. Special attention has been paid by the Government towards industrialization for strengthening the State's economy and improving the level of its development. The Eighth Five Year Plan of U.P. (1992-97) has not made a separate mention of the industries as public and private sector ventures.
OBJECTIVES OF THE STUDY:

So far as the developmental activities are concerned in many cases the same activities are undertaken by public, private and Co-operative sector. Uttar Pradesh State Public Sector is an example of the same. While establishing new enterprises the Government takes into account the question of balanced regional development, in order to reduce regional disparities.

In India and Uttar Pradesh also where before the wave of liberalization the public enterprises were playing a crucial role in various segment of the economy, the need to have a clear understanding of the effective and efficient functioning of them at the micro and macro level requires serious attention. The present work is a study of the contribution of public sector undertakings in Uttar Pradesh to the developmental process, as well as the impact of the New Economic Policy on their present and future.
METHODOLOGY:

In order to conduct the present study following steps were taken:

1) Primary data was collected by conducting a survey at Bureau of Public Enterprises of Uttar Pradesh at Jawahar Bhavan, Lucknow.

2) Secondary data related to the topic was collected from the different organization's published and unpublished reports.

3) Finally, the data was classified, tabulated, analysed and edited.

SCHEME OF CHAPTERIZATION:

The entire study has been divided into five chapters.

The first chapter "Public Sector in India", deals with the general idea of Public Sector, its genesis in India and the main organizational patterns as they operate in the country. It also examines in brief the deficiencies of Public Sector, as well as the New Industrial Policy - the logical result of these deficiencies.
The analysis of growth of the public sector in India in general, reveals that in the last few years a huge investment has been made in public enterprises and a large number of capital goods industries have been established. The growth of the capital goods industries is important in the sense that they work as growth centres around which further development takes place. The purpose of establishing these industrial projects was to check the concentration of economic power, to make a thrustful move towards rapid and diversified industrial development to take the country towards self-sufficiency in the industrial production and create surplus earnings for the further balanced regional development. But there cannot be two opinions about the fact that their performance has not been upto the mark. Gross domestic product (GDP) growth rate declined in 1990-91 along with "a steep decline" in the public sector savings, while the household and private corporate sector savings went up. So far as the achievement of socio-economic objectives of progressive reduction of social and economic disparities is concerned the public sector has not been able to make much of a dent in the problems of poverty, unemployment, illiteracy and mal-
nutrition. The New Industrial Policy Statement admits frankly that, "many of the public sector enterprises have become a burden to the Government. Far from being an engine of growth, the public sector has become a drag on development in two ways. Firstly, it begins imposing an increasing burden on the budget for its investment needs, primarily because of its failure to generate adequate resources of its own. Secondly, due to overall inefficiency, the basic inputs that public sector enterprises produce, for example, steels, coal and power, have had to be priced high, thus escalating cost of production all along the line." It is criticised that the public sector is overstaffed, overfed and pampered beyond belief. It has been a major cause of the deficits of Government both at the centre and at the State level.

The Second chapter "Performance Evaluation of Public Sector and New Economic Policy", deals with the performance of Public Sector in detail, the main features of the New Economic Policy and what is the impact of this policy on the Public Sector. The recent changes introduced in the country both at the national and State level have placed a question mark on the future of this Sector.
No doubt liberalization is expected to bring a new wave of economic strength to the country, but it has also its pains. We are now talking less of the economic miracles of Japan, Korea, Thailand, Taiwan and other countries to which India has been looking with a degree of envy and awe. In raising foreign capital and putting it to good use, India despite the many weaknesses of infrastructure, told the world that it has the ability to be at least as good as many others. But India got lost in finding out how this resurgence could merge with the hard realities of life in the country. The admiration for liberalization is so widespread in certain strata that this country almost forgot that it was so poor that whatever happened it would take years before the poorest could be reached. We feel proud at the sight of foreign industrialists coming to find ways of investing in India. But forget that life getting harsher for the poor, jobs are not there for all. And whatever is left for them is in fact shrinking because subsidies were getting reduced. The prices of rationed items and wheat are rising and so also sugar, buying clothes is getting difficult, and medicines are getting costlier. The foreign investors can
not relieve the difficulties of the poor, they have their own objective to capture the Indian market in all respect through liberalization. It may be a planning for the glorious future, but poverty has to be tackled now. Therefore, it is necessary to give the New Economic Policy a human face.

The Third chapter "An Overview of Public Sector Undertakings in Uttar Pradesh", covers all the Public Sector undertakings in the State in general. It provides a brief picture of these undertakings, classified into eight groups and examines their structure, capital and employment by them to the people.

The public enterprises in Uttar Pradesh too occupied a place of pride during the recent past, with their proliferation at a rate which is unique and unprecedented in the economic history of the State. It has set the pace of economic development in the right direction. These State Enterprises are mainly functioning in the area of developmental and promotional activities unlike the Central Public Sector units which are predominantly manufacturing and trading in nature.
The public sector in Uttar Pradesh has served effectively, particularly in the field of service sector and construction sector. It plays an important role in providing fresh job opportunities for both skilled and unskilled labourers. Further, by putting an additional investment in the backward areas to bring them at par with the developed ones, public undertakings represent a landmark in the transformation of a predominantly rural state into an industrial one. Though the financial audit may rate them low but from social audit point of view they are the need of the day, particularly, to achieve some specific objectives in certain directions. Under the changed situations the State Government has taken major steps in policy orientations, new incentives and creating new industrial climate. Consequently the number of public sector enterprises in the State has decreased continuously. Presently the fifty Corporations are working under the Uttar Pradesh Government.

The Fourth chapter is "Uttar Pradesh Public Sector Undertakings as a Means of Development". On the basis of available statistical data, it is an attempt of detailed analysis of some selected Public Sector undertakings in
order to evaluate their impact on developmental activities in the State.

A proper analysis of the public sector in order to find out the performance of the present fifty enterprises taking into consideration, the data from 1988-89 to 1991-92, justifies a shift in the economic policy of the State.

Although there is a strong rhetoric in favour of privatization, but in reality it is becoming increasingly difficult to push through all proposals of privatization. The Government had to withdraw both the proposals of Scooters India and the Uttar Pradesh State Cement Corporation to be handed over to the private sector in view of the strong resistance by the Trade Unions. Later on, the present Uttar Pradesh Government had decided to handover the 5 sick units of the State enterprises, namely, U.P. State Sugar Corporation Limited, U.P. Textile Corporation, U.P. Agro Industries Corporation, U.P. Food & Essential Commodities Corporation and U.P. Cement Corporation to the private sector, but had to assure that the employees of these Corporations will not be overthrown, they might be transferred from earlier to other government departments.
In short on the basis of detailed analysis it can be concluded that the socio-economic and political development of the State still needs public sector although in some selected fields for achieving specific objectives and not in an unplanned way as it has developed in the past. In spite of wave of liberalization they have a place in the economy of the State and the country, as well.

The fifth chapter, "Conclusion", is based on Observations and Suggestions.

It is generally believed that public sector is credited with the social welfare function. As against it, the private sector has the image of exploitative efficiency. The two sectors, therefore, by their very nature suffer from different kinds of weaknesses. The private sector needs to be made more humane and the public sector which is humane has to be made more efficient. The public sector still has its utility in the country - but one thing is clear that it can no longer be treated as a "holy cow." Though deprived of
its dominant role, it has still to play an important role both at the Central as well as at the State level, if the economic development has to have a human face. Hence, revamping of the system and streamlining of its functioning needs serious attention.

I have ventured to suggest some reforms for the same, namely, distribution of more than 20% of the Government's shareholdings in some of the public sector institutions between general public and the workers, referring chronically sick public sector units to the Board of Financing and Industrial Reconstruction, as also envisaged by the New Industrial Policy, the necessity of a national pricing policy of the public sector enterprises with the twin objectives of higher prices in case of industry producing goods - no profit consideration in case of public utilities and services, an efficient management board equipped with suitable personnel, necessary changes in the method of selection of the top-executives in the undertakings, careful planning of material and financial management, proper assessment of labour requirements, selection of the site of projects relating to the demand analysis of the finished products, continuous appraisal of the market trends and the tactful
handling of industrial relations etc., which I am sure, will be helpful in the attainment of the desired objectives.

Now to sum up, with a minimum government presence leading to emergence of autonomous leadership, better management of resources and increase in productivity and emergence of a new, dynamic joint sector can really change the face of the public sector in the country.
CONTRIBUTION OF PUBLIC SECTOR 
UNDERTAKINGS IN U. P. TO THE 
DEVELOPMENTAL PROCESS

THESIS 
SUBMITTED FOR THE AWARD OF THE DEGREE OF 
Doctor of Philosophy 
IN 
Political Science 

BY 
AFGHAN AHMAD

UNDER THE SUPERVISION OF 
PROF. (Mrs.) ABIDA SAMIUDDIN

DEPARTMENT OF POLITICAL SCIENCE 
ALIGARH MUSLIM UNIVERSITY 
ALIGARH (INDIA) 
1994
Dedicated to my Parents
CERTIFICATE

This is to certify that Mr. Afghan Ahmad has completed his research under my supervision. Thesis prepared by him on CONTRIBUTION OF PUBLIC SECTOR UNDERTAKINGS IN U.P. TO THE DEVELOPMENTAL PROCESS is his original work.

In my opinion this thesis is suitable for the award of the Degree of Doctor of Philosophy in Political Science.

Prof. (Mrs.) Abida Samiuddin
SUPERVISOR
CONTRIBUTION OF PUBLIC SECTOR UNDERTAKINGS IN U.P. TO THE DEVELOPMENTAL PROCESS
ACKNOWLEDGEMENT

The present study has been completed under the kind supervision of Professor (Mrs.) Abida Samiuddin, Department of Political Science. I owe a deep sense of gratitude to her for her valuable guidance, and encouragement which has enabled me to complete this study. Besides, providing guidance and assistance she had been a constant source of strength and inspiration to me throughout the study. She allowed me to use her personal library, without her generous help and wholehearted cooperation, it would have been rather impossible to complete the present work. I express my profound gratitude to her.

I am also grateful to Professor Shan Mohd., Chairman, Department of Political Science, and Professor T.A. Nizami for their moral support in completing this work. I would like to express my feelings of gratefulness to all of my learned teachers and staff of the Department who always encouraged me during the work.

I should not forget to express my gratitude to Mr. R.S. Nigam (ADG), Bureau of Public Enterprises, Uttar
Pradesh, Lucknow, who whole heartedly cooperated with me in extracting the relevant information required for the study. My thanks are also due to Mr. Rizwan Ahmad, System Analyst, Yojna Bhavan, Lucknow and the members of the State Planning Department, who provided me the relevant material from his department.

I am also deeply indebted to Dr. Nisar Ahmad, Reader in the Department of Economics, Aligarh Muslim University, Aligarh and Dr. N.Z. Khan Sherwani, Lecturer in the Department of Commerce, Jamia Millia Islamia, New Delhi, for the keen interest he has taken in developing the present work.

My thanks are also due to the Librarian and the staff of Maulana Azad Library, A.M.U., Aligarh. I would like to place on record my sense of appreciation to Mr. Abdul Khaliq, Mr. Azam Khan, Mr. Sharful Huda and Mr. Sanan Ahmad Siddiqui, for their generous help and cooperation. I am also grateful to all my Research colleagues for their moral support. My thanks are also due to all authors whose works helped me in writing this thesis. Lastly, I am extremely grateful to my parents and all the family members for their
love and affection without which I would not have been able to complete this presentation.

Finally, I am grateful to Mr. Akhlaque who typed the material at a short notice.

Department of Political Science, Aligarh Muslim University, Aligarh (India)

( AFGHAN AHMAD )

25.2.1975
## CONTENTS

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>...</td>
<td>1-iii</td>
</tr>
<tr>
<td>INTRODUCTION</td>
<td>...</td>
<td>1</td>
</tr>
<tr>
<td>Chapter - I</td>
<td>Public Sector in India</td>
<td>16</td>
</tr>
<tr>
<td>Chapter - II</td>
<td>Performance Evaluation of Public Sector and New Economic Policy</td>
<td>55</td>
</tr>
<tr>
<td>Chapter - III</td>
<td>An Overview of Public Sector Undertakings in Uttar Pradesh</td>
<td>90</td>
</tr>
<tr>
<td>Chapter - IV</td>
<td>Uttar Pradesh Public Sector Undertakings As a Means of Development</td>
<td>137</td>
</tr>
<tr>
<td>Chapter - V</td>
<td>Conclusion and Suggestions</td>
<td>191</td>
</tr>
<tr>
<td>BIBLIOGRAPHY</td>
<td>...</td>
<td>1-xiii</td>
</tr>
</tbody>
</table>
INTRODUCTION
I N T R O D U C T I O N

Development can be defined as the dynamic change of a society from one state of being to another. The goals, values and strategies of change may vary but there are generic processes through which agreement on goals is reached and plans, process and programmes are formulated and implemented. In a way the development process involves developmental strategies and development administration to achieve the target laid down for development.

In this perspective we have to examine the impact of developmental strategy of U.P. before we discuss its sectoral development by examining the role of public sector in it.

Let us first go through the economy of U.P. and the developmental strategy adopted to boost it up during the recent past.

Uttar Pradesh covers an area of 2,94,416 Sq.Kms. This constitutes about 8.9 per cent of the total geographical area of India. From the point of view of area, it occupies the fourth position in the country after Madhya Pradesh, Rajasthan and Maharashtra. But since it has the highest
16.5 per cent share in the total population of India, the State occupies the first place in the country in terms of population. According to 1981 Census, the total population of the State was 11.09 crores which rose to 13.87 crores in 1991 registering an increase of 25.10 per cent. Consequently, the per square kilometre density of population also increased from 377 in 1981 to 471 in 1991.

According to 1991 Census out of the State's total population, 7.37 crores (53.2 per cent) were male and 6.50 crores (46.8 per cent) female. Accordingly, the male-female ratio stood at 882 females per thousand of males. Out of the total population of the State 11.14 crores (80.1 per cent) persons were rural and 2.73 crores (19.9 per cent) were urban.

According to 1991 Census, there were a total of 448.61 lakh workmen in the State. Out of these, 413.42 lakhs were main workmen and 35.19 lakhs marginal workmen. Thus the share of workmen in total population was 32.27 per cent. Agriculture is the mainstay of the State's economy. According to 1991 Census, of the main total workmen, 72.1 per cent were agricultural workmen; and the contribution of 44.5 per cent increase from farm and animal husbandry sector to total State income in 1990-91 at 1980-81 fixed prices was the highest. In this
back ground, all possible efforts are being made by the State Government for the all-round development of the State’s agricultural sector. The government is giving more and more emphasis on agricultural development. The total irrigated area of the State also increased from 127.31 lakh hectares to 143.75 lakh hectares during the period (1985-90), recording an increase of 12.9 per cent.

The use of chemical fertilizers, improved seeds, pesticides and insecticides has increased. In view of the preponderance of small and marginal agricultural holdings in the State, effective steps were taken by the State Government to maximize agricultural production. These steps include distribution of mini-kits of seed, fertilizers and pesticides and supply of farm inputs at subsidized rates to resourceless and economically weaker farmers, arrangement of cheaper cooperative credit and community irrigation sources. Besides, Special Foodgrains Production Programme and programmes like Technology Mission on pulses and Technology Mission on oilseeds are also being implemented in the State. These efforts have shown encouraging results and barring certain extraordinary bad years, increase is discernible in the total production and average yield of almost all the agricultural items.
With the development of economy the power consumption also increases. The power generation in the State sector in the State went up from 1133 crore units to 1886 crores units during in 1985-90 with an increase of 66.5 per cent. With a further increase of 4.4 per cent, it rose to 1969 crore units in 1990-91. Similarly, power consumption also went up during this period from 1074 crore units to 1808 crore units registering an increase of 68.3 per cent. It further rose by 7.4 per cent and went up to 1942 crore units in 1990-91. Accordingly, per capita power consumption in the State increased from 109 units in 1984-85 to 159 units in 1989-90 and about 168 units in 1990-91. However, this is still 86 units less than the national average.

The State is keen to develop industries. During the VII Five Year Plan an amount of Rs. 658.77 crores was spent on programmes connected with development of industries against an outlay of Rs. 595.13 crores fixed for them. An amount of Rs. 130.63 crores was spent under this head during 1990-91 which is about 0.9 per cent less than the average annual expenditure in the Seventh Plan.

Sugar, cement, Vanaspati and cotton textile are the State's traditional and important industries. Statistics
regarding production in these industries are shown in the table below:

**TABLE No. 1.1**

*Production in Traditional Industries in Uttar Pradesh*

<table>
<thead>
<tr>
<th>Year</th>
<th>Production ('000 Tonnes)</th>
<th>Cotton Textile (Lakh Mtr)</th>
<th>Cotton Yam ('000 Tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984-85</td>
<td>17 36</td>
<td>948</td>
<td>137</td>
</tr>
<tr>
<td>1985-86</td>
<td>15 54</td>
<td>1146</td>
<td>145</td>
</tr>
<tr>
<td>1986-87</td>
<td>21 04</td>
<td>1049</td>
<td>154</td>
</tr>
<tr>
<td>1987-88</td>
<td>26 06</td>
<td>1165</td>
<td>153</td>
</tr>
<tr>
<td>1988-89</td>
<td>26 84</td>
<td>1101</td>
<td>156</td>
</tr>
<tr>
<td>1989-90</td>
<td>25 12</td>
<td>965</td>
<td>165</td>
</tr>
<tr>
<td>1990-91</td>
<td>30 50</td>
<td>757</td>
<td>148</td>
</tr>
</tbody>
</table>


The statistics in the above table show that the sugar production continues fluctuated during the Seventh Plan period, the 25.12 lakh tonnes of sugar produced in 1989-90 was 6.4 per cent less than in the preceding year. In 1990-91, 30.50
lakh tonnes of sugar produced was 21.4 per cent more than in the preceding year and 13.6 per cent more than the record production achieved in 1988-89. Cement production showed decline after 1987-88 and 7.57 lakh tonnes of cement produced in 1990-91 was 21.6 per cent less than in the preceding year and 35.0 per cent less than the production level achieved in 1987-88. In all 1,48,000 tonnes of Vanaspati was produced in 1990-91 which was 10.3 per cent less than in the preceding year. Cotton textiles production started to decline from 1985-86 and showing constant decline, its production came down to 11.02 crores metres in 1989-90 and 10.48 crore metres in 1990-91. Cotton textile produced in 1990-91 was 4.9 per cent less than in the preceding year and 47.8 per cent less than the level achieved in 1985-86. Production of cotton yarn continued to show a mixed trend. Cotton yarn weighing 127000 tonnes produced in 1990-91 was 9.5 per cent more than in the preceding year.

Besides these traditional industries, new industries are also coming up and developing in the State. For an idea of the total progress in the industrial sector, the industrial production index is an appropriate yardstick. The industrial production index (1970-71 = 100) in the State was 276.6 in
1984-85. This went up to 421.2 during the Seventh Five Year Plan period (1985-90) registering an increase of 52.3 per cent. In the next year, with an increase of 5.9 per cent, it rose to 445.9. This gives an indication of the expansion and progress in the State's industrial sector.

About Rs. 113 crores are expected to be spent on development of industries in 1991-92. Of this, an amount of Rs. 47.68 crores is likely to be spent on development and expansion of medium and small industries. It is estimated that this will result in establishment of 30000 new units and provide employment to 1.50 lakh persons in the State. Besides, an amount of Rs. 11.50 crores is estimated to be spent on electronic industry, Rs. 15.00 crores on sugar industry and Rs. 0.75 crores on textile industry.

Uttar Pradesh occupies the fourth place among the States of the country in terms of area and first position in terms of population. Hence, to provide it employment is of utmost importance. The rate of industrial growth in the State, which was 2.3 per cent in the first Five Year Plan, touched the level of 12.5 per cent in the Seventh Plan. Up to March 1992, as many 2.80 lakh small units with an investment of over
Rs. 1670 crores, had been set up in the State, providing employment to 17.11 lakh persons. Till then, 1125 medium and heavy industries had also been set up in the State with an investment of Rs. 92,87 crores which provided employment to 4.66 lakh persons. As a result, the rate of industrial growth went up from 2.3 per cent to 12.5 per cent. Simultaneously, while the share of income from agriculture and allied sector to gross internal product came down from 60.2 per cent in 1970-71 to 38.3 per cent in 1986-87, the contribution of income from industry and allied sector rose from 14.4 per cent to 22.1 per cent.

As a result of it the per capita income in the State as per 1989-90 estimates is Rs. 3,072 as against the national per capita income of Rs. 4,252. As yet the credit deposit ratio of commercial Banks in the State is 46.2 per cent against the national average of 63.5 per cent. This indicates that there is need to increase the contribution of industrialization in the State's economic development. Special attention has been paid by the Government towards industrialization for strengthening the State's economy and improving the level of its development.
The Eight Five Year Plan of Uttar Pradesh 1992-97 has not made a separate mention of the industries as public and private sector ventures.

At present there are 50 industrial units under public sector in U.P. The importance and need of public sector had been emphasized repeatedly by various authorities, at various forums. The Industrial Policy Resolution adopted assigned a key role for the public sector and reserved some core sectors for development only under public sector. There was important role of public enterprises in the economy of Uttar Pradesh. During the First Five Year Plan there was only one industry i.e. textile industry in the State. Later on, it has increased continuously upto Seventh Five Year Plan. But now the situation has been reversed and the role of public sector has decreased because most of the enterprises are running in losses.

The State Enterprises are mainly functioning in the area of developmental and promotional activities unlike the Central Public Sector Enterprises which are predominantly manufacturing and trading in nature. Central Public Enterprises have been set up mostly in accordance with the Industrial Policy Resolution of the Government of India. State Enterprises
are mostly either old units being run by the Government departments or extension of departmental services. The State Enterprises have been set up in Uttar Pradesh:

1) To provide infrastructural facilities in various sectors, like industries, agriculture, handicrafts, handlooms etc.

2) To manage the Public Utilities system.

3) To safeguard and expand employment opportunities and diversify the State's production potential in terms of value added.

4) To uplift and help the economically weaker sections of the society and minorities.

The basic philosophy for setting up these State Enterprises was to bring about a result oriented cost benefit approach to the developmental activities, accelerate growth in different sectors of the economy through specialized agencies and finally to ease the burden on State's financial resources through use of institutional finance. Setting up of these numerous enterprises reveals the State Government's desire and intention to bring about a rapid all round growth of the State with its meagre resources. The present study is
an attempt to evaluate, how far the State Government has been able to achieve this objective, particularly with the help of the public sector enterprises.

OBJECTIVE OF THE STUDY:

In many cases the same activities are undertaken by public, private and Co-operative sector. Uttar Pradesh public Sector is an example of the same. While establishing new enterprises the Government takes into account the question of balanced regional development, i.e. establishment of different types of factories in different Indian Units in order to reduce regional disparities.

In India and U.P. also where the public enterprises were playing a crucial role in various segments of the economy, the need to have a clear understanding of the functioning of Public Enterprises at the micro and macro level requires serious attention. The present work is a study of the contribution of Public Sector undertakings in U.P. to the developmental process.

The objectives of the study are:

(1) to study the Public Sector Enterprises - an overview.
(2) to study the growth and development of Public Sector Enterprises in Uttar Pradesh.

(3) to examine the impact of new economic Policy of Public Sector.

(4) to evaluate the financial performance of Public Sector Undertakings of Uttar Pradesh.

(5) to conclude the study and present the constructive suggestions in order to improve the functioning of Public Sector of Uttar Pradesh.

METHODOLOGY:

To conduct the present study following steps were taken:

1) Primary data was collected by conducting a survey at Bureau of Public Enterprises of Uttar Pradesh at Jawahar Bhavan, Lucknow.

2) Secondary data related to the topic was collected from the different organization's published and unpublished reports.

3) Finally, the data was classified, tabulated, analysed and edited.
LIMITATIONS OF THE STUDY:

The limitations under which the study was conducted were as follows:

The first limitation was the cost consideration, no scholarship and any financial support was given by the University for conducting the survey and collection of material. Further, researcher faced many problems in getting quantitative and qualitative data and information from the units under study. The officials and other respondents were hesitant in responding to questions. But once the initial suspicion and inter alia were removed, officers at the case studies units proved to be helpful. However, the above mentioned limitations had hardly any significant effect on the quality of the present study.

SCHEME OF CHAPTERIZATION:

The entire study has been divided into five chapters:

The first chapter "Public Sector in India", deals with the general idea of Public Sector, its genesis in India and the main organizational patterns as they operate in the country. It also examines in brief the deficiencies of public
Sector, as well as the New Industrial Policy, the logical result of these deficiencies.

The Second Chapter is "Performance Evaluation of Public Sector and New Economic Policy", which deals with the performance of Public Sector in general, the main features of New Economic Policy and what is the impact of this Policy on the Public Sector.

The Third Chapter "An Overview of Public Sector Undertakings in Uttar Pradesh", covers all the Public Sector Undertakings in the State in general. It provides a brief picture of these undertakings, classified into eight groups and examines their structure, capital and employment provided by them to the people.

The Fourth Chapter "Uttar Pradesh Public Sector Undertakings as a Means of Development". On the basis of available statistical data, it is an attempt of detailed analysis of some selected Public Sector Undertakings in order to evaluate their impact on developmental activities in the State.
The Fifth Chapter "Conclusion and Suggestions", analyses the various sources of the capital formation and its relation with economic development. The study reflects the deficiencies of Public Sector in the economic development of Uttar Pradesh. I have ventured to suggest some reforms, namely, proper preliminary planning, proper material and financial management and the tactful handling of industrial relation etc., which I am sure, will be helpful in the attainment of the desired objectives.
CHAPTER - I

PUBLIC SECTOR IN INDIA
State intervention in the economic or business activities is regarded these days an inescapable part of the obligations of present day governments to redress economic imbalances, to safeguard the interests and welfare of the community as a whole, to plan for an overall prosperity and to undertake and execute schemes and projects vital to the needs of the nation.

Today, the state is discharging these heavy responsibilities through the public enterprises, which cover a vast and varied range of industrial and commercial activities, such as mining and metallurgy, manufacturing of electrical goods, machine tools, chemicals and fertilizers, building of ships, aircraft and locomotives, provision of air, sea and road transport industrial financing, banking business and undertaking the business of life insurance and general insurance etc.

Consequently, public enterprises are considered to be a catalallactic agent for attaining the cherished goal of a welfare state.

A variety of terms have been used for public enterprises, which leads to confusion. For instance, they are stated as:

"Public Sector Undertakings, state enterprises, Government concerns etc. According to their political and administrative structure, they are known as Public Corporation in Great Britain,
Crown Corporation in Canada, Statutory Corporation in Australia, Government sponsored Corporation in Pakistan, and Government Corporation in U.S.A. The Administrative Reforms Commission in its report has used the term 'Public Sector Undertakings' and the standing committee of parliament calls them simply 'Public Undertakings'.

Keeping in view the difficulty of terminology a few definitions have been examined below:

"Public enterprises means state ownership and operation of industrial, agricultural, financial and commercial undertakings."¹

"The term usually refers to government ownership and active operation of agencies engaged in supplying the public goods, the goods and services which alternatively might be supplied by privately owned profit motivated firms."²

"Public Enterprise is an institution operating a service of an economic or social character, on behalf of the government, but as an independent legal entity, largely autonomous in its management though responsible to the public through government and Parliament and subject to some direction by the government equipped on the other hand with independent and separate funds of its own and the legal and commercial attributes of a commercial enterprise."³

³ Friedmann, The Public Corporation, Stevens, 1954, p. 541
"Public Enterprises are autonomous or semi-autonomous corporations and companies established, owned and controlled by the State and engaged in industrial and commercial activities."

"Public Enterprise means the industrial, commercial and economic activities carried on by the central government or by a state government or jointly by the central government and state government and in each case either solely or in association with private enterprises, so long as it is managed as a self-contained management."\(^5\)

An analysis of the above mentioned definitions reveals that the government ownership, government control and management, public accountability, public purposes, profit motive, wide range of activities and autonomous functioning may be summarised as the main features of public enterprises.

In precise manner the concept of public enterprises can be understood as follows:

a). Government ownership with Government management,
b). Government ownership with private management,
c). Mixed ownership and mixed management of government and private bodies,

From this explanation it can be concluded that any enterprise which is predominantly controlled and managed by the state or any other public authority is called public enterprise.

In public sector enterprises either the whole or a major part of the capital is invested by the government. It may be, by central or state or local government or jointly by these governments.

The first public corporation to be created was Port of Autonomy in London in 1908. This was gradually followed by other Corporations. Now the concept of public sector has gained importance in almost all the countries of the world. In developing countries, they are undoubtedly conceived as an instrument used for accelerating the role of economic development and bring about a social change.

Causes of the Evolution of Public Ownership:

The Government has three major responsibilities towards its citizens. The first responsibility is to protect society from the violence and invasion of other independent societies. Second, to protect every member of the society from injustice of every other member of it, and, third responsibility is to maintain certain public works and certain public institutions, which can never function for the interest of any industrial or a small number of individuals. Hence, the role of the government can not remain passive. Consequently many of the developing and even advanced countries adopted the public ownership of business and commercial activities on a large scale.
The factors such as exploitation of labour, monopoly position of the capitalist, mis-direction of resources and the lack of public welfare etc., were responsible for assigning the public sector on important position, as being discussed in the following pages.

1). Economic Rationale of Public Sector:

Public enterprises are expected to be the principal agent for rapid economic and social transformation, by developing infrastructure and the core sector, and closing the gaps in the industrial structure. Its dominant position in the financial field is intended to control and guide the private sector, wherever necessary. It is also likely to step in, if and when private enterprise fails the economy. And the economic growth via public enterprise is supposed to be adequately leavened with social justice. The objectives of establishing new enterprise and reasons for nationalizing some existing ones are varied and often differ from case to case and from time to time.

The tendency of profit maximisation of the capitalists had resulted in the disparity in distribution of national wealth as well as instability of national economy, which ultimately opened the avenue for public ownership of production, distribution and consumption.

Socialisation of production was the comprehensive and judicious decision against indifferent attitude of few capitalists towards poor workers and consequently these prevailing economic conditions urged the governments to create
public sectors particularly in the developing countries. The notable development of the idea of socialism emerged since the period of Fabian essayists. They conceived the public ownership of the economic institution essential because if it was left to private sector, the whole economy was likely to be deteriorated. The private entrepreneurs abstained to establish such enterprises which were of strategic significance for the entire economic development of the country due to low profit and long gestation period. Therefore, the basic and strategic industries could be established by the public sector because the development and growth of other industries depend on them.

2) Exploitation of Labour:

The labour class of people constituted majority in the total population of every country. But they were exploited by the capitalists and were deprived even from their due share in the national economy. Almost all the economic fields were captured by few individuals and the majority of labour class had very nominal share in the national income. That is why the plight of these workers was very miserable.

Prof. Bowley in 1910, made a study about the ownership of property "that just 1% of the population took 30% and 5½% took 44% of the national income leaving 70% of income to 99% of the population and 56% of the income to 94½% of the population." As stated by Bernard Shaw the theory of capitalist

system "is to make the material sources of production private property, enforce all voluntary contracts made under this condition, keep the peace between citizen and leave the rest to the operation of individual self interest. Thus, it would guarantee to every worker a subsistence wage while providing a rich leisured class with the means of upholding culture and saturating them with money enough to enable them to save and invest capital without personal privation." 7

3). Monopoly Argument:

The Laissez Faire economy in the capitalist system where everything gets adjusted through price mechanism ceased to function properly. Perfect competition was nowhere in the economic set up and monopoly of the productive power dominated the economy. This widespread monopolistic nature exploited the consumers. The handful of sellers controlled the best part of the supply. They decided the prices in favour of their vested interest to increase the profit margins.

It may be argued that the nature of the early capitalist system has changed. The individual industrialist have been gradually out classed by the partnership and the Joint Stock Companies which mean the diffusion of economic powers through share-holding, therefore, the state was forced to undertake directly the productive institutions. It did so "because the process of concentration reached already its logical end, and a clear cut private monopoly

had been created in the form of an omnipotent single firm.\(^8\)

4). **Economic Instability:**

The inequality of distribution created the gap between demand and supply. The capitalists class was not willing to purchase the products of the nation due to their over-consumption, at the same time the poor class was unable to purchase because of the lack of purchasing power. It was not surprising therefore, that this was the cause of slumps which prevented economic system from functioning properly.

The great depression of thirties made the state realize its duties towards the national economic and social well being of masses.

Consequently, the state was forced to participate directly in the process of production in order to avoid the fearful consequences of inflation or shrunk.

5). **Mis-Direction of Resources:**

The private ownership of property created the inequality of wealth which led to mis-direction of production. It directed energy from useful production to the multiplication of luxuries. A large part of the goods which was called wealth was not meant for meeting the essential requirements of the society because it consisted of articles which should

---

have been produced only after other essential articles were produced in abundance.

It was because of the fact that the surplus with capitalist was not necessarily used into productive articles. It was the vested interest of the private entrepreneurs that the resources were invested where they brought maximum profits irrespective of the necessity of the products; public ownership was evolved to avoid such uncertainties and to make the investment according to the needs of the society. Its object was not only to establish the state management of industry "but to remove the dead hand of private ownership when the private owner has ceased to perform any positive function." 9

6). Welfare Economy:

Another argument for the public ownership was the creation of welfare economy concept. There was an assumption in the past that private interest and the public welfare functions were mutually consistent, however, the two ceased to harmonize and in practice performance of the capitalist order and the methods and results of private enterprise appeared to be anti-social.

Individuals enjoyed the freedom of organizing and conducting the business in such a way likely to improve their own interests. The system of private enterprise was incapable of achieving the social justice as the profit motive could not always reconcile with the welfare concept.

Therefore, with a shift of emphasis to problems of welfare the inherent weakness of the economy was being more and more felt.

Consequently, the intervention of an external agency, particularly the state, to bring under control any morbid development of the economy was required.

7). Public Utilities and the Basic Industries Argument:

Public utilities and the basic industries essential for the welfare of the community and for the sound foundation of the industrial development also required direct state control. These are the industries on which the prosperity of the community depends and where the private enterprise has no major drive for the following three reasons:

Firstly, it requires large outlay of investment in a single project. Laying down a railway line or develop posts and establishing a heavy steel plant generally requires an amount of capital which is beyond the capacity of the private entrepreneurs.

Secondly, such outlay need relatively a time before it start paying off.

Finally, many important projects such as defence and irrigation etc. can not be left to the private entrepreneurs. Consequently, Keynesian economic assigned the central role to the public sector in the developing countries in levelling out the zigzags of private investment to fill up the gaps of the deficiencies.
a). **Generation of Resources:**

One of the important factors responsible for the emergence of public ownership of the economic institution is the creation of resources through their surplus. In the developing countries the development programmes of the Government rely on the public expenditure.

Functions of the state which were originally limited to the maintenance of law and order have considerably expanded now. For these enlarged objectives the government cannot depend merely on the taxation and borrowing, and the state in addition to the taxation and borrowing has to explore the possibilities of resource creation through non-tax devices, i.e. profits of the commercial and industrial concerns of the government.

Non-tax revenue forms an important element in the government income. In recent years the trends towards increasing nationalization or state participation in economic enterprises has led in several countries to some shifts on emphasis in favour of non-tax revenue through their surplus earnings. Consequently, the governments rely more and more on the surplus earnings of the public sector enterprises and making a bulk of the investment in the commercial and industrial projects.
The idea of economic planning was not mentioned by the early Fabian Essayists. It was afterwards that the Fabian Essayists used the concept of planning for full employment and to control the investment of key industries. In order to achieve this objective, they supported the case of nationalization, because if the economy is left uncontrolled, the economic growth will be in a haphazard fashion. Therefore, since the control of economic power is necessary in a planned way, the direct participation of the government is imperative.

The developmental function of the national governments of the third world countries have substantially contributed to the growth and development of public enterprises. Planning boards and commissions were created to make the developmental activities more effective. It was also realized that the untapped resources should be fully tapped for economic development. There was need for development of those sectors which private sector may not undertake for want of profit and initiative. State by entering itself into the economic activities can have a full grip over the economy and thus the objectives of planning can be achieved. Hence, the planning and the direct state participation are considered supplementary to one another.

From the above discussion it becomes clear that the need of public sector arises for various reasons. Since
the activities of the government differ from country to country according to the circumstances prevailing there, various countries have adopted this method for different reasons, some countries give an extensive role to the public sector, while others confine it only to the public works.

Actually in advanced countries, with abundant resources the role of the government is minor as everything gets adjusted itself with little commission. But in developing economy, like India where the resources are scarce the role of state becomes significant, since the economy is very sensitive and a little negligence can disturb the whole process of economic development.

Public Sector in India - A Historical Background:

As a result of the experience gained during the first world war, the government of India decided that the establishment of certain industries was necessary from the point of view of effective defence. Therefore after the commencement of the first world war the government attempted to examine the question of industrial policy which led to the appointment of first Indian Industrial Commission, 1916-19. The Commission recommended that in future the government must play an active role in the industrial development of the country. Then came the World War II, which affected most of the eastern countries due to the cut of
the supplies from Europe. So during the war period, government began to recognize the necessity of industries meeting the defence and certain requirements.

"In 1931: Karachi Session of the Indian National Congress for the first time attempted to define the economic and social contents of the Swaraj, and decided that it shall own and control key industries and services, mineral resources, railway, water-ways, shipping and other means of public interest. After that, Congress set up a National Planning Committee with Jawaharlal Nehru as its Chairman and K.T. Shah as the General Secretary.

This Committee appointed two sub-committees in 1940 to report on principles of National planning and administrative machinery for India's National Plan. However, due to the outbreak of second world war and Congress involvement in the struggle for freedom the reports of these sub-committees could become available in 1948. The National Planning Committee supported state intervention in the country's economy and recommended increasing state control over it, including nationalization of industries.

In 1943 the Bombay Plan was prepared by eight leading industrialists of Bombay. Consequently, people started thinking about planning and development. Those ideas later were embodied in the new Indian Constitution in Part IV of Directive Principle of state policy. Art. 39, provides the government to direct its policy towards securing the
ownership and control of material resources of the country, are so distributed as best subserve the common goods and that the operation of economic system does not result in concentration of wealth and means of production to the common determinent."\(^\text{10}\)

The economic planning for rapid and rational economic development created the need of public sector because in its absence, proper and adequate economic growth was quite impossible. In this context of Indian economy, the charter of public sector enterprises was embodied in the industrial policy resolution of 1948.

With the emergence of public sector the government was assigned significant role with a view to accelerate economic development by the expansion of its activities. Therefore, the rationale of public sector in India can be identified with the rationale of economic planning. Hence, the government made conscious and comprehensive efforts towards economic development by reserving the fields of economic activities and brought a desirable development in the critical economic field. Further, public sector was the media through which the concept of welfare economy was to be realized.

"On 21st April, 1945 the planning and development division had issued a policy statement specifying a crucial role for the industrial development of the country. Certain

\(^{10}\) Avasthi & Maheshwari, 'Principles of Public Administration' Laxmi Narain Aggrawal Educational Publishers, Agra, p. 123
industries must be taken under central control in the interests of coordinated development. Government should play active part in the industrial development of the country. It was also stated in the Policy Statement that basic industries of national importance might be nationalized provided adequate capital was not forthcoming and it was regarded as essential in the national interest to promote such industries. 

The economic planning which has been adopted in many countries for rapid and rational economic growth was difficult without the cooperation of public ownership. The planning cannot be successfully implemented without controlling certain key industries by the Government. As far as the Indian Economy is concerned the charter of public sector was embodied in the Industrial Policy Resolution of April 1949. The role assigned to the state in the Resolution was significant for bringing a rapid economic development by expanding its activities. The rationale of public sector in India can be identified with the rationale of economic planning.

To start with "only three government monopolies were established, i.e. manufacturing of arms and ammunitions, the production and control of atomic energy and ownership and management of railway transport." 

The Industrial Policy of 1949 did not contain any specific activity for public sector, then a new policy was envisaged in 1956 with a view to create socialistic pattern of society as a national goal. In the industrial policy resolution of 1956, the role of public sector was duly recognized. The policy also stated the power of the state to take over any industrial enterprise in the public interest. This policy made a clear division of the economic fields for the public and private sector. This policy reiterated the necessity of adoption of socialistic pattern of society as the national objective as well as the requirement for the planned and rapid development of the country. The rapid economic growth needs that all industrial undertakings of basic and strategic importance or in the nature of public utility services, must be under the purview of public sector.

Other industrial enterprises of paramount importance, involve huge investment which are beyond the financial capacity of private sector, they must also be in the public sector. Therefore, the government was assigned direct responsibility for the development of industries in the country.

The industrial policy of 1956 classified all the industries into three different categories. In case of first category development and growth of important industries was assumed to be exclusive responsibility of the government. In the second category, other industries were categorised in
which the state would be required to play a significant role and private sector would also assist the state's efforts in this regard. In the third category the rest of the industries were for the private sector and the government was also entitled to participate in this category. In short it was decided that "certain basic industries are to be permanently in the hands of the state and certain other types of economic undertakings are to be thrown open to private enterprise and third group is to be mixed, through the establishment of Joint Companies."

Emphasizing the industrial policy of the government, Pandit Jawaharlal Nehru said that we must put forth our best efforts on this foundation to build up industrialization in the country. In developing countries like India, the government is responsible for industrial and infrastructural development.

**Industrial Policy of 1977:**

"The industrial policy of 1977, which was announced on 23rd December, 1977, envisaged public enterprise as a tool of socialising the means of production in strategic areas and for providing a counter vailing force to the growth of large houses and large scale enterprises in the private sector. The new policy also envisaged a greater role for public enterprises in several fields, e.g. production of important and strategic goods of basic nature, acting as a stabilising force for maintaining essential supplies for

---

the consumers, and encouraging wide range of ancillary industries in the small scale and cottage sector. The government is also interested to operate public enterprises on profitable and efficient lines in order to ensure adequate return on investments made in them." Therefore, this policy made a clear cut classifications of the government's approach and initiatives towards public sector and it will be the endeavour of the government to operate public sector enterprises on profitable and efficient lines in order to ensure that investment in these industries provides an adequate return to the society. The main thrust was to build up a professional cadre of Managers for these enterprises who would be assigned an independent autonomy in order to ensure efficient management of such undertakings.

The expansion of the public sector has been emphasised in each and every succeeding Five Year Plan upto Seventh Five Year Plan.

**TABLE -2-1**

Public Sector Investment during Five Year Plan

<table>
<thead>
<tr>
<th>Period/Plans</th>
<th>Total Public Sector Rs. in Crores</th>
<th>Percentage share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. First Plan (1951-56)</td>
<td>3,360</td>
<td>1,559</td>
</tr>
<tr>
<td>2. Sec. Plan (1956-61)</td>
<td>6,831</td>
<td>3,730</td>
</tr>
<tr>
<td>3. Third Plan (1961-66)</td>
<td>10,400</td>
<td>7,185</td>
</tr>
<tr>
<td>4. Annual Plan (1966-69)</td>
<td>16,089</td>
<td>6,571</td>
</tr>
<tr>
<td>5. Fourth Plan (1969-74)</td>
<td>22,635</td>
<td>13,655</td>
</tr>
<tr>
<td>6. Fifth Plan (1974-79)</td>
<td>63,671</td>
<td>36,703</td>
</tr>
<tr>
<td>7. Sixth Plan (1980-85)</td>
<td>159,710</td>
<td>84,000</td>
</tr>
<tr>
<td>8. Seventh Plan (1985-90)</td>
<td>322,710</td>
<td>154,218</td>
</tr>
</tbody>
</table>

*SOURCE: Rao, Shukla & Prakash, Op.cit., p. 64*

The above table shows that during this period the public sector investment has increased from Rs. 1,559 crores to Rs. 1,54,218 crores.
Various forms of public enterprises have been set up in India, according to the statutes which include departmental undertakings, Public Corporation and the Public Companies. Public enterprises in India have been divided into three categories, viz., the departmental management, public corporations and the public companies. These different forms of organizations have different features to suit the various needs of the country.

1). **Departmental Management**

It is a traditional type of public enterprises in developed and in under developed countries and has been used for Railways, Communications, Posts & Telegraph, commercial or industrial monopolies of revenue raising character. The principal characteristics of this form of organization are:

1) The enterprise is financed by annual appropriation, from the treasury and all or major share of its revenues are paid into the treasury.

2) The enterprise is subject to the budget, accounting and audit controls applicable to other government activities.

3) The permanent staff of the enterprise are civil servants, and methods by which they are recruited and the conditions of service under which they are employed are ordinarily the same as per other civil servants.
iv) The enterprise is generally organized as a major sub-division of one of the departments and government is subject to the direct control of the head of the department.

v) They are accountable to Parliament through the concerned ministers. The growth policy and functioning of public enterprises are communicated to Parliament.

vi) Whenever this applies in the legal system of the country concerned, the enterprise possess the sovereign immunity of the state and can not be sued without the consent of the government.

"If suitability of departmental form the government wishes have substantial control over its enterprise, the departmental undertaking would be most suitable one." 15

From this point of view the railway, the Posts and Telegraphs, ordinance factories, transport and communication etc. have been set up as departmental undertakings. The Estimates Committee was of the opinion that the industries relating to defence and the industries established for financial control could be organized on departmental lines." 16


"The great departments of states are not organized for business administration."\(^{17}\)

The characteristics reveal that these departmentally managed concerns are wholly under full control of the state administration where perfect accountability and supervision is possible.

There is also no conflict of opinion between management and the ministry responsible for the undertaking. Undertakings under the category provide the infra-structure and industrial base.

2). Government Companies:

Another form of an autonomous authority for running state enterprise is a government company. The term here is used to denote an enterprise formed under the Companies Act of 1956, in which the government has the controlling interests through its ownership of all or some of the shares. The operations and management of a government company are regulated by section 620 of the Companies Act, the central Government however has a right to accept parts or fully the application of any provision of the Act, accept Sections 618, 619 and 619A to government companies. It, thus covers enterprises through which the government enters into partnership with private capital. The Public company

---

may attract the fund by issuing the interest bearing debentures and bonds. But in underdeveloped countries people respond more to an offer of equities for the concern. The reasons for the adoption of the company form is relevant. The Government may have to acquire shares of an existing enterprise in an emergency in response to a financial or employment crisis or in order to maintain production or provide services of basic necessities which have become unprofitable under private enterprises. This happened in many European countries during the World War period, where the Government transferred the shares to the public as soon after the establishment of the company, the capital of the company is owned wholly either by the Government or with private capital, domestic or foreign.

In India, the state holds generally major shares, but in countries like France, Pakistan, minor state participation is common. Both government and private participants can take part in management. It is exercised either by a special agreement to that effect or by normal practice of electing board members in proportion of their equity holdings. The company is registered under the statutory law enforced in the country. Its legal status is identical to that of the companies in the private sector. "It is also accountable to Parliament, is secured as provided under sections 619 and 619A of the Companies Act of 1956, which relates to audit and submission of the annual reports,"
respectively. The members of the governing boards are the elected representatives of various interested groups. These government bodies are not dictated by the ministers concerned.18

Financially, it is free from treasury and budgetary appropriation. Its capital fund is derived from the sale of stock to government or to private investors. It can use its own revenues. It is free from audit and accounts rules of the government. Its final accounts are prepared and audited as in the case of a private establishment. The Auditor General approves the names of Auditors.

In the Company from all or most of the functions are vested in the share-holders but they are reserved for the government. The Estimates Committee in its report has observed that "Indian Companies are more or less extension of departmental organization."19

Public Corporation:

With the rapid expansion of Public enterprises, it becomes necessary to evolve a new institution to manage them. And the solution was found by the formation of Public Corporation.

These Corporations were thus made responsible for their own finances i.e. financed by the users of the services. The importance of such organisation is to form the nearest equivalent to organisation in private sector. The principle characteristics of Public Corporation are:

1) It is wholly owned by the state.

2) It is generally created by special Act, which defines its powers, duties and immunities and prescribing the form of management and its relationship to established departments and ministers.

3) As a body corporate, it is a separate entity for legal purposes and can sue and be sued, enter into contracts and acquire property in its own name. Corporations conducting business in their own names have been generally given greater freedom for making contracts and acquiring and disposing off the property than ordinary government departments.

4) Except for appropriation to provide capital or to cover losses, a public corporation is unusually, independently financed. It obtained its funds from borrowing either from treasury or the public. It is authorised to use and re-use its revenues.
v) It is generally exempted from most regulatory and prohibitory statutes applicable to expenditure of public funds.

vi) It is ordinarily not subject to budget accounting and audit laws, and procedures applicable to non-corporate agencies.

vii) In the majority of the cases, employees of public corporation are not civil servants, and are recruited and remunerated under terms and conditions which the corporation itself determines. It is free from civil service regulations and from the danger of red-tapism of bureaucracy.

The Public Corporation is an autonomous body which is free from Parliamentary enquiry into its management. It has no interest of its own except promoting the interests of the public for which it is created.

The Public Corporation is left to conduct its operation independently as the private business. It has no share-holders in the ordinary sense of the term and is not supposed to meet the interest of the share-holders. It exists for the fulfilment of the tasks enjoined upon by the law. The Public Corporations are not set up only for profit motive but to meet the public ends.
The Public Corporation is financially self-supporting. Its finances are separate from the national budget, though the treasury keeps sufficient control over certain aspects of finance. Its establishment is made through funds provided by the State.

And once it is sanctioned the Corporation has to make its own plans.

The Public Corporation is free from parliamentary enquiry into its management. Its policies are subjected to parliament and ministerial control, but being a separate legal entity, it is not accountable to parliament about its day to day workings.

The Public Corporation is governed by the special Act, which provides its certain immunities which are not extended to other corporate bodies of the land.

The formation of Public Corporation requires the lengthy process of going through the whole legislative procedure. Any subsequent change needs the amendment of the original Act.

**Finances of Public Enterprises:**

The super-structure of enterprises can be built only on the sound financial base. Its continuous expansion and growth depends upon the availability of adequate finance
smoothly, regularly and at the reasonable cost. The original requirements of the public enterprises in India depended wholly upon the budget resources. Besides, there are various sources of their finances. Now the heads are many, such as public issue shares, issue of debentures, loans from special credit institutions like Industrial Finance Corporations and Investment Corporations, loans from bank and assistance from International Agencies like World Bank and Foreign Companies which are collaborating with some of the new undertakings. Public Companies are financed through the private participation. "Self financing" of the enterprises, through their surplus earnings is considered an important source of finance. Different forms of organizations draw their finances from a variety of sources, depending upon a number of factors which include the quantum of fixed capital and working capital, conditions prevailing in the money market, and the provisions made in the legal statutes.

As far as the Departmental Organization, the finances are exclusively made by the annual appropriations from the treasury, and all or the major share of their revenues is paid into the Exchequer. This form prevails in the old enterprises of the country such as Railways and Post & Telegraphs etc. The initial and subsequent capital is provided through the budgetary grants. A separate account is maintained with the government and shown as the capital
at charge against the undertakings concerned. But in due course of time some modifications have been made. Railways now have their separate finances and budget. They have to pay a fixed rate of interest which is decided by the Railway Convention Committee from time to time. The finances of other Government Departments are not separated from its revenues of the capital or state governments.

Public Corporations, draw their finances in different way. In Public Corporations, the original capital has been provided out of Parliamentary appropriation either as an outright grant or as an interest bearing capital.

The financing method of the statutory Corporations is generally indicated in the statutes. Under the Air India Corporation Act, the entire capital of Indian Airlines and the Air India International shall be provided by the Government. Under the D.V.C. Act, 'each participating state (Centre, West Bengal and Bihar) shall provide its share of the capital.' If any Government fails to raise such share by the prescribed date, then the Corporation may raise the loan to make up that deficit at the cost of Government concerned.

Most of the public enterprises in India have been set up as private or Public Joint Stock Companies. The Companies have been set up under the Indian Companies Act. They are generally wholly Government-owned and all the shares are held either by the President of India or by the
respective state governments. Some Companies have private (Indian as well as Foreign) participations.

Except in the case of mixed enterprises, the whole of the initial capital for the public sector undertakings comes normally from the Government directly, or through the three forms or combinations of a) grant, b) equity investment, or c) loans.

Finances Through Grants, Equity and Loans:

When a government starts a new undertaking, the initial investment is always made out of the budgetary allocation through the grants, equity, capital loans. Grants capital are sanctioned generally to the public utilities are made in a lump-sum amount. But the disadvantage of the grants is that it imposes no financial disciplines on the enterprise. Therefore, except in a few cases, where the grants are used exclusively, the enterprises are equipped with equity-type capital and loan capital.

Private Participation:

Public enterprises can be used not only as a means of generating resources for investment in the developmental programmes, but also as a means of mobilizing domestic private capital. This role is clearly illustrated by the mixed enterprises, where private parties participates in providing the equity and with the right of representation
on the Board of Directors. The mixed enterprises attract private capital more successfully than the purely private enterprise because dependence on the Government offers the investor an extra degree of security.

External Capital:

External capital is the important source of finance of public undertakings. Many of the public undertakings are collaborated with the foreign investors. External capital for public enterprise may be private or public, direct or indirect. Private capital is invested directly in the enterprises concerned, for the profit motive. Public capital takes the form of Government grants or loans which are made available to the recipient government for investment.

The problems faced by foreign financing of public enterprises are related with the balance of payments, projects typing and political relation between the countries. Therefore, there are certain limitations of the external finance. At the earlier stages, the Government has utilized a considerable amount of foreign grants and loans but dependence upon such capital is not considered proper for ever and it is avoided due to its political backgrounds.

Self Financing:

The initial capital of the enterprise is provided through the Government budgetary appropriation. But the
question is for the further developmental process. The primary objective of the public sector is not to make the huge profits. But it is desirable that public operating should make the surplus atleast for their expansion. In developing countries, these issues may be somewhat academic. The major problems are (a) to ensure that the public industrial enterprises achieve profitability, so that they contribute to the development of national resources and do not impose a drain on them, (b) to use their profit as sources of capital formation. Therefore, public enterprises are given profit-targets which are formulated in the light of the programme for raising of capital resources embodied in the national economic plan.

The self-financing by public enterprises reduces the claims on the nation's savings. If the nationalized industries finance a greater proportion of their investment by ploughing back profits, this docs not means that the nation as a whole need a less; all that is implied is a shift in the burden of saving from tax payers to the consumers of public sector production. Therefore, the method of self financing of public enterprises is not contrary to their objectives. But actually, it depends upon the price policy of Government. Public undertakings are set up for the wide social considerations, hence, they charge lower prices to reduce the burden on the consumer's purse. The public concerns, like multipurpose projects, need not make any surplus for they confer many indirect benefits to the community.
There are instances of higher prices charged by Government on certain luxury goods to create the surplus for self-financing. But it is not possible for the essential commodities. Therefore, the problems of self-financing depends solely on the objectives entrusted with the different categories of the concerns.

**Deficiencies of Public Sector:**

In spite of substantial contribution of the public sector enterprises in the economic development of the country their performance in general has not been up to the mark.

Managerial efficiency and effectiveness is at the heart of the functioning and performance of any enterprise. However, public sector enterprises are with a few exceptions very inefficiently and ineffectively managed due to the following reasons.

(a) No continuity at the top management level.
   It has become almost to say that most public sector enterprises are headless bodies.

(b) Conflicting and confused objectives: The number of guidelines issued by the bureau of public enterprises totals the astonishing figure of 800. To complicate matters further, there is very often a conflict between existing political ideologies and current management practices.
(c) Dominance of politicians in policy making:
There is continuous political interference in the day to day functioning of enterprises. This exists to such an extent that in reality managers have practically no autonomy in taking important decisions. 20

Further, instead of confining itself to core industries, the Government strayed into pathless woods and every act of nationalization of a sick industry has pushed it deeper into the mire. 21

According to a recent government survey, out of 244 central undertakings in the country, barely 20 were found to be highly profitable, 74 moderately profitable, four without profit or loss, and as many as 135 registered aggregate negative profits. Of the later, 54 units were chronically sick with labour force of 3.3 lakh persons and net liabilities touching Rs. 4,600 crore.

There are also the state-level public enterprises (SLPEs) which were set up to accelerate the pace of national development, and which in recent years have proliferated to a great extent. For instance, during the seven year period from 1980-81 to 1986-87, 350 SLPEs were set up, raising the total investment in State level enterprises

20. The Economic Times (New Delhi), 22 August, 1991
21. The Hindustan Times, New Delhi, 31st August, 1992
from Rs. 2,060 crore over to Rs. 13,000 crore. Investment in State level public enterprises grew at an average rate of 45 percent per annum between 1976 and 1987, as against 30 percent in the case of central undertakings. Yet for all the states taken together, the asset turnover ratio for the state level public enterprises had been as low as 3 : 1 (indicating that for every rupee invested, the returns have been barely 33 paise). About 40 percent of these enterprises were in the red at the gross marginal level while 50 percent incurred losses at the operating margin level. The remaining 10 percent showed small surpluses.

It was because of these reasons that a new industrial policy emerged and the role of the public sector was entirely changed.

The New Industrial Policy:

The new Industrial Policy has made efforts to address itself to some of the chronic problems of the public sector. It aims at:

1). Distributing 20% public sector units to the mutual funds, financing institutions, general public and the workers.

2). Referring chronically sick public sector units to the Board for financial and Industrial Reconstruction (BIFR) for the formulation of survival scheme. In
his budget speech, Dr. Manmohan Singh said,

"A special security mechanism will be created to fully protect the interests of the workers likely to be affected by the rehabilitation package of the BIFR. Autonomy management and the corresponding accountability would be provided through a system of memorandum of understanding (MOU) between the government and the public sector enterprises."

This new industrial and commercial policy for revamping and restructuring the economy is also named as privatization. Privatization in simple terms is the transfer of ownership for the public sector, but with the provision that there is no bar to operating these areas to the private sector. The industries include those dealing with the production of steel, oil, power, pharmaceuticals and petrochemicals. Enterprises in areas where continued public sector involvement is judged appropriate greater degree of managerial autonomy is being provided by the government. It also proposes the system of monitoring the units. A weighty argument in favour of privatization of these enterprises is that it would help a fiscally strapped government to cut down on its deficits. This could serve as a bone to an economy facing a resource crunch and enable it to get out of the debt trap.

22. - The Economic Times, New Delhi, 22nd August, 1991
Another benefit stemming from privatization is stated to be the potential increase in the operational efficiency of the enterprises. Improved efficiency comes through changes in objectives, higher incentives, reduction of operational constraints, greater accountability and measurability of performance at various levels. The British example of privatization is widely quoted in this context. The magic turnaround of the British telecom through privatization is a landmark in itself. Within a couple of years of Margret Thatcher's experiment, this state sector giant in the U.K. which had accumulated losses in billions of pounds sterling, has been brought back to health.

In case of India also, privatization has started making wages in a big way. Certain examples are provided by the government's attempts to disinvestment in state sector units like the National Thermal Power Corporation (NTPC) and Hindustan Machine Tools (HMT) by selling shares through bonds.

"The main plank of the votaries of privatization is the inherent and built-in inefficiency of the public sector. Because it can not go bankrupt it has compulsion to compete or excel. When an industry knows that the government will always pull its fat from the fire, the result is inertia, inefficiency and scant attention to the needs
To conclude, liberalization should not mean indiscriminate privatization, but efficiency and competitiveness in industry. Thus, minimum government presence leading to emergence of autonomous leadership, better management of resources and increase in productivity, emergence of a new dynamic joint sector, are expected to change the face of the public sector in the country.

Though public sector has still to play a key role in the development of the national economy but it has lost its dominance position. The following chapter of is a detailed evaluation/its performance during the recent past.

---

23. Hindustan Times, August 31st, 1992, New Delhi
CHAPTER - II

PERFORMANCE EVALUATION OF PUBLIC SECTOR AND NEW ECONOMIC POLICY
Financial Performance:

"It is recommended that for evaluating financial performance of public enterprises, the following criteria should be used:

1) Gross margin on assets (for all enterprises)
2) Net profit on net worth (for core sector and profit making enterprises)
3) Gross margin on sales (service enterprises)

In respect of core sector enterprises, the rate of net profit should be at least a stipulated percent and gross margin on capital should be improving overtime.

In non-core sector, enterprises should be judged against the industry average for both gross margin on capital employed and the rate of net profit.

In evaluating the performance of service enterprises, attention should be focussed on direction of change in the gross margin on sales. In loss making enterprises, gross margin should be positive. In addition, the following is to be monitored:
a) Ratio of loan liabilities to assets.
b) Ratio of wages to value added per worker.
c) Cash loss per worker.

Indian economy today is passing through a process of crucial change. For the last four decades, public sector was expected to be the engine of growth. But the situation have been changed due to the poor performance of public sector undertakings.

Following is the brief assessment of the performance of public sector undertakings.

**TABLE No.3:1**

FINANCIAL PERFORMANCE OF CENTRAL PUBLIC ENTERPRISES
(Running Enterprises excluding Insurance Companies)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Units</th>
<th>Capital employed</th>
<th>Gross Profit before Tax</th>
<th>Gross Profit to Capital employed (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)=(3/2x100)</td>
</tr>
<tr>
<td>Fourth Plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1969-70</td>
<td>73</td>
<td>3,291</td>
<td>139</td>
<td>4.2</td>
</tr>
<tr>
<td>1970-71</td>
<td>97</td>
<td>3,606</td>
<td>145</td>
<td>4.0</td>
</tr>
<tr>
<td>1971-72</td>
<td>93</td>
<td>4,099</td>
<td>169</td>
<td>4.1</td>
</tr>
<tr>
<td>1973-74</td>
<td>114</td>
<td>5,376</td>
<td>354</td>
<td>6.2</td>
</tr>
<tr>
<td>Fifth Plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1974-75</td>
<td>120</td>
<td>6,627</td>
<td>559</td>
<td>8.4</td>
</tr>
<tr>
<td>1975-76</td>
<td>121</td>
<td>8,924</td>
<td>668</td>
<td>7.6</td>
</tr>
<tr>
<td>1976-77</td>
<td>149</td>
<td>10,637</td>
<td>1,028</td>
<td>9.4</td>
</tr>
<tr>
<td>1978-79</td>
<td>159</td>
<td>13,969</td>
<td>1,071</td>
<td>7.7</td>
</tr>
<tr>
<td>1979-80</td>
<td>169</td>
<td>16,182</td>
<td>1,229</td>
<td>7.6</td>
</tr>
</tbody>
</table>

### Sixth Plan

<table>
<thead>
<tr>
<th>Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>168</td>
<td>18,207</td>
<td>1,418</td>
<td>7.9</td>
</tr>
<tr>
<td>1981-82</td>
<td>198</td>
<td>21,935</td>
<td>2,654</td>
<td>12.1</td>
</tr>
<tr>
<td>1982-83</td>
<td>193</td>
<td>26,590</td>
<td>3,565</td>
<td>11.9</td>
</tr>
<tr>
<td>1984-85</td>
<td>207</td>
<td>36,382</td>
<td>4,628</td>
<td>12.7</td>
</tr>
</tbody>
</table>

### Seventh Plan

<table>
<thead>
<tr>
<th>Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985-86</td>
<td>211</td>
<td>42,965</td>
<td>5,297</td>
<td>12.3</td>
</tr>
<tr>
<td>1986-87</td>
<td>214</td>
<td>51,935</td>
<td>6,524</td>
<td>12.6</td>
</tr>
<tr>
<td>1987-88</td>
<td>220</td>
<td>55,617</td>
<td>6,940</td>
<td>12.5</td>
</tr>
<tr>
<td>1988-89</td>
<td>226</td>
<td>67,629</td>
<td>8,572</td>
<td>12.7</td>
</tr>
<tr>
<td>1989-90</td>
<td>233</td>
<td>84,437</td>
<td>10,623</td>
<td>12.6</td>
</tr>
</tbody>
</table>

**NOTE:** Gross Profit before Tax = (Net Profit + Interest + Corporate Tax paid)

Total Capital Employed = (Fixed Assets Minus Depreciation Plus working capital)


The concept of gross profit before tax is generally recommended by economists as the basis of comparison with the private sector. It was also stated in various plan documents that public sector undertakings should earn a rate of return of 12% per annum. It may be noted that during 1969-70 to 1973-74, gross profit as a percentage
of capital employed was in the low range of 4 percent to 6 percent and the critics were justified in painting a very black image of the public sector. The situation did improve marginally during the fifth plan and the gross rate of return on public sector undertakings ranged between 7 to 9 percent till 1980-81. However, from 1981-82, the situation did take a turn decidedly for the better and the gross rate of return ranged between 12 and 13 percent. Obviously, the situation in public sector undertakings was turning from black to grey and the public sector undertakings indicated a better record of performance.

Gross profit before tax in absolute terms, which was Rs. 5287 crores in 1985-86 reached a respectable figure of 10,623 crores in 1989-90. "As per Eighth Five Year Plan there are 246 central public sector undertakings owned by the Government of India with a total investment of Rs. 1,13,234 crores. Out of these 236 are operational enterprises which provide employment to a total of over 23 lakh employees. In addition there are about 1100 state level public enterprises with an estimated investment of about Rs. 50,000 crores. As visualised by Pt. Jawaharlal Nehru the late Prime Minister of India, the public sector was to contribute to the growth and development of the nation by generating surplus re-investible resources. But this has remained only a pipe-dream and most of the public sector undertakings have continued to be a persistent drain on the state exchequer, incurring substantial losses year after year. For example,
there was a net loss of Rs. 203 crores in the year 1990 when 94 central public sector undertakings earned a net profit of only Rs. 557 crores against 74 loss making central public sector undertakings incurring a huge loss of Rs. 760 crores. The picture in 1990-91 was, however, slightly different when there was an overall net profit of Rs. 2369 crore and out of 236 operational central public sector undertakings, 124 earned a net profit of Rs. 5432 crore and 109 loss making central public sector undertakings incurred a loss of Rs. 3064 crore. It is a pity that the entire central public sector earned a meagre net profit of Rs. 2368 crore which is just 2.33% of the total capital investment of Rs. 1,13,234 crore.\(^2\)

The trend of performance of public sector undertakings (PSUs) during the year 1991-92, however, has been different. There was overall decline in profitability of central public sector during the year. There was a steep fall in the fiscal performance of oil sector for the first time. The non-oil sectors including power sector, telecommunication services, steel and mineral, however, performed much better than in the previous year.

The performance of public sector undertakings on other accounts like infrastructure development, capacity utilization, delivery period, cost of production etc. has also been a matter of debate.

\(^2\) Competition Master - Vol. XXXIV, No. 9, March 1993, Published Chandigarh, p.612.
Notwithstanding glaring performance in certain sectors by the public sector undertakings, the present fiscal situation does not permit any more accumulation of losses both by central and state public sector undertakings. In its recently published report, the World Bank has called for speedy closure of India's "bankrupt" state run enterprises.

**TABLE No.3.2**

Profit/Loss in Various Types of Central Govt. Public Sector Enterprises

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. of Enterprises</th>
<th>Capital employed</th>
<th>Gross Profit</th>
<th>Ratio of Gross profit to capital employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum Sector</td>
<td>14</td>
<td>15,153</td>
<td>4,306</td>
<td>27.76</td>
</tr>
<tr>
<td>1989-90</td>
<td></td>
<td>(10.4)</td>
<td>(40.5)</td>
<td></td>
</tr>
<tr>
<td>Taken Over Sector</td>
<td>46</td>
<td>1,792</td>
<td>-204</td>
<td>-11.39</td>
</tr>
<tr>
<td>1989-90</td>
<td></td>
<td>(2.1)</td>
<td>(1.9)</td>
<td></td>
</tr>
<tr>
<td>Non-Taken over</td>
<td>100</td>
<td>41,217</td>
<td>3,916</td>
<td>9.50</td>
</tr>
<tr>
<td>Non-Petroleum Manufacturing</td>
<td></td>
<td>(48.8)</td>
<td>(36.9)</td>
<td></td>
</tr>
<tr>
<td>Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1989-90</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Sector</td>
<td>73</td>
<td>25,915</td>
<td>2,604</td>
<td>10.05</td>
</tr>
<tr>
<td>1999-90</td>
<td></td>
<td>(30.7)</td>
<td>(24.5)</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>233</td>
<td>84,437</td>
<td>10,623</td>
<td>12.58</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(100.0)</td>
<td>(100.0)</td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:** Figures in brackets are percentages of the total in the respective year.

**SOURCE:** Compiled and computed from Government of India, Public Enterprises Survey (1989-90), Vol. 1, Table 1.20.
An analysis as given in Table No. 2 reveals some important information about different sector, central public sector.

1). The petroleum sector which accounts for 18.4% of capital employed provides 40.5% of the total gross profit earned by all public sector undertakings. Obviously, the contribution of the petroleum sector is far greater than the capital employed in this sector.

2). The takenover sector (such as textiles), accounted for 2.1% of the total capital employed, but accounted for (-) 1.0% of the total gross profits. In other words, the argument that the relatively poor performance of the public sector undertakings is due to the burden passed on by the private sick undertakings to the public sector is overplayed. The weight of this sector is very small in total surplus generation.

3). The performance of non-petroleum manufacturing sector undertakings and service sector undertakings has been below the targetted level of 12% gross rate of return. Since the weight of these two sectors in capital employed is about 80% in total capital employed a deeper probe is essential to identify the weak points for remedial action.

Operational Efficiency of State Government Enterprises:

The operational efficiency of state government reveals that they are perennial loss-makers. The chief
culprits among them are: State Electricity Boards, irrigation works and Road Transport Corporations.

**TABLE NO.33**

Losses of Major State Government Enterprises

<table>
<thead>
<tr>
<th></th>
<th>1985-86</th>
<th>1986-87</th>
<th>1987-88</th>
<th>1988-89</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Irrigation</td>
<td>872</td>
<td>1,226</td>
<td>-1,345</td>
<td>1,687</td>
<td>-5,130</td>
</tr>
<tr>
<td>Projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. State</td>
<td>-1,545</td>
<td>-1,546</td>
<td>-2,264</td>
<td>-2,705</td>
<td>-8,060</td>
</tr>
<tr>
<td>Electricity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. State Road</td>
<td>226</td>
<td>193</td>
<td>146</td>
<td>251</td>
<td>861</td>
</tr>
<tr>
<td>Transport</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-2,643</td>
<td>-2,965</td>
<td>-3,755</td>
<td>-4,643</td>
<td>-14,006</td>
</tr>
</tbody>
</table>

**SOURCE:** Compiled from CMIE, Public Sector in India. (May 1991)

During the four year period (1985-86 to 1988-89), the total losses of these state government enterprises aggregated to over Rs. 14000 crores. The situation is highly distressing and is the cumulative result of the poor performance and absence of any remedial action taken to alleviate the situation. Uneconomical pricing policies, the rise of farm lobbies and political pampering of peasants and considerations of preserving vote banks have all contributed to the scandalous situation, besides operational efficiencies.
Low Contribution to Saving:

"CIME review indicts the public sector with regard to its low contribution to national savings in the following words: "The failure of the public sector is glaring in respect of savings. After 39 years of planning, the public sector contributes only 8 per cent of the nation's saving; that also, in part, through heavy taxation and semi-fictitious profits of the Reserve Bank. The remaining 92% of the nation's saving came from the private sector."

Capacity Utilization - As Index of Performance:

A very useful index of the performance of the public sector is the degree of capacity utilisation. Public sector undertakings show a mixed record judged by this criterion.

"The Indian Oil Corporation increased crude oil throughout in the refineries from 5.8 million tonnes in 1980-81 to 51.8 million tonnes in 1990-91. Capacity utilization which was 95% in 1985-86 increased steadily to reach 100% in 1987-88. The disturbed conditions in Assam gave a setback and capacity utilization registered a decline to 96% in 1989-90. However, the high success

rate of ONGC and high capacity utilization of Indian Oil Corporation deserve recognition by a word of praise. "The National Textile Corporation (NTC) which took over the sick textile mills of the private sector has also improved its performance. The capacity utilization of NTC mills has reached 95% in spinning and 85% in weaving in 1989-90 as against merely 45% capacity utilization at the time take over of these mills. NTC mills meet the social obligation of producing 99% of the total coarse and medium cloth used by the weaker sections of the society. Besides they also meet a major share of the total yarn requirements of the decentralised sector.

In newsprint, the overall capacity utilization was 97% although the Hindustan Paper Corporation, Kottayam (Kerala) recorded a capacity utilization of 108% and Mysore Paper Mills 107% National Newsprint and Paper Mills recorded a lower capacity utilization at 76%. 4

Capacity utilization in Hindustan Copper - a public enterprise improved from 65% in 1985-86 to 90% in 1989-90. The upshot of the entire analysis is that it would be incorrect to paint every public sector enterprises with a black brush. There are high performers who can equal any private sector undertaking in terms of efficiency, absorption of advanced technology and even

in surplus generation along with a better deal for its employees. There are of course, the laggards and low performers. A proper scientific undertaking of the public sector undertakings has to be made to chart out policies giving a new direction to the public sector.

**TABLE No.34**

Research & Development Expenditure in India

<table>
<thead>
<tr>
<th>Year</th>
<th>Public Sector</th>
<th>Private Sector</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965-66</td>
<td>66.0 (96.5)</td>
<td>2.4 (3.5)</td>
<td>68.4 (100.0)</td>
</tr>
<tr>
<td>1970-71</td>
<td>125.0 (89.5)</td>
<td>14.6 (10)</td>
<td>139.6 (100.0)</td>
</tr>
<tr>
<td>1980-81</td>
<td>639.8 (84.1)</td>
<td>120.7 (15.9)</td>
<td>760.5 (100.0)</td>
</tr>
<tr>
<td>1989-90</td>
<td>3567.2 (89.1)</td>
<td>436.6 (10.9)</td>
<td>4003.8 (100.0)</td>
</tr>
</tbody>
</table>

**NOTE**: Figures in bracket are percentage of total.


Research and Development:

For absorbing and adopting technologies in industrial development and to develop better technology consistent with our needs, research & development is an important area.
The public sector has set up over 40 national laboratories, whatever merits may be ascribed to the private sector, but its neglect of research and development is a matter of serious concern. Research & Development expenditure accounts for 1% of GNP in 1989-90 which is for below the levels attained in developed countries i.e. 2 to 5% of GNP. India remains far behind.

But a more distressing fact is that the share of the so-called dynamic private sector in Research and Development is only 11% of the total Research & Development expenditure in India.

**TABLE No.35**

Comparative Rates of Return on Capital employed in Public Sector and Private Sector (1980-81 to 1988-89)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>CAPITAL EMPLOYED (Rs. Crores)</th>
<th>GROSS PROFIT (Rs. Crores)</th>
<th>AS % OF CAPITAL EMPLOYED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Central CMIE Select</td>
<td>Central CMIE Select</td>
<td>Central CMIE Select</td>
</tr>
<tr>
<td>1980-81</td>
<td>32,744</td>
<td>17,837</td>
<td>1,418</td>
</tr>
<tr>
<td>1981-82</td>
<td>40,704</td>
<td>21,224</td>
<td>2,654</td>
</tr>
<tr>
<td>1982-83</td>
<td>50,518</td>
<td>25,184</td>
<td>3,464</td>
</tr>
<tr>
<td>1983-84</td>
<td>59,366</td>
<td>30,162</td>
<td>3,565</td>
</tr>
<tr>
<td>1984-85</td>
<td>70,104</td>
<td>34,702</td>
<td>4,628</td>
</tr>
<tr>
<td></td>
<td>(Average ROI for 1980-81 to 1984-85)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985-86</td>
<td>80,639</td>
<td>39,810</td>
<td>5,287</td>
</tr>
<tr>
<td>1986-87</td>
<td>98,818</td>
<td>46,762</td>
<td>6,521</td>
</tr>
<tr>
<td>1987-88</td>
<td>112,351</td>
<td>51,353</td>
<td>6,940</td>
</tr>
<tr>
<td>1988-89</td>
<td>132,896</td>
<td>65,204</td>
<td>8,572</td>
</tr>
<tr>
<td>1989-90</td>
<td>162,434</td>
<td>64,610</td>
<td>10,623</td>
</tr>
<tr>
<td></td>
<td>(Average ROI for 1985-86 to 1989-90)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**SOURCE:** Compiled from CMIE, Public Sector in India, May 1991.
"CMIE has pointed out that conventionally, in company finance studies, capital employed is taken to be equivalent to the total of the assets side of the balance sheet, i.e. broadly gross fixed assets less depreciation, plus investment in shares and securities, total gross current assets (i.e. receivables, loans and advances, deposits etc.).

However, in the public enterprises survey of BPE, capital employed is defined as gross block less accumulated depreciation, plus net working capital (i.e. gross current assets, loans and advances, deposits investments etc. less current liabilities and provisions other than gratuity provision). The BPE (Bureau of Public Enterprises survey, it has been argued, should amend its definition so that the data presented by it becomes comparable to usual RBI and company finance studies."

The CMIE undertook this exercise and recalculated capital employed (i.e. total net assets) and presented its findings on a comparable basis of 100 selected large companies (refer table 5) CMIE observes: "The performance of BPE survey enterprises in terms of rate of return on total net assets (i.e. capital employed) is not impressive when compared with the same in the private corporate sector. Thus as can be seen from table 5, the rate of return of around 6.5% during 1989-90 on total net assets in BPE

---

survey enterprises was much lower compared with 11.3% return obtained on total net assets by CMIE selected large private sector industrial companies. This rate of return was however higher in 1980-81 at 12.3% in CMIE selected private sector industrial companies, while it was much lower at 4.3% in BPE survey enterprises, compared with their respective levels during 1989-90.6


The main provisions relating to the public sector included in the policy are:

1). Portfolio of public sector investments will be reviewed with a view of focus the public sector on strategic, high tech and essential infrastructure. Whereas some reservations for the public sector is being retained there would be no bar for areas of exclusively to be opened upto the private sector selectively. Similarly the public sector will also be allowed entry in areas not reserved for it.

ii). Public enterprises which are chronically sick and which are unlikely to be turned around will, for the formulation of revival or rehabilitation

schemes, be referred to the Board for Industrial and Financial Reconstruction (BIFR), or other similar high level institutions created for the purpose.

A social security mechanism will be created to protect the interests of workers likely to be affected by such rehabilitation packages.

iii). In order to raise resources and encourage wider public participation, a part of the government’s shareholding in the public sector would be offered to mutual funds, financial institutions, general public and workers.

iv). Boards of public sector companies would be made more professional and given greater powers.

v). There will be a greater thrust on performance improvement through the Memoranda of understanding (MOU) system through which managements would be granted greater autonomy and will be held accountable.

Consequently, the list of industries to be reserved for the public sector has been raised and limited to only 8 industries. They are:

1. Arms and allied items of defence equipments,
   Defence aircrafts and warships,
2. Atomic Energy,
3. Coal and Lignite,
4. Mineral Oils,
5. Mining of iron ore, manganese ore, chrome ore, gypsum, sulphur, gold and diamond,
6. Mining of copper, lead, zinc, tin molybdenum and wolfram,
7. Minerals specified in the schedule to the Atomic Energy (control of production and use) order, 1953,
8. Railway transport,

By amending the Industrial Licensing System, the government has abolished industrial licensing for all projects except for a shortlist of industries related to security and strategic concerns, social reason, hazardous chemicals and overriding environmental reasons and items of elitist consumption.

The list of 18 industries for which licensing will be compulsory are:

(1) Coal and Lignite, (2) Petroleum (other than crude) and its distillation products, (3) Distillation and brewing of alcoholic drinks, (4) Sugar, (5) Animal fats and oils, (6) Cigars and cigarettes of tobacco
and manufactured tobacco substitutes, (7) Asbestos and asbesto-based products, (8) Plywood, decorative veneers and other wood based products such as particle board, medium density fibre board, black board, (9) Rawhides and skins, leather, chamois leather and patent leather, (10) Tanned or dressed fur-skins, (11) Motor cars, (12) Paper and newsprint except bagasse-based units, (13) Electronic aerospace and defence equipments, all types, (14) Industrial explosives, including detonating fuse, safety fuse, gunpowder, nitrocellulose and matches, (15) Hazardous chemicals, (16) Drug and pharmaceuticals (according to Drug Policy), (17) Entertainment Electronics (VCRs, Colour TVs, CD Players, Tape recorders), (18) White goods (Domestic Refrigerators, Domestic Dish Washing Machines, Programmable domestic Washing Machines, Micro-wave ovens, Air-conditioners).

To encourage direct foreign investment, the industrial policy promises approval for direct foreign investment upto 51 percent for foreign equity in high priority areas.

The Industrial Policy of 1991, therefore, intends to limit the priority areas for the public sector in the future to:
a). Essential infrastructure goods and services,
b). Exploration and exploitation of oil and mineral resources,
c). Technology development and building of manufacturing capabilities in areas which are crucial in the long term development of the economy and where private sector investment is inadequate, and
d). Manufacture of products where strategic consideration predominate such as defence equipment.

With the announcement of the New Industrial Policy in July 1991, a large number of Government-induced entry restrictions, licensing requirements and controls on corporate behaviour were eliminated. The thrust of the policy measures undertaken in 1992-93 has been to deepen these reforms and extend them to other sectors of industry. Further, the industrial and trade changes introduced since the presentation of the previous Economic Survey have made imported inputs cheaper and more accessible for industry and have, at the same time, exposed a large segment of the Indian industry to international competition. Fiscal policy initiatives have sought to improve the incentives for investment in the industrial sector and encourage a shift towards exports and away from domestic markets.
The process of industrial de-regulation and structural reforms has been carried further during 1992-93, and the direction for future policy action has been firmly established. An experience is gained and the economy begins to respond to the policy changes, the reforms will be extended to other sectors. Consolidation of these reforms by way of ensuring their implementation and removing anomalies will be focussed upon. The role of state governments is critical in this regard.

**Fiscal and Monetary Policy Measures:**

A number of measures were initiated in the Budget and the monetary policies to revive industrial growth.

1). The Budget for 1992-93 announced TERMS under which 60 percent of foreign exchange earnings are allowed to be converted at market rate of exchange. Consequently to this, import of all raw materials, components and capital goods for use in the manufacturing sector, barring a few in a small restricted list, would be freely allowed as long as the importer obtained the required foreign exchange from the market. This has greatly facilitated access to imported capital goods, technology and raw materials. Trade policy was liberalised and the restricted list of imports
pruned substantially. All intermediate goods, industrial raw materials, components and spare parts are now on the Open General Licence (i.e. importable without licence).

ii). "The peak import tariff was brought down from a maximum of 150 per cent to 110 per cent, thereby reducing costs of imported industrial inputs. Rates of import duties on projects, capital goods general machinery were substantially reduced. The Export Promotion Capital Goods (EPCG) Scheme made capital goods importable at 25 per cent and 15 per cent duty as long as the importers agreed to fulfil a stipulated export commitment." 7

iii). The floor level of interest rate on commercial bank advances was reduced by 2 percentage points in two stages in March and October 1992.

iv). The capital market was liberalized and Government control over capital issues withdrawn. The office of the Controller of Capital Issues was abolished. The Securities and Exchange Board of India (SEBI) has been converted into a statutorily empowered Board to regulate the functioning of capital market and stock exchanges. Companies are now free to price their equity issues at their own risk and at self-determined premia, within the guidelines

laid down by SEBI for investor protection.

v). Taxation of capital gains was restructured to allow for inflation accounting. Double taxation of partnership firms was abolished and financial assets such as equities and debentures were exempted from wealth tax. These fiscal measures have improved the incentives for industrial investment and encouraged flow of resources towards industry.

**Foreign Investment:**

A number of measures have been put in place to attract foreign investment.

1). "Under the new Industrial Policy, approvals for foreign direct investment up to 51 per cent of equity in specified high-priority industries were to be given automatically subject to the condition that the dividend payments should be balanced by export earnings over a specified period of time. This condition of dividend balancing was withdrawn in respect of all foreign investment approvals except for some notified consumer goods industries. The list of high-priority industries where foreign investments up to
51 per cent were allowed automatically was revised, rationalising the earlier grouping and adding new items. The software industry is now included in the list."^8

ii). Automatic approval of RBI for raising foreign equity upto 51 per cent will be available to: (a) companies wishing to raise foreign equity as part of an expansion programme in the high-priority companies predominantly engaged in high-priority industries to raise the equity base without an expansion programme. Such companies can issue equity abroad at prices determined by the shareholders by a special resolution.

iii). Approvals for foreign investment and foreign technology agreements had a condition earlier prohibiting the use of foreign brand name or trade mark in goods sold in the domestic market. This restriction has since been withdrawn.

iv). Foreign Exchange Regulation Act 1973 (FERA) was substantially liberalised through an Ordinance promulgated by the President on 8 January, 1993. All restrictions on FERA companies in the matter of borrowing funds or raising deposits in India as well as taking over or creating any interest in

---

business in Indian companies have been removed. Indian companies and Indian nationals are now allowed to start joint ventures abroad and accept directorships in overseas companies. FERA companies are also exempted from restrictions on the establishment of branches liaison offices and acquisition of the whole or a part of any undertaking or company in India carrying on business in trade, commerce or industry excepting agricultural and plantations.

v). Non-Resident Indians (NRI) and Overseas Corporate Bodies (OCB) predominantly owned by them are allowed to invest up to 100 per cent foreign equity in high-priority and other industries with full benefits of repatriation of capital invested and income accruing thereon. Investment by NRIs upto 100 per cent on full repatriation basis is also allowed in export houses, trading houses, hotels and tourism-related industries.

**National Renewal Fund:**

"The National Renewal Fund (NRF) has been operationalised. A sum of Rs. 200 crore had been earmarked for the fund in the 1991-92 budget. This has been supplemented by a substantial input of IDA resources, at concessional
interest rates to the tune of Rs. 500 crore in 1992-93. The first tranche of these resources has been received. Another Rs. 500 crore will be available from IDA during 1993-94. The objectives of the NRF are:

i). to provide assistance to firms to cover the cost of retraining and redeployment of employees arising as a result of modernization and technological upgradation of existing capacities and from industrial restructuring.

ii). to provide funds for compensation to employees affected by restructuring or closure of industrial units, both in the public and private sectors.

iii). to provide funds for employment generation schemes in the organized and unorganized sectors in order to provide a social safety net for labour. The department of industrial development, which administers NRF, has now taken up the first set of cases relating to the National Textile Corporation Units."^{9}

"The Government of India announced New Industrial Policy in July 1991 which contains the following four major decisions in respect of the public sector:

---

1). Reduction is the list of industries reserved for the public sector from 17 to 8 and introduced selective competition in the reserved area.

ii). Disinvestment of shares in PSEs to raise resources and encourage wider participation of general public and workers is the ownership of the public sector enterprises.

iii). Policy for sick public enterprises to be as that for the private sector.

iv). Improving performance through the performance contract or Memorandum of Understanding (MOU) System by which managements are to be granted greater autonomy and held accountable for results.¹⁰

The policy was further elaborated in the statement made by the Prime Minister in Parliament on 20 December 1991 in which he stated that while the mixed economy system will continue in the country no further nationalisation would be restored to; that there will be reduced budgetary support to sick or potentially sick public enterprises with a view to eliminating it as early as possible; but that while dealing with sickness, human hardship would be avoided to the extent possible through the National Renewal Fund.

The Industrial Policy statement opened up nine of the 17 industries hitherto reserved for the public sector for private investment and participation. This step is expected to augment the flow of investible resources to priority sectors and at the same time enhance competitiveness and efficiency in the sectors. While the mixed character of our economy will remain, public sector units will focus more on strategic areas in keeping with the original intention.

The Eighth Plan visualises an important role for an autonomous and efficient public sector in providing essential infrastructural and strategic support for achieving the targeted rate of economic growth during the plan period (1992-97).

The Plan Document enumerates the following policy initiatives in this regard:

1). Restructuring involving modernization, rationalisation of capacity, product-mix changes and selective exit and privatization.

ii). Increase in autonomy and performance accountability through an effective system of MOUs between administrative ministries and public enterprises launched since the seventh Five Year Plan.
iii). Changes in management in specific enterprises to promote leadership, resourcefulness and innovation.

iv). A major effort by the State Governments to streamline the working of their public sector enterprises which are beset with interference and adhoc investment and employment decisions.

v). Technological upgradation through an integrated Research and Development effort and import of technology.

vi). Re-orientation of approach in Ministries and other Government agencies corresponding to liberalization and dismantling of regulations (price, distribution, investment and import controls) to develop a new institutional capability to facilitate operation of market forces, orchestration of integrated Research and Development effort and evolution of consensus and partnership among various stakeholders.

"Public enterprises constitute a major national capability of their scale of operations, coverage of the national economy, technological capabilities and stock of human capital. There are over a thousand public enterprises, about 700 of which are owned by the States. The rest are in the Central Sector. These include departmental undertakings
(e.g. Railways, Post and Telecommunications), Financial Institutions (e.g. the State Bank of India), the Industrial Finance Corporation of India, the Unit Trust of India and the Industrial Development Bank of India), and non-departmental enterprises or Government companies or corporations which are either incorporated under the Company Law (e.g., the Steel Authority of India and the Indian Petrochemical Corporation Ltd.) or statutory created by Acts of Parliament (e.g., Coal India, Air India, Indian Airlines and the National Thermal Power Corporation). Non-departmental enterprises account for 75 per cent of value addition, more than 50% of gross investment and about a third of the total employment in PSEs. PSEs contribute the entire output in the case of petroleum, lignite, copper and primary lead, about 95% of Zink, well over 90% of coal; more than half of steel and aluminium and about one third of fertilizers.¹¹

Reorientation in Policy and Current Measures:

Governments in the past have undertaken organizational improvements in Public Sector Enterprises (PSEs) based on the recommendation of expert committees such as, establishment of Holding Companies and the system of

Memorandum of Understanding (MOU), and reference of sick units to the Board of Industrial and Financial Reconstruction (BIFR). Though these have resulted in some improvement, a comprehensive reform of public enterprises was considered necessary to bring PSE operations in consonance with the overall structural changes and the macro-economic stabilization programme initiated by the present Government. The desirability of public sector reforms has been emphasized by the need to raise the productivity of capital resources employed and to reduce the size of the fiscal deficit in successive budgets. As is evident from Table 6, the budgetary support as percentage of the total plan outlay of the public enterprises has significantly come down. While their plan investment has gone up by about 25 per cent in 1992-93 (BE) over 1991-92 (RE), the share of budgetary support in their plan investment has come down from 23.52 per cent to 18.62 per cent. This trend may get strengthened in the coming years following the restructuring of public enterprises leading to higher internal resource generation and mobilization of larger volumes of extra-budgetary resources.
### TABLE NO.3:6

Public Enterprises: Plan Investment and Budget Support

<table>
<thead>
<tr>
<th>Year</th>
<th>Plan Investment (Rs. Crore)</th>
<th>Equity (Rs. Crore)</th>
<th>Loan (Rs. Crore)</th>
<th>Budget Support Total (Rs. Crore)</th>
<th>Share of plan investment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92 (BE)</td>
<td>30783.10</td>
<td>4539.84</td>
<td>2289.35</td>
<td>6829.19</td>
<td>22.18</td>
</tr>
<tr>
<td>1991-92 (RE)</td>
<td>29421.22</td>
<td>4185.02</td>
<td>2735.24</td>
<td>6920.26</td>
<td>23.52</td>
</tr>
<tr>
<td>1992-93 (BE)</td>
<td>36750.15</td>
<td>4367.33</td>
<td>2476.74</td>
<td>6844.07</td>
<td>18.62</td>
</tr>
</tbody>
</table>


The key elements of the strategy for the reform of public sector include: strengthening managerial autonomy; promotion of private sector competition in areas where social considerations are paramount; reduction in budgetary support to public enterprises in view of severe budgetary constraints, and increasing dividend payments to ensure adequate return on Government's equity; partial divestment of equity in selected enterprises to mobilize non-flationary resources and to widen public and private sector participation in public sector in order to introduce a greater sense of accountability; restructuring or closure of unviable enterprises.
and creation of a safety net to protect the interests of workers.

Several initiatives in pursuance of the above strategy have been taken. Besides delimitation of areas for industry reserved for the public sector announced in the Industrial Policy Statement of July 1991 from 17 to 8, measures for encouraging private investment (both domestic and foreign) have been announced, in power generation; in the exploration, drilling and refining of oil and in utilisation of natural gas. These would also be facilitated by the comprehensive amendments in the Foreign Exchange Regulation Act (FERA) and the signing by the Government of the Multilateral Investment Guarantee Agency (MIGA) convention.

Memoranda of Understanding (MOU):

"Strengthening of the existing system of monitoring public enterprises annually through MOUs is an important element of the present policy. The system of MOUs was introduced in 1988-89 on the recommendations of the Committee to Review the Policy for Public Enterprises (chaired by Arjun Sengupta) and was notified in 1989-90. The MOUs is an effective interface between the Government and the public enterprise management for ensuring operational autonomy for the latter with corresponding accountability for results. It is designed to remove frequent interference
by Government. The MOU spells out the mission, objectives and annual targets of an enterprise. Each target is assigned a weight corresponding to its priority. Target achievement is based on a five point scale ranging from "excellent" to "poor". In addition, an MOU imposes certain obligations on both sides for progressive performance improvement financial, physical and qualitative. In order to impart fairness in evaluation, a High-Powered Committee was constituted in 1988 under the chairmanship of the Cabinet Secretary. An Adhoc Task Force (ATF), comprising of experts with relevant experience, was also set up to help the Department of Public Enterprises in vetting MOUs at the commencement of the year and evaluating them at its close. Its assessment is placed before the High-Powered Committee.\footnote{12}

"During 1990-91, 23 public enterprises signed MOUs with their administrative ministries. Their performance evaluation categorised 14 of them as excellent, eight as very good and one as poor. In 1991-92, 71 enterprises (with 35 subsidiaries) signed MOUs; in 1992-93, 120 enterprises (with 44 subsidiaries) have been identified for this purpose. The weight of profit-related criteria for 1992-93 was raised to a minimum of 50 percent. The performance budget and MOU targets are to be synchronised; MOU targets will have to reflect an improvement over the previous years' Plan or Budget targets in order to be rated as very good. The ATF

has also been strengthened with the induction of two full time members of the Public Enterprises Selection Board (PESB).
A review of the existing delegation of powers to the public enterprises with a view to granting them greater operational autonomy was also taken up.\(^{13}\)

**Reference of Sick Units to BIFR:**

"In pursuance of the announcement made at the time of the presentation of the Union Government's Budget for 1991-92 the Sick Industrial Companies (Special Provisions) Act, 1985 was amended in December 1991 to enable chronically sick public enterprises to be referred to the Board for Industrial and Financial Reconstruction (BIFR) for rationalization. A detailed process of consultation with labour representatives at the national and state levels was also started so as to broaden and strengthen the consensus for rationalization of these enterprises.

The scheduled industries in the public sector which satisfy the conditions of sickness under the Act, namely, seven years of incorporation, complete erosion of net worth and two years of continuous cash losses, will be referred to the BIFR. As on 31 December 1992, 91 industrial companies in the public sector had been referred to BIFR. Out of these, 9 cases were rejected at the stage of registration and 11 were

---

under scrutiny of the Board, leaving effective registration at 71. Of the registered companies, 38 belong to the Centre and 33 to the States.

"An inter-ministerial committee has looked into various problems in the restructuring of the public sector and a programme of action is being drawn up in light of its report. This, inter alia, would envisage the desired legal changes to facilitate the process. The NRF will finance retraining and redeployment schemes and compensate the displaced workers. Sick public enterprises would be among the first users of this fund. In the Central Budget for 1991-92 a provision of Rs. 200 crore was made for the NRF which will be supplemented by the sale of equity in public enterprises of upto Rs. 1000 crore in 1992-93. Additional funding of NRF with allocations from IDA to the tune of Rs. 500 crore in 1992-93 and a similar amount for 1993-94 has also been secured. Reforming of public sector along the above mentioned lines marks a major break in economic policy."

The public sector, which in the past contributed vitally to the development of crucial infrastructure and basic industry, will continue to play a key role in our economy. But the problems of many of the loss-making enterprises, which absorb a very substantial amount of our resources, must be addressed to. The present approach imparts due selectivity in investment

In the public sector in terms of economic and social desirability and promotion of competition and accountability to infuse efficiency in resource use by encouraging private sector to enter areas till recently reserved for the public sector. Closure of several chronically sick and loss-making enterprises is also essential. It would cause strains on some sections, but institutional mechanism are being evolved to ensure that the social cost of such readjustment is minimized.
CHAPTER - III

AN OVERVIEW OF PUBLIC SECTOR UNDERTAKINGS

IN

UTTAR PRADESH
CHAPTER - III

AN OVERVIEW OF PUBLIC SECTOR UNDERTAKINGS

IN

UTTAR PRADESH

Public Sector enterprises in Uttar Pradesh occupy a place of pride with their proliferation in expansion of public sector at a rate which is unique, unprecedented in the economic history of the State, has set the pace of economic development in the right direction. There are 24 Central public enterprises in Uttar Pradesh, which were entered in the State's economy in February, 1955, with the establishment of Naini Industrial estate by NSIC to provide infrastructure facilities to small scale industries, "oil and Natural Gas Commission came into formation in 1955 was later converted into a statutory body in October 1959."¹ Thereafter, 2 units in the fifties, 9 units in sixties and 9 units between January 1970 to October 1974 were established. During 1978, UPDPL and PICUP were incorporated. High tension ceramic insulator factory of BHEL in Sultanpur was incorporated in February 1989. The concen-

tronation of public sector in some towns shows preferences of the Government to develop these areas. There are about 12 Central public Sector units located in Kanpur, Allahabad and Lucknow alone. Mathura, Jhansi, Gorakhpur and Rae Bareli etc., are the other districts where the Central Government has more units. The backward districts of the State have drawn the attention of the Centre and so far eight operating enterprises were established in these areas. A number of projects of crores of rupees are about to be completed in the State. Hence, the Central Government is paying its serious attention to develop Uttar Pradesh through establishing public sector units.

Apart from these Central enterprises, "the State enterprises in Uttar Pradesh consisted of 50 public Undertakings by the end of December, 1992. There were only 10 enterprises by the end of 1967 and 17 by the end of 1972. Their number sharply rose to 53 by 1977 and further to 61 by 1988 and 65 upto 1991. But now the situation has been changed and number of public sector enterprises has
decreased continuously due to unsatisfactory performance shown by the public sector enterprises of Uttar Pradesh. Presently the 50 Corporations are working under the Uttar Pradesh Government. These 50 enterprises incorporated under different categories, i.e., 42 enterprises were incorporated under the Indian Companies Act 1956, 4 enterprises, i.e., Uttar Pradesh State Electricity Board, Uttar Pradesh State Road Transport Corporation, Uttar Pradesh State Warehousing Corporation and Uttar Pradesh Financial Corporation was incorporated under Vishisht Kendriya Adhiniyam (Special Central Act) and 3 enterprises, i.e., Uttar Pradesh Jal Nigam, Uttar Pradesh Forest Corporation and Uttar Pradesh Avas Evam Vikas Board were incorporated under 'Special State Act and Uttar Pradesh State Employees Welfare Corporation was incorporated under Societies Registration Act 1860.”

The Uttar Pradesh State enterprises are mainly functioning in the area of developmental and promotional activities unlike the Central public sector units which are predominantly manufacturing and trading in nature.

Central public sector enterprises have been established mostly in accordance with the industrial policy resolutions of the Government of India. State enterprises are mostly either old units run by the Government departments or extension of departmental services.

The State enterprises have been established:
- To provide infrastructural facilities in various sectors like Agriculture, Handicrafts, Handloom, Industries etc.
- To manage the public utility system.
- To safeguards and expand employment opportunities and diversify the State's production potential in terms of value added.
- To uplift and help the economically weaker section of the society and minorities.

The basic philosophy for establishing these state enterprises is to bring about a result oriented cost benefit approach to the developmental activities, accelerate growth in different sectors of the economy through specialized
agencies and finally to ease the burden on states financial resources through use of institutional finance. Setting up of these numerous public enterprises reveals the State Government interest and intention to bring about rapid all-round growth of the State with its meagre resources.

The Uttar Pradesh public sector enterprises have been classified into following eight groups:

Table 4.1: Shows the classification of Public Enterprises in Uttar Pradesh:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Groups</th>
<th>No.of Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Energy</td>
<td>2</td>
</tr>
<tr>
<td>2.</td>
<td>Manufacturing</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>Service</td>
<td>8</td>
</tr>
<tr>
<td>4.</td>
<td>Financial Assistance</td>
<td>3</td>
</tr>
<tr>
<td>5.</td>
<td>Sectoral Development</td>
<td>17</td>
</tr>
<tr>
<td>6.</td>
<td>Area Development</td>
<td>2</td>
</tr>
<tr>
<td>7.</td>
<td>Minorities and Weaker Sections</td>
<td>8</td>
</tr>
<tr>
<td>8.</td>
<td>Construction</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>50</td>
</tr>
</tbody>
</table>

Energy is an important sector within State enterprises, employing the major chunk of State's resources. In addition to the State Electricity Board, there is another Uttar Pradesh Alparthak Evam Laghu Jal Vidyut Nigam Ltd., which is yet to be started.

Major enterprises under the manufacturing group are sugar, textile, cement etc., while cement units were established to utilize the limestone deposits available in Mirzapur district. Sugar units are the results of takeover of sick sugar units from the private sector in 1971. Textile Corporation was set up to provide cotton yarn to the handloom weavers scattered over the State as the entire yarn requirement of Uttar Pradesh was being met by the units outside the State.

"In the service sector, there are enterprises like U.P.S.R.T.C., Jal Nigam, Warehousing Corporation etc. All the enterprises are public utilities providing essential and basic amenities to the citizens of the State. These enterprises account for more than 25 per cent of the total employment in the State enterprises. There are 3 enter-
prises in the financial and promotional category namely U.P.F.C., P.I.C.U.P. and Panchayati Raj Vitta Nigam. The first two are engaged in providing financial assistance in the industrial development of the State and have done exceedingly well and remained as top performers vis-a-vis their counterparts in other States. Their good performance over a period of time will place the State on the industrial map of the country. Panchayati Raj Vitta Nigam provides assistance to Panchayati Raj institutions and contributes to the development of small scale rural industries.  

There are 17 sectoral development corporations which have been established to cater to the specific needs of the different sectors of the industry in the State. Enterprises in the fields like brassware, leather and handloom have helped the small and poor artisans who were being exploited by the prevalent trade practices through imparting training, providing raw materials and marketing their produce.

Uttar Pradesh Electronics Corporation has been set up for the development of the electronics industry. It

is not only competing with other electronics units in the country specially in consumer electronics and computer hardware but has been working as a developmental agency in this vital sunrise industry. It has been able to establish and attract a number of electronics component industries, which will go long way in the overall development of the State. Similarly, for exploitation of mineral resources of the State and developing fisheries, tourism, forest wealth, separate corporations have been set-up. To assist the cane growers, four corporations have been set-up on the basis to provide financial assistance for procurement of seed, fertilizers and pesticides etc.

Area or Divisional development corporations are concentrating on the development of the revenue divisions through setting up of units based on available raw materials and to assist the local talents in establishing small scale units.

For the development of economically weaker sections i.e., the scheduled caste and scheduled tribes and minorities, 8 Corporations have been set up to evolve specific schemes for their upliftment especially in the areas of financial and housing, imparting training etc.
There are 5 units under the construction sector. Two construction corporations which are offshoots of the State public works department have been established to develop competitive strength, not only in the works of the State but also to undertake jobs outside as contractors. These corporations i.e., Bridge and Nirman Nigam have been developed by not only completing the works assigned by the State in time as far as possible but have also been able to secure contract works through bidding outside the State. Bridge Corporation has been able to secure foreign contract works too, though there have been some setback due to Iran-Iraq war in the Gulf.

Besides, local development authorities in towns, the Uttar Pradesh Avas & Vikas Nigam has been setup recently specifically to construct houses for police personnel of U.P. State in the time bound framework.

Another enterprise U.P.S.I.D.C. is already engaged in providing developed plots and sheds for industrial purposes.

---
Investment in Public Enterprises of Uttar Pradesh:

"Total investment on the whole in 50 undertakings in all respect in 1990-91 was Rs. 10308.65 crore and this amount has increased upto Rs. 11673.63 crore in 1991-92. So, Rs.01364.98 crore has been increased which is 13.24 per cent of the total increased amount in comparison to previous year (1990-91)."\(^5\)

Government Investment:

"Total Central Government investment in all these 50 enterprises of U.P. was Rs. 164.81 crore in 1990-91 which has been increased upto Rs. 177.97 crores in 1991-92. Thus the Central Government has increased its investment upto Rs.13.16 crore which is 7.98 per cent in comparison to previous year."\(^6\)

"Total State Government investment in all these 50 enterprises was Rs. 6623.97 crores in 1990-91 which has been increased upto Rs. 7734.74 crores in 1991-92. Thus the State Government increased amount is 1110.77 crores which is 16.77 per cent in comparison to previous year."\(^7\)

---

6. Ibid., p.43
7. Ibid., p.43
Employment in Uttar Pradesh Public Sector Enterprises:

"The total employment in State enterprises in 1990-91 was 2,53,152 which has been decreased i.e., 2,52,646 by 1991-92. Thus the number of employed persons has been decreased i.e., 506 in comparison to previous year."\(^8\)

"The total employment in State enterprises was 2,52,646 upto 1991-92 of this more than 37 per cent was accounted for by UPSEB and UPSRTC sector and rest of the employees in other sector."\(^9\)

A brief and individual review of 50 public sector units of Uttar Pradesh State has been given as below:

Energy Enterprises:

The energy enterprises include two which are being discussed below:

1) Uttar Pradesh State Electricity Board:

Uttar Pradesh State Electricity Board was established in April 1, 1959 in pursuance of provisions of electricity (supply) Act 1948 and was entrusted with the responsibility

\(^{8}\) Prabandh, Op.cit., p.46
\(^{9}\) Ibid., p.46.
of promoting a coordinated development of generation, transmission, distribution and supply of electricity within the State of Uttar Pradesh in the most economical and efficient manner. The registered office of the board is situated at 'Shakti Bhavan' Lucknow. U.P.S.E.B. is functional in character and comprises the following seven members as per the Act:

1) Chairman and member Administration
2) Member (Thermal)
3) Member (Hydro and Transmission)
4) Member (Distribution)
5) Member (Finance and accounts)
6) Secretary Energy, Uttar Pradesh Govt (Ex-officio)
7) Secretary Finance, Uttar Pradesh Govt (Ex-officio).

"The total investment of Uttar Pradesh State Electricity Board was Rs. 6972.00 crores in 1990-91 and Rs. 8039.94 crores in 1991-92. So, 15.32 per cent have increased in comparison to previous year. The Board has an establishment strength of about one lakh employees, including daily wage employees, starting from the lowest level of the skilled worker to the highest level of chief engineer."  

2) Uttar Pradesh Alparthak Evam Laghu Jal Vidyut Nigam Limited:

Uttar Pradesh Alparthak Evam Laghu Jal Vidyut Nigam Limited (Uttar Pradesh Micro-mini Hydroelectric Corporation Limited) a government company registered under companies Act, 1956 and was incorporated on 15th April, 1985 with an authorised capital of Rs. 10 crores. The Board of Directors of the Nigam consists of 8 directors including Chairman, Managing Director and Secretary. This Nigam is yet to be started.

Manufacturing Enterprises:

1) Uttar Pradesh State Agro-Industrial Corporation Ltd.

The Uttar Pradesh State Agro-Industrial Corporation Limited was incorporated on 27th March 1967 with an authorised capital of Rs. 5 crores and paid up capital of Rs. 3 crores. The registered office of the Corporation is situated at 22, Vidhan Sabha March, Lucknow. The maximum strength of the Board of Directors has been fixed at 19. "The total strength of employees is 2500 including daily wage employees upto 1991-92." ¹¹

¹¹. Ibid. p.46
2) Uttar Pradesh State Cement Corporation Limited:

It was incorporated as a public limited company on 29th March, 1972 under the Companies Act, 1956 and was granted a certificate of commencement of business on March 30, 1972 with a registered office at Churk, District Mirzapur. The Corporation also has equity participation in two joint sector units viz., Uttar Pradesh Asbestos Limited and Northern Indian Gas Co., Limited. The total strength of the Board of Directors are nominated by the Governor of Uttar Pradesh. The other directors are experienced persons from industry, nominees of financial institutions.

"The total number of personnel is 5609 including the daily wager employees upto 1991-92." 12

3) Uttar Pradesh Sugar Corporation Limited:

"This Corporation was incorporated as a public limited company on March 26, 1971 to manage a few sick sugar mills taken over by the Uttar Pradesh Government, under sugar undertakings (Acquisition) Act, 1971. Initially 5 sugar mills came under the Corporation. At present the corporation owns

12. Ibid., p.46.
35 sugar mills as its units. The Board of Directors of the Corporation comprises of 8 members including chairman, a Managing Director and a Joint Managing Director. Further, there are General Managers in each of the Units. "The total strength of the employees is 30,000 upto 1991-92."  

4) Uttar Pradesh State Textile Corporation Limited:  

"The UPSTC was initially incorporated as a private limited company on 2nd December 1969, and was converted into a public limited company on 24th December 1973." The registered office of Corporation is located at 137 Sarvoday Nagar, Kanpur. The Corporation is managed by a Board of Directors consisting of 12 directors. The Board includes directors from varied disciplines e.g. representatives of financial institutions, banks and otherwise technically qualified personnel.  

The others are appointed by the Board of Directors on nomination/recommendation of the Uttar Pradesh Government. The total strength of the employees is 14366 including daily wage employees upto 1991-92.  

5) **The Indian Turpentine & Rosin Company Limited:**

It was setup in 1918 by the Uttar Pradesh Forest Department. The management of the company was transferred by the State Government to a syndicate of private entrepreneurs who subsequently transferred the managing agency of the company to Shri J.P. Srivastava & Sons of Kanpur. They managed the affairs of the company till 1947, then the management was again taken over by the Uttar Pradesh Government. The company is managed by a Board of Directors consisting of 10 members. Other members of the Board are representatives of the industries, finance, labour and forest department. The total strength of the employees is 627 upto 1991-92.

**Service Enterprises:**

1) **Uttar Pradesh Development System Corporation:**

It was established in 1977 on the assumption of that decision makers and managers are not only in need of getting reliable information about various facts of their existing and new concerns, but also about the scope for improving the efficiency of investment and quality of services, through the introduction of suitably tailored scientific management practice within the procedures laid down by the government.
The Corporation was registered under section 617 of Companies Act, 1956 on 15th March, 1977. The registered office of the Corporation is at 9, Sarojini Naidu Marg, Lucknow. The Secretary of Planning Department of Uttar Pradesh Government is the (ex-officio) Chairman of the Corporation. At present there are about 15 Directors on the Board. The total strength of the employees is about 173 including daily wages employee upto 1991-92.

2) Uttar Pradesh Government Employees Welfare Corporation:

"The Uttar Pradesh Government Employees Welfare Corporation has been registered under the Societies Registration Act, 1860 (Act XXI of 1860). It started its business on 3rd May, 1965." The Head Office is situated at Jawahar Bhavan, Lucknow. The Chief Secretary is the ex-officio Chairman assisted by a full time Executive Director of the Corporation. In addition there are five official Directors on the Board. The total strength of the employees is about 1603 including daily wagers upto 1991-92.

3) **Uttar Pradesh State Food and Essential Commodities Corporation Limited:**

The Corporation is a government company under section 617 of the Companies Act, 1956. It was incorporated on October 22, 1974 and its registered office is located at 17, Gokhale Marg, Lucknow. The Corporation has about 11 directors including a full time managing Director and part-time non-official Chairman. The Board of Directors consist of the representatives of the food and civil supplies, cooperative, finance, institutional finance, planning, bureau of state enterprises and other departments of Uttar Pradesh Government. The strength of the employees is about 1112 including daily wagers unto 1991-92.

4) **Uttar Pradesh Jal Nigam:**

Uttar Pradesh Jal Nigam was established under an Act of legislature (Uttar Pradesh Water Supply and Sewerage Act No. 43 of 1975) in 1975-76. The Head quarter of the Corporation is located at 6, Rana Pratap Marg, Lucknow. The Chairman as well the members of the Board of Directors are nominated by the State Government. There are ten members on the Board, besides a full time Chairman and a full time Managing Director.
The total strength of employees is 9938 including daily wagers upto 1991-92.

5) Uttar Pradesh Nalkoop Nigam Limited:

Uttar Pradesh Nalkoop Nigam Limited was incorporated under the Companies Act 1956 on 25th May 1976. The registered office of the Corporation is located at B-718 Sector C, Mahanagar, Lucknow. The company is managed by a Board of Directors comprising of ten directors including a Chairman and a full time Managing Director. The total strength of employees is 864 including daily wagers upto 1991-92.

6) Uttar Pradesh State Road Transport Corporation:

"With a view to provide comfortable and economic transport and also to aid allround development in the State. Uttar Pradesh Government Roadways was set up in May, 1947. Under the Road Transport Corporation (UPSRTC) Act it was set up on 1st June 1972, and the Uttar Pradesh Government Roadways was merged with this Corporation." The Head Office of the Corporation is at Terhi Kothi near river bank Colony, Lucknow. The Corporation is managed by Board of Directors which has 15 members including Chairman and full time Managing

---

Director. The Corporation is divided into four zones viz., Northern Zone, Central Zone, Eastern Zone and Western Zone. By the end of 1991-92, the total strength of employees is 57693 including daily wagers.

7) Uttar Pradesh Small Industries Corporation Ltd.:

Uttar Pradesh Small Industries Corporation Ltd. was set up on 13th June, 1958. This Corporation is a government company within the meaning of section 617 of the Companies Act, 1956. The registered office of the Corporation is at 110, Industrial Estate, Fazalganj, Kanpur. At present there are about ten members on the Board of Directors including the Chairman and the Managing Director. The total strength employees is 432 upto 1991-92.

8) Uttar Pradesh State Warehousing Corporation:

The Corporation was established on March 19, 1958 under the Central Act of Agriculture Produce (Development and Warehousing) Corporation Act, 1956 which was later on replaced by the warehousing Corporation Act, 1962. The share capital is equally subscribed by the Centre and State Governments. The registered office of the Corporation is
at Isa Nagar Palace, New Hyderabad, Lucknow. There are 11 Directors on the Board including Chairman and a full time Managing Director. Out of these 5 are official members and remaining 6 are non-official members. The total strength of employees is 1947 upto 1991-97 including daily wagers.

Financial Enterprises:

1) **Uttar Pradesh Financial Corporation (UPFC):**

   UPFC was set up on November 1st, 1954, by the Uttar Pradesh Government under the State Financial Corporation Act, 1951. The Headquarter is located at 14/88, Civil Lines, Kanpur. The general superintendence, control and direction of the Corporation rest in the board of directors. The Board comprises four nominees of the State Government, two nominees of IDBI, one nominee of RBI and four Directors elected to represent scheduled banks, insurance companies/investment trust/other financial institutions, cooperative banks and share holders.

   The Managing Director is appointed by the Uttar Pradesh Government and is whole time officer of the Corporation. The total strength of employees is 1220 upto 1991-92 including daily wagers.
2) **The Pradeshiya Industrial & Investment Corporation of Uttar Pradesh Limited (PICUP):**

"It was set up as a Public, Limited, Company on March 29, 1972 by the Uttar Pradesh Government for the promotion of medium and large scale industries in the State. The Corporation is popularly known as PICUP."\(^{18}\) The registered office of the Corporation is located at PICUP Bhavan, Gomti Nagar, Lucknow. The Board of Directors include 15 directors including a part-time Chairman and a full time Managing Director. Other directors are eminent persons from industry and government. The Chief secretary of the Uttar Pradesh Government is the part-time Chairman of the Corporation. The total employees strength is 380 upto 1991-92 including daily wagers.

3) **Uttar Pradesh Panchayati Raj Vitta Evam Vikas Nigam Limited:**

"This Corporation was established as a Government Public Company under section 617 of the Companies Act, 1956. It was registered on April 24, 1973 and the certificate for commencement of business was obtained on 19th January 1974."\(^{19}\) The registered office of the company is situated at B-77.

---

19. Ibid., p.154
Nirala Nagar, Lucknow. The Board of Directors consists of 12 directors, to look after the interests of the Corporation at district level. The total strength of employees is 54 upto 1991-92.

Area Development Enterprises:

1) Garhwal Mandal Vikas Nigam Limited:
   Garhwal Mandal Vikas Nigam Limited was registered and incorporated under the Companies Act, 1956 on 31st March 1976, but it actually started functioning with effect from 1st November 1976. The registered office of this Corporation is now situated at 741/Rajpur Road, Dehradun. It has a subsidiary by the name of Garhwal Anusuchit Janjati Vikas Nigam Limited as two joint sector units, viz., Venus Cement Limited Rani Pokhari, District Dehradun and Delhi Airtake Service Delhi. The Secretary of hill development of Uttar Pradesh is the part-time Chairman of the Corporation. There is also a full-time Managing Director. The total strength of the employees is 952 upto 1991-92 including daily wagers.

2) Kumaon Mandal Vikas Nigam Limited:
   This Nigam previously known as Uttar Pradesh Parvatiya Vikas Nigam Limited was set up on 30th March 1971 under the
Companies Act, 1956. The registered office of the company is situated at Sachivalaya Bhavan, Nainital. There is a non-official Chairman of the Corporation a full time Managing Director. The maximum strength of the Board of Directors is 15 and the total strength of employees is 742 upto 1991-92 including daily wagers.

Sectoral Development Enterprises:

1) Uttar Pradesh State Brassware Corporation Limited

Uttar Pradesh State Brassware Corporation Limited was incorporated as a Government Company within the meaning of Section 617 of the Companies Act, 1956 on February 12, 1974. The registered office of the Corporation is at Moradabad.

There are in all nine Directors including the Chairman and Managing Director. The Chairman of the Corporation is non-official person. The executive authority rests with the Managing Director who is assisted by the General Manager, Deputy General Manager, Senior Accounts Office, Company Secretary, Marketing Manager, Finance Manager, Project Manager, Maintenance Engineer, Production Manager and other
personnel. The total strength of the employees in the Corporation is around 250.

2) Uttar Pradesh Bhumi Sudhar Nigam Limited:

Uttar Pradesh Bhumi Sudhar Nigam Limited was incorporated on March 30, 1978 under the Companies Act, 1956. The certificate for commencement of business was granted on June 22, 1978. The registered office of the Corporation is at B-16, Sector-H, Aliganj, Lucknow.

The Corporation has a full time Chairman and Managing Director. At present, there are eight members on the Board of Directors. The total strength of the employee is 154 including daily wagers up to 1991-92.

3) Uttar Pradesh Electronics Corporation Limited:

Uttar Pradesh Electronics Corporation Limited (UPEC) was incorporated in 1974 as a State Government undertaking and commenced operations as a subsidiary of the Pradeshiya Industrial and Investment Corporation of U.P. Limited (PICUP). As a result of its increased operations, UPEC was delinked from its parent body in June 1976 and assumed an autonomous
status. The U.P. Electronics Corporation Limited thus came into being as an apex body in 1976 and was registered under the Companies Act, 1956. The registered office of the corporation is located at C.B. Gupta, Nav Chetna Sadan, 10 Ashok Marg, Lucknow-226001.

There are at present 10 Directors on the Board of the Company including a whole time Managing Director, a technical director, the principal Secretary industries, the principal Secretary Finance and the special Secretary planning. The Corporation employ nearly 80 personnel up to 1991-92.

4) Uttar Pradesh Export Corporation Limited:

U.P. Export Corporation Limited was incorporated as a public limited company on January 20, 1966 under the Companies Act, 1956. The registered office of the Corporation is located at B-27, Sarvodya Nagar, Kanpur.

The Secretary, Small and Village industries Deptt. Government of Uttar Pradesh is the Ex-officio Chairman of the Corporation. There is a full-time Managing Director. The present strength of the Board of Directors is eleven including the Chairman and the Managing Director. The total strength of the employees is 550 including daily wagers up to 1991-92.
5) Uttar Pradesh Forest Corporation:

U.P. Forest Corporation was constituted on November 25, 1974 under an ordinance which was later replaced by the U.P. Forest Corporation Act, 1974. Under this Act, the U.P. Forest Corporation has been constituted as a local Authority. The Head Office is at B-932 Sector-B, Mahanagar, Lucknow.

The U.P. Forest Corporation is a statutory Corporation, wholly owned by Government of Uttar Pradesh. It is managed through a Board of Directors, constituted by the Government. There are 9 members on the Board including a non-official Chairman and a full time Managing Director. Mostly the senior officers of the Corporation have been taken on deputation and a junior levels, staff has been recruited directly. The total strength of regular employees is 8030 including daily wagers, upto 1991-92.

The Managing Director at Head Office is assisted by General Manager (Production), FA & CAO, Personnel Manager and Marketing Manager and to manage field activities, there are two General Managers separate for Hills and Plains,
assisted by Regional Managers. As on 31st March 1987 there were 32 logging Division, 18 sales Divisions and 109 timber sale depots in various parts of the State.

6) **U.P. State Handloom Corporation Limited:**

Uttar Pradesh State Handloom Corporation Limited was incorporated as Government Company on January 9, 1973 under the Companies Act, 1956 on the recommendations of 'Ram Sahay Ayog' set up by the State Government. The Certificate of Commencement of business was issued on Jan., 22, 1973. The registered office is at Hathkargha Bhavan, G.T. Road, Kanpur.

At present there are nine members of the Board of Director including the Chairman and the Managing Director. The total strength of the employees is 14366 including daily wagers upto 1991-92.

7) **U.P. State Leather Development & Marketing Corporation Limited:**

The U.P. State Leather Development & Marketing Corporation Limited is a Government (Public) Company under
the Companies Act 1956. It was registered in February 1974 for speedier and sturdier development of leather industry. The registered office of the Corporation is at 16/58-A, Sadar Bhatti Road, Agra.

At present there are 7 members in the Board of Directors including one part-time Chairman who is the Commissioner and Director of industries and a full time Managing Director. The total employees strength is 223 upto 1991-92.

8) **U.P. State Mineral Development Corporation Ltd.**

U.P. State Mineral Development Corporation Limited (UPSMDC) was incorporated as a Government Company on March 13, 1974. The registered office of the Corporation is located at 'PRAGATI KENDRA' (IIInd Floor), Kapoorthala Commercial Complex, Aliganj, Lucknow-226020.

At present there are 13 members on the Board of Directors including Chairman and a full time Managing Director. Principal Secretary Industries, Government of Uttar Pradesh is a part-time Chairman. The Managing
Director of Corporation is also the Special Secretary, Industries in the Government. The strength of employees is 921 upto 1991-92.

Uttar Pradesh Matsaya Vikas Ltd.,

9) Uttar Pradesh Matsya Vikas Nigam Limited was incorporated on October 27, 1979 under Section 617 of the Companies Act, 1956. However, the certificate of commencement of business was obtained on October 1, 1980. The registered office of the Nigam is at 12-B, Mall Avenue, Lucknow.

The Minister of State for Fisheries Department, Government of Uttar Pradesh, is the ex-officio Chairman and joint Secretary, Matsay Utpadan. Government of Uttar Pradesh is the part-time Managing Director of the Nigam. Besides, there are 7 other Directors including two non-officials on the Board of Directors of this Nigam. At headquarter the MD is assisted by Manager (Fin. & Accounts), Company Secretary. The technical staff i.e., General Manager (Fish Production), Chief Project Engineer, Executives/Managers (Construction) / (Seed Production), and Fisheries Executives are on deputation from the State Fisheries
120

Department and Irrigation Department. However, steps are underway to develop in-house expertise in the above fields. The total staff strength is 271 up to 1991-92.

10) U.P. Pashudhan Udyog Nigam Limited:

Uttar Pradesh Pashudhan Udyog Nigam Limited was incorporated on March 5, 1975 under the Companies Act, 1956 and it obtained the certificate to commence business on April 11, 1975. The office of the Corporation is located at Central Dairy Farm, Aligarh-202122.

On formation of the Nigam the U.P. Government transferred its Central Dairy Farm, Aligarh with all its industrial activities to this Nigam on 15th May, 1975 as per Uttar Pradesh Government Order No.29-3(32)Twelve-E-869 dated 14.5.1975. The Central Dairy Farm was established in the year 1899 by the late Shri Edward Keventer. The U.P. Government had purchased it in the year 1948 for Rs. 8.75 lacs in working order. The main object of the government in purchasing it had been to make available to the consumers of our country nourishing milk products, pork and meat products etc. of excellent quality.
There is a non-official Chairman and a full time Managing Director. At present there are 3 members on the Board including the Chairman and the Managing Director. The total strength of employees is 436 upto 1991-92.

11) **U.P. State Tourism Development Corporation Ltd.**

Uttar Pradesh State Tourism Development Corporation Limited was incorporated on August 5, 1974 under the Companies Act, 1956, with a view to provide maximum possible lodging and wayside facilities to the visitors coming to State. The registered office of the Corporation is at Chitrahar Building 3, Naval Kishore Road, Lucknow.

The Chairman of the Corporation is a non-official person and the Director Tourism, U.P. is the ex-officio Managing Director of the Corporation. There are 16 members on the Board of Directors. The total strength of employees is 618 upto 1991-92.

12) **Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited:**

Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited was registered under Section 617 of the Companies
Act, 1956. It was incorporated on August 27, 1975 and was issued certificate for commencement of business on December 15, 1975. The registered office of the Corporation is located at C-142/B-3, Mahanagar, Lucknow-226006. The area of operation of this Corporation is spread over in the following 15 districts of Central Uttar Pradesh: Lucknow, Sitapur, Hardoi, Lakhimpur-Kheri, Barabanki, Gonda, Faizabad, Kanpur, Behraich, Jaunpur, Sultanpur, Rae Bareli, Pratapgarh, Farrukhabad, and Mainpuri.

The Corporation is managed by a Board of Directors duly constituted by the State Government. Due representation on the Board has been given to cane growers, sugar factories, Agro Universities etc. Besides a part time non-official Chairman, Deputy Cane Commissioner is the Vice-Chairman and there is a full time Managing Director, who is on deputation from Cane Development Department U.P. At present, there are 12 members on the Board of Directors including the Chairman. The total strength of employees is 31 upto 1991-92.

13) U.P. (Pashchim) Ganna Beej Evam Vikas Nigam Ltd.
Uttar Pradesh (Pashchim) Ganna Beej Evam Vikas Nigam Limited was registered under Section 617 of the Companies
Act, 1956, and was incorporated on August 27, 1975. The certificate of commencement of business was obtained on November 24, 1975. The registered office of the Corporation is situated at 151/1-A, South Civil Lines Muzaffarnagar U.P. The area of operation is spread over the eight districts of western Uttar Pradesh, i.e., Muzaffarnagar, Meerut, Saharanpur, Dehradun, Bulandshahar, Aligarh, Mathur and Ghaziabad.

The Cane Commissioner Uttar Pradesh is the part-time Chairman and the Deputy Cane Commissioner, Meerut to the part-time Managing Director. The Board of Directors consists of 12 Directors including the Chairman, the Vice-Chairman and the Managing Director and representatives of regional sugar factories, cane growers, Agriculture Universities etc. The total strength of the employees is 16 upto 1991-92.

14) U.P. (Poorva) Ganna Beej Evam Vikas Nigam Ltd.

Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited was registered under Companies Act, 1956 on August 27, 1975. The certificate of incorporation was issued on December 26, 1975. The area of operation of the Nigam
extends to nine districts of eastern Uttar Pradesh comprising Basti, Ballia, Gazipur, Gorakhpur, Deoria, Azamgarh, Allahabad, Mirzapur and Varanasi.

The Board of Directors consists of 12 Directors. The Cane Commissioner Uttar Pradesh is the Chairman, Deputy Cane Commissioner Eastern Range (Gorakhpur) is vice-Chairman and the Managing Director (full time) is also on deputation from cane Development Department. Two representatives of Regional Sugar Factories, Director Uttar Pradesh, Sugar Cane Research, representative of Indian Sugar Cane Research Institution, representatives of Finance Department of Uttar Pradesh, representatives of Agricultural University of the region and 3 members of Sugar Cane Growers are appointed/elected Directors. The total number of employees is 20 upto 1991-92.

15) U.P. (Rohelkhand-Tarai) Ganna Beej Evam Vikas Nigam Limited:

Uttar Pradesh (Rohelkhand-Tarai) Ganna Beej Evam Vikas Nigam Uttar Pradesh was registered under Section 617 of the Indian Companies Act, 1956 of 27th August, 1975 and
the certificate of commencement of business was obtained on 24-11-1975. The area of operation of this Corporation is spread over the following nine districts:


This Corporation is an undertaking of Uttar Pradesh wherein 51 per cent shares have been contributed by the State Government and 49 per cent shares by the progressive cane growers of the Cane Unions of the nine districts mentioned above. The registered office of this Corporation is situated at 26 and 27 H.I.G.B.D.A. Colony (Opp. Tara Talkies) P.O. Shahamatganj, Bareilly.

There are 12 members of the Board of Directors including the Chairman. Due representation of the Board has been given to Cane Growers, Sugar Factories, Agricultural Universities, Research Organizations etc. Besides a part-time non-official Chairman the Deputy Cane Commissioner Bareilly region has been appointed as ex-officio Vice-Chairman. There is a full time Managing Director, who is on
deputation from Cane Development Department, Uttar Pradesh. The total strength of employees is 22 up to 1991-92.

16) "Uttar Pradesh Hill Electronics Corporation Ltd.

17) Uttar Pradesh Poultry & Live Stock Specialities Ltd.

These two Corporations were incorporated as a company under the Companies Act, 1956. At present the total strength of the employees of these two Corporations is 148 up to 1991-92." (Detailed information is not available regarding these two Corporations).

Weaker Section & Minorities Development Enterprises:

1) Uttar Pradesh Anusuchit Jati Vibha Evam Vikas Nigam Limited;

Uttar Pradesh Scheduled Caste Finance and Development Corporation Limited was registered under Section 617 of the Companies Act, 1956 and was incorporated in March 1975. The registered office of the Corporation is situated at B-912, Sector-C, Mahanagar, Lucknow.

At present there is a part time non-official Chairman of the Corporation. There is a full time Managing Director.

There are 15 members on the Board of Directors including the Chairman and the Managing Director. The Managing Director is assisted by three General Managers, Company Secretary and Senior Finance and Accounts Officer, in managing day-to-day affairs of the Company at corporate office and District Managers in each district to look after the field activities. The total strength of the employees is 579 upto 1991-92.

2) Tarai Anusuchit Janjati Vikas Nigam Limited:

Tarai Anusuchit Janjati Vikas Nigam Limited was registered under Section 617 of the Companies Act, 1956 as a Government Company on August 2, 1975. The registered office of the Corporation is located at 46/3, Gokhale Vihar Marg, Lucknow.

The Nigam is headed by a Chairman who is also the Secretary, Harijan & Social Welfare Department, U.P. It has a full time Managing Director from the IAS cadre. The Board of Directors has 7 members including the Chairman and the Managing Director. Mostly the directors represent Government Departments such as Planning, Finance, Social and Harijan Welfare, Forest etc. The total strength of the employees is 184 upto 1991-92.
3) Uttar Pradesh Alp Sankhyak Vitta Evam Vikas Nigam Limited:

U.P. Alp Sankhyak Vittiya Evam Vikas Nigam Limited (U.P. Minorities Financial & Development Corporation Ltd.) was incorporated and registered under the Companies Act, 1956 on 7.11.1984. Certificate for the commencement of the business was issued on 27th December, 1984. The registered office of the Corporation is located at 7th Floor, Jawahar Bhavan, Lucknow.

There are 8 Directors on the Board including the Chairman and the Managing Director. In addition a representative of the Bureau of Public Enterprises, U.P. and the Chairman of the U.P. Minorities Commission are also invited to attend the meeting of the Board as special invitees. At present Managing Director is assisted by a General Manager, an additional General Manager, one Accounts Officer and 10 Field officers. The total strength of employees is 43 upto 1991-92.

4) Uttar Pradesh Waqf Vikas Nigam Limited:

U.P. Waqf Vikas Nigam Limited is a Government Company within the meaning of Section 617 of Companies Act, 1956.
Certificate of incorporation was given on April 27, 1987. The Nigam has been established mainly for development of waqf properties. The registered office is located at 7/48, Prag Narain Road, Lucknow.

The present Board of Directors of the Corporation comprises of eleven Directors representing various waqf institutions, waqf Board and the Government Departments, besides a non-official Chairman, the Joint Secretary Waqf U.P. Government is also the Ex-officio Managing Directors of the Corporation. The Nigam is in its initial stage of establishment and total staff strength is 17 upto 1991-92.

5) "Uttar Pradesh Women Welfare Corporation Ltd.
6) Uttar Pradesh Samaj Kalyan Nigam Ltd.
7) Uttar Pradesh Bhootpoorva Sainik Kalyan Nigam Ltd.
8) Uttar Pradesh Pichhri Jati Vitta Evam Vikas Nigam Ltd.

These four Corporations were also incorporated as a company under the Companies Act, 1956. At present the total strength of employees of these four Corporations is 642 upto 1991-92". 21 (And detailed information is not available regarding these Corporations).

21. Un-official Sources.
1) **U.P. State Bridge Corporation Limited:**

U.P. State Bridge Corporation Limited is a Government Company within the meaning of Section 617 of the Companies Act, 1956 and was registered on October 18, 1972. The Corporation started actual functioning from March 1, 1973. The registered office of the Corporation is at 16, Madan Mohan Malviya Marg, Lucknow.

The Secretary, P.W.D. is the ex-officio Chairman of the Company. Other Directors are Secretary Planning, Secretary Finance, Engineer in Chief of PWD, Managing Director, U.P. Nirmaan Nigam and a full time Managing Director of the Company. The Managing Director is assisted by one Chief Engineer and four Regional Managers for the supervision of work of the units. The headquarter office consists of five sections headed by:

a) Financial Advisor for financial matters and accounts.

b) Planning Officer for planning, monitoring and development of business.

c) Secretary for all secretarial and legal matters of the Corporation.
d) Chief Technical Officer for procurement of machines and equipments.

e) Senior Personnel Officer for Personnel Managers.

The Corporation is managing its affairs with five Regional Offices and thirty field units of which two are located in Iraq and Nepal respectively. The total strength of employees is 1607 upto 1991-92.

2) U.P. Rajkiya Nirman Nigam Limited:

"Uttar Pradesh Rajkiya Nirman Nigam Limited was incorporated on May 1, 1975 under Section 617 of the Companies Act, 1956 and commenced its business in the month of August, 1975." 22 The registered office of the Corporation is situated at Ashok Marg (Near Nishatganj Bridge), Lucknow.

The Secretary, P.W.D. is the ex-officio Chairman of the Company, with a full time Managing Director. At present there are eleven Directors on the Board of Directors including the Chairman and the Managing Director. The other nine Directors are Chairman U.P. Jal Nigam, Secretary Judicial


3) Uttar Pradesh Housing & Development Board:

"U.P. Housing and Development Board was established on April 1, 1966 under the U.P. Housing and Development Board Act, 1965. Under Section 3(3) of this Act, the Board has also been categorised as a 'local Authority'. The Head Office of the Board is located at 104, Mahatma Gandhi Marg, Lucknow."

The Chairman of the Board, normally a non-official member, is appointed by the Government of Uttar Pradesh. There is also a full time Chief Executive Officer, who is designated as Housing Commissioner. The strength of the Board is

---

twelve including the Chairman and Housing Commissioner. There are five non-official members on the Board appointed by the State Government two from the State Legislature (one from each house), one representative from the Nagar Mahapalika and two other non-officials. The Secretaries of Finance, Housing and Local Self Government Department of U.P. Government, Director C.B.R.I. Roorkee, Chief Town and country Planner, U.P. and Managing Director, Jal Nigam are all ex-officio members of the Board. So far the Board has established 10 circles and 57 divisions in different parts of the State. The total strength of employees is 3724 including daily wagers up to 1991-92.

4) **U.P. State Industrial Development Corporation Ltd.**

"U.P. State Industrial Development Corporation Limited is a Government Company registered under the Companies Act, 1956. It was incorporated in March 1961. The registered office of the Corporation is at 117/130 Sarvodya Nagar, Kanpur-208005."

The Secretary, Industries Department, is the part-time Chairman of the Corporation. In addition, the Board

has 17 Directors including a full time Managing Director. The total strength of the employees is 649 upto 1991-92. The Corporation has five Regional offices at Kanpur, Agra, Bareilly, Ghaziabad and Lucknow and 8 Engineering construction divisions at different places in Uttar Pradesh.

5) Uttar Pradesh Police Avas Nigam Limited:

"Uttar Pradesh Police Avas Nigam Limited is a Government Company within the meaning of Section of 617 of Companies Act, 1956. It was registered on March 27, 1987." 25 The registered office of the Corporation is located at A-81, Vijay Khand-2, Gomti Nagar, Lucknow.

At present there are 7 members on the Board of Directors, including the Chairman-cum-Managing Director. The Chairman-cum-Managing Director is the Chief Executive who is assisted by General Manager (Finance), General Manager (Adm.) General Manager (Construction) and by other staff in managing the day to day affairs of the Corporation. "At present the total strength of employees is 133 upto 1991-92." 26

Inspite of all these efforts Uttar Pradesh is one of the industrially backward State of India. A number of measures have been taken to boost up industrialization in the State in accordance with the industrial policy of the government. In the sixties the Planning Commission divided the whole Uttar Pradesh into 39 backward and 17 non-backward districts on the basis of the level of industrial development.\(^\text{27}\)

The Government has established the following coordinating agencies for industrial development:

1) Directorate of Industries

2) Pradeshiya Industrial and Investment Corporation of Uttar Pradesh (PICUP)

3) Uttar Pradesh State Industrial development Corporation (UPSIDC)

4) Uttar Pradesh Small Industries development Corporation (UPSIDC)

5) Uttar Pradesh Financial Corporation (UPFC)

6) Uttar Pradesh Agro-industrial Corporation.

---

The Government has also undertaken different steps with a view to put the State on the industrial map of the country. The growth and development of infrastructure like power, transport, and roads, financial support, banking were given higher economic priority with a view to give a proper direction to the overall economic development of the State.

The Government of the State as well as Central Government have tried to play a dominant role in the industrial development of the State, through public sector enterprises, but the attainment of the objective has not been completely satisfactory, even then their impact on the development of backward regions and providing infrastructure to both the public and private sectors is a substantial contribution and from the social audit point of view their performance cannot be rated as low. The next chapter deals with performance evaluation of some of these enterprises in detail.
CHAPTER - IV

UTTAR PRADESH PUBLIC SECTOR UNDERTAKINGS AS A MEANS OF DEVELOPMENT
CHAPTER - IV

UTTAR PRADESH PUBLIC SECTOR UNDERTAKINGS
AS A MEANS OF DEVELOPMENT

As discussed earlier the public sector has grown in U.P. during every successive plan till 1990. In the forthcoming paragraphs a detailed study of some selected public sector undertakings has been made to highlight their impact on the developmental activities in U.P.

U.P. Small Industries Corporation Limited:

This Corporation was set up in 1958 as a State Public undertaking to provide the following main facilities to SSI units of the State:

1. Procurement and distribution of raw material.
2. Supply of machinery on hire purchase.
3. Import Assistance Scheme.
4. Participation in Joint Venture Projects.
5. Marketing Assistance Scheme.

The Corporation's authorised capital is Rs. 500 crores. Its present paid-up capital amounts to Rs. 1.92 crores for trading activities. The Corporation avails cash credit
borrowings from banks. The performance of the Corporation has resulted in earning profits as mentioned below:

**TABLE No. 5.1**

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit (Rs. in Lacs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>19.25*</td>
</tr>
<tr>
<td>1981-82</td>
<td>19.95*</td>
</tr>
<tr>
<td>1982-83</td>
<td>13.53*</td>
</tr>
<tr>
<td>1983-84</td>
<td>7.08*</td>
</tr>
<tr>
<td>1984-85</td>
<td>2.28**</td>
</tr>
<tr>
<td>1985-86</td>
<td>5.42**</td>
</tr>
<tr>
<td>1986-87</td>
<td>0.95**</td>
</tr>
</tbody>
</table>

*Estimated

**SOURCES:** *: Uttar Pradesh VIIth Plan, Vol.I, p.355

With a view to enlarge the scope of development through various schemes and projects, UPSIC has planned to provide greater assistance, incentives, infrastructure and marketing facilities in the Seventh Plan period for the growth of small scale sector specially under the new policy of promoting at least one SSI unit in each block of the State.
2) **U.P. State Leather Development Corporation**:

The Corporation has paid-up capital of Rs. 98 lakhs and authorised capital of Rs. 100 lakhs. The authorised capital is being increased to Rs. 200 lakhs to enable the Corporation to undertake promotional programmes on a large scale. At present the Corporation is providing assistance to the leather artisans by giving them assistance in designs and supply of raw materials, common facility services and training facilities. It is also helping the artisans in marketing footwear products. The Corporation is running a finished leather centre at Unnao and has set up common facility centres at Fatehpur and Basti.

There is a vast potential of this industry and majority of the artisan - workers in this industry are from weaker sections. For the development of infrastructure, functional industrial estates at Agra and Kanpur are proposed to be established. The common facility centres for tanning are proposed to be opened in Banda, Meerut, Bara Banki and Faizabad. Design development and training programmes will be strengthened. Joint Sector Projects of D.V.P. Plant, Canvas Shoes and polythene sole will be encouraged.
3) **U.P. State Textile Corporation**;

The authorised capital of the Corporation is Rs. 70 crores. The Corporation had proposed the following projects during Seventh Plan period.

**Continuing Schemes:**

Five new spinning mills of 50,000 spindles each (the letter of intent, for which, are already in hand) are to be established in the State. In the first phase, each of 5 new mills had to be established with a capacity of 25,000 spindles only. Three spinning mills at Jaspur, Meja and Banda have been established during Sixth Plan period. Ballia and Jaunpur spinning mills of 25,000 spindles each could not be established because of lack of financial clearance from Central Financial Institutions. Therefore, their establishment was postponed for taking up during the next plan.

**Expansion in each of the three State Sector New Spinning Mills by 25,000 Spindles:**

In the second phase of the establishment of five new spinning mills in the State Sector, mills at Jaspur, Meja and Banda will be expanded by 25,000 spindles each during Seventh Plan period.
**Process House:**

A letter of Intent for a Process House with a capacity of 144 lakh metres per annum was issued to the U.P. State Textile Corporation Limited on 31.12.1981 (revalidated upto 31.3.1985). This has not been implemented so far, due to paucity of funds. The project report has been sent to Public Investment Board of the State for appraisal and approval. The total estimated cost of the project was Rs. 300.00 lakh for which an amount of Rs. 150.00 lakh will be needed on the basis of 1:1 debt equity ratio.

**Automatic Looms:**

U.P. State Textile Corporation has already applied for a Letter of Intent for 1,500 Automatic Looms. It is estimated that the total project cost of installing 1,500 Automatic Looms will be Rs. 45 crores and outlay of Rs. 22.50 crores will be needed on the basis of 1:1 Debt Equity Ratio.

**Sizing Plant:**

As a necessary corollary to the proposal of Automatic Looms, it is proposed to set up a Sizing Plant in each of the State Sector Spinning Units. A Sizing Plant of about 6 lakhs
Kgs. per annum capacity is already under implementation at the Kashipur Unit of the Corporation. This plant is expected to start commissioning within a few months. The total cost of each plant will be of the order of Rs. 60,00 lakhs. A total equity of Rs. 390.00 lakh will be needed on the basis of 1:1 debt equity ratio for this project. An outlay of Rs. 26 lakh has been proposed for the project during the year 1984-85.

**Diversification and Modernization:**

The first spinning mill in the State Sector was set up in 1975. Diversification and modernization is to be a continuous process, if optimum use of facilities already created is not only to be made but increasingly availed, both from the point of view of bringing in advanced technology as well as improving human productivity. Diversification of cotton yarn to synthetic yarn has also been taken into account by these activities.

**Hosiery Complex in Hill Areas:**

A project of an approximate capacity of 200 TPA (of which cotton hosiery may be 72 per cent Woollen Hosiery,
24 per cent and synthetic 4 per cent), expected to cost Rs. 1.00 crore with a turnover of Rs. 2.25 crore per annum is proposed. This mill will provide employment to about 400 persons.

**High Wet Modulus/Polynosic Fibre Project:**

Present day trend in market demand for regenerated fibres is almost wholly towards High Wet Modulus and Polynosic fibres. To encourage further production of these fibres, a project was established in the State at a total cost of Rs. 130 crore. This has been implemented in collaboration with PICUP and Industrial Houses having contribution from public.

**Textile Machinery manufacturing Project:**

U.P. State Textile Corporation has entered into Joint Sector to establish a Textile Machinery Manufacturing Project in collaboration with the Pradeshhiya Industrial and Investment Corporation of Uttar Pradesh and Texemco Limited — a leading engineering company. The Project was proposed to be set up with an estimated cost of Rs. 50 crore. The Project was proposed to take the manufacturing of sophisticated
textile machinery of latest technology to meet the growing demand of the textile industry in the State and outside. It has also helped in developing ancillary industries in the area.  

4) **U.P. State Cement Corporation:**

The Corporation is running Dalla and Churk Cement factories whose production programme has been completed. The Kajarahat Cement Project (KCP) has already gone into production. The setting up of new cement plants in Pithoragarh and Dehra Dun did not materialize during the Sixth Plan period. However, preliminary work has been done for Dehra Dun Project. Major work has been completed during Seventh Plan period. As such the following programmes have been undertaken:

1. Rehabilitation and modernization of Churk Cement Factory, Churk (Mirzapur)
2. Installation of Precalcinator on K.C.C.P. Kilns, Dalla (Mirzapur)
3. Mini Cement Plant, Dehra Dun

---

The Pradehiya Industrial and Investment Corporation of U.P.: 

The Pradehiya Industrial and Investment Corporation of Uttar Pradesh was created by the State Government for the promotion of medium and large scale industries with the primary function of a State level Investment Corporation extending financial assistance to industrial projects and undertakings such other activities as may be necessary to catalyse industrial investment in the State.

"PICUP" presently provides multi-dimensional financial assistance, technical services and institutional support for industrialization of the State and also engages in direct project promotion in the joint/assisted sector. 'PICUP' also undertakes under-writing of the shares of the companies and provides interest free sales tax loan.

Joint Sector Projects:

'PICUP' is the main promotional agency in the sphere of medium and large scale industries in the State. PICUP promotes various joint sector projects in the State. The Corporation has already set up two joint sector projects viz. U.P. Drugs and Pharmaceutical Limited, and U.P. Twegafibre
Glass Limited. It has planned to carry out expansion of U.P. Drugs and Pharmaceutical Limited to double the capacity and also to set up a multi-purpose drug plant. The Corporation has obtained 28 letters of intent for setting up joint sector projects of about Rs. 1268 crore which are being actively implemented.

The main projects for which letters of intent have been received are Fertilizer Project, Jagdishpur (Rs. 700 crore investment), Aluminium Foils (Rs. 45 crore), OXO Alcohol (Rs. 60 crore), Polyester Staple Fibre Project (Rs. 72 crore), Textile Machinery Project (Rs. 50 crore) and Methanol Metacrilate (Rs. 60 crore). etc.

Loan/Market Borrowing:

PICUP provides term loan to medium and large scale units. Assuming that term lending operations of PICUP would grow only at the present growth rate of 30 per cent, the disbursement of the Corporation over Seventh Plan period is expected to the extent of Rs. 267 crores. The expected refinance availingment during Seventh Plan period will be of order of Rs. 170 crore.
Sales Tax Loan:

PICUP provides interest free Sale Tax loan to various industrial units. A large number of sanctioned applications for disbursement of loan are lying with PICUP. During Seventh Plan, an outlay of Rs. 7.50 crore has been proposed under this programme to meet the existing commitment.

Subsidy on Feasibility Studies:

The subsidy for preparation of feasibility reports is being provided through PICUP. This subsidy is provided 50 per cent to 75 per cent on feasibility reports, prepared by approved consultants by various entrepreneurs.

Interest subsidy on Debentures raised by PICUP:

For term lending, loan will be raised from the market in the form of non-convertible debentures. Interest subsidy of Rs. 6 per cent is proposed to be provided. The market borrowing is estimated to the extent of Rs. 47.00 crore during Seventh Plan. An outlay of Rs. 5.00 crore is proposed for Seventh Plan and Rs. 0.30 crore for 1985-86.

Rehabilitation of Sick Units:

PICUP has established a 'Project Rehabilitation Cell' for preparation of rehabilitation packages for different sick
units and for syndicating the requirement of concessions and reliefs and additional funds for revival of these sick units, an outlay of Rs. 5.00 crore was proposed for Seventh Plan and Rs. 1.00 crore for 1985-86.

For all the activities of PICUP as mentioned above, an outlay of Rs. 146.50 crore was proposed for Seventh Plan and Rs. 20.50 crore for 1985-86.\textsuperscript{2}

6) \textit{U.P. State Industrial Development Corporation:}

UPSIDC, a State Government Undertaking was established in 1961 for accelerating the pace of industrial growth. Its principal activities at present are as under:

1. Acquisition of land for industrial purpose and development of infrastructure.
2. Setting up of medium and heavy industrial units in joint sector.
3. Financial assistance to medium and heavy industrial units through Equity Participation and Under-writing.

Acquisition of land and Establishment of Industrial Areas:

"The Corporation has acquired 17,888 acres of land in 24 districts out of which 11 are backward districts. In 3 districts 1,710 acres of acquired land (undeveloped) was allotted to large industrial units and development on 10,207 acres land was undertaken and industrial areas were established. Development work on the rest of the land has been in progress. In the industrial areas, 9,070 acres land has been allotted to the entrepreneurs, out of which on 6,250 acres land, either industrial units have already been established or are in the process of establishment. The Corporation has so far invested Rs. 30 crore in the acquisition of land and development of industrial areas in various districts throughout the State."

U.P. State Road Transport Corporation:

The U.P. Government decided in 1947 that the passenger road transport services should be operated by the State for providing cheap and efficient transport facilities. Other State Governments also took similar decision. Government of India, too, agreed with this policy and the Parliament amended the Motor Vehicle Act 1939, giving powers to the State Government to acquire exclusive rights for operating road transport services.

In Uttar Pradesh, the operation of buses was taken up in May 1947 and the scheme was placed in the charge of the Transport Commissioner, U.P. Ever since 1947, the U.P. Government Roadways has functioned as a department of Government under the administrative control of the Transport Commissioner who is also responsible for the administration and enforcement of Motor Vehicle Act and Rules, Motor Vehicle Taxation, Passenger and Goods Tax.

U.P. Road Transport Corporation runs a fleet of about 8000 buses on various nationalized routes. A total capital investment of Rs. 250 crores was envisaged for the Corporation in the Seventh Plan. The outlay in the State Plan during the Seventh Plan was fixed at Rs. 185.59 crore. The difference was to be financed from funds made available by the Central Government and certain commercial lending organizations. The actual investment during the Seventh Plan period was Rs. 261.15 crores. With this about 5991 chassis were purchased for replacement of over-aged buses. In addition, during the Seventh Plan efforts are being made to improve bus utilization, strengthen maintenance and workshop facilities, enhance passenger comfort and generally strengthen the various aspects
of the bus services already operating on the nationalized roads. In the Seventh Plan percentage of over-age buses has been reduced from 28.88% to 9%, fleet utilization increased from 72 to 89%; daily average bus utilization increased from 158 kms. to 222 kms.; bus staff ratio declined from 8.49 per bus to 8.01 and staff productivity increased from 24.07 kms. to 30.45 kms.

For the Eighth Plan a capital expenditure of 320.25 crores is proposed. In this proposed expenditure Rs. 3.25 crores has been proposed for civil works and development of infrastructure in hill areas. During the Plan period it is proposed to buy 5005 new buses by way of replacement of old buses. It is proposed to reduce the over-age bus percentage from 9.68 to 6.95%, increase bus productivity to 250 kms. per bus per day, increase fleet utilization to 93%, reduce bus staff ratio from 8.03 to 7.75 per bus, increase manpower productivity from 30.33 kms. to 34.95 kms. and increase fuel efficiency from 4.652 to 4.75 kms. per litre. For the Annual Plan (1992-93) an outlay of Rs. 48.81 crore including Rs. 50 lakh for hills, has been proposed and with this outlay it is proposed to purchase 820 new chassis during the year for the replacement of old buses.
Inspite of improvement in the performance of Corporation, UPSRTC is incurring losses. "During 1989-90 it incurred a loss of Rs. 2474.81 lacs which rose to Rs. 4041.79 lacs in 1990-91. Further during the year 1991-92, the loss was somewhat reduced to Rs. 3342.70 lacs." Thus there is a need to improve operational area and also increase the fare reasonably, so that UPSRTC should stand on their own feet.

7) U.P. State Sugar Corporation Limited:

Most of the sugar factories in Uttar Pradesh were constructed as early as in 1930 and their technical crushing capacity was less than 1000 TCD which was non-profitable from commercial point of view. Most of the mills were out of time and some of them were on the verge of closure. Even the utility of machines of these factories was on the bunk of expiration.

"The U.P. Sugar Corporation Ltd. was established on 26 March 1971, under the provisions of the Companies Act 1956. The principal object of establishing such Corporation was to protect the interests of sugar cane peasants. In July 1971 for the first time, the State Government requis-

tioned, 12 sick, non-profitable and under state sugar mills which were, out of these 17 sugar factories 5 mills of BARABANKI, SAKHOTITANDA, KHADDA, BHAJNI, MOHTUDDIN PUR, have been vested in the newly created Corporation. Subsequently, remaining 7 sugar factories of AMROHA, BIJNOR, BURHWAL, JARWAL ROAD, RAMPUR, RAMKOLA and LAXMIGANJ, have also been vested in the Corporation. In 1974, PIPRAICH unit has been auctioned publicly by the Corporation. Thereafter, in 1984, 12 other sugar factories have been requisitioned and vested in the Corporation viz., DOIWALA, MEERUT, MAHOLI, MUNDERAWA, ROHANAKALAN, BULANDSHAHAR, BAREILLY, SAHARANPUR, SISWA BAZAR, CHHITAUNI and HARDOI. On the other hand 5 more sugar factories of CHANDPUR (Bijnor) CHHATA (Mathura) NANDGANJ (Kanpur Rural) have been founded by the Corporation and other one partially constructed sugar factory of KICHHA has been requisitioned and vested in the Corporation. Again in the year of 1989, four other sugar mills of SHAHGANJ, BAITALPUR, DEVENDY and NAWABGANJ were requisitioned and brought under the Corporation. Hence 35, sugar mills have now been running under the control of U.P. State Sugar Corporation. 5

"The Corporation chalked out a programme at higher level to enhance the efficiency of these sugar factories

which were non-profitable from technological point of view through rehabilitation, modernization and expansion in the direction of profitability. Under the Sixth Five Year Plan, three units of SAKHOTI TANDA, MOHIUDDINPUR and KHADDA, have been modernized, and expansionization of AMROHA and BIJNOR units have been started. Simultaneously, the Corporation undertook the work of substantial rehabilitation modernization and expansion through efficient administration which resulted in technological activities and reformation. Having established the Corporation in its first crushing session 1971-72, it had only 5 mills and its percentage of broad capacity of utilization was 56.94 per cent in which there was an increasing respectively and in the session of 1989-90 it increased up to 83.85 per cent. Presently the Corporation has started the works of expansion of its units of Rohanakalan, Saharanpur, Meerut, Bulandshahar, Rampur, Bareilly, Hardoi, Maholi, Barabanki, Burchwal, Jarwal Road, Mujerwa, Pipraich, Laxmiganj, Ramkola, Ghughuli, Chhituni, Bhatni, Deoria, Baitalpur, Shahganj and Nawabganj all are sick units, in which some of units of Saharanpur, Bulandsahar, Rohankalan, Jeralw Road and Maholi are being modernized and expanded and work is on progress. Decision of
expansion and modernization of Munderwa, Laxmiganj, Burhwal, Pipraich, Bareilly and Ghughuli, units has also been taken, but not being implemented due to the lack of adequate funds. Presently, 25 mills out of 35 sugar mills have already started their crushing session under the jurisdiction of the Corporation. Remaining mills are expected to being their works soon. 6

8) U.P. Financial Corporation:

"U.P. Financial Corporation is engaged in advancing loan to the small and medium sector industrial units being set-up in the State. The major source of funds to the Corporation is refinance from I.D.B.I. This amounts to nearly 60 per cent to 65 per cent of the total disbursement of loans. An outlay of Rs. 1,500 lakh was envisaged in Sixth Plan.

Increase in Special Class of Shares:

Under Section 4-A of the State Financial Corporation Act, the Corporation may raise special class of shares which are to be utilized to meet the gap in the promoters' resources

and the share capital required to implement a project during Seventh Five Year Plan, it is expected that the Corporation shall contribute at least an amount of Rs. 400 lakh as special class of share capital to the entrepreneurs setting up a project for the first time (preferably in backward areas of the State) who are not in a position to bring the fully desired contribution from their own resources. This requirement of Rs. 400 lakh during Seventh Plan period was proposed to be met by way of a contribution of Rs. 200 lakh from the State Government and the balance of Rs. 200 lakh by I.D.B.I. on matching basis.

**Tool Room Project:**

The Institute of Tool Room Training has been established with the financial and technical assistance from Government of Federal Republic of Germany.

The activities of the Institute can be summarised in three categories viz. training course consultancy and service centres. The Institute has proposed to augment the above activities in Seventh Five Year Plan and 1985-86. The details are summarised below:
Training Courses: The Institute has proposed to conduct one long term course comprising of 16 candidates for long term training for four years. This training will be imparted in tool making, die casting, plastic moulds and fixtures, press tools etc. Under short term training programme the Institute proposes to train 400 workers for basic design, manufacturing techniques and heat treatment etc.

Consultancy: The Institute has a programme to impart consultancy service to 500 units in the seventh plan. The consultancy will be provided for setting up new tool rooms, design of precision and delicate moulds, jigs etc. A consultancy centre has already been opened at Kanpur by the Institute.

Service Centre: The Institute envisaged to earn Rs. 105 lakhs in the Seventh Plan from service work which will be done on the machines fixed in the Institute.

The Institute will also cater the needs of adjoining backward districts. An outlay of Rs. 5 crores was proposed for Seventh Plan and Rs. 70 lakhs for 1985-86.  

9) **U.P. State Mineral Development Corporation Ltd:**

The U.P. State Mineral Development Corporation Ltd. was created in March, 1974 with the objective of expediting the systematic development and exploitation of the State Mineral resources. The main objectives were as follows:

1. To undertake the prospecting, minerals and development of all major and minor minerals.

2. To establish and promote the setting up of mines and minerals prospecting units.

3. To conduct business directly or indirectly by selling of the products and by products of prospecting mining and mineral based industry.

**Programmes in hand:** Based on the mineral deposits searched and explored by the Directorate of Geology and Mining U.P., the U.P. State Mineral Development Corporation Limited is at present operating seven mines in the State of Uttar Pradesh. One of these mines, the Lambidhar Limestone Mine, located near Massoorie, is being developed to produce 4.5 lakh tonnes per year of high grade limestone at an estimated
cost of Rs. 10.90 crore. This mine would also meet the requirement of calcium carbide plant of 21,000 tpy capacity being established by the U.P. Carbide and Chemicals Ltd., a subsidiary of U.P. State Mineral Developmental Corporation Limited.

Other mines are located in the southern part of Uttar Pradesh. In Mirzapur district Corporation is operating 3 mines of limestone and dolomite for meeting the requirement of blast furnace grade, cement-grade and SMS-grade limestone and dolomite and also high grade limestone. These mines are producing about 2 lakh tonnes per year and the same are being planned for production of over 4 lakh tonnes per year.

In Allahabad district, the Corporation has started pilot-scale mining operations of silicas and stone under the guidance and control of the Director, Geology and Mining U.P. for testing the market acceptability of the material for the glass industry. The Corporation has obtained a letter of intent from the Government of India to establish a Float Glass Plant of 25 million Sq. metres annual installed capacity. The mines will later be expanded to meet the requirement of this proposed float glass unit.
UPSMDC is also operating a small scale mine for Bauxite for meeting the requirement of the aluminium industry. In order to process the mineral locally and add value, the Corporation has established a small scale unit for manufacturing 1200 tonnes per year of synthetic Emery Grains, which is an abrasive material.

**APPROACH TO THE SEVENTH FIVE YEAR PLAN:**

The State has evolved a number of attractive packages of incentives and concessions which compare favourably with the industrially advanced state though here again the paucity of funds does not permit to make these packages of incentives really effective. The Government of India has also taken a number of investment decisions for location of important public sector project in the State. The Government of India has also re-classified the backward areas and subsequently increased the Capital Investment Subsidy but even then there is a general diffidence on the part of the entrepreneurs to go to backward districts. The only course, whereby a beginning can be made regarding industrial development of these districts, is by locating Central Sector Projects.
NEW STRATEGY:

The State Government has taken major steps in policy orientations, new incentives and creating new industrial climate. The strategy adopted by the State Government was to introduce new concessions such as exemption/deferment of Sales Tax to new units, incentives to 'Prestige' and 'Pioneer' units, priorities in the licences and letters of intent for industries in backward areas and 'Zero Industry' districts and developing infrastructural facilities to the requirements of industrial growth.

The new strategy also includes promotion of at least one small scale industry having an investment of more than Rs. 2 lakh in each development block of the State. This step, taken for the first time, will help in the promotion of new projects in industrially backward areas in a planned manner. Organizational restructuring was being done for promotion of cottage and household industries in rural areas. A scheme for providing self-employment to educated unemployed people has also been launched in the State under which financial assistance to the extent of Rs. 25,000 will be given to each person. A large number of beneficiaries are likely to be benefited under this programme.
SUGGESTIONS:

In view of the above, approach during the plan will be briefly as under:

For the 11 Zero Industry districts at least one large project in each district will be set up either in the State/Joint Sector or in the Private Sector. These nucleus projects will help in promotion of large number of ancillary and other small scale industries in these districts.

Under the new programme introduced in 1983-84 for providing incentives to Pioneer and Prestige Units, it is planned that in the remaining 31 backward districts classified under A, B and C categories there will be considerable investment in medium and large industries as well as ancillaries in small scale industries.

A large number of State/Joint Sector Projects have already been identified for which UPSIDC and PICUP have obtained licences/letters of intent. The implementation of these projects will call for substantial increase in the allocation of funds for medium and large industry sector for contribution towards the State equity. In addition, the State
Sector Projects particularly relating to the electronics, cement, textiles, automobiles engine and tractors will require substantial increase in the outlay for State Sector Projects. Investment in Joint/Assistant Sector was projected of the order of Rs. 2,400 crore and Rs. 2,000 crore in Public Sector.

A number of Central Sector Projects have been finalized for implementation in this State and some more are under consideration. It is anticipated that during Seventh Plan period an investment of the order of Rs. 3,000 crore will materialize in the Central State Projects. This will call for substantial increase in the investment of development of land and creation of other infrastructural facilities for implementation of these projects.

The State Government will make investment for creation of infrastructural facilities such as development of industrial areas and setting up of industrial estates. There are 80 industrial estate having 1116 sheds and 3254 plots. During Sixth Plan till 1982-83, 10 estates were completed and 6 are expected to be completed. More estates are planned in Seventh Plan besides completion of spill over projects.
Intensive efforts are being proposed for development of infrastructure mainly in the shape of industrial areas and estates during Seventh Plan. It was also expected that the Central Government's Plan to locate Export Processing Zone for Northern India at NOIDA will not only create biggest centre for export production but also buttress the efforts of State Government in creating infrastructural facilities and a very large investment.

**PROFIT MAKING UNITS OF U.P. STATE ENTERPRISES:**

In 1991-92 many U.P. State Enterprises have earned profits. But the performance of the different enterprises varies. Some of them have earned profits consistently, some have a decreasing rate of profits and the profits of some other enterprises keep varying from year to year. Table No. 5.2 shows the profit making units, containing data from 1989-90 to 1991-92.

For further discussion to evaluate them, the U.P. Public Enterprises may be divided into three categories:
1) **Profits Increasing Consistently on a Yearly Basis:**

Table 5.2 reveals that some U.P. State Enterprises are earning consistently increasing profits. These units are: U.P. State Mineral Development Corporation Limited, Garhwal Mandal Vikas Nigam Limited, U.P. Police Avas Nigam Limited, U.P. Electronics Corporation Limited, etc. These units have done better in comparison to the previous year as far as profit is concerned. It can be seen from the table that the profits of U.P. State Mineral Development Corporation Limited were Rs. 589.09 lacs in 1991-92 as compared to Rs. 351.62 lacs in the previous year. Profits of Garhwal Mandal Vikas Nigam Limited were Rs. 16.88 lacs in 1989-90 which later on, rose to Rs. 74.40 lacs in 1991-92. U.P. Police Avas Nigam Limited increased its profits from Rs. 3.22 lacs in 1989-90 to Rs. 14.48 in 1991-92. Similarly, the profits of U.P. Electronics Corporation Limited increased from Rs. 0.80 lacs in 1989-90 to Rs. 2.92 lacs in 1991-92.

2) **Profits Varying on Yearly Basis:**

Also table 5.2 shows that the profits of some of the U.P. State Enterprises keep fluctuating i.e., they increase
3) Profits Decreasing Consistently:


In short the profit earning State undertakings which constitute more than 50 per cent of these enterprises are working on profit. These undertakings are, namely:

1. U.P. State Electricity Board,
2. U.P. Forest Corporation Limited,
3. U.P. State Mineral Development Corporation Ltd.,
4. Pradeshiya Industrial & Investment Corporation of U.P. (PICUP),
5. U.P. Rajkiya Nirman Nigam Limited,
6. U.P. State Industrial Development Corporation Ltd.
7. U.P. Samaj Kalyan Nirman Nigam Limited,
8. Garhwal Mandal Vikas Nigam Limited,
9. U.P. Bhoomi Sudhar Nigam Limited,
10. U.P. Housing & Development Board,
11. U.P. Small Industries Corporation Limited,
12. U.P. Nalkoop Nigam Limited,
13. U.P. State Tourism Development Corporation Ltd.,
14. U.P. Police Avas Nigam Limited,
15. U.P. Anusuchit Jati Vitta Evam Vikas Nigam Ltd.,
16. U.P. Paschudhan Udyog Limited,
17. U.P. Alpsankhyak Vitta Evam Vikas Nigam Limited,
18. U.P. Financial Corporation Limited,
19. U.P. State Employees Welfare Corporation
20. U.P. Export Corporation Limited
21. U.P. (Rohilkhand-Tarai) Ganna Beej & Vikas Nigam Limited,
22. U.P. Electronics Corporation Limited,
23. U.P. Sainik Kalyan Nigam Limited,
24. U.P. Panchayati Raj Vitta & Vikas Nigam Limited,
25. U.P. Poultry & Livestock Specialities Limited,
26. U.P. (Poorva) Ganna Beej Evam Vikas Nigam Limited,
27. U.P. Development System Corporation Limited,
28. U.P. Wakf Vikas Nigam Limited,
have different degrees of success. Their success in economic and financial terms as well as their impact on prices and development of backward regions and poor workers is big contribution. The financial audit may rate them low but from social audit point of view they are the need of the day.

### TABLE No. 5.2

**Profit-making Units of Uttar Pradesh State Enterprises (Rs. in Lacs)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>U.P. State Electricity Board</td>
<td>4049.00</td>
<td>957.00</td>
<td>6950.00</td>
</tr>
<tr>
<td>2.</td>
<td>U.P. Forest Corporation Ltd.</td>
<td>3384.28</td>
<td>2783.65</td>
<td>2056.31</td>
</tr>
<tr>
<td>4.</td>
<td>Pradeshiya Industrial &amp; Investment Corporation of U.P. (PICUP)</td>
<td>487.09</td>
<td>349.20</td>
<td>568.18</td>
</tr>
<tr>
<td>5.</td>
<td>U.P. Rajkiya Nirman Nigam Ltd.</td>
<td>158.11</td>
<td>151.32</td>
<td>189.59</td>
</tr>
<tr>
<td>6.</td>
<td>U.P. State Industrial Dev. Corporation Limited</td>
<td>192.03</td>
<td>265.56</td>
<td>138.00</td>
</tr>
<tr>
<td>7.</td>
<td>U.P. Samaj Kalyan Nirman Nigam Limited</td>
<td>163.86</td>
<td>138.95</td>
<td>130.22</td>
</tr>
<tr>
<td>8.</td>
<td>Garhwal Mandal Vikas Nigam Ltd.</td>
<td>16.88</td>
<td>67.70</td>
<td>74.40</td>
</tr>
<tr>
<td>9.</td>
<td>U.P. Bhoomi Sudhar Nigam Ltd. (-)</td>
<td>17.68</td>
<td>93.79</td>
<td>73.83</td>
</tr>
</tbody>
</table>

Table contd...
Table 5.2 contd...

| 10. U.P. Housing & Dev. Board          | 72.62 | 35.68 | 65.96 |
| 11. U.P. Small Industries Corp. Ltd.  | 29.20 | 17.82 | 32.36 |
| 12. U.P. Nalkoop Nigam Limited        | 30.36 | 25.00 | 25.00 |
| 13. U.P. State Tourism Development Corporation Limited (-) | 30.89 | 22.95 | 17.95 |
| 15. U.P. Anusuchit Jati Vitta Evam Vikas Nigam Limited | 44.98 | 63.67 | 10.46 |
| 16. U.P. Pashudhan Udyog Limited      | 10.52(-) | 13.94 | 7.29 |
| 17. U.P. Alpsankhyak Vitta Evam Vikas Nigam Limited | 12.56 | 11.57 | 7.00 |
| 18. U.P. Financial Corporation        | 136.79 | 81.62 | 6.54 |
| 19. U.P. State Employees Welfare Corporation | 0.84(-) | 48.11 | 5.12 |
| 20. U.P. Export Corporation Ltd.      | 7.12  | 2.83  | 3.78 |
| 22. U.P. Electronics Corporation Ltd. | 0.80 | 2.22 | 2.92 |
| 23. U.P. Sainik Kalyan Nigam Ltd.     | 1.15(-) | 0.83 | 1.36 |
| 24. U.P. Panchayat Raj Vitta & Vikas Nigam Limited | 3.44 | 0.54 | 1.10 |
| 25. U.P. Poultry and Livestock Specialities Limited | 1.17 | 7.84 | 0.88 |
| 26. U.P. (Poorva) Ganna Beej Evam Vikas Nigam Limited | 0.35 | 0.27 | 0.76 |
| 27. U.P. Development System Corp. Ltd. | 1.59(-) | 0.28 | 0.51 |
| 28. U.P. Wakf Vikas Nigam Limited     | 0.56  | 0.47  | 0.48 |

Total 9159.26 5445.21 10977.08

U.P. STATE ENTERPRISES RUNNING IN LOSSES:

Table 5.3 shows all such U.P. State Enterprises which ran in loss between 1989-90 and 1991-92. These Enterprises have been divided in the following three categories:

1) Enterprises with consistently increasing losses. The losses of some of the U.P. Enterprises consistently increased between 1989-90 and 1991-92. These are U.P. State Sugar Corporation Limited, U.P. (Pashchim) Ganna Beej Evam Vikas Nigam Limited. According to Table 5.3 the losses of U.P. State Sugar Corporation Limited increased from Rs. 2022.13 lacs in 1989-90 to Rs. 9700 lacs in 1991-92, those of U.P. Textile Corporation Limited from Rs. 538 lacs to Rs. 1161.51 lacs, those of U.P. Bridge Corporation Limited from 50 lacs to Rs. 406 lacs and of U.P. (Pashchim) Ganna Beej Evam Vikas Nigam Limited from Rs. 0.50 lacs to Rs. 20.87 lacs during the same period.

2) U.P. State Enterprises with consistently decreasing losses. According to Table 5.3 the losses of Kumayun Mandal Vikas Nigam Limited, U.P. Hill Electronics Corporation Limited decreased on a yearly basis between
1989-90 and 1991-92. This decrease in losses can be seen from the Table 5.3. The losses have gone down from Rs. 31 lacs to Rs. 13.19 lacs in case of Kumayun Mandal Vikas Nigam Limited, from Rs. 234.7 lacs to 1.00 lac for U.P. State Handloom Corporation Limited, from 3.11 lacs to Rs. 0.52 lacs for U.P. Hill Electronics Corporation Limited during the same period.

3) Enterprises with fluctuating losses. According to Table 5.3 the losses of U.P. Jal Nigam U.P. (Madhya) Ganna Beej Evam Vikas Nigam Limited kept fluctuating between 1989-90 and 1991-92. For example, the losses of U.P. Jal Nigam Limited which were Rs. 2850 lacs in 1989-90 touched a peak of Rs. 5822 lacs in 1990-91 and then dropped to Rs. 4093 lacs in 1991-92. Similarly, the losses of U.P. (Madhya) Ganna Beej Evam Vikas Nigam Limited were Rs. 3.44 lacs in 1989-90; went up to Rs. 3.77 lacs in 1990-91 and then came down to Rs. 2.50 lacs in 1991-92.

The total losses of these units increased from Rs. 11249.81 lacs in 1989-90 to Rs. 22855.26 lacs in 1991-92 as is evident from the Table under discussion, which is given below:
TABLE No. 5.3

Loss-making Units of Uttar Pradesh State Enterprises

(Rs. in Lacs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>U.P. State Sugar Corp. Ltd.</td>
<td>2022.13</td>
<td>5426.00</td>
<td>9700.00</td>
</tr>
<tr>
<td>2.</td>
<td>U.P. Jal Nigam</td>
<td>2850.00</td>
<td>5822.00</td>
<td>4093.00</td>
</tr>
<tr>
<td>3.</td>
<td>U.P. Road Transport Corp.</td>
<td>2474.81</td>
<td>4041.79</td>
<td>3342.70</td>
</tr>
<tr>
<td>4.</td>
<td>U.P. State Cement Corp. Ltd.</td>
<td>3082.62</td>
<td>2458.81</td>
<td>3026.64</td>
</tr>
<tr>
<td>5.</td>
<td>U.P. State Textile Corp. Ltd(+</td>
<td>538.40</td>
<td>552.37</td>
<td>1161.51</td>
</tr>
<tr>
<td>6.</td>
<td>U.P. State Agro Industrial Corporation Ltd.</td>
<td>401.94</td>
<td>282.40</td>
<td>483.74</td>
</tr>
<tr>
<td>7.</td>
<td>U.P. State Bridge Corp. Ltd.(+)</td>
<td>50.00</td>
<td>169.00</td>
<td>406.00</td>
</tr>
<tr>
<td>8.</td>
<td>U.P. State Ware Housing Corp.</td>
<td>165.99</td>
<td>143.15</td>
<td>272.18</td>
</tr>
<tr>
<td>9.</td>
<td>U.P. State Food &amp; Essential Commodities Corporation Ltd.</td>
<td>252.80</td>
<td>328.96</td>
<td>139.12</td>
</tr>
<tr>
<td>10.</td>
<td>The Indian Turpentine &amp; Rosin Company Limited</td>
<td>95.96</td>
<td>183.12</td>
<td>57.26</td>
</tr>
<tr>
<td>11.</td>
<td>U.P. State Leather Development and Marketing Corp. Ltd.</td>
<td>23.53</td>
<td>60.01</td>
<td>53.56</td>
</tr>
<tr>
<td>12.</td>
<td>U.P. State Brass-ware Corp. Ltd.</td>
<td>76.54</td>
<td>95.06</td>
<td>50.00</td>
</tr>
<tr>
<td>13.</td>
<td>U.P.(Pashchim) Ganna Beej Evam Vikas Nigam Limited</td>
<td>0.50 (+)</td>
<td>1.17</td>
<td>20.87</td>
</tr>
<tr>
<td>14.</td>
<td>Tarai Anusuchit Janjati Vikas Nigam Limited</td>
<td>91.04</td>
<td>55.46</td>
<td>17.87</td>
</tr>
</tbody>
</table>

Table 5.3 contd...
Table 5.3 contd.

<table>
<thead>
<tr>
<th>No.</th>
<th>Organization Name</th>
<th>Beginning Year</th>
<th>Middle Year</th>
<th>End Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>Kumayun Mandal Vikas Nigam</td>
<td>31.00</td>
<td>29.00</td>
<td>13.19</td>
</tr>
<tr>
<td>16</td>
<td>U.P. Matsya Vikas Nigam Ltd.</td>
<td>24.53</td>
<td>27.68</td>
<td>8.57</td>
</tr>
<tr>
<td>17</td>
<td>U.P. Women's Welfare Corp.Ltd.</td>
<td>3.57</td>
<td>5.08</td>
<td>3.56</td>
</tr>
<tr>
<td>18</td>
<td>U.P.(Madhya) Ganna Beej Evam Vikas Nigam Limited</td>
<td>3.44</td>
<td>3.77</td>
<td>2.50</td>
</tr>
<tr>
<td>19</td>
<td>U.P. Pichhari Jati Vitta Evam Vikas Nigam Limited</td>
<td>---</td>
<td>---</td>
<td>1.47</td>
</tr>
<tr>
<td>20</td>
<td>U.P. State Handloom Corp.Ltd.</td>
<td>234.70 (+)</td>
<td>1.77</td>
<td>1.00</td>
</tr>
<tr>
<td>21</td>
<td>U.P. Hill Electronics Corp.</td>
<td>3.11</td>
<td>0.67</td>
<td>0.52</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>11249.81</strong></td>
<td><strong>18576.65</strong></td>
<td><strong>22855.26</strong></td>
</tr>
</tbody>
</table>


TOTAL AVAILABLE RESOURCES & THEIR UTILIZATION BY THE PUBLIC SECTOR IN UTTAR PRADESH:

Since the beginning of the five year plans and more specially after the industrial policy resolution 1956, there has been an increasing trend in the number of Public Sector Enterprises. The number of such enterprises sharply rose to 53 by 1977 and further to 61 by 1987 and 65 in the years 1991-92. Later on the situation has reversed because most of these enterprises were running continuously in losses. Consequently,
their number has been decreasing continuously and during 1992-93 only fifty enterprises were functioning.

In the foregoing discussion the performance and working of public sector enterprises of U.P. has been discussed. A proper analysis of the Sector has been made to find out the performance of these fifty enterprises taking into consideration, the data from 1988-89 to 1991-92.

Available Resources of the Enterprises:

As far as resources of these enterprises are concerned, they had paid up capital which was contributed by the Central and State Government as well as some other resources, subsidy and term loans provided by the Central Government as well as State Government and by some other institutions.

According to Table No. 5.4 the total paid up capital of these enterprises was Rs. 97588.00 lacs in 1988-89. Out of this, the contribution made by the Central Government and State Government was Rs. 6449.33, and Rs. 88720.79 lacs respectively and the rest was from other resources. The total paid up capital of these enterprises which was Rs. 97588.00 lacs in 1988-89 rose
<table>
<thead>
<tr>
<th>Year</th>
<th>Available Resources</th>
<th>Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>8781.00</td>
<td>7153.00</td>
</tr>
<tr>
<td>1991-92</td>
<td>8991.00</td>
<td>8904.00</td>
</tr>
</tbody>
</table>

Available Resources and Utilization (in $, thousands)

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount (in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2) Anticipated Share Capital</td>
<td>7153.00</td>
</tr>
<tr>
<td>(1) Available Resources</td>
<td>8991.00</td>
</tr>
</tbody>
</table>

Flash Results - 1991-92

Table No. 5.4
<table>
<thead>
<tr>
<th></th>
<th>14543.61</th>
<th>14932.68</th>
<th>15322.75</th>
<th>15712.82</th>
<th>16102.89</th>
<th>16492.96</th>
<th>16882.03</th>
<th>17272.10</th>
<th>17662.17</th>
<th>18052.24</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-Pune &amp; Excess</td>
<td>7764.66</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B-Cash Credit Advance</td>
<td>12871.00</td>
<td>12792.51</td>
<td>12712.02</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D-Working Capital Loan</td>
<td>3429.40</td>
<td>3928.98</td>
<td>4428.56</td>
<td>4928.14</td>
<td>5427.72</td>
<td>5927.30</td>
<td>6426.88</td>
<td>6926.46</td>
<td>7426.04</td>
<td>7925.62</td>
</tr>
</tbody>
</table>
to Rs. 130310.79 lacs in 1991-92. The contribution made by the Central as well as State Government which were respectively Rs. 6449.33 lacs and Rs. 88720.79 lacs in 1988-89 rose to Rs. 8165.49 lacs and 118024.82 lacs respectively in 1991-92. The paid up capital from other sources was Rs. 2418.58 lacs in 1988-89 which further rose to Rs. 4120.48 in 1991-92.

The total subsidy provided was Rs. 100350.15 lacs in 1988-89 which rose to Rs. 140329.32 lacs in 1991-92. Another important sources that was made available to these enterprises is the term loan from Central and State Government etc. The total term loan received by these enterprises which accounted to Rs. 710809.94 in 1988-89 further rose to 1037052.07 lacs in 1991-92. Most of the term loans amount comes from State Government and other sources, such as financial institutions.

The term loan provided by the State Government, amounted to Rs. 437349.81 lacs in 1988-89 which increased to Rs. 655449.62 lacs in 1991-92. The term loans from other sources which amounted to Rs. 264371.01 lacs in 1988-89 further rose to Rs. 366864.14 lacs in 1991-92. Taking together all term loans from these two sources (State
Government and other sources) accounted for approximately 98% of the total term loans in 1991-92.

Term loan provided by Central Government as well as from credit papers or compulsory deposit were rather insignificant which is almost 2% of the total term loan.

Term loan from Central Government from credit papers were Rs. 4905.62 lacs and Rs. 4183.50 lacs respectively in 1988-89, which further increased to Rs. 9632.00 lacs and Rs. 5086.31 lacs respectively in 1991-92. A very small amount also comes from working capital loan which was Rs. 3451.40 lacs in 1988-89 and rose to Rs. 7450.74 lacs in 1991-92. The available resources from cash credit and advances which were Rs. 12871.00 lacs in 1988-89 which rose to Rs. 17517.10 lacs in 1991-92.

A significant contribution in the available resources of these public enterprises also comes through funds and excess. The amount from this head, which are accounted to Rs. 77604.66 lacs in 1988-89 further rose to Rs. 121688.59 lacs in 1991-92.
The table 5.4 indicates that these enterprises have been provided capital by way of share capital, subsidy and loans by the State and Central Government as well as other agencies. Despite all such financial facilities, these enterprises could not set their house in order to earn profits during the period under review.

Utilization of Resources:

The available resources of the public enterprise are utilized in various forms so that they may be run smoothly and benefit the community of India in general and the U.P. in particular. These resources are utilized in the form of permanent assets, intermediate assets, total investment in various forms, working capital and fixed cost expenditure and also for the payment of losses incurred. According table No.5.5 total expenditure on permanent assets comprising net assets and intermediate assets in the year 1988-89 was Rs. 668418.18 out of which Rs. 445886.99 was spent on net assets and the rest was on intermediate assets. The same figures for the year 1991-92 were Rs. 957112.44, Rs. 515585.90 and Rs. 441527.65 respectively. Out of the available resources Rs. 25744.63 lacs was spent on various investment components in the year 1988-89 which amounted to total Rs. 35768.07 lacs in the year 1991-92.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1.274</td>
<td>1.319</td>
<td>1.363</td>
<td>1.408</td>
<td>1.453</td>
<td>1.498</td>
<td>1.543</td>
<td>1.588</td>
</tr>
<tr>
<td>B - Cumulative loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D - Fixed asset expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C - Working capital (C-D)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(II) In other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(I) In allied camp</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(I) Investment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(II) Intermediate assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(I) Net assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(I) Permanent assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ST. NO.</td>
<td>5.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table No. 5.5
The working capital investment and the fixed cost expenditure incurred in the year 1988-89 were Rs. 176704.08 lacs and Rs. 4413.68 lacs respectively which increased to Rs. 290996.23 lacs and Rs. 606.90 lacs respectively in the year 1991-92. The payment made for the losses incurred in the year 1988-89 amounted to Rs. 127395.28 lacs which led to Rs. 169864.86 lacs in 1991-92.

Thus it can be said that out of the available resources a large proportion went to the permanent assets i.e. net assets intermediate assets and very small proportion went to investment in various components. If we compare the amount of expenditure incurred as working capital with the amount of payment made for working capital with the amount of payment made for the losses we find that the amount of working capital is slightly higher than the amount of losses incurred. In this way a significant portion of the available resources remained unused in productive sense and used for the payment of losses, which indicates an unhealthy sign and a question mark on their future.
The table gives a very gloomy picture of the financial analysis of these enterprises. With so much investment and backing of the State Government these corporations have not been able to turn into a profit earning organization and suffered heavy losses of Rs. 11249.81 lacs in 1989-90 to Rs. 22855.26 in during the period 1991-92. Such losses are indicator of the fact that the soil was not ready for public enterprises in its true sense.

The public sector undertakings in the state provides employment to lacs of people. They provide both permanent and temporary jobs to number of peoples in the State. Their employment generating capacity in the State has slightly increased. The total labour employed by all the fifty undertakings were 248050 in the year 1988-89 which increased to only 252646, i.e. an increase of only 1.86% by 1991-92 as given below:

TABLE No. 5.6

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Labours</td>
<td>248050</td>
<td>252637</td>
<td>253152</td>
<td>252646</td>
</tr>
<tr>
<td>Permanent</td>
<td>238712</td>
<td>241757</td>
<td>244547</td>
<td>244027</td>
</tr>
<tr>
<td>Daily &quot;ages&quot;</td>
<td>9338</td>
<td>10880</td>
<td>8605</td>
<td>8619</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Expenses</th>
<th>Profit/Loss</th>
<th>Deemed Dividends</th>
<th>Other</th>
<th>Total Income</th>
<th>Operating Costs</th>
<th>Net Profit/Loss</th>
<th>Dividends</th>
<th>Tax Provision</th>
<th>Total Tax</th>
<th>Tax Relief</th>
<th>Total Tax Relief</th>
<th>Total Tax Reliev</th>
</tr>
</thead>
</table>

**Table No. 5.7**

Operating Results

Effect of Small Hydro Electric Corporation Ltd.
OPERATING RESULTS:

Operating results of various enterprises in U.P. are nothing but their contribution made in the State's economy, i.e. in State Domestic Product (SDP). These operating results show as to how far these enterprises have been able to generate income and in turn have been successful in their operations to have a positive impact in the State's economy.

The table No. 5.7 shows that the enterprises, taken together, generated income to the tune of Rs. 322705.97 lacs in 1988-89, which further increased to Rs. 465108.62 in 1991-92. But during the course of their operations these enterprises also incur operating cost. The cost of operating of these enterprises was Rs. 279256.20 in 1988-89 which increase to Rs. 408786.03 lacs in 1991-92. If we deduct the total operating cost out of the income generated of these enterprises the resulting figure gives us the gross profit. But gross profit does not play significant role because it includes interest payments on loans, tax paid on earnings etc. etc. If we deduct these two heads from the gross profit the resulting figure shows negative picture, which is alarming from financial point of view.
The total gross profit earned by these enterprises in the year 1988-89 was Rs. 43449.77 lacs which increased to Rs. 56322.59 lacs in 1991-92; if we deduct interest payments made on loans the resulting figure gives net profits. Similarly, the total interest payments made on loans was Rs. 54201.63 lacs in 1988-89 which increased to Rs. 67628.37 lacs; if we deduct total interest payments on loans from the total gross profit the resulting figure gives us net profit which is negative in our table shown below. This negative figure of the net profit is by itself a said commentary which can hardly be justified in private sector. Instead of being benefited the community has burden of losses as it has to pay for it out of the past saving which is not possible, because if we see the above table we find that the income and expenditure position of the last year is also gloomy.

If we see the trend of the income and expenditure statement of last year it is noticed that the amount of losses incurred in the last last year has been increasing constantly.

Management Ratio:

The performance of any undertakings can be best judged by their management. The management plays important role in the entrepreneurial field of any industry. It is the manage-
<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Profit/Loss</th>
<th>Value Added</th>
<th>Capital Employed</th>
<th>Net Price Worth</th>
<th>Total Invested Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>13268.74</td>
<td>17647.54</td>
<td>20793.48</td>
<td>12624.76</td>
<td>11354.95</td>
</tr>
<tr>
<td>1992-93</td>
<td>11988.99</td>
<td>10687.86</td>
<td>17726.12</td>
<td>11748.12</td>
<td>11748.12</td>
</tr>
<tr>
<td>1993-94</td>
<td>12870.31</td>
<td>17726.12</td>
<td>18264.77</td>
<td>12142.12</td>
<td>12142.12</td>
</tr>
</tbody>
</table>

**Sources:**

- Cash Profit/Loss
- Value Added
- Capital Employed
- Net Price Worth
- Total Invested Capital
- Central Government
- State Government
- Management Ratio

**Note:**

- **Management Ratio =**

**Table No. 5**
ment which help greatly in raising productivity and production which in turn helps in reducing cost of production, and increasing profit which is used for further production. The management performance of any entrepreneur can be best known by various management ratios.

The management of state undertaking is largely in the hands of the state government. The total amount invested in these enterprises was Rs. 80,839,864 lacs in the year 1988-89 out of this total amount 65.07% was invested by the State Government and 1.40% by the Central Government, and the rest was provided by other institutions. However, the ratio of investment, on these undertakings between the Centre and State had increased in the year 1991-92. The total amount invested in the year 1991-92 was of the order of Rs. 116,736,286, out of which 66.29% was provided by the State Government and 1.52% was provided by the Central Government, which is slightly higher than the year 1988-89. The total capital employed in the year 1991-92 had increased to Rs. 80,658,113 lacs which was Rs. 62,2591.07 lacs in 1988-89. If we deduct the total intermediate products out of the total product we get the net product which is also called value added. The total value added in
1988-89 was Rs. 151004.73 lacs, which increased to Rs. 181265.85 lacs in 1991-92. It indicates that in spite of adversities in economic and financial balance they have contributed to the economy.

The above analysis of performance of the Public Sector undertakings of U.P. reveals that some of them are working on profit while others are suffering losses. Hence, these undertakings in general are a burden on the State's financial resources and every one has to pay his share by way of taxes to run these enterprises. Apart from this, we have to consider the advantages of these enterprises which are not primarily a profit earning but a change bearing vehicle. They are not only engaged in production. Rather they are boosting production of a variety of goods in the field of production and helping the small units by providing wherewithals for their development. Not only they have employed a large number of population but they are also creating indirect opportunities for employment and helped the masses in raising their well being boosting up industrial activities in fields and areas not covered by private entrepreneurs. The structural changes in the economy of U.P. by way of savings and increase in income are not the direct result
of the activities carried out by the Public sector and therefore they have not been covered during this study which covers the period ending with the declaration of New Economic Policy.

In short it can be concluded that the socio-economic and political development of the State still needs public sector although in some selected field for achieving specific objectives and not in an unplanned way as it has developed in the past.
CHAPTER V

CONCLUSION & SUGGESTIONS
The analysis of growth of the public sector in India in general and Uttar Pradesh in particular has revealed that in the last few years a huge investment has been made in public enterprises and a large number of capital goods industries have been established. The growth of the capital goods industries is important in the sense that they work as growth centres around which further development takes place. The purpose of establishing these industrial projects was to check the concentration of economic power, to make a thrustful move towards rapid and diversified industrial development to take the country towards self-sufficiency in the industrial production and create surplus earnings for the further development of the state. After the attainment of Independence, the interference of the government was felt essential because of many reasons.

Public sector investment was directed towards irrigation and power projects to overcome the food shortage. The investment was also made in the capital goods to accelerate
the process of industrialization in the country. At the same time, the heavy industries of the public sector, minimized the concentration of wealth and income in a comparatively few hands. The commercial and the manufacturing concerns of the government were also expected to create the surplus for the plan outlay.

Further, the government decided to have the balanced economic growth, through the planned utilization of available resources, consequently the major role of the state became inevitable. After independence, India adopted the system of mixed economy, where the public and private sectors work together. But the expansion of public sector was emphasized in all the succeeding five year plans, and it occupied pre-eminent position in the industrial field. Here the interference of the government is found almost in every sector and the number of public undertakings constantly multiplied since independence. But there can not be two opinions about the fact that their performance has not been upto the mark. Gross domestic product (GDP) growth rate declined in 1990-91 alongwith "a steep decline" in the public sector savings, while the household and private
corporate sector savings went up. So far as the achievement of socio-economic objectives of progressive reduction of social and economic disparities is concerned the public sector has not been able to make much of a dent in the problems of poverty, unemployment, illiteracy and malnutrition. The New Industrial Policy Statement admits frankly that, "many of the public sector enterprises have become a burden to the government. Far from being an engine of growth the public sector has become a drag on development in two ways. Firstly, it begins imposing an increasing burden on the budget for its investment needs, primarily because of its failure to generate adequate resources of its own. Secondly, due to overall inefficiency, the basic inputs that public sector enterprises produce, for example, steels, coal and power, have had to be priced high, thus escalating cost of production all along the line." It is criticised that the public sector is overstuffed, overfed and pampered beyond belief. It has been a major cause of the deficits of Government both at the centre and at the State level.

**Performance evaluation of Public Sector in Uttar Pradesh:**

Public enterprises in Uttar Pradesh too occupied a place of pride during the recent past, with their prolifera-
tion in expansion of public sector at a rate which is unique and unprecedented in the economic history of the State. It has set the pace of economic development in the right direction. The Industrial Policy Resolution assigned a key role for the public sector and reserved some core sectors for development only under this sector. There are 24 central public enterprises in Uttar Pradesh, which were entered in the State's economy in February, 1955 with the establishment of Naini Industrial Estate by NSIC to provide infrastructure facilities to small scale industries; oil and natural Gas Commission came into formation in 1955 and was converted later into a statutory body in October 1959. Thereafter, 2 units in the fifties, 9 units in sixties and 9 units between January 1970 to October 1974 were established. During 1978, UPDPL and PICUP were incorporated. High tension ceramic insulator factory of BHRL in Sultanpur was incorporated in February 1989. The concentration of public sector in some towns shows preferences of the government to develop these areas. There are about 12 central public sector units located in Kanpur, Allahabad and Lucknow alone. Mathura, Jhansi, Gorakhpur and Rae Bareli etc., are the other districts
where the central government has more units. The backward
districts of the State have drawn the attention of the
Centre and so far eight operating enterprises were esta-
blished in these areas. A number of projects of crores of
rupees are about to be completed in the State. Hence, the
Central Government paid its serious attention to develop
Uttar Pradesh through establishing public sector units.

Apart from these central enterprises"the State
enterprises in Uttar Pradesh consisted of 50 Public Under-
takings by the end of December 1992. But now the situation
has been changed and the number of public sector enterprises
in the State has decreased continuously due to their un-
satisfactory performance. Presently the 50 Corporations
are working under the U.P. Government. These 50 enterprises
were incorporated under different categories i.e. 42 enter-
prises were incorporated under the Indian Companies Act
1956, 4 enterprises i.e. Uttar Pradesh State Electricity
Board, Uttar Pradesh State Road Transport Corporation, Uttar
Pradesh State Warehousing Corporation and Uttar Pradesh
Financial Corporation was incorporated under Vishisht Kendriya
Adhiniyam (Special Central Act) and 3 enterprises i.e.,
Uttar Pradesh Jal Nigam, Uttar Pradesh Forest Corporation and Uttar Pradesh Avas Evam Vikas Board were incorporated under 'Special State Act' and Uttar Pradesh State Employees' Welfare Corporation was incorporated under Societies Registration Act 1960.

These State Enterprises are mainly functioning in the area of developmental and promotional activities unlike the Central public sector units which are predominantly manufacturing and trading in nature. Central public sector enterprises have been established mostly in accordance with the industrial policy resolutions of the Government of India.

The public sector in Uttar Pradesh has served effectively, particularly in the field of financial sector, service sector and construction sector. Public sector in Uttar Pradesh plays an important role in providing fresh job opportunities for both skilled and unskilled labourers. Further, by putting an additional investment in the backward areas to bring them at par with the developed ones, public undertakings represent a landmark in the transformation of a predominantly rural State into an industrial one.
A proper analysis of the public sector in order to find out the performance of the present fifty enterprises taking into consideration, the data from 1988-89 to 1991-92, justifies a shift in the economic policy of the State.

As far as resources of these enterprises are concerned, they had paid up capital which was contributed by the Central and State Government as well as some other resources, subsidy and term loans provided by the Central Government as well as State Government and by some other institutions. These resources were utilized in the form of permanent assets, intermediate assets, total investment in various forms, working capital and fixed cost expenditure and also for the payment of losses incurred. Total expenditure on permanent assets comprising net assets and intermediate assets in the year 1988-89 was Rs. 668418.18 out of which Rs. 445886.99 was spent on net assets and the rest was on intermediate assets. The financial audit may rate them low but from social audit point of view they are the need of the day.

In spite of wave of liberalization they have a place in the economy of the State and the country.
In 1991-92 many U.P. State Enterprises have earned profits. But the performance of the different enterprises varies. Some of them have earned profits consistently. Some have a decreasing rate of profits and the profits of some other enterprises keep varying from year to year, as has been discussed in detail in chapter IV.

New Strategy:

The State Government has taken major steps in policy orientations, new incentives and creating new industrial climate. The strategy adopted by the State Government was to introduce new concessions such as exemption/deferment of Sale Tax to new units, incentives to "Prestige" and "Pioneer" units, priorities in the licences and letters of intent for industries in backward areas and 'Zero Industry' districts and developing infrastructural facilities to the requirements of Industrial growth.

The new strategy also includes promotion of at least one small scale industry having an investment of more than Rs. 2 lakh in each development block of the State. This step, taken for the first time, will help in the promotion
of new projects in industrially backward areas in a planned manner. Organizational re-structuring was being done for promotion of cottage and household industries in rural areas. A scheme for providing self-employment to educated unemployed people has also been launched in the state under which financial assistance to the extent of Rs. 25,000 will be given to each person. A large number of beneficiaries are likely to be benefited under this programme.

Intensive efforts are being proposed for development of infrastructure mainly in the shape of industrial areas and estates during Seventh Plan. It was also expected that the Central Government's Plan to locate Export Processing Zone for Northern India at NOIDA will not only create biggest centre for export production but also buttress the efforts of State Government in creating infrastructural facilities and a very large investment.

Although there is a strong rhetoric in favour of privatization, but in reality it is becoming increasingly difficult to push through proposals of privatization.
The Government had to withdraw both the proposals of Scooters India and the Uttar Pradesh State Cement Corporation to be handed over to the private sector in view of the strong resistance by the Trade Unions. Later on, the present Uttar Pradesh Government had decided to hand over the 5 sick units of the State Enterprises, namely, U.P. State Sugar Corporation Limited, U.P. Textile Corporation, U.P. Agro Industries Corporation, U.P. Food and Essential Commodities Corporation and U.P. Cement Corporation to the private sector, and also assured that the employees of these Corporations will not be overthrown, they might be transferred from earlier to other Government departments.

It means that rest of their service is guaranteed at any cost. Government has also made a policy that those Corporations which are going into losses of more than 10 crores and have at least net worth of Rs. 50 crores will be shifted to private sector.

No doubt liberalization is expected to bring a new wave of economic strength to the country, but it has also its pains. We are now talking less of the economic miracles of Japan, Korea, Thailand, Taiwan and other countries to
which India has been looking with a degree of envy and awe. In raising foreign capital and putting it to good use, India despite the many weaknesses of infrastructure, told the world that it has the ability to be at least as good as many others. But India got lost in finding out how this resurgence could merge with the hard realities of life in the country. The admiration for liberalization is so widespread in certain strata that this country almost foregot that it was so poor that whatever happened it would take years before the poorest could be reached.

True, economic resurgence was to provide more television sets, motor cars and washing machines for use within the country as well as, if possible, for export. This is the promised miracle of liberalization. But does not count how many more jobs would it create to help the people who have now hardly anything to eat. We feel proud at the sight of foreign industrialists coming to find ways of investing in India. But forget that life is getting harsher for the poor, jobs are not there for all. And whatever is left for them is in fact shrinking because subsidies are getting reduced. The prices of rationed items and wheat
are rising and so also sugar. Buying clothes is getting difficult. Medicines are getting costlier. The foreign investors can not relieve the difficulties of the poor, they have their own objectives to capture the Indian market in all respect through liberalization. It may be a planning for the glorious future, but poverty has to be tackled now. Therefore it is necessary to give the New Economic Policy a human face.

Main Factors responsible for the Deficiencies of the Public Sector:

A switch over to recent free market economy needs a thorough understanding of the factors responsible for the deficiencies of the Public Sector Undertakings. As far as the reasons for their poor performance are concerned, factual information available clearly indicates the rising trend of the cost of production in these undertakings. Public sector has also suffered due to the wrong planning at the preliminary stages.

Inadequate attention at the planning stage led to the prolongation of the execution of projects. Again, due
to the unsuitable assessment of demand analysis, few undertakings have utilized their installed capacity. At the same time, improper market strategy for production leads to the heavy accumulation of inventories.

Overstaffed and overtime payment has been found almost in every project of public sector which raised the cost of labour per unit of production.

Jobs and job security has been the dominant consideration at the cost of efficiency and competitiveness. The government has demonstrated its inability to be a good owner of enterprise by frequent interference in the day to day operations, not appointing top executives in time, setting multiple and contradictory objectives, and not demanding as a primary objectives - performance through profitability and productivity.

Further, there is no continuity at the top management level. It has been rightly commented that the most public sector enterprises are "headless bodies."
As a result of administrative and managerial deficiencies, the cost per unit of production is unsubstantially high, while revenue earnings of some of the public sector operations are low due to their pricing policy. Defective selection of managerial staff has created a gap of skilled and trained management. Wrong planning of projects has led to delay in the completion of project's target schedule. Lack of material management and inadequate attention on the demand analysis cause heavy stocking of raw materials and finished products. Apart from the defective personnel management, overstaffing and industrial disputes, public sector in India has also been a victim of politics, many decisions are taken under undue political pressures.

The private sector in general does not suffer from these deficiencies. But it does not mean that the public sector has lost its utility in the country - though one thing is clear that public sector can no longer be treated as a "holy cow."

Suggestions:

The New Industrial Policy has made only half-hearted attempts to address itself to some of the chronic problems
mentioned above. It aims at (1) Distributing 20 percent of the Government's share-holding in some of the public sector institutions, general public and the workers. (2) Referring chronically sick public sector units to the Board for Financing and Industrial Reconstruction for the formulation of a revival scheme. But the point that seems to have been missed is that no industry should be allowed to become sick. Immediate measures must be initiated in order to improve the performance of the public sector.

The need of a national pricing policy of the public enterprises arises from the fact that many of the concerns are key industries and are engaged in the production of goods and services which are basic needs to the life of the community. At the same time self-financing of the enterprise is a desired motive, so surplus from them is necessary. Government now looks at the public enterprises as the creator of new wealth and expects them to yield resources for financing the five year plans. Again, if the prices of the products of a public enterprises are kept artificially low it might lead to a less careful and less economical utilization of its products.
For the above different motives, uniform set of principles can not be applied to all classes of public enterprises.

The pricing policy in respect of any public enterprise depends upon its productive functions, i.e. whether it is a public utility or an industry producing basic goods. The enterprises should pay their wages and should not run into losses. In the case of public utilities and services, great stress should be laid on output rather than on profits, the former being extended up to a level at which marginal cost is equal to the price.

An efficient management which has tight grip over all departments and aspects of other undertakings, can secure economics of a significant order in the inputs, obtaining them at a nominal price and using them economically dispensing with avoidable wastes and overhead and distribution costs. Unless the management boards are equipped with suitable persons, the state of affairs in the public sector cannot improve. It should be the prime concern of the government to select the best men available for the jobs.
The methods of selection of the top executives in the undertakings should be changed. In place of retired or senior civil servants, dynamic and trained managers should be employed. Preference should also be given to the personnel working within the undertakings, if they have acquired the necessary qualification. The Bureau of Public Enterprises should also play its role in the selection of top executives for public undertakings.

In order to deal with the problems of planning, proper attention should be given on material management, financial management and assessment of labour requirements.

Location of the projection should be selected by making a comprehensive study of the site, so that the raw-materials and the skilled labour is easily available. An important factor involved in the planning for the public sector projects is related to the demand analysis of the finished products.

A public enterprise should also carefully review the trend of the products in the market. It must integrate the market thoughts of all sections.
So far as the financial management is concerned, the financial director should attempt his best to keep the operation away from the financial crisis. He should determine the financial resources required to meet the company's operating programmes. He should be able to assess that how much of these requirements should be met by internal generation of funds, by the company and how much by the external resources. He should develop the best plans to obtain the external funds needed for the operation. The project should be free to draw a certain amount of the working capital from any financial institution for its running expenditure.

Now to sum up, with a minimum government presence leading to emergence of autonomous leadership, better management of resources and increase in productivity and emergence of a new, dynamic joint sector can really change the face of the public sector in the country.

The story of public sector is a mixed one with concrete achievements in certain directions and serious shortfalls in certain areas. In a mixed economy, the
performance of public sector units should not be judged in isolation. It has to be done in the overall context of the Indian economy. As public sector expanded in India, it has contributed to the simultaneous development of heavy, light and small industries in the private sector. As the bulk of the public sector output is likely to consist of capital and intermediary goods, it is quite conceivable that an improvement in this segment of manufacturing could have also contributed positively, increasing the growth of private sector through the well known linkages between public and private sectors. The public sector in India has made huge investments in building infrastructures like transport, power and communications, infrastructures within this private sector industries are accelerating.

The price policy of public sector units in infrastructural industries is mainly an administered price policy governed by normative principles of public finance. They produce output that is often not trade internationally. These industries are often characterized by scale economics, network externalities and long gestation lags.
in investment. In power and transport sector there is a large element of subsidy in their pricing policies. In a country where 74 per cent of the population lives in villages, the infrastructural services have to be provided to rural masses at subsidies prices.

The trend in employment generation in the public sector has been impressive despite fluctuations. Between 1970 and 1991, the annual rate of growth in employment was 2.9 per cent in public sector as against 0.7 per cent in private sector.

The New Industrial Policy of 1991 provided for disinvestment in the public sector. Under this policy equity capital of public enterprises will be sold to mutual funds, general public and financial institutions. During the first phase of disinvestment in December 1991 bids were received from nine parties totalling Rs. 1427 crore. In the second phase in February 1992 bids were received from nineteen parties totalling Rs. 1611 crores. The total shares disinvested during 1991-92 amount to 8 per cent of the total Government share holding in 31
public sector enterprises. For the year 1992-93 a target of Rs. 3,500 crore of disinvestment was set. During the first phase in October 1992, the bids were received for Rs. 682 crore. In the second phase in December 1992 bids were received from twelve public sector enterprises amounting to Rs. 1184 crore.

The present policy of the Government is to use these sale proceeds for cutting down the current budgetary deficits. In India's mixed economy the cardinal principle of labour policy is to promote labour participation in management. Therefore, another healthy trend could be the allocation of equity of public enterprises to workers in public enterprises.

These alternative means of disinvestment are suggested in order to guard against the monopoly acquisition of shares of public enterprises (especially high profit earning enterprises) by vested interest. Such fear is not unfounded after the recent security scam and its aftermath.
Today there are over one thousand public enterprises about seven hundred or which are owned by the states and the rest in the central sector. The profits of profit making central public enterprises went up from Rs. 1293 crores in 1981-82 to Rs. 6149 in 1991-92. At the same time, the losses of loss making units also increased from Rs. 848 crore to Rs. 3674 crore over the same period. The gross margin of public enterprises as a percent of capital employed was 11.69 per cent in 1991-92. In this connection the Union Budget since 1991 has reduced the budgetary support to public enterprises so that they do not increase the burden on the scarce budgetary resource.

Management of public enterprises is in the hands of the Government officials.

In a mixed economy like India, the public sectors have to play a complementary role and provide the necessary support for private sector production. The process of liberalization in India should proceed with caution and far-sight. There should be no dogmatism in choosing
out development policy or sudden shift from one extreme to another extreme ideological position. The problems of perestroika in Russia should not be repeated in the case of Indian perestroika.

Never mind what the Industrial Policy of June 1991 proclaims about greater reliance on private sector initiative, on foreign investment and on the increasing need for exposing Indian economy to globalization. All this does not mean downgrading Indian public sector in any sense. In all these cases government has been carrying on the enterprises by meeting their cash losses through huge budgetary support for year, together.

Had these resources been spent on other industrial units with proper injection of funds, the same units could have become performing assets. Or they could have been invested in other priority areas of public action such as population control, maintaining vital infrastructure, promoting literary and elementary education, and providing drinking water to villages which, at present, do not have access to drinking water. Alternatively, had these
resources been spent on setting up new ventures in sunrise industries, even that would have contributed better to national development.

The fact remains that even after 26 months since the general programme on deregulation of government functions started, nothing worthwhile has been done in reducing the bureaucratic stranglehold of the ministries over the public sector enterprises. Interestingly, the MoU was supposed to be an instrument for protecting enterprises from day-to-day bureaucratic delay, but in reality this exercise is seemingly working in the opposite direction. The MoU has become pretext for a new system of vexatious bureaucratic controls.

Government can transfer these undertakings on an 'as is where is' basis with all the assets and liabilities, subject to an undertaking on the Sri Lanka model within the first two years. In the worst scenario government could take over the responsibility of paying the salary of all those found redundant till their superannuation from out of the National Renewal Fund. Regarding the enterprises which are run in competition with private
sector parties, the same procedure can be followed, it is reasonably certain that there will be enough takers from amongst private investors. Once this is pushed through, government will be relieved of the substantial burden of budgetary support and subsidies. This leaves us only with the monopolistic enterprises and the government concerns run as public utilities.

For the present those which are monopolies should, by and large, be kept under public control, but there should be no objection to setting off 49 per cent of the shares to private investors, thereby realising huge funds. As regards utilities, while there is every reason to privatise enterprises in the field of urban transportation telecommunication and the like, and there is great scope for privatising electricity generation and transmission, we cannot think in terms of outright privatization in these areas in the near future.

The major challenges for the public sector enterprises during the '90s and afterwards will consist in:

1) Getting accustomed to loss of budgetary support and loss of special privileges such as purchase
preferences and price preferences for purchase by the government or other public sector undertakings;

2) Restructuring and reforming the capital base involving converting huge loan amounts into equity and disinvestment of government shareholding to public shareholders and access to capital market;

3) Managing competition from both domestic competitors and foreign competitors;

4) Taking advantage of the ongoing globalization process in sourcing raw materials from overseas at cheaper prices, in gaining to cheaper offshore funds and building up an export base;

5) cutting down and controlling costs at every level;

6) Building up an overall culture of productivity and productive efficiency in the whole organization;
7) Identifying redundant manpower and appropriately dealing with it through means such as retraining redeployment, encouraging self-employment and providing handsome termination packages through national renewal fund, etc.;

8) Changing over from the psychosis of distribution of products to vigorous and aggressive selling and marketing involving consumer satisfaction and after-sale services;

9) Giving due attention to the conditions on the shop-floor and production system, upgrading technology, wherever necessary, ensuring proper working conditions, giving adequate incentives and ensuring adequate quality control and productivity; and above all;

10) Managing changes as a collective effort involving management, trade union and the government.

In conclusion, public sector managers should not regard the 1991 industrial policy as a constraint, but
as an opportunity to justify themselves by demonstrating their ability for growth, diversification, entrepreneurship, quality control and export capability in competition with overseas competitors.

Empirical evidence about the functioning of the public and private sector reveals that it would be incorrect to think that the working of the private sector is definitely superior to that of the public sector. The stark reality is that in India 2.42 lakh units were sick in the private sector by the end of December 1988, out of which 2.40 lakhs were in the Small Scale Sector. The total bank credit locked in these units was Rs. 7,705 crores. Incidentally, it may be pointed out that in December 1980, the total number of sick units was only 24,550 in which a total bank credit of Rs. 1,826 crores was locked up. Obviously, both in relative and absolute terms, there is growth of industrial sickness in the private sector.

This sickness is not confined to small scale sector alone, but even 1,700 large units with a bank credit
of Rs. 1 crore and above, were found to be sick. Among the industries in which sickness prevailed, were engineering, iron and steel, cotton textiles, chemicals, sugar, jute textiles, rubber, cement, paper and electrical machinery. It would be prudent for the Government not to present the public sector as the index of inefficiency and the private sector as the epitome of efficiency.

It is generally believed that public sector is credited with the social welfare function. A large number of persons working in the public sector enjoy better pay scales, better perks, more in the form of leave and retirement benefits. As against it, the private sector has the image of exploitative efficiency. Very few firms in the private sector provide better working conditions, assured and reasonable pay scales retirement benefits. The two sectors, therefore, by their very nature suffer from different kinds of weaknesses. The private sector needs to be made more humane and the public sector which is humane has to be made more efficient.

As against the Industrial Policy of 1956 in which the role of public sector was sought to be enlarged, the
Industrial Policy of 1991, proposes to limit the public sector to infrastructure and defence and open more and more areas to private sector. Besides this, a more congenial environment is being provided for direct foreign investment.

In short Public Sector though deprived of its dominant role has still to play an important role both at the Central as well as at the State level, if the economic development has to have a human face, particularly in the Indian context; hence revamping of the system and streamlining of its functioning needs serious attention.
BIBLIOGRAPHY

Books

1. Anstey, Vera, The Economic Development of India

2. Ahuja, K.K., Industrial Management, Khanna Publishers,
   Delhi, (1996).


4. Arora, R.S., Administration of Government Industries,
   The Indian Institute of Public Administration,
   New Delhi, 1969.

5. Agrawal, A.N. (ed.), Public Corporation, Indian Research
   Association, Allahabad, 1945,

6. Agrawal, R., State Enterprises in India, Allahabad,
   Chaitonya, (1961),

7. Aziz, A., Worker Participation in Management, Delhi,
   1980.

8. Avasthi & Maheshwari, Principles of Public Administrations:
   Laxmi Narain Educational Publishers, Agra.

9. Bhamhri, C.P., Parliamentary Control over State
   Enterprises in India, Delhi, 1960.

10. Byork, Gordon C., Private Enterprises in India,
    Associated, New Delhi (1975).


18. Divedi, R.S., Manpower Management, Printice Hall of India, New Delhi, 1990,


21. Dagli, Vadilal (ed.), The Public Sector in India, Bombay, 1969,
22. Das, N., The Public Sector in India, Asia Publishing House, Bombay, 1961,
23. Dattar, B.N., Promotion of Industrial Democracy in Asia, Centre for Public Sector Studies, New Delhi, 1985,
27. Farooqi, I.H., Macro Structure of Public Enterprises in India, A.M.U. Press, 1968,
29. Goodman, Edward, Form of Public Control and Ownership, Christophers, Berress Streev, London, 1951,
31. Gangoli, D.S., Public Corporation in National Economy,
32. Goyal, R.C., Problems in Personnel and Industrial Relations in India, National Publishing House, New Delhi, 1971,

34. Hanson, A.H., Managerial Problems in Public Enterprises, Asia, Publishing House, Bombay, 1962,

35. Hanhen Ezekiel, Corporate Sector in India, Vikas Publishing House Pvt. Ltd., 1984,


38. Iachs, Ignacr, Pattern of Public Sector in Underdeveloped Economies, Bombay, Asia (1961),

39. Jain, Ratan Kumar, Management of State Enterprises in India, Manaktalas, Bombay, 1967,


41. Khera, S.S., Management and Control in Public Enterprises, Asia Publishing House, Bombay, 1964,

42. Khan & Arora, Public Enterprises in India, Associated Publishing House, New Delhi (1975),
43. Laldas, D.K., Industrial Relations in India, S. Chand & Co. Ltd., New Delhi, 1983,
45. Mahalanobis, P.C., The Approach of Operational Research to Planning in India, Asia Publishing House, Bombay, 1963,
47. Mayers, C.A., Industrial Relations in India, Asia Publishing House, Bombay, 1957,
49. Malya, N.N., Public Enterprises in India, their control and accountability, Delhi, 1971,
50. Mirza, M.A., Workers Participation in Management in India and abroad, A.M.U. Press, Aligarh, 1982,
51. Maslow, A.H., Motivation and Personality, Harper and Row, New York, 1954,
52. Nigam, Raj, K., Changing Horizon—Public Sector, The Fertilizers and Chemicals, Travancore Ltd., 1970,
53. Narain, Laxmi, Public Enterprises in India, S. Chand & Co., Delhi, 1982,
54. Neelamagham, S., Management Development, New Perspective and View Points, Kalyani Publishers, Delhi, 1977,
55. Prasad, L., Personnel Management and Industrial Relations in Public Sector, Progressive Corporate Pvt., Ltd., Bombay, 1973,
56. Prakash, Jagdish, Public Enterprises in India, Thinkers Library, Allahabad, 1980,
58. Prasad, Permanand, Some Economic Problems of Public Enterprises in India, Stenford Kroose, Leiden, 1957,
60. Rao, Prakash & Shukla, Administration of Public Enterprises in India, Himalya Publishing House, Delhi, 1990,
<table>
<thead>
<tr>
<th></th>
<th>Author(s)</th>
<th>Title</th>
<th>Year</th>
<th>Location/Publisher</th>
</tr>
</thead>
<tbody>
<tr>
<td>63</td>
<td>Ramanadhan, V.V.</td>
<td>Efficiency of Public Enterprises</td>
<td>1962</td>
<td>Bombay</td>
</tr>
<tr>
<td>64</td>
<td>Ramanadhan, V.V.</td>
<td>Finance of Public Enterprises</td>
<td>1963</td>
<td>Bombay, Asia</td>
</tr>
<tr>
<td>65</td>
<td>Ramanadhan, V.V.</td>
<td>Control of Public Enterprises in India</td>
<td>1964</td>
<td>London</td>
</tr>
<tr>
<td>66</td>
<td>Ramanadhan, V.</td>
<td>Structure of Public Enterprises in India</td>
<td>1961</td>
<td>Bombay, Asia</td>
</tr>
<tr>
<td>67</td>
<td>Ramanadhan, V.V.</td>
<td>Privatisation in Developing Countries</td>
<td>1990</td>
<td>Routledge, London</td>
</tr>
<tr>
<td>68</td>
<td>Rao, Nageshwar</td>
<td>Role and Achievements of Public Enterprises</td>
<td>1995</td>
<td>Allahabad Vohra Publishers</td>
</tr>
<tr>
<td>69</td>
<td>Rustomji, R.F.</td>
<td>The Law of Industrial Disputes in India</td>
<td>1964</td>
<td>Bombay, Asia Publishing House</td>
</tr>
<tr>
<td>70</td>
<td>Stanger, R.</td>
<td>Psychological Aspects of Industrial Conflicts</td>
<td>1950</td>
<td>Personnel Psychology</td>
</tr>
<tr>
<td>73</td>
<td>Shukla, M.C.</td>
<td>Administrative Problems of Public Enterprises in India</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
74. Shaw, Bernard, Fabian Essays, George Allen & Unwin Ltd., London (1889),


76. Srivastava, K.N., Industrial Peace and Labour in India, Kitab Mahal, 56-A, Allahabad, 1954,


78. Strachey, John, Contemporary Capitalism, Victor Gollanoz Ltd., London, 1956,


80. Shenoy, B.R., Indian Planning and Economic Development, Asia Publishing House, Bombay (1963),


82. Tondon, B.C., Environment and Entrepreneur, Allahabad (1975),

83. Tawney, R.H., Equality, George Allen & Unwin Ltd., London, 1931,

84. Tawney, R.H., The Acquisitive Society, 6, Bell & Sons Ltd., London, (1921)
85. Vaid, K.N., State and Labour in India, Asia Publishing House, Bombay, 1965,
86. Varney, Douglas, V., Public Enterprise in Sweden, Liver Pool University Press, 1959,
87. Viteles, M.S., Motivation and Morale in Industry, Allied Pacific Pvt. Ltd., Bombay, 1962,
88. Vroom, V.H., Work and Motivation, New York, Villey, 1964,
89. Varma, P., Management of Industrial Relation, Oxford & IBH Publishing Company, New Delhi, 1981,
90. Venkata Subbiah, H., Enterprise and Economic Change, New Delhi, Vikas (1977),
91. Zakaria, K.A., Industrial Relations and Personnel Problems, Asia Publishing House, Bombay, 1954,

Articles

1. Dutt Rudder, Crises of the Public Sector, Is the Situation Irretrievable, IASSI, Quarterly, Vol. 9, No. 4, 1991,
3. Gupta, Asha, Privatisation: The Concept of Efficiency (1991), Memco,


7. Gayal, B.B., Management/Employer-Employee Relationship in Cooperatives, Indian Cooperatives Review 16, No. 2, Jan., 1979, NCVI, New Delhi,


10. Industrial Relations: 'Fighter Government Control', Economic and Political, Weekly 7(4), Jan. 1972,
13. Seminar on the Role of Labour Welfare in Promoting Industrial Relations, Haryana Labour Journal 2(2), April, 1971,
15. R. Balashankar, PSUs seek Clarification of Role, Financial Express, April 9, 1994,

Central and State Government Publications
1. Administrative Reforms Commission, Report on Public Sector Undertakings, New Delhi, Manager of Publications, December, 1967,
2. Annual Report on the working of Uttar Pradesh State Enterprises, Bureau of State Enterprises, Lucknow, U.P.,
3. Annual Report on the working of Uttar Pradesh's Economy Published by Information & Public Relation Department, U.P., Lucknow,
4. Uttar Pradesh's VIII Five Year Plan, Yojna Bhawan, Lucknow,

5. Statistical Diary of Uttar Pradesh, Published by Institute of State Planning Department of U.P., Lucknow,

Journals and Newspapers

1. Australian Journal of Public Administration, University of Sydney, Australia,

2. Commerce, Bombay, Weekly,

3. Indian Journal of Public Administration, IIPA, New Delhi,

4. Indian Journal of Commerce, Naslc, Quarterly,

5. Lok Udyog (Public Enterprises), New Delhi,

6. Prabandh, Quarterly, Lucknow,

7. Mainstream, Monthly, New Delhi,

8. Economic & Political Weekly, Weekly, Bombay,

9. India Today, Fortnightly, New Delhi,

10. Competition Master, Monthly, Chandigarh,

11. Yojna, Fortnightly, New Delhi,

12. Dainik Jagran, Hindi daily, Lucknow city edition,

13. Hindustan Times, The New Delhi city edition, daily,
14. Times of India, The New Delhi, city edition, daily,
15. Economic Times, New Delhi, daily,
16. Financial Express, New Delhi, daily,
17. Indian Express, New Delhi, city edition, daily,