

A Study about Public Sector Undertakings (PSUs)

Dr. Yaduraj Singh Yadav

H.O.D. Commerce Deptt.

K.R.P.G. College, Mathura (UP)

ABSTRACT

Post-independence the origin of Public Sector Undertakings was inspired as the tool for giving boost to the broadening of Indian Economy. The Government took several policies decisions to set up Government monitored, Government financed undertakings to fill the gap between rich and poor, best and fullest usage of natural resources, regional disparities, and absence of private sector in those business activities which were either totally socially oriented or having very less profit margins. In the process, government sacked into all business activities thus coming in direct contesting with the private sector in almost all sectors. When the performance of all such PSUs were adjudged against the performance of their counterpart in private sector, then it was revealed that either many of these PSUs were not performing as effective as those in private sector or were already in deep red financially. Inspection of poor performance of these PSUs led to the conclusion that all these PSUs need to be effectively financially managed or to surpass the performance of private sector undertakings.

EVOLUTION OF PUBLIC SECTOR UNDERTAKINGS IN INDIA

Post-independence, India was facing deep socio-economic issues. There was grave underdevelopment, along with income disparities, unemployment, lack of trained manpower and weak industrial base. A plan was proposed by leading Indian industrialist of intervention in economic development of nation by the state and the key principle behind this was that the economy cannot grow without intervention of government. Therefore in order to self-sustain and become self-reliant the PSU blueprint was developed under planned economic development model of socialist countries that would help to address all such problems.

ROLE OF PUBLIC SECTOR UNDERTAKINGS IN INDIA

- PSUs have laid strong foundation for the industrial development of the country as these were not for profit motive but for nation building.
- They provide government a major shareholding in industries to intervene in the economy thus helping in achieving the desired socio-economic objectives.
- They help in pushing agricultural economy on the progressive pathway and rural development as these provides basic infrastructural facilities, educational and employment opportunities.

OBJECTIVES OF PUBLIC SECTOR UNDERTAKINGS

- They build a self-reliant economy
- They help preventing concentration of private economic power
- To establish sound economic infrastructure
- To set up industries in backward regions of the country and thus helping in balanced regional development
- They create sufficient level of employment for the residents
- They sell goods and services at reasonable prices as they are formed to serve customers

PUBLIC SECTOR IN MODERN INDIA

In the beginning these PSUs were confined to those core and strategic industries that would not be touched by the private players of the country like railways, coal and oil, forest industries due to heavy investment required along with a lot of time to complete and high risk involved that could lead to heavy loss if something goes wrong and private sector players also lacked the expertise for the same. Therefore the public sector entered the same and hence starting of the development begins.

Later on with the concept of nationalization of industries, sick units started being taken over by private players and hence PSUs started entering into many other new fields like manufacturing public goods, transportation and many more.

FORMS OF PUBLIC SECTOR UNDERTAKINGS IN INDIA

1) PUBLIC SECTOR ENTERPRISES:

Where government of country (both central and state) hold at least 51% of the shares of the company so that they can have hold over all the workings of the enterprise. Few forms of public sector enterprises are Departmental undertakings, statutory corporations, co-operatives, companies registered under the Companies Act 1956.

2) PUBLIC SECTOR BANKS:

These are the banks where the government (central or state) holds more than 50% of the majority stakes to have control over the banks.

3) CENTRAL PUBLIC SECTOR ENTERPRISES:

These CPSEs covered arms and ammunitions and allied items of defense equipment's, defense aircrafts and warships, atomic energy etc. are covered and these further are conferred with Navratnas, Miniratnas and Maharatnas based upon the profit made by them.

ISSUES FACED BY PSUs IN INDIA

Huge issues were faced by these PSUs like over staffing, wasteful practices, lack of work culture among Indians at that time which led to permanent drainage on the exchequer, thus instead of socialist attitude these PSUs were developing an attitude of statism with all its dangers. The most important criticism faced by these PSUs was been in relation to the capital employed and the level of profits was too low.

Of the various factors responsible for low profits of these PSUs the following are particularly more important such as Price policy, Underutilization of the capacity, Problems related to planning and construction of projects, Problems of labour, personnel and management and at last lack of autonomy.

VARIOUS REFORMS IN PUBLIC SECTOR UNDERTAKINGS

The period since 1991 saw many reforms in the way Public Sector Undertakings should function:

- Dereservation
- Withdrawal from commercial and other areas like hotel industry, bakery industry etc.
- Disinvestment in a portion of these Public Sector Undertakings equity for a variety of purposes.
- Strategic sale where PSUs were sold to a strategic partner who buys majority stakes and takes over management and may extend the ownership.
- Increasingly they are being subject to market discipline primarily by listing on the stock exchange which is the direct outcome of disinvestment.

The followings steps were taken post 1991 economic reforms:

- Memorandum of understanding (MOU):

It was a legal document signed between the parent ministry and the concerned PSU to outline the targets to be achieved in the next fiscal year by the respective PSU.

- The Industrial Resolution 1991 provided for more financial autonomy, operational and also recruitment.

- Board of Industrial Finance and Reconstruction (BIFR):

It is an agency of the government formed Ministry of Finance with the objective of determining the sickness of industrial companies and to assist them in reviving but from June 1, 2016 by the official notification of government, it was closed and the establishment of National Company Law Tribunal and National Company Law Appellate Tribunal was formed in exchange of above mentioned BIFR.

CONCLUSION

Public Sector Undertakings in India have their own serious problems. But inspite of these difficulties, public sector undertakings are rapidly growing. We find that at the beginning of First Five Year Plan there were only five units in this sector but this number rose to 21 at beginning of second plan, to 48 in Third Plan and at

the beginning of Fourth Plan, the number rose to 85. On March 31, 1973, the number of public sector undertakings was 113.

Similarly there was increase in total investment made in these undertakings. At the end of Second Five Year Plan, total investment in this sector was of Rs. 81 crores whereas by the end of third plan, this investment rose to Rs. 953 crores. According to information collected by the Government the amount invested has been rapidly increasing and hence the investment in this sector has been very rapidly increasing which is good for the country's economy.