Chapter-II

Growth of Public Sector in India in Pre and Post Liberalization Period

At the dawn of independence from British Colonial rule, Indian economy was in shattering state and mass population of poor, illiterate and unemployed sections of the society was looking towards the national leaders of that period for building a new India, which could provide positive hopes to them in a 'real promising' way. Pandit Jawahar Lal Nehru was leading the team of other nationalist leader and by becoming the first Prime Minister of free India, he shouldered this great responsibility of building a strong and modern India. From the day one he was committee to provide social justice as well as to create a strong base for lifting the Indian economy. He was in favour of a greater role of government in all activities of development and very soon he paved the way for creation of a large base and scope for public sector by introducing the First Industrial Policy Resolution. In 1948 and then jetting up the Planning Commission in 1950 with clear instructions of a bigger role for public sector in the forthcoming five year plans, it was to formulate.
There was a widespread belief that without increasing the role of the state, it was not possible either to accelerate the process of growth or to create an industrial base for sustained economic development of the country.\(^1\)

The draft of Second Five Year Plan stated, "the adoption of the socialist pattern of the society as the national objective, as well as the need for planned and rapid development, require that all industries of basic and strategic importance, or in nature of publics utility services, should be in public sector................ The state has therefore, to assume direct responsibility for the future development of industries over a wider area."\(^2\)

Although this Nehur Model of development supported a bigger role for public sector, yet, it left some scope for private sector also in smaller areas of activity and in areas of non-strategic nature. Since the adoption of first Industrial Policy Resolution in 1948, the public sector, therefore, has played a very strategic and dominant role in the development of India and the number of public sector undertakings kept on growing with more and

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Table 2.1 Growth of Investment in CPSE's

<table>
<thead>
<tr>
<th>As on March 31</th>
<th>No. of Units</th>
<th>Total (in Crores) Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>5</td>
<td>29</td>
</tr>
<tr>
<td>1961</td>
<td>47</td>
<td>950</td>
</tr>
<tr>
<td>1980</td>
<td>179</td>
<td>18,150</td>
</tr>
<tr>
<td>1990</td>
<td>244</td>
<td>99330</td>
</tr>
<tr>
<td>2001</td>
<td>242</td>
<td>274198</td>
</tr>
<tr>
<td>2007</td>
<td>247</td>
<td>421089</td>
</tr>
<tr>
<td>2008</td>
<td>214</td>
<td>763815</td>
</tr>
<tr>
<td>2009</td>
<td>213</td>
<td>793096</td>
</tr>
<tr>
<td>2010</td>
<td>217 (operating 217)</td>
<td>908842</td>
</tr>
<tr>
<td>Total</td>
<td>249</td>
<td></td>
</tr>
</tbody>
</table>

Source: Public Enterprises Survey 2009-10

This trend was followed with some changes and coming up of new industrial policies till 1991, when a new era of economic reforms began in India with the introduction of New Economic Policy in 1991, by the then finance minister a complete change in the Government of India's policy for public sector. It was a sudden and radical paradigm shift as far as role of public sector in development of India and its economy was concerned. There was a complete shift from the popular 'Nehru Model' of development and a new era popularly called 'Liberalization era' began.

3. The term 'Liberalisation Era' is derived from popular phrase of 'Librealisation, Privatization, Globalization' (LPG) process which was prevalent in many countries in those times of eighties and nineties of last century.
Against this backdrop it is, therefore, very opt to study the evolution and growth of public sector in India in two different phases viz.


**Pre Liberalization Era**

This era began at the time of independence in 1947 and lasted till the introduction of New Economic Policy in 1991 by Dr. Manmohan Singh, the then Union finance minister of India.

This era is marked by the emergence and growth of popular 'Nehru Model' of development. Pandit Jawahar Lal Nehru is popularly known as chief architect of Indian planning because of his great contributions in this field. His doctrine of 'Democratic Socialism' formed the base of new model Of development he envisaged for India.

He took over the reigns of governance of a big nation in 1947 as first Prime Minister of free India. India was till then being ruled by foreign invaders for centuries and her people fought a long battle of freedom. People were sick of exosits by the British Colonial rule and wanted socio economic development on their own terms. The general perception at that time was to oppose all the policies of suppression and any foreign
interference in domestic matters. "Inevitably, there was a reaction against
the laissez-faire policies that the colonial government had followed for
most of its life, and great caution at first about continued contact with
foreign governments and business interests."  

Pandit Jawahar Lal Nehru opted for 'Mixed Economy' where both
customary, public and private sector would perform their role but with certainly a
bigger role for the public sector. The private sector in India at that time was
in fact incapable of handling big affairs and the long term gestation period
investment policies could be implemented only by booking the public
sector. Such intentions were made clear even before independence.

The Indian National Congress, under the inspiration of Pandit Jawahar
Lal Nehru, set up the National Planning Committee (NPC) towards the end
of 1938, which opined that 'State should own or control all key industries
and services, mineral resources and railways, waterways, shipping and
other public utilities and in fact all those large-scale industries which were
likely to become monopolistic in character.'

(UK), 1998, p. 1172.

5. Ruddar Dut, K.P.M. Sundharam, n.1, p.172
Pandit Nehru was very cautious about choosing the model of 'Democratic Socialism' in a Mixed Economy because he was well averse to the prevailing socio-economic conditions of the nation. He had the popular Soviet Russia's 'Socialist Model' and the other equally popular Capitalist Model being followed by a number of developed western countries including USA. He was known to the fact that India at the time of independence had a big population of downtrodden, poor, underprivileged sections, a large number of illiterate and unskilled labour class, a weak industrial base and a needy agrarian society. He "greatly admired the achievements of Soviet planning and so borrowed the concept of socialism from Russians but, he also regarded the democratic values of the capitalist society as indispensable for the full growth of a just society. Thus, in his endeavour to take advantage of the virtues of the two extreme societies which were themselves also undergoing a transformation, Nehru's vision of the new India was described as "democratic socialism." 6

The doctrine of 'Democratic Socialism' envisaged by Pandit Jawahar Lal Nehru infact a mix of some qualities of both socialist and capitalist models. This view was a kind of holistic view of the society. It implied

6) Ibid p. 175
that only monetary benefits can not do everything in the development process. All the underprivileged people must be given the real benefits of freedom and the government must care for the ethical values to be provided in form of equal opportunities to all, end of monopolies, balanced regional development, enrichment of the individual and a total care of whole society. So along with material and capital resources addition for development, social justice was equally needed as per the philosophy of 'Democratic Socialisation'. Some of its peculiar features can be summed up as under:

a) Strong faith in democratic values for individual good,

b) removal of poverty at mass level,

c) state's role in providing minimum basic facilities for all.

d) state's prominent role in reduction of economic embalances,

e) state's constructive role in providing equal opportunities for all and especially for the underprivileged,

f) big faith in mixed economy,

g) state's prominent role in checking the monopolistic tendencies in society,

h) economic gains not for the sake of profits but for social justice,
i) planned economic development with strategies focused on 'total development of total society' by adopting democratic means.

Such vision became the guiding spirit for the development planning in India and thereby clearing the way for creation of a mass structure of public sector in the nation.

The Directive Principles of State Policy in Indian constitution were also indicating that state's policy will ensure that operation of the economic system close not result in the concentration of wealth and means of production to the common detriment. The Planning Commission set up in 1950 just after independence, set out the following for long tern objectives of planning which necessitated the need of public sector further more:

i) to increase production to the maximum possible extent so as to achieve higher level of national and per capita income;

ii) to achieve full employment;

iii) to reduce inequalities of income and wealth; and

iv) to set up a socialist society based on equality and justice and absence of exploitation.7

7. Planning Commission, The First Five Year Plan, Government of India Publication, New Delhi, p. 28
Such ideology of the government policies was the major thrust to go for enlarging the scope of functional areas of public sector in India. Nahru believed that in order to fetch the real fruits of freedom, government has to play a bigger role in a responsible manner so as to achieve the objective of 'Democratic Socialism' to the maximum. Perhaps much later in the modern times such ideas were echoed by Amartya Sen when he explained the true meaning of freedom by opining," Development can be seen, it is argued here, as a process of expanding the real freedoms that people enjoy."\(^8\)

The importance of the role of state in development is explained by Pranab Bardhan as, "The state not merely shapes class realignments or provides the material basis for new classes; in many newly industrializing countries, the state is today an important part of the economic base itself."\(^9\)

Such ideas of thinkers of modern times were perhaps the part of Nehru's vision of development well in advance.

It was evident from the industrial policies in form of Industrial

\(^8\) Amrtya Sen, *Development as Freedom*, Oxford University Press, New Delhi, 2001, p.3

Policy Resolutions (1948, 1956) and Five Year Plans (beginning from 1951) that Nehru Model of Development was going to be the base for introduction of public sector in free India. Nehru was not against private sector but in order to build a self-reliant nation, he gave more importance to public sector in large industrial sector and left the small sector and daily needs community items for private sector.

R.K. Hazari made an attempt to analyse the logic behind such strategy of Government, when he argued that the industrial programs of the government adopted after 1955 were finalized as per the following two hypotheses:

a) Private investment activity in relatively simple goods would generally be promoted by shutting out imports as well as through utilization of excess capacity at home, with a consequent boost to profits; and

b) Public investment being indifferent to profits, would be made in those basic and strategic areas which had long gestation periods, poor or zero rate of profits, a large exchange requirement, complex
technology and equally complex problems of co-ordination.\textsuperscript{10}

The evolution of public sector starts with independence era in 1947 only. "Prior to independence there was virtually any public sector in Indian economy. The only instances worthy of mention were the Railways. The Posts and Telegraphs, the Post Trusts, the Ordinance and Aircraft Factories and a few state managed undertakings like the government salt factories, quinine factories etc." \textsuperscript{11}

The very few examples of big industries in public sector prior to 1947 were not taking care of Indian people.

"These existing public sector undertakings were in the country for the British industries in England and the labour working there." \textsuperscript{12}

The evolution and growth of public sector in India has always been linked to various industrial and development policies formulated by Government of India from time to time, viz. The Industrial Policy

\begin{itemize}
\item[11.] Rudder Dutt, K.P.M. Sundharam, n. 1 p. 203
\end{itemize}
Resolutions and Five Year Plan. Infact the Industrial Policy Resolution of 1948 (IPR-1948) was the first development plan in India which clarified the nature of Mixed Economy Model to be adopted by India. In contemplated a plan which reserved spheres fro both public and private sector.

The main features of IPR-1948 were:

i. The manufacture of arms and ammunition, the production and control of atomic energy and the ownership and management of railway transport were to be the exclusive monopoly of the central government.

ii) The second category covered coal, iron and steel, aircraft manufacture, ship building, manufacture of telephone, telegraphs and wireless apparatus etc. New undertakings in these industries could hence forth be undertaken only by the state.

iii) The third category was made up of industries of such basic importance that the central government would feel it necessary to plan and regulate them.
iv) The fourth category comprised the 'remainder of the industrial field'. It was left open to private enterprise, individual as well as co-operative.

So the resolution clearly enunciated a bigger role for public sector in India. It "emphasized clearly the responsibility of" the Government in promoting, assisting and regulating the development of industry in the national interest. It envisaged for the public sector an increasingly active role."\(^{13}\)

The process of planned economic development started with First Five Year Plan in 1951. The main objective of this plan had been to solve the country's three formidable problems, viz. severe food shortage, mounting inflation and the influx of refugees in the wake of partition of the country in 1947. It gave priority to the development of agriculture base in India and did not put the agenda of industrial development on the top.

With the adoption of Second Industrial Policy Resolution of 1956, the public sector had to play the most strategic and key role in development of heavy industrial base for India. Pandit Jawahar Lal Nehru

was in favour of establishing a very strong and heavy industrial base in India, especially when the country got some stability after the completion of First Five Year Plan (1951-56). The Industrial Policy Resolution of 1956 was a review of the earlier resolution in 1948. It classified the industries in three broad categories in resemblance to earlier classification, but with sharply defined and broader coverage to public sector. The new categories were:

a) **Schedule A**: Those in which were to be exclusive responsibility of the state. Under this schedule there were seventeen industries, viz., arms and ammunition, atomic energy, iron and steel, heavy castings and forgings of iron and steel; heavy machinery required for iron and steel production, for mining, for machine tool manufacture; etc., heavy electrical industries; coal, mineral oil, mining; iron and other important minerals like copper, lead and zinc, aircraft; air transport, railway transport, shipbuilding; telephone, telegraph and wireless equipment; generation and distribution of electricity.

b) **Schedule B**: those which were to be progressively state owned and in which state would generally set up new enterprises, but in
which private enterprise would be expected only to supplement
the effort of the state.

There were 12 industries in this schedule which were: other mining
industries, aluminum and non ferrous metals not included in Schedule A;
the chemical industry; antibiotics and other essential drugs; fertilizers;
synthetic rubber, carbonization of coal; chemical pulp; road transport and
sea transport.

c) **Schedule C:** all the remaining industries and their future
development would, in general be left to the initiative and enterprise
of the private sector.\textsuperscript{14}

So the roles of public and private sectors were more clearly defined in the
second Industrial Policy Resolution, 1956. There were some flexible steps
for private sector where it might produce an item in Category A for
meeting the industry's own requirements or as by products. Further, heavy
Industries in Public sector could obtain some of their requirements of
higher components from private sector. The state reserved the right to enter
Category C when the needs of planning required so.

\textsuperscript{14} Ruddar Dutt, K.P.M. Sundharam, n.1 p. 193
"Though the State was now to act as the senior partner unlike under the 1948 policy, the public and the private sector were still expected to work closely together." 15

The second Five year Plan (1956-61) aimed at rapid industrialization with particular emphasis on the development of basic and heavy industries. The Nehru Model of Democratic Socialism came into full practical shape with heavy public investments in the industrial sector. After the Government of India realized that it had achieved the agricultural targets in the First Five Year Plan, it initiated the process of giving impetus to public sector in socio-economic development process of India.

Prof. P.C. Mahalanobis was appointed as the chief architect of Second Plan by Pandit Jawahar Lal Nehru. Prof. Mahalanobis was in favour of a very strong public sector and development of a very strong industrial base in India. This Mahalanobis strategy of development was in a way based on Russian experience of heavy industries. Nehru Model of development is also sometimes called Mahalanobis model because of the name of Prof. P.C. Mahalanobis. Pandit Jawahar Lal Nehru while drafting the outlines

15. Rudden dutt, K.P.M. Sundharam, n.1 p. 193
of Third Five Year Plan argues," If we are to industrialize, it is of primary importance that we must have the heavy industries which build machines.16

The country had only five central public sector undertakings in 1951 with an investment of Rs. 29 Crores and at the end of second five year plan in 1961 the number of these undertakings went up to 47 with an investment of Rs. 950 crores.

The era of development of public sector had started in embryonic form with the introduction of Industrial Policy Resolution in 1948 and it took some shape with end of Second Five Year Plan in 1961.

It is important to know the organization of public sector in India.

Enterprises (PEs) Public Sector or undertakings (PSUs) exist both at central and state government level. Broadly these are classified into Departmental enterprises and Non-Departmental enterprises. The Non-Departmental public undertakings are further classified into two categories viz. (i) Government Companies (registered under Companies Act-1956) and (ii) Public Corporations or statutory corporations set up under special

enactments of Parliament at central government and state legislatures at state governmental level.

The Nehru Model of development was followed for the development of public sector in India with minor modifications for three subsequent five year plans i.e. up to the Fifth Five Year Plan. The Government came with another Industrial Policy Resolution in 1973. On 2nd of February, 1973 a press note was issued on industrial policy in the light of the experience in the implementation of Industrial Increasing Policy of 1970 and approach to the Fifth Five Year Plan. It was decided to follow the Industrial Policy Resolution of 1956. In order to reduce the concentration of power, the concept of joint sector was introduced as a promotional instrument.

More or less it was decided to follow the earlier resolution of 1956 by the Government "It mainly contained the provisions of the government pertaining to the joint sector and re-emphasized the objectives of the resolution of 1956. It was in, 1977, when Janta Party came to power in centre as a Non Congress Government for the first time, that a change was

witnessed in the forms of shifting away from Nehruvian doctrine of maximum investment in heavy industries. Some very important and key industries developed and Commission in public sector were Rourkeal Steel Plant in 1954, Bhilai Steel Plant in 1955, Durgapur Steel Plant in 1956 during Second Five Year Plan and then clubbing the capacity of these plants in Third Five Year Plan and a new steel plant at Bokaro and then during Fourth Five Year Plan, three more steel plants were set up each at Salem, Bijoynagar and Vishakhapatnam. In 1974, the setting up of Steel Authority of India Limited (SAIL) was a big milestone in the history of public sector. It took a centralized control for synchronised development of all major units like Hindustan Steel Limited, Salem Steel Limited, Hindustan Steel Works Construction Limited, Bharat Coking Coal Limited and National Mineral Development Corporation Limited. Afterwards the management of even TISCO was undertaken by SAIL.

Oil and Natural Gas Corporation was formed in 1956. Another important industries in public sector during initial Five Year Plans were Hindustan Machine Tools (HMT), Hindustan Antibiotics, Indian Telephone Industries (ITI), Sindri Fertilizer Factory, Fertilizer Corporation of India, National Fertilizer Limited, Chittaranjan Locomotive Factory, Hindustan Shipyards, Hindustan Cables, Hindustan Insecticides, Bharat
Heavy Electricals Limited (BHEL), a number of petroleum refineries under Indian Oil Corporation (IOC), Bharat Petroleum, Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL).

The Third Five Year Plan accorded top priority to the completion of ongoing projects initiated during the Second Five Year Plan. "Moreover, the plan also attached importance on the programmes of expansion and diversification of production capacity of heavy engineering and machine building industries, castings and forgings, iron and steel, special steel, alloy metal, ferrous alloys and also for expanding the production of fertilizers, chemicals, refinery products, paper, sugar, housing materials, cloth, drug etc." 18

In order to give a boost to public sector, the Government of India passed an Act in Parliament in May 1955 and the Imperial Bank of India was taken over by the state and State Bank of India was constituted in July, 1955. "Later the State Bank of India (Subsidiary Banks) Act was passed in 1959 enabling the State Bank of India to take over eight former State-associated bank as its subsidiaries." 19


The public sector went on growing both in numbers and investments on the basis of Nehru Model of development. till 1977 when a first non-congress government came to power at centre. Janta Pary formed its government in 1977. This government was headed by Late Morarji Desai
and it adopted the Gandhi Model of development. It favoured the encouragement to small scale industries. It felt that the Government in the last two decades has mainly been following the principles of Industrial Policy Resolution of 1956. This policy had brought some desirable results but still " Unemployment has increased, rural-urban disparities have wiredrew and the rate of real investment has stagnated. The growth of industrial output has been no more than three to four per cent per annum on the average.\(^{20}\)

The Janta Party framed its new policy in December 1977 with following important provisions:

a) Developing small scale sector

b) Classification of small sector as cottage and household industries, Tiny sector (with an investment in machinery and equipment up to Rs. 1 lakh) and Small Scale industries with investment up to Rs. 10 lakh and in case of ancillaries up to Rs. 15 lakh.

c) Areas for Large-scale Sector:

i) basic industries, essential for providing infrastructure and developing small scale and village industries, such as steel;

\(^{20}\) Ruddar Dutt, K.P.M-Sundharam, n.1 p. 194.
nonferrous metals, cement, oil refineries

ii) Capital goods industries for meeting the machinery requirements of basic industries as well as small scale industries

iii) High technology industries which required large scale production and which were related to agricultural and small scale industries development such as fertilizers, pesticides and petrochemicals etc.

iv) Other industries which were outside the list of reserved items for the small scale sector and which were essential for development of the economy like machine tools, organic and inorganic chemicals etc.

In nutshell, the Industrial Policy of 1977 specified that public sector would not only be the producer of very important and strategic goods of basic nature but it would also work for maximising essential supplies for consumers and it would work for the development of small scale sector and ancillary units. This policy increased the number of reserved items (which need government license) from 180 to 807 by May 1978. It revamped the Khadi and Village Industries Commission. As far as approach towards foreign collaboration was concerned it stated that in areas where foreign
technological know how is not needed, existing collaborations will not be renewed. It argued that majority interact in ownership and control should be in India hands. It was a little bit skeptical in taking over such industrial units as it had been adding to the tones of pubic sector.

This Industrial Policy opposed the major provisions of Nehru-Mahalabonis model of Industrial Policy Resolution of 1956, although the Government never said that openly. The Janta Party Government lasted only for three years and it was in 1980 that Congress Party returned to power and it again shifted to the old Nehru Model of development. However in its Industrial Policy of 1980 it added some suggestions such as making the operational management of public sector more efficient, integrating the sector against the policy of 1977 which differentiated small sector and large sector, regularizing the excess capacity installed over and above the licenced capacity, automatic expansion to all industries in First Schedule of the Industrial Development and Regulation Act, 1958 and the sick units which had potential for revival to be merged with healthy units which were capable of managing the sick units. It also liberalized the licensing pattern for big industrial houses.
The Industrial Policy statement issued on 23rd of July, 1980 referred to the "gigantic task of rehabilitating faith" in the public sector and of looking "effective operational systems of management in PE".

The first era i.e. the Pre liberalization era had seen the growth in terms of investments and in terms of number of operating public sector units increasing every year. It was dominated mainly by the Nehru-Mahalanobis Model or strategy as being laid down in Industrial Policy Resolution of 1956. It provided a strong industrial base to India by developing public sector to level of pride.

Nehru was always for the development of heavy industries which would further enhance self sufficiency, increase employment and reduce poverty. Such initiatives had been followed in India in all Five Year Plans. Nehru died in 1964 but his doctrine was followed in all the subsequent Five Year Plans (bearing three years of Janta Party rule from 1977-80) till the beginning of Liberalization era.

**Five Year Plans and Public Sector in Pre liberalization Era**

The First Five Year Plan was for developing an agriculture base and did not envisage any large scale programs of industrialization. Rs. 1559
crore out of total expenditure of Rs. 3360 crore (46.4 per cent) were spent on public sector.

The Second Five Year Plan was the basis of Nehru Model of development and the period of growth of public sector started from this era. The investment on public sector was to Rs. 3730 crore out of total investment of Rs. 6831 crore (54.6 per cent). The country started the process of developing heavy and basic goods industries through dominance of public sector.

The Third Five Year Plan also pressed forward the need for industrial development with the establishment of basic and heavy industries. Investment on public sector was Rs. 6300 crore out of total investment of Rs. 10,400 crore (60.6 per cent).

There were three annual plans after Third Five Year Plan from year 1966-69. The amount invested on public sector during there plans was Rs. 6571 crore out of total investment of Rs. 16,059 crore which was about 40.8 per cent of total investment.

The heavy amounts spent on industrial growth paved the way for growth of large base for public sector. "Most of these industries were set up on public sector with the result that the size of the public sector also grew
rapidly. The growth of the consumer goods industries was mostly left to private sector. 21

Out of total investment of Rs. 22,636 crore in the Fourth Five Plan, public sector get Rs. 13550 crore (60.3 per cent) and it was hiked to Rs. 36703 crore (5.76 percent) out of total investment of Rs. 63751 crore in the Fifth Five Year Plan.

In review of industrial development up to the Five Year Plan, in an era of over thirty years of planning, the Sixth Plan observed that industrial production has increased by about 5 times during this period. However "the public sector had failed to generate enough resources and that the problem of regional disparities in industrial development was as serious as ever. In fact, new industries had tended to gravitate towards existing centres and the backward areas had remained substantially untouched by planning." 22

In such a scenario, some changes were made in Nehru Model of development Optimum utilization of existing capacities, increasing efficiency of public sector, special attention to capital goods industry and


electronic industry, improving energy efficiency were the new development 'mantra's in the Sixth Five Year Plan. Of the total investment of Rs. 158710 crore the share of public sector was Rs. 84, 000 crore (52.9 per cent). With new changes the industrial and trade policies of the government were liberalized.

In the Seventh Five Year Plan this outlay was Rs. 154218 crore out of total investment of Rs. 322, 366 crore (48 per cent).

The Government had started taking some remedial measures with new policy of 1980 after it witnessed huge losses in public sector in an era of over thirty years of planning. In an order to provide social justice to its people, the government had created a large base of public sector, where service was the real objective and not the profits. Removal of regional disparities was one big objective for public sector wherein some industries were located far and wide from the places of their original raw material generation. The government in order to generate 'an engine for self reliance' relied much heavily on its own resources rather than foreign Direct Investment (FDI'S). It was following the bureaucratic style of public administration fully in departmental forms and to a large extent in non-departmental forms also. It made the pricing policies which suited the poor but not profitability public sector units.
It was a different scenario in 1947, at the time of independence when the private sector was absolutely incapable of performing any role in development of nation. In an era of over Forty years at the end of Seventh Five Year Plan the private sector in India had reached at a competitive level where it could discharge a number of duties in many areas of production and services.

The Rajiv Gandhi Government (October 1984 to December 1989) felt concerned for the heavy losses of public sector in financial terms and had a "marked thrust towards liberalization, inter alia, through large scale delicensing, broad banding of industries which remained within the ambit of licensing and the higher endorsement of capacity."\(^{23}\) The large areas which were exclusively reserved for public sector like telecommunication, oil exploration, oil refineries and civil aviation was thrown open to private sector also. Rajiv Gandhi never came up with a formal industrial policy statement and it was stated at a number of occasions to follow the pursuit of socialist pattern of society. Although Rajiv Gandhi in his speech at Lok Sabha (1985) showed faith in public sector by stating that public sector would continue to be the "key to our development and a pathfinder to take
the country to the 21st century.”

Yet he opened the doors to private sector in many reserved areas for public sector in order to lessen the burden on the government and also to give chance to private sector to explore new dimensions in Indian economy.

Rajiv Gandhi was assassinated in 1989 and after that the reigns were taken over by the veteran Congress leader, P.V. Narasimaha Rao. The period of Seventh Five Year Plan ended in 1990 which virtually marked the end of an era lasting more than forty years in India and popular for following Nehru Model of Development based on Democratic Socialism.

The beginning of 1990's was a 'new paradigm shift' in Indian economy with the emergence of new generation policies of Liberalization. Globalization and Privatization (LPG). This change was not only due to internal pressure of heavy losses to public sector but was due to the global changes as well. The adoption of soft and liberal policies by Margret Thatcher in UK and many South American nations during 1980's were the new trends in world economy. The disintegration of U.S.S.R. after Gorbachov regime marked the end of bipolar world and beginning of a

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unipolar world led by the Capitalist state USA were the biggest events of historical significance.

The impact of such events forced the Indian government to think beyond the lines of 'public sector dominance'. The economical logic and rationale to check the heavy loss making public sector undertakings made the government to think with different approach. Thus in an endeavor to rejuvenate the nation facing heavy fiscal defect, the Narasimha Government came up with 'New Economic Policy of 1991' which was total reversal of public sector policy followed till that period. This new policy statement of 1991 did not close the gates for public sector but brought drastic and radical changes in the earlier policy.

**Post Liberalization Era**

The year of 1991 can be treated as the turning point in India's official position on economic policies, with the launch of wide ranging measures to de-regulate the economy and ending of 'quota-license' regime. Bringing economic reforms was the main agenda of the Congress party which again came to power in 1991 under P.V. Narasimha Rao as the new Prime Minister of India.
"Depleted official reserves, large deficits in balance of payments, and sharp decline in GDP growth which was reflected in similar declines in almost all sectors of the economy demanded urgent attention.\(^{26}\)

The economic reforms were considered as the panacea and a cure-all to combat the economic crisis as had engulfed the country.

Dr. Manmohan Singh, the then Union Finance Minister had a new vision and doctrine based on the logic of economic development. He announced the Statement on Industrial Policy on July 24, 1991. This statement was the New Economic Policy or the New Industrial Policy of 1991. With the announcement of this policy India entered into the era of new generation economic reforms.

The major objectives of this Statement on New Industrial policy were "to build on" the gains already made, correct the distortions or weaknesses that might have crept in, maintain a sustained growth in productively and gainful employment, and attain international competitiveness''.\(^{27}\) The new policy was for de-regulating the industrial


economy in a phased and substantial manner. In pursuit to achieve such objectives, the Government announced a series of initiatives in respect of the policies relating to the following areas:

a) Industrial Licensing
b) Public Sector Policy
c) MRTP Act
d) Foreign Investment and Technology.

Later on a package for the Small and Tiny sectors of industry was announced separately in August 1991.

**Public Sector Policy in New Economic Policy, 1991**

The Government of India wanted to 'reform' the public sector of the country by its new economic policy on public sector. It emphasized following four major measures in this direction:

i) reduction in the number of industries reserved for public sector from 17 to 8 (reduced still further to 3) and the introduction of selective competition in the reserved area;

ii) the disinvestment of shares of a select set of public enterprises in order to raise resources and to encourage wider

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iii) participation of general public and workers in the ownership of
public sector enterprises;

iv) the policy towards sick public enterprises to be the same as that for
the private sector; and

v) an improvement of performance through MoU (memorandum of
understanding) system by which managements are to be granted
greater autonomy but held accountable for specified results.

The statement on Industrial Policy of 1971, thus contained some
major decisions regarding public sector of the country as under:

(i) Portfolio of public sector investments will be reviewed with a
view to focus the public sector on strategic, high tech and
essential infrastructure. Whereas some reservation for the
public sector is being retained, there would be no bar for area
of exclusivity to be opened up to the private sector selectivity.
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/rehabilitation schemes, be referred to the Board for
Industrial and Financial Reconstruction (BIFR), or other similar high level institutions created for the purpose.

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

(iv) In order to raise resources and encourage wider public participation, a part of the government's share holding in the public sector would be offered to mutual funds, financial institutions, general public and workers.

(v) Boards of public sector companies would be made professional and given greater powers.

(vi) There will be greater thrust on performance improvement (MoU) system through which managements would be granted greater autonomy and will be held accountable. Technical expertise on the part of the government would be upgraded to make the MoU negotiations and implementation more effective.

(vii) To facilitate a fuller discussion on performance, the MoU signed between the government and the public enterprises would be placed in Parliament. While focusing on major
management issues, this would also help place matters on day
to day operations of public enterprises on their correct
perspective.

So the Statement on Industrial Policy of 1991, was to bring new
reforms in economic scenario of the nation including the public sector. It
was like "beginning of delicensing, deregulation and dismantling of
inspector raj".\textsuperscript{29}

Programs of partial disinvestments of government equity in selected
Public Sector undertaking was started after the introduction of the policy.
This was followed by the next NDA government headed by Atal Bihari
Vajpayee. Arun Shouri was the person in NDA regime who went after
disinvestment on a large scale. Later on with return of UPA government
under the leadership of Dr. Manmohan Singh process continued with the
policy of more disinvestment in central public sector undertakings. In order
the encourage wider participation and promote greater accountability, the
government equity in a number central public sector undertakings was

\begin{flushright}
29. R.K. Mishar, n. p. 316
\end{flushright}
offered to Mutual Funds, financial institutions, workers and the general public. Areas reserved for public sector were opened to private sector also.

**National Common Minimum Programme (NCPM) of UPA government**

The present policy of the government towards public sector enterprises as contained in National common Minimum Programme (NCMP) is under:

(i) To devolve full managerial and commercial autonomy to successful; profit making companies operating in a competitive environmental.

(ii) Profit-making companies will not be privatized.

(iii) Every effort to be made to modernize and restructure sick public sector companies.

(iv) Chronically loss-making companies will either be sold off, or closed, after all workers have got their legitimate dues and compensation.

(v) Private industry will be inducted to turnaround companies that have potential for revival.
(vi) Privatization revenues will be used for designated social sector schemes.

(vii) Public sector companies will be encouraged to enter capital market to raise resources and offer new investment avenues to retail investors.


The Industrial Policy Resolution of 1956 made India the stewardship of Pandit Nehru had reserved as many as 17 industries exclusively for public sector. The New Economic Policy reduced this number to 8 only as under

(i) arms and ammunition
(ii) atomic energy
(iii) coal and lignite
(iv) mineral oils
(v) mining of iron ore, manganese ore, chrome ore, gypsum, sulphur, gold and diamond
(vi) mining of copper, lead, zinc, tin, molybdenum and wolfram
(vii) minerals Specified in the schedule to the atomic energy (control of production and use order), 1953
(viii) rail transport

In 1993, item no (v) and (vi) were deleted from above list and again in 1998-99, item no (iii) and (iv) were deleted from reserved list.

On may 9, 2001 the government opened up even arms and ammunition sector to private sector.

Thus now only 3 industries are reserved exclusively for the public sector. These are atomic energy, minerals specified in the schedule to the atomic energy (control of production and use order) 1953 and rail transport.30

Policy Regarding Sick Units in New Economic Policy, 1991

As per the new policy regarding sick units, contained in the New Economic Policy of 1991, the public sector undertakings were also brought within the jurisdiction of the Board for Industrial and Financial Reconstruction (BIFR). BIFR was given the task to decide the fate of sick public sector undertakings whether to be restructured or closed down.

As on March 31, 2008, 66 public sector undertakings were registered with BIFR, out of which revival schemes were sanctioned in respect of 9

undertakings, 3 cases were dismissed as man maintainable, 5 companies were declared as no longer sick and 5 other cases were dropped on account of net worth becoming positive.\textsuperscript{31}

The Government of India has approved revival of 25 central public sector undertakings with total financial support of Rs. 7200 crore (Rs. 1950 crore of cash infusion and Rs. 5250 crore of write off of loans, waiver of interests and guarantee fees etc., as pointed out by R.K. Misra.\textsuperscript{32}

The merger of Air India and Indian Airlines, Rashtria Ispat Nigam and Steel Authority of India and Oil Group of industries were the considerations of the government under restructuring schemes. Indian Post is another excellent example which came back with a bang facing tough competition from private players.

The Government of India liberalized the Voluntary Retirement Scheme (VRS) to enable the central public sector undertakings to shed the extra financial burden due to surplus manpower. Cumulatively around 5.90

\textsuperscript{31} Ibid.

\textsuperscript{32} R. K. Misra n. p. 332
lakh employees had opted for VRS from central public sector undertakings since October 1998 till March 2007.33

**Memorandum of Understanding (MoU) in New Economic Policy of 1991**

The system of Memorandum of understanding (MoU) was another landmark in the New Economic Policy of 1991. It was based on French and Korean Models of evaluating the performance of an enterprise based on the vision and mission, objectives, targets and performance score on the part of enterprise and the obligations of the government to the enterprise. It gives clear targets to public sector undertakings and ensures operational autonomy to than for achieving those targets. This system was rather started before 1991 i.e. in 1987-88 with four PSUs signing MoUs. This number went up to 144 in 2008-09. Most of the signing PSUs have shown a great deal of appreciation for the MoU system. This system also presents an objective solution to the problem of conflicting interests of principals with the agent. This system was introduced on the recommendations of Arjun Sen Gupta Committee. Since then the current generation of MoU

have gone under many changes as the present MoU are based on the scrutiny of the Cabinet Secretarial of the expert committee report prepared by National Council of Applied Economic Research. The revised system relies more on dynamic indicators as compared to the static indicators that formed the base of the first generation of Molls.

**Policy for Navratna and Miniratnas after New Economic Policy, 1991**

After announcing the New Economic Policy in 1991, the Government of India took a number of reformative initiatives. It took some cues from the Korean concept of Chaebols ³⁴ and decided to elevate some highly successful enterprises to the special status of Navratnas wherein they were delegated enhanced financial powers in relation to committing capital expenditure, starting joint ventures and providing incentives to their employees. Some smaller PSUs which could not be granted Navratna status, but were profit making ones were given Miniratna status. In 1997, the Government of India identified 11 public sector enterprises as Navratna

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and gave enhanced powers to their Boards of Directors. These PSUs were as under;

1. Bharat Heavy Electrical Limited (BHEL)
2. Bharat Petroleum Corporation Limited (BPCL)
3. GAIL India Limited (GAIL)
4. Hindustan Petroleum Corporation Limited (HPCL)
5. Indian Oil Corporation Limited (IOC)
6. Indian Petrol Chemicals Limited (IPCL)
7. Maha Nagar Telephone Nigam Limited (MTNL)
8. National Thermal Power Corporation Limited (NTPC)
9. Oil and Natural Gas Commission Limited (ONGC)
10. Steel Authority of India Limited (SAIL)
11. Videsh Sanchar Nigam (VSNL)

Two of the above listed viz. IPCL and VSNL have been privatized and the rest are listed in Navratnas. These PSUs have been given much enhanced powers and Boards of Directors of such PSUs have been professionalized and the induction of non official part time Directors is allowed for better decision making. These PSUs have enhanced powers and autonomy which include a) incurring Capital expenditure b) entering into joint ventures c) effecting organizational restructuring d) creation and
winding up of posts below Board level e) to raise capital from domestic and international markets and f) to establish financial joint ventures subject to equity investments with special limits.

These Navratna Companies have powers to do business without government approval up to a limit of Rs. 1000 crore or 50 percent of their networth in whichever is less

These PSUs have to perform in consistently good manner otherwise these can be delisted from the list of Navratnas. The company under study in this research GAIL India has maintained the Navratna status even since the beginning of this process.

The Government has decided to grant Miniratna (category I and II) status to those PSUs which make profits but do not become eligible to attain Navratna Status. The enterprises which have made profits continuously for the last three years and have earned a net profit of 30 crore or more in one of the three years are categorized Miniratna-I and another category of Miniratna-II should have made profits for the last three years continuously and should have a positive networth. Miniratna-I PSUs are granted certain autonomy like incurring capital expenditure without government approval upto Rs. 300 crore or equal to their networth, which ever is lower Miniratna-II are granted power for capital expenditure
without governmental approval upto Rs. 150 crore or 50 percent of their networth which ever is low.

A list of present Maharatnas Navratnas and Miniratnas is given in the Appendix.

Keeping in view, the growth shown by these Navratna Companies, the Government of India came up with 'Maharatna' Scheme. 'Maharatna' group of Companies were given the additional power for capital expenditure without government approach up to Rs. 5000 crore or 50 percent of their networth, whichever is less. There are presently five companies listed as Maharatna Companies: (as on 20-07-2011)

1. Coal India Limited
2. Indian Oil Corporation Limited
3. NTPC Limited
4. Oil and Natural Gas Corporation Limited
5. Steel Authority of India Limited

Such highly profit making Navratna and Miniratna PSUs have shown excellent results and made the public sector concept a pride for India. They have proved that given the sufficient freedom of operation and non interference from the government, they could not only excel in their fields in India but became global players. Many of the Navratnas like
ONGC, GAIL, OIL, HPCL etc. are listed in Fortune Lists of top global companies. These PSUs have faced competition from MNC’S around the globe and it is hoped that in the years to come these PSUs will take India to commanding heights at global level. Some of the positive aspects of these undertakings are shown in Table 2.2

Table 2.2 Highlights of CPSEs during 2009-10

- The total investment in 249 CPSEs, out of which 217 were in operation was Rs 579220 crore as on March 31 2010
- Total turnover of all CPSEs was Rs 1235060 crore
- Reserves and Surplus of all CPSEs was Rs 605648 crore
- Contribution to Central Exchequer by was of excise duty, customs duty, corporate tax, interests on Central Government loans, dividend and other duties was Rs 139830 crore
- Foreign Exchange earning through exports of goods and services was Rs 77745 crore
- Foreign exchange outgo on imports was Rs 420477 crore

Source: Press Note: Ministry of Heavy Industries and Public Enterprises, Government of India, New Delhi.

Five Year Plans and Public Sector in Post Liberalization Era

After the introduction of New Economic Policy of 1991 or the Post Liberalisation era the Government of India had to delay the introduction of
Eighth Five Year Plan for two years because of the political changes at centre. Finally there was an Eighth Plan for the period of 1992-97. The total public sector investment was Rs. 361,000 crore of Rs. 798,000 crore (about 45.2 percent) of the total investment. During this plan the government focus was on adoption of economic reforms and liberalization of economic and industrial policies. Public Sector was to face a tough competition from private sector. India registered a highest annual growth of 6.8 percent during this plan which came as the first Five Year Plan in Post Liberalisation Era.

During the Ninth Plan (1997-2002) the government further reduced the public sector outlay and envisaged an important role for the private sector and other market forces. However the Government came with Navratna and Miniratna status scheme for profit making central public sector undertakings. Investment needs of Ninth Plan were estimated at Rs. 21,70,000 crores out of which the share of public sector was projected at Rs. 7,26,000 crores (33.4%) and that of private sector was estimated at Rs. 11, 19, 000 crores (51.6%). The remaining gap of Rs. 3, 25, 000 crores was to filled by Foreign Direct Investment (FDI) and disinvestment of Public Sector companies. The profit making Public Sector companies preformed
very well but the government was eyeing on them with its disinvestment policies.

The Tenth Five Year Plan (2002-07) was prepared against the backdrop of high expectations arising from growing rate of GDP. The GDP rate of growth rose to about 6.1 per cent in the Eighth and Ninth Five Year Plans from an average rate of 5.7 percent during 1980’s in Pre reforms or Pre liberalization era. India had a strong presence of Private sector by the time of implementation of this plan against the trends of initial Five Year Plans. Public sector became much less dominant in many areas and the government policy for disinvesting in public sector continued even with illogical disinvestment in highly profit making central public sector companies. The annual growth rate was proposed to 8 per cent. It looked an ambitious rate of growth as the GDP growth rate had decelerated to 6 per cent in the last two years of Ninth Plan. The Government wanted to increase the per capita income at a faster rare. The estimates of Tenth Five Year Plan revealed that at 2001-02 prices, public sector plan required a mobilization of Rs. 15, 92, 300 crores. Although this amount was showing a very high increase in the mobilization resources as per given in Ninth Five Year Plan, yet the Government was keen to increase the disinvestment pattern in public sector. The proceeds from the disinvestment are used to
fill the gaps created by budget deficits of losses from departmental undertakings and other unproductive governments’ expenditure.

The National Development Council in December 2006 approved the Approach to the 11th Plan Document titled “Towards faster and more Inclusive growth” and directed the Planning Commission to prepare a detailed plan to assess the resources required to meet the broad objective set forth in the Approach Paper. The detailed version fo the Eleventh Five Year Plan (2007-12) was approved by the National Development Council in December 2007. 35

The total resources for public sector were projected as Rs. 36,44,718 crores. The share of public sector investment in Eleventh Five Year Plan declined to 23 per cent as against 33 per cent in the Ninth Plan.

The Plan document justified the growing share of private sector and declining share of public sector by mentioning. "The rapid increase in private sector investment in aggregate investment is in large part a reflection of the impact of the reforms initiated in the 1990s, which reduced

restrictions on private investment and created a more favourable investment climate.\textsuperscript{36}

Infact, the Government of India has given a tremendous boost to private sector in Post Liberalisation and economic reforms era and today it stands very tall in its position in the early years after independence or during the era of Nehru Model. The Government seems to have lot control over the growth of private sector and other market forces. The political leadership lacks a clear and meaningful vision towards public sector policy. It is a known fact that India is considered among fastest growing economies of the world and has not fallen even after the economic disaster caused by the global recession in 2007. The strong nationalized banking system and the public sector of the country was a great support to Indian economy after recession era. The Maharatna and Navratna public sector undertakings of India have been very strong global players and saviours of Indian economy.

The big encouragement given to private sector did yield some fruitful results as far as the growth rate increase is concerned but on the

\textsuperscript{36} Ruddae Dull, K.P.M. Sundharam, n. p. 311.
other hand it has created very big economic disparities. The number of
billionaires has increased in India but the poor have become poorer. The
social development has been ignored by the syndrome of economic
development. Still India has large population of homeless, jobless and poor
society. The Government noticed that by 2005-06, 102 Public sector
undertakings signed MoU with it and there evaluation revealed that 44
were rated excellent, 36 very good and 14 as good. If 94 out of 102 PSUs
had shown an improvement, what is in the rationality behind privatization
or disinvestments? All the statistics of the Government of India reveal that
central PSUs are showing improvements and higher profits after tax (PAT)
after reforms era then is it not desirable to improve the working of loss
making PSUs than to just go for privatization. If the Government had
evolved a policy on reforms in public sector rather than only disinvestment
the picture could have been different by now. The private sector prefers to
invest in profits making areas, creation of monopolies and ignores the
social development and benefits. The Public Sector in India has been
frontrunner in the direction of social development. The Navratna and other
profit making public enterprises have a clear policy of 'Corporate Social
Responsibility' (CSR policy) in which a percentage of profits (after paying
taxes) in diverted on the social problems and upliftment of downtrodden
and needy. These undertakings have several policies of protection of environment as well. Further these PSEs take care of scheduled castes, scheduled tribes and other backward classes by following the union government's reservation policies. Put together, these three categories of SC's, ST's and OBC's have a share of more than 45 percent in the total number of employees of all the CPSEs as on March 23007.37 CPSEs have always acted as 'Model Employees' and given all the service benefits to its Employees besides providing a large number of extra allowances. The average annual per capita emoluments in (PSEs had increased from Rs 56, 508 in 1991-92 to Rs 3,25,774 in 2006-07. Further the employees were given an average hike of about 30 percent in their basic salaries after the introduction of Sixth pay commission report in 2009. This hike was given w.e.f. January 1, 2006. The CPSEs have taken care of maintaining and developing the townships near the plants. Further the employees of the CPSEs are managed with best of the Human Resource Management practices. (More details of such practices are explained in Chapter 4 and 5).

The public sector has contributed to central exchanger in huge amounts of money and capital. The contribution has been in form of dividends, interests, excise duty, custom duty, corporate tax, divided tax, sales tax and a number of other duties and taxes. The overall total contribution to central exchanger is always increasing in thousands of crores of Rupees every year. A data in Public Enterprises Survey 2007\textsuperscript{38} reveals that total contribution by CPSEs to central exchanger increased from Rs 110603.67 crore in 2004-05 to Rs 1255455.93 crore in 2005-06 and to Rs 147728.30 crore in 2006-07. During the great economic recession after 2007, this figure dropped to Rs 139830 crore in 2009-10\textsuperscript{39} These huge amounts of contributions speak in high volumes about the success of public sector in India. The Navratna undertakings have entered into a number of joint ventures with foreign companies and fetch a very big amount of foreign capital also.

Considering the fact that the public sector has to discharge a number of socio-economic obligations, these huge contributions to central exchanger favour the idea of promoting public sector very strongly. The public sector

\begin{itemize}
\item \textsuperscript{38} Public Enterprises Survey n-p.12.
\item \textsuperscript{39} Public Enterprises Survey, 2009-10 p. 18
\end{itemize}
which was considered an 'engine for self reliance' during Nehru times. It had to fulfill the promises made in 'Democratic Socialism' model envisaged by Nehru. The over bureaucratization of public sector along with political interferences and subsidies were the major reasons for the heavy losses shown by public sector in eighties of the last century. After the globalization process, the public sector had to run on commercial lines and the financial appraisal, based mainly on the yardsticks of profits before and after tax, ratio of sales to capital employed etc. became the reason for the survival of any public sector undertaking. The issue of social development was put aside and the market forces started raising questions on the viability of public sector in Indian economy. It made the public sector to redesign its policies and to bring large and radical changes in its functioning. As a result the Navratna then Miniratna and lastly the Maharatna form of public sector emerged which silenced its critics. Many of these pride companies are today the high profit making global companies and nobody can question their viability. If India enjoys the status of second fastest growing economy today, the role of public sector can not be under mined. Ramanathanm opines, "Public enterprises have been transformers of our economy. They have played an important role in the development processes and borne heavy proportions of the burdens of
national development. It will continue to suffer the old problems unless there is a strong political will to improve the situation. The losses of government should not be recovered by selling equities in most profitable government companies. Sometimes the good offices of CAG or CVC and some parliamentary committees find loopholes and forms of procedural errors in daily administration of public companies and kill the entrepreneurship skills. Efforts to depoliticize and de bureaucratize must be done at to priority to save public sector.

The people of this sub continent have witnessed the ill effects of globalization of economy and over capitalism. The economic disparities have increased. If only handful rich blue chip private companies of India have shown huge profits, it can not be referred to the picture of total private sector. Many private companies emerge and after a short period get taken over by the big companies or stop functioning. Even the performance of some loss making public sector companies are better than some other small private companies from may aspects. The job satisfaction level in may big

private sector is very low. The instant 'hire and fire' policies of private sector have not worked long and people are showing great interest in government jobs.

Infact most of the public sector companies continue to be over administered and under managed. The Eleventh Finance Commission observed that if Public enterprises are given the "same benefits of autonomy and freedom as the private sector has lately witnessed" they will be a major source of resources generation and budgetary support.

The new vision and mission and healthy human resource management (HRM) practices can go a long way to transform the whole scenario of public sector in India. The living examples of Maharatna, Navratna, and Miniratnas should form the basis of future policies for other loss making public sector companies. It is better to opt for reforms and reengineering the internal systems and sub systems than to leave the public sector for privatization only. The successful HRM practices which have been explained in subsequent chapters for the GAIL Indian Limited can be applied to other Public sector companies.

Not only the political parties but the people themselves must understand the importance of public sector in India. Every Indian should have faith in public sector and its role in national development. The
performance of public sector must be appraised but not only with reference to profits only. The standing conference of Public Enterprises very rightly observed that public enterprises\(^{41}\) have been the transformers of our economy in many ways:

(i) They have created new skills and competences in most of the high tech areas.

(ii) They have helped to secure a balanced regional development.

(iii) Their role in providing job opportunities for socially-disadvantaged sections of the society is commendable.

So unarguably the future of public sector in India can be very bright. It is given more freedom in working, lessening of politicization and bureaucratization and with adding all the prevalent inputs of HRM practices in public sector will surely make India a super power and a total self reliant developed nation in the times to come.