CHAPTER II

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Introduction:

History bears the testimony of the crucial period and significant role of Public Sector Enterprises in Indian economy for almost forty years. The span of four decades is marked for growth, development, expansion and modernisation of Public Sector Enterprises. Massive investments in successive Five Year Plans with special emphasis on development of core sector synchronising with the process of industrialisation again proves the significance of Public Sector Enterprises in Indian Economy. Steel Industry as a part of the development of core sector, received exclusive attention. Massive investment right from the Second Five Year Plan was made towards this sector. There are five integrated Steel Plants under the aegis of Public Sector giant Steel Authority of India Ltd. (SAIL) with a number of allied industries.

However, this industry was subjected to certain serious criticism almost about its lapses and failures in attaining the objectives: both social and economic. Faltering return, under-utilization of capacity, declining profitability and productivity were permanent feature of
this industry till 1985-86. However, thereafter, there was some improvement in the overall performance which became even more impressive from the 'Nineties' when the Government of India announced its NIP on July 24, 1991.

It was, therefore, felt that a serious analytical study is needed to know whether this industry has been able to achieve the set socio-economic objectives. Critical appraisal and analysis of Social Cost Benefit in Steel Authority of India Ltd. (SAIL) over a long period of time would provide a clear picture as to the extent of attainment of socio-economic objective by this industry.

General issues:

Social Cost Benefit Analysis is considered as the fulcrum of any development project management because the project is meant directly or indirectly for the growth of development of the society. Hence, it is often said that any industrial organisation or a business should make use of the resources of the society and produce goods and services for meeting the needs of the society which is its ultimate consumer. Cost benefit analysis is, therefore, a way of setting out the factors which need to be taken into consideration in making certain economic choices.
Economic choices include the investment project and decisions whether or not a particular project is worthwhile. Cost benefit analysis is also applicable to the proposed changes in laws and regulation, to new pricing schemes and the likes. These schemes involve making economic choices along the same line as investment schemes. Choice in broader spectrum of application includes "maximisation". What that decision makers want to maximise? The main aim is to maximise the present value of all benefits less all the costs subject to specified constraints.

In the present study different aspects such as rationale for social cost benefit analysis, employment potentials, social responsibility, analysis of cost, analysis of Sales, have been studied with special reference to SAIL. The comparative analysis in SAIL and TISCO have also been critically studied.

Review of Literature:

The problem of estimating Social Cost Benefit of an industrial organisation has been discussed by a number of authors including Eckstein 1958; 1961, Steiner (1959),

2. Ibid. p. 75.
Marglin (in Maass et al. 1962) and Feldstein (1964a,b and c). They suggest that the costs and benefits of an organisation are the time streams of consumption foregone and provided by that organisation. The nature of this approach emerges clearly from Feldstein's remarks on the social opportunity cost of funds transferred from the private sector to the public sector.

In the year 1963 an exhaustive conceptual analysis of cost benefit analysis was made by Harry and Hatry. They examined the application of cost benefit analysis by industry and Government to assist in the evaluation of military and other Government sponsored projects which were growing rapidly at that time. From their main point, the extension of the fuller system approach of cost benefit analysis to selected industrial problems appears to have considerable potentiality.

Musgrave, R.A. (1969) made an interesting study of cost benefit analysis with particular reference to the

theory of Public Finance. He opined that a theory of public finance remains unsatisfactory unless it comprises both the revenue and expenditure sides of the fiscal process.

Mishan, E.J. (1971)⁷ made evaluation of social cost benefit studies, advocating the philosophy of making proper allowance for losses or gains arising from changes in the incident of death, disablement, or disease caused by the operation of new projects of developments. However, his theory of value of life did not throw much light on the theoretical modality.

Feldstein, M.S. (1964)⁸ advocated the theory of social time preference discount rate in cost benefit analysis. He opines that choosing between alternative time streams of social benefits and costs is one of the most difficult and most important problems in the evaluation of public investment projects. He feels that in determining a project's admissibility requires comparing its annual net benefit time stream with the time stream of consumption.

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that would have occurred if funds had not been used in the particular projects. In selecting among admissible projects that are mutually exclusive for technical reasons (e.g. two different techniques for producing the same output) it is only in the rare (and trivial) case that one project dominates all others, i.e. it has a greater net benefit in each year than that of every other project.

In India, availability of literature related to studies on social cost benefit analysis is scanty. Although, a good number of reference books as well as articles have appeared on the problems and prospects of Public Sector Enterprise in general and Steel Industry in particular but none of them have thrown enough light on the concepts, methods and approaches to study the social cost benefits with special reference to Public Sector Steel Industry of India.


mainly confined his studies to the practical problems faced by the Steel Industry. In (1989)\textsuperscript{11}, a hand book entitled, 'Engineering Change in India's Iron and Steel' was published which mainly highlighted the technology and its utility. In the same year\textsuperscript{12} another book entitled "Technology Transfer" was published which mainly dealt with different dimensions and aspects of technology transfers. Saxena & others published a book Steel Industry in India (1991)\textsuperscript{13} giving an incisive analysis regarding the employment potential of Steel Industry and its multiplier effects. Khan, A.Q. authored a book entitled Dimensions of Efficiency and Productivity of Steel Industry (1988)\textsuperscript{14}. The book focussed upon varied dimensions of profitability and productivity parameters to measure the overall efficiency of Steel Industry in India.

\textsuperscript{11} Moorthy K. Krishna, Engineering Change (India's Iron and Steel) (Technology Books) 28th Cross Steel, Indira Nagar, Madras, 1987, p. 38.

\textsuperscript{12} Moorthy K. Krishna, Technology Transfer (India's Iron and Steel) (An ICRIER, Research study, with experts Comments) 1987 S. Muthiah, T.T. Maps & Publication Pvt. Ltd. Madras, Ibid.


In all the above mentioned publications the studies are mainly confined to the assessment of commercial viability of Steel Industry in India. None of these publications have taken up the issues of social cost benefit analysis. However, TISCO's publication's such as "Human Side of Tata Steel"\(^{15}\) and "Social side of Tata Steel\(^{16}\) have, to some extent dealt with the issues of social cost benefit analysis with reference to steel Industry. A number of articles have also appeared in different Indian journals and periodicals but their approaches to deal with the social cost benefit analysis have been vague and journalistic.

In the present thesis, an attempt has been made to study the social cost benefit with special reference to Steel Authority of India Limited (SAIL) in its wider spectrum of manifestations. The study embarks upon social cost benefit in SAIL over a long period of time to provide a crystal clear picture as to the extent of attainment of socio-economic objectives by this industry in terms of employment potentials, capital output ratio, cost-benefit ratio, cost of labour, cost of residual items, social benefit to community, employees welfare


measures, man power utilisation, welfare of weaker sections and education for all.

Objectives of the Study

The following aspects of Steel Authority of India Ltd. and Tata Iron & Steel Company (TISCO) have been taken up for studying:

1. The rationale for Social Cost Benefit Analysis (SCBA) in SAIL.
2. The different approaches for analysis of Social Cost Benefit (SCB) in SAIL.
3. The analysis of the approaches adopted in India.
4. The employment Potentials in SAIL.
5. The Social Responsibility-Costs and Benefits - SAIL

HYPOTHESIS

In the changing economic scenario in the country, it is pertinent to apply the commercial norms to measure performance of all business units including those in the Public Sector. The thesis would verify as to what changes in vital activities of Steel Authority of India Ltd. (SAIL)
would be consonant with altogether new perspective of Social Cost benefit analysis in SAIL.

Society must stand to benefit for the plans and policies of business in terms of employment, income and quality products in addition to preservation of environment.

RESEARCH METHODOLOGY :

The data and information have been collected from various sources. Factual data have been collected from the Annual Reports of Steel Authority of India Ltd. (SAIL) and Tata Iron and Steel Company: This has been supplemented by the information gathered from journals, periodicals and dailies. The study has also warranted a number of trips to the head offices of SAIL and TISCO. Various annual reports of the Government on Public Sector Enterprises have also been used.

JUSTIFICATION AND UTILITY OF THE STUDY :

The decade of the 'Nineties' is a hallmark in economic history all over the world. Drastic socio-economic changes have taken place. The developed and developing economies have realised the hard reality and tremendous gains of global economic integration which is being referred to as 'globalisation'. This process has now emerged as one of
the major policy instruments globally in more than fifty countries ranging over from industrially advanced countries of the West, Centrally planned economies of Eastern Europe, newly, industrialised nations of Asia Pacific Region to the debt riddin nations of Latin America, South Asia including India, Pakistan, Sri Lanka, Bangladesh, Nepal and a host of other Third World countries.

India is no exception to this phenomenon. India embarked upon opening up her economy in July 1991 by announcing New Industrial Policy. Since then many more liberalisation packages have come up in almost all the sectors of the economy. Rapid positive changes are being witnessed. Much emphasis is being laid on inviting foreign capital. For this, besides other measures, PSUs shares are disinvested and in this foreigners are also allowed to participate. MNCs and TNCs are now welcome to establish their businesses in various forms - Industrial collaborations, Joint ventures and 100% subsidiaries. With all this the moot question is the social responsibility to be undertaken by them. It is of paramount significance to brood over that whether along with economic gains there would be social gains or not. Will these alien species go for undertaking the social obligations?
Conclusion:

From the foregoing review of literature, it is clear that the success of every corporate body whether Indian or foreign should be measured in terms of social cost benefit together with commercial norms and parameters. The present thesis which undertakes the study of social cost benefit of SAIL and TISCO would provide useful reference material for further researches into the field of social cost benefit analysis of any industrial organisation. In the succeeding chapter a comprehensive conceptual review of the social cost benefits is presented. Based on the review a conceptual frame work of Social Cost benefit analysis has been evolved for wider applicability of the parameters in measuring the SAIL's social cost benefits.

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