CHAPTER 2
THEORETICAL FRAMEWORK

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Section A
2.1. DEFINITION

All enterprises which are funded by the Government Of India are covered by the term 'central public enterprises.' According to the Annual Survey Report on Public Enterprise “For the purpose of planning and national accounting public sector in India includes all activities funded out of Government budget.” Whereas the term public sector includes administrative machinery and Government departments, the term 'public enterprise' includes Government owned organisations which have separate legal identity and which are engaged in manufacturing and service-rendering business.

Joint - ventures

In case of some PEs, Government participation in investment is partial. If Government participation in share-capital is not less than 51%, the said companies are treated as Government companies for all official purposes. In the initial plan period, the Government preferred to take up foreign collaborators for setting up high-tech, sophisticated industries. Foreign corporate firms having experience in the required field of activity were chosen, which undertook the responsibility of technological matters besides participating in equity. In many cases such PEs were converted into fully Government owned companies at later dates, For example, Manganese Ore (India) Ltd. (1962), Madras Refineries (1965), Lubrizol India Ltd. (1966) were joint ventures. In Manganese Ore (India) Ltd., Government participation was 51% (Government of India 17%, Government of Maharashtra 17%, Government of Madhya Pradesh 17%) and 49% equity was held by a British company named 'Central Provinces Manganese Ore Company Ltd.' In 1977 it become a wholly Government owned PE with 51% equity by Government of India and the concerned state Government owned 24.5% share capital each.

Madras Refineries Ltd was set up with collaborators namely National Iranian Oil Company (Tehran) 13%, and Amco India Inc.(USA) 13%, while the Government of India held 74% equity. In 1985, Government participation was raised to 84.62% when Amco India Inc. surrendered their shares in favour of the Government of India. However, in 1992, after divestment, Government share was reduced to 67.8%.

Practice of establishing joint-ventures continued even in later periods. Indian Additives Ltd. (1989) is an example of recent joint -sector venture where in Madras Refineries held 60% equity and Chevron Chemical Company, a collaboration company held 40% share.
There are some instances of Government of India joining state PEs/State-Governments and also instances where central PEs have joined the state PEs. For example, Karnataka Antibiotics & Pharmaceuticals Ltd (1981) was set up with 63% equity by the Government of India and 37% equity by the Government of Karnataka. The southern Pesticides Corp. Ltd (1980) [Hindustan Insecticides Ltd. (CPE) and a SPE of Government of Andhra Pradesh], Maharashtra Antibiotics & Pharmaceuticals Ltd (1979) [HAL (CPE) and SICOM (SPE of Government of Maharashtra)], Orissa Drugs and Chemicals Ltd (1979) [IDPL (a CPE) with a SPE of Government of Orissa] are some such instances.

2.2. LEGAL FORM

Activities of the Government can be managed by setting of different types of organisations having different legal status. When Government activities were mainly concerned with the administration and defence against foreign aggression, there was no need for inventing different legal forms. But, expansion of Government role, variation in Government activities became marked. Different activities needed varying degree of autonomy, flexibility and control and hence PEs were formed in such a way that they may be able to operate with utmost efficiency. Usually, four legal forms are adopted. They are:

- Departmental Enterprises
- Statutory Corporations
- Control Boards
- Joint stock companies

Departmental undertakings: Departmental undertakings are financed by annual appropriations from the treasury and major share of their earnings is paid into the treasury. They are subjected to budget accounting and audit controls applicable to Government activities. Permanent staff of such undertakings consists of civil servants. Indian Railways, Central Public works Departments are examples of this form. Ammunition factories also come under this category.

Statutory corporations: Statutory corporations are wholly owned by the state and are created by specific enactment defining their objectives, powers, privileges, form of management and relationship with the Government departments. They are independently financed except for appropriation to provide for capital or to cover losses. They are treated as separate legal entities and can raise funds by borrowing from Government and non-Government sources. Statutory Corporation form has advantage over the departmental form because each corporation can have special features built into it to meet its specific requirements. Since statutory corporations are set up by the Parliamentary Acts, they are established only after a full debate. Because of the lengthy process involved in it, there is an automatic check on the number of PEs. Corporations derive their rights from the Parliament and hence the Parliament is likely to safeguard those rights, especially against the possible encroachment by the
executive wing of the state. Food Corporation of India (1965), Central Warehousing Corp.(1957), National Airports Authority of India (1986) are examples of statutory corporations.

Control Boards: In the initial period this form was used in India in case of large-scale hydro-electricity projects. Instead of a departmental activity, a separate Board is created to deal with the concerned river-project. The object is to overcome the rigidities inherent in Government departments. Bhakra-Nangal-Project, Damodar Valley Corpn. are examples of this form.

Joint-stock company: Joint-stock company form is the most widely used form in India. The PEs are set up under the general law viz. the companies Act 1956. Hence, they are governed by the Memorandum and Articles of Association which lay down the objectives and rules of internal management respectively. They are exempted from the accounting and audit laws and procedures applicable to Government departments. Their audit and accountability to Parliament is secured through double audit, and Comptroller and Auditor General’s (CAG’s) remarks on annual reports. Submission of annual reports by the PEs to the Parliament is obligatory. Employees of the Government companies except deputationists are not civil servants. However, certain judicial decisions have placed them at par with Government employees. During the earlier phase of the planning era some PEs were set up as Government departments and were later converted into joint stock companies. Indian Telephone Industries Ltd (1948), State Farms Corp. of India Ltd (1969), Videsh Sanchar Nigam Ltd (1986) are some such examples.

In case of some PEs, the Procedure was somewhat different. Running PEs were entrusted with new projects and these projects were converted into separate joint-stock companies. For example, Nangal Paper & Pulp Company Ltd. was initially a project under Hindustan Paper Corporation Ltd.

2.3. CHOICE OF LEGAL FORM

There has been a heated debate on the issue of choice of form in earlier periods. Company form was criticised by many, because it invades constitutional responsibility which a PE should have to the legislature. Absence of shareholders (except the Government) automatically renders large and important branches of company law totally inapplicable. Its autonomy depends on the outlook of the persons occupying posts in the administrative machinery. On the other hand there had been a strong group of thinkers which advocated company form in spite of these objections. Company form is likely to make PEs feel and act like a private enterprise and bring them under the same discipline of companies Act. PEs will have to adhere to sound commercial practices as separate commercial entities. Operational flexibility, higher degree of formal delegation of power and associating non-officials with PEs become easier under company form. PEs are exposed to the discipline of the capital market which is likely to ensure viability.
Besides these logical, theoretical justifications, company form is found to be more convenient in case of take-overs, nationalisation, joint-ventures and establishments as well as termination of foreign participation. Practical advantage of company form is found to be the ease in obviating need to go to the Parliament each time Government wanted an independent administrative machinery for new projects.

In India, the choice has been in favour of the company form. Only 7 PEs out of 237 are statutory corporations PEs. They are:
- Oil and Natural Gas Commission
- Central Warehousing Corporation
- Food Corporation Of India
- Air India
- Indian Airlines
- Delhi Transport Corporation.
- National Airport Authority

The Industrial Policy Resolution (1948) had expressed preference to statutory corporation. Categorical statement of Government’s deliberate policy in this regard was not modified in the second Resolution on industrial policy issued in 1956 or in any subsequent declarations. Krishna Menon Committee (1959), Estimates Committee (1960) 80th Report again recommended the statutory corporation form. But "Government showed distinct and almost overwhelming preference for the company form" commented ARC while reiterating the recommendations (1967). Those who advocated company form, were mainly interested in the operational efficiency, procedural flexibility and greater degree of autonomy that the form is expected to bring in.

**Observation 2.1.** But, in practice, there has not been any difference as regards operational efficiency in PEs under these two categories. Apart from technical and theoretical differences in securing public accountability, there is no significant practical difference.

There is no correlation between the legal form of a PE and the quality of its performance. Government companies have attracted more control attention from the Government rather than the shareholder interest.

**Observation 2.2.** Thus apart from being inconsistent with its own decision, the Government has failed to achieve the very benefits for which the choice was justified. The only outcome of this choice has been the unprecedented quantitative growth of PEs due to the absence of automatic parliamentary check on their incorporation.
2.4. NATIONALISATION AND TAKE-OVERS

Size of public industrial sector has increased considerably due to Government policy to take-over the running private concerns. Two guiding principles were accepted while deciding a case for nationalisation.

- Nationalisation in order to secure a larger share in some key sectors.
- Taking over sick private concerns in order to protect the employment therein.

Nationalisation of Air India (1953), of Scindia Shipyards (1961-renamed as ‘Shipping Corporation of India’) are instances of the first category. Taking over of Bharat Wagon & Engineering Co. Ltd (1978), The Elgin Mills Co. Ltd. (1981) and Bird, Jute & Exports Ltd. (1986) are some cases of take-over of sick units. Till 1990, 1111 non-financial undertakings were taken over with total investment of Rs. 4592.52 crores.

2.5. GROUPWISE PERFORMANCE

There were 237 non-banking, non-insurance PEs in 1992. According to Annual Survey Report, PEs are classified in 21 groups based on the nature of activities they perform. Detailed information about the PEs and their performance is already given in chapter 1 (Table T 1.1). Groupwise performance of PEs is given in table T. 2.1. Out of 21 groups, 12 groups have incurred losses. In absolute terms, the steel group has incurred maximum loss and textile group accounts for maximum rate of losses. Fertiliser group is the leader as far as accumulated losses are concerned. Petroleum sector leads the profit making PEs and ‘coal & Lignite’ group accounts for maximum numbers of employees. Textile group which is a sick sector occupies third place as far as employment is concerned. Even consumer goods group has incurred losses. There can be logical justification for continuation of loss making consumer goods PEs. Profits made by PEs as a whole in 1991/92 were mainly due to the increased component of ‘other income.’

2.6. MINISTRY-WISE DISTRIBUTION AND STATE-WISE DISTRIBUTION OF PEs

Ministry-wise and state-wise distribution of PEs is presented in the tables T 2.2 and T 2.3. Each PE is brought under a particular Department and Ministry. PEs are responsible to their administrative Ministries and are governed by them. There is a wide variation in the number of PEs covered by different Ministries. For example, there are 53 PEs under the Dept. of Heavy Industries, Ministry of Industries. And as many as 6 Ministries are entrusted with only 1 PE each.
Observation 2.3. Though PEs concerned with the Ministry should necessarily be brought under that Ministry, such a distribution leads to over-burdening for certain departments / Ministers which is bound to reflect upon the PE-government relationship and co-ordination.

Location of head quarters of PEs are considered while deciding the number of PEs in different states.

Observation 2.4. Majority of Head Offices are located in Delhi, which suggests the need is felt by PEs to be in constant touch with the Ministry.

Unequal distribution cannot be regarded as an indication of imbalance because factories are usually located in places other than that of the Head Offices.

Observation 2.5. But distribution of gross block and employment indicate regional imbalance in spite of a loud talk about regional balance.

Maharashtra leads with 16.26% of gross-block and Bihar leads with 18.64% of employment, while many states including Punjab do not account for even 1% of gross block or employment.

2.7. ORGANISATIONAL FORM

Macro-level choice of organisational form of PEs shows marked variation. The bases of diversity stem from four considerations.

- Whether the PE produces a single product or a number of products within a given sector.
- Whether the PE operates in one sector or in more than one sector.
- Whether the PE has a single location and plant or is spatially dispersed.
- Whether individual plants of a PE have a fairly independent status, from the legal standpoint.

Instances of almost all sorts of organisational forms are seen in India. There are single product PEs like Indian Telephone Industries Ltd. and multi-product, Multi-unit PEs like Hindustan Cables Ltd., Praga Tools Ltd., Bharat Heavy Electrical Ltd. operating in more or less in a single sector. HMT is an example of multi-unit, multi-product PE operating in different sectors. National Textile Corp. Ltd., SAIL, Coal India Ltd. are instances of PEs having separate legal parts operating in the same sector.

Observation 2.6. Government policy about choice of organisational form at the macro-level has been haphazard and inconsistent. Apparently, there is no regular pattern followed by the Government.
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<tr>
<th>Performance Indicators→</th>
<th>No. Of PEs</th>
<th>Employment</th>
<th>Capital Employed</th>
<th>Value of goods produced or services rendered</th>
<th>Cost of sales</th>
<th>% cost of sales to value of goods</th>
<th>Gain/Loss from operations</th>
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</tr>
</tbody>
</table>

GROUP-WISE DATA (1991/92) : PERFORMANCE INDICATORS
<table>
<thead>
<tr>
<th>No.</th>
<th>Ministry Name</th>
<th>PEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Ministry Of Agriculture</td>
<td>2.</td>
</tr>
<tr>
<td>3.</td>
<td>Ministry of chemicals &amp; fertilisers, Department of fertilisers</td>
<td>9.</td>
</tr>
<tr>
<td>4.</td>
<td>Ministry Of Civil Aviation &amp; Tourism, Department Of Civil Aviation</td>
<td>10.</td>
</tr>
<tr>
<td>5.</td>
<td>Ministry Of Civil Aviation &amp; Tourism, Department Of Tourism</td>
<td>7.</td>
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<tr>
<td>6.</td>
<td>Ministry Of Civil Supplies</td>
<td>1.</td>
</tr>
<tr>
<td>12.</td>
<td>Ministry Of Food</td>
<td>2.</td>
</tr>
<tr>
<td>17.</td>
<td>Ministry Of Industry, Department Of Heavy Industries</td>
<td>53.</td>
</tr>
<tr>
<td>27.</td>
<td>Ministry Of Steel</td>
<td>19.</td>
</tr>
<tr>
<td>29.</td>
<td>Ministry Of Textiles</td>
<td>22.</td>
</tr>
<tr>
<td>34.</td>
<td>Department Of Electronics</td>
<td>3.</td>
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</table>

### Table T 2.3. Spatial Distribution Of PEs 1991 / 92

(Accounting location of Head Offices)

<table>
<thead>
<tr>
<th>States</th>
<th>No. Of Pes</th>
<th>Gross Block (Rs. In Cro)</th>
<th>%</th>
<th>Employment (In Lakhs) %</th>
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</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>12</td>
<td>14556.50</td>
<td>9.44</td>
<td>1.05</td>
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<tr>
<td>Assam</td>
<td>4</td>
<td>5872.06</td>
<td>3.81</td>
<td>0.56</td>
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<tr>
<td>Bihar</td>
<td>15</td>
<td>12765.38</td>
<td>8.27</td>
<td>4.26</td>
</tr>
<tr>
<td>Gujarat</td>
<td>2</td>
<td>9673.74</td>
<td>6.27</td>
<td>0.52</td>
</tr>
<tr>
<td>Haryana</td>
<td>1</td>
<td>1254.30</td>
<td>0.81</td>
<td>0.20</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>1</td>
<td>1943.29</td>
<td>1.26</td>
<td>0.08</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>1</td>
<td>1584.88</td>
<td>1.03</td>
<td>0.08</td>
</tr>
<tr>
<td>Karnataka</td>
<td>16</td>
<td>2883.50</td>
<td>1.87</td>
<td>1.14</td>
</tr>
<tr>
<td>Kerala</td>
<td>5</td>
<td>1799.99</td>
<td>1.30</td>
<td>0.35</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>5</td>
<td>14285.61</td>
<td>9.26</td>
<td>2.86</td>
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<tr>
<td>Maharashtra</td>
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<td>25081.49</td>
<td>16.26</td>
<td>2.36</td>
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<tr>
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<td>0.11</td>
<td>0.02</td>
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<tr>
<td>Meghalaya</td>
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<td>11.68</td>
<td>0.01</td>
<td>0.01</td>
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<tr>
<td>Mizoram</td>
<td>-</td>
<td>54.66</td>
<td>0.03</td>
<td>0.01</td>
</tr>
<tr>
<td>Nagaland</td>
<td>1</td>
<td>153.52</td>
<td>0.10</td>
<td>0.02</td>
</tr>
<tr>
<td>Orissa</td>
<td>5</td>
<td>8523.73</td>
<td>5.53</td>
<td>0.79</td>
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<tr>
<td>Punjab</td>
<td>1</td>
<td>941.49</td>
<td>0.61</td>
<td>0.23</td>
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<tr>
<td>Rajasthan</td>
<td>6</td>
<td>2664.85</td>
<td>1.73</td>
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<tr>
<td>Sikkim</td>
<td>-</td>
<td>37.61</td>
<td>0.02</td>
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<tr>
<td>Tamil Nadu</td>
<td>7</td>
<td>7638.02</td>
<td>5.08</td>
<td>0.90</td>
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<tr>
<td>Tripura</td>
<td>-</td>
<td>369.48</td>
<td>0.21</td>
<td>0.2</td>
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<tr>
<td>Uttar Pradesh</td>
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<td>13656.88</td>
<td>8.85</td>
<td>1.33</td>
</tr>
<tr>
<td>West Bengal</td>
<td>42</td>
<td>10813.23</td>
<td>3.9</td>
<td>3.90</td>
</tr>
<tr>
<td>Andaman &amp; Nicobar</td>
<td>1</td>
<td>16.51</td>
<td>0.01</td>
<td>0.02</td>
</tr>
<tr>
<td>Chandigarh</td>
<td>-</td>
<td>219.47</td>
<td>0.14</td>
<td>0.01</td>
</tr>
<tr>
<td>Delhi</td>
<td>69</td>
<td>7635.57</td>
<td>4.95</td>
<td>1.34</td>
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<tr>
<td>Goa</td>
<td>1</td>
<td>74.78</td>
<td>0.05</td>
<td>0.03</td>
</tr>
<tr>
<td>Pondicherry</td>
<td>1</td>
<td>19.71</td>
<td>0.01</td>
<td>0.03</td>
</tr>
<tr>
<td>Arunachal Pradesh</td>
<td>1</td>
<td>120.96</td>
<td>0.08</td>
<td>0.01</td>
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<tr>
<td>Others</td>
<td>1</td>
<td>9043.46</td>
<td>5.86</td>
<td>0.31</td>
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</table>

Attempts were made to put a couple of PEs together at different times in an ad-hoc manner for reasons known to none but the policy-makers of the time. In 1959 Prof. Galbraith had advised that India should restrict the number of PEs, each being put in command of a considerable and increasing number of activities. The assumption was that a going concern can do many things and can always do better than a newly formed inexperienced organisation. But the Government never showed inclination to try multi-activity public corporations for reasons unknown.

With rapid increase in the number of projects, sectoral combinations under a single board of management were tried. For example, Hindustan Steel was made responsible for the construction and management of three major steel plants in public sector in 1950s. National Coal Development Corp. Ltd. and Fertiliser Corp. of India Ltd. were formed in 1956, 1961 respectively. For managing coal and fertiliser production in public sector, Industry-wise policy has not been systematically and consistently followed. Though at one time having a single PE in an industry was the aim, after accepting the policy, it was not followed to its logical conclusion. In the pharmaceutical sector more than one companies allowed to operate simultaneously.
Probably, practical problems were faced by the Government in integrating concerns with different historical backgrounds, practices varying technologies, sizes of operation etc. Differences in financial viability of separate PEs might have also proved to be a hurdle. One does not come across any explicit explanation for these inconsistencies.

ARC had strongly recommended setting up of about a dozen sectoral corporations to cover all important sectors. The commission had pointed out following advantages:

- Integration of efforts to develop each industry in the public sector.
- Reduction in the span of Government-control.
- Relative freedom to PEs and detachment from the bureaucratic control and political influence.
- Effectiveness of Government control due to its restrictedness to vital and strategic aspects.
- Ease in the establishing extensive staff-organisation in specialised fields like designing, consultancy, industrial engineering, costing, management accounting etc. at the level of corporation.
- Improvement in the prospects of managerial department in technical and administrative areas.
- Prospects of getting economies of scale and establishing common service facilities.
- More rational utilisation of specialised personnel and expensive equipment.

In spite of sound logic behind this ARC recommendation, the Government stated that “(We) do not consider the setting up of sectoral corporations need be accepted in principle”. Government kept its option open in particular cases depending upon the requirements / merits of individual cases.

Instead of forming sector corporations the Government considered the desirability of forming holding companies. In early seventies, a study team was sent to Europe to examine the working of holding companies. A holding company is that which by virtue of its share ownership in other companies is able to exercise control over the management of these other companies. This form was tried for steel sector in the hope that civil-service culture in PEs would be replaced by business culture. In 1973, SAIL was formed and in 1975 Coal India Ltd. was formed. Though both were holding companies, there was no similarity in the composition of Boards and other details. This experiment was given up without giving it sufficient time and SAIL was converted into an integrated company in 1978 by a special Act.

Again in 1984 Arjun Sengupta Committee advocated holding company form for core sectors with a view to introduce intermediate level of management and minimise Government - PE interface. The holding companies alone were expected to deal directly with the Government and subsidiaries were not to bother with the Government directly. The Bharat Bhari Udyog Nigam Ltd. and the Bharat Yantra Nigam Ltd. were set up in 1986. There were no similar exercise since then.
2.8. MICRO-LEVEL ORGANISATIONAL FORM

The issue of organisational form is not only of academic interest because it decides the degree of decentralisation of powers and autonomy. In India many PEs are of monolithic unitary nature. Though monolithic structure is conducive to better co-ordination and though it reduces duplication of functions, it leads to marked tendency for over-concentration of power. This may culminate into bureaucratic type of management with inherent rigidities and consequent delays. Monolithic structure is not conducive to either industrial democracy or development of managerial talents at subsequent levels.

Federal structure provides better scope for decentralisation. But, in India, large PEs follow monolithic structure. Many functions are externalised and vested in the administrative ministries. There is almost unanimous opinion amongst the thinkers in favour of need for decentralisation. In spite of expert opinion and Government declaration to promote the same, extent of delegation of power has deteriorated from top to bottom.

Observation 2.7. And even where powers are being delegated, either they are made ineffective by requiring all sorts of approvals or PE executives have shown tendencies to pass the responsibility upward.

The delegated powers of the Board of Directors are limited as compared to those enjoyed by the Boards of private corporate industries. Even EARC in their report concluded that the moderate powers given by one hand are taken away by the other. Similar tendencies have permeated at subsequent levels of management.

SECTION B

2.9. BOARD OF DIRECTORS

Government companies are managed by the Board of Directors. The members of the Board are not elected but are nominated by the Government. Working of the PEs largely depends on the quality of the Board members and the powers that they are allowed to exercise. Since Government is the sole authority to decide the nature, composition, size and powers of the Board one would expect judicious policies in this matter. But, Government has been apathetic towards decisions and implementation of the accepted policies.

Functions of the Board can be generally classified into four categories:

- Establishment of policies and general strategy.
- Decisions regarding financial matters.
- Selection and appointment of key personnel.
- Receiving reports on the performance of the enterprise and passing judgement upon them.
In case of government companies some of these functions are vested with the Government.

**Composition of the Board and Board Appointments**

A Board can either be a policy Board or a functional Board. Parliamentary committees favoured Functional Boards while the top executives from PEs preferred policy-Board. Fluctuating policy is evident in case of many large PEs. For example, in case of Hindustan Steel Ltd, initially a policy board was introduced which was later changed to a functional one. Once again it was made a policy -Board and later on, a functional one.

**Observation 2.8.** There is a room to believe that these changes were made according to the opinions of Ministers at the times. Such instances show the casual outlook of the Government.

ARC had recommended a mixed Board for the sectoral corporations, a committee of management of functional nature for subsidiaries of a fairly large size and one executive for subsidiaries of comparatively small size. Government did not accept the recommendation of setting up sectoral corporations but they accepted the suggestion to have at least 2 functional directors for PEs of small size. And yet in 1978 COPU found that out of 197 PEs examined, majority of PEs did not have functional directors. EARC (1985) came across similar cases and recommended that there should be a one-time exercise by Public Enterprise. Selection Board (PESB) in consultation with the administrative ministers to determine the number of functional directors in each PE. Government accepted the recommendation but the formal circular was circulated in 1988. If the Government had really meant to implement it, it would have meant 500 additional full-time functional directors.

**Observation 2.9.** Government approach has been apathetic and irresponsible in this respect also.

**Official Directors**

There are three angles to this issue.

⇒ What should be the number / ratio of the official directors on any PE-Board?
⇒ On how many PE-Boards can a single Government officer be appointed as an official director?
⇒ Who will be considered eligible for the post of official director?

ARC had recommended not more than 2 official directors on the Boards of sectoral corporations and no official director on the subsidiaries. Since Government did not set up sectoral corporations, all that they could have done was to restrict the number of Government directors to 2 in all PEs. But COPU found that in 39 PEs the strength of official directors ranged from 4 to 12 and in 5 PEs the board consisted of only government directors.
In 1982, Fazal committee had argued against the practice of official directors and in 1985, EARC reiterated ARC recommendation. EARC stated in unambiguous words that 1 representative from administrative ministry and 1 from the Finance Ministry would suffice.

It was observed by COPU that single Government officer was appointed as a director of as many as 10 to 12 PEs. Such cases were not uncommon is case of those PEs which come under Ministries having many PEs under them. Government decision (1961) that Government officials not below the rank of joint - secretary should be on the Boards was responsible for this state of affairs. EARC recommended that the posts of joint-secretaries should be increased and those of deputy - secretaries be reduced whenever necessary.

Government has not clearly laid down the qualifications necessary for official directors. But Government decided in 1961 that MPs, MLAs and secretaries of Ministers should not be appointed as Board members. Yet, it was not uncommon to find such cases. COPU observed that in 10 PEs Government officials were chairmen and in 5 PEs secretaries were directors. COPU recommendation (6th L.S.) that MPs should be included on the Board was turned down.

**Top - executive of PEs**

It was never decided that whether a PE should have only part time chairman with a full time MD or a chairman - cum - MD or a part time chairman and a part time MD Arbitrariness pervaded all along. ARC had recommended CMD and Government had accepted it. But in 1977 COPU observed that 10 PEs had only part-time chairmen without full-time MDs and in few cases both were part-timers.

**Observation 2.10.** Having two separate persons and posts was considered as a ‘transitional stage’ by experts like S.S. Khera, but this stage has prolonged for quite a some time.

Issue of interest representation on PE Boards has been discussed by the thinkers. A group advocated adequate representation to divergent interests while another group felt that such an arrangement will prove inimical to consistent decision-making. Though there has not been a conscious policy as regards interest representation, labour interest is usually taken care of by appointing persons associated with labour movements instead of appointing persons from among the trade unions of PEs. Consumer interest is rarely represented due to unorganised nature of the group except where major purchasers are the Government departments or other PEs.

Timely appointment of chief executives of PEs is closely connected with the working of PEs. Since 1974, Public Enterprise Selection Board (PESB) is in charge of selection of candidates. Actual appointments are made with the approval of the Appointments Committee of the Cabinet headed by the Prime Minister.

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Observation 2.11. In spite of this special machinery and predetermined procedures instances of top-less PEs and vacancies at the Board level are many.

For example, at one time there were 35 vacant posts of chairmen / MDs in PEs. In 1978, COPU (6th L.S.) recommended that it should be obligatory to place a successor in position 6 months ahead. In 1985, EARC expressed the same opinion in more emphatic words. Delays in filling the top-most posts are attributed to delay in decision-making at the Ministerial level and to appointee’s reluctance to accept the post. The PSEB has a computerised data bank of over 3000 persons and there are about 500 posts in purview of PSEB.

Observation 2.12. And yet no satisfactory solution has been found. Though PESB was brought under the Department of Personnel directly under the PM, prolonged stop-gap arrangements are very common even now.

Government always kept option open to make use of managerial expertise from private sector. Decision to that effect was taken in 1961 and was endorsed by ARC in 1967. COPU (6th L.S.) opined against this practice but Government asserted that such appointments are made ‘on the basis of proven ability’ with the approval of the highest authority in the Government.

Observation 2.13. If managerial expertise from private sector is to be of any use, people associated to same industry / sector are bound to be considered. But that places the Government in a dilemma of either choosing experts having vested interests or not availing PEs of the private expertise.

Size and the Tenure of the Board

ARC correlated the size of the Board with the size of the PE when they recommended 7 to 11 Board members on the Board of sectoral corporations, management committees for large subsidiaries and a single executive for small subsidiaries. Usually the number of Directors varies between 12 to 15 for multi-unit / multi-regional PEs. Short tenure resulting into fast turnover has been a particularly weak spot of PEs.

Observation 2.14. Tenures of part time Directors, full time Directors and chief executives are unreasonably short in spite of frequent announcements by the Government to find a solution.

COPU had recommended 5-year tenure for MD / Chairman but Government thought 2 year tenure to be desirable. In 1978, COPU found that the average tenure of MD/Chairman was less than 2 years. In a study of EARC, 48 PEs out of 71 studied, had 2 to 5 chiefs within a period of 5-years and in case of NTC, there were 9 chairman in 12 years. They recommended a 5-year contract in the first instance and a 10-year contract or appointment till super annuation (whichever is earlier) if MD/Chairman has done well. Similar arrangements for Board members
were recommended. In 1986, Government issued orders for the effect. For part-timers, 3-years tenure and rotational retirement was recommended, because the then existing practice of all part-time non-official Directors retiring at the end of Annual General Meeting (AGM) led to discontinuity in working and over-influence of official directors. But since that needed amendment in the Articles of Association of different PEs, it went into background.

Problem of termination of contract and removal of the top executives was dealt for the first time by EARC. They found that many removals could have been based on political and personal considerations. One year probation and 3-month notice for premature termination of contract were recommended by the Sengupta committee and endorsed by the EARC.

Poor attendance of Board-Directors at the Board meetings was first brought to light by COPU (6th L.S.). They observed that the attendance was less than 50% at times. The COPU asked the Government to put a ceiling on sitting fees to which the Government agreed.

Conclusion 2.1. Replacement of disinterested Directors can be equally bad if sitting fees are inadequate and new Directors are equally pre-occupied.

Powers of the Board
Board's powers are delegated powers. They have a right to make appointments to all posts below the level of Board-Directors according to the procedures laid down by the PESB. The Board can sanction capital works for which detailed project reports (DPR) with different components of projects are already approved by the Government Proposals for capital work exceeding a prescribed limit are required to be submitted to the Government for approval. Initially the financial limits were arbitrarily decided but later they were rationalised by correlating those with gross-block. Usually even these moderate financial powers are nullified due to a condition that the capital outlay in question should stand included in the Annual Plan and Budget. Financial powers are revised from time to time. In case of working capital, in the pre-bank nationalisation period, PEs were required to deal with State Bank of India (SBI). Rigid procedures of SBI posed problems. Later on with nationalisation of scheduled banks the problem was ameliorated.

Observation 2.15. There has been no clarity about the distribution of powers as between the Government and the PE- Boards. The situation has worsened because of all-pervasive monitoring systems and Government guidelines.

Both the Sengupta committee and EARC expressed concern regarding the gradual and constant erosion of powers of the Board. They opined that the managements could not be expected to deliver the goods if they are crippled by approvals, procedural delays, multiplicity of regulating agencies and obligation to fulfil demands from the Government agencies for information. Hence the Sengupta committee recommended Memorandum of understanding.
(MOU) system and EARC categorically analysed the possibility of reducing controls. Introduction of partial divestment schemes in selected PEs since 1991, is the natural outcome of attempts at increasing autonomy of the PEs.

SECTION C

2.10. ACCOUNTABILITY OF PEs

Delegation of functions connotes accountability and there arises a need to measure performance. Accountability is a corollary to a delegation and it is made obligatory to a delegation and it is made obligatory as and when necessary by working it compulsory by law.

In the words of Minocha O.P. 12 “Accountability means to give an account of one's actions and to report on the achievements and failures together with explanation, of the declared objectives.”

Rationale:

I. PEs are set up with the public funds and are meant to serve as an instrument of govt policy. Hence they are held accountable to the government and the parliament.

II. Since management has no financial stake in the PEs, accountability for their action and end-results becomes all the more important. 13

III. In case of private enterprises, management is accountable to the shareholders who have a right to replace it with a better one in case of unsatisfactory performance. But in case of PEs, the management does not have to face shareholders in AGM. Being the major / only shareholder the Government safeguards owners’ interest.

IV. Norm of satisfactory performance is comparatively simpler in case of private concerns. Profit-earning and distributing dividends are the norms about which shareholders are bothered. Since profitability is not the sole indicator of performance in case of PEs, there is more need for accountability.

V. Most of the PEs are set up under the companies Act and managements are legally separated from automatic Parliamentary controls. Alternative arrangement for Parliamentary control becomes inevitable.

VI. In Parliamentary democracy, Government being the executive body, is accountable to the Parliament for all its action. Government finds it necessary to well-informed about PE working so as to defend them when necessary.

VII. Being in a superior position due to easy access to information from all the PEs, Government gets complete overall view of the public sector. For better co-ordination and uniformity and for consolidating the efforts of PEs, Government tries to pool the experience and expertise.

Accountability is ensured through controls. Controls are of three categories.
A. Legislative Control: Instruments of legislative control are - 1) Debate and questions, 2) Submission of Annual reports, 3) Submission of audit reports of the Comptroller and Auditor General (CAG), 4) Committees on Public Undertakings.

B. Statutory Control: Office of the CAG and the Audit Board are empowered to audit PEs.


2.11. LEGISLATIVE CONTROL

Among all the instruments of legislative control at the disposal of the Parliament, questions and debate on the floor of the house is rather a weak one. Though it attracts the public attention, it rarely affects the actual performance of PEs. Because of constant threat of criticism in the Parliament, PE-executives have tended to become reluctant to take any decision which may attract attention of the Parliament. Parliamentarians are expected to restrict their questions to policy-matters only but in their enthusiasm to probe, they go beyond the legitimate area. Since PEs are directly accountable to Administrative Ministries and the ministries to the Parliament, Administrative Ministries are inclined to over-monitor the PEs.

Annual reports of the PEs are presented to the Parliament in the form of consolidated Annual Survey Report since 1961. Information regarding all central PEs is presented in those reports. Since 1965 Bureau of Public Enterprise (BPE) is entrusted with this task. The presentation of data has undergone many changes over the years. At present, it is published in the form of three volumes.

CAG is the statutory body responsible for audit of the annual accounts and reports of PEs. CAG's approval in the form of 'no-remark' is necessary before presenting the reports to the Parliament. CAG also presents reports on selected PEs (by rotation) every year to the parliament.

Committee On Public Undertakings (COPU)

At present there is a joint Parliamentary Committee On Public Undertakings which thoroughly examines PEs. There are 22 members in the Committee; 15 from Lok Sabha and 7 from Rajya Sabha. Till 1964, Public Accounts Committee (PAC) and Estimates Committee between them performed this function. PAC concerned itself with the reports of CAG while Estimates Committee dealt with overall performance, efficiency and management of PEs. Estimates Committee published 67 reports on PEs.
Need for a separate committee was felt and after a fight for about 11 years (since 1953) COPU came into being in 1964. The COPU selects PEs for examination. Every year 7 to 8 PEs are examined. Studies regarding specific areas of operation or common subjects are also undertaken. Reports on such common areas are called horizontal reports. COPU asks questions to Government officers, PE-executives and calls for information from PEs / Ministries / BPE. After scrutinising the material and after conducting study-tours and getting explanations, the members prepare reports. Usually sub-committees are formed for proper division of work. Action taken reports (ATRs) are prepared after receiving Government replies and COPU pursues all important matters till they get final answers from the Government.

Till 1991/92 440 reports were published. Of these 218 were Action Taken Reports and 27 Horizontal reports. Only 79 PEs were covered out of 237, leaving out 158 PEs from individual evaluation.

Their recommendations are of two types : a) advisory and b) regulatory. Once accepted, they are sent to the PEs / Ministries by the BPE in the form of guidelines. Office memoranda are duly circulated and manuals on important matters are prepared for the benefit of PEs.

**Observation 2.16.** In practice, it has been very difficult to differentiate mandatory guidelines from advisory ones. As things stand today, there is no separate agency to ensure implementation of accepted recommendations. COPU has only recommendatory powers but guidelines are treated as Government orders by all concerned including CAG. In spite of repeated suggestions from COPU and EARC neither the Government nor the BPE have clarified the matter by differentiating advisory and mandatory guidelines.

So far, COPU has prepared 694 reports. Many PEs are not being examined even once and some large PEs have attracted frequent attention. (Appendix 2.1.) The quality and content of the reports have improved over the years and they are being taken in the right spirit by PEs.

**Statutory Audit**

The constitution prescribes independent audit of public accounts and it is independent of the executive Government. In 1956, provision was made whereby the audit of PEs would be conducted by professional auditors appointed by the Government on CAG's advice. CAG has the power of supplementary audit.

In 1969, CAG's Directorate of Commercial Audit was converted into Audit Board. Since then, the Audit Board covers the entire working of PEs. The Audit Board's report is included in the Audit Report (commercial) of CAG after CAG's approval and it is presented to the Parliament. In addition to the regular audit by professional auditors (who are virtually nominees of CAG) supplementary audit of a few selected PEs is conducted by CAG. He is empowered to
undertake efficiency audit and propriety audit. In practice, some efficiency audit is undertaken in a piecemeal way. Not much propriety audit is conducted.

CAG's supplementary audit has attracted criticism because of its insufficient coverage. Only 5 to 6 PEs are dealt every year out of 237. Some people question the necessity of double audit of PEs. In spite of ARC recommendation not much has been done to augment the expertise of CAG's audit-staff.

2.12. GOVERNMENT CONTROL

Since Government is accountable to the Parliament PEs are made more and more accountable to Government agencies. Most of the PEs have originated in one or the other Ministry and have had substantial number of civil servants as deputationists with them. They used to look to the Government for help and guidance even for matters very much within their authority, which has laid 'precedence.' While legislative and statutory controls are exercised by agencies lying outside the line of authority, in case of Government control, the line of authority is extended above the Board to Administrative Ministry.

Charter of Management: Government control varies according to the legal form of a PE. In case of statutory corporations, the statute decide the power of PEs. In case of Government companies, Articles of Association and Memorandum of Association along with 'Instruments of Instructions' and standing directives delimit the scope of powers of the Board. They provide for top-level appointments / dismissals by the Government, reservation of certain matters for the consideration / prior approval of the Government and obligation to refer certain matters to the Government. Instruments of Instructions contain a list of directives including methods / procedures to be adopted in conducting business. Issuing of Instrument of Instructions at the time of inception of a PE in every case would have defined the purpose and targets before PE and reduced frequent interference by Ministries.

Observation 2.17. It would have provided a standing document of reference against which to compare actual performance of PE. But Government preferred ad-hocism.

Provision of Law: Most of the PEs are set up under the Companies Act and hence the Board is under legal obligation to abide by the provision of the Act. Section 619 A of the Act makes it obligatory for all Government companies to submit an annual report to the Government.

Observation 2.18. In spite of all its controlling systems, the Government has not been able to make PEs submit reports in time.

In 1979/80, 72 PEs out of 200 PEs could not finalise reports within prescribed period. Corresponding figures for 1984/85 and 1990/91 are 92 PEs and 55 PEs out of 234 PEs and
236 PEs respectively. Lapses regarding holding of AGMs are quite common. For example, 80 PEs out of 207 PEs could not hold AGMs in time in 1984/85.

Administrative Ministry is the most important Government agency because dialogue between PE and other Government-agencies is routed through it.

Observation 2.19. Though this type of arrangement facilitates co-ordination, PE-executives generally do not like excessive control because non-technical persons with neither experience nor expertise are entrusted with decisive authority.

Generally out of two official directors on the Board of a PE, one represents Administrative Ministry. In case of selection of non-official Directors, the Administrative Ministry has a say in the matter. Approvals and clearance from the Administrative Ministry are made obligatory on a number of issues.

Observation 2.20. In spite of Govt proclamations to give more autonomy to PEs, there has been a definite increase in the number of cases requiring Government approvals.

They are required to get approvals for investment proposals, annual capital budgets, foreign exchange releases, minor aid allocations, indigenous purchases and contracts, release of funds for projects, price-revision and organisational changes. PEs are handicapped because of the time-consuming, rigid procedures involved therein. EARC, after discussing the issue in a separate section, concluded that many cases of prior approvals are not necessary and there is ample scope for simplification of procedures. PEs are placed at a disadvantage in comparison with the private concerns. EARC recommended that official Directors should be entrusted with the task of ensuring fairness and propriety in such matters. But, in spite of repeated recommendations for liberal policies, there is no change in the Government approach.

Administrative ministries can issue formal directives for PEs. So far, Government has issued only one directive with reference to reservation in employment, which is applicable to all PEs (1971). Administrative Ministries make use of 'guidelines.' Recommendations accepted by the Government are formed into guidelines; office memoranda, circulars and orders are duly circulated by concerned Ministries among PEs under their control. Administrative Ministries have a right to call for returns, accounts and other information. Till 1967, there was great variation in the number and content of returns / reports submitted by PEs under different Ministries ranging between 59 (ONGC) to 3 (Instrumentation India Ltd.) in a year. In 1975, after an in-depth study of existing reporting systems, Integrated Management Information system was introduced. 8 quarterly reports for projects under construction and 4 reports on monthly, quarterly, half-yearly / yearly basis for on-going projects were prescribed. In addition, 'endless stream of queries and requests' regarding specific decisions are invited. In 1980, five formats of returns were decided. And yet in 1985, EARC commented "It will not be an exaggeration to say that the Ministries have tended to integrate and absorb the Public
Enterprises and convert them into mere extensions of themselves." They asserted that the management information system must stop with the Board, number of reports should be restricted and the Government - PE interface should be through official Directors.

**Observation 2.21.** The Government did not take necessary steps and COPU reports continue to recommend similar changes. Due to voluminous communication at frequent, irregular and regular intervals, many persons are engaged in this task. Whole exercise seems more meaningless when one sees that the information so collected is not stored scientifically. Different Government agencies keep on asking for the same information separately and even COPU cannot get prompt information from BPE or the Ministry.  

**Meetings**

In addition to the returns and reports Quarterly Performance Review Meetings (QPRM) were made obligatory for all PEs. But many Ministries / PEs did not take meetings seriously. Repeated queries by COPU were totally ignored by BPE and no information was provided about Ministries not holding QPRMs regularly. However, number of PEs not appearing before Administrative Ministries has gradually decreased. 92, 61, 46 PEs did not come for review in 1977 / 78, 1978 / 79 and 1979 / 80 respectively. Finance Ministry exercises control on all the PEs, whenever they have to ask for financial provisions.

**Public Enterprise Selection Board**

Prerogatives of the Ministry and the Appointments Committee of the Cabinet (ACC) are preserved for top level appointments and PESB is in charge of selection to these posts. Prior to 1974 Government relied on civil servants for manning the top posts and BPE used to maintain a list of suitable candidates. In 1957, Industrial Management Pool (IMP) was created to fill in the non-technical, high-level managerial posts in PEs. Empanelment system and IMP presented some practical problems. Hence in 1974, PESB was set up with a senior official of planning commission as its chairman. Director General of BPE, Secretary to the Government of India and a chairman of a PE are other members of PESB. PESB co-opts an expert from the industry to which the vacancy is related. All posts at end above the Board level are within the purview of PESB. PESB is closely connected with formulation of selection, appraisal, training and development programmes of PEs. Appointments are made from the panel of names given by PESB, with the approval of ACC.

In 1980, PESB was reconstituted and a system of selection in anticipation of vacancies was introduced. The system is not implemented effectively. Till 1986, PESB was located in BPE but since then it is under the Department of Personnel directly under the Prime Minister.
Bureau Of Public Enterprise

With rapid increase in the number of Ministries and expansion of public sector, the problem of co-ordination became severe. Till 1965, the project co-ordination Division of the Ministry of Industry was responsible for co-ordination, for all PEs. Different aspects of PE working were handled by different agencies. Management Division (committee on Plan Project), Industry Division (Planning commission), Dept of co-ordination (Finance Ministry) and Ministry of Home Affairs were all involved with this job.

In 1965, Bureau of Public Enterprise was constituted as an administrative unit under the Ministry of Finance. It was to serve as a brain-trust of PEs and as a nodal body. It was expected to serve the Government and to play the role equivalent to that of internal audit to management. But, more and more functions were added to its list with the result gradually it assumed the role of a regulator. Its functions are too wide and pervasive to be handled by any agency. BPE cannot enjoy confidence of PE-management and there exists a credibility-gap. PE management doubt the technical expertise of BPE personnel and on occasions BPE has admitted it.\(^\text{16}\)

In 1973, a special Action Committee was appointed to review the role of BPE. In 1985, BPE is transferred to the Ministry of Industry from the Finance Ministry. It is renamed as Department of Public Enterprise. It is divided into eight divisions, according to functional division.

\textbf{Observation 2.22.} With due credit to BPE, one cannot overlook that BPE has inherited all the defects of a bureaucratic organisations. It has become top-heavy over the years.

EARC recommended that the number, scope and coverage of the guidelines should be thoroughly reviewed and reduced.

\textbf{Ad-Hoc Committees}

The Government can appoint ad-hoc committees to examine performance and practices of PEs. A list of some important ad-hoc committees is presented below:

1. Committee on the Efficient Conduct of State Enterprises, 1951 (Gorwala Committee).
2. The Committee on Parliamentary Supervision Of Public Enterprises 1959 (V.K. Menon Committee).
4. The Fazal committee
5. The Committee To Review Policy For PEs, 1984 (Arjun Sengupta Committee)
6. Economic Administration Reforms Commission, 1985 (Jha Commission)

These committees have done valuable job of advising the Government on all relevant matters. Though all committees discussed about balance between accountability and autonomy, there has been erosion of autonomy. Ineffectiveness and excess of controls are criticised by all.
Sengupta committee’s remark that “direct intervention to be effective has to be limited” is worth considering. It is at the recommendation of Sengupta Committee that the MOU system was being introduced in 1988 and extended to almost 100 PEs by 1991 / 92. Thus these committees have helped the Government to shape its policies.

**Power of Investigation**

In the event of suspected foul play and irregularities on the part of PE-executives the Government can refer the matter to the CBI or Central Vigilance Commission. This provision is made applicable in case of chief-executives and Board Directors at the recommendation of EARC. Decision about investigation in case of employees below Board-level are taken by the Board.

### 2.13. OBJECTIVES

Out of various agencies mentioned above, a few undertake the task of evaluating the performance. For example, COPU, CAG, ad-hoc committees sit in judgement on PE-performance. But the issue of accountability cannot be resolved unless factors for which PEs are held accountable to various agencies is made explicitly known. It is a well-accepted proposition that PEs are not set up with profit-making as its major purpose. If this simple and popularly accepted norm of efficiency is not applicable to PEs, there should be some alternative yardstick for their achievements. The simplest way of laying down alternative norms is to define the objectives before the PEs. Clear statement of objectives is desirable because the management knows what is expected of it. In turn, they can set targets for their units / divisions and lower-level managers in order to ensure clarity of action. Secondly, management can be held responsible for non-fulfilment of objectives. The third point would be that evaluatory agencies find it easier to examine performance by comparing achievements with pre-determined norms. Finally if objectives are unambiguous, PE-managements/Administrative Ministries can defend PEs in and outside the Parliament if the objectives are fulfilled. Finally, in the absence of clear objectives, managements can conceal their inefficiencies behind the pretext of ambiguity.

Objectives should be set up at three levels. Macro-objectives can be declared by the Government. Micro-objectives are to be decided by PEs in consultation with their parent Ministries. Corporate objectives can be broken up to fix targets for individual units / divisions/ sub-divisions at different levels.

There has been unanimous criticism on the Government because of:

- Ambiguity in the statement of objectives.
- Multiplicity of objectives which are not always compatible.
- Practice of not assigning priorities / weightage to different objectives.
- Tendency to avoid quantification of objectives.
Macro-objectives

One observes a gradual but clear shift of stress on different objectives by the Government according to the need of the time. Rapid Industrialisation, efforts of import-substitution, aiming at self-sufficiency, export promotion and generation of surplus to be ploughed back in the economy were the objectives implied and pursued at different times. According to Kolesov V.16 "problems of reducing outlays and raising productivity went into the background, for it was necessary first of all to promote the construction of enterprises and to organise production without spending too much foreign exchange."

Observation 2.23. PEs were used as instruments of changing Government policy and they were later exposed to severe criticism from all quarters, without giving them full credit for their achievements.

Till 1977 there was no statement of macro-objectives and one has to search for it in the Plan Documents and Industrial Policy Resolutions. In the Industrial Policy Resolution, 1977 following macro objectives were declared.

- To help in the rapid economic growth and industrialisation and create infrastructure.
- To earn returns on investment and generate resources for development.
- To promote redistribution of income and wealth.
- To create employment opportunities.
- To promote balanced regional growth.
- To assist development of small-scale and ancillary industries
- To promote import-substituting save and earn foreign exchange for the economy.


Last four objectives contain some social element in them. From the viewpoint of individual PEs these objectives are contradictory to sound commercial practices. Creation of employment opportunities without reference to labour productivity, establishing PEs in far away backward regions without considering the viability and cost-aspect, import-substitution at irrationally high costs have resulted into adverse financial performance of PEs. Obligation to reserve a certain percentage of employment for specified categories of persons and Government tendency to over play the role of 'model employer' have social justifications.

Observation 2.24. But costs involved therein are not quantified and declared. No effort is made to systematically apply cost-benefit analysis to these obligations.

Government has been very reluctant to make authentic declaration on this issue. A demand by COPU to present a white paper on PEs was accepted in 1974 but the said white paper was never presented. BPE/Government did not find it necessary to state macro objectives on the plea that they are already declared in the Industrial Policy Resolution 1977.
Micro-objectives

Government was advised from time to time since 1963 by various committees to make it obligatory for every PE to formulate and declare their corporate objectives. But for years, Government did not take any action. In 1969, the Government replied that Memorandum of Association and DPR were sufficient indicators of objectives and there was no need for separate statement. Memorandum of Association merely lists out all the proposal activities of the company; it is just a legal formality. On the persistence of COPU the BPE asked all the PEs to formulate statements of objectives. But till 1986, neither the PEs furnished information nor the Ministries insisted for it. BPE did not commit itself to any date.

On the recommendation of Sengupta Committee, selected PEs were brought under the scheme of MOU. Those PEs which signed MOD, had to make a statement of mutually agreed objectives. With conscious efforts at reforming MOU system, statement of objectives are becoming clearer because of weightage assigned to them. But since majority of PEs still remain outside the programme of MOU, they have not yet formulated such statements.

2.14. CONCLUDING REMARKS

Though the PEs have a fairly long history of about 40 years behind them, an impartial student of public sector enterprises cannot claim that everything is all right with the policies and performance of PEs. Though one will have to go deeper to examine the managerial practices and performance at enterprise level, there are more than adequate indications that the Government has not been satisfactorily performing its duties regarding the PEs. Issues which are strictly and completely under the consideration of the Government are left pending without any apparent reason. There appears to be a considerable scope for improvement in macro-level decision-making and implementation of the accepted policies.

There is room to believe that this may be due to:

• unwieldy quantitative growth of PEs,
• lack of motivation and will on part of the Government to reform the PEs,
• lack of professionalism in the Boards of PEs.
List Of References

3. With coming into the effect of the 'Public Sector Iron and Steel Companies (Restructuring) and Miscellaneous Provision Act 1978, SAIL had been reconstituted as an integrated company and erstwhile wholly-owned subsidiaries of SAIL became independent companies.- P.1, vol. 2, Annual Survey Report, Bureau of Public Enterprises, 1978/79.
5. P. 55, Ibid.
6. P. 56, Ibid.
7. P12, 8th Report (Action Taken Report) 7th Lok Sabha, Committee on Public Undertakings.
9. P. 15 Ibid.
11. P. 75 Conclusion No. 22 97th Report, 7th Lok Sabha, Committee On Public Undertakings.
15. P. 51, 28th Report, 6th Lok Sabha, Committee On Public Undertakings.
17. Para 2.1, Report Of the Committee To Review Policy For Public Enterprise 1984.