ABSTRACT

Sound working of the Central Public Enterprises (PEs) is a vital determinant of the rate of economic growth of the whole economy. In spite of the unprecedented growth of PEs, there has been a general opinion amongst the elite against the expansion of the public sector, mainly due to inefficiency taken to be inherent in the PEs. However there has not been unanimity amongst experts about the performance of PEs.

Hence an attempt has been made to study the problems faced and practices followed by PEs. It has been found that the PEs were used as instruments of economic planning by assigning multifarious roles to them. The Government has learnt lessons, but at a slow pace. Inconsistencies in decision making, apathetic attitude of the Government and the managements towards prolonged unsatisfactory performance of PEs and towards the recommendations of various committees are found to be the main features of the working of PEs. Policy of coaxing and close monitoring has failed and hence a new approach is felt necessary.

Case-studies covering pairs of loss-making and profit-making PEs from the Fertiliser and the Pharmaceutical sectors revealed that those PEs could turn around which showed willingness and ability to learn from the past mistakes. A relationship between the efficiency and long term financial gains has been observed.

Conditions determining the possibility of success of PEs have been categorically deduced and discussed. Recommendations for a speedy and sizeable improvement in the working and financial results of PEs have been made. Specific suggestions have been given in case of IDPL and HFC, the loss-making PEs, which can be used as policy measures.