CHAPTER IV
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IMPACT OF PUBLIC ENTERPRISES ON RESOURCE MOBILIZATION THROUGH THEIR MULTIPLE ACTIVITIES

Introduction

In the preceding Chapter, we have studied the growth of Central Government undertakings during the Plan period. It was pointed out that the number of units has increased from 5 in the First Plan to 91 in 1969-70, and thereby they now engage a major portion of the Plan outlay. The behaviour of profit and loss of all these undertakings has also been discussed. After studying the profitability ratios we came to the conclusion that public enterprises have presented a gloomy picture in relation to resource mobilization through their monetary returns, while their counterparts in private sector are fulfilling the objective of creating surplus satisfactorily. But the task of measuring the performance of undertakings in public sector is much more difficult than in the case of private sector. The test of profitability provides a ready index for private enterprise. But in the public sector, other tests, such as the fulfilment of non-financial, social and national objectives prescribed by the Government have to be met in addition to the criteria of profitability. Public enterprises
have acquired a position of unique importance in our country. They function in vital areas of the economy. The country has invested millions of rupees in these undertakings. There are very high expectations from them, i.e., the success of these undertakings is crucial for the economic development of our country. They have the objective to build-up infra-structure of modern industry to achieve the ability to generate re-investible resources and fulfil the social and developmental objectives. The public enterprises in our country cover a vast and varied range of activities. They engage directly or indirectly in advancing loans, regulating trade, organizing promotional and developmental activities, manufacturing heavy machinery and machine tools, instruments, electrical equipments, chemical drugs and fertilizers, operating air, sea and road transport, building and construction, generation and distribution of electricity, mining of coal and mineral ores, and smelting and casting of steel and other metals etc.

It, then, becomes imperative to discuss their various functions in respect of mobilization of idle resources of the country in order to increase the capacity of capital formation. As already discussed, public enterprises provide monetary as well as non-monetary gains. The non-monetary gains from public enterprises through various developmental and welfare activities also help in economic development and thus raise the national income, which is being discussed in this Chapter.
As already mentioned, public enterprise plays an important role in the developmental process of many countries. Apart from any ideological predisposition, many developing countries envisage it on purely pragmatic grounds. However, the direct public intervention in the development of the manufacturing sector of the economy is indispensable.

From the point of view of public enterprise, we can distinguish three alternative developmental perspectives of the broadest kind. Some of the underdeveloped countries visualise an economic future in which the role of State is only confined to the provision of what is called the infra-structure.

On the contrary, the Communist countries like Russia and China have adopted the opposite perspective. Private enterprise - being regarded as fundamentally anti-social, a progressive and usually rapid expansion of the public at the expense of the private sector has been deemed to be necessary. There is third group of countries in which an attempt has been made to run the public and private sectors simultaneously. India presents a lively example of it. Here certain basic industries are to be permanently in the hands of State, some undertakings are to be thrown open to private entrepreneur, and the remaining enterprises are to be mixed through the joint establishment of government and private investors. Encroachments of the public on the private sector, or vice-versa are not to be left to individual interests but to be decided by
the planning authorities in the light of national economic interests.

Whatever may be the ultimate perspective, the role of public enterprise is positive for the economic development. It mobilizes the idle resources for productive investment by its diversified activities and thus increases the capacity of capital formation. Public enterprise provides infra-structure to all-round investment in the economy. It makes the industrial base for long-run development by establishing the basic and strategic industries. The other benefits of public enterprise, though, not calculated apparently, is to accelerate the economic development. For example, foreign exchange earnings enabling us to import the modern equipments for enterprises. Further, various undertakings save the foreign exchange reserves by producing indigenous goods which would otherwise have been imported. It is a job-generating source for the unemployed mass. This Chapter, therefore, attempts to analyse the significant role of public enterprise, keeping in view the aforementioned functions for the Indian economy. The study includes an examination of the extent to which they have succeeded in stimulating the economic development and in mobilization of resources for the development of the country.

Public Enterprise and Industrial Development

Planning in developing countries is considered as balanced approach for the economic development, as it leads to a rational
allocation of resources. Public enterprise is recognized to be one of the powerful tools to make the planning successful. After First Five Year Plan, industrial development has been given the top priority and public sector, in fact, has tried to implement the objectives.

When intellectually elite say their countries are underdeveloped, they mean in the first instance, that they have too little industry. Industrial development "is an effort in which the underdeveloped countries place a major hope of finding a solution to their problems of poverty, insecurity and overpopulation and ending their realized backwardness in the modern world". Industrial growth of basic industries is crucial to developmental strategy also because it radiates stimuli throughout the economy and lifts it out of stagnation. It provides the base for further industrial development. Modern industries are expected to raise the productivity of labour and increase the national output and income. Consequently, the rising incomes are then expected to swell the volume of savings to finance further investment. In this respect, industrial expansion once started touches off a progressive spiral, and it leads the economy from take-off to self-sustaining growth. The industrial development was stressed in India since the Second Five Year Plan. Rapid industrialization with particular emphasis on the development of basic and heavy industries was stated in the objectives of Second Plan. It was based on the

assumption that in the long run, the rate of development of the economy would be the function of the increasing rate of investment. The higher the rate of investment, the lower the income generated in the short-period but greater would be the speed at which the income will increase after a critical period. The idea was also stated in the Mahalanobis Model on which the Second Five Year Plan has been based.

The numerical explanation of the Model has been expressed as follows: "For any value of $\beta_c$ (with given $\beta_k$) the growth of the economy is slower for larger values of $\lambda_k$ up to a critical period. Once the critical period is passed the higher the value of $\lambda_k$ or $\beta_k$ (or of both) the quicker is the growth of the income over a long period of 20 or 30 years."

The plan framework has stressed the need of establishing and expanding the basic industries to manufacture heavy machineries with all possible speed. This enabled India to install new plants for the production of steel, engineering equipments, fertilizer, cement and other investment and consumer goods with the help of machinery manufactured in India out of domestic resources.

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1. N.B.1: $\lambda_k$ and $\lambda_c$ are fractions of total investment. $\lambda_k$ represents the investment in capital goods. $\lambda_c$ represents the investment in consumers goods $\beta_k$ is the ratio of increment of income to investment in industries producing capital goods. $\beta_c$ is the ratio of increment of income to investment in industries producing consumer goods.

The development of heavy and basic industries does not imply that agricultural development has been neglected. The agricultural production was emphasised in order to get-rid of the foreign dependence. Mahalanobis, while emphasizing on industrialization, considers that the deficiency of the food supply which has led to the difficulties of foreign exchange could also be solved by means of industrialization. He gives a numerical example of various methods of solving the difficulty of food problem from direct import to direct production which would increase food production.

The limitation of this long-term industrial process is, of course, the scarcity of resources. But actually, the objective was not merely for immediate needs. It was a continuing and expanding need for the coming years as development goes forward. India has the privilege of having plenty of iron ore, coal and other natural resources for the industrial development. The other point that an allocation of industrial activity favouring capital goods (rather than consumer goods) at least produces a volume of output that the economy cannot consume. The physical composition of output itself imposes a form of forced saving by preventing the output from being directed to current consumption.

In a developing country like India where unemployment is the burning problem, it looks unnatural to have the capital-intensive industries. Nevertheless, these industries can provide
the job opportunities by their spread-effects in the long-run. The demands and the supplies of these industries will stimulate further investment employing more people in the economic activities, as the rate of investment leads not only to the creation of income but also the creation of capacity.

Thus, obviously it was more economical from the national point of view to produce in India as much heavy machineries as possible. This ensures a supply of capital goods which would make India increasingly independent of inputs and strengthens its position in the world market. Here the role of public enterprise is significant. It was essential, therefore, that Government should have complete control over the heavy machinery industry so as to be able to fix prices to suit national needs. Apart from this, the private investors were unable to come forward with the huge investments required for these heavy industries. The reasons for the shyness of the private investment to gigantic plants is due to the fact that they prefer returns on investment in the shortest possible time. They take least interest in the capital-intensive industries because of long-gestation period. So the industries selected for State Sector are strategic for the economic development and take a very long period to come to the stage of production due to the technological reasons. For example, the Iron and Steel Industries take 7 to 8 years for an integrated steel to come to the stage of production from the time the decision is taken up. In other heavy
Engineering, Chemical and Fertilizer industries, the period of gestation usually extends from 5 to 7 years. When the Indian Government was seeking U.S. assistance for the Bokaro Steel Plant, the influential U.S. circles suggested "that the project should be taken up in the private sector. Hence, J. R. D. Tata, the doyen of Indian Private business clarified that project of the size of Bokaro Steel Plant was beyond the financial capability of the private sector. No wonder, that in such a situation, the public sector has to move to safeguard the growth prospects of the entire economy by taking steps for creating the necessary steel smelting capacity".

The public sector enterprises have covered many critical gaps in the industrial pattern of the country. The Hindustan Steel Ltd., Heavy Engineering Corporation, the Bharat Heavy Electricals Ltd., Heavy Electricals India Ltd., and the Fertilizer Corporation of India are instances of highly capital intensive projects of complex nature requiring very huge capital and urgently needed for rapid development to produce the basic commodities and equipments.

In the Fourth Five Year Plan, 64 per cent of the whole investment of the economy was proposed for the public sector. During the year 1969-70, 72 per cent of Rs. 4301 crores, invested

In all 91 Industrial and Commercial undertakings of the Central Government, was invested only in 10 giant capital-intensive operations. These ten complexes cover the Steel, Engineering Oil and the Chemicals industries.

The public enterprise has produced a considerable amount of the demand of total steel and fertilizer manufactured in the country. It is mainly due to the efforts of the public sector that the country is now nearly self-sufficient in the production of heavy power projects. The Mazagaon Dock, the Hindustan Shipyard Ltd., and the Garden Reach Workshop form the nucleous for the establishment and growth of the ship-building industry in the country. The chain of Refineries of Indian Oil Corporation, the Cochine and Madras Refineries have to meet the growing needs of the petroleum products. The Engineers India Ltd. has made the country self-sufficient in Petroleum refinery technology. In the fertilizer field, Fertilizer Corporation of India and Fertilizer and Chemicals Travancore Ltd. have contributed substantially in increasing the availability of fertilizer at a very crucial times and helped in ushering the Green Revolution.

The growth of public enterprise capital-intensive complex units indicates that these have been used as growth centres around which further development takes place. The purpose of establishing these industrial projects was to make a thrustful move towards
rapid and diversified industrial development of the country. It was also towards the objective of checking the concentration of economic power. Pride, prestige or pleasure was not the consideration in establishing big industrial ventures but it was the urgent and imperative need to take the country to the goal of economic industrial self-sufficiency. Industrial base enables the unutilized resources to be utilized in a dynamic way.

**Production contribution of Public Enterprises**

In the early period, most of the industries were owned by the private entrepreneurs and interference of the Government was nominal only in certain areas. Due to this fact, the attention on capital goods and on basic industries, which are important for economic development, was not paid and the investment was made for the production of less significant items. But later on, when the Government realized the importance of basic industries, the public enterprise gained momentum and the investment in important industries was made. Through industrialization, public enterprise enabled the economy independent in many fields. Production of capital goods brings an all-round development which consequently increases the per-capita income by raising the national income. During sixties, the industrial production as a whole has gone up by about 77 per cent. It was the spectacular
increase in the output in certain basic industries largely located in public sector that chiefly contributed to the achievement of 93 per cent in Iron and Steel, 202 per cent in petroleum products, 140 per cent in chemicals with 550 per cent in fertilizer alone, 740 per cent in electrical machinery and 365 per cent in aluminium. Consequently, the production has increased in strategic areas. At present, the Government concerns are contributing a major share of the total production of the country and especially of important capital goods. The position of public undertakings in the production of important items is mentioned in Table I.

The foregoing table reveals that in the production of important items, public enterprises play an important role. The Central Government enterprises contributed 60.4 per cent of pig iron in 1969-69 and 61.7 per cent in 1969-70 of the total production. The share of these enterprises is considerable in nitrogen, fertilizers, as it was 73.8 per cent and 57.7 per cent of the total production in 1969-69 and in 1969-70 respectively. Likewise, in the other items too, public enterprises contributed a significant share in relation to the total production of the country. Thus, as a whole, the production growth of all the undertakings has been remarkable through public sector.

Steel is the most important industry for further industrial development of the country. In India, the steel plants have been established in private sector too, but their production was not
<table>
<thead>
<tr>
<th>Unit</th>
<th>1968-69</th>
<th>Total CENTRAL Govt. Percentage of Col. 8</th>
<th>1969-70</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Coal (including Lignite)</td>
<td>Million Tons 75.3 &lt;sup&gt;a&lt;/sup&gt;</td>
<td>16.6</td>
<td>22.0</td>
</tr>
<tr>
<td>2. Iron Ore</td>
<td>Million Tons</td>
<td>4.0</td>
<td>19.9</td>
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<tr>
<td>3. Pig Iron*</td>
<td>Million Tons</td>
<td>4.3</td>
<td>60.4</td>
</tr>
<tr>
<td>4. Steel Ingots</td>
<td>Million Tons</td>
<td>3.7</td>
<td>57.8</td>
</tr>
<tr>
<td>5. Finished Steel</td>
<td>Million Tons</td>
<td>2.0</td>
<td>43.5</td>
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<tr>
<td>6. Alloy Steel</td>
<td>Million Tons</td>
<td>21.6</td>
<td>50.2</td>
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<tr>
<td>7. Machine Tools</td>
<td>Million Tons</td>
<td>529.0 &lt;sup&gt;**&lt;/sup&gt;</td>
<td>158.0</td>
</tr>
<tr>
<td>8. Nitrogenous Fertilizers</td>
<td>Million Tons</td>
<td>543.0</td>
<td>401.0</td>
</tr>
<tr>
<td>9. Crude Oils</td>
<td>Million Tons</td>
<td>3.0</td>
<td>50.8</td>
</tr>
</tbody>
</table>

<sup>a</sup> Production during the calendar year. Does not take into account pig iron produced for captive use.
<sup>**</sup> Production of N.C.D.C. and Neyveli Lignite Corporation.

sufficient for increasing demands of the country. The production of steel goods is large enough in the public sector as is given in Table II.

Hindustan Steel Ltd., consists of three steel plants of public sector. They are Rourkela with the capacity of 1.3 million tonnes, Bhilai with the capacity of 2.5 million tonnes and Durgapur with the capacity of 1.6 million tonnes. HSL is the nation's largest single industrial enterprise with the capital of nearly Rs. 1,100 crores. It is among the 25 largest steel concerns in the world, with a rated capacity of 6 million tonnes of crude steel per year. The total production of steel ingots in 1950-51 (which was entirely in the private sector) was only 1.5 million tonnes. In order to meet the rising demands of the country, further steel plants are going to be established. Bokaro Steel Ltd., which was not completed fully till 1969-70, was incorporated in July 1964 with the object of owning and operating an integrated Iron and Steel works with an initial capacity of 1.7 million tonnes raising to 4 million tonnes later in 1969-70. This unit is intended to produce flat product of steel like hot and cold rolled stripes and sheets etc. During the Fourth and Fifth Five Year Plans, 2.5 million tonnes capacity Bhilai Plant is to be further expanded by 4 million tonnes of ingot steel per annum at an estimated cost of Rs. 200 crores.
### TABLE - II

Production of Iron & Steel Industry (in thousand tonnes)

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</thead>
<tbody>
<tr>
<td><strong>1. HSL</strong></td>
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<td></td>
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<td></td>
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</tr>
<tr>
<td>(a) Pig Iron</td>
<td>1568</td>
<td>2325</td>
<td>3063</td>
<td>3427</td>
<td>3556</td>
<td>3966</td>
<td>3983</td>
<td>3975</td>
<td>4326</td>
<td>4493</td>
</tr>
<tr>
<td>(b) Steel Ingots</td>
<td>776</td>
<td>1605</td>
<td>2491</td>
<td>2965</td>
<td>3116</td>
<td>3437</td>
<td>3547</td>
<td>3447</td>
<td>3720</td>
<td>3781</td>
</tr>
<tr>
<td>(c) Saleable Steel</td>
<td>554</td>
<td>1099</td>
<td>1710</td>
<td>2171</td>
<td>3226</td>
<td>2494</td>
<td>2561</td>
<td>2419</td>
<td>2617</td>
<td>2785</td>
</tr>
<tr>
<td><strong>2. Total of both Private</strong></td>
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<td></td>
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<tr>
<td>(a)</td>
<td>2447</td>
<td>2832</td>
<td>3056</td>
<td>3047</td>
<td>3048</td>
<td>3135</td>
<td>3104</td>
<td>2887</td>
<td>2863</td>
<td>2726</td>
</tr>
<tr>
<td>(b)</td>
<td>2536</td>
<td>2577</td>
<td>2901</td>
<td>2919</td>
<td>2906</td>
<td>2949</td>
<td>2898</td>
<td>2724</td>
<td>2593</td>
<td>2407</td>
</tr>
<tr>
<td>(c)</td>
<td>1985</td>
<td>2055</td>
<td>2208</td>
<td>2317</td>
<td>2323</td>
<td>2291</td>
<td>2277</td>
<td>2147</td>
<td>2106</td>
<td>2008</td>
</tr>
</tbody>
</table>

The production of other undertakings, important for the economic development of the country, is also increasing. For example, the production of crude oil by Oil and Natural Gas Commission recorded a significant rise during the Third Plan period rising from less than half a million tonnes in 1960-61 to 1.5 million tonnes in 1965-66 and 3.64 million tonnes in 1969-70. The Indian Oil Corporation was set up on First Sept., 1964, by amalgamating the Indian Refineries Ltd., with the Indian Oil Corporation to secure effective co-ordination and manufacturing activities of the two Companies. The Cochin Refineries Ltd. and the Madras Refineries Ltd. are two Companies set up for the Petroleum refinery.

Heavy Engineering Corporation is a big plant with the investment of Rs.247 crores in 1969-70. The production of this operation is used for the other industrial development. The Heavy Machine Building Project of this plant is designed to produce mainly metallurgical equipments required for Iron & Steel industry and also to meet the requirements of other heavy industries for equipments like Drilling Rigs, Cranes, Excavators etc.

As far as the fertilizer production is concerned, it has made a great achievement. On First January 1971, the Fertilizer Corporation of India has completed a decade of service as the largest producer of chemical fertilizers in the country. Its
five operating units at Sindri, Nangal, Trombay, Gorakhpur and Namrup produced 3 Lakh tonnes of Nitrogen and 17,000 tonnes of phosphates during 1969-70 that accounted for more than 50 per cent of the total indigenous chemical fertilizers produced in India. The rapid growth of this Corporation is evident from the fact that in 1960-61, the FCI was producing only 68,368 tonnes of Nitrogen. Now FCI has plans to double its capacity within the next two years and increase its capacity by five-fold by mid-seventies after the new and expanded projects start functioning.

The Hindustan Machine Tools Ltd. produced the tools of the value of Rs.1276 lakhs in 1969-70. The concern is manufacturing different types of machine tools and wrist watches. The Company has five manufacturing units located at different parts of the country. The value of wrist watches was of the order of Rs.366 lakhs in 1969-70.

In this way, there are many other undertakings, which are important for the economy as a whole. Heavy Electricals Ltd. is engaged in manufacturing of heavy electrical equipments required for the generation, transmission and distribution of power such as hydraulic, steam turbines, generator and transformers etc. For the mining and minerals development of the country, there are some undertakings such as National Minerals Development Corporation, Hindustan Zinc Ltd., Pyrites, Phosphates and Chemicals Ltd. etc.
India has made a considerable progress in the field of mineral development during the last decade. Iron ore production in the country during this period has gone up from 17 million tonnes per annum. Aluminium product from indigenous resources has been stepped up to approximately 145,000 tonnes in 1970 from 18,000 tonnes in 1960. Zinc production in the country is about 23,000 tonnes compared to 3,000 tonnes a decade ago.

Further efforts for important products in the public sector are being made. In the Fourth Plan, the major proportion of the outlay in public sector was to complete the projects already under implementation and projects on which investment decisions were taken. New projects are envisaged in high priority fields like fertilizers, pesticides, petrochemicals, non-ferrous metals and development of iron-ore, pyrites and rock-phosphate resources. New investment in the Engineering industries is limited to a few comparatively small projects for filling up critical gaps.

**Export Earnings of Public Enterprise**

Considering the fact that the undertakings in public sector were set up primarily to meet the internal needs of our rapidly developing economy, it redounds to their credit that in keeping with the need of times, they too have become export-oriented. Exporting their products, they are able to earn the foreign exchange, which is used to import the raw-materials, modern equipments and know-hows for our industrialization.
Exports from the manufacturing and mining undertakings have amounted to the extent of Rs.84.64 crores during 1969-70. The contribution of HSL is considerably significant in this regard which alone accounted for Rs.45.56 crores of the total amount. It has marked an export value of Rs.141.47 crores from 1958-59 to 1969-70. Major portion of the exports (i.e., of Rs.61.34 crores) has been made to Japan. The steel products of HSL has also been exported to European and American countries which amounted to Rs.36.24 crores and Rs.2.5 crores respectively.

Among other industries, Indian Oil Corporation exported 404702 tonnes of petroleum products valued Rs.5.45 crores during 1969-70. The Hindustan Machine Tools Ltd. in the export market has shown improved results. The value of machine tools exported in 1969-70 was of Rs.1.10 crores. Export offices were opened at Frankfurt (in Germany) and New York in Oct., 1966 and at Melbourne (in Australia) in March 1968 for promoting sales in other countries. In addition, agents in several foreign countries have also been appointed to promote sales of the machine tools in their respective territories.

The export efforts of Heavy Electricals (India) Ltd., which started in 1968-69 has begun to yield fruitful results. During 1969-70, the Company received orders for Rs.5.45 lakhs and has exported 11 Kv Switchgear and starters to Iraq; motors and capacitors banks to U.A.R. and Singapore. The Indian Telephone
Industries exported the equipment of Rs.89.71 lakhs in 1969-70. The Madras Refineries which started production during the year only in 1969-70 has also entered the export market and has successfully achieved a target of Rs.1.74 crores.

In addition to the actual exports by manufacturing concerns, foreign exchange is earned from the services rendered by some undertakings. The total value of foreign exchange earned from services in 1969-70 was of the order of Rs.85.24 crores as against Rs.72.36 crores in last year. Out of the above total amount, the individual contributions of Air Corporation, Shipping Company and Shipping Repairs were of Rs.54.84 crores, Rs.28.94 crores and Rs.1.32 crores respectively.

In the wake of the efforts that are being made by the industrial enterprises in the country to earn the quantum of foreign exchange through export of traditional and new items, several public undertakings have secured sizable orders from abroad for their products. Among the notable developments in this direction is that the HSL secured a major contract for the supply of pipes to Newsealand. Besides, HMT has also bagged the export orders from Middle East, African countries, Malaysia and Indonesia and the Heavy Engineering Corporation has launched a vigorous drive of export in the Middle East for its products.
Import Substitution from Public Enterprise

Besides export-oriented commodities, public sector undertakings have enabled the country to save the valuable foreign exchange by their indigenous production. They have produced goods for the internal demand which would have otherwise been imported. The efforts in this direction were being made by HSL, Fertilizer Corporation of India, Hindustan Teleprinters Ltd., Bharat Electronics and Heavy Electricals etc. In many areas of industrial production the relative dependence on imports has been avoided. From the import of 91.6 per cent of the total supply in 1950-51, the figure went down to 44.6 per cent in 1964-65; a reduction of 45 per cent. In sugar machinery the figure has gone down from 100 to 4.1 per cent, in textile machinery from 100 to 56.5 per cent in commercial vehicles from 35.7 to 0.5 per cent, in petroleum products from 91.5 per cent to 1.6 per cent and in aluminium from 74.8 to 29.7 per cent. Bulk of these reductions has been made by Public enterprises.

The Hindustan Teleprinters manufactured 5310 units of teleprinter machines during 1969-70. The Company has achieved almost self-sufficiency in the production of manufactured components required for various kinds of teleprinters and at present, the Company imports only 9 components of minor value for its standard page machine. The Company saved a foreign exchange of Rs.5.32 lakhs.
during 1969-70 by its important item (teleprinter motor alone) through its import-substitution efforts.

Efforts in the field of import-substitution in the Indian Telephone Industries have saved a foreign exchange of Rs.82.5 lakhs during 1969-70. Its total recurring foreign exchange saving during the last five years amounted to Rs.309 lakhs.

The establishment of ILAT constituted a major element in the country's strategy for import-substitution with respect to its item. It has been accounting nearly half of the country's production of machine tools for over a decade. The ILAT has launched an all-out import-substitution campaign to minimize the dependence on imports.

Besides, there are other undertakings which have produced several important items indigenously, such as high pressure and temperature valves, heat exchangers, pipe fittings, filter paper, recorder charts and pens etc., resulting in a foreign exchange saving of over Rs.20 lakhs in 1969-70. The Fertilizer Corporation, Hindustan Aeronautics, Hindustan Shipyard and Indian Oil Corporation are especially noted for their diversified production.

Job-Opportunities in Public Enterprise

The question of increasing employment opportunities cannot be viewed separately from the programmes of economic development.
The unemployment is a major problem of developing countries. That is why in India, 'a large expansion of employment opportunities' was made according to the objective of the Second Five Year Plan. Here, the public enterprise plays a pivotal role as the undertakings of the Central Government have employed 6,12,844 persons in 1969-70. This increase is more than thrice since 1960-61, when the employment strength was only 1,34,626. Apart from this, a great labour force is engaged also in public utilities and services. Thus, the State has now emerged as the biggest employer in the country.

Though the demand for labour is minimum in most of the capital-intensive undertakings, yet the public enterprise employs a considerable strength. Thus, while 'it is imperative that in a country with an abundant supply of manpower, labour-intensive modes of production should receive preference all along the line, it is nonetheless true that labour-saving devices in particular lines are often a necessary condition for increasing employment opportunities in the system as a whole'\(^1\).

According to the Directorate General of Employment and Training of the Labour Ministry, "the organized sector comprising industry, trade, commerce, transport and services shows an increase of 33.7 lakh jobs during the Third Plan. The annual growth rate

for the entire organized sector was of the order of 5.6 per cent. The bulk of the increase in employment was provided by public sector; annual growth rate therein being 6.6 per cent as against 5.6 per cent for the organized sector as a whole while the private sector showed an annual rise of 4.2 per cent only. Taking only the industrial area, the public sector generated employment at the rate of 11.6 per cent per annum, while the private sector recorded its rate at 2.8 per cent per annum only¹. The contributions of the public enterprise have been notable. It has created the employment opportunities for both skilled and unskilled workers and has opened possibilities of employment in new fields. Thus, it is working in the same direction of the objective of Five Year Plans.

Public Enterprise as a Model Employer

Apart from exploring the job opportunities, public enterprise provides various indirect benefits to its employees which raise their real income. It is, in fact, because the State commits a moral obligation towards the labour welfare. Since the public enterprise covers a major portion of the population of the country, their welfare leads towards the objectives of public sector. It is in this context that the Planning Commission, for the first time, devoted a Chapter on public enterprise in the Third Plan which

contains the following passage on 'personnel relations':

"The enterprises of public sector have a special obligation to follow labour policies which are conducive to securing and keeping a competent working force at a reasonable cost. This requires a suitable wage policy with incentives, careful selection of personnel, organized training to improve the skills of workers at all levels - - - and an attitude towards the workers which will encourage added effort and initiative and give the employees satisfaction, a sense of participation and feeling of loyalty to the enterprise and pride for its achievements"\(^1\).

The public enterprises without exception have adopted the guidelines given in the passage of Third Plan and have the multifarious activities for the welfare of labour. They are making a lot of expenditure on different schemes, such as giving incentive bonus, provident fund and pension schemes to the labour. Bonus is payable to the employees of the public enterprises in terms of the provisions of the Payment of Bonus Act, 1965.

In private sector, the township is of less significance whereas in the public sector, it is considered as important as the main project itself. The capital expenditure on this item alone ranges from 10 to 30 per cent of the project cost in the public sector which is normally not feasible in the private sector because of its profit motive. In public enterprise, the township

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has been aimed at providing with ancillary facilities like
schools, hospitals, shopping centres and recreation centres etc.

**Defence Industries of Public Enterprise**

According to the Industrial Policy Resolution of 1948, the
defence industries come in the first category which is the exclu­sive responsibility of the Government and they are not left to
the private entrepreneurs. There are many projects operating in
the public sector for defence production. Consequently, India
has now achieved its objectives to a great extent.

The Bharat Electronics Ltd. was established with a view
to manufacture communication equipments and components used in
the Defence Services and Government Departments. The factory,
initially designed for the production of equipments and components,
produces goods worth Rs.4.25 crores per annum. The rapid expansion
came later in 1962 at the time of Chinese aggression when the
production was progressively stepped up and the value of production
which was Rs.3.03 crores in the year 1962-63 increased to Rs.24.11
crores in 1969-70.

Hindustan Aeronautics Ltd., is producing aircrafts including
aero-engines and allied equipments mainly to meet the requirements
of the Indian Air Force. The aircrafts currently being manufac­tured for IAF are the jet ground attack fighter HF-24, the
supersonic interceptor MIG-21, the jet fighter Gnat, the jet trainer HJT-16, and the transport aircraft HS-748 etc. The other undertakings producing the defence goods are Bharat Earth Movers, Garden Reach Workshop Ltd. and Goa Shipyard Ltd. etc.

Public Enterprise Removes Regional Disparities

The role of public enterprise is paramount in curbing the regional disparities. This aim is achieved by putting an additional investment on the backward areas to bring them at par with the developed ones. Different areas, in fact, have different growth potential and a plan which gives equal emphasis to every square mile, will be quite uneconomical. Again, it is a fact that the richest areas may not necessarily be of high growth potential. There is also likelihood that some poorer areas may remain poor due to lack of attention and the flaw in the economic policy. It is possible that if they are properly taken care of, they can develop more rapidly. Moreover, in a democratic State as ours, every citizen claims his equal opportunity. Therefore, occupying a major share in the national economy, the State is now trying to remove the regional unevenness. Now public investment is made more and more in the less developed areas. The State such as Bihar, Andhra, Kerala and Rajasthan have been comparatively poor in per capita income while Punjab and W. Bengal are holding the high per capita income. For removing the regional disparities,
the public investment is continuously rising in the less developed States.

Though the position of less-developed areas has improved comprehensively, it cannot be concluded that the improvements in these States are only due to the public investment, as there are other factors which also affect the development of the region. Nevertheless, it is envisaged that public investment brings an all-round development of the region in many ways. Government has kept in view the claims of relatively backward areas in locating new public sector enterprises in so far as this could be done without disregarding the essential economic and technological considerations. Thus, Steel Plants have been located in M.P., Orissa, W. Bengal and Bihar; fertilizer factories in Bihar, Orissa, Assam, U.P. and Kerala etc.

We have made a survey of the achievements of public enterprises in various fields for stimulating the economic development. Indeed, public enterprises have created an industrial base by establishing strategic industries, such as Steel, Engineering and Chemicals etc. Further, by making exports, they have brought foreign exchange and the technical know-how for mobilization of internal resources. The resources mobilized through public enterprises have made it possible to engage an army of unemployed personnel in various organisations. In this way, we find that public enterprises have done a tremendous task to mop up the internal resources for economic development.
The discussion on the role of public enterprises would be incomplete if we do not list some of their deficiencies. Whether they provide goods and services which are reasonably adequate to meet the needs of the people. Here we find that there is hardly any enterprise of public sector which is achieving its full target of production. During 1965-66, there was no undertaking in whose case the percentage shortfall in the achievement of target of production was more than 75 per cent.

But this is not all by making delays in the production, many undertakings of public sector deprives the people of their important products. Further, neither in quality nor in price have some public undertakings brought full satisfaction. In the case of basic products like steel and fertilizer, it has not been possible to keep prices under reasonable limits. With the recent increase in steel prices, the price of steel in India is higher by about 25 to 30 per cent as compared to the domestic price prevailing in other countries. It is unfortunate that the Indian farmers who are comparatively poorer than the farmers of other countries pay higher prices for their fertilizer.

Public sector operations spend up to 30 per cent of their cost on labour welfare. Even then, the staff in public sector is not happy and there are several evidences of flight of personnel from public sector to private operations. It clearly reveals that the expenditure, though large enough, is not properly made on the staff welfare.
The above arguments bring a disappointment in the performance of public enterprises. No doubt, they have achieved eminence in some specific fields, but taking into account a huge amount of investment made in them, it appears that they have failed to deliver the goods. In every succeeding plan, more and more stress is given to the public sector and accordingly the national financial resources are intensively directed to them from private sector. If this huge investment does not contribute to the positive results of providing overheads to the economy, the investment in private sector, though little portion of plan outlay, will remain dull and economic development will lag behind. Consequently, the capacity of capital formation will be hampered.

But the poor performance of public enterprises in achieving the objective does not mean that their existence is worthless. Though most of the public sector units are not working efficiently yet they can become a valuable instrument for economic development provided we spell out the problems that are being faced by their units and find out ways and means to remove them.

Conclusion

Summing up the whole discussion, we find that the role assigned to public sector in the Indian economy is significant. Industrialization, which brings an all-round development, is
flourished with the growth of public sector. It is a tool to make the planning successful for the speedy economic development of the country. The public investment in capital goods, where the private sector was shy, has increased production as well as created the capacity within the country. It has succeeded to some extent in inducing further investment and reducing reliance on foreign goods. Public investment in certain fields has encouraged the idle resources to come out. Also, public investment has provided some fresh job opportunities and helped in reducing the regional disparities.

It cannot be denied, however, that the public sector units are suffering from serious defects. The important among them is the inefficiency of these enterprises. Hence, their contribution towards economic development would have been more positive if they would have worked more efficiently. It is not surprising, therefore, that the massive investments made in them have failed to bring the desired results. In other words, public enterprises have not made any peculiar achievement in the mobilization of resources by their surplus earnings. A number of factors are responsible for this state of affairs. For instance, neither in quality nor in price have some public enterprises brought full satisfaction. The cost of labour per unit of production is very high in comparison to their counterparts in the private sector. This reduces the productivity of labour in public sector. The investment has become
uneconomic as the marginal efficiency of capital is low. Moreover they are unable to achieve the surplus target fixed for the Plan outlay. Most of the profits earned by these enterprises were neutralized by their high losses. These limiting factors and other reasons of their unsatisfactory performance which come in the way of efficient working of public sector enterprises will be discussed in the next Chapter.