CHAPTER VI

SUMMARY AND CONCLUSIONS
CHAPTER VI

SUMMARY AND CONCLUSIONS

Industrialisation, specially after the Industrial Revolution in West European Countries, came to be recognised as a means of modern living. Thereupon a number of countries started making planned efforts towards attaining the objective of better ways of living. Industrial policies were evolved by various countries. The Industrial Policy of any nation is basically composed of two components - one is the philosophy of given society to shape industrial growth and the other is the implementation which gives practical shape to the philosophy of the society. The first component of industrial policy is the philosophy consists of an approach to and objectives of industrial development. It can broadly be classified into (i) Capitalist System (ii) Socialistic Approach and (iii) Mixed Economy Approach.

Pre-independence industrial policy in India was the conscious adoption of a mixed economy that represented, in general, the continuity of British and Pre-British tradition. The early industrial policy of the British Government has been aptly summed up by Vera Anstey as follows : 'It was thought inevitable that India should remain predominantly agricultural, whilst
the government wished to avoid both the active encouragement of industries (like the cotton mill industry) that competed with powerful English interests and increased State expenditure. Hence, even at the end of the nineteenth century, all that the government did, was to provide a certain amount of technical and industrial education and attempted to collect in industrial information'.

The First World War caused vulnerability to the Indian economy and the government resolved to examine the industrial policy. Lord Hardinge, on 26th November 1915, wrote to the Secretary of the State: 'It is becoming increasingly clear that a definite and self-conscious policy of improving the industrial capabilities of India will have to be pursued after the War. This led to the appointment of the Indian Industrial Commission in 1916.

The slow pace of industrialization was not up to the mark to face the grave challenges posed by the increasing population of the country and low per capita income. Infrastructure needed the pivotal concern of the policy makers. The National Government, after Independence in 1947, contemplated faster rates of growth of industrialisation. In doing so, the government of India, following Russian pattern of
development, took all such steps which brought all important economic activities under effective government control and regulation.

In terms of the IPR of 1956, the field for the operation of the private sector was confined to the unorganized small and tiny sector where individuals could engage themselves in petty shop keeping or trading and manufacturing on a very small-scale. For encouraging SSI Sector the Government reserved certain items which could be produced only by the small-scale sector.

The people of Asian, African and Latin American continents started their freedom movements in mid-twentieth century. The national movements in different countries had been educating the masses against the exploitation by the colonial powers as well as merits of socialistic pattern of society. The same philosophy was put forward by Indian leadership before the masses during its freedom struggle. All national leaders were ideologically convinced that it is only the Russian pattern of development which can bring about rapid industrial growth of the country and can successfully tackle with all problems of mass poverty, unemployment, etc. The leadership was also of the view, as in many other countries, that the State alone had the entrepre-
neurial ability to create such a dynamic sector in the core and infrastructural field as would boost up development of the whole economy.

Accumulation of capital was considered to be the route for accelerated growth and therefore major investments were directed towards capital intensive industries like, heavy industry, oil, mines, petroleum, heavy chemicals, and a host of other areas through planned programmes. This was legitimized through the Industrial Policy Resolution of 1956 in which the Private Sector was kept away from taking part in such major industrial activities.

This interventionist approach was also supported by the international aid agencies in one form or the other. Thus, the state intervention was not restricted to the creation of new assets in basic industrial activities only but it spread, in the form of nationalization, towards Financial Institutions, General Insurance, Coal Industries, a number of heavy and light engineering industries, jute industries and a host of others like, steel, minerals, metals, power and petroleum etc. While in most of the basic areas the State enjoyed monopoly, in other fields the stake of the State was heavy. The IPR of 1956 accorded commanding heights to the PSUs and the growth of
private sector was restricted, with strictest tariff measures. The growth of large industrial houses was restricted through the operations of MRTP Act 1969 and foreign equity participation was restricted to 40 per cent. The concept of mixed economy was allowed to function under stringent control and in conformity with plan objectives.

To provide large scale employment opportunities and make large quantities of consumer goods available, development of small scale industry was encouraged by reserving items for the SSI Sector, by providing price advantage and a number of other fiscal incentives. The overall industrial structure of the country was divided between the organized sector consisting of the Private and Public Sectors, with dominance of the latter and unorganized small scale industrial sector with a large number of items reserved for it.

The main contribution of the 1977 Indian Industrial Policy Statement was to expand the list of 180 items reserved for the SSI Sector to 807 items. It failed to impose a ban on multinationals or Indian big business houses to produce items of common consumption such as breads, biscuits, toffees, footwear, leather products etc. Further, the large industrial houses also did not relish the idea that such units would have to
rely on their internally generated resources for financing new projects or expansion of their existing units. This proved to be a big blow to them as they had built up their empires by using the funds provided by the financial institutions and banks. After three years in 1980, the Congress (I) Party dethroned the Janata Party which led to the announcement of the new Industrial Policy Statement in 1980.

In terms of the 1980 Industrial Policy Statement the task of raising the pillars of economic infrastructure in the country was entrusted to the public sector for reasons of its greater reliability, for the very large investments required and the longer gestation period of the projects crucial for economic development. It was guided merely by considerations of growth. It liberalized licensing for large and big business houses but by blurring the distinction between small scale and large scale industries it sought to promote the latter at the cost of the former. Broadly speaking, the Industrial policy choose a more capital-intensive path of development and thus, it underplayed the employment objective.

Upto the beginning of the 1980s a number of industrial policy statements were issued but, in fact, all of them contained special features of the IPR of
1956. It was only late Mr. Rajeev Gandhi who initiated some liberalization measures in 1985 which marked the beginning of liberalization of Indian economy. The end of 'Eighties' and beginning of the 'Nineties' witnessed the changes of so far reaching consequences, which, a few years back, no body could have even dreamt of. Disintegration of the Soviet Union, re-unification of two Germanies and giving up of the centralized planning by all the countries which were under earstwhile Russian influence giving way to the market orientation of their economies are but a few examples.

The upshot of the entire criticism of the 1990 Industrial policy was that whereas it aimed to promote small scale and agro-based industries, it did not provide adequate safeguards against encroachment by the large business houses and multinationals which grabbed the market share of small-scale sector in mass consumption goods and seriously jeopardised the employment generation of the SSI.

A sweeping change in the form of 'New Industrial Policy' was announced by Indian Government on July 24, 1991. The basic philosophy hidden behind this policy is summarized as 'continuity with change'. The government took a series of initiatives in respect of the policies related to the following areas:
(a) Industrial Licensing (b) Foreign Investment (c) Foreign Technology Agreement (d) Public Sector Policy (e) MRTP Act. (f) Small and Tiny Sector. Later economic reforms include policy measures regarding location of industrial units, foreign direct investment, disinvestment of PSU shares, export and import, taxation and capital market.

The terms 'Public Sector', Public Enterprises' Government Undertakings', 'State-Owned Enterprises' and 'Public Undertakings' are used synonymously. In France, Public Enterprises mean industrial and commercial undertakings of the Government. In USA, Public Sector means all government agencies which are engaged in providing specific goods and services. In U.K. Public Corporations are the public enterprises, In Italy, Public Enterprises are those which are run either by local bodies or by State Government.

We have concentrated on the performance and problems of non-departmental undertakings of the Central Government which are named as industrial and commercial undertakings though they have entered the field of production and distribution of consumer goods as well.

The expansion of PSUs started from 1956 Industrial Policy Resolution. It was, indeed, the IPR
of 1956 which assigned the role of 'commanding heights' to the PSUs and continued to be considered as the 'Economic Constitution of India' and dominated the economic sense of the country at least up to 1985 when late Mr. Rajeev Gandhi initiated the process of liberalization.

The worthwhileness of the PSUs had been a bone of contention from the very beginning. Some of the PSUs which earned huge profits were actually monopoly profits and due to inter government departmental transfers rather than their efficient performance in the real sense of term while the aggregate sum of money invested in them amounted to Rs. 1,78,628 crores as on March 31, 1996. Again with the poor record of performance Indian PSUs had practically covered all segments of the Indian economy leaving no room for the growth of private sector. Fortunately, with the dismemberment of the Soviet Union almost all the socialist countries said goodbye to the government management and control of Public Corporations and resorted to the market-oriented mechanism. The Government of India also, for the first time after independence, announced liberalization measures and integration of Indian economy with the world economy in July 1991.
The Department of Public Enterprises, set up in 1979, monitors half-yearly performance of PSUs based on flash results reported by them. It informs the Government about their consolidated performance so that early action could be taken for improving the performance of loss-making PSUs as well as other PSUs wherever needed. The Department's early warning system of reporting on performance has the twin objectives of (a) creating an awareness among the Public Enterprises to establish benchmarks for their own performance appraisal and (b) keeping the Government informed well in time of the state of affairs in the PSUs so that suitable corrective measures are taken when needed.

While commenting on the performance of any business organisation financial aspect comes to the fore. Though a number of PSUs are not business concerns in the strict sense of the term but their financial aspect cannot be ignored. In a mixed economy where private sector is also allowed to operate and compete with PSUs simultaneously, this aspect occupies all the more importance. Judging against this background, financial performance of a large number of PSUs has not only been not satisfactory but many of them have proved to be an utter failure.
Another factor for their profits is the export income from a number of developing countries to which these PSUs supply goods at much higher rates than the domestic prices. Except for these factors applicable only to many PSUs, the performance of other PSUs, in general, has been very dismal. To add fuel to the fire, Indian PSUs did not confine themselves strictly to the areas specified for them in the IPR of 1956. They entered the field of consumer goods and services and took over a large number of sick units which increased their losses. The government of India on July 24, 1991 made a clear-cut statement about the PSUs but the speed of liberalization is very slow.

The ratio of losses of loss-incurring PSUs to the profits of profit-making PSUs worked out at 73.0 in 1978-79 which declined to 70.4 in 1979-90. This situation was worst during the first year of the Sixth Five Year Plan as the ratio of losses of loss-making PSUs to profits of profit-making PSUs increased to 137.4. During the next two successive years of the plan the situation improved. However during 1983-1984 this situation again worsened and the afore-mentioned ratio became as high as 86.5. During Seventh Five Year Plan period, the PSUs fared well as the ratio of losses of
loss-incurring PSUs to the profits of profit-making PSUs came down from 58.0 to 34.1.

The afore-mentioned trend was quite healthy and should have been sustained. But unfortunately, a serious reversal of trend occurred during 1991-92 and this ratio again jumped to 61 per cent. With marginal improvement in 1992-93, this ratio has again jumped to 54.4 per cent in 1993-94. This is rather disappointing that nearly half of the total number of enterprises continue to incur losses year after year. The need of the hour is to make a case-by-case study of the enterprises so as to determine the factors responsible for the persisting situation so that remedial action can be initiated.

A very narrow range of profit-making PSUs account for bulk of the total net profit earned by them. During 1993-94, about 67 per cent of the net profit of profit-making enterprises (Rs. 9,722 crores) was contributed by Petroleum Rs. 3,948 crores (40.6%), Power Rs. 1,013 crores (10.4%), Financial Services Rs. 546 crores (5.6%), Telecommunications Rs. 520 crores (5.3%) and coal Rs. 511 crores (5.3%). Among the Principal loss-incurring enterprises were in the areas of textiles, consumer goods, engineering goods, fertilizers contract and consultancy services.
In the manufacturing sector except for Petroleum, power, minerals and metals, coal and lignite and only a few other manufacturing units, others have been resulting in constant financial losses to the government.

Gross profit ratio to capital employed serves as an invaluable clue to the pricing policy of an organisation in addition to serving as a useful means of verifying the accuracy of the trading results ascertained in respect of each accounting period. The gross profit to capital employed ratios show a divergent trend over the period. It means that the PSUs have not followed any consistent policy of gross margins.

After the implementation of a number of liberalisation measures, situation has radically changed even for those PSUs which had been earning profit mostly either because of their monopoly rights or undue government protection. Again, the years 1993-94 and 1994-95 were the boom years for the Indian economy as a whole. During these two years many of the loss-making undertaking have also shown profits. The situation for 1995-96 and 1996-97, for which the data are not available, will surely be quite different.
In order to be fair and objective it would be necessary to take into account the obligation of Public Enterprises which transcends the concepts of production and profits. Given that, the performance of public enterprises either at micro or at macro level, has to be evaluated keeping in view the contributions made by them in discharging their socio-economic obligations, development of backward regions, provision of public utility services, selling basic inputs or products at administered prices etc. There is no denying the fact that all this has been possible despite several handicaps from which Public Enterprises suffer such as locational disadvantages in some cases, very high initial disadvantages in some cases, very high initial capital investments in others, having to do with technology which was not necessarily among the best available, cost of learning and development and presence of a large number of sick units taken over from the private sector etc.

The results of the foregoing planning pattern were, however, not encouraging. In majority of the cases the laid down targets could not be achieved. A number of projects could not be implemented on time causing significant cost overruns and the lack of satisfactory performance of the PSUs in generating adequate surpluses to plough back for sustained economic development created serious problems.
Under the circumstances, Government had no option but to borrow money from internal as well as external markets. To reduce such gaps year after year, the sources of soft loan, available earlier, dried up and most of the borrowing was available only on commercial terms. The intensity of debt burden can be imagined from the fact that it has gone up to the level of over Rupees 2,02,972 crores upto September 1992 and the internal burden exceeds at about Rupees 3,55,800 crores. It takes more than one-fourth of the GDP to service our external debt. The Government of India had no option but to tighten its belts on PSUs losses and non-essential expenditures simultaneously. International aid agencies have been pressing hard for structural adjustment in the economy so that the country may be able to pay its external debt without much difficulty.

Whatever happened in India, the same situation prevailed, with the difference of degree only, in a host of other countries. The failure of the perception of planned development gave way to market-oriented development policy. The philosophy is gaining ground in developed as well as developing countries that the economies of the nations should be liberalised from Government Control, restrictions and regulations, to allow market forces to play their role in reshaping the
economy of a country. The U.K. during the last decade, with conservative rulers, successfully privatized a number of its Public Enterprises.

Convinced by its success, a number of countries from different continents have either started implementing privatization scheme as a measure of economic recovery or are committed to do so. It may also be mentioned here that dismemberment of earstwhile USSR has led all its allies to say good bye to the Government control of industrial licensing and to adopt market orientation of their economies so much so that the communist China has also opened the doors of its closed economy to international competition.

In India changes of far reaching consequences were taking place. On July 24, 1991, the Government of India declared New Industrial Policy which opted for radical changes from the policy pursued until then. The NIP, in fact, scraped control through licensing, except in some strategic areas like defence, production of coal, petroleum, oil, drugs and a few luxurious items. It diluted the MRTP Act, 1969 to enable large industrial houses to invest their surpluses and enhance foreign equity participation from 40 per cent to 51 per cent, proposed divestiture of 20 percent of public shares in
some of the PSUs, announced deregulation of a large number industries to free them from the shackles of bureaucratic control, deserved a large number of items so far reserved for small scale industrial sector and opened its doors to the foreign firms to encourage competition. Considering the protective measures followed in the past four decades of development, these measures were really a good step. It invited a lot of criticism from different quarters, some of the people calling it a complete 'sale out' to the private sector while others supported the initiatives whole heartedly.

A number of developing countries, in many parts of the world, firstly under the influence of the erstwhile Soviet Union and later on that of China followed socialistic policies and took over the existing efficient and growing undertakings and setting up the new ones either as government monopolies or under the effective government control. All such countries spent huge public funds on the PSUs and some of them claimed to be the 'model employer' of huge working force.

With the passage of time all the PSUs in all the countries became inefficient because these countries reacted legislations favouring the work force. In the ultimate analysis, the governments lost millions and billions of dollars in the forms of not getting
adequate returns on the capital invested because of under-utilisation of capacities, strikes, manhours lost, low productivity, shrinkage in excise duty and tax income to the exchequer etc. Besides, the SOEs created structural distortions in the economies of a number of countries, leading to many crises. Involvement of political parties made things so complicated that almost all the SOEs, except for a few, for reasons explained elsewhere, became white elephants for their respective governments which ultimately placed them into private hands. Indeed, the process of privatisation has been crisis-driven all over the world though the reasons behind objectives to be attained and concern of the political parties in different countries have not been very much different.

The objectives of privatisation have been to attain optimum efficiency by removing various hurdles through competition for enhancing revenues for the governments, reducing budgetary deficits, widening ownership of economic assets and eliminating political interference.

This sweeping process has now emerged as one of the policy instruments internationally in more than fifty countries ranging over from industrialised nations
of the West, centrally planned economies of Eastern Europe, newly industrialised nations of Asia Pacific Region to the debt-ridden countries of Latin America, South Asian sub-continent including India, Pakistan, Sri Lanka, Bangladesh, Nepal and a host of other Third World Countries.

Just as the main concerns of policy makers, their objectives and the reasons behind privatization have differed from country to country, the modes of privatization have also varied from country to country.

Although privatization seems to have been gaining world-wide recognition as many countries of the world have implemented rigorous reform programmes of liberalization, delicensing and privatization of PSUs no uniform definition of the world 'Privatization' appears to exist. The term has been so widely and variedly used that it conveys different meanings from case to case and country to country. It is to be understood not merely in the substantive sense of how far the operations of an enterprise are brought within the description of market forces.

In strict sense of the term, privatization is specifically defined as the government-initiated transfer of assets, operations, rights and activities
from the public to the private sector through a variety of means. On the other hand, the divestiture of small equity stakes to private sector investors or the sale of shares to mutual funds or other institutions controlled by the government without any significant change in the level of government control or managerial freedom does not constitute privatization. But the process does include contracting out to the private sector those services which had, historically, been performed by the public sector and the provision and financing of new infrastructure projects.

To facilitate sector-wise comparisons an achievement rating was derived from the four criteria, evaluated on a five-point scale where 1 stood for completely regulated and 5 for completely competitive. The four critical factors considered were: (i) Market Structure: Are there barriers to entry? Are prices state-controlled? (iii) Ownership: what is the level of private ownership in the public sector? (iii) Management: What is the level of freedom the managers of the PSU enjoy? (iv) Financial: What is the level of freedom the PSU has in terms of raising funds?

The foregoing privatization paradigms indicate towards the fact that what was been happening in India over the last five years can only be described as creeping privatization, with pieces of state monopoly
being liberalised from time to time. During the four rounds of disinvestment that has taken place since 1992, it has auctioned off only 0.65 per cent of Government's investments in the public sector and has realised a meagre amount of $3 billion only, through C. Rangarajan Committee appointed by the Government had recommended, as early as in 1992, that the Government's share in the PSUs be brought down to less than 51 per cent. It means that the government never seems to have made up its mind on the subject.

As a matter of fact privatization reform programmes require strong political will and preparedness and specific timescales on the part of the government of a country. Unfortunately, in India, these things are lacking. But, half hearted measures will not do. Thailand, for example, which undertook privatization task long ago has failed only because of lukewarm measures adopted by it. In India, whatever has been done so far is not, in fact, privatization as it has not brought about any significant change either in ownership pattern or management freedoms which are necessary if privatization programme is to succeed in the country.

It will not be proper to abruptly state that all public enterprises have absolutely failed to achieve their designed objectives and thus recommend their
elimination at a stretch by privatising them. It has been rightly observed that on account of peculiar socio-political and economic environment and social systems some of the Public Enterprises are indispensible. Different environmental sets of the social system call for different techniques to be used for privatising the PSUs.

In Programme for structural Reforms submitted to the International Monetary Fund (IMF) on November 31, 1991 to secure its financial assistance for the ongoing process stated that India’s severely constrained budgetary circumstances create both the need and opportunity for rationalising the scope of public sector activity and for placing greater reliance on the private sector for resource mobilization and investment. Public enterprises have absorbed large amounts of budgetary support for their expansion or operations, but in many cases they have failed to generate adequate returns on the investment of public money and contributed significantly to the public sector saving gap and fiscal deficit.

RBI made large drawings from the International Monetary Fund (IMF) which amounted to US $ 2.4 billion in July 1990 and January 1991. Even then there was a
sharp reduction in the foreign exchange reserve during 1990-91. As of July 1991, their level was at a little over US $ one billion which was barely sufficient to finance imports for a fortnight. As inflation accelerated to almost 14 per cent and foreign exchange reserves dwindled, international default by India seemed to be a real possibility. It was in this atmosphere of crisis that a newly elected government launched a programme of economic reforms in June 1991.

The Arjun Sengupta Committee, set up to review the Government policy for PSUs, divided the entire spectrum of PSUs into core and non-core sectors. The non-core sector enterprises were further sub-divided into financially viable and non-viable enterprises. The core sector included coal and lignite, crude oil, petroleum and natural gas, power, primary steel production, primary production of aluminium, copper lead, fine-nickle, fertilizers and primary production of petro-chemical intermediaries. The committee suggested closure of non-viable PEs in non-core sector. It recommended special studies of such enterprises in the core sector to put them back on rails.

The Government has been trying to rehabilitate workers affected by the industrial sickness. The Golden Handshake policy or Voluntary Retirement Scheme (VRS)
has been implemented in a large number of PSUs like Coal India, MAMC, FCI, MMTC, CCI, Heavy Engineering Corporation, Indian Oil Corporation, Calcutta Port Trust etc.

The result of VRS has been that young and skilled managers left the organization to join in private sector export-import houses as senior managers. The redundant staff at lower levels however, remained in their positions in PSUs. The introduction of the VRS was baseless. It was open to all and resulted in rapid depletion of technical and managerial cadres in PSUs. In other words, mostly cream workers of the organization were taken by private sector, leaving the public sector with employees whose opportunity cost in the market was lower than their present wage level. It is true that the entire NRF was used to finance the VRS only and even then it produced adverse effect on output and efficiency. It is, therefore, suggested that in future the entire fund should not be exhausted on VRS alone.

The origin of the automobile industry in India can be traced back to 1942, when Hindustan Motor Limited (HML) was established in Baroda. In 1949 the first partially manufactured car rolled out of the assembly line of the Hindustan Motors Limited. The establishment was followed by Premier Automobiles Limited (PAL) and
Standard Motor Products Limited (SMPL). Both of these car manufacturing units were set up in Bombay and Madras respectively.

Most of the manufacturing units started production in 1953-54. They were compelled to work at a loss as the small Indian market was, at that time, overflooded with the imported cars of various designs. Ashok Leyland and Tata Engineering and Locomotive Company (TELCO) too up the production of Heavy Commercial Vehicles in 1957 and in 1962 respectively while Mahindra and Mahindra was promoted in 1965 in the Jeep Line.

The late 'Eighties' witnessed breath-taking developments. During this period a number of automobile manufacturing units were set up which included, Hindustan Motors Limited, Maruti Udyog Limited, Swaraj Mazda Limited, D.C.M. Daewoo Motor Ltd. etc., for manufacturing of Light Commercial Vehicles, Heavy Commercial Vehicles and Two-Wheelers. It opened up a chapter in the history of Indian Automobile Industry.

Telco—the market leader in HCV—also commands 60 per cent of the Light Commercial Vehicle (LCVs) market, followed by Bajaj Tempo, which holds 22 per cent of the market its Matador brand. The remaining segment is shared between six other manufacturers, all of whom will be trying desperately to break Telco's monopoly.
In the international markets, the ratio of LCV to HCV is around 60:40 while in Indian market it is around 45:55 and therefore LCV segment is likely to grow the fastest. Scooters continue to dominate the market with as high as 46.8 per cent share. This is perhaps because it is considered to be a family vehicle. The remaining market is shared by motorcycles and mopeds.

During the 'Eighties' India became the seventh largest producer of automobiles and the industry is not only able to meet the country's requirement but also has some exportable surplus. With about 12 lakh vehicles of all types being manufactured every year in India, the country currently ranks ninth among the automobile manufacturing countries in the world. In the production of two wheelers, India stands second in the world after Japan.

The Maruti 800 model holds around 80 per cent of the car segment in India and still has the privilege of having a waiting list of about two-to-three weeks despite a number of automobiles MNCs trooping into the Indian market.

In the very beginning, equity participation between government of India and SMC was decided 74 per cent and 26 per cent respectively. But during the 1990, the
equity shares of the SMC was raised form 26 per cent to 40 per cent. Legal Status of Maruti Udyog Limited has changed w.e.f. 20.06.1992 from a Government Company to a company without direct responsibility to the Government when Maruti allotted and issued 22,04,860 additional equity shares of Rs. 100 each to Suzuki Motor Corporation, Japan. With the aforesaid and issue allotment of shares to Suzuki, Government's equity has come down to less than 51 per cent in the total paid up capital of the company.

Three distinct segments are visible in the industry. The largest is the small car segment (approximately 60 per cent of industry sales) comprising a single manufacturer, Maruti, with its 800 CC car and Van priced around Rs. 0.2 million. The premier Padmini (From Premier Automobiles) and the Ambassador (from Hindustan Motors) make up the medium segment (below 20 per cent of industry sales) with a price range of between Rs. 0.2 to 0.3 million, followed by the luxury car segment priced at a over Rs.0.3 million.

Two companies manufacture Jeeps in the country. Mahindra & Mahindra (M&M) dominates with a market shares of 87.4 per cent followed by Maruti with share of 12.6 per cent. M&M's dominance in the Jeep market is attributed to its diesel powered vehicles.
As in any other industrial concerns, Board of Directors of MUL is the top administrative organ as well as the Supreme policy making body of the company. The directors hold responsibility for management.

The present size of MUL board is nine of which six are full time directors while three of them are part-time. The Chairman of the Board is appointed by the Government of India who also acts as part-time director of the company. Two other part-time directors are secretaries of the Ministry of Finance and Ministry of heavy Industry (Department of Public Enterprises) respectively.

Sale of vehicles by MUL increased from 2,75,411 in 1995-96 to 3,38,690 in 1996-97 showing an increase of 23 per cent. However, competition is on the increase and MUL cannot sit idle and be complacent on its past performance.

The estimated sales of Maruti Vehicles will increase to 3,75,717 vehicles in 2005 against 2,36,517 units in 1997. It means an increase of 58,854 per cent over the year 1997 and a growth rate of 5.958 per cent per annum. But with the passage of time the rate of growth of sales of Maruti Vehicles is likely to shrink though its figures of sales will increase year by year.
It will be due to the fact that with the induction of several new technologies, component suppliers are likely to face problems of standardisation. It will also be due to the fact that product quality could pose problems since very often production is depend on old and obsolete plants bought from international suppliers. There is also a possibility of domestic components being increasingly substituted by imported components.

When the production as well as sales both of MUL will marginally come down in the years to come, they will leave an adverse effect on profit also. In the ultimate analysis, MUL will have to face cut-throat competition from other international competitors who are likely to offer their fuel-efficient vehicles at more economical prices.

The personnel policy is one of the primary functions of an organisation's management. Its aim of purposeful and effective personnel policy is to create and maintain a committed and disciplined personnel for the organisation. Also its aim is to create wide opportunities for advancement within the organisation. By giving encouragement to good workers, by stimulating action in the recruits of basic grades and by motivating individuals to stay in the organisation for a long period, the personnel policy of MUL has been very
successful so far. The component parts of MUL's personnel policy are as follows:

The MUL acts upon the following principles for promotion:

(a) Promotion should be done solely on the basis of merit.
(b) Promotion is based on punctuality, efficiency and behaviour of the employee.
(c) Officers committee consisting of not less than three officers, recommends promotion of employees after analysing the performance by using performance appraisal form. In each case the committee should record in writing the grounds on which claims of person or persons if any, senior to be persons selected, were overlooked.

So far, the MUL failed to achieve its indigenisation target. Low level of indigenisation is a major problem of the organisation and all other problems are adjoined directly or indirectly with indigenisation. The MUL, does not have command over the domestic ancillary industries to secure supplies of components and equipments of reasonable equality. Indigenisation targets were not achieved by the company due to non-
supply of domestic parts in conformity with specifications.

The indigenous components due to their inaccuracy and indurability relatively to those of Japan adversely affect standard of products. The only remedy to eradicate this decline completely is to develop the entire auto-ancillary industry of the country. Plants, equipments and manufacturing methods must be selected as per international standards of performance for the establishment of such industry. Highly skilled employees must be selected and proper training facilities must be made available for all the employees so that they can perform their best. They should be taught how to deal with modern management system and achieve the quality. The sophistication of management at all levels should be enhanced. A morale boost up among the employees as a team member must be introduced.

The trend of MUL production has been varying up and down due to component shortages. It is, therefore, suggested that the MUL should keep necessary stocks for meeting the shortages in components in order to ensure scheduled supply. Of course, it will result in some extra cost to the company. But will result in some extra cost to the company. But definitely it will be less than the accumulated losses due to conveyor stoppages.
The government must reduce duties and taxes on imported machinery required for modernizing and developing the auto-ancillary industry. The government should also clear all those project which will not harm the country's foreign exchange position and the industry should be allowed to meet its foreign exchange by exporting its products.

A major achievement of the component or ancillary industry is that Indian entrepreneurs have made remarkable strides in product localisation. This import substitute-led model has today resulted in an industry output of Rs. 6,500 crores (1994) with an asset base of Rs. 2,800 crores and an employee force of nearly two lakhs. As regards quality levels of the industry, while a sea change has taken place with the advent of Maruti Udyog it is still a far cry from the expectations of the global players targeting India such as the Mercedes, the Ford and the Vokswagons. The extrapolated demands on the auto component industry would mean a turnover of about Rs. 20,000 crores by the year 2000 with a capital outlay of around Rs. 9,000 crores. According to the Automotive Component Manufacturers Association (ACMA), export of auto components industry is projected to increase to Rs. 18,000 million in 1999-2000.