Chapter - 7

Conclusions and Suggestions
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As evident from the previous chapters, the disinvestment was half hearted exercise completely banking on its political ramifications. The economic consideration occupied back seat which resulted in a lot of chaos. The preceding chapter has conclusively proved the same with empirical evidence. Hence the following suggestions are offered to improve the impact of disinvestment of public sector enterprises.

Mere disinvestment of PEs is not enough. Entire industries have to be restructured to ensure competitiveness. Even for natural monopolies, it will be necessary to introduce regulation and supervision to reproduce effective competition. Otherwise, privatised enterprises may not be able to reap substantial monopoly profits, leaving consumers, worse off. Hence, improvements in efficiency do not follow from disinvestment per se, but, from the benefits that increased competition in the market place.

An alternative is to allow foreign capital to bid when PEs are put up for sale. The foreign investors would be in a position to bring in additional technology or management skills. Foreign investment may partly ease the scarcity of foreign exchange. But, a possible area of concern could be the element of control exercised by foreign interests on important sectors of the economy.

To remove the loss of revenue and the survival of uneconomic socially necessary services, special provisions have to be incorporated in various laws.

When privatising the public sector, the decision makers should not commit the sins of disinvestment, such as confused objectives, lack of transparency in the privatization process and greater concentration of assets. Moreover, the financial strategy should be sound, it should not be based on an unrealistic labour strategy and be vehicle for bridging budgetary deficits. It should also be kept in mind that there is no political consensus on the move.
Disinvestment should not merely mean indiscriminate disinvestment, but efficiency and competitiveness in industry. The debate of disinvestment is not question of government or private control. It is essentially a question of competitiveness. It is a formidable task requiring shared political leadership and vision.

Evidence suggests that efficiency gains that are needed for improving a country's fiscal condition will materialise only if disinvestment is accompanied by extensive industrial restructuring. This will be best served if the process is allowed to evolve in a phased manner over a period of time.

Keeping in view the above observations relating to the study, the following measures are suggested which would go a long way to improve the profitability of Indian Public Sector Enterprises.

It is essential to have objective performance appraisal criteria for every public sector undertaking. For this purpose, the best way will be to introduce performance audit and revise the performance indicators. Commercial performance must take care of all the objectives and goals. For this purpose, a suitable system of financial and non-financial objectives must be developed. Policymaking should be based on realistic assessment of cost. According to present policies, if size of economy grows, as grows the expenditure on public sector without adequate return an investment. Hence, the need for review of the role of public enterprises in this regard is needed.

In public sector there is invariably overrun of cost and time. This overrun makes the project partly sick at the inception itself. Economy, efficiency and effectiveness in public sector enterprises are need of the hour to improve overall performance of the Indian economy. The incidence of project failure in public enterprises has got to be curtailed.

For revamping the units, there is strong need to assign clear targets to ensure accountability of the management. Necessary budgetary support either equity or loan based should be provided. For each unit, physical and financial targets should be worked out, precisely spelling out how many financial resources are needed from the centre and from raising funds from the public and how much should be these from internal generation of funds. Public barrowings may be suggested for short term and medium term financial requirements of the public enterprises. Also efforts should be made to increase net income
contribution of public sector corporations which is necessary to compete with private sector.

The overstaffing and overhead personnel cost is a major reason of disappointing profitability of Public Sector Enterprises. Employment cost should be controlled through improvement in efficiency and productivity of employees. Extra staff should be diverted to other works. All out efforts should be made to tune up the efficiency and ensure effectiveness in this regard. On the pattern of All India services, a new cadre in the name of public sector services should be organized in which professional managers should be selected. Members of this service should be posted at the top level management of these corporations in place a bureaucrats.

Audit has been playing an important part as an instrument of financial control in public sector undertakings. Reforms are also required in the existing pattern, system and method of audit. A change in the attitude of the audit control is also highly desirable. The auditors have to be trained especially for the purpose reviews of financial accounts and statements of these enterprises which have been established with different objectives and it must be seen that these aims are fulfilled to the best possible extent. More over, a system of efficiency audit is essential. The real need of the hour is efficiency, audit performance appraisal, management audit, achievement assessment in relation to public enterprises along with the built in system of reward cum punishment for managerial efficiency. It would be, of course a devisable for these charged with efficiency audit to be mere forward looking. There is a necessity of reorientation in the approach and efforts should be made to judge the management efficiency properly and far that there should be increased reliance upon the efficiency audit of these enterprises.

The formation of holding companies, to improve financial performance, ensure public enterprises - Government interface, devote greater functional autonomy to subsidiaries, formulate suitable operational policies and attempt greater flexibility in regard to pricing and investment are same measures suggested for efficient functioning of public enterprises. The financial information system, internal and external should be improved in order to strengthen decision making and the one hand and effective financial stability of the public enterprises on the other.
The Bureau of public enterprises should not only act as a clearinghouse of information and ideas relating to the public sector but also constitute a pool of experience which could be shared by various enterprises. It should help also the government in strengthening the working and performance of public sector enterprises.

The management information system should be systematical in order to assist decision making on the one hand and effective control over the public sector undertakings on the other.

The state government may give a cash grant to those undertakings which have accumulated losses and which are likely to improve their profits prospects in future. The central government assist for some sort of cash grants say consessional tax, less power tariff etc to revamp the already loss making units. Another way of helping out the losing concerns is to reconstruct their capital structure, including writing off the capital to the extent of over capitalisation.

Some of the public sector undertakings suffer from underutilisation of their capacities because of non-materialisation of expectations of demand. There should be a systematic and scientific market survey so as to assess the demand correctly before a project is conceived.

Many of the public sector undertakings have been characterized by delay in commissioning of their prospects mainly because of governmental delays in decision making. The Government should constitute a committee of secretaries of the concerned departments to expedite the setting up of projects in public sector, once they are planned and conceived by the government.

A control mechanism, based on initial evaluation of expectation, is possibly best suited for public enterprises. The evaluation of these enterprises should be based on exclusively on financial targets. The methods of exercising accountability and control in public enterprises, currently used, are characterized by a plethora of control agencies. Operating without any real basis for either locating accountability or control has no meaning. The sine-qua for such control that is a set of clearly specified targets and objectives to be handed over to particular unit is absent.
The public enterprises are having poor profitability owing to a variety of factors. One, major factor that has proved to be drag on the efficient functioning of the public enterprises is the multi point interference in its day to day decision making. The idea of Memorandum of Understanding (MoU) represents a genuine desire to give autonomy to the public enterprises management. At the same time, they have to be made accountable for better management and efficient operations of the enterprise. The government should be primarily concerned with overall strategic planning and policy rather than day to day functioning of the enterprises. Its responsibility is to ensure that the public money invested in these enterprises earns an appropriate rate of return and that the functioning of these enterprises is consistent with plan objectives including these related to employment, fair pricing, regional dispersal, of industries and, efficient use of scarce resources. Once the goals have been mutually agreed to, an enterprise should be held strictly accountable for its performance in relation the goal set and there should be an appropriate mechanism for evaluation of performance.

Spell out the mission of the enterprise, derive its broad objectives and obligations and delete objectives which will have to be evaluated with subjectivity.

It is recommended for PSUs to specify objectives which are amenable for performance evaluation and identify possible performance parameters for each of the specific objectives.

Checking the data availability on actual performance with regard to each of the possible performance parameter and specifying performance parameters and their quantifications is a must.

**Limitations**

No work is free from limitations and this research is no exception. Some of the limitations that the researcher could note are that a study of this kind naturally calls for divulging confidential information by companies which was very difficult to get. Therefore, the researcher relied only on secondary data sources which were available in public domain like prowess database and companies balance sheets. The personal views of experts in a formal manner could not be obtained though thesis covers them in many other forms.
**Scope for Further Research**

Future researcher can be undertaken in the areas covering opinions of experts. An empirical study would also be a possibility. Many other ways of measuring performance of PSUs are available which too can be studied and the effect of PSUs on competition and their social aspect a also be studied.