INTRODUCTION.

1. History of Industrialisation in India.

On the eve of her independence India had the largest industrial potential of all colonial countries in the world. In absolute figure - the number of organisations, and workers, the gross output and their added value - India was far ahead of other developing countries. However, this should not mean that India had a good start when she became free. The relatively 'advanced' position of India should be found more in the extreme backwardness of other nations than in India's actual stage of industrialisation.

The characteristic of Indian economic structure was the predominance of backward agriculture over an insufficient industrialisation. The census of 1951 revealed that only 13.35 million people, or 9.6% of the gainfully employed population, were engaged in industrial sector. The contribution of the industry in the national income was also insignificant. According to estimates, Indian national income for the fiscal year 1948-49 amounted to Rs 86,500 million, of which only Rs 14,800 million (17.1%) came from industrial sector.

By the beginning of 19th century Indian industry mainly consisted of handicrafts closely linked with agriculture, as well as the cottage and small scale industries located particularly in towns and seaports. The system of hereditary specialisation in a certain craft was the main characteristic of industrial operation.

British colonial domination directly brought about the ruin of Indian industries, specially the handicrafts, in several

ways. To begin with, monopoly of foreign trade and the restrictive tariffs on Indian goods actually restrained Indian manufacturers from foreign markets. This had the worst effect on the progress of industrialisation in India.

On the other hand, colonial domination tended to preserve the lower forms of industry. Britain was mainly interested in turning India into a raw materials appendage of their metropolitan status. Thus the exploitation of the direct producers was intensified and the chances of savings were minimised. This put a brake on the development of the productive forces and the introduction of modern techniques. There was, to put it in other way, a direct relation between the persistence of backward productive forces in agriculture and the preservation of the lower forms of industry.

1.1 State and Industrialisation.

Industrialisation and eradication of the negative features of a weak economy require a sharp increase in the economic functions of the state. In India, where the mixed economy takes the form of co-existence and co-operation between the public and private sectors, the government, besides expanding the scope of its own business undertakings, also has to co-ordinate and encourage the industrial development in the private sector. The government policy must ensure the speedy elimination of the shortcomings of a backward economy and the industrialisation of the country, as well as the coordinated development of the various sectors and structures of industry.

As far back as the end of the 19th century, when India was a commodity market and a raw materials base for Britain and the national entrepreneurs were discriminated
against, Indians realised that the interests of their country clashed with the interests of the British capitalists. It was then that theories of economic development in India were put forward. They were practically based on two arguments.

The first argument was that the absence of support and protectionism were ruining the traditional industries and preventing the foundation of new ones. The government, therefore, should play an active role in developing the economic structure of the country, protecting local production from foreign competition and encouraging national entrepreneurship. It should also take a direct part in production. These ideas were most comprehensively developed and formulated by M.G. Ranade and G.K. Gokhale.

The second argument was that poverty and economic backwardness could be eradicated only by rapidly developing industry which would then become the principal source of the national income.

These concepts should not come into clash with the concept of industrialisation in its proper sense. It was probably Late M. Visvesvaraya, a prominent Indian engineer and public figure, who in the late 1920s first used the term "industrialisation" with reference to India. He believed that industrialisation with the emphasis on the development of the heavy industries should be the main course of the economic reconstruction of the country. In the colonial period the problems of industrialisation were most fully expounded in the documents of the National Planning Committee, set up by the Indian National Congress in 1938. The committee declared that industrialisation was to be the cornerstone of this

1. The Peoples' Plan, drafted by Indian Federation of Labour, 1944.
2. Visvesvaraya M.- Planned Economy for India, 1952.
Party's industrial policy: "Without industrialisation no country can have political or economic freedom. Without industrialisation also the rapid and effective raising of the standard of the people is not possible." The main goal of industrialisation was to be the creation of a self-reliant economy based on the domestic market.

Industrialisation came to be the main platform of Indian National Congress. After coming in power the official documents were released dealing with the state policy of industrialisation. The first such documents appeared in 1948, but it was not until April 30, 1956, that the government's position on the subject was comprehensively set out in the Industrial Policy Resolution, and later in the corresponding sections of the second and third five-year plans.

The main task was, in any way, to create a self-reliant economy. To achieve this end a policy was put forward that envisaged a priority development of the modern industries which would reduce imports and make production less dependent on the foreign market. These must grow speedily if the requirements of further industrialisation are to be met from the country's own resources.

The plans envisaged key industries being brought into public sector. The Bombay Plan gave the public sector a far wider scope suggesting that the key industries, as well as the defence industry and the infrastructure be included in the public sector.

1. National Planning Committee No. 2, 1941.
2. India: Pocket Book of Economic Information, Delhi, 1967.
3. Third Five-year Plan, A draft outline, Delhi, 1960.
4. Third Five-year Plan, Delhi, 1961.
5. The Bombay Plan was drafted in 1944 by a group of prominent Indian businessmen, viz, Messers J.R.D. Tata, G.D. Birla, L.Sriram, etc.
The Indian theory of industrialisation was, however, closely related to the idea of a planned economy. The National Planning Committee noted that "as a step towards such industrialisation a comprehensive scheme of national planning should be formulated". After independence, the planning of economic development became one of the most important principles of state policy.

Planned industrialisation was a logical conclusion derived from an analysis of the economic processes and the problems of developing a weak economy. The main reason for the need to make a planned approach to industrialisation was the backwardness of Indian economy.

The poor accumulation of capital and its low rate of growth compelled the government to assume responsibility to mobilise capital accumulation, channelling the country's recourses into effective investments and to take effective part in direct production of goods and services. All these material and spiritual factors prompted Indian government to adopt the idea of planned industrialisation of which the five-year plans of economic development were the most detailed exposition. Inspite of the facts above, there should not be the prejudice to admit that the projection of a stable economy is still a far cry.

2. The Problems.

Industrialisation and the establishment of the complex of heavy industries were viewed in India as a principal method of raising labour productivity, increasing national income and the accumulation of fund, speeding up economic development and overcoming backwardness and the direct parti-

1. The proceedings of National Planning Committee No.1, Bombay, 1939.
-cipation of government in production was envisaged as to reduce disparities in the distribution of income. To what extent have the expectations of the planners been fulfilled?

Industrialisation is, naturally, a comprehensive and long drawn process; so, it is premature to speak of the final results, but some preliminary conclusions, which are quite clearly visible even at this stage, can be drawn.

In underdeveloped countries, with the increasing participation of the state in trade and industry, the role of public sector undertakings has undergone a thorough transformation in their apparent characteristics. The idea that profit-earning should not be the objective of public sector undertakings has yielded ground to more current thoughts. On this issue Prof. Little says: "The larger the public sector, the more important it becomes that this sector taken as a whole should earn profit."¹ Huge investments in public sector are required to earn such profit as to meet its own expansion programme as well as to render sufficient return to the government to visualise effectively other economic development programmes.

Shocking results are, however, obtained when this idea is applied to the working of public sector undertakings in India. In all, by 1968, eighty-three undertakings were owned only by the Central Government, with an investment of Rs 3,333 crores, apart from the state government units². The quantum of losses suffered on this investment had been much. The period over which many of these units suffered heavy losses was quite long. Even in such undertaking as had earned a return after providing for depreciation but

before payment of interest on investments, the percentage of profit was remarkably low. The accumulated losses of the running concerns upto March 31, 1968, were reported to be Rs 200 crores. In fact, not only had the quantum of losses increased, but the number of organisations suffering losses was also on the way to gradual increase. Hindustan Steel Limited, a major public sector enterprise, incorporating four steel plants, a pipe factory, a fertiliser plant and three coal-washery units, is a typical example in this respect. In the period between 1958/59 and 1967/68 the company's profits (i.e, gross receipts minus production costs ) worked out at Rs 2,866.3 million, interests on loaned capital at Rs 1,175.9 million, and payment into depreciation fund at Rs 3,019.5 million. As a net result, the company sustained a loss of Rs 1,329.1 million. Durgapur Steel Plant, a constituent of Hindustan Steel Limited, is one of the worst victims of the circumstances. The organisation has sustained, till 1974/75, an accumulated loss of Rs 127 crores. Many other units found themselves in a similar position.

To sum up, the whole situation concerning Indian Public Sector Undertakings is alarming. Steps are urgently needed for making their working adequately profitable, with which the fate of Indian national prosperity and the success of its economic planning are inseparably linked.

3. Hypothesis.

The question may easily arise as to how such losses in Indian public sector undertakings have been sustained

1. Ibid.
3. Third Lok Sabha, Committee on Public Sector Undertakings, Report No. 28, Delhi, 1966.
pite of the facts that government is seemingly eager to get them as the useful weapon of national economic development. Millions of rupees of public money have been invested, but the ultimate attainment is surely far away from their projected targets. It is not at all unfair to conclude here that these undertakings are not doing justice in their ways of operation and ultimate attainment.

The Committee of Public Sector Undertakings in one of its reports indicated some reasons for unfavourable working of public sector. Thus, "Public sector units in India have suffered losses due to overinvestment in fixed capital, under-utilisation of the capacity created, heavy expenditure on the provision of township and social amenities, surplus staff and labour troubles". But the authorities on financial management are of the view that one of the causes of losses incurred by any enterprise can be located in its imprudent management. It cannot be denied that some of the factors pointed out by C.P.U also stems from lack of foresightedness of management or administration. Thus, we may start with the hypothesis that inefficient management is the major factor contributing to the losses of public sector undertakings in India. Had the undertakings in India been managed in an efficient and effective manner, they would not only have generated resources for their own expansion but also have contributed towards economic growth of the nation at large.

4. Scope of the Study.

The predominance of lower form of economic structure

in India precipitated a very discouraging rate of accumulation of capital so as to meet most inadequately the growing needs of the country's industrial planning. The vastness of the country together with the rapid increase in poverty called for a giant plan of industrialisation. The private sector alone could not be the right match for the growing needs of the huge mass. India's conception of industrialisation was thus the idea of mixed economy, i.e., the co-existence and interaction of the public and private sectors.

Since industrialisation in the country with a backward and multistructural economy encountered serious obstacles (Shortage of finance, material resources, dependence for foreign technical know-how, etc), its success quite reasonably depended on the state's contribution to industrial development. Thus the government was responsible to establish and develop many new heavy industries.

But establishing industries cannot alone solve any problem. They need to be run according to plan and schedules so as to render useful service to the nation.

The public sector industrial undertakings are financed from national exchequer provided by the million of poverty stricken tax-payers of the country with the expectation of reasonable return from them in due courses. But the national expectations as well as the needs of the people are hardly fulfilled; rather they are gradually causing serious concerns to the concept of industrial planning. Even in these days when industrial productivity in public sector undertakings has gone up by 20%, the units have earned profit of only Rs 87 crores with an average investment of Rs 4,000 crores! Naturally, there justification for the search for a suitable avenue so that the public undertakings which are of so much national importance

are clearly out of the woods and may lead the nation to an economic prosperity as has always been desired.

We have already started with the hypothesis that imprudent management is the main reason for the failure of the public sector undertakings; but the scope of present study is yet to be justified on a realistic plain.

In the context of industrial planning in India, the interferences of the government or the role of the government has various dimensions and it is hardly possible or rather advisable to get all of them within the narrow scope of a study of this nature. It is, therefore, desired to proceed with a limited but well defined aspect which may, however, have a wider application.

In order that the study may have some practical value, we may select an undertaking which has all sorts of problems, which is big in size and at the same time which has its counterparts in other areas of the country. The natural choice is Durgapur Steel Plant, the biggest undertaking in West Bengal where the condition is already alarming and such calls for proper attention and care.

Durgapur Steel Plant itself is a complex organisation with diverse problems of its own and it is hardly possible to cover all of them within the limited scope of this study. Naturally, the selection of the problem is made in an area where we may use some norms as yardstick of measuring performance.

Hence, it is proposed to select Internal Railway System as the subject of this study with special reference to its managerial performance. It has extensive coverage in the entire production phase of the steel plant. Rightly wrote Prof. Alfred Marshall - "The dominant economic fact
of our own age is the development not of the manufacturing
but of the transport industry.¹

Transportation itself, as it appears specially in
the case of an industry like Durgapur Steel Plant, is also
a complex set-up. The sphere of operation beyond the working
jurisdiction of the plant administration hardly leaves any
scope of development by the plant authority and naturally
the selection is confined to its authoritative dimension.
Due to its heavy nature of work, the road transport also
has hardly any importance and as such the Internal Railway
System stands as the solitary means of transportation within
the plant area. It will be demonstrated in the course of
detailed discussion in the later part of this study that
its predominant role in the operation of the steel plant
can in no way be undermined as compared with any sort of
operational activity of a steel plant.

Inspite of its inseparable link with almost all
the phases of operational activities in a steel plant, it
has hardly any job to do at its own. It is clearly a ser-
vice unit and it renders service strictly according to the
production-plan of the other sister units of a steel plant.
Again, the steel plants in India or elsewhere in the world
are not found to adopt any standard production system due
to their variation of demand, supply and technology adopted.
Naturally, for a service unit it is hardly possible to stand-
erdise any schedule of operation for the Internal Railway
System of the steel plants all over the world. So, as a
matter of practice, the study is to follow the varying
circumstances according to the standard of a particular
steel plant and the discussion is likely to proceed in
that way.

5. Conclusion.

It is clear from the above observations that to earn adequate returns from the public sector undertakings, a dynamic approach of management is the right necessity.

It may be argued that the problems of production, plan, finance, etc, are no less important to public sector enterprises than the problems of their management. The point is quite logical, but it has to be remembered that in the absence of an effective managerial approach, everything gradually turns into a complete mess. It is the idea of a management to plan for a project, to assemble the pre-requisites and ultimately to lead the plan into success. So, the importance of a systematic management approach is primary and practically above all in any sense.

Furthermore, whereas the problems of production, plan and the like are procedural in practice, the transmission of idea into reality is the most dynamic and vital aspect of industrial management. Whenever there is a disruption in its practice, the organisation goes in absolute troubles. Thus, the effective and efficient management is to be taken as every important and continuing type of problem for the public sector undertakings in India also.