CHAPTER - V
In the previous chapter on public sector enterprise, the evolution of public sector enterprise in India and its present position are explained. This chapter gives an insight into private sector enterprise.

Privatisation has caught the imagination of people everywhere. Privatisation may be defined as a process by which the people of a country can in democratic fashion, participate in the development of their economy and thereby partake of the resultant prosperity in a proportion that is commensurate with their contribution. Our economy is at cross roads. We have built a substantial industrial infrastructure. Agricultural production has kept pace with our internal requirements. Exports have grown tremendously but so have imports. Technological sophistication, while not yet in the international league, is far better than ever before. The fear of rampaging inflation constantly stalk the economy. Prosperity is within grasp and yet millions of our people barely survive. It has been demonstrated world wide that privatisation has ushered in a new era of profitability.
Growth of external debt every year by geometric progression, low export growth, worsening terms of trade and a decline in real wealth in most developing and many almost developed countries have shaken the stronghold of ideology on economic policy. Along with this, there has been the growing realisation that the increased presence of government in economies has not contributed to prosperity and social justice. On the contrary, it is now widely accepted that the public sector has become a "mill stone" around the necks of the governments and people alike.

The British have clearly emerged as the champion privatiser. Their success has made London a Mecca for would-be privatisers - more than 20 countries have been guided by the British Treasury. Starting from Mrs. Thatcher's time, Britain effectively transferred 600,000 workers, say 33 percent, of the workforce from the public sector to the private sector. This has contributed $26 billion to the British Treasury. National Truck Consortium, British Telecom, British Gas Corporation, etc., are some of the few giants that went to privatisation. Even in Japan, privatisation has started its roots starting from Nippon Telegraph and Telephone. Even Bangladesh has launched one of the largest scale privatisation efforts in the world. Over 600 state companies have been handed over to the public since 1975.

The evolution of industries in the world can be considered to have the following stages:-

Stage  I  Family firms
E.C. Jose

Stage II  Domestic/Regional firms
Stage III  Domestic/National firms (medium size)
Stage IV  Domestic/National firms (large size)
Stage V  Multi-domestic
Stage VI  Multi-National
Stage VII  International

The above classification shows that private sector industries were in operation much before the public sector. Enterprises in the private sector were managed by families and their backgrounds have been in trading and not in manufacturing industries. But now the trend has changed. Most of the private sector organisations are run by professionally qualified people.

The Industries Development and Regulation Act of 1951 and the Industrial Policy Resolution of 1956 laid down the basic principles of Industrial Policy in India. The Act of 1951 provided that all private enterprises required a licence [a] to set up a new unit, [b] to expand substantially an existing unit and [c] to change the product mix of an existing unit. Thus, since the passing of this Act, the government has sought to regulate the pattern of investment in virtually the whole of the large scale industrial sector through licensing. The resolution of 1956
demarcated the spheres in which industries were to be solely developed by the state, those to be progressively state owned, and those to be left solely for private enterprise to exploit. Private enterprise was expected to supplement state effort.

The objectives in industrial licensing\(^{(1)}\) are:

1. to enforce the planned investment pattern
2. to counteract trends towards monopoly and the concentration of wealth
3. to maintain regional balance in locating industries
4. to protect the interests of small producers and encourage the entry of new entrepreneurs and
5. to foster improvement in industry by ensuring the optimum scale of plants and the adoption of advanced technology.

Even in areas where private sector has been allowed their operations, developments have been regulated by the government in the public interest. The large industrial houses and foreign concerns particularly have been subject to a number of checks and controls\(^{(2)}\). Their role has been

\(^{(1)}\) K D Gaur, P J Meshram and K L Shashidharan; *Economy and Finance*, Vol.3; Sarup & sons, New Delhi. 1993. p.113

\(^{(2)}\) Francis Cherunilam; *Industrial Finance*; Himalaya Publishing House, Bombay. 1987 p.80
confined to certain important areas like the heavy investment sector, core sector, export sector and backward area development. The government policy is to prefer small and new enterprises to large industrial houses in the private sector, wherever possible.

The private sector is dominant in most of the consumer goods industries. It plays an important role in a number of capital goods industries too. In a number of important industries it functions side by side with the public sector.

In private sector enterprises there is an urgency to get things done. People are accountable and hence responsible. Authority is more. 'Hire and fire' is quite common. Achievement motivation is very high in private sector especially because achieved results will definitely improve the prosperity and growth of the individuals along with the industry. 'Numbers' are always measured. Action plans are 'man bound' and 'time bound' Reviews are for corrective and preventive action. 'Intelligent excuses' for not getting things done on time are seldom tolerated. Efforts put forth by the private sector are visible in the results. They have identified capital expenditure as the live wire for improvement, modernisation and hence growth.