CHAPTER – 1

INTRODUCTION

1.1 Indian Economy – An Overview

India is the world’s largest democracy with a large pool of manpower resources, upgraded modern industries and a dual economic concept. In a dual economy, both private and public enterprises co-exist; where the public sector is expected to grow and the private sector is allowed to operate in the allotted areas, subject to the necessary changes in its approach and orientation (Narain 1988).

According to David crystal (2000), a ‘Private’ enterprise is an economic system, where individuals may engage in a business venture using their own resources and without needing state approval, as long as the venture does not contravene existing laws. On the other hand, (Radha 1994) a ‘Public’ enterprise is a venture owned, managed and controlled by the government for the welfare of the public at large. India has a double advantage of public and private enterprises together constituting the industrial sector. There are about 8,000 public limited companies and 49,000 private limited companies constitute the major portion of the private sector (Subburaj 2008).
1.2 Public Sector Enterprises in India

Human Resource is the vital ingredient for success of any enterprise and however the public sector provides the required thrust to the economy for developing and nurturing people.

Over the last few decades, government ownership and operation of industrial and commercial undertakings have become common features of economic organizations in most of the countries today.

Particularly, in the developing countries, public enterprise is said to be an ever-growing importance. Large in size, need huge investment, routine administration, can afford abundant work force and no expert personnel operations required, are some of the characteristics of a public sector undertaking. So the main motive of the Indian Public Enterprise is to mitigate the inequalities existing in income levels, knowledge levels and regional imbalances found in economic development. In order to satisfy its objective public enterprises were established all over the country to produce quality products or services to the society at a fair and reasonable price. Even though, public and private sectors have become an integral part of the Indian Economy, the performance of public sector has considerable scope for improvement.
With the advent of globalization, public enterprises faced new challenges. Emerging increase in private undertakings and their interventions in the domestic market led the traditional public sector organization to become fragile. The Government enterprises that were enjoying monopoly in due course could not withstand the budding competition. Additionally these companies found to suffer from severe drawbacks at international status also.

As a result, the public enterprise managers seem to face a number of complex and administrative issues and as a result, the social efficiency of the public sector enterprise became far inferior to the efficiency of private sector.

Unfortunately, it has been criticized for poor management, unsatisfactory control and rigid policies. In spite of the phenomenal growth in the number of public undertakings throughout the world, many countries have bitter and painful experience of their state owned enterprises are incurring heavy losses as years roll by. Subsequently, public enterprises in India have given rise to a large number of problems connected with the various spheres of the activities.
The two main crucial problems identified were lack of public accountability and ineffective organizational policy. Therefore, the present study is confined mainly to industrial enterprises in India that are regulated by the government policies for economic development.

According to the records maintained by Department of Public Enterprises in India, the public enterprises are categorized into 4 schedules ‘A’ ‘B’ ‘C’ and ‘D’ based on various quantitative, qualitative and other factors. The quantitative factors are investment, capital employed, net sales, profit before tax, number of employees, number of units and value added per employee (Source: www.dpe.nic.in).

The qualitative factors are national importance, complexities of problems, level of technology, prospects for expansion and diversification of activities and competition from other sectors etc. while the other factors relate to the strategic importance of the corporation.

Laxmi Narain (1988) quotes in his manuscript that the range and coverage of Public enterprises in India is very wide and they can be listed into three various categories based on their source of control – the Central, State and Local Governments (fig 1). The nature of activity and intensity of operations are the basic parameters for deciding the authority of control.
Public sector enterprises in India

{Authority of control}

Central Government  State Government  Local Government

*Fig 1: Classification of Public Sector Enterprises based on authority of control*

The Public Enterprises that are managed by the Central Government Authorities as per the union government rules are referred as ‘Central Public Sector Enterprises (CPSEs). As on 31-03-07 there were 247 CPSEs in India, when compared to 236 in 1997-98. Out of the 247, there are 54 schedule ‘A’ 77 schedule ‘B’, 48 schedule ‘C’ and 06 schedule ‘D’ enterprises. The rest have not been categorized. CPSEs employ a large work force in different disciplines and the successful operation of these enterprises very much depends on the skills and capabilities.

Out of around 16 Lakhs manpower (as on 31-03-07) deployed presently in CPSEs about 3.65 Lakhs are in the supervisory and managerial cadres, which represent about 21.12% of total manpower (Table 1).
Table 1: Manpower classification in each schedule of CPSEs

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Schedule</th>
<th>Chief Executives</th>
<th>Whole time Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>A</td>
<td>54</td>
<td>201</td>
</tr>
<tr>
<td>2.</td>
<td>B</td>
<td>77</td>
<td>181</td>
</tr>
<tr>
<td>3.</td>
<td>C</td>
<td>48</td>
<td>67</td>
</tr>
<tr>
<td>4.</td>
<td>D</td>
<td>06</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>185</td>
<td>449</td>
</tr>
</tbody>
</table>

(Source: [www.dpe.nic.in](http://www.dpe.nic.in)).

The CPSEs were broadly classified into ‘Strategic’ and ‘Non Strategic’. Strategic CPSEs were identified in the areas of (a) Arms & Ammunition and the allied items of Defence equipments, Defence air-crafts and warships (b) atomic energy (c) Railways transport. All other CPSEs were considered as Non Strategic. It was recognized that public enterprises could not compete effectively with private enterprises without freedom to function and operate commercially.

Therefore, CPSEs have been further classified based upon the powers vested in the Board of Directors of the company. Thus the concept of Navratna, Miniratna (Category I & II) & others including profit making, loss making etc. were introduced with greater delegated authority, both financial and managerial as shown in the table 2.
Table 2: Classification of Central Public Sector Enterprises in India

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Category</th>
<th>No. of CPSEs as on 30-05-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Navratna</td>
<td>16</td>
</tr>
<tr>
<td>2.</td>
<td>Miniratna Category I</td>
<td>41</td>
</tr>
<tr>
<td>3.</td>
<td>Miniratna Category II</td>
<td>13</td>
</tr>
<tr>
<td>4.</td>
<td>Profit making</td>
<td>156</td>
</tr>
<tr>
<td>5.</td>
<td>Loss making companies</td>
<td>59</td>
</tr>
<tr>
<td>6.</td>
<td>Listed companies</td>
<td>45</td>
</tr>
<tr>
<td>7.</td>
<td>Not listed companies</td>
<td>202</td>
</tr>
<tr>
<td>8.</td>
<td>Sec. 25 &amp; under const</td>
<td>32</td>
</tr>
</tbody>
</table>

(Source: [www.dpe.nic.in](http://www.dpe.nic.in))

As per India’s budget for the year 2009-10, the turnover of Central Public Sector Enterprises increased from 5, 87,000 crores in 2003-04 to Rsn10, 81000 crores in 2007-08 and profits grew from Rs 53,000 crores to Rs 91,000 crores.

While number of loss making enterprises came down from 73 in 2003-04 to 55 in 2007-08, number of profit making enterprises has grown up from 143 to 158 during the same period. ([www.indiabudget.nic.in](http://www.indiabudget.nic.in)).

Further, the process of industrialization has fostered a wide variety of development in technical, managerial and operative skills. In 2001-02, Indian economy grew by 5.4%, which is considered to be one of the highest
growth rates in the world for the year. Later in 2006-07, India was the second fastest major growing economy in the whole world with a growing rate of GDP at 9.4%. Consequently, the growth and diversification of Indian industry turn-to-be remarkable today and many western nations are ready to invest enormously (www.indiacatalog.com).

1.3 Indian Industrial Sector

The three broad classification of Indian industry are: Agriculture sector, Manufacturing sector and Services sector (Fig 2). One of the key features of interim budget for the year 2009-10 is that the GDP has increased by 7.5%, 9.5%, 9.7% and 9% in the first four years from fiscal year 2004-05 to 2007-08, recording a sustained growth of over 9% for the three consecutive years for the first time. The growth drivers for the period were agriculture, services, manufacturing along with trade and construction (www.finmin.nic.in).
‘Agriculture sector’ is always considered as the predominant sector in terms of employment with more than half of India’s workforce engaged in it as a principal occupation. It contributes significantly to export earnings. ‘Manufacturing sector’ is considered as the backbone of the economy due to the global competitiveness in growth, productivity and employment. It strengthens the agricultural segment and has become a manufacturing hub for textiles, automobiles, petro products for the world market (www.indiainbusiness.nic.in).

1.4 Growth Of Service Sector In India

‘Services sector’ in India is the most vibrant sector because the main thrust to industrial growth comes from this sector. It is one of the most important segments of Indian economy in terms of contribution to the Gross Domestic Product (GDP) in recent years.

The sector has accounted significantly for 59.6% of the overall average growth in GDP in the last eight years between 2000-01 and 2007-08. This shows that the services sector in India accounts for over half of the country’s GDP.
Further, Dun & Bradstreet stated in its Economy Outlook 2009-10 Report that the services sector will retain its importance in GDP and its contribution is expected to reach 58% in 2009-10. India ranks fifteenth in the services output and it provides employment to around 23% of the total workforce in the country. Rapidly, the quality and complexity of the type of services being marketed is on the rise to match the worldwide standards (www.business.gov.in).

According to a survey conducted by KPMG across the BRIC (Brazil, Russia, India & China) Countries, there is certainly a tremendous growth in the Indian services sector over the next coming years because the Indian companies were found to optimistic towards new business activity in future.

Moreover, this sector is highly professional and provides a major impetus to the economy and is also populated with a range of players who cater to a niche market (www.indiaonestop.com).

1.5 Role of Service Industries in India

As on 20\textsuperscript{th} Jan 2008, Vibhuti Rathore conveys that the services sector contributes a noticeable share towards the nation’s economic growth due to the growth led by the IT industry in India.
He also confirms that service sector has become a dominant contributor, such that the success in this regard has been called as “India’s services revolution”. Consequently, the main focus of this research study is chiefly on the people employed in services industries.

In India, service industries are either, owned and controlled exclusively by the government bodies or exclusively by private bodies or a joint venture of public and private bodies. So both public and private co-exist as players in the service industrial world.

The various segments of services sector in India are banking, insurance, information technology, information technology enabled services, hotels, retailing, real estate, knowledge process outsourcing, media, entertainment, tourism, education, infrastructure, telecommunications, transport, health care and other public utility services like electricity, water, police force etc.

1.6 Service Enterprises under Government Control

As regards India, Public Enterprises occupy a strategic and crucial position owing to its large size, immense investments and its sales turnover in various industrial segments. The most important intention of state-owned enterprises is to secure rapid economic growth and consistent with social justice.
In order to achieve the national objectives, the government has extended its significant role in both manufacturing and service type of industries. In manufacturing segment, it holds a vast responsibility in the corporate like Bharat Heavy Electricals Limited, Neyveli Lignite Corporation, Bharat Earth Movers Limited etc.

In services segment, it occupies a cosmic authority over Indian Railways, Life Insurance Corporation, United India Insurance, Bharat Sanchar Nigam Limited, about 28 public sector banks like State Bank of India, Indian Bank, Bank of Baroda, Indian Overseas Bank etc.

Considering the service enterprises that are managed by the Government, Professor Laxmi Narain (1988) describes that, it is a recognized reality that both the public at large and the consumer in particular interact with the organization in many ways. But, generally, more importance is given to the cost factor and relatively less attention on the public relations. However, there seems to be a large part of the criticism already posted to the public enterprises that they stem from ignorance of their problems and policies.
K.L. Gupta (1994) has written about insufficient growth in productivity of public enterprises and it is mainly due to their poor management. So he explains that they have to introduce new approaches to upgrade their organization and also successfully meet their growing commitments.

It is understood that, today the consumers’ interests to be well-served through maintenance of good relationships and this can be achieved by the rooting effective strategic plans from their in-built internal organization climate. In a nutshell, it is understood that there is a great requirement for accelerating the performance of government owned service organizations and also to improve its service quality.

Looking into the noteworthiness of service industries in India, incompetence of government employees and above all, the arising global threats has paved way for the interpersonal research study of government employees absorbed in various service enterprises.

1.7 Coimbatore – Its Industrial prosperities

‘Coimbatore’ - popularly known as Manchester of South India, is situated in the western part of the state of Tamil Nadu. It is also the second largest city in Tamilnadu and the 14th largest in India.
The population of the city as per 2001 census is 11 Lakhs and the city is spread over a total area of 105.6 sq.kms. Coimbatore City is the administrative head quarters of Coimbatore district.

The people of Coimbatore are well-educated, with a literacy rate of 73% and are known for their hospitality and politeness. The city is a multi-cultural society with a large number of Tamil speaking community.

As the city shares the boundary with Kerala and Karnataka, a huge number of Keralites and Kannadigas also live here. Apart from them, Telegu speaking people and North Indians are found residing in the city for conducting business activities. Most of the people residing in this city are having preference for the place due to the growth in industrial sector and the availability of high class education.

The City is well known for its textile industries and has excellent potential for industrial growth. It has become a beehive for over forty thousand large, medium and small scale industries from the versatile fields of manufacturing like machine tools, foundry, textile machinery, farm equipment, auto components etc. and services relating to financial, education, hospitality, tourism, consultancy etc.
Basic amenities like road, water and drainage system are well maintained by the City Municipal Corporation. The water supply management is taken care by the Tamilnadu Water Department (TWAD).

The electricity power supply in the city is under the control of Tamilnadu Electricity Board (TNEB) through their 36 efficient services centre. The Corporation is maintaining 6km length of concrete roads, 580 km of metal and other roads. The National and State Highway Department is maintaining 72kms roads inside the Corporation limit. Hence the Public Works Department (PWD) is appreciated for their excellent services in roadways.

Coimbatore is also renowned for its reputed educational institutions throughout the world. As per Table 3, there are 3 universities relating to Engineering, Agriculture and other arts & science disciplines; 7 colleges in the areas of engineering, medical, technical, Tamil literature, forestry, Law, arts & sciences and 96 schools at primary, middle, high and higher secondary levels with English and Tamil medium categories to serve the growing younger generations of Coimbatore City.
Table 3: List of Educational institutions in Coimbatore City
(Under Government control)

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Type of educational service</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Universities</td>
<td>Anna University, Bharathiar University &amp; Tamilnadu Agricultural University</td>
</tr>
<tr>
<td>2.</td>
<td>Colleges</td>
<td>Engineering-1, Law-1, Medical-1, Polytechnic-1, Arts &amp; Science-1, Forest Tamil-1, Training-1</td>
</tr>
<tr>
<td>3.</td>
<td>Higher Secondary Schools</td>
<td>15</td>
</tr>
<tr>
<td>4.</td>
<td>High Schools</td>
<td>09</td>
</tr>
<tr>
<td>5.</td>
<td>Higher Elementary Schools</td>
<td>14</td>
</tr>
<tr>
<td>6.</td>
<td>Middle School</td>
<td>01</td>
</tr>
<tr>
<td>7.</td>
<td>Elementary Schools</td>
<td>47</td>
</tr>
<tr>
<td>8.</td>
<td>Deaf &amp; Dumb School</td>
<td>01</td>
</tr>
<tr>
<td>9.</td>
<td>English medium Schools</td>
<td>09</td>
</tr>
</tbody>
</table>

[Courtesy: Coimbatore Corporation]

There is adequate number of government road transport buses for local, state level and inter-state express vehicles with good maintenance for effective services. It is connected to almost all the major cities in India.
Coimbatore is a major railway junction in the Southern Railways Division and has both mails and express with necessary facilities of comfort to the passengers. Passenger Traffic through the Coimbatore Junction has increased manifold with the increase in Industrial and trading activities of the district. So the city boasts of an organized rail service with 7 platforms in the station.

There is an airport situated at Peelamedu, about 10kms away from the City, with both domestic and international air services connecting all main places of the country, facilitating the business and social class people. It has been maintained by the Airport Authorities of India (AAI). Other than the private airliners, ‘Air India’ and ‘Indian Airlines’ are contributing good connectivity services for the air travelers. Moreover, in and around Coimbatore, several places have been recently identified in the interests of the public relating to the categories like religion, holiday, culture, shopping and entertainment. So Travel and Tourism is found to be one of the profitable upcoming business segments here.

Banking and Insurance sector in Coimbatore is very active because of the mushrooming growth of the entrepreneurs and its changing industrial needs. The State Bank of India is one of the popular and commonly found public sectors in providing financial services to the customers here.
It has thirty two branches situated in most of the prominent areas of Coimbatore city. On the other hand, among the insurance providing companies, there are seven life insurance companies and about twenty non-life insurance companies for the benefit of the public. Apart from banking and insurance services, there are also institutions like Tamilnadu Industrial Investment Corporation (TIIC) situated in the city to facilitate financial support for the entrepreneurs and industrialists in the form of loans and advances.

There are two Government hospitals to serve the Coimbatore community – Coimbatore Medical College Hospital and Employees’ State Insurance Hospital. Patients are treated with qualified Medical Officers and Para Medical Staff and medicines are supplied to the needy patients free of cost in these centers. It has been observed that in future there is a good scope for medical tourism in Coimbatore.

All India Radio is one of the essential sources of broadcasting in the city. As a powerful mass media of communication, the information collected from in and around Coimbatore, or it may be a live program with a famous educationist or industrialist in the city, it ensures the message dissemination to the people within the stipulated time period.
BSNL is another public sector giant that serves the Coimbatore Citizens with the telecommunication services through its ten focal service centers located in the prime localities of the City.

Henceforth, ‘Coimbatore’ is emerging as an example for fast, multifold growth in business over the years and currently establishing prominence around the globe in services oriented industrial sector also.