

# SWARAJYA

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## REVIEW OF THE PUBLIC SECTOR

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It is heartening to note that the performance of the public sector as a whole has greatly improved during 1973-74, though it has still a long way to go to achieve adequate return on the investment. During the year under review, there were 122 units under the management of the Central Government, including seven enterprises under construction, three insurance corporations and two non-profit-making companies registered under Section 25 of the Companies Act. In all, there were 115 running companies, including the Steel Authority of India Ltd., which is a holding company and the review concerns itself with 114 enterprises. These undertakings may be broadly classified into production enterprises comprising steel, minerals, petroleum, chemicals, engineering, consumer goods, etc., numbering 75 and service enterprises such as trading and marketing, transport, tourism, financial services, rehabilitation industries, etc., totalling 39. As on 31st March, 1974, the total investment in these enterprises amounted to Rs 6,237 crores (equity Rs 3,439 crores and loans Rs 2,798 crores) of which the investment in the production sector was about Rs 5,200 crores representing 84 per cent and that in the services sector was over Rs 1,000 crores, or 16 per cent of the total. The working results for 1973-74 disclose that 44 units in the production sector earned a profit of Rs 118.14 crores, while the other 34 units in the sector made a loss of Rs 92.6 crores and that out of 39 service sector enterprises 23 made a profit of Rs 42.61 crores, while ten incurred losses to the tune of Rs 3.73 crores. Thus, 73 out of 114 enterprises made a profit of Rs 160.75 crores, while the other 41 made losses of Rs 96.33 crores, leaving an over-all profit of Rs 64.42 crores for the public sector as a whole. This figure of Rs 64.42 crores compares with the profit of Rs 17.74 crores in 1972-73 and a loss of Rs 19.02 crores in 1971-72.

The turnover during 1973-74 was of the order of Rs 6,777 crores as against a turnover of Rs 5,299 crores in the previous year. In spite of marked improvement in turnover, the gross profit before interest and taxes increased only from Rs 247 crores

to Rs 273 crores. This may be explained by a larger outgo on salaries and wages of Rs 786 crores in 1973-74, against Rs 541 crores in the previous year, due to increase in employment from 9.3 lakhs to 13.14 lakhs. Thus, while the turnover increased by 28 per cent, the disbursements to employees in the form of salaries and wages increased by 47 per cent. It is also noteworthy that the value of inventories, which used to be as high as seven months' cost of production about five or six years ago, has come down to 4.3 months' cost of production during the year under review. The public sector's contribution to foreign exchange earnings through export of goods and trading increased to Rs 693 crores from Rs 503 crores in the previous year. In the generation of internal resources comprising depreciation and retained profits, the public sector has nearly fulfilled the target of Rs 1,265 crores set by the Planning Commission for the Fourth Plan period. Significant contribution made during the last two years has enabled the public sector to reach a figure of Rs 1,260 crores as against Rs 1,265 crores mentioned above. Though quantitative figures of production of each unit are not available in the review presented to Parliament, figures relating to capacity utilization in the manufacturing industries are given. Out of





84 units studied, 45 showed a capacity utilization of more than 75 per cent, 23 ranged between 50 and 75 per cent and 16 operated below 50 per cent capacity. Thus, the over-all picture raises optimism regarding the future of the public sector.

Despite the rosy picture presented above, the performance of individual units leaves much to be desired and offers scope for improvement. Even the net profit of Rs 64.42 crores works out only to 1.9 per cent return on equity, which cannot be considered satisfactory by any standard. It may be observed that the investment in the production sector is over Rs 5,200 crores, but the profit from this sector is only Rs 25.54 crores or one half of one per cent. Steel, which accounts for the investment of Rs 2,029 crores, has ended in a net loss of Rs 5.72 crores. While Hindustan Steel has shown a profit of Rs 4.71 crores, the Bokaro Steel has ended in a loss of Rs 10.43 crores. It is significant that the Hindustan Steel has improved its performance from a loss of Rs 27.8 crores in 1972-73 to a profit of Rs 4.71 crores in 1973-74, while Bokaro has increased its losses from Rs 5.45 crores to Rs 10.43 crores. Similarly, Bharat Coking Coal has incurred greater losses than in the previous year, the figures being Rs 10.33 crores in 1973-74, against Rs 71 lakhs in 1972-73. The Heavy Engineering Corporation still runs in the red with a loss of Rs 7.24 crores, though it has managed to reduce its losses from Rs 16.57 crores incurred in the previous year. There are, however, a few bright spots in the picture. The Oil and Natural Gas Commission improved its profit from Rs 7 crores to Rs 24.48 crores, the Bharat Heavy Electricals from Rs 14.47 crores to Rs 27 crores, the Hindustan Aeronautics from Rs 4.14 crores to Rs 9.29 crores and

the Madras Fertilizers from a loss of Rs 20 lakhs to a profit of Rs 3.08 crores.

A review of the public sector discloses that but for the profits from the services sector like the M.M.T.C. (Rs 11.47 crores), the S.T.C. (Rs 4.21 crores), the Shipping Corporation (Rs 14 crores) and others contributing in all a profit of about Rs 38 crores, the picture of return on our colossal investment of Rs 5,000 crores in the production sector would be a dismal one.

With monopolistic and semi-monopolistic conditions existing in the public sector and with its greater flexibility in managing prices, profit is not a true criterion of efficiency. It is possible to cover inefficiency by increasing the toll on the consumer. The true test should be: (a) whether the unit is producing to its fullest capacity and (b) whether it is conforming to standard costs. There should be only two classifications, i.e., units producing their rated capacity and those which do not. The current presentation of units producing over 75 per cent of their capacity or 50 per cent of their capacity is really unscientific and misleading. It may help to measure improvement over the previous year, but cannot give a true picture of efficiency of a public sector enterprise. Secondly, international comparison of prices depend on multiple factors like the rate of exchange and do not give a true picture. Each enterprise should, therefore, work out the standard cost of its product under normal conditions and try to conform to it. It is only then that there can be proper assessment of the performance of the public sector. We commend to the public sector the adoption of these two yardsticks for measuring the efficiency of its operations.

### LETTERS TO THE EDITOR :

#### PROLIFERATION OF POLITICAL PARTIES

Sir,—After 26 years of Independence, we in India find that the quality of leadership has gone down considerably. Men without principles, who change their loyalties as easily as one changes his clothes, are to be found in each and every party. Further, there are numerous political parties and for every seat in a legislature or municipal body, there are five or six candidates representing different political parties besides some independents. The votes get divided to such an extent that a candidate getting even about 25 per cent of the votes may get elected. Thus a party securing such a ridiculously low percentage of votes from mostly illiterate and ill-informed electorate, may enjoy absolute majority and make the Opposition ineffective and impotent.

It may also happen that no single party can form any stable government, as has been the case in some States, necessitating a coalition, each party bargaining to grab as much as possible, which invariably results in expansion

of the Ministry to scandalous proportions. Besides, such a coalition government of disparate elements will be unstable having the sword of disgraceful defections and withdrawal of support always hanging on its head. It is needless to state that in such a climate of uncertainty and anxiety, their entire time and energy would naturally be devoted to safeguarding their own positions by all possible means, fair or foul. Such an unstable and weak government cannot command any respect or confidence of the people and democracy becomes a mockery.

In such depressing and deteriorating conditions, the anti-social and anti-national elements try to exploit the situation and foment trouble and whip up mass hysteria by inciting frustrated, immature and ill-informed people to indulge in violence with impunity. It is a tragedy that although all political parties proclaim that their aim and objects are to build up a strong and prosperous nation with casteless

and classless socialistic society, still they want to have the luxury of continuing separate parties to the detriment of national interests.

It is time that the leaders of all political parties put their heads together without standing on prestige and canalized their determined effort to the establishment of peace and social security to increase production in the agricultural and industrial sectors.

Madras-17

K. THIRAGARAJAN

#### "RUTHNASWAMY TRUST"

Sir,—In recognition of the services of Mr M. Ruthnaswamy who will be completing 90 years of age and more than 50 years of public life on 15th August, 1975, in the fields of education and politics, it is proposed to collect funds for the establishment of an endowment trust bearing his name. He was the Principal of Pachappa's College and of Law College, Madras, Vice-Chancellor of the Annamalai University, a member of the Madras Public Service Commission, of the Madras Legislative

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