

NATIONAL DEBATE

**PUBLIC VS PRIVATE
SECTOR**

BAIJ NATH RAI

General Secretary

Bharatiya Mazdoor Sangh (W.B.)



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of Privatising PSUs.*

Author : Baij Nath Rai

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New Delhi
13.11.82
(Dhyanu Day)

PUBLISHER'S NOTE

This is a paper on the much talked about move for Privatising Public Sector Units under the New Economic Policy. The author has collected lot of information from various authentic sources to conclude that giving over public units in the hands of private employers is no solution to the ills of the PSUs.

Bharatiya Mazdoor Sangh (BMS) is of the view that the choice is not between Private and Public ownership alone. There could be a basket of patterns of ownership. Author has succinctly thrown light on this aspect.

Author does not claim this to be a scholarly paper. But certainly it is one from a grass root level trade unionist based on experience and ground realities.

What is more, the author being a Worker Director of a worker - owned New Central Jute Mills, deserves more than a casual attention for his paper from all who may be concerned with this aspect of our economy.

We hope the readers will find this short paper, informative and interesting.

— Publishers

New Delhi
13.11.93
(Deepavali Day)

Pt. Jawahar Lal Nehru used to say "Public Sector Undertakings are "TEMLES" of modern India. He had so high regards for Public Sector. Throughout his life he visioned for it, pleaded for it and worked for it and that is why - the number of Public Sector Undertakings (PSU) rose from 6 with investment of merely Rs. 29 crores in 1951 to 74 with investment of Rs. 2415 crores at the time of his death.

Once so highly regarded enterprise is now being considered as a sinking boat; "Why" - is the obvious question from everyone. As such a critical review is very much necessary.

Let us consider why and how these PSUs entered our economy.

SETTING UP PUs.

Pt. Jawahar Lal Nehru, in his presidential address at the Annual Conference of Indian National Congress at Lahore in December 1929 publicly advocated for the first time, the case of "SOCIALISM". He expressed his firm conviction that Socialism was the only way for the development of India. While expressing this, he had vision of Russian Pattern of Industries. He was not in favour of Gandhiji's idea about Swadeshi system of Rural Economy. So he continued to create public opinion in favour of Socialism and as such after becoming the first Prime Minister of India, he decided to implement his idea through the Five Year Plans.

In 1948, "Economic Programme Committee" under the Presidentship of Pt. Nehru was formed which strongly recommended setting up of more and more Public Sectors in the Country. The Committee was opposed to monopoly of Private Sector. However, the first "Industrial Policy" of our Country which was declared in the same year, did not share the views of this committee fully. It recommended public sector but at the same time allowed private sector also to develop for the next 10 years. Again in 1956, the second "Industrial Policy" strongly recommended the Social Reconstruction under Socialistic pattern. Thus public sector was highly preferred as the only "panacea", for the economic development of India. Under the dominating influence of western thought of

Socialism, Pt. Nehru, considered as the builder of modern India forgot the necessity of competition in the market economy and continued to set up public sector undertakings, one after another. Public Sector was also established with due encouragement in the remote areas where private sector had hesitation.

There is logic in the argument that backward and far off areas should be developed and for that better development, industries should be set up there. But one should not forget that such steps are time-consuming and desired result could be achieved only after a long gap.

However, PSU's were not established as per need of Indian Economy; rather that was done to fulfil the ambitions of the then supremo. Pt. Nehru, because of his strong belief in Russian pattern and of his desire for achieving quick International fame.

RAPID EXPANSION OF PSU'S

Again in 1969, when Smt. Indira Gandhi came to power, she also went ahead with the same line for the same political reasons. She allowed rapid expansion of PSUs nationalising coal and bank's etc.

By this time the Industrialists of Private Sector started diverting large amount of public money from their own companies to other industries and thus forcing the old companies to become sick.

Indiraji played this peculiar politics at the cost of the Nation. At that time she had to fight politically with the syndicate group and other opposition parties. So she sought the support of Communist party in order to divide opposition and thus to stabilise her power. She also sought support from big industrialists of India with a view to fight forcefully all her political opponents. And for this she had to oblige both i.e. Communists and the Industrialists. She nationalised the sick industries in a big way. Thus the Communists were obliged with their slogan of Nationalisation and industrialist, were obliged

to part away with their sick - Industry by shouldering no liabilities of the past. They were rather paid compensation. Thus during her time the rapid expansion of PSUs was also not based on the need of Indian economy but only for political necessity. As such performance of PSUs during Smt. Gandhi's regime was not only criticised by the Committees of parliament, eminent economists and others but also by the chief executives of Public Sector Undertakings. At a seminar held in March 1975, in Madras, the chief executives expressed concern at the fact that PSUs were regarded as social welfare organisations. They suggested the Govt. to bring white paper to define clearly the financial and commercial objectives, pricing policy and minimum return on capital employed in PSUs. This seminar also proposed that Bureau of Public Enterprises should conduct an opinion poll throughout the country to find out what people thought about the performance of PSUs. But subsequent declaration of internal emergency by Smt. Gandhi, put a stop to all such debates. The PSUs continued to increase in the same way and for the some reasons without check.

By 1980 the Govt. even forgot the object of PSUs. It started comparing the PSUs with private sector on the basis of profit. But it was too late. The losses incurred by PSUs till 1980-81 was to the tune of Rs. 760/- crores. It was beyond doubt that the losses were mainly on account of nationalisation of sick industries mis management and political interference etc. The Union Govt. of India was forced to set up a committee headed by Dr- Arjun Sengupta, in Sept. 1984 to evaluate the performance of PSUs, identify constraints and suggest measures to improve their workig. In its report in Dec. 1985, it recommended toning up of PSUs as per its organisational structure, autonomy, accountability, technological upgradation, financial viability and pricing etc. But that too remained on paper.

In 1989 Mr. Rajiv Gandhi, offered to bring a white paper on Public Sector. A Committee was set up. But its report was not published due to pressures from world Bank and IMF.

Rajiv Gandhi and V.P. Singh during their regimes made some attempts but that too could not produce much impact and losses continued unabated.

Mr Madhu Dandavate, during his budget speech 1990-91 said "the health of public enterprises depended crucially on the commitment of their employees and their full participation in management and one way of securing this objective was to give workers a "SHARE" in the ownership either through stock option schemes or sale of "SHARE" to workers or to Trusts owned by them" He observed so because equity of public enterprises was not quoted in the market. As such arrangement was to be made to determine the sale and purchase prices of such WORKERS' SHARE. But the Govt. did not follow up this proposal.

MOVE FOR PRIVATISATION :

Presently the number of PSUs has reached upto 246, Huge losses are being reported. As per Mr. P. A. Sangma, Hon'ble Labour Minister, Union of India - "one lakh crores have been invested in PSUs which are incurring losses of Rs. 10,000/- crores and money required for their rehabilitation is Rs. 15,000/- crores". About 100 units of PSUs have been declared sick by the Govt. As such Sri P. V. Narasimha Rao has proposed closing down chronically sick units numbering 22 and hand over 60 sick units to private sector. He also pleaded for retrenchment of about 4.5 lakhs on a golden hand shake basis. Thus the PSUs which were once regarded as "TEMPLES" of Modern India by our first socialistic Prime Minister, Pt. Nehru has now become rotten in the eye of our present socialistic Prime Minister, Mr. P. V. Narasimha Rao, inspite of his repeated public utterances that he is following the same line as that of his predecessors.

From the aforesid discussion it is now clear that PSUs were established for political purpose, were allowed to expand for the same reasons and again the present move to close them down is also for similar reasons.

REASONS FOR LOSSES

No one considered the causes of losses seriously. Why PSUs are incurring losses and what are the constraints was never given a serious thought. One should be very much clear that it cannot compete with private sector due to its limitations. It cannot bribe or influence others. Like a private sector, in order to get some order or tender in the open market. BHEL is one of the best of 15 companies of the World in its area but it has to lose tenders. Engineering project India Ltd. (E. P. I.) one of the best of 13 construction companies of the world is now sick. It may be noted with pride that this is the Indian company which built "Council of Ministers Building" of Iraq from where Mr. Saddam Hussain masterminded his war against America recently and America could not do any harm to it.

It is beyond doubt that the main reasons for losses are political, wrong strategy, mis-management, wrong policies, wrong planning and lack of co-ordination between different ministries of Govt.

A PSU can never compete with private Sector or multi-national companies (MNCs) due to various reasons. However, it does not mean that performance of all PSUs are always good. The point is that it cannot be judged only on the basis of profit earning performance.

Now let us consider the case of privatisation. We will have to consider objectively and logically and as such following basic questions arise:-

(i). Whether sickness is only in PSUs and not in private sector.

(ii) If the PSUs are to be transferred to private sector on account of sickness, what is to be done for the sick units of private sector.

MORE SICKNESS IN PRIVATE SECTOR

Let us examine the case of private sector. It is said that 100 companies in America become sick every day. Our Country is not lagging behind, as the following figures will reveal.:

1980 Total No. of sick units was 24,550

1988 Total No. of sick units was 2,42,584

Though correct figures are not available but it is beyond doubt that by 1991/92, the number of sick units has reached 3.5 to 4 lakhs. Till 1990 the bank loans in these sick units were Rs. 9352.53 crores. By this time and with interest it must have gone much above Rs. 10,000/- crores which is equal to the so called losses of PSUs as mentioned above. So sickness is not only limited to public sector rather it is much more in private sector.

Now let us examine the role of players of private sector. A businessman has every right to earn money but simultaneously he has every responsibility to contribute his maximum resources towards social development of the country to which he belongs. To earn more and more money with a view to fulfil only his own self interest, was never tolerated by any civilised society. In the ancient period, too, there were several instances when the king had to come forward to check the businessman if they tried to corner earnings for their own self interest.

Unfortunately British were successful in diverting away the attention of most of the Indian business community from the cause of nation's or society's interest. During freedom struggle it was noted that most of Indian Industrialists were helping the British for their own self interest of earning more and more money. It is said that Gandhiji was forced to stop his "Swadeshi Movement" because of such bad intention of most of Indian industrialists and for the nexus between them and the then British Rulers.

Pt. Nehru, as pleader of Western pattern, capitalized on such wrong practices of private sector, in order to make his case strong in favour of PSUs. After Independence too, it has been noted that industrialists of private sector earned a lot while Industries run by them became sick on large scale. They earned the money without least investment. This fact is revealed from their investment in the assets rate in the industries they own as per report published by reserve Bank of India.

Percentage of equity capital investment in the assets of the companies owned by 7 top industrial houses :

Tata	0.36%	Birla	0.14%
Mafatlal	0.99%	J. K. Singhania	0.65%
Thapar	0.16%	Sri Ram	0.14%
K. P. Goenka	0.25%		

From the above data it can be easily gathered that these big industrial houses earned money not through their own investment but through the public money.

Industrialists in the private sector often switched over from one industry to another without least care or affection for the previous to loot away all the cream and leave an industry under sick condition.

Ironically some of them have made a peculiar fashion of forming a company with public money and taking away maximum of the same by investing a little. In this way they used to earn money by forming one company after another which has become a part of their regular business. Such companies either remain on paper or die at the initial stage or after working for few months. But the fact remains the same. that the public investment is being diverted by such unscrupulous people.

Our big Industrial houses have made enormous money at the cost of public money. As per a survey (1989) following is the position of their personal earnings :

As per assets

Rs (crores)

Rank	Name of Group	Assets
1.	Tata	4939.88
2.	Birla	4771.38
3.	Reliance	2021.53
4.	J.K. Singhania	1426.67
5.	Thapar	1151.48
6.	Mafatlal	1050.50

As per turnover

Rs. (crores)

Rank	Name of group	Sales turnover
1.	Tata	6628.06
2.	B.K. Aditya Birla	2565.90
3.	Bajaj	1209.44
4.	Modi	1190.43
5.	Ambani	1058.40
6.	Thapar	1029.96

7. Modi	860.16	7	G.P.C.K. Birla	898.80
8. Larsen & Toubro	830.56	8.	Chhabria	895.85
9. Chidambaram	807.50	9.	Mallya	850.47
10. Bajaj	777.79	10	Arvind Mafatlal	484.23
11. A C C.	760.68	11.	Sri Ram	839.10
12. Bangur	678.49	12.	Mahindra	827.89
13. Hindustan Lever	631.89	13.	R.P. Goenka	773.28
14. Walchand	629.17	14.	J.K, Singhania	759.59
			(North)	
15. TVS Iyengar	622.77	15.	K.K. Birla	700.72
		16	Godrej	700.00
		17	Kirloskar	641.33
16. Sri Ram	590.69			
17. LTC	552.95			
18. Kirloskar	474.48			
19. Mahindra	465.87			
20. ICL	453.52			

(Source-Report Published on page nine of Amtita Bazar Patrika Calcutta, 16th April, 1989).

Though correct figures are not available, it is beyond doubt that by this time their assets and sales turnover would have increased tremendously.

Unfortunately these big houses have no remarkable contribution towards the upliftment of Indian social and economic condition. Neither they are in a mood to take any risk in their business nor they have any care for research work for promoting Indian technology, in order to develop our indigenous technology which could discourage the imported technology nor have they any concern for the Indian consumer. Well known economist Mr. H. K. Paranjape has stated so, in his paper "what is wrong with our private sector" while it is a fact that for a number of products the Indian market cannot sustain more than a few units working on an optimum scale this has not necessarily resulted in the maximum exploitation of the economics of scale, resulting in benefit for the consumer or through exports for the company. The monopoly power has far too frequently been used only for exploiting the consumer. Whenever an oligopoly situation has prevailed as

for example in rubber, tyres, caustic soda or synthetic yarn, this is well known to be taking place and the MRTP Act has been quite ineffective in stopping these practices.

These big industrial families have been successfully drawing enormous private profits from the companies controlled by them in the form of super-high salaries and perks for several of their family members and relatives including those whose efficiency is known to be very low.

The Industrial houses which have become big are preferring to enter into foreign collaborations inspite of the fact that they have to abandon on-going research and development efforts. They are more interested in importing foreign technology, bringing the foreign capital and adopting foreign pattern not with a view to increase production or serve consumers (as they plead). Their only consideration is to exploit Indian consumers and market. Such attitude of Indian Industrialists have emboldened foreign powers to dictate India to accept everything on their terms.

It is noted with regrets that public financial institutions have played a very important role in the buliding up of practically all the private sector concerns by making available loans on favourable terms. Whether industrialists by and large continue to operate as if, the public financial institutions and the companies are their family properties. As such they used to expand their Industrial houses without check and do their monopoly business without restraint. MRTP Act, was brought by the Union Government to check such monopoly practices of big industrial houses but sorry to say that it has totally failed in this. There is no remarkable instance of breaking up of a single large industrial house or a monopoly group by using section 27 of the MRTP Act. Hence there is every reason to believe that rulers of our country have no intention to use the Act for the said purpose of checking monopoly of such big industrial houses.

Not only this but these big houses have heavily contributed for political corruption. They have always used their black money for politicians, rulers bureaucrats and political parties. They contribute heavily to maintain better relations with all in order to keep influence on any Govt. irrespective of party and colour

Unfortunately, it is a naked truth that instead of making the private sector to behave in a socially responsible manner the public financial institutions and the Government have allowed them to commit social crimes by pumping in black money for promoting social and political corruption.

CAUSES OF SICKNESS :

But it is the workers who are blamed, as the main factor, for sickness in an industry in the past and also in the present. Most of the industrialists of private sector, bureaucrats and Govt. leaders have held workers or workers' trouble as the main cause for losses in the industry.

Now let us see what is the fact. In 1979 RBI constituted a "Tiwari Committee" to enquire into the affairs of sickness from all aspects. This committee took sample test of 378 sick units. In 1984, it submitted its report declaring that workers are least responsible for sickness. Sickness due to labour trouble was only 2% and that too only in 9 units out of the said 378 sick units. It reported as follows :-

197 - units i. e. 52% were sick due to mis-management and quarrels in the family of industrialists.

-86 units i. e. 23% were sick due to market problems.

- 51 " 14% " wrong decision in strategy.

- 34 " 9% " Lack of facilities.

- 8 " 2% " Workers trouble.

Total 378 units i. e. 100%

In 7th Plan report too, it was accepted that mis-management and easy profit motives were the main reasons for sickness.

RBI observed that the sickness cannot be checked until the industrialists were forced to shoulder the losses and their personal properties attached. It strongly opposed nationalisation of such sick units but who cared to listen to these proposals. Smt, Indira Gandhi, as mentioned above, for her own political interest, obliged the industrialists by relieving them from all liabilities and nationalising the sick companies at the cost of the Nation.

And now again the some Govt. headed by the congress party is asking for denationalisation. Apparently it appears that our rulers are trying to push back the PUSs to private sector in order to solve the problems. But unfortunately it is not a fact.

PRESSURE OF WORLD BANK / I M F.

When it is generally understood that oscliating industries from private to public or public sector to private is not at all a solution - Why is our Govt. trying to do so. Really it is a question which needs more discussion and more clarifications. Govt. of India has come forward with a new Economic and Industrial policy. The silent features of this New Industrial Policy are :-

- i) Pushing back of PSUs to private sector.
- ii) Closing down a good number of PSUs on the plea of being chronically sick.
- ii!) Retrenchment of work-force through V.R.S. or golden handshake.
- iv) Creating National Renewal Fund (NRF) for fulfilling all the aforesaid purposes.

It is now beyond doubt that the world Bank and IMF are the main institutions which pressurised our Govt. to formulate the so called New Industrial Policy. Though foreign powers have always influenced all our Congress Govts. By one Way or other in formulating the policies of our country, the World Bank and the IMF could get more leverage during the regime of Shri Rajiv Gandhi. It is these institutions which stopped Shri Gandhi from publishing a white paper on rhe performance of PSUs because there was every apprehension of the reality coming out.

Mr. Armeane M. Choksi, Vice President World Bank, a British National and in charge of the Bank's Human Resources Development and Operations Policy was in the first week of July, 93. He pointed out that "World Bank is allocating higher resources towards those countries which have shown a clear commitment

to poverty alleviation". How nicely they used to place their argument: The words "poverty alleviation" would attract anyone. But while elaborating on the same Mr. Choksi explained. "Alleviating poverty" has two approaches. One is for Economic Growth and the other is investment for education and health. By economic growth - We talk of structural adjustments, stabilisation privatisation. Here it is absolutely essential that private sector be given much freer rein". He further said "the profit making private sector will normally not enter in the area of health and education. So Government has to fulfil the obligation of education and health". When asked whether the World Bank intends to put pressure on the Govt. for the aforesaid purpose, he refused to accept the word "pressure" but clearly said "if a Govt. is not ready, there is nothing that we can do. If there are no reforms, the Bank will not lend". Hence it is very much clear that measures for economic reform and to give private sector a 'Freer Rein' are the preconditions imposed by World Bank itself taking advantage of the habit of our international borrowing practice. The IMF knows better that multi national corporations (MNC) could only step in and flourish, when there would be a 'Freer Rein' for private sector in India. The presence of PSUs in some areas have always been felt as a danger to MNCs. Not only this but the World Bank and IMF are advising our Govt. to keep private sector free from their minimum social obligation for providing free health service and education to working class and their family. In one hand they are advising our Govt. to keep the private sector free from all social obligations and on the other hand they are looting the players of our private sector with a directive to create more and more congenial atmosphere for their MNCs on the ground that they have been freed from all social obligations and thus they (private sector) have got much opportune atmosphere to loot more and more money.

In a most cunning manner they have advised our rulers not to be worried from public criticism because they are ready to provide further money for health and education service in the name of "Alleviating Poverty". As such by showing paradise of economic development they are only accelerating the habit of borrowing. And they have achieved success in it. Because rulers of our country have reached such a stage that they cannot remain without borrowing.

All their actions are on the basis of borrowing. As a drunkard cannot remain without wine, our rulers cannot remain without borrowing and being victim of their such habits, they are forcing our country to remain always in debt.

88% of our foreign funds are being used for debt servicing. India's total debt has risen from Rs.84,500 crores in 1989 to Rs.1,99,000 crores as on March, 1992. The commercial borrowing in 1992-93 was Rs.2535 crores only while gross figure was Rs.18,371 crores. The balance was used for repayment of loan and interest only. Such high level of borrowing has jeopardised our total economic structure, losing our freedom and becoming a victim of forced dependency. As such our economic independence is in danger. We cannot think or act on our own. we are forced to accept dictated policies of foreign power due to the habit of borrowing. World Bank and IMF are very much interested for pumping in MNC and private sector in certain areas of our industries such as power generation, food products, mining, telephone and banking etc. Not only this but they have also entered in "health and education" - i.e. service area. They have already achieved advantageous position to have control on our whole economy. In reality they are using the words "poverty alleviation" with ulterior motives.

COMPARISON OF PSU WITH PRIVATE SECTOR :

As earlier said, we cannot compare the performance of PSUs and Private Sector on the basis of profit making alone. Each sector has its own merits. None is a panacea for all problems. We will have to consider the presence of any sector on the basis of the need of our economy and not on the dictation of foreign power or institutions.

It is generally known that public sector has many limitations and constraints than the private sector. Some of such limitations and constraints are :-

- a) private sector can secure orders/tenders accepted by influence of money and/or other business tactics. The PSUs can never do so.

- b) In private sector the decision making body is small may be one individual or a few, while in PSUs there are a number of heirarchical levels.
- c) In implementing a decision, PSUs has to come through different stages which obviously causes much delay; but such is not the case with private sector due to freedom of delegated authority to limited number of persons.
- d) In PSUs the presence of large number of officers offset the gains at different levels but in private sector no one can corner the gain at any stage.
- e) Lack of planning and marketing strategy is possible in PSUs due to its structure which is not the case in private sector.
- f) There is lack of co-operation between different Ministries of Govt. of India which adversely affect the planning and functioning of the units.
- g) PSUs cannot break the law but private sector can play with law.
- h) PSUs normally fulfil social obligations such as it meets the expenses on health, education and on many other social overheads but private sector is not obliged to do so.
- i) Most of private sector has trading attitude while PSUs hae industrial attitude.
- j) Private sector can delay or digest social benefits such as P. F., gratuity and family pension but nothing of that sort can happen in PSUs.
- k) Private sector, qualifies rather saves heavily, even after wage increment by large retrenchments but PSUs can not do so.
- r) The increase of wage/DA or other benefits really cost PSUs but it seldom affects private sector.

Thus there are many constraints and limitations in PSUs working. But at the same time it has to be admitted that there is little possibility in PSU for exploiting either the working people or the society. As such if Govt. wants to switch over, it has to come out with clean intentions. It is all the more necessary that a white paper be published on the performance of PSUs. This is essential to educate and enlighten the public about the real nature and

performance of public sector enterprises and the distinct gains that would accrue to the economy from private sector. Merely declaring sick without going into details can never be a criteria for such switching over.

Moreover it is to be noted that in spite of all the aforesaid limitations and constraints the quantum of Gross and Net Profit margin of PSUs have progressively increased from Rs.4012 crores and Rs.445 crores in 1981 - 82 to Rs. 18510 crores and Rs. 2368 crores respectively in 1990-91. Export has also since increased. Hence it is still a profitable sector.

NO SECTOR IS PANACEA :

After providing all information regarding performance of PSUs the Govt. should seek advice as to whether any change / transfer or switch over is necessary and that too for which sector. Our industries cannot be oscillated like a pendulum from private sector to public sector and then public sector to private sector. Options are not limited to these two sectors alone. There are several other sectors, according to their pattern of ownership. Different patterns might be suitable for different kinds of industries. Industrial ownership may be in the form of self-ownership, co-operatives, socialised, common ownership, municipalised, decentralised, nationalised, labourised and so on. In this connection BMS has always advised the Govt. for :-

- 1) Appointment of a National Commission to go into the question of and recommend different patterns of ownership taking simultaneously into consideration, the peculiar characteristic of each industry and the total requirements of the national economy.
- 2) Appointment of an expert panel on the selection, location, size and appropriate technology for the industry which would be in the best interest of the country.

Interestingly, as per a report published in 'DATELINE BUSINESS' August 20-26 of 1992, the World Bank has also accepted diversification of ownership. According to the World Bank, 'diversifying ownership has produced positive results in China and likewise in India, the privatisation can proceed gradually beginning with enterprises in competitive markets' Though not strictly but in one or other form it has accepted the idea of diversification of ownership. Analysing the trend of privatisation in different countries

of the World, the Bank says, "privatisation is an inherently" time consuming" process. Privatisation took time even when the process was not intended to be gradual in all countries. where it has been an important element of public enterprise, reform, privatisation of PSUs has proven to be an arduous task both in OECD countries such as New Zealand and in United Kingdom and in developing countries such as Argentina, Brazil, Chile, Ghana, Korea, Malaysia, Mexico and Turkey.

The British privatisation programme took 10 years. For argument's sake also we can never reform our economy by merely privatising the PSUs which is by and large a time consuming process. Naturally we would invite more debt in order to continue the programme for next several years and by the time it is completed, no one can deny that several other problems would have appeared on the same. Thus there is every possibility of emergence of many other problems by this method of time consuming economic reforms.

SINS OF PRIVATISATION :

Now suppose we do not allow this 'time-consuming' programme of privatisation, we would like 'rapid' implementation. But in both the cases it would give reverse result. The United Nations has also come out with a stern warning on the pitfalls of unchecked privatisation.

Human development report of 1993, of United Nations says, 'Privatisation is no panacea. Hastily, conceived or executed it might achieve very little. Privatisation should, thus, be seen not as an end, but as a means to higher levels of human development'. The Report has identified seven issues on which it feels that privatisation could have taken place for wrong reasons, under wrong conditions and in wrong ways'.

The UNDP has branded these as 7 sins of privatisation which are as follows :-

- 1) FOR WRONG REASONS : Many privatisation strategies are aimed at maximising short term revenue rather than achieving competitive market economy for the long term.

Suppose a monopoly telecommunication company is sold in order to fetch a handsome price. But it is only a short term revenue raising measure. In the long term it would mean loss for the consumers and ultimately efficiency of the whole economy would be lost. The two objective conditions of the industry i. e.

e. better service to consumer and high efficiency of the economy would lose their relevance.

- 2) **WRONG ENVIRONMENT:** Privatisation should be allowed when the Govt. has opened up other facets of the economy and offers an overall competitive and efficient environment. Otherwise it would be only transfer of ownership from public sector to private sector without having achieved any objective.
- 3) **WITH NON - TRANSPARENT PROCEDURES :** Process of privatisation is always accompanied by allegations of corruption and therefore, the disposal of assets should be open. Government should explain to the public clearly the reasons and process for privatisation.
- 4) **TO FINANCE BUDGET DEFICIT:** Public sector companies should not be sold off only to cover the current budget deficits, instead, they should be used to reduce national debt.
It is well known that selling assets to meet current liabilities would ultimately mortgage the options of future generation.
- 5) **WITH POOR FINANCIAL STRATEGY :** Best way to sell off public sector units is through capital market. The report has noted with surprise that inspite of high yield; low risk, tax-free Govt's bonds most PSUs have attempted privatisation.

It is also surprising that 'SHARES' have been restricted for selling only to foreigners.

The report advised that 'SHARES' should be sold on widespread basis to the Indian nationals and foreigners on the maximum revenue basis. Under no circumstances it should be reserved for foreigners only.

- 6) **UNREALISTIC LABOUR STRATEGIES :** The Government should Not try to obtain guarantees from prospective buyers among labours.

The declaration that, no worker will be laid off "or buying peace on golden hand shake basis in such a manner that it exceeds the assets, sale value can never be a scientific approach."

Workers should be talked in a straight way and attempt should be made to find out other alternatives.

- 7) **ABSENCE OF POLITICAL CONSENSUS:** The report feels that privat-

isation is not only a technical process but it is also a political process because livelihood of lakhs of workers is in danger. The refore hasty privatisation without political consensus could attract reversal in the case of change of Govt.

The Government shall educate the public and build a broad base consensus.

Until now, leaders of Congress and Communist parties of our country have failed to explain the public, the reasons for their changing policy of private sector to public sector and public sector to private sector, The congress Govts. have committed a wrong. The national economy has to suffer much for their wrong policies.

Hence, it is the call of the time, that they should beg public apology for their aforesaid immature policies.

It is high time when the prudent persons of our country should come forward for getting all the differences smoothed out. A strong public opinion to stop our Govt. from repeating the wrongs is very much needed. Let us unite for the cause of 'Bharat Mata' to free our economy from the foreign dependency.

And it is in this context that following suggestions may be fruitful specially for public sector undertakings.

SUGGESTIONS :

- i.) Government should publish a "white paper" on the performance of PSUs, its limitations and its constraints.
- ii) A high power tribunal or committee or commission or any forum (may be B.I.F.R.) with adequate power be formed:
 - a) to find out the reasons for sickness of PSUs.
 - b) to recommend suitable punishment to culprits and
 - c) recommend measures for revival/rehabilitaion of the units concerned.
- iii) We should not limit ourselves to public sector or private sector but find out suitable options from diversification of ownership :
- iv) Diversification of products should also be found out to make the unit more and more viable and remain competitive in the market.

- v) Labourisation and/or workers co-operatives can be introduced in such PSUs which are sick but technically having better market prospects in following manner:
 - a) Participation in management in true sense i. e. formation of Management Committee with equal number of workers and management representatives right from shop level to plant level to deal with day to day affairs in effective manner.
 - b) Workers and their unions be given all information regarding the company.
 - c) Board of Directors should include equal number of representatives of workers and management.
 - d) In case of multiplicity of union-workers representation may be kept on rotation basis in management committee and on the Board.
- vi) Regular training programme should be conducted for education of workers and management group regarding all affairs of the company such as technology, market, finance, accounts, and the business itself after making proper selection from them.
- vii) "AUTO SHARE" workers should be provided "SHARE" based on their length of service in order to motivate them for participating in equity share.
- viii) Research Work for improving indigenous technology and diversification programme should be made compulsory in all PSUs either on group basis or individual unit basis according to size, character and nature of work.
- ix) Employment generation programme should be introduced in effective manner.
- x) N. R. F. should be used for JOB CREATION and not for JOB ABOLITION.

Besides the above, there may be several other suggestions from different angles. What is more important is initiation of an open National debate. And the consensus so reached should only be the future guideline for PSUs.

