Draft PSE'S Policy for Jharkhand

he Govt. of Jharkhand constituted an advisory committee to prepare the policy of Public Sector Enterprises for the State of Jharkhand on 19.05.2001 vide State Govt. notification no. 533 with Shri Saryu Roy as its Chairman. The committee submitted the policy draft report to the then Chief Minister of Jharkhand on 02.11.2002. The draft PSE policy report is given below :-

DRAFT POLICY REPORT OF THE ADVISORY COMMITTEE ON CONSTITUTION OF PSEs IN JHARKHAND

Preface :

The Public Sector Enterprises (PSE) made significant contributions towards building the foundation of industrial development in the country as well as in the States after independence. The Industrial Policy Resolution 1956 gave the public sector a strategic role in the economy in tune with the policy of the mixed economy of the States. After merely Four decades the Govt. of India modified the above approach and announced Industrial Policy introducing the process of economic liberalisation in the country. With the opening up of economy and pursuant to the policy of liberalisation it became imperative to have a second look at the role and performances of the PSEs. Most of the States began restructuring of the Public Sector Enterprises keeping in view the fact that economic viability of the PSEs was going down and their contribution shrinking in terms of return on the investments made by them. In order to evaluate State PSEs and suggest the measures for restructuring through rationalisation, closure, merger of the PSEs likely to be inherited from the erstwhile Govt. of Bihar and to suggest a policy in this regard, the Government of Jharkhand established an Advisory Committee vide Notification No. 533 dated 19.05.2001 of the Deptt. Of Planning, Development and Programme implementation.

Committee Members

The Advisory committee to suggest the policy guideline to the Govt. for constitution of PSEs in the State comprised of the following members :

Shri Saryu Roy, MLC	Chairman
Development Commissioner	Member
Finance Commissioner	Member
Secretary - Personnel Deptt.	Member
Secretary - Forest, Environment & Tourism	Member
Secretary - Agriculture & Co-operation	Member
Secretary - Industries Deptt.	Member — Secretary
Secretary - Building Construction & Transport.	Member
Secretary - Urban Development & Housing ...	Member
Secretary - Energy Deptt.	Member
Secretary - Mines & Geology Deptt.	Member
Secretary - Food & Civil Supplies	Member
Director General of Police	Member
A Representative of MECON, Ranchi	Member
A Representative of IICM, Ranchi	Member

Terms of Reference

To suggest the Government a Policy regarding PSEs keeping in view the

social, economic and administrative aspects.
To suggest the Government as to which of the PSEs amongst those supposed to be inherited by the Government from the erstwhile Govt. of Bihar, be retained, which to be abolished and which to be merged.
Save from very hard pressing circumstances no new PSE be formed in the State.

Area & Scope of the Committee

Though the committee has been assigned the job to formulate a PSEs policy for the State of Jharkhand yet the terms of reference of the Committee is quite conservative and limited to the retention, merger, desolution of the PSEs possibily to be inherited by newly created State of Jharkhand from the erstwhile State of

Bihar and that too with a specific rider that but for very hard pressing circumstances no new PSE be formed in the State. This clause in itself limits the scope of the committee.

Background

Formation of this committee was necessitated because of re-organisation of the erstwhile State of Bihar on November 15, 2000 carving out a separate State of Jharkhand from it. As a result of this barring a few PSEs like TVNL, BSMDC and a few authorities such as RIADA, BIADA, AIADA, MADA, RRDA and Hazaribag Mines Board, etc. Head Quarters of most of the PSEs remained with the truncated State of Bihar. Out of these 56 PSEs, 49 are under the control of Bureau of Public Enterprises, an organisation under the administrative control of Finance Department and created through a Government Notification No. 2124 dated 1.3.1976 for planning, monitoring and supervision of the PSEs under it. In fact, the assets of the one PSE namely, Water Development Corporation was merged with the Department of Minor Irrigation reducing the total number of PSEs under PEB to 48. Out of these, 29 PSEs are incorporated under the Company Registration Act and remaining are created under the Act of Parliament or State Legislature. Out of these PSEs, 8 (eight) Nos. of PSEs have its Head Quarters and area of operation exclusively under the State of Jharkhand. These PSEs are BIADA, RIADA, AIADA, RRDA, TVNL, MADA, BSMDC & Hazaribag Mines Board. The PSEs, other than those existing exclusively in the State of Jharkhand, also have significant assets and properties in this State. The Bihar State Industrial Development Corporation owns Electrical Equipment Factory at Tatisilwai, High Tension Insulator Factory at Namkum, Super Phosphate Factory at Sindri, etc. The Chemical & Pharmaceutical Development Corporation too have units like Synthetic Resins Ltd. & Drug Standardisation and Certification laboratories, Ranchi, Textile Corporation established Niranjan Textiles Ltd. & Bihar
Wooden Firebricks at Jasidih, The Tourism Development Corporation owns Hotels, Motels and other property at various places. Similarly the Warehousing Corporation, State Road Transport Corporation, Forest Development Corporation, Text Book Publishing Corporation and others too have their stakes lying in the Jharkhand.
There are elaborate schemes with regard to PSEs in the Bihar Reorganisation Act, 2000. Section 62 to 66 of Part VII of the Act deals with the provisions as to certain Corporations. Provisions as to State Electricity Board, State Warehousing Corporation and State Road Transport Corporation are dealt in the Section 62 of the Act separately. Section 64 deals with the State Finance Corporation and Section 65 relates to provisions as to certain companies whereas Section 66 relates to general provisions as to statutory corporations. All the 56 PSEs existing before formation of the State of Jharkhand have been enlisted in schedule IX, Section 65(1) of the Act.

Delayed beginning

The Govt. of Jharkhand resolved to constitute this committee on May 19, 2001 with direction for submission of the report within two months time. At the outset, the Chairman of the committee showed his disinclination towards the responsibility as he was to leave for study tour of several foreign countries on behalf of the Indian counsel of Agricultural Research, GOI in the same period, hence he requested the Chief Minister that it would not be possible for him to do justice with the assignment in this span of time and hence alternative arrangement be made for this important work. The Chief Minister of Jharkhand in response to the communication between Mr. Pradeep Yadav, State Minister, Rural Development and the Chairman of the Committee informed the Chairman- designate of the Committee vide his office letter No. 380773 dated 20.10.2001 that the Government is waiting the report of the committee constituted under your Chairmanship and hoped that like

Jharkhand Industrial Policy draft report, this committee will also submit its report on policy relating to constitution of PSEs in the State.The relevant letter of the Chief Minister is enclosed as Annexure - 2. He also mentioned in his letter that he is again reminding the Development Commissioner and Secretary, Industry Department to extend full co-operation to the Committee. It may be mentioned here that the Department of Planning Development and Programme Implementation was declared the Nodal Department for this committee and this department was authorised to provide the secretarial assistance to the committee as per the resolution of the Government. The Director Industries was designated Member - Secretary of the Committee.

Facilities to the Committee & Chairman

The Government order constituting the committee clearly stated that the planning, development and programme implementation department will be the nodal Govt. Department for this committee and this Department would provide the secretarial assistance to the committee. But except providing the chamber of the Development Commissioner for the meetings of the committee, no other secretarial assistance was ever provided either to the committee or to the Chairman of the Committee. Even for preparation of the draft report no one from the Govt. side came forward and the same was prepared by the Chairman of the Committee himself utilising his own resources. In the Notification of the Govt. order constituting the committee, it was mentioned that "the Chairman of the Committee would be entitled to get all the facilities which were made available to the Chairman of the Industrial Policy Advisory Committee of the Government". It was also mentioned in the Chief Minister's letter at Annexure - 1. Curiously enough in the Govt. Notification constituting the Industrial Policy Advisory Committee on March 13, 2001 contains a similar clause that "the Chairman of this committee would be entitled to the facilities provided to the Chairman of the committee constituted by the

State Government for preparation of Rules of Executive Business. The Chairman of this committee was also the Chairman of the Industrial Policy Advisory Committee and at that time it could not be ascertained despite the best efforts that what were the facilities provided to the Chairman of the Committee constituted for preparing the Rules of the Executive Business for the Govt. of Jharkhand. Thus, like the Chairman of the Industrial Policy Advisory Committee, the Chairman of this committee too was provided no facility by the Government.

Frequent transfer of Member Secretaries

The Director Industries was designated Member - Secretary of this Committee. At the time of the Notification of the Committee Mr. Arun Kumar Singh, IAS was the Director - Industries. In his tenure two meeting of the committee were held on 28.07.2001 and 20.11.2001. He was transferred after few months and Mr. Amrendra Pratap Singh, IAS joined as the Director - Industries. In his tenure the committee held meetings on 04.02.2002, 24.04.2002, 06.05.2002 and 08.07.2002. During his tenure discussions and one-to-one talk with most of the concerned Government Departments was held and work of draft report preparation was to begin as in the last meeting of the committee on 08.07.2002 it was decided to prepare the draft report within a fortnight. But in between he too was transferred and Mr. Rajesh Agarwal, IAS joined as Director

- Industries. The frequent transfers of the Member - Secretaries hampered the preparation of the draft report

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Methodology

The committee held six meetings and extracted views of the different Govt. Departments through their representatives. The committee also studied the reports of the restructuring process adopted or being adopted by various States. The committee also consulted several policy documents and plan documents of the Government of India and Planning Commission. The committee also went

into the websites of the Ministry of Disinvestment, Government of India. With due consideration to such informations in the context of socio-economic & administrative aspects of the Board / Corporations and the State of Jharkhand. The draft policy report was given final shape

Details of meetings of the Committee & deliberations

The first two meetings of the committee were held under the chairmanship of the Development Commissioner on July 28, 2001 and November 20, 2001. In the first meeting it was decided to request the parent departments of the respective PSEs to inform the committee regarding recent projects, if any, towards the distribution of assets and liabilities of the respective boards and corporation. It was also decided to keep in mind the related judgement of the Patna High Court in this regard. The Secretaries of the concerned departments were also directed to obtain relevant records from their counterparts in the Govt. of Bihar after getting required approval from their respective Departmental Ministers.
In the next meeting, on November 20, 2001 the Secretary, Forest, Environment and Tourism Deptt. Informed the committee that there is no need of constituting PSEs like Forest Development Corporation, State Trading Corporation and State Tourism Development Corporation and the Department itself may take care of the responsibility supposed to be taken up by these organisations. Similarly Secretary Building Construction and Transport Department also expressed their views against formation of State Housing Board and State Road Transport Corporation and expressed their views that this area will be well taken care of by the Private Sector. The Director General of Police, however, stressed upon formation of Police Building Construction Corporation and said that this Corporation has done commendable work in the erstwhile State of Bihar. Though the present DG, Police in a communication with the committee straight way contested this view and said that he does not feel need of any such corporation with the department and his department is well equipped to perform this task.

The next and the first meeting under the Chairmanship of the Chairman of the Committee was held on February 4, 2002 at the chamber of the Development Commissioner. In this meeting Secretary, Tourism reiterated her earlier views taken in the previous meeting for not constituting the Tourism Development Corporation. The Secretary, Transport also reiterated his earlier view for not constituting the State Road Transport Corporation. The Secretary, Animal Husbandry and Fisheries also opined against constitution of State Fish Development Corporation. However, the Secretary, Food and Civil Supply was firm on his view that to implement the various schemes of Govt. of India and for relief work and rural employment related schemes, constitution of Food and Civil Supply Corporation is a must in the State. The committee decided in favour of constituting the State Mineral Development Corporation. Mr. Shankar Prasad, Director, SKIPA drew the attention of the committee towards recommendations.
and directions of the 11 Finance Commission and urged that after panchayat elections several works of the Govt. will be devolved to the Panchayat and the Govt. will act mainly in the core sectors. Hence, save from very urgency the Govt. should refrain from constituting various Boards and Corporations. The Committee requested the representatives of the other departments to give their views regarding constitution of

PSEs related to their department in the next meeting.
The next meeting was held on April 24, 2002 under the Chairmanship of its Chairman in the official chamber of the Development Commissioner. The Chairman drew the attention of the Committee towards the specific terms of reference of the committee as mentioned in the resolution under which it was constituted, it was decided to prepare a sketch of economic, social and administrative aspects of the State vis-a-vis PSEs by a committee under the Chairmanship of Secretary - Industry with Secretary Finance, Director -Industries and Deputy Secretary of the Planning Development and Programme

Implementation as members. It was also decided to hold one to one meeting with the Secretaries and Head of the Departments of the administrative departments of the related PSEs on May 06, 2002 at the committee room of the Institutional Finance and Programme Implementation Department at Pragati Sadan from 11 AM to 4 PM. regarding pros and cons of constitution of the respective PSEs and the pressing circumstances of their constitution, if any.
The Development Commissioner expressed his reservation about the constitution of the Police Building Construction Corporation and some other Corporations in between. The Secretary Finance and the Secretary Industries also expressed their views against such constitutions and termed it highly improper. Strangely enough in the last meeting Secretary - Forest and Environment stoutly opposed the formation of Forest Development Corporation under her Department, but the Corporation was constituted in between and in this meeting she said that after Panchayat Elections it may be dissolved if such need arise. The Development Commissioner also questioned the constitution of Tourism Development Corporation. It was decided that the Department Secretary should explain the circumstances in which Tourism Development Corporation was constituted with full facts in the next meeting on 06.05.2002. The Committee also asked the Secretary, Energy that despite agreement with the GOI what is the compulsion for keeping the State Electricity Board in its old form and not restructuring it. He too was requested to enlighten the committee on this point in the next meeting.
The next meeting of the committee took place at the committee room of the Institutional Finance and Programme Implementation Department at Pragati Sadan from 11 AM. The Chairman and Member Secretary of the Committee alongwith the Secretary Industries held one to one talks with the Secretaries and Head of the Departments of the controlling department of respective PSEs from 11 AM to 4 PM. In view of the free and frank talk in this one to one meeting it was decided not to circulate its written proceedings because of the obvious reasons.

On June 4, 2002 the Chairman of the Committee wrote to the Development Commissioner that in the various meetings of the committee the feet-finding exercise has almost been completed. Hence, it will be proper to hand over the report to the Government by the end of this month. Again he requested the Development Commissioner through a letter on June 20, 2002 to make necessary arrangement for preparation of draft policy report so that after getting it okayed by the committee it should be presented to the Govt. within 15 days time. Instead one more meeting of the committee was fixed on July 8, 2002. In this meeting the committee lamented that despite several requests most of the concerned Government Departments have not submitted their written opinion about the pros & cons of constitution of Board and Corporations in their respective Departments. Barring Department of Civil and Food Supply, Mines and Geology, Department of Housing and Office of the DG Police, no other departments took interest in submitting their opinion or proposal in writing. If within a week time they do not submit their opinion it will be treated that they have nothing to say in this regard. The Committee deliberated in depth about the condition of the Boards & Corporation under the erstwhile Govt. of Bihar and feasibility of their retention / merger and dissolution in the context of the Govt. of Jharkhand. Lastly it was decided that the draft report be prepared within 15 days and in the next meeting of the committee, final decision to approve this draft report will be taken.

PIL in the High Court

Meanwhile, a PIL in the Jharkhand High Court at Ranchi was filed by one Mr. Rajnish Kumar Mishra on behalf of the Human Welfare Society. During hearing of this PIL, the Hon'ble High Court ordered the committee to submit its report within three months time, otherwise the committee will resolved itself. This decision of the Hon'ble High Court was reported prominently in the newspapers published from Ranchi on 08.08.2002. The Chairman of the committee met the Chief Secretary the same day and insisted that the draft report be prepared soon

and submitted to the Government. Again on September 20, 2002 he wrote a D.O. letter to the Chief Secretary requesting early preparation of the draft report and proposed that either he should make arrangement for preparing the draft report or I myself get the draft report prepared to be placed before the Government. Otherwise, the only alternative left before us will be to wait for self dissolution after lapse of the deadline of three months fixed by the High Court for submission of the report. He also mentioned in the letter that as there is no secretarial staff provided to him or to the Committee, hence, if he is to prepare the report a bare minimum facility such as steno-typist / computer operator atleast should be provided by the Government. As a result of this letter the concerned file bearing 5/UNV(L.U). 197/2001 vide his letter No. 3250 dated 01.10.2002 was sent by the Director Industries to the Chairman's residence, which means that the Govt. desires that the draft report be prepared by the Chairman himself. This led to preparation of the report by the Chairman on his own.

Materials collected & consulted

Very few Govt. Departments responded to the queries of the Committee in writing. However, apart from the informations gathered from the various Govt. Departments and during discussions in the meeting the committee also considered the reports and recommendations of various committees formed by the erstwhile State of Bihar from time to time regarding the functioning of the PSEs. Among these following committee's reports are worth mentioning :

Annual Report of the Public Enterprises Bureau 1989-90

Recommendations of the High Level Committee on PSEs constituted in 1995 '

Findings of the Cabinet Sub-Committee on PSEs in 1996.

Relevant portions of the CAG reports (commercial) ending on March 31, 2000.

Report of the Mid-Term fiscal policy appraisal committee on the recommendations of 11th Finance Commission.

The 2nd Five Year Plan of the GOI

FDI Report of the Planning Commission of GOI, August, 2002.

Web Site of Ministry of disinvestment, Govt. of India http//divest.nic.in

Industrial Policy statements of Govt. of India 1956-1991.

Report of Working Group of Planning Commission on restructuring PSEs.

As far as the terms of reference relating to the PSEs likely to be inherited from the erstwhile Govt. of Bihar, the findings of above mentioned reports are more than sufficient to reach on conclusion regarding the PSE policy to be adopted by the Government of Jharkhand. These reports also throw enough light with regard to the objectives of setting up the Public Sector Units.

Financial Health of the PSEs enlisted in the D?" schedule of the Reorganisation Act

The annual report on the working of the State PSEs (1990), the report No. 332 of the Public Accounts Committee of the Bihar Legislative Assembly and CAG Report (Commercial) ending on March 31, 2000 speak volumes about the financial health of the PSEs, which may be summarised as follows :

According to the report of the Committee for restructuring of the Public Enterprises in the State of Bihar (Annexure - 5), the total accumulated investments in the units by March 2000, the financial year in which Jharkhand was created, was around Rs. 6340 crores and approx. accumulated losses was more than Rs: 3000 crores. These enterprises have taken Rs. 2626 crores as loan from the State Govt., Rs. 1701 crores loan from Financial Institutions besides grant of Rs. 1420 crores from the Govt. and other sources. The share capital worth of the State Government is Rs. 435 crores and of Financial Institutions is about Rs. 68 crores.

A comparison of the state of affairs of the PSEs of the erstwhile Bihar with the figures above is an eye opener. Till 31st March, 1990 the period around which the present Government of the existing Bihar came in power, the total capital investment of the State in the PSEs was Rs. 4029.24 crores. Only 5 PSEs namely Sugar Corporation, Road Transport Corporation, Electricity Board, TVNL and Financial Corporation accounted for 81.33% of the investment, which comes to Rs. 3277.49 crores. By then total accumulated loss of the PSEs reached to a height of Rs. 927.86 crores with establishment expenditure of Rs. 282.63 crores per annum. Only 3 Corporations, namely Sugar Corporation, Road Transport Corporation and Electricity Board accounted for nearly 50% of the loss. The figure of total employees in the PSEs at the time is also an appalling figure of 85651.
The condition of PSEs at that very time were in a deplorable state, but not only that State Govt. could not restrict the unproductive investment and swindling losses which rose to Rs. 6340 crores and Rs. 3000 crores respectively, but also the unproductive employment which rose to 88572 in this period of 10 years.
Besides the facts above, the CAG in its commercial report ending on March 31, 2000, painted a horrible picture about the health of these enterprises. The report says that till March 31, 2000 the total investment of the Government in 54 PSEs comes to Rs. 8168.68 crores. Out of these huge investment, an amount of Rs. 6218.36 crores were invested in the 4 statutory corporations alone of which State Electricity Board alone shares Rs. 5714.32 crores. The report says that investment burden on rest 50 companies is just Rs. 1950.26 crores of which Rs. 1520.78 crores was in the form of loan and remaining Rs. 429.15 crores was in the form of share capital.

Excessive Manpower

The total manpower engaged in these units are 88572 out of which the strength of Class - IV employees stands at 39,395 and the Class - III employees numbers 38987. As such 88.5% employees belong to Class - III and IV categories, employees who can hardly contribute the future needs of modernisation and technological upgradation of the PSEs. Strangely out of these 88572 employees, the number of Class - I officers is only 475 which is 0.5% of the total strength. These Class - I officers belongs to the categories of engineers, technocrats, Chatered Accountants, company secretaries and professionals of similar nature, who play vital role in the management of corporate bodies. Obviously the recruitment in all PSEs has been lopsided and there has been a tendency to recruit a large number of employees. Not only that excess manpower was employed at the time of formation of the PSEs or when PSEs condition was not precarious, but even at that time also when PSEs become critically sick and were not in the position of giving salaries and other benefits to their employees. According to the annual report of the Bureau of Public Enterprises of the Govt. of Bihar (1989-90), i.e. the year ending on 31.03.1990 the period when Mr. Laloo Prasad Yadav became Chief Minister of Bihar in March, 1990. It is mentioned in this report that in the year 1989-90 the total number of employees in different PSEs was 85651. The relevant page of the report is enclosed as Annexure - 3. By the 31st March, 2000 the number of employees rose to 88572, i.e. an increase of 2921 in the decade in which most of the corporations were defunct and were not in a position of paying salaries and emoluments to their employees.

Reasons for unsatisfactory performance of PSEs

For four decades since independence, Government of India was aggressively pursuing economic and industrial development through PSEs. It was felt that Public Sector Enterprises were the engine of growth for self-reliance and were often termed "Temples of Modern India". However, by the 1990s public sector in the country had over grown in size and dimension as symptoms of their poor performance were evident due to low capacity utilisation, low efficiency, low productivity due to over staffing, low return on capital / investment, time and cost over run, etc. To utter dismay the public sector enterprises in the State could not prove themselves to fulfill the objectives for which they were set up. They consumed huge amount of funds from the State Budget in the form of loan, grants and share capital. They also consumed huge funds as term loans and working capitals from the financial institutions and commercial banks with or without States guarantee, but hardly gave any return on these investments.

The Then Chairman of the Bihar Public Enterprises Bureau Mr. C. R. Venkatraman in his overview about functioning of the PSEs assigned the following reasons mainly for continuing losses in these enterprises :

Almost all the enterprises, barring a few, did not work for fulfillment of the objective for which they were constituted.

At the time of setting up and also during running of these enterprises, the basic tenets to run an enterprise were not followed.

The excessive employment by the respective enterprises neglecting the Govt. directions and proper procedures which enhanced its establishment cost.

The enterprises failed to generate the internal resources and become self sufficient

Dependence on Government's loan and grants

Lack of professionalism in running these units.

PSEs started production of a wide range of products and services in all spheres including non-infrastructure and non-core like manufacture of consumer items.

Thus, it may inferred that (a) mounting losses (b) political factors influencing decisions (c) increase in cost overrun (d) over capitalisation (e) overburdening manpower (f) in-efficient management (g) faulty controls (h) lack of price and marketing policy and (i) higher capital intensities leading to lower employment generation, etc. are the main factors which will have to be taken into account while recasting the PSEs policy for the State of Jharkhand. In fact, the unsatisfactory performance of the PSEs in the State may be attributed to the factors such as lack of autonomy, social considerations for investment decision, non-economic location with political compulsions, delay in decision making, procedure getting precedent over results, obsolete plant and machineries, outdated technology, low capacity utilisation, resource crunch, lack of access to technical know-how, reluctance of financial institutions to provide time and adequate funds, excess manpower and weak marketing strategy, etc.

The actual performance of the vast majority of these units was rather unsatisfactory owing the following reasons:

Lack of autonomy

Larger social considerations weighed more in investment decisions

Location of PSEs for non-economic consideration / political compulsions

Delay in decision making

Obsolete plant and machinery

Out dated technology

Low capacity utilization

Lack of access to the technical know-how

Resource crunch

Reluctance of financial institutions to provide funds for revival of PSEs

Heavy interest burden

Excess manpower

Inability to face stiff competition in the open economic environment

Huge overdues

Weak marketing strategies

Poor work culture and in sufficient management

Role of thePSEs

The objective of constituting the PSEs relates to the role of the Governments in development. The State intervention depends upon its own stage of economic development, socio political system and other historical factors. In any economic system the State can play the following three important roles:
Producer of Goods and provider of Services
Regulator of the systems, and
Supplier of social goods like education, health, drinking water, etc.
The Public Sector Enterprises were in fact established as an instrument for development to play the above mentioned roles of the State and proved themselves the engines of growth for self-reliance and economic resurgence. In this spirit the PSEs in the State were constituted with following broad objectives.
To create an instrument for investments from the financial institutions as well as out of the State consolidated funds for production / manufacturing of goods and services.
To put a curb on monopolistic attitude of private sector in certain spheres of economy.
To make available the goods and services as well as consumer items to common people at fair prices and as far as possible nearest to the doorstep.
To generate reasonable return on investment and contribute in the State economy and current revenue for further developments.
To ensure fair wage payment to the workforce in the industries
To generate employment through further in-built expansion and create healthy competition in economic and financial arena
To ensure rapid economic growth and industrialization of India and create necessary infrastructure for economic development.
To promote redistribution of income and wealth
To promote balanced regional development
To assist the development of small-scale and ancillary industries
To promote import substitution, save and earn foreign exchange for the economy.
The growth of public sector in India was guided by the Industrial Policy Resolution, 1956 which gave the public sector a strategic role in the economy. At the time of attaining Independence, India was basically an agrarian economy with problems like a weak industrial base, low level or savings, inadequate investment and near absence of infrastructural facilities. On the social front a vast percentage of the population was extremely poor and there existed considerable inequalities in income, employment as well as regional imbalances. By early 1970s, the public sector had assumed the "commanding heights of the economy".

A subtle change in mindset started from the mid-1980s when the shortcomings of a public sector dominated economy were increasingly apparent. The first steps for giving more importance to the private sector were taken during mid-80s.

Major Policy shift in the role of the PSE

In order to speed up India's economic growth and maintain it in the long run, government decided to play an active role in shaping the economy. In fact, State's intervention in all sectors of the economy became inevitable, as the private sector had neither the resources nor the will to take risks in projects involving large investments and long gestation periods.

The major change in attitude towards Public Sector came in 1991 when in order to improve the portfolio and performance of the Government announced a Statement on Public Sector Policy along as a part of Statement on Industrial Policy, 1991 which contains the following major decisions :

Portfolio of public sector investments will be reviewed with a view to focus the public sector on strategic, high-tech and essential infrastructure.
Public enterprises which are chronically sick and unlikely to be turned around would be

referred to BIFR or similar high level institutions created for the purpose. A social security mechanism will be created to protect the interest of workers likely to be affected by such rehabilitation packages.

In order to raise resources and encourage wider public participation, a part of government's shareholding was to be offered to mutual funds, financial institutions, general public and workers.

Boards of public sector companies would be made more professional and given greater powers.

There will be a grater thrust on performance improvement through the Memorandum of Understanding (MolJ) system through which managements would be granted greater autonomy and will be held accountantable.

The intention of the present Government of India, as announced in the budget speeches for 2000-2001 and 2001-2002 in respect of the Public Sector Enterprises comprise the following elements :

Restructure and revive potentially viable PSEs.

Close down PSEs, which cannot be revived

Reduce Government equity in non-strategic PSEs to 26% or lower

To survive and succeed in the open economy any enterprise has to be efficient and competitive in quality and cost. But many of our PSEs are small and do not have the economies of scale to reduce fixed costs. Further, in order to promote India as an attractive FDI destination, our country must offer competitive advantage and a level playing field to both domestic and foreign investors. This requires building of wold class infrastructure and phasing out of inefficient units.

Government should strive to make the most efficient use of scarce resources, in order to meet the most important social objectives of the country. By releasing the resources currently blocked in non-strategic PSEs and redeploying them on basic health, family welfare, primary education, development of infrastructure and retirement of public debt Government can concentrate on its highest concerns.

Classification of the PSEs under reference

The Bureau of Public Enterprises, Govt. of Bihar has placed the 49 enterprises under its control and supervision in 5 categories, whereas the restructuring committee of the same Government has divided them into 6 categories. The enterprises under 5 categories. The categorisation done by the restructuring committee of erstwhile Bihar Governments in its report at Annexure — 5. Both the classification are more or less same in the nature.

Out of the PSEs in infrastructure category, 2 PSEs, i.e. Patna Industrial Area Development Authority entirely falls in Bihar and Jharkhand whereas 3, i.e. AIADA, RIADA and BIADA are wholly in Jharkhand. Similarly entire area of the 5 PSEs namely, Gaya, Bhagalpur, Darbhanga, Muzaffarpur and Patna Regional Development Authorities lie in Bihar State whereas the RRDA, MADA and Hazaribag Mines Board are entirely in Jharkhand. Other than these 13 PSEs or infrastructure and regulatory categories whose area of operation falls exclusively either in Jharkhand or Bihar. Remaining 43 PSEs may be treated as inter-state corporate bodies out of which 29 are incorporated under Companies

Act 1956 and remaining 14 are constituted under various Central, State / Provincial Acts.

In the light of the fact above, the PSEs mentioned in Schedule IX of the Bihar Reorganisation Act, 2000, which falls entirely in the State of Jharkhand is annexed as Annexure - 4.

PSEs restructuring

Keeping in view the changing scenario on industrial policy front since 1991 and abysmal performance of the PSEs due to reasons discussed earlier almost all the States of the country have started second thoughts in carrying the existing PSEs and have started restructuring process. No State Government wants any new PSE. There is an endeavor to either privatise the existing PSE or to wind them up or to restructure them so as to reduce the financial burden on the Government. The Governments of Karnataka and Maharashtra have already constituted restructuring committees in one form or other. The Govt. of Bihar also due to acute financial crisis and over burdening contribution of PSEs in it, constituted restructuring committee in 1995. The report of this committee was analysed by a Cabinet Sub-Committee on economic coordination in 19%. Its report is at Annexure- 5 & 6. Recently in 2001 the Govt. of Bihar constituted one more committee in response to the recommendations of 11th Finance Commission on fiscal management, which submitted its report a month back. The report is at Annexure - 7.

The Public Accounts Committee of the Bihar State Legislative Assembly have also considered the deploring condition of the PSEs in the light of the reports of Comptroller & Auditor General. The CAG report in itself bear testimony of the functioning and utility of the PSEs leading to imminent need of then-restructuring. These committees in their report have discussed in detail about the future of the existing PSEs in the State of Bihar and reached to more or less

similar conclusion. Their conclusion is that the PSEs be restructured and their number be brought down by rationalisation / amalgamation and abolition of many of the existing PSEs, but unfortunately the State failed to reach any decision in this context. It may be recalled that constitution of PSEs or even their privatisation or restructuring is not an end in itself. PSEs are formed to promote specific aims and objectives. The large contingent of PSEs existing to-day at the States or at the Centre were not formed in a haste but whenever required or desired by respective Governments. In Bihar itself the first enterprise, i.e. Bihar State Finance Corporation was set up in 1954. After that till 1973 only 17 enterprises including a few authorities and Boards were constituted. An equal number of enterprises were set up only in 2 years of 1974 and 1975. Thereafter 14 Nos. of enterprises were constituted between 1977 and 1984. The last one constituted in 1987 was Tenughat Vidyut Nigam Ltd. Evidently it took almost 33 years to have a fleet of 56 enterprises enlisted in Schedule IX of Bihar Reorganisation Act. Similarly in other States also PSEs were constituted in large span of time. Now almost all States are giving fresh look about existence of their PSEs and formulating requisite policy guideline for the role and scope of the enterprises in light of present economic policy and disinvestment policy of the Centre.

PSEs in the context of the State of Jharkhand

In such a circumstances, the State of Jharkhand which is rich in mineral and other natural resources and have a large potential of industrial and economic development. The State is also engulfed by acute regional disparity in the form of inter-districts BS well as intra-districts. Demographic and social scenario in the State is extremely divergent and highly pluralistic. The State today is not a deficient economy and does not have problem of negative balance of current revenue at the moment and other fiscal problems being faced by most of the States. In this context the State of Jharkhand has to take decision regarding the

formation of the PSEs in the State by means of amalgamation / abolition and rationalisation of the PSEs possibly to be inherited from the State of Bihar and / or carving out new vision on a clean slate with integrated and comprehensive outlook in this regard so that the PSEs may prove a vehicle of change for over all prosperity of the State and the people at large.

In the opinion of the Committee the State of Jharkhand too must be very careful before creating any new corporation; atleast in present time one can not have expectation of earning profit, accelerating economic growth or providing viable and productive employment opportunities from such bodies. However, a need may arise for a particular purpose and for a well specified period to create an organisation for fulfillment of certain objective which may not be possible in the given time frame within the cumbersome and complex procedural framework of a department of the Government.

Government of Jharkhand should learn a lesson from the state of affairs of PSEs in different States of the country including erstwhile State of Bihar and tread cautiously in constitution and management of the PSEs in the State. The suggestions of the committee after careful considerations of various aspects, including social, economic and administrative, in mind may be summarised as following :

There is no need of creating large number of PSEs with small and overlapping area of activity and of more or less same in nature. The State should constitute a mega PSE, namely Jharkhand Industrial Development & Investment Corporation, which would alone serve the objective of the Corporations like State Industrial Development Commission, State Electronic Development Corporation, State Pharmaceutical & Chemical Development Corporation, State Small Industries Corporation, etc. State Financial Development Corporation, Credit & Investment Corporation. The Industrial Development Authorities, i.e. RIADA, AIADA & BIADA too would be merged in this body.

The State Electricity Board should be restructured into three separate corporate wings, i.e. Generation, Transmission & Distribution in the light of the directives of the Government of India. The Tenughat Vidyut Nigam Ltd., should be merged into the generation wing. The State Hydro Electric Development Corporation should also be either merged in the Generation wing or should be made a part of the Jharkhand Renewable Energy Development Agency (JREDA) to make easy the fond flow from Government of India.

Instead of constituting separate bodies for Infrastructure category, it would be advisable to create one mega corporation in the name of Jharkhand State Construction Corporation, which may take up the works of the Corporations like Police Building Construction Corporation, State Construction Corporation and State Bridge Construction Corporation. The Government of Jharkhand has already constituted a Police Building Corporation, which may be merged in it. There is no need of keeping the Jharkhand Hill Area Development Corporation (JHALCO) as a separate entity. It would be appropriate to hand over the works of this body to the Panchayati Raj Institutions. Till the panchayat election is held, this body may be associated with the above mentioned Jharkhand State Construction Corporation.

The 5 enterprises under Developmental (Non-Commercial) category i.e. Women Development Corporation, Schedule Caste Development Corporation, Schedule Tribe Development Corporation, Backward Classes Development Corporation, Minority Finance Development Corporation are very crucial for the State of Jharkhand. The Govt. has already constituted the Tribal Co-Operative Development Corporation. The Govt. of India provides almost 95% of the allocation consumed by these bodies at very cheap interest rate of merely 4%, which these corporations lend at about 6% interest rate to the beneficiaries. A significant portion of the establishment cost also comes from Centre. These corporations are not financial burden on the State though they function a kin to corporate bodies and their importance lies in socio-economic development of the down trodden and economically weak strata of the society. Hence it would not be proper to view them only as profit making institutions rather as an vehicle of social transformation as well. It would be advisable that these corporations may be allowed to work as separate identity within an umbrella corporate body to be known as Social Justice and Empowerment Corporation. For effective functioning of these separate entities under the umbrella corporate body, it is suggested to have the Minister of Welfare as Chairman and Secretary Department of Welfare as Managing Director to the umbrella corporate body with one Vice Chairman nominated by the Government for each of the entities separately for their classified functioning.

The area and functioning of the Mines Area Development Authority, Dhanbad and Hazaribagh Mines Development Authority overlap with the jurisdiction of respective Municipalities and Panchayati Raj Institutions. Hence, it will be proper to merge the assets, liabilities and the workforce with them.

The RRDA should be allowed to function in its present form and be converted into Greater Ranchi Development Authority as a purpose specific authority, which after completion of its assignment may be merged with the Municipal Corporation.

Keeping in view the social and demographic condition of Jharkhand Food and Civil Supply Corporation may play an useful and important role for carrying out various Govt. of India programmes for people below poverty line and supplying necessary items in the remote corner of the State. The Warehousing Corporation may be merged with this body to enhance its effectiveness and utility.

The State Agriculture Marketing Board is constituted under the Special Act and thus should be retained with suitable changes in its objectives, so that it may serve purpose of an instrument for overall development of agriculture in the State including input supply. The task of providing remunerative prices as well as creating and arranging investments for infrastructure development of Agro - Marketing facilities, Value addition activities, on Farm Developments, Rural Roads, etc. too may be assigned to this Corporation. The State Government has already constituted this corporation. It is suggested that Fruit & Vegetable Development Corporation too be merged in it.

The Government has also constituted the State Pollution Control Board, which is to stay keeping in view its special role and the enactment under which it has been constituted.

The Government has already constituted the Forest Develo- pment Corporation also. The Committee feels that there is no need of this Corporation now because almost entire working of the Forest Development Corporation will be shifted to Panchayati Raj Institutions.

The State has tremendous potential of Tourism Development, especially religious and eco-tourism, and it may need a marketing and facility provider organisation, which would work in collaboration with the private sector and add dividend to State exchequer. The Tourism Development Corporation will certainly serve this purpose and hence may be retained.

The housing is one of the important basic needs for human being and the Govt. is duty bound to provide home for homeless. This venture needs huge capital investment and sound planning, which can not be made successful through Govt. participation only. Other financial institutions and private sector will have to be associated in this venture through a competent organisation. The State Housing Board may serve this purpose.

Hence, it is advisable to constitute the State Housing Board, however with specific rider that it would limit itself to land acquisition and project facilitation only.

The Government has already formed the Jharkhand State Mineral Development Corporation. State Mineral Development Corporation is a profit-earning enterprise. As mining is highly capital intensive and technology intensive venture the profitability of this Corporation as well as receipt from it to Govt. coffer may be enhanced through private sector participation by means of forming joint venture company with private sector.

State Khadi Gram Udyog Board : It is an important organisation to promote the sprit of Khadi and Rural Industries Sector. Significant assistance to State comes from the Government of India and / or from Khadi and Village Industries commission to promote such activities. Also the role of non-farm rural sector has significant contribution in our economy in the shape of employment generation and contribution to the State domestic products. Hence, it is suggested to constitute this enterprise on priority basis and it is also suggested that the activities of the bodies like, State Handloom & Handicraft Corporation too be merged in this Board. This Board may also be assigned the responsibility of arranging investments for non-farm sector of economy from various sources.

The Committee is of the view that there is no need to have the enterprises like State Leather Development Corporation, State Textile Corporation, State Road Transport Corporation, State Text Book Corporation, State Seed Development Corporation, State Fish Seed Development Corporation, State Panchayati Raj Development Corporation, State Medicine and Pharmaceutical Development Corporation, State Film Development Corporation, etc. as separate

entity.
The Jharkhand's strength on Bio-diversity front is not being utilised by the private sector, so it is imperative that the State takes a leadership role in this matter. To initiate corporate activity hi this field, the State should form an enterprise that would look after the bio assets of the State and develop Indian Patent Right (IPR) on its Bio-assets and royalties generated to be plough back in the local area development and environment management. This enterprise should promote the IT & Bio Technology through research and development and encourage private participation in the form of joint venture. It may also take up the challenging Human Resource Development assignment which seems most urgent challenge for this State. This enterprise may be named as Jharkhand State Technology Corporation.
The Jharkhand State has alarming problem in the field of land reclamation, wasteland development and displacement. To cater the alarming socio-economic needs of this area, the State should think of constituting an enterprise / agency / Board / Corporation with specific mandate.

Legal aspects

The full Bench of the Hon'ble High Court of Judicature at Patna in CWJC No. 2718 / 1994 and CWJC No. 5015 / 1996 (Mani Kanth Pathak & Ors. And Bhupendra Jha & Ors. - Vrs - State of Bihar and Ors.) delivered a significant judgement, the relevant excerpts of which is as below :
"In my opinion, apart from issuing a direction to them to pay the salary to the employees, the proper direction to be issued would also be for the winding up of the Corporation, Section 433 of the Companies Act provides for the situations where a company may be wound up by the Court. A company may be wound up under section 433, inter alia, where it is unable to pay its debt under clause or where the Court is of the opinion that it is just and equitable that the company should be wound up. In my opinion, the case comes under both the clauses, I would, therefore, direct the State Government to file winding up petitions in this Court if the two Corporation are not able to pay salary to their employees within a period of four months and revive themselves as viable enterprises, so that the assets of the companies may be sold and the salary etc. are paid to the employees, in accordance with the provisions of the companies Act."

It is evident from the above judgement that State Government is not responsible in any way for any liabilities or obligations related to PSEs and the PSEs obligations are limited to its shares only. Section 433 of the Companies Act provides for winding up of a company by the order of the Court on arising of contingencies mentioned in the section. Section 433 further provides as to when a companies deemed unable to pay its dues or has become unviable. Most of the PSEs, barring one or two, falls in this category.
There are elaborate schemes with regard to all the PSEs in the Act itself. According to Section 62(4) and Section 64(6) of the Reorganisation Act, the statutory corporations like State Electricity Board, Road Transport Corporation, Warehousing Corporation and State Finance Corporation may be constituted as new identities pending adjustment of assets and liabilities. Similarly in the case of companies enlisted in the IXth schedule of the Act, the legal position is that such interstate corporates will continue to function subject to issue of appropriate directions of the Central Government. It will not be out of context to mention that the Central Government in the case of Pollution Control Board has allowed formation of a new Statutory Corporation in pursuance of the judgement of the Hon'ble High Court. The Hon'ble High Court of Jharkhand itself has ordered creation of JSMDC under special circumstances. Incase of remaining bodies also the appropriate directions from the Central Government may be obtained for their continuance or constitution as completely new identities. It is quite clear from the facts above that the Government is in no way under any constraint of inheritance of any PSE and is free to constitute its own PSEs entirely as new identities or obtain appropriate direction from the Central Govt. if desirable. In fact, the Government of Jharkhand has already constituted about half a dozen PSEs without

consulting the Committee or waiting for it recommendations, which led to PIL in the High Court and a blanket stay on formation of PSEs. Hence, question of inheritance does not arise at all in case of the PSEs under Schedule - IX as well especially those incorporated under Companies Act.

Newly constituted PSEs in Jharkhand

The State Government has constituted about half a dozen enterprises in a very short span of time since its inception. These enterprises were constituted after the formation of this committee and only without its consultation, but also without assigning any convincing logic. Even the Secretaries of the respective department too at one-to-one meeting with the committee on 06.05.2002 could not rationalise the constitution of the PSEs in present form. Most of the newly constituted enterprises have not even folly started their work after many months of Notification. Such enterprises are constituted on the pattern of their predecessor organisations in Bihar and in the same act and with almost same purpose. It is not strange that their carrying the legacy in terms of work culture and efficiency. It is suggested that the Govt. should take effective steps to make them efficient, purposeful and target oriented.
15.0 Strategies for making PSEs viable and competitive
Due to challenges posed by liberalisation, privatisation and globalisation the PSEs operating in the scenario will have to be dynamic and competitive in order to survive and flourish. PSEs that would continue to have majority Govt. share holding would require greater autonomy to increase their efficiencies and compete with private sector enterprises and Multinational companies on a level playing field. They will have to improve its value addition per unit of labour and return on capital employed.
Following could be some of the measures to be adopted for making the State PSEs competitive and for long term sustainability.
Grant of total operational autonomy and delegation of financial powers to the Board of public sector enterprises along with accountability for results
through Molls.
Formation of joint venture companies with National / International Corporates for technology transfer, marketing expertise for both domestic
or overseas markets.
Setting up of bench-marks for comparative performance evaluation and evolve strategies to adhere these bench marks.
Formulation of a vision statement for the future growth of the enterprises,
Formulation of a long term corporate plan
Accessing globally competitive technologies, and where necessary, formation of joint venture synergies with National / International
Corporates enabling technology transfer, acquisition of marketing expertise for both domestic and overseas markets and of supplemental
financial resources, setting up of R&D facilities for innovation of new technologies and processes.
Downsize manpower through attractive and minimum VRS package
Amend Labour Laws and provide social safety net for the employees on to the long term sustainable basis in compliance with Special Economic Zones (SEZ) and Agricultural Promotion & Export Zones (APEZ) of Government of India
Roadmap for PSEs which are to be privatised and those to be retained on to the long term sustainable basis.
Restructuring of the CPSEs prior to disinvestment by cleaning their Balance Sheet for their long-term sustainability.
Consider upgrade the PSEs performing consistently to the next higher schedule / category.

Memorandum of Understanding (MoU)

The Government of India on the recommendation of the "Arjun Sengupta Committee (1985) to review the policy for the Public Enterprises" entered into MolJs with a number of PSEs. The main aim of the MoU is to bring about a balance between autonomy and accountability. The scope of MoU extends to all PSEs barring those referred to BIFR. The main goal of the MoU policy is to reduce the "quantity" of control and increase the "quality" of accountability. Its real purpose is to manage PSEs through management by objectives rather than management by control. The working group on public sector reforms and privatisation constituted for the 10th Five Year Plan has stressed to make the MoU policy more effective. The administrative Ministries have to come forward with the clear ideas on what is expected from PSEs working under them. The dynamic parameters such as R & D, Marketing, Corporate Planning and FIRD, etc. should be given greater attention so that these aspects which are crucial importance in ensuring long term health of the PSEs get due importance in their functioning. The MoU should focus on strategic issues rather than become an annual target setting exercise. The Government of Jharkhand would ensure for adoption of MoU policy and its better implementation because such an approach would certainly make the PSEs not only competitive but also provide an opportunity to become inter-state players.

Manpower Management

The PSEs in the State are over burdened with excessive manpower. General tendency in the Public Enterprises has been to fill up the vacancies against the existing sanctioned strength even without proper sanctions. Even after production has ceased in a particular enterprise or in its units the employees continue to remain with the unit even without pay and salaries and without any work. The case of EEF at Tatisilwai and HTIF, Namkum are glaring examples. In a welfare

State restructuring of the enterprise is not possible without finding a solution of the workforce. This humanitarian aspect plays a crucial role and no unit should be closed, reduced in size, merged or privatised without solving the problems of alternative employment or reasonable compensation to the employees. It will be advisable to consider the following alternatives in this regard :

Absorption of surplus staff from the public enterprises in the Govt Deptt., or other Govt. / Semi-Govt. organisations or in other Public Enterprises, if possible against existing vacancies.

Privatisation / Disinvestment of the particular unit with clear cut agreement with the new employer to absorb maximum possible number of existing employees or offer VRS to the surplus employees, but very few units will come under this category.

The retrenchment of surplus employees as per provisions of the Industrial Disputes Act and grant of retrenchment benefits.

Implementation of VRS with a package of benefits which involve higher return to the employees than the retrenchment benefit. The VRS amount may be obtained from the new employer in case of privatisation / disinvestment and from the National Renewal Fund of the Govt. of India with special effort because this fund is not available to PSE employees. As an alternative the necessary fund may be made available from the State budget.

The PSEs employees have not been paid salaries for months and years. Such employees may be offered shares in the enterprise against part or whole of their dues through agreement with their unions. The Govt. may think of effective corpus fund out of the State budget for ex-gratia payment in lieu of arrears salaries or lastly start process of winding up the enterprise to make payment from the sale proceeds of the assets of the enterprise.

Necessary step will have to be taken to arrange the requisite funds to pay off the liabilities of the enterprise in case of declaring its closure. The Govt. should prepare a proposal to ward off all type of liabilities of the enterprise.

The Government may also find ways to rehabilitate the excess manpower through inducing self employment schemes as a part of rehabilitation measures.

Indicative guidelines/suggestions for effective functioning of PSEs

The enterprises already constituted or to be constituted by the State Government did not meet the same fate as their predecessors in the erstwhile State of Bihar, special caution will have to be taken by the State Government in this regard. The following points may help the Government in this connection :

It is suggested that the Govt. may constitute a Bureau of Public Enterprises through enactment known as Jharkhand Bureau of Public Enterprises 2002 and vest adequate power of control, supervision and monitoring of the functioning of PSEs in the State. This Bureau must be involved in the matter of selection and appointment of top level executives including Chairman and Managing Directors and Senior Officers of the enterprises. The appointments should be made on the pattern of the Public Enterprises Selection Board (PESB) out of a panel prepared by the State level committee by the Bureau. Only in the exceptionally rare cases final budgetary assistance be provided to be enterprises and they be directed to arrange requisite funds for themselves and become self sufficient.

The PSEs should refrain from incurring liabilities by making unnecessary appointments. No appointment can be made without consulting the PE Bureau.

It should be made mandatory to complete statutory audit and prepare annual accounts on time.

The Govt. should evolve a mechanism for consistent review of PSEs affairs and make the top management accountable if the principles of sound management are not adhered to in the enterprise.

The State should stress on setting up autonomous regulatory authority like State Electricity Regulatory Committee (SERC) for deciding types and a Mining Regulatory Committee (MRC) on the pattern of Telecom Regulatory Authority of India to take decisions regarding royalty and other benefits.

Conclusion

The policy of privatisation, liberalisation and globalisation envisages larger role of the private sector in our economy. It seems role of the public sector is shrinking day by day and the State intervention in the economy is gradually receding. From the very first 5 Year Plan the long term objective of our economic planning was "maximum production, full employment and attainment of social justice" securing rapid economic growth, reduction of disparities in income and wealth, prevention of concentration of economic power and creation of the values and attitudes of a free and equal society have been amounting objectives of all our plans.

The path of mixed economy adopted by our planners was in fact an exercise in balancing the contradictory elements contained in these broad objectives. This concept accepts the possibility of co-existence of private and public enterprises side by side with a hope that private enterprise would reconcile the element of self interest with elements of social interest and in certain cases the survival of private enterprise may be made conditional to its serving the community at large. The Govt. has positive role to play in the field of economic activity by completely owning or jointly owning enterprises with private sector. It's success depends on how far the public sector is able to pursue the social goals and to what extent the State guides the public sector to follow these goals, and to what extent State is

able to check or regulate the distortions in investment decisions of a private sector going against public interest. These pertinent questions assume great significance today. It would not be out of context to quote Lord keynes at this point who wrote in 1926 - that "the world is not so governed from the above that private and social interest always concedes. It is not a correct deduction from the principles of the economy that enlightened self interest always operates in the public interest. Nor it is true that self interest is generally enlightened. In fact, the private and social interests generally does not reconcile". Reconciliation of such conflicting interest is the main purpose of economic planning in a mixed economy. The Govt. makes efforts on a variety of social instruments and measures, so that economic activities remains directed towards the attainment of the long term socio-economic objectives of planning. The PSEs, if run professionally, can play an important role in achieving it. The larger role of private sector may result into economic development and income enhancement, but positive role of the State in employment generation, social welfare and market intervention can never be understated. It is rightly said that market can be a good servant when it is intelligently utilised, but bad masters when it allowed to have a free play. The State and PSEs finds a challenging role here as well. There is large number of sectors where market and private sector would not find it convenient to tread in. Private sector is not keen in investing rural infrastructure, both economic and social, and credit to poor at low rate of interest to remove income disparities. Not only the field of hard infrastructure such as power, transport and irrigation, but the area of soft infrastructure such as organising market outlet for small sector, export promotion of small industries products which accounts for 38% of exports, are exclusive domain of State and PSEs. Supply of market information, encouragement to modernise designs and undertaking R&D services for SSI sector besides marketing their products are also in this domain.

The one more area which needs State intervention is the macro economy management of the economy, especially for such section of the population which are not covered by the market mechanism. According to the 48th round of the national sample survey, nearly 36% of the population in India and over 50% of the population in Jharkhand is living below the poverty line. Promotion of labour absorbing enterprises is only solution of such problems. Financial assistance to SSI and to individuals to create employment in informal sector also helps the process of growth in employment. The priority sector loans supported by better information about emerging areas can be a positive intervention. It is the duty of the State to oversee and to put certain conditions to make market work efficiently and make them work for benefit of the people. In to-day's rat race where the survival of the fittest is the norm, the State apparatus in the form of PSEs can stand on behalf of the 'unfittest' weaker section of the society and deliver the benefits that is not addressed by the market economy. State while considering any intervention should apply the touchstone provided by Mahatma Gandhi : "Whenever you are in doubt, or when the self becomes too much with you, apply the following test. Recall the face of the poorest, and the weakest man whom you may have seen, and ask yourself, if the step you contemplate is going to be of any use to him. Will he gain anything by it? Will it restore him to a control over his own life and destiny?" The most unfortunate part of our political system is that it has forgotten to apply this touchstone.

In the context of the current economic situation it is seen that given the autonomy top Indian PSEs like ONGC, IOC, etc, have functioned more effectively than the Indian Private Sector Enterprises and significantly Central PSEs have less NPA (Non-Performing Asset) than the private sector NPA in the country.

It is the inefficiency shown by the PSEs have forced the State not to expand its area any more rather there is a growing consensus on reducing the areas of direct investment by the State. It has permitted private sector to enter the areas hitherto reserved for the public sector and implied State withdrawal from area in which private sector can operate more efficiently. The question that is relevant in this context is not to use the State or the market, but to use the State and the market and strike balance which fulfills the objectives of attaining economic efficiency, social justice and individual liberty the optimum potential of both the market and the State have to be harnessed. The newly constituted Govt. of Jharkhand should bear this harsh reality in mind before going for constitution of any more PSEs.