

STATUS OF CENTRAL PUBLIC SECTOR UNDERTAKINGS

vis-a-vis Disinvestment of PSU's

There was wide spread discussion in the country after introduction of Budget 2021 and about the target fixed on disinvestment of PSU's as 1,75,000 lakh crores. It is also announced by the Central Government that as per the recommendation of the Cabinet Committee on Economic affairs, PSU's like LIC, Vishakhapatnam Steel Plant, AIR India, BPCL etc etc... will be disinvested in this financial year. In this connection the entire Public Sector undertakings in India and its disinvestment process which was started in 1991 by different Central Government's is to be discussed.

Bombay Plan - PSU's Formation

After the end of the second world war for fixing a policy on the economic development of India eight big industrialists namely S/Sri JRD Tata, Ghansyam Das Birla, Ardeshir Dalal Lala Shri Ram, Khsthur Bhai Lal Bhai, Ardeshiv Darab shaw Shroff, Sir Purushothamdas Takur Das and John Mathai submitted a report in January 1945.

In this report these Industrialists proposed that sectors like Petroleum, Coal, Power, Steel, Mining, Transport, Logistic services like Telecom, Information Technology & Hospitality etc..., should be developed by setting up of Public Sector Undertakings. The sectors like Hospitals, Revenue & Education etc..., are to be run as Government Departments. Then in 1951, Five PSU's were formed and Five year plans were introduced for the economic development of India. The main aim in formation of PSU's is for economic growth, self sufficiency in production of Goods & Services and to serve socio economic obligations.

Thus, the sectors which needed heavy financial support and vast construction throughout India and which takes so much of time for building were taken over by the Indian Government through establishing PSU's.

Those Industrialists who framed this Bombay plan entered in the fields which requires daily needs of the people like cookies, soaps, clothes etc..., so that their products can be sold immediately without waiting for much time.

The sectors taken over by Government needs so much time, money for constructing and building all over India. Thus so much of people's money was invested in developing PSU's.

New Economic Policy - 1991

Due to Balance of payments crisis and recession in the year 1991 the then Prime Minister Sri P.V.Narasimha Rao announced new Economic policy. The main aim of this economic policy is Liberalisation, Privatisation, Globalisation and Opened Doors for Multinational Companies to enter in the Indian Market by reducing import tariffs, deregulating Markets. Government identified certain sectors for privatisation

and disinvestment of Public sector Undertakings started in 1991-92 in 31 PSU's and an amount of 3038 Crores came into the Government ex chequer.

In this connection, it is to remind that liberalisation policies were framed to overcome the recession and MNC's were allowed in identified sectors. It is also announced by the Government that through competition in the sector only technical advancement at par with the world can be achieved.

But to compete with the private players no new rules are framed for the PSU's instead the dependence on Government decisions continued. Due to political & bureaucratic decisions undue advantages were given to private players and Government PSU's were kept under disadvantageous positions.

From the facts & Figures

It is evident that for the construction of different sectors in India & decades of time and lakhs of Crores of rupees of people's money was spent for the establishment and strengthening of PSU's in India. It is also seen from the facts & figures of the financial status of the PSU's nearly 3,50,000 crores was paid to Central Government as taxes and dividends.

It is also to understand that nearly 1,20,000 crores net profit was earned by 257 PSU's every year out of the 257 PSU's nearly more than 170 PSU's are running with profits. nearly 70 PSUs are running in losses. The losses of BSNL, AIR India and MTNL are getting 52% of the total losses of the all PSUs. Over all performance of the 257 PSUs are observed that 70% of the PSUs are running in profits 25% of the PSUs are running with nominal losses and only 5% of the PSUs are running with huge losses.

When we see the figures of amount earned on disinvestment of PSUs in 2014-2019 period Government got 2,79,622. And in the recent budget of 2021-22 it is stated that 1,75,000 crores are the estimated amount through disinvestment of PSUs.

The Government is of the intention that the profit making PSUs are also to be privatised or disinvested. Now it is to be discussed that the PSUs which are developed for decades are to be continued in Government sector or not. Lakhs of people's money was invested for the strengthening of these PSUs.

Whether the PSUs are doing business or serving the nation through economic & social obligations of the people. This is a debatable issue as Government is saying private companies are carrying profits while Government sectors are running in losses.

No of employees in 257 PSUs		
Year	No of Employees	Salary (in Crores)
2015-16	11.85 lakhs	127192
2016-17	11.35 lakhs	140956

9. Lack of Business Plans
10. Dependence on Government Orders
11. Heavy Interest Burden
12. High Input Cost
13. Resource Crunch.

As per the DPE guidelines there is another clause that "No financial Assistance is to be taken from Government and cost of the production should not be increased due to wage revision.

Monitisation of land of CPSEs through DIPAM.

Prior to 2014, BIFR and BRPSE were there, whenever a CPSE became sick BRPSE and BIFR were framing action plan for the disinvestment of PSEs. Both BIFR and BRPSE were closed and in their place NITI Ayog was introduced in the year 2015 and also planning commission was abolished. The issues of Disinvestment policy will be decided and recommendations will be given to NITI Ayog by cabinet committee on economic affairs. Niti Ayog will study and make its recommendations to core group of the secretaries of Disinvestment, the recommendations of the core group of secretaries of disinvestment will be sent to central cabinet for approval. A separate department for disinvestment which was set up on 10.12.199 was renamed as Department of Investment and Public Asset management from 14.04.2016. All matters relating to disinvestment will be decided by DIPAM. Sale of lands belonging to CPSEs and central govt will be dealt by DIPAM only. So here after sale of land by any department or PSU will be done by DIPAM only. 1,60,000 lakhs of acres of land belonging to defence sector, 1,66,000 lakh acres of land belonging to railways and 25,000 acres of land belonging to various PSUs like BSNL etc etc are in the process of sale through DIPAM. It would be that instead of selling these govt lands they can be given for development and money thus earned by keeping the ownership with the Govt can be better utilised for the welfare of the people and also the PSUs concerned.

Government earning through disinvestment

1991-1992 through 31 PSUs Disinvestment – 3038 crores

2004 – 2014 – 107833 crores

2014 – 2019 279622 crores

In 1991-2001 the aim of the Government to earn through disinvestment was 54300 crores but earned 20078 crores.

In 1994 disinvestment Ministry was opened and after 2004 this was removed and started on some other names. It is also to be discussed that some PSUs which became outdated due to the Technical advancement are to be closed or revamped.

Whether the PSUs are doing Business or working with service moto

Hon'ble Prime Minster stated on one occasion that Government has no business in business. It became a hot debate throughout India on this statement It is already stated that after implementation of liberalisation, privatisation, globalisation policy in 1991 MNCs entered in Indian Market. It is stated by the government that the PSUs have to compete with these private entities. But the decision making power vested with government. In the name of equal level playing field so many facilities given to PSUs were withdrawn and many concessions were given to private companies in that sector. Due to democratic system, delay in decision making PSUs are lagging behind. If you take for example the price of the postcard is fixed by Government as 0.50 ps whereas the total expenditure for delivery of postcard will be nearly @Rs.6/- for delivery of Registered parcel the expenditure will be nearly Rs.150/- whereas the rate for Registered parcel is fixed as Rs.40/-. In this case you can observe that the rates of these services are fixed by government in view of serving the people but says that department of post should earn profits like this so many examples can be given sector wise.

So, it is evident that PSUs are serving the people, doing social obligation and working as per government norms. Thinking that these PSUs are doing Business the primary mistake is on the part of Government.

Reasons for the Losses in PSUs as per a Govt report:

1. Old and obsolete plant and Machinery
2. Out dated technology
3. Low Capacity Utilization
4. Low Productivity
5. Poor debt equity Structure
- 6 Excess man Power
7. Weak Marketing Strategies
8. Stiff Competition

2017-18	10.88 lakhs	157621
Profit - 174 PSUs	2016-17	152978 Crores
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Gross Revenue – 257 PSUs	2016-17	1955678 Crores
	2017-18	2155948 Crores
Income	2016-17	1822184 Crores
	2017-18	2033732 Crores
Investment	2016-17	1245869 Crores
	2017-18	1373412 Crores
Net Profit – 257 PSUs	2016-17	125498 Crores
	2017-18	128374 Crores

Top 10 Profit making PSUs

IOC, ONGC, NTPC, Coal India, Power Grid, Bharat
 Petroleum, Hindustan Petroleum, Power Finance Corporation, Mahanadi
 Coal Fields, Rural Electrification Corporation

Total Profit of 257 PSUs – 159635 – (A)

Total top 10 Profit PSUs – 98707 – (B) – 61.85%

(A-B) = 60928 – 38.17%

Top 10 PSUs which are Loss Making

BSNL – 7993 crs,

AirIndia – 5338 crs,

MTNL – 2973 crs,

Hindustan Photo Films – 2917crs,

Western Coal Fields – 1757 crs,

Bharat Coking Coal – 1391crs,

Rashtriya Ispat Nigam Ltd – 1369,

India Infrastructure Finance Ltd – 1155crs,

Easten Coal Fields – 931 crs,

STCL – 657 crs,

Total Loss 31261 crores

Top 10 PSUs losses – 26480 (84.71%)

Other PSUs losses – 15.29%

BSNL Losses – 25.37%)

Air India – 17.07%

MTNL – 9.81%

These 3 PSUs losses – 52.15%

Losses – 84 PSUs – 2016-17 – 27,480 crs

71 PSUs – 2017-18 – 31,264 crores (Increase – 13.76%)

When the LPG policies were designed in 1991, the process of disinvestment started. At that time it is stated by the experts that

1. Unfavourable Market conditions,
2. Lot of opposition on the valuation process,
3. Government decisions are not good when compared to Private Sector,
4. No clear cut policy on disinvestment
5. Political will

these are the main causes on weakening of PSUs when disinvestment / privatisation started.

What fact & Figures says

PSUs		
Year	Loss Making	Profit Making
2008-09	58	158
2009-10	60	157
2010-11	62	158
2011-12	64	161
2012-13	78	151
2013-14	70	164
2014-15	76	159
2015-16	79	164
2016-17	81	175
2017-18	71	184

PSUs contribution to Government exchequer in the name of excise duty, customs duty, Corporation Tax, Interest on Govt Loans, Dividends etc.....

2015-16 – 275840 crores

2016-17 – 360815 crores

2017-18 350052 crores due to decrease in Central expenses Duty dividend and taxes & Duties.