

CHAPTER – I

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CHAPTER – I

“India will only truly shine when it shines for one and all”

– APJ Abdul Kalam, President of India .

1.0 INTRODUCTION:

Prior to 1947, there were virtually no “State Owned Enterprises” in the Indian economy. The only instances worthy to mention were the Railways, the Posts and the Telegraphs, the Port Trusts, the Ordnance and Aircraft Factories and a few state managed undertakings like the government salt factories, quinine factories etc.

The Industrial Policy Resolution 1956 gave the State Owned Enterprises a strategic role in the Indian economy. Indian economy needed a big push then.

State Owned Enterprises were thought of as the engine for self-reliant economic growth to develop a sound agricultural and industrial base, to diversify the economy and overcome economic and social backwardness.

In 1966, the Prime Minister proclaimed the objectives of SOEs in India, as follows. “We advocate SOEs for three reasons to gain control of the commanding heights of the economy; to promote critical development in terms of social gain of strategic value rather than primarily on considerations of profit; and to provide commercial surplus with which to finance further economic development.”¹

“Whatever the ultimate perspective may be, the country is anxious to develop economically and has no alternative but to use state owned enterprise on a considerable scale, at the very least in order to get things going”²

1.2 DEFINITION AND MEANING OF STATE OWNED ENTERPRISES:

Definitions

“State owned enterprises means state ownership and active operation of industrial, agricultural, financial and commercial undertakings”³

❖ “The term usually refers to government ownership and active operation of agencies engaged in supplying the public the goods and services which

¹ Public Finance, By H.L. Bhatia – 24th revised edition -2003, page 575

² Hanson, A H , Public Enterprise and Economic Development, Routledge and Kegan Paul Ltd , London, 1954, p 23

³ Hanson, A H , Public Enterprise and Economic Development, op cit , p 115

alternatively might be supplied by privately owned profit motivated firms (private enterprise).”⁴

- ❖ “An institution operating a service of an economic or social character, on behalf of the government, but as an independent legal entity, largely autonomous in its management, though responsible to the public, government and Parliament and subject to some direction, by the government, equipped on the other hand with independent and separate funds of its own and the legal and commercial attributes of a commercial enterprise.”⁵
- ❖ “The term ‘State Owned Enterprises’ covers all undertakings which are directed either by a branch of Government itself or by a body set up by Government to direct the undertaking in public interest, any industry which is nationalized evidently becomes a State Owned Enterprises”⁶ In different countries they pass under different names, but basically they mean the same thing. By and large, State Owned Enterprises refer to autonomous or quasi autonomous corporations and companies established, owned and controlled by the State.
- ❖ In many underdeveloped countries, objectives of rapid economic growth, industrialization and a socialistic pattern of society have led the authorities to nationalize many private enterprises. In some cases, as a matter of national policy, some industries have been reserved for the SOEs. In India, for example, the government’s industrial policy reserves airways, defence industries, steel mills, and the like for the SOEs
- ❖ “In most developing countries the public enterprise sector is in a formative stage. Expansion has tended to be vigorous rather than orderly, particularly in the countries where governments face urgent development tasks which, by necessity or by choice, are entrusted to State Owned Enterprises”.⁷
- ❖ “The SOEs had to expand rapidly. It had not only to initiate developments which the private sector was either unwilling or unable to undertake, it had to play the dominant role in shaping the entire pattern of investment in the economy, whether

⁴ Encyclopaedia, Volume 18, Encyclopaedia Britannica Inc, Chicago, 1965, p 738s

⁵ Definition – Friedmann

⁶ F.H. Phelps Brown and J. Wiseman: A Course in Applied Economics, 1964, page 167

⁷ United Nations, “Measures for Improving the Performance of State Owned Enterprises in developing Countries”, Vol. 1, Report of a Working Group, 1969, para 24

it makes the investment directly or whether these are made by the private sector. The private sector has to play its part within the framework of the comprehensive plan accepted by the economy”⁸

1.3 NEEDS OF STATE OWNED ENTERPRISES IN INDIA:

- ❖ Private enterprise was either not able to raise the necessary funds or was not ready to assume such large risks. In such cases, even if these enterprises could possibly be profitable, the government has to step in to establish state owned enterprises.
- ❖ A number of SOEs directly add to the capital assets of the economy in the form of roads, bridges, factories and the like. They were, in so far as they were not in the SOEs by virtue of nationalization only, net additions to the capital stock of the country and, therefore, they contribute to its total productive power.
- ❖ There were some industries like electricity generation, where there were economies of scale. Now, if such a service provided by a large number of firms competing with each other, it would not be possible to reap these economies. On the other hand, if the supply of such a service lies in the hands of a monopoly, it may be against the economic policy of the country.
- ❖ In the case of some natural resources like forests, mines and the like, the commercial interests of private enterprise often comes into conflict with those of the nation. Take the case of private jungle contractor authorized to cut trees. He is likely to make a quick profit by cutting down as many trees as possible, if the terms of the contract and the market prices permit. This may result in a large scale and quick denuding of the land causing soil erosion and upsetting the ecological balance. On the other hand, if a government enterprise is entrusted with this task, it can be expected to follow a well-defined systematic policy of tapping the wealth of the woods and safeguarding the long-term interests of the economy. Similarly, private enterprise would tend to mine away the minerals at a fast rate provided the prices of minerals and the cost of mining make it profitable to do so. Private enterprise was not well placed to create and run the needed infrastructure because of their commercial non-viability, huge investment and long gestation period

⁸ Indian Economy by Ruddar Dutt & KPM Sundharam, page 227

1.4 OBJECTIVES OF STATE OWNED ENTERPRISES:

In 1966, the Prime Minister proclaimed the objectives of SOEs in India, as follows: “We advocate SOEs for three reasons: i) to gain control of the commanding heights of the economy; ii) to promote critical development in terms of social gain of strategic value rather than primarily on considerations of profit; and iii) to provide commercial surplus with which to finance further economic development.”⁹

- ❖ To promote economic development through creation and expansion of infrastructure;
- ❖ To generate financial resources for development;
- ❖ To create employment opportunities;
- ❖ Instrument for success of planning;
- ❖ Development of Key and Basic Industries;
- ❖ Balance Regional Growth;
- ❖ Establishment of a socialist and welfare-oriented society;
- ❖ Preventing concentration of economic power;
- ❖ Meeting defence requirements;
- ❖ Effective implementation of government policies;
- ❖ Model employer;
- ❖ Contribution to national exchequer;
- ❖ Stimulation of research and development activities;
- ❖ Strengthening foreign exchange resources position;
- ❖ Promotion of standard of living

Like a Private enterprise, it may aim at getting maximum profit, or it may have a policy of contributing to the distributive justice in the economy by reducing the inequalities of income and wealth. If our public undertaking is one among many others operating in a competitive set up, then its price cannot effectively differ from the market one.

1.5 TYPES OF STATE OWNED ENTERPRISES:

State owned enterprises are engaged in the manufacturing and trading of goods and provision of services in almost all the important spheres of economic activity. A categorization on the above basis will give the following types of state owned enterprises:

⁹ Public Finance, By H.L. Bhatia – 24th revised edition -2003, page 575

1.5.1 Types by Activities

- ❖ Commercial State owned Enterprises
- ❖ Manufacturing State owned Enterprises
- ❖ Financial State owned Enterprises
- ❖ Promotional State owned Enterprises
- ❖ Public utilities

1.5.2 Types of State Owned Enterprises by ownership

1.5.2.1 Departmental Undertakings

State Owned Enterprises first came up in the form of departmental undertakings. Most of these public undertakings were either social overheads or public utilities where the services were provided to the public either free or at such fee (or prices) which mostly necessitated subsidizing from the authorities. All state owned enterprises, however, were not meant to be run at a loss. Some enterprises like railways (and even post and telegraphs) were found having a price policy or orientation (thought) towards profits for the government. Actually, in some countries a few enterprises were appropriated as state monopolies with the sole object of making them a source of profit for the authorities such as manufacturing and trade in tobacco products.

1.5.2.1.1 Limitation of Government Departmental SOEs

- ❖ Departmental Management was not always suitable. The departments were answerable to the legislature and were subject to set financial and other rules of the government. This necessitated long-drawn procedures for action. Initiative and quick decision in the light of changing circumstances, which are a hallmark of an efficient enterprise, could not be ensured here.
- ❖ The limitation of departmental undertakings were felt more and more as the SOEs expanded and their performance was compared with the private sector. It was realized that departmental undertakings lacked an efficient system of incentives and punishment and that therefore some form of autonomy and responsibility to the management should be given to ensure efficiency and performance. This led to newer forms of public

undertakings which conformed to the private undertakings in organizational set-up.

1.5.2.2 State Owned Enterprises in the form of Joint Stock Company

Definition – Prof. Hanson has defined the term “State Company” as “an enterprise established under the ordinary company law of the country concerned in which the Government has a controlling interest through its ownership of all or some of the shares.”¹⁰

A Government company, according to Section 617 of the Companies Act, 1956 is that in which not less than fifty-one percent of the paid-up capital is held by the central government or by any state government or governments or partly by central government and partly by one or more state governments and includes a company which is a subsidiary of government company.

These types of State Owned Enterprises are established under Indian Companies Act 1956.

The enterprises which are not run on departmental basis have, in general, two forms. One such form is a firm or a company which is owned and controlled by the government and as such functions under the same laws of the country as the private firms or companies of similar type. Technically, it may be a private limited or a public limited company in which the government owns a majority of shares.

1.5.2.3 Statutory Corporations established by Act (SOE)

Another major form of State Owned Enterprises is what may be called the public corporations. A public corporation is set up by an act of the legislature. Its' sphere of activities, rights, immunities and duties are governed by the provisions of the act creating it. It need not be a profit-earning institution. Technically, a corporation is “an artificial legal person.” It can sue and be sued. Though it is wholly – or majority-owned by the government, under the provisions of the relevant act, it can take independent decisions and can have its own personnel policy, management pattern and the like. It can raise additional funds by

¹⁰ Hanson A.H., Public Enterprise and Economic Development, op.cit , p 337

borrowings or in the course of its defined activities, excepting the share capital, which is provided by the government at the time of its creation or nationalization. There is, however, a possibility that the initial share capital of a corporation may also be provided by more than one governmental organizations. But apart from that, the government may be one of its creditors. It can retain and re-use its funds according to the adopted policy. Thus, a public corporation, within the limits prescribed by the relevant act, is quite an autonomous body and has a wide scope for adopting a system of incentives and punishment to ensure efficiency. We may distinguish between companies which are fully owned by the government and those which are partially owned but fully controlled by the government.

1.6 CENTRAL GOVERNMENT'S INVESTMENT IN STATE OWNED ENTERPRISES:

India wanted rapid growth and development of economy and industrialization. Huge amount of money was pumped in the state owned enterprises by government of India which reflects in the table as investment in SOEs

Table 1.1: Investment by Central Government in SOEs
Rs. in crore

As on March 31	No. of Units	Total Investment
1951	5	29
1961	47	950
1980	179	18,150
1990	244	99,330
2001	242	2,74,198
2004	242	3,49,209

Source: Government of India, Public Enterprise Survey – 2003-04

Above table reflects 3176 percent increase in Central Government investment in SOEs during ten years i.e. from 1951 to 1961. During 1961 and 1980 that is 20 years the rise of Government Investment is observed 110 percent so it indicates during 20 years the growth rate is half way compared to 1951 and 1961. Further it reduces between 1980 and 1990 to 447 percent, it is only $\frac{1}{4}$ th of previous 20 years. During 1990 and 2001 the growth rate is 176 percent so still it is declining and between 2001 and 2004 the rise in Government Investment just was 27 percent.

Government has priorities for investing the money in SOE i.e. more investment was required in infrastructure to obtain speedy growth and development. Following table present the break up of investment in different areas.

Table 1.2: Break up of Investment in Central Government Enterprises (2003-04)

Rs. in Crore

Sr. No.	Particulars	Investment (Rs. Crore)	Percent of total
1	Enterprises under construction	6155	1.8
2	Enterprises producing/selling goods	213,392	61.1
i.	Power	68,012	19.5
ii.	Steel	19,940	5.7
iii.	Coal and Lignite	23,559	6.7
iv.	Petroleum	32,260	9.2
v.	Fertilizers	22,443	6.4
vi.	Chemicals & Pharmaceuticals	2,518	0.7
vii.	Minerals and Metals	4,354	1.5
viii.	Engineering	11,081	3.2
ix.	Textiles	17,456	5.0
x.	Consumer goods	5,542	1.6
xi.	Transportation equipment	3,162	0.9
xii.	Agro-based industries	64	0.0
3	Enterprises producing services	1,29,662	37.1
i	Financial Services	74,165	21.2
ii	Industrial Development and Technical Consultancy Services	16,048	4.6
iii	Transportation Services	4,660	1.3
iv	Telecommunication services	21,760	6.2
v	Other Services	13,029	3.7
	Grand total	3,49,209	100.0

(Source: Compiled from Government of India, Public Enterprises Survey 2003-04, Vol.I, p.54)

Government had invested 19 percent of total in power sector which is highest whereas in Steel, Coal, Petroleum and Fertilizer the government investment in SOEs is 5.7, 6.7, 9.2 and 6.4 percent respectively.

1.7 SHARE OF STATE OWNED ENTERPRISES IN GDP:

Share of SOE in GDP is measured at current prices, accounted for 7.5 percent of NDP in 1950-51, its share in 1999-2000 had gone up to 24.0 percent. However, it declined to 23.6 percent in 2002-03. SOEs, therefore, accounts for about one-fourth of national output. This is largely due to a rapid expansion of the State Owned Enterprises.

1.8 EMPLOYMENT OPPORTUNITIES IN STATE OWNED ENTERPRISES:

Role of State Owned Enterprises in generating employment is significant as compared to private sector. Following table represents the comparison between private sector and state owned enterprise in generating the employment.

Table 1.3: SOE and Private Sector employment in India

No. in Lakh				
Year	SOE	Private Sector	Total	1 as % of 3
1971	111	67	178	62
1981	155	74	229	68
1991	190	77	267	71
2003	186	84	270	69

Source: Compiled from Economic Survey 2004-05

Between 1971 and 2003 the employment in state owned enterprises compared to total employment remained above 60 percent. It was highest in 1991 that is 71 percent whereas employment in private sector has remained lowest that is 39 percent in the year 1991. As per latest figure of 2003 in case of employment in state owned enterprises have a lien share of 69 percent of total employment. During ten years of 1971 and 1981 the employment has increased by 40 percent in state owned enterprises that it has gone up from 111 lakh to 155 lakh but further the growth rate has reduced to 23 percent between 1981 and 1991. If we observe the employment in state owned enterprises for the year 2003 it has reduced by 4 lakh compare to 190 lakh for the year 1990.

1.9 COST-BENEFIT ANALYSIS AND CHOICE OF PROJECTS BY S.A. MARGLIN:

This question may be discussed with reference only to the new projects which are to be established. Since the SOEs does not have unlimited resources at its disposal, it has to be selective in the choice of the projects so as to procure the best possible results for the society.

A private enterprise would estimate the cost and returns in money terms and would try to find out whether commercially the project is profitable or not. But the public authority is expected to concern itself with the social costs and benefits.

Symbolically, if d is the present rate of discount, then the Discounted Present Value (DPV) is given by

$$DPV = (R_0 - E_0) + \frac{R_1 - E_1}{(1 + d)} + \frac{R_2 - E_2}{(1 + d)^2} + \dots + \frac{R_n - E_n}{(1 + d)^n}$$

Source: Guidelines to Project Evaluation; S.A. Marglin, Public Investment Criteria, R. Turvey (ed.), Public Enterprises, Penguin Modern Economics.

State Owned Enterprises may be forced to procure their inputs from specified sources only. An enterprise operating in a competitive market should be left to its own devices without a budgetary guarantee to meet its losses. If its losses persist, it may even be closed down.

1.10 PARAMETERS OF PERFORMANCE OF STATE OWNED ENTERPRISES:

1.10.1 Professionalism

In Indian State Owned Enterprises, top managerial positions are often occupied by bureaucrats rather than professionals. Efforts to remove this deficiency have not yet been a success. Frequently, many critical posts remain vacant for unduly long periods leading to wastage through a state of re-decision.

1.10.2 Accountability

An intricate problem faced by State Owned Enterprises in India is that of reconciliation between demands of accountability and autonomy. Since State Owned Enterprises use public funds, there ought to be adequate checks and balances to ensure that wastage and impropriety are avoided.

Accountability refers to the fact that the management is answerable to the authorities for its omissions and commissions, and its performance is to be judged by the authorities. The authorities are to have some basis of evaluating the efficiency of the enterprise.

1.10.3 Capacity utilization

As testified by annual reports of the Bureau of Public Enterprises, SOEs have suffered from a continuous underutilization of their productive capacity. The official viewpoint is that the following seven causes affect their capacity utilization, namely,

- ❖ Power shortage, fluctuations and failures,
- ❖ industrial unrest,

- ❖ Lack of balancing equipment,
- ❖ Equipment breakdown,
- ❖ Inadequacy of demand,
- ❖ Inadequacy or poor quality of raw material, and
- ❖ Design deficiencies.

1.10.4 Profitability and Performance of Central Government's SOEs

With the absorption of huge public funds, SOEs are legitimately expected to yield a good amount of investible surplus. Prof. Mahalanobis had estimated in his model of economic planning, that SOEs would generate enough surplus by 1970-71 thereby diminishing the need for any further increase in taxation. On this score, however, SOEs have failed miserably. Instead of contributing some of their surpluses to public revenues, most of them have been dependent upon budgetary support.

1.10.5 Performance of State Owned Enterprises

Profit maximization (or in the case of State Owned Enterprises, the generation of surplus) may not be the sole criterion to judge their performance, yet it cannot be denied that it would be a folly to ignore it altogether. "Net profit after tax" as a measure of profitability.

A very interesting point about the financial performance of the Central SOEs is that the major part of the profits was contributed by the petroleum sector enterprises. For instance, in 2003-04 net profit after tax came to Rs.53,168 crore of which about Rs.24,374 crore (or 46 percent came from petroleum enterprises alone.

Public Enterprises Survey estimates the net profit by the profit-making enterprises along with the losses suffered by loss-making enterprises. In 2003-04, 120 profit making enterprises earned a total net profit of about Rs.61,568 crore and 105 loss making units incurred a total loss of Rs.8,399 crore.

The losses of State Road Transport Undertakings (STRUs) were of the order of Rs.1,282 crore in 1997-98. The situation has been summed up ably by CMIE in the following words: "It is the losses of the Central Government enterprises which have generally received maximum publicity. It is not realized, however, that the

worst culprits in this respect are to be found among the state governments. There, the State Electricity Boards, the irrigation works, the Road Transport Corporations and other State Government owned enterprises have the most scandalous record of making losses.

1.10.5.1 Shortcomings of State Owned Enterprises

The failures were highlighted by a number of Committees and Economists, following are some of the important reasons for failure:

- ❖ Overstaffing and low work ethics leading to low capacity utilization,
- ❖ Over-capitalization due to substantial time and cost overruns,
- ❖ Political and bureaucratic interference,
- ❖ Stifling the ability to innovate, take quick and timely decisions,
- ❖ Burden of taken-over private sector sick units,
- ❖ Excessive social welfare expenditure,
- ❖ Absence of a rational pricing policy based on economic calculus.
- ❖ All these factors resulted in a low rate of return which tarnished the image of the SOEs.

Irrigation, multi-purpose river valley scheme, State Electricity Boards (SEBs) and State Road Transport Corporation (SRTC). SEBs, and irrigation schemes are notorious for their mounting losses. For example, in five years 1997-02, SEBs were reported to have trebled their losses. Inclusive of subsidies, the figure rose to six times. In these five years uncovered subsidies increased from Rs.5600 crore to Rs.25000 crore.¹¹

On March 31, 2001, there were 834 State SOEs, with 358 working at a loss and another 185 non-working. Clearly, the problem is quite a serious one. The States were reported to be engaged in PSU reforms in several ways, including restructuring, privatisation, disinvestment and closing down the unviable enterprises. They had identified 222 enterprises for this purpose, and the process of reforms had been initiated in 124 enterprises.

¹¹ Public Finance, By H.L. Bhatia – 24th revised edition -2003, page 587

They have created in our economy an infrastructure needed for a rapid and balanced economic growth. Given the will and a concerted effort by all concerned, their performance can be improved, as is shown by improved performance of some State enterprises including Rajasthan State Road Transport Corporation.

1.10.6 Board for Industrial and Financial Reconstruction (BIFR)

“Committee to Review the Policy for the State Owned Enterprises (Arjun Sengupta Committee (1985) has entered into Memorandum of Understanding (MOUs) with a number of SOEs. The main aim of the MOU is to bring about a balance between autonomy and accountability. Leaving the State Owned Enterprises which were to be referred to the BIFR, the Industrial Policy (1991), extended the scope of Memorandum of Understanding (MOU) to all State Owned Enterprises (SOEs). The main goal of the MOU Policy is to reduce the “quantity” of control and increase the “quality” of accountability. This is sought to be done by specifying in clear terms the measurable goals and giving each PSE greater operational autonomy to achieve them. The real purpose of MOU is to manage PSEs by management by objectives rather than management by control.

104 State Owned Enterprises (SOEs) had signed MOUs for the year 2003-04. According to the Public Enterprises Survey (2003-04) on the basis of the self evaluation by 96 PSE, 53 were rated excellent, 23 very good, 12 good, 12 fair and only 8 were rated poor.¹²

1.11 FINANCIAL MANAGEMENT:

Wealth maximization is the prime objective of financial management. The financial goals may be maximising the profits and minimising the risk. Finance Manager should take financial decision in such a way to ensure more and more profits by avoiding unnecessary risks. Financial management includes procurement of funds and wise application of these funds so that the responsibility of Finance Manager is not only limited to acquisition of adequate cash to satisfy the business requirement but also extends beyond this to optimum utilization of the funds. While allocating the resources it is required to match the benefits of potential use against the cost of alternative sources so as to maximise the value of an enterprise.

¹² Public Enterprises Survey 2003-04

1.11.1 Nature of Financial Management

Financial management is an integral part of overall management of business enterprises. The functions of financial management like raising funds and using them, influence the operations of other functional areas of the business like production, marketing, administration etc., meaning thereby the financial decision affects the other areas of management too. Therefore, while taking the financial decision, The Manager must give thoughtful consideration to the various business activities. Financial management has to see the things as a part of whole. There must be a continuous review of financial decision; as a matter of fact it is continuous decision making process.

1.11.2 Concept of financial management in State owned enterprises

The concept of financial management does not basically differ from the State owned enterprises to the private sector, principles and techniques of prudent financial management that are adopted by the private sector are, by and large, the same in the State owned enterprises. However, there are distinctive features of the financial management in the SOEs, which are the outcome of its constitution and operating features, viz. tremendous rate of growth and turnover, large size of operations and existence of multiple objectives which are often in conflict with one another.

The objectives of developing State owned enterprises in terms of social gains of strategic value especially with regard to development of backward areas and provision of employment are in conflict with the primary objectives of any industrial organization, i.e. profit and resource generation. For example, for development of backward areas, it is necessary to set up industries in such areas that require large investment in non-productive and non-profit generating areas like township. Another conflicting objective of the State owned enterprises is to provide certain basic raw materials, machineries and services to the economy at concessional or relatively less costly rate, which undoubtedly brings down the profit of the State owned enterprises.

These days State owned enterprises are under heavy discussion. Central Government as well as State Governments of India are trying to privatise them or come out from the management of State owned enterprises. Therefore, it is logical

to study the performance of the financial management of the State owned enterprises in Gujarat so that it will be prudent to know Gujarat as a whole.

1.12 AN OVERVIEW OF GUJARAT:

1.12.1 History of Gujarat

Human settlements have been traced back to the Stone Age period in the valleys of the Sabarmati and Mahi rivers. The historic period is linked with the spread of the Harappan (Indus Valley) civilization, which flourished in the 3rd and 2nd millennia B.C. at Lothal, Rangpur, Amri, Lakhabaval and Rozde mostly in the Saurashtra (Kathiawar) peninsula.

The known history of Gujarat began with the rule of the Maurayan dynasty, evidenced by the edicts of the emperor Ashoka (C.250 BC) carved on a rock in the Girnar Hills of the Saurashtra peninsula. After fall of the Sakas (Scythians) or Western Kshatrapas (AD 130-390), during the 4th and 5th centuries Gujarat formed a part of the Gupta Empire until the Guptas were succeeded by the Maitraka dynasty who was succeeded by the Gurjar-Pratiharas (the imperial Gurjars of Kannauj); who ruled during the 8th and 9th centuries; they were followed by the Solankis. Vaghela dynasty that followed, was defeated in about 1298 by 'Ala' ud-Din Khilji, Sultan of Delhi; Gujarat then came under Muslim rule. It was Ahmad I, the first independent Sultan of Gujarat, who founded Ahmedabad (1411). In the 15th Century Sidhdharaj Jaysinh of "Solanki Dynasty" was ruler of Gujarat State. The capital of his kingdom was "Patan", situated in Banaskantha district. He was very powerful and beloved king in those days. Today also his memorial places of good governance exist at "Patan" and "Dholka". The end of the 16th century saw Gujarat under Mughal rule; this lasted until the mid-18th century, when the Marathas controlled the State. Gujarat came under the administration of the British East India Company in 1818. After 1857 A.D., the area became a province of the British Crown.

Out of total 562 Kingdoms in India, Gujarat was having the highest number of small Riyasats and Kingdoms. Out of these, the notable kingdoms were Vadodara of Sir Sayajirao Gaekwad, Junagadh of Ra-Navghan, Rajkot of Lakhajiraj Jadeja, Jamnagar of Jam-Ranjitsinh, Bhavnagar of Bhavsinhji Gohil, Gondal of Bhagvatsinhji Rana, Palanpur of Nawab Tale Mohammad Khan and Rajpipala of

Vijendrasinhji Gohil. Vadodara State of Sir Sayajirao Gaekwad was largest kingdom. The Junagadh State of Ra-Navghan, lastly ruled by Nawab Mohabat Khan was the oldest Kingdom.

The Gujarati language belongs to the Indo-Aryan Family of languages and is derived from Sanskrit through Prakrit and Apabhramsa. Gujarat's contact by sea with foreign countries has also led to the introduction of Persian, Arabic, Turkish, Portuguese and English words.

1.12.2 Post independence Gujarat

With the Indian Independence in 1947, all of Gujarat except the States of Kutch and Saurashtra were included in Bombay State; the province was expanded in 1956 by including these two States.

The State of Gujarat is situated on the west coast of India. It is bounded by the Arabian Sea to the West, by Pakistan to the North-West, Rajasthan to the North, Madhya Pradesh to the East and Maharashtra to the South. The State of Gujarat came into existence in 1960 when the former Bombay State was bifurcated. The present capital of the State is Gandhinagar. Administratively, the State is divided into 25 districts viz. Valsad, Navsari, Dang, Surat, Bharuch, Narmada, Vadodara, Panchmahal, Dahod, Anand, Kheda, Ahmedabad, Gandhinagar, Sabarkantha, Mehsana, Banaskantha, Patan, Kutch, Surendranagar, Rajkot, Jamnagar, Porbandar, Junagadh, Amreli, and Bhavnagar. Since 1960, Ahmedabad was the capital of Gujarat State upto 1974 and then after Gandhinagar was made the capital of Gujarat State. It lies on the bank of the Sabarmati River and having 30 residential sectors including Secretariat and Vidhan Sabha. The design of the Gandhinagar is as per the plan of Chandigarh of Punjab worked out by Le-Corbusier.

1.12.3 Heritage of Gujarat

The folklore and folk culture of Gujarat can be traced to the mythology of Lord Krishna. The Ras-Nritya and Ras-Lila dances in honour of Lord Krishna have survived in the form of the popular folk dance known as Garba which is performed at Navratri festival in the honour of Goddess Durga. Ras is also a well known dance. A folk drama named Bhavai is also very popular.

Hinduism is the religion of a majority of the population with a minority of adherents to Islam and Christianity. Shaivism has long flourished in Gujarat. Vaishnavism has encouraged the emergence of a number of saints, poets and musicians such as Narsimha, Mira Bai, Permanand, Dayaram.

The architectural style of Gujarat, well known for its luxuriousness and perfection, is preserved in monuments and temples each as those at Somnath, Dwarka, Ghumli, Girnar and Palitana. A synthesis of Hindu-Muslim culture is preserved in many ancient monuments. Gujarat is famous for its art and craft products, which include the Jari (gold and silver embroidery) of Surat; the Patola, a fine silk fabric of Patan; the toys of Idar; the perfumes of Palanpur; the handloom products of Konodar; and the decorative wood work of miniature temples and mythological figures at Ahmedabad and Surat.

1.12.4 Festivals of Gujarat

Festivals reflect the culture, heritage and religious belief which keep the people aware of the religious value and practices to celebrate the occasions of their Nation. The festivals also represent the importance of some specific Date, Tithi, Season, Geography and Incidences occur because of nature.

Gujarat is the land of festivals celebrating Uttarayan, Mahashivratri, Holi-Dhuleti, Moharam, Ram Navmi, Raksha Bandhan, Navratri, Diwali, Christmas etc. The birthday of Lord Krishna that is "Janmashtami" is celebrated very enthusiastically in the region of Saurashtra, the Holi-Dhuleti is mostly celebrated vigorously in the tribal belt of Central and South Gujarat.

1.12.5 Sanctuaries of Gujarat

The Gir Forest National Park in Saurashtra contains the last Indian Lions. In the Little Rann of Kutch, the only surviving Indian wild asses are found. There is a bird sanctuary at lake Nal Sarovar, near Ahmedabad. The Rann of Kutch is the only nesting ground of the large Flamingo in India.

1.12.6 Development of Gujarat

About one-third of the population is urban. The highly urbanized and industrial cities of the state are the Ahmedabad, Vadodara, Rajkot and Surat. With its many textile mills, Ahmedabad has been called the "Manchester of India".

The State is well connected with railways, road and airways transportation system. Transport by land is supplemented by water transport particularly by coastal shipping. There are many ports besides the major international port of Kandla. Several airports provide air transportation within the State and with the major cities of India outside Gujarat.

Primary schools for all children between 7 and 11 have been opened in nearly all villages. There are many secondary schools especially for arts and crafts as well as 14 universities and a large number of educational institutions for higher education. Research institutions include Physical Research Laboratory, Ahmedabad, Bholabhai Jesinghbhai Institute of Learning and Research, the Indian Institute of Management, the National Institute of Design and the Sardar Patel Institute of Economic and Social Research at Ahmedabad, the Oriental Institute at Vadodara, and the Central Salt and Marine Chemicals Research Institute. There are State institutions for the welfare of children, women, physically handicapped, the aged, infants, and destitute, for delinquents, beggars, orphans, and released prisoners, backward classes.

1.13 GEOGRAPHY OF THE GUJARAT STATE:

Gujarat State is having 1,96,024 Square Kilometer area in western part of India with adjoining borders of three States - Rajasthan, Madhya Pradesh and Maharashtra and coastal area of Arabian Sea about 1600 kilometers and international border of Pakistan. The Gujarat State is characterized by a varied geographical area demarking 25 districts and 18,618 villages.

The important big cities of Gujarat are Ahmedabad, Surat, Vadodara, Rajkot, Jamnagar, Bhavnagar and Junagadh which are given the status of municipal corporation.

1.13.1 South Gujarat

In the southern part of Gujarat that is Surat and Navsari are the ancestral destination of the Parsi Community who settled there after being driven away from Persia. The southern part of Gujarat that is Bharuch, Surat, Navsari and Valsad are very sound in industrial development. The chemical industries have

grown up largely in Valsad, Navsari and Bharuch whereas textile and diamond industries have developed tremendously in Surat. Sugar Industries located most of southern part of Gujarat have developed due to Tapi river near Surat and Narmada river near Bharuch.

1.13.2 Central Gujarat

In the central Gujarat - Vadodara, Panchmahal, Dahod, Anand, Kheda, Ahmedabad and Gandhinagar districts are situated. Vadodara is well known as the erstwhile capital of the former Baroda State of Sir Sayajirao Gaekwad. The rulers of Vadodara State were very kind and culture oriented kings, who gifted their memories in Educational Institutions, Health Institutions, Cultural Heritage, Parks, Museums, Ponds like Ajwa and valuable buildings. The Vishwamitri River is passing in the middle of Vadodara city and Mahi River is passing from the outskirts. The pharmaceutical industries are very much developed in the Vadodara district.

In the Central Gujarat that is Dahod, Panchmahal, Vadodara and Narmada are predominantly a tribal belt and the districts of Anand and Kheda are well known as "Charotar Bhoomi", the land between Mahi river and Vatrak river, a fertile soil mainly producing tobacco crops. They are also the hub of the dairy sector.

1.13.3 North Gujarat

In the region of North Gujarat - Mehsana, Sabarkantha, Banaskantha, and Patan districts are situated. Mehsana district is famous for Farmers' Co-Operative Institutions and Unjha Cumin Seeds market of Sabarkantha district is well known for "Idar State" Riyasat and the Sabarmati River is also passing from this district. Palanpur is the main town of Banaskantha district which was the Kingdom of the then Nawab Tale Mohabbat Khan. The Banas River is flowing through different parts of the district. The Patan was the capital of Gujarat during the rule of Siddharaj Jaysinh Solanki of Anhilpur Patan State.

In the North-West of the Gujarat State, the Kutch district is the land of desert where water resources are lacking tremendously. The land of Kutch is full of

minerals and natural resources and people are famous for their craft work and skill of business.

1.13.4 Saurashtra Region

The Saurashtra region of Gujarat State includes Rajkot, Surendranagar, Jamnagar, Porbandar, Junagadh, Amreli and Bhavnagar. Junagadh district is very much famous for its forest of Gir, Mountain of Gir and Girnar Fort, numerous temples. The Gir forest is one of the largest and protected places of India. It is the only place where the Asiatic Lion is found. The Gir Wildlife Sanctuary sprawling in an area of 1424 square kilometre and Gir National Park sprawling in an area of 258.71 square kilometre established in 1964 and 1974 respectively. One of the twelve Jyotirling is the Somnath Temple which is situated in Junagadh district at seashore of Arabian Sea witnessing its long struggle of existence against foreign invaders. Its reconstruction was initiated by the Iron Man - Sardar Vallabhbhai Patel and was inaugurated by the then first President of Independent India - Dr. Rajendra Prasad in 1950. Rajkot city is modern, developed and in the heart of the whole Saurashtra. It was the capital of Saurashtra State during the reign of Uchcharangray Dhebar, the then Chief Minister of Saurashtra State. Surendranagar is geographically very dry and economically backward district and handloom, salt industry is the key industry of the district. In the east of Gujarat there is Bhavnagar and Amreli districts and economy of both these districts are dependent mainly on agriculture and diamond. In Bhavnagar renowned Alang Ship Breaking Yard is developed. Porbandar is a newly formed district bifurcated from Junagadh. Porbandar is very small district and is the birthplace of Mahatma Gandhi. In the north-west of the Saurashtra and Arabian seashore the Jamnagar district is situated. Brass parts and agriculture are the main industry of the district. One of the holiest pilgrimages "Dwarka", our 5000 years old culture and last destiny of Lord Krishna is situated in Jamnagar district. Dwarka is also very much famous for one of the "Maths" of ancient Shrine Jagadguru Shankaracharya

1.14 MAPPING OF GUJARAT:

1.14.1 Districts Map of Gujarat State



1.14.2 Political Mapping of Gujarat

Gujarat has single chamber Legislative Assembly which has 182 elected members. The Parliament of country has 37 elected members from Gujarat out of which 26 directly elected by the people to Loksabha and 11 elected by members of Legislative Assembly to Rajya Sabha. The Panchayat Raj pattern is being adopted very successfully in all 25 districts of the State. The District Development Officer (DDO) coordinates with all Talukas and Village Panchayats to carry out the developmental works and implementation of decision taken by State Government. The District Collector is the main gap-bridger between Sarpanch and Chief Minister of the State.

1.14.3 Personalities of Gujarat

The history of Gujarat had a long list of great personalities born and brought up in Gujarat State. World famous personalities like Mahatma Gandhi were born in Gujarat. Moreover, Indian Iron man Sardar Vallabhbhai Patel, freedom fighters Shyamji Krishna Verma, Madam Cama, Sardarsingh Rana, Swami Dayanand Saraswati, ancient poets – Kavi Narmad, Premanand, ancient saint Narsinh Mehta, great astronomer – Vikram Sarabhai, First Gujarati Prime Minister Moraraji Desai, famous industrialist – Dhirubhai Ambani, beloved Swaminarayan saint Pramukh Swami Maharaj, famous writer Umashankar Joshi and many other great personalities are the pride of Gujarat.

1.14.4 Population of Gujarat

Gujarat ranks 10th in population and 9th in area among the States of India. According to the 2001 census, the population of Gujarat is 4.97 percent of total population of the country i.e. 5,06,71,017 including 2,63,85,577 of male population and 2,42,85,440 of female population. The sex ratio in Gujarat is 920 females per 1000 males, in comparison to 933 sex ratio of the country and density of population of Gujarat is 258 persons per square kilometer as compared to national average of 324 persons per square kilometer.

As per the 1991 Census, population of the State was 4.13 crore and as per 2001 census it is estimated to 5.06 crore showing 22.66 percent growth in the State compared to 21.54 percent of the country. Out of 5.06 crore population of the

State, 18.93 crore live in urban area that is 37.36 percent and 62.84 percent is of rural population of the State.

The birth rate and death rate were 35 percent and 13 percent in 1980, which has reduced to 29.5 percent and 8.9 percent in 1990 respectively. As per 2001 Census, this ratio still reduced to 24.6 percent and 7.1 percent respectively in the State. The life expectancy rate of male in Gujarat is 62 years and 63 years for female.¹³

1.14.5 Literacy and education in Gujarat

As per 2001 Census, the literacy rate in India is 65.38 percent and in Gujarat it is 69.97 percent. The average literacy rate in India for male is 75.85 percent and 54.16 percent for female whereas the average literacy rate in Gujarat for male is 80.50 percent and 58.60 percent for female. The provisional results of 2001 Census reveals that there has been an increase in literacy in the country, census 1991 the literacy rate was 52.21 percent which has increased to 65.38 percent as per 2001 census. In the Gujarat State also the same trend is observed for the increase in the literacy rate from 60.91 percent as per census 1991 to 69.97 percent census – 2001. It has about 16,500 Primary Schools and 7,400 Secondary Schools all over the State. Gujarat is becoming a brand destination for higher education. It has 14 well-reputed Universities that is Gujarat University, Ahmedabad (1950), M.S. University, Vadodara (1950), Ayurved University, Jamnagar (1952), Sardar Patel University, Vallabh Vidyanagar (1955), Saurashtra University, Rajkot (1967), Bhavnagar University, Bhavnagar (1978), Dr. Babasaheb Ambedkar Open University (1994), North Gujarat University, Patan (1992), South Gujarat University, Surat (1995), Agriculture University (1975) – has been divided in 4 Universities at Dantiwada, Anand, Navsari and Junagadh and Nirma Deemed University, Ahmedabad (2000).

1.15 ECONOMY OF GUJARAT:

Gujarat has an important and longest coastal line among all the States of India that is 1600 kilometer long coastal line with 41 seaports has become the backbone of marine and foreign trade with Gujarat. There are excellent shores and islands for fishing in Gujarat.

¹³ Population Census – 2001

Gujarat is in the forefront of economic development and industrialization. Beside being a major manufacturer of pharmaceutical, Dye-stuff, organic chemical, textile, inorganic chemical like soda ash, caustic soda etc., Gujarat has huge resources of petroleum products. The land of the State is full of an important minerals like gate, bamiste, dolomite, fireclay, fluorite, kaolin, lignite, limestone, chalk, calcareous, sea sand, perlite, petroleum mud, natural gas, silica and manulding sand. Gujarat occupies the first rank in the national project on biogas production. As per the CMIE report about 2,48,164 small scale and 2000 large scale industrial units are in existence and almost 1,70,000 units are running. With a population representation of about 5 percent of India, Gujarat contributes to 11 percent of India's GDP and 10 percent of national consumption. As per the January – 2003 CMIE report, the State of Gujarat owns a vital range – structure of about 5000 branches of Financial Institutions, private Co-Operative Banks, Foreign Banks and Public Sector Banks. In the capital market investment share of Gujarat is 30 percent.

1.15.1 Agriculture

India's progress is linked with the progress of agriculture because it has a high relative share in the total national income. In 1950-51, the share of agriculture in the total national income was 57.3 percent, in 2003-04 it is 27.5 percent. In UK, USA and France share of agriculture is 02 percent and in Germany it is 01 percent only. In 1981, about 71 percent of the total active population was engaged in agriculture sector. At present in Gujarat State the agriculture land is one crore hector which is 18 percent of the total land in Gujarat. The State produces a large variety of cash crops that is cotton, groundnut, tobacco, isabgul, cumin and sugarcane. Tobacco production is second in the country.

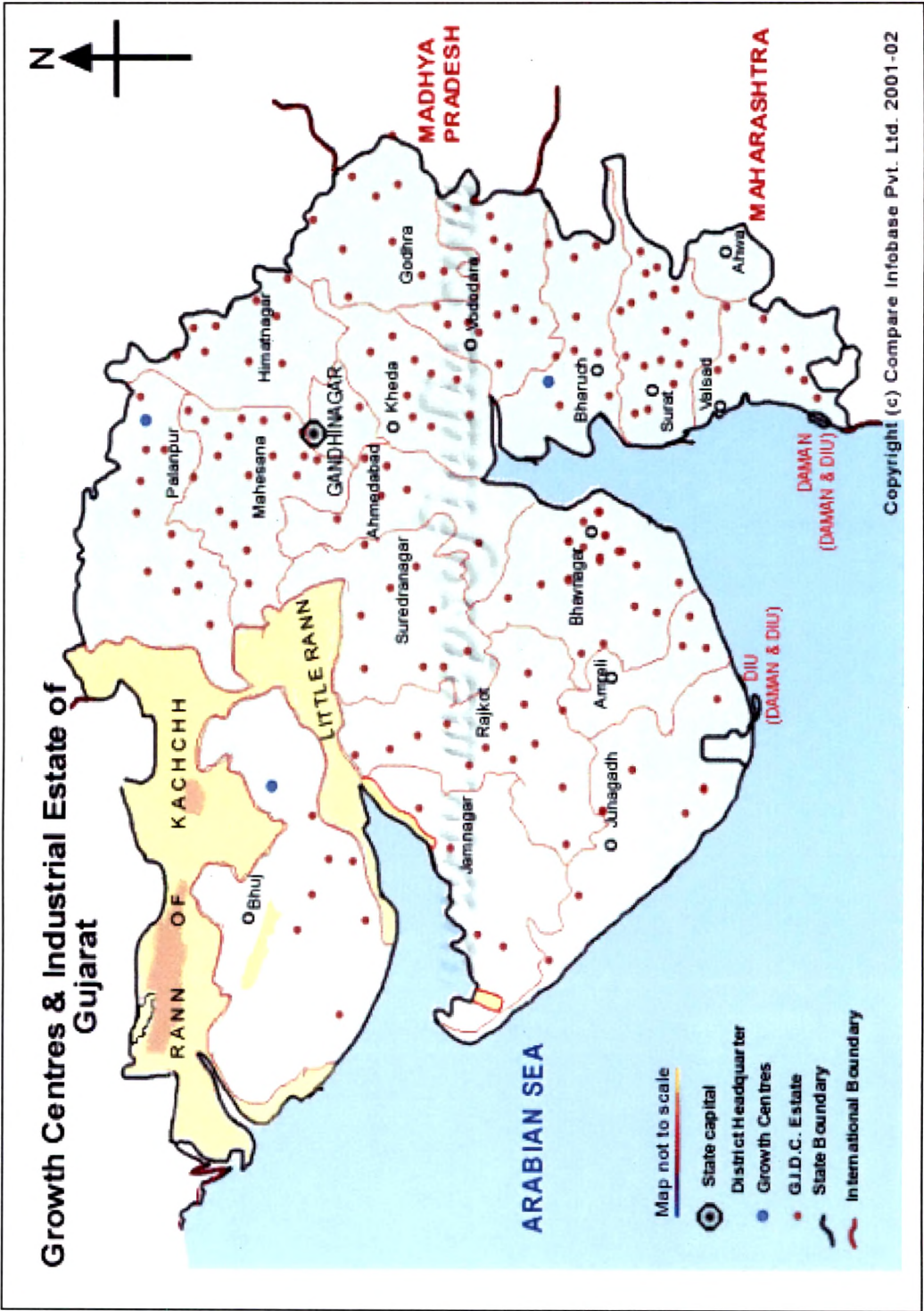
1.15.2 Handicraft and handloom

The handicraft and handloom cottage industry of the State has wide popularity in the world, especially in embroidery and Patola weaving. Other notable handicraft includes Bandhani, leather work, hand block printing and decorative floor mat received the market world wide.

1.15.3 Industrialization

Industrialization in Gujarat has witnessed very fast growth and development during last 3 decades after its formation as a separate State. The industrial economy was based primarily on textile and textile ancillaries till 1960. The

industrial activities and development was mainly limited to major cities like Ahmedabad, Baroda, Surat and Rajkot and the State ranked 2nd among the industrialized States in the country.



1.15.3.1 Progress through GIDC

The enterprises of the people, support the infrastructural base in the form of G.I.D.C. Industrial Estates, railroad facilities, dependable power supply, availability of water and nearness to sea, financial assistance from State financial institutions, peaceful industrial environment and cordial atmosphere of industrial relations have contributed in such a rapid industrial growth and development of Gujarat.

The State has also shown impressive progress towards the development of village and cottage industries. The State Industries Development Corporation has played important role in the industrial development of the State. The Gujarat Industrial and Development Corporation (GIDC) has developed 174 industrial estates in whole of the Gujarat. About 18821 units in GIDC industrial estates produce goods worth Rs.7653/- crore and provide employment to 3.66 lakh persons annually.

The State has more than two lakh small-scale industries and over 16,000 agro-based factories contributing to the industrial progress of the State and the country. The climatical conditions are favourable for growing cash crops like groundnuts, potatoes, ginger, vegetables and fruits. The dairy industry is well advanced in the State. Milk and milk products manufactured in Co-Operative sector have made a tremendous impact in India as a whole. Forests occupy 40 percent of the area of the State; the forest products include timber, fuel wood, gum and resin.

1.15.3.2 Contribution of State Owned Enterprises

Gujarat State Financial Corporation (GSFC) and Gujarat Industrial Investment Corporation Limited (GIIC) assist large number of units for their term financial needs. GSFC has sanctioned term loan of Rs.1050/- crore among 32322 units till 31st March 1990. GIIC has also sanctioned term loan of Rs.584 crore among 2960 units till 31st March 1990. GIIC has also worked as catalyst for industrial development through establishment of joint sector projects in the Gujarat State. These projects are in the field of chemical, petrochemical, electronic, cement, refining of lubricating oil, soft and hard luggage, synthetic fibre, and hotel etc., the investment figure in these projects shall cross Rs.2200/- crore.

GSFC and GNFC are the market leaders in the field of fertilizer production. GCEL, Gujarat Agro Industries Corporation Limited, Gujarat Mineral Development Corporation and Gujarat State Textile Corporation are playing important role in the development of agro-based industries, minerals and textile. Krishak Bharati Co-Operative Limited and Indian Farmers' Fertilizer Company Limited are leading companies in co-operative sector for production of fertilizers. Gujarat Cooperative Milk Marketing Federation and National Dairy Development Board have played a leading role for the growth and development of dairy industry.

Gujarat has emerged as a major producer of oil and gas in the country. Recently, oil and gas have been discovered at Pisinwada, Gandhar and in the Krishna basin of Andhra Pradesh. The ONGC has already made the investment in Gujarat for oil explorations to the extent of Rs.2,000 crore. Further, investment plan of Rs.1,500 crore has been prepared for the development of Gandhar oil belt. The power generation by the use of gas now is not a dream but a reality in Gujarat. India's largest petrochemical Complexes of IPCL and Gujarat Refinery are located near Baroda. Two more petrochemical complexes are coming up at Hazira, near Surat and the other at Dahej, Near Bharuch. GSFC has become the largest fertilizer and petrochemical Complex producing fertilizers and other products. It has established a DAP project near Sikka and further plans of expansion and diversification with the investment of Rs.1300 crore are under implementation.

1.15.3.3 Government promotions

The districts Panchmahal, Kutch, Amreli, Bharuch, Sabarkantha, Banaskantha, Bhavnagar, Mehsana, Surendranagar and Junagadh are eligible for concessional finance from the Financial Institutions as well as State Government in Sales tax, Excise duty liability. Further, the districts Panchmahal, Bharuch and Surendranagar are eligible for Central subsidy. The State government has also introduced a special package of incentives for promotion of electronic industry. The State also offers an ideal climate for investment in various industries specifically for diamond processing, engineering, high-tech ceramic etc.

Industrial Estate for electronics had been established by GIDC at Gandhinagar which includes the projects of Tata, GCEL, Blue Star, Essen Group etc. Gujarat is

contributing in the polished diamond export in the large amount which stood above Rs.4970 crore in the year 1989-90, about 10 lakh people are employed in diamond industry, which is flourishing at Surat, Ahmedabad, Visnagar, Sidhapur, Palanpur, Amreli, Bhavnagar etc. The State Government provides special incentives for setting up diamond cutting and polishing units.

1.15.3.4 NRI Contribution

Gujarat has also become a center of attraction for Non-Resident Indians for making investment in industries. Out of 483 projects being promoted by Non Resident Indians, more than 200 projects have already started their production. Gujarat has shown an impressive industrial growth and development as the State offers ideal climate for investment. The industrial future of Gujarat is posed for further rapid industrial growth and development in forth coming years.

1.15.3.5 Free Trade Zone

Kandla Free Trade Zone, the largest free trade zone for export oriented trade in the country is located in Gujarat, there are, at present, more than 113 units in production. Gujarat with one-third of the coastline of the country (1600 kilometer) has major all weather port at Kandla. The port facilities are being developed at Pipavav, Dahej and Hazira also.

1.16 STATE OWNED ENTERPRISES ESTABLISHED BY GUJARAT STATE:

To achieve economic development and welfare of the people of Gujarat, Govt. of Gujarat had established step-by-step different State-owned enterprises commonly called as Boards, Corporations, and Govt. Companies.

There are totally 84 so called State Owned Enterprises in Gujarat. Some are the Boards, Corporations and others are Joint Stock Companies registered under Companies Act 1956 by the Government of Gujarat. The share of these companies can be obtained by other than government entities and are listed on Stock Exchanges either at Bombay Stock Exchange or National State Exchange of India.

At present, Govt. of Gujarat owns following Boards, Corporations and Companies i.e. State Owned Enterprises:

01. GEB – Gujarat Electricity Board
02. GSEGL - Gujarat State Energy Generation Limited
03. GEDA – Gujarat Energy Development Agency

04. GIPCL – Gujarat Industries Power Company Limited
05. GSPL - Gujarat State Petronet Limited
06. GSPCL - Gujarat State Petroleum Corporation Limited
07. GSPCL - Gujarat State Power Corporation Limited
08. GIPL – Gujarat Info Petro Limited
09. GSFMCL – Gujarat State Fuel Management Company Limited
10. GSFC - Gujarat State Fertilizer & Chemical Limited
11. GACL - Gujarat Alkalies and Chemicals Limited
12. GNFC - Gujarat Narmada Valley Fertilizer Company Ltd.
13. NCPL - Narmada Chematur Petrochemicals Limited
14. GMDC - Gujarat Minerals Development Corporation
15. GIIC - Gujarat Industrial Investment Corporation
16. GSFC - Gujarat State Financial Company Limited
17. GSFSL - Gujarat State Financial Services Limited
18. GSICL – Gujarat State Investment Corporation Limited
19. GMFB – Gujarat State Municipal Finance Board
20. GPEB – Gujarat Panchayat Finance Board
21. GSSTB – Gujarat State School Textbook Board
22. GSSEB – Gujarat State Secondary Education Board
23. GSHSEB – Gujarat State Higher Secondary Education Board
24. GTEB – Gujarat Technical Examination Board
25. UGNB – University Granth Nirman Board
26. GSWSB – Gujarat Water Supply and Sewerage Planning Board
27. GSCSCL – Gujarat State Civil Supply Corporation Limited
28. GWRDCL – Gujarat Water Resources Development Corporation Limited
29. GHB – Gujarat Housing Board
30. GSPHCL – Gujarat State Police Housing Corporation Limited
31. GSWEDC – Gujarat State Women Economic Development Corporation
32. GSCEDC – Gujarat Scheduled Caste Economic Development Corporation
33. GMEDC – Gujarat State Minority Economic Development Corporation
34. GWB – Gujarat Wakaf Board
35. GSBEDC – Gujarat State Backward Class Economic Development Corporation
36. GSTEDC – Gujarat State Tribal Economic Development Corporation
37. GSKVN – Gujarat Safai Kamdar Vikas Nigam
38. GTKVN – Gujarat Thakor – Koli Vikas Nigam
39. GHDC – Gujarat Halpati Development Corporation
40. GGVB – Gujarat Gopalak Vikas Board
41. GSCB - Gujarat Slum Clearance Board
42. GLWB – Gujarat Labour Welfare Board
43. GMB – Gujarat Maritime Board
44. GSFIDC – Gujarat State Fisheries Industry Development Corporation
45. GSHDB – Gujarat State Handloom Development Board
46. GSKGB – Gujarat State Khadi Gramodhyog Board
47. GSWDCL – Gujarat Sheep and Wool Development Corporation Limited
48. GSHDB – Gujarat State Handicraft Development Board
49. GDDC – Gujarat Dairy Development Corporation
50. GSLDCL – Gujarat State Land Development Corporation Limited
51. GSRDCL – Gujarat State Road Development Corporation Limited
52. GGCDC – Gujarat Growth Center Development Corporation
53. GSFDCL – Gujarat State Forest Development Corporation Limited

54. GIDC – Gujarat Industrial Development Corporation Limited
55. GSRDCL – Gujarat State Rural Development Corporation Limited
56. GDDB – Gujarat Diamond Development Board
57. GISDC – Gujarat State Infrastructure Development Corporation
58. GPCB – Gujarat Pollution Control Board
59. GSEC – Gujarat State Export Corporation
60. GSWC – Gujarat State Warehousing Corporation
61. GWIL – Gujarat Water Infrastructure Limited
62. GRIMCL – Gujarat Rural Industries Marketing Corporation Limited
63. GSLIDCL – Gujarat State Leather Industry Development Corporation Limited
64. GSMTCL – Gujarat State Machine Tools Corporation Limited
65. GSTC – Gujarat State Textile Corporation
66. GSCC – Gujarat State Construction Corporation Limited
67. GTCL – Gujarat Tractor Corporation Limited
68. GCPTCL – Gujarat Chemical Port Terminal Corporation Limited
69. GSRTC – Gujarat State Road Transport Corporation
70. GSTC – Gujarat State Tourism Corporation
71. GPSC – Gujarat Public Service Commission
72. GSSC – Gujarat Staff Selection Commission
73. GAAL – Gujarat Alcoc Ashdown Limited
74. GIL – Gujarat Informatics Limited
75. SSNNL – Sardar Sarovar Narmada Nigam Limited
76. GFL – Gujarat Fintex Limited
77. GSL – Gujarat Siltex Limited
78. GTFL – Gujarat Tax Fab Limited
79. GITCOL – Gujarat Industrial & Technical Consultancy Organization Limited
80. GSSIC – Gujarat Small Scale Industries Corporation
81. GSSCL – Gujarat State Seeds Corporation Limited
82. GUDCL – Gujarat Urban Development Company Limited
83. GAICL – Gujarat Agro Industries Corporation Limited
84. GGRCL – Gujarat Green Revolution Company Limited

These Joint Stock Companies are registered under Companies Act, they are at par with private sector joint stock companies. These Govt. Joint Stock Companies are operating on commercial basis. Therefore for survival purpose they have to make profit. Their financial performance can be compared with the private sector joint stock companies.

1.17 RESEARCH DESIGN:

1.17.1 Scope of the Study

This study aims to deal with the complex situation in which the State owned Enterprises have been dragged into. To sustain in the competitive market state owned enterprises will have to be viable. To grow and develop the economy of the country, state owned enterprises will have to make profit even when they do not aim to maximize the profit. Make profit and survive in the market, state owned enterprises cannot increase the rate of return on their investment for more

than the rate of interest on government borrowings, but they have to earn the profit atleast equal to the rate of interest on the borrowings of the government.

Across the globe lots of discussions are going on regarding the role of state owned enterprises. In the beginning it was thought that private sector aiming at maximization of profit will not make huge investment in infrastructure. Therefore, government had to promote the state owned enterprises for growth and development of economy. The role was assigned to state owned enterprises. There was a phase where the government was taking over the sick units so that the employees are not jobless, ultimately the scene has changed and state owned enterprises have become burden to the government.

Disinvestment or privatization of state owned enterprises has become a buzzword. To analyse this contrary situation of state owned enterprises ten years data from the year 1994-95 to 2003-04 has been taken for ascertaining the financial position of state owned enterprises. The time period chosen, when there is division in the opinion about privatization or disinvestments of state owned enterprises. In the present UPA Government, the ruling coalition is divided on the issue. Left Front is of the opinion the profit making state owned enterprises should not be privatize, whereas other parties are of the opinion that the role of state owned enterprises in development of economy is over.

1.17.2 Objectives of the Study

- ❖ To study the genesis growth and development of state owned enterprises in Gujarat;
- ❖ To examine overall performance of state owned enterprises in Gujarat;
- ❖ To analyse the financial performance in particular of state owned enterprises and to identify the major determinants of profit of state owned enterprises;
- ❖ To evaluate the impact of financial sector reform on financial performance of state owned enterprises;
- ❖ To compare inter-state owned enterprises financial performance among selected state owned enterprises;
- ❖ To analyse the efficiency of employces' of state owned enterprises on financial performance;
- ❖ To analyse the cash flows of state owned enterprises in Gujarat;

- ❖ To ascertain the effect of increasing government investment on profit earning capacity of state owned enterprises;
- ❖ To recommend various strategies to improve the performance of state owned enterprises.

1.17.3 Selection of the Sample of State Owned Enterprises

Following five companies are randomly selected to analyse their financial performance in the present study:

1.17.3.1 Gujarat Narmada Valley Fertilizer & Chemicals Limited

Gujarat Narmada Valley Fertilizer & Chemicals Limited was incorporated on 10th May 1976

1.17.3.2 Gujarat State Fertilizer and Chemicals Limited

Gujarat State Fertilizer Corporation Limited was incorporated on 15th February 1962 under Companies Act 1956.

1.17.3.3 Gujarat State Financial Corporation

Gujarat State Financial Corporation was established under the Legislative Act 1951.

1.17.3.4 Gujarat Alkalies and Chemicals Limited

Gujarat Alkalies and Chemicals Limited was incorporated in March 1976.

1.17.3.5 Gujarat Mineral Development Corporation Limited

Gujarat Mineral Development Corporation Limited was incorporated in 1963.

1.17.4 Government Share in Selected State Owned Enterprises

Table 1.4 Govt. share in selected State owned enterprises.

Selected SOEs	2005		
Gujarat Narmada Valley Fertilizer & Chemicals Limited	48	23 (GIIC)	25 (GSFC)
Gujarat State Fertilizer & Chemicals Limited	41	-	-
Gujarat State Financial Corporation	41	37.8 (Guj. Small scale Industries)	3.20 (others)
Gujarat Alkalies and Chemicals Limited	39	-	-
Gujarat Mineral Development Corporation Limited	74	-	-

(Source: CAG Reports)

In Gujarat Narmada Valley Fertilizer & Chemicals Limited 23 percent of the share is held by GIIC and 25 percent by Gujarat State Financial Corporation. In Gujarat State Fertilizer Corporation Limited nearly 65 percent share was held by Government of Gujarat in 1997 which reduced to 41 percent in the year 2005. Government of Gujarat continued to appoint Chairman of GSFC till today. The Gujarat State Financial Corporation was established under the Act of Legislative Assembly. Gujarat Alkalies and Chemicals Limited's 39 percent share is hold by Government of Gujarat and appoints the Chairman of their choice. 74 percent share of GMDC is hold by Government of Gujarat.

1.17.5 Sources of Data

The primary data is collected from various sources like visit to the state owned enterprises, their department of finance, personal visits and interviews with management personnel of the state owned enterprises.

The secondary data is collected from the annual reports of state owned enterprises, the report of Comptroller and Auditor General of India, RBI Reports, Economic Survey of India and Centre for Monetary Indian Economy (CMIE), various websites of Government of Gujarat, Government of India and State owned enterprises of other countries.

1.17.6 Methodology

It was decided to construct the financial statements from the annual reports of state owned enterprises like profit and loss account and the balance sheet. The balances are adjusted as per requirement like the opening balance and the closing balance of the year has been averaged to interpret the balance at any point of time during the year. The financial tools like cash flow analysis, ratio analysis are used in interpreting the data.

The statistical tools like mean, standard deviation, correlation and regression analysis has been used to analyse the data, the map, graphs, pie charts are also used for some supportive and meaningful interpretation. The trend analysis based on moving averages has been used to interpret the growth, development, and fall in performance of state owned enterprises

1.17.7 Hypothesis

Hypothesis 1

The gross profit linearly does not depends on the turnover in case of GNFC that is $\beta_1 = 0$, the co-efficient of independent variable.

Hypothesis 2

The gross profit linearly does not depends on the turnover in case of GSFC (Fertilizer) that is $\beta_2 = 0$, the co-efficient of independent variable.

Hypothesis 3

The gross profit linearly does not depends on the turnover in case of GSFC (Finance) that is $\beta_3 = 0$, the co-efficient of independent variable.

Hypothesis 4

The gross profit linearly does not depends on the turnover in case of GACL that is $\beta_4 = 0$, the co-efficient of independent variable.

Hypothesis 5

The gross profit linearly does not depends on the turnover in case of GMDC that is $\beta_5 = 0$, the co-efficient of independent variable.

Hypothesis 6

The net profit linearly does not depends on the turnover in case of GNFC that is $\beta_6 = 0$, the co-efficient of independent variable.

Hypothesis 7

The net profit linearly does not depends on the turnover in case of GSFC (Fertilizer) that is $\beta_7 = 0$, the co-efficient of independent variable.

Hypothesis 8

The net profit linearly does not depends on the turnover in case of GSFC (Finance) that is $\beta_8 = 0$, the co-efficient of independent variable.

Hypothesis 9

The net profit linearly does not depends on the turnover in case of GACL that is $\beta_9 = 0$, the co-efficient of independent variable

Hypothesis 10

The net profit linearly does not depends on the turnover in case of GMDC that is $\beta_{10} = 0$, the co-efficient of independent variable

1.17.8 Organization of Study

The study has been divided in six chapters

Chapter – I: Introduction

Defines the problem and spell out the objective of the study. Here it has been described the selection of sample, sources of data and methodology.

Chapter – II: Literature Review

Discuss the past studies in the field of performance of state owned enterprises.

Chapter – III: Profile of state owned enterprises

This chapter deals with the growth and development of state owned enterprises other than selected ones.

Chapter – IV: Profile of selected state owned enterprises

This chapter discusses the growth and development of selected state owned enterprises other than financial aspect.

Chapter – V: Financial management of state owned enterprises and analysis

This chapter deals with the analysis of Financial Performance of Selected state owned enterprises. Certain financial tools and statistical tools are used in interpretation of the financial results of state owned enterprises.

Chapter – VI: Conclusion

This chapter covers the summary of earlier chapters in the form of conclusion and offers the suggestion in improving the financial performance of state owned enterprises and recommends the areas for further research