

## P R E F A C E

I was first introduced to the subject of public enterprises in 1961 when Prof. V.V.Ramnadham organised All India Seminar at Osmania University Hyderabad. ( I was a student of M.A. during 1961-1963). After that I forgot the subject and got registered at Osmania University in 1964. The topic of research was 'The Role of Finance in Agricultural Development.' I was compelled to read some literature on co-operation that I did not study at M.A. I left research because I was lured by a job of lecturer.

After long time, I renewed my interest in research Prof. G.Ram.Reddy (now Vice-Chancellor, Osmania University Hyderabad) sanctioned me study grant in 1976 which enable me to stay at Osmania University. During this period I read some books on public sector enterprises.

I was a registered scholar at Kakatiya University Warangal ( my native place ) the newly established University in September 1976. The subject was 'The Pricing Policy in Public Sector,' Under the guidance of Prof. K.T.Ramakrishna my teacher. The second attempt remained a failure.

I got into correspondence with Prof. V.N.Kothari in the middle of 1975. His never failing letters inspired me and encouraged my research effort at this wrong age of my

life as it is said that learning curve recedes after 35 years of age. I came to Baroda in July 1977, selected under the Faculty Improvement Programme, left my two children under the care of my wife as it is known that husbands tend to abdicate the responsibilities of the household.

After six months, I was registered, after two abortive attempts, at this University under the guidance of Prof. M.M. Dadi in January 1978. He suggested that I should study 'returns' instead of 'pricing', I was also discouraged by non-availability of data on pricing as the Bureau on Industrial Cost and Prices at Delhi refused to give any information. I was transferred under the guidance of Prof. V.N.Kothari, as Prof. M.M.Dadi left for Uganda in July 1978. Some doubts were expressed at the worth of my subject for Ph.D.Degree. Finally the subject was settled after consultations with Prof. Mehta, University of Surat, and Prof. Sandesara, University of Bombay.

The public sector in India is required to function in the system of a mixed economy which places a constraint on it. The public enterprises in India are not freed from the need to serve the political and social ends. On the other hand the public enterprises are saddled with the employment and pricing policies out of line with market mechanism, and hence their efficiency tends to suffer.

Prof. Alec Nove's book 'Efficiency Criteria for Nationalised Industries' has cleared some of my doubts about public sector enterprise. He says that 'duty' should be added to the responsibilities of public sector. His letter also encouraged me to pursue my research on public sector.

The wide spread criticism about non performance of public sector enterprises in India should not be taken at face level. This study also revealed that not all public sector enterprises under the Central Government selected under the sample are ~~not~~ bad performers as measured by the traditional profitability ratios. Some enterprises under the group of petroleum and chemicals' have done exceedingly well. The picture, emerged out of this study, is a mixed one. Some concerns like Central fisheries ltd., and Central Road Transport Corporation (now wound up) were chronic losers. My thesis is that a concern found in the deep red, continuously for a decade, should be wound up and its assets be transferred and workers be absorbed in corresponding Central companies.

This study is likely to provide some quantitative illumination, a fundamental basis for better understanding of complex problem of efficiency in public enterprise. This research reflects a growing interest in public sector. The author has heavily relied on published data because of the nature of investigation. The data so ~~ex~~ collected is also

subject to errors, as our efforts are likely to stay within the bounds of error, arising from imperfect or inadequate sources, or possible misspecification. If we were prepared to tolerate some statistical bias in any study, then the conclusions arising out of it will strengthen future studies.

The return on capital employed (ROCE), a well established measure of performance, useful criterion rather than intellectual elegance, was used in this study to evaluate the performance of public sector enterprises under the Central Government, selected in the sample. The term 'returns' is used to mean financial ratios, evolved to be applied as meaningful measures of performance, to be translated in balance sheet.

The Iron and Steel Industry is studied in detail as far as possible, which provides a basis for competition between private sector and public sector. In some respect, the private sector steel plant (now only TISCO is in private sector as IISCO was taken over by the government) did not prove better than public sector steel mills.

The study rejected the Hypothesis that there is a relationship between the financial returns and the size of the enterprise, measured in terms of gross block. It implies that 'Big Brother' theory does not hold good in public enterprises. The 'returns' do not depend on the size of the firm.

Inspite of several limitations of the study, and other constraints like, financial resources and availability of data under which the study is brought out, the conclusions are useful in understanding the performance evaluation, a serious subject in which a certain degree of emotion is imported in its discussion.

This work is the product of 1095 man days devoted by the author ( the period of fellowship i.e. 14-7-1977 to 13-7-1980), and the time devoted by the guide and others is difficult to estimate and Rs. 60,000/- approximate direct cost. (Indirect costs and real costs are not attempted to be estimated). The possible benefits, if at all, to the author and others are deemed to be uncertain.

I feel privileged to work under the guidance of Prof. V.N.Kothari, the Head, Department of Economics and Dean, Faculty of Arts. His response to my letter spurred me to action, Kindled a hope in me and I summoned courage to take this course. The words fail to express my feelings of gratitude and I am not able to bear the burden of gratitude and I will continue to draw inspiration in all my future works.

I am highly indebted to Prof. M.M.Dadi, Prof. S.R.Hashim and Dr. (Mrs.) M.N.Shah, Dr. R. Dholakia, who helped me at every stage of this work. I express my thanks to Shri M.M. Pandya, Shri Y.O.Parikh, Shri P.R.Joshi, Dr.(Mrs.)L.A.Reddy, and

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I am greatly indebted Prof. R.J.Mody, Saradar Patel Institute of Economic Research and Prof. R.Radhakrishna, Head, Department of Economics, University of Hyderabad for their helpful suggestions.

I express my thanks to Shri S.S.Khera, I.C.S.(Rtd.) for encouraging me in my effort through his kind letters.

I am highly thankful to Prof. K.T.Ramakrishna, my teacher, at Osmania University, Hyderabad for his continued encouragement in my research work.

I do not wish to seek shelter in the list of eminent persons or shine in their reflected glory.

I am indebted to many other persons who directly or indirectly helped me in completion of this work.

A debt of gratitude is owed to my wife who endured my interests since their inception. I also thank my daughter Leela and son Veeranna for their silent co-operation.

This study is meant to be a modest beginning toward the wider subject of public sector. After two decades my hope has been realised in this work.

The author claims no originality in the pages that follow, and for all the errors that remain he alone deserves sole blame.