

Performance Of Central Public Sector Enterprises in India

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Abstract: Pre-independence period public sector participation was very poor in Indian Economy. Post-independence period large expansion was undertaken particularly after introducing the Industrial Policy Resolution 1956. The Central Public Sector Enterprises playing a vital role in achieving systematic and planned development in India. Public sector is effectively working towards promotion of economic development, promoting adequate infrastructure, balanced regional development and exports. Central public sector enterprises in India are performing towards employment generation, Contribution to Net Domestic Product, foreign exchange earnings, Capital Formation, profitability etc. The present study made an attempt to identify the performance of central public sector enterprises in terms of investment, rate of return, profitability etc. To evaluate the above the secondary data have been collected from various secondary sources like journal, magazines, annual reports, books, and literature review etc. the collected quantitative data has been analyzed with the help of tools like percentages, ratios, growth rates etc., and presented in the tables.

Kew Words: performance, public sector, investment, rate of return, net profit.

Introduction

The current economic structure of Indian economy is known as mixed economy which is more popular. Where there is co-existence of both the public sector and the private sector. All the various types of industries are divided in to these two sectors. From the period of inception majority of the industries of the country were belongs to the private sector. But after independence and especially after the introduction of economic planning followed by the introduction of industrial policy resolutions, 1948 and 1956, the importance of the public sector was realized. Accordingly, some specific category of industries were slowly reserved for the public sector for their enlargement and development. By this way, the volume and activities of the public sector gained its spur with the growing volume of planned expenditure for the development of public sector under different five year plans of the country.

Thus, in a mixed economy in developing country like India, some industries are owned and managed by the state through its public sector and the remaining others are owned and managed by the private sector of the country. In India, for speedy development of economy some industries are reserved for the public sector where private sector is unwilling to invest in either due to less returns or high risk involved.

In India, the area of activities of the public sector were very much restricted to a limited range such as power, roads, irrigation, port, communications, railways and some departmental undertakings at the time of independence. After independence, the activities of public sector was enlarged at a high-speed pace. 1948 and 1956 industrial policy resolutions divided the industries of the country in to different categories.

The action programme for the promotion of public sector was embrace in the Industrial Policy Resolutions of 1948 and 1956. The Industrial Policy Resolutions of 1956 duly observed, the adoption of the socialistic pattern of society as the national objective, as well as the need for planned development required by the public sector in concern with the basic and strategic importance of all industries. The Industrial policy resolutions of 1948 and 1956 have clearly mentioned the role of both public and private sector in developing country like India.

The Industrial policy statement 1977 mentioned about the role of public sector and its expansion. The Industrial policy resolution 1980 has taken steps to avoid the sickness of the public sector. Again Industrial policy Resolution 1980 made

an attempt to integrate industrial development in the private sector by promoting the concept of federalism with setting up of a few nucleus plants at the district level. The new Industrial policy 1991 absolutely liberalized the industrial policy itself and deregulates both public and private sector industries substantially, in line with liberalization move introduced during 1980s. Therefore, these policies have made sincere efforts for the sustainable development of both public and private sector.

Public sector occupied a worthy place for achieving systematic and planned development in developing country like India. Developing countries like India facing multi-dimensional problems, private sector is not in a position to make necessary efforts for the development of its various sectors simultaneously. Public sector offered the required minimum push for bringing the economy in to sustainable stage, in order to provide necessary support to the country's development strategy. Public sector role towards the achievement to promoting economic development, promoting adequate infrastructure facilities, balanced regional development, enhancing sufficient employment opportunities, promoting advanced technology and reducing balance of payments etc.

Public sector in India has been playing an important role in shaping the basic structure of economy. Although the public sector in India is under severe criticism at present due to its overall poor performance but its role in Indian economy cannot be nullified.

Review of Literature

Amiya K. Bagchi, (1987), 'The Role of Public Enterprises in India' he found that, the government should make changes in management styles. He also found that there are major differences in training imparted to workers and managers.

Mathews John (2019), in his study, 'Performance of Public Enterprises in India', he found that, there was holistic development of Indian economy since inception of public sector undertakings, due to their eminent contribution to improve the industrial base. They also identified the policies which have been adopted by Public sector undertakings due to global changes.

Sree Lakshmi. P (2022), in her study, 'The Role of Public Sectors in Developing INDIA' felt that, privatization is not the solution for all. Also she suggested that, there is a need to realignment of policies.

Roshan Baa & Ajay Kumar Chatteraj, in their study, (2022) 'The Significance, Role, and Need for Public Sector Enterprises in Economic Growth' felt that, public sector combined health and educational services account for expanding the Indian economy. They suggested to provide services affordably for improvement of standard of living which is one of the important index of Indian economy.

Satyaki Roy & Santosh Kumar Das, (2023) in their study 'public sector performance in India' in their research, they concluded the remarks to build industrial capacity, in heavy industry, logistics, and transport infrastructure due to the large growth of investment in public sector. Consumption of goods and transferring surplus to industrial investment in rural India achieved in rising the income inequality. It is also observed that, middle class growth by providing a living wage to all employees.

Objectives of the study

The present study based on the following objectives:

1. To study the investment trends in central public sector enterprises.
2. To know the rate of return central public sector enterprises.
3. To identify the net profit position of the central public enterprises.
4. To evaluate the overall performance of central public sector enterprises.

Methodology

The present study conducted based on the secondary data and this study is descriptive and analytical nature. The secondary data have been collected from various literature survey, journal, concern annual reports, books and others secondary sources. Both quantitative and qualitative data has been collected from the secondary sources for the period of about 10 years. For the purpose of analyzing the collected data, the statistical tools used such as percentages, growth rates, CAGRs, etc.

Data analysis

The collected data have been analyzed with the help of statistical tools and presented in the following tables and interpretation also given.

Table No 1: Growth of Investment in Central Government Enterprises
(Rs. in Crore)

Year	No. of Units Operating	Capital Employed (Rs. in Crores)
2012-13	229	15,08,177
2013-14	234	17,10,453
2014-15	235	18,34,050
2015-16	244	19,38,795
2016-17	257	21,38,069
2017-18	258	23,21,637
2018-19	249	25,69,668
2019-20	249	27,31,665
2020-21	256	30,38,492
Total	-----	19,791,006
CAGR	-----	9.15

Source: Economic Survey, GOI, 2021-22, P. A-66

The above table no 1 reveals that the year wise no of working units and its year wise investment from the year 2012-13 to 2020-21. The working units in the year 2012-13 were 229, and rose to 256 in the year 2020-21. 11.79 percent working units increased for 9 years study period. It can also be observed that, the investment made by working units from 2012-13 to 2020-21. Capital employed is showing increasing trend due to no of working units were increased year wise. The highest investment made during the study period is Rs.30,38,492 crore by 256 enterprises in the year 2020-21.

Table No 2: Rate of Return of Central Public Sector Enterprises during the year from 2012-13 to 2020-21

Year	No. of Units Operating	Capital Employed (Rs. in Crores)	Net Profit After Tax (Rs. in Crores)	Rate of Return (%) Net Profit After Tax to Capital Employed
2012-13	229	15,08,177	1,14,982	7.62
2013-14	234	17,10,453	1,28,859	7.5
2014-15	235	18,34,050	1,03,003	5.6
2015-16	244	19,38,795	1,15,488	5.95
2016-17	257	21,38,069	1,25,523	5.87
2017-18	258	23,21,637	1,23,791	5.33
2018-19	249	25,69,668	1,42,848	5.55
2019-20	249	27,31,665	1,42,567	-5.22
2020-21	256	30,38,492	93,084	-3.06
Total	-----	19,791,006	1,090,105	-----
CAGR	-----	9.15	-2.61	-----

Source: economic Survey, 2021-22, GOI.

The above table no 2 explains the rate of return position of no of working enterprises during the study period. From the year 2012-13 to 2014-15 the net profit after tax decreased to Rs.1,03,003 crore from Rs. 1,14,982. It can also be observed that, the Compounded Annual Growth Rate of capital employed for 9 years period recorded as 9.15 percent. Again, for the 9 years period compounded annual growth rate of net profit after tax registered as -2.61. To show the negative CAGR the reason might be the Pandemic period 2020-21. The total net profit for 9 years period is Rs.1,090,105 crore. There are certain variations in rate of return during the study period. The important feature can be observed that, the rate of return recorded positively from the year 2012-13 to 2018-19 and in the years 2019-20 and 2020-21 rate of return recorded negatively.

Table No 3: Net Profit and Losses by Central Public Enterprises during the period from 2012-13 to 2020-21 (Rs.in Crore)

Year	Profit Making Enterprises	Loss Incurring Enterprises	Total Net Profits	Ratio of losses to Profits (%)
2012-13	1,43,559 (149)	28,260 (79)	1,15,299	19.68
2013-14	1,49,164 (163)	20,055 (71)	1,29,109	13.44
2014-15	1,30,363 (157)	27,360 (77)	1,03,003	20.98
2015-16	1,44,523 (165)	28,756 (78)	1,15,767	20.50
2016-17	1,52,978 (175)	27,480 (81)	1,25,498	17.96
2017-18	1,55,931 (183)	32,180 (72)	1,23,751	20.63
2018-19	1,74,587 (178)	31,635 (70)	1,42,952	18.11
2019-20	1,74,286 (179)	31,620 (69)	1,42,666	18.14
2020-21	1,38,112 (171)	44,817 (84)	93,295	32.44
Total	13,63,503	272,163	1,091,340	-----
CAGR	-0.48	5.93	-2.61	-----

Source: Economic Survey, 2021-22, GOI (New Delhi, 2022)

The above table no 3 discloses the net profit and net loss position during the study period from 2012-13 to 2020-21. The figures shown in the brackets are no of working units. It can be observed from the above table that the year wise profit increased in all most except in the years 2014-15 and 2020-21. Out of 9 years study period highest profit registered in the year 2018-19 that is Rs.1.74,587 crore. The lowest profit registered in the year 2014-15 that is Rs.1, 30,363 core. The CAGR of profits for 9 years period registered as -0.48, and the total profit for 9years was Rs.13,63,503 crore. The highest loss registered in the year 2020-21 as Rs.44, 817 crore by 84 no of working units. Simultaneously, the lowest loss recorded in the year 2013-14 as Rs.20, 055 crore. The lowest net profit registered in the year 2020-21 and highest net profit registered in the year 2018-19 as Rs.1,42,952 crore. The total profit for 9 years period was Rs.1,091, 340 crore. And CAGR of net profit for 9 years period is showing -2.61. The ratio pf losses to profit also showing increasing trend though there are certain variation in the 9 years study period.

Table No 4: Performance of Central Public Sector Enterprises

Year	1999-2000	2006-07	2009-10	2010-11	2020-21
Running Enterprises	232	217	217	220	256
Capital Employed	3,02,947	6,61,338	9,08,007	9,49,499	27,31,665
Turnover	3,89,199	9,64,890	12,44,805	14,73,319	24,61,712
Dividend Payment	5,455	26,819	33,223	35,681	72,136
Interest	20,333	27,481	36,060	38,998	100,989
Profit Before Tax	22,037	1,11,527	1,23,957	1,31,627	1,35,746
Profit After Tax (PAT)	14,331	77,175	83,939	86,324	1,93,084
Contribution to Central exchequer	56,157	1,48,789	1,39,918	1,56,124	1,94,607
PAT to turnover (%)	3.7	8.0	6.7	5.9	3.78
PAT to capital employed (%)	4.7	11.7	9.2	9.1	3.40

Source: Economic Survey, 2021-22, GOI (New Delhi, 2022)

The above Table no 4 reveals the information about the performance of central public sector undertakings period wise. In the year 1999-2000 for the 232 working enterprises the total capital employed was Rs.3,02,947 crore, and in the same year profit after taxes amount is Rs.14,331 crore, tis profit to turnover ratio is recorded as 3.7%. From the year 1999-2000 to 2020-21 there is a tremendous increase in capital employed from Rs.3, 02, 947 crore to 27, 31, 665 crore. Even turnover increase to 4 times approximately from the year 1999 -2000 to 2020-21, that is from Rs 3,89,199 crore to Rs.24,61,712 crore. It is also observed from the above table that, dividend payment also increased proportionately from the period 1999-2000 to 2020-21, (From Rs. 5,455 crore to Rs.72, 136 crore.). The very important observation we can see that,

though there was tremendous growth in Capital employed, turnover, dividend payment, and interest from the period 1999-2000 to 2020-21, unfortunately profit after tax to turnover ratio stand by the same, no difference. Even profit after tax to capital employed ratio declined from 4.7 percent to 3.40.

Findings

- ❖ From the table no 1 it is found that, total no of working enterprises increased and capital employed is also increased in a great extent.
- ❖ It is found that, capital employed and net profit after tax showed an increasing trend, but rate of return mentioned negatively in the last two years of study period.
- ❖ It is found that, the net profit involved certain variations during the study period.
- ❖ Capital employed and turnover extended nearly 7 to 8 times.
- ❖ The total profit also increased from the period 2012-13 to 2020-21.

Conclusions

There are many changes taken place in pre-independence period and post-independence period in the performance of central public sector enterprises in India. Due to the time to time Industrial policy resolutions announced by the Government and implemented effectively towards the growth and development of the public sector in India. The outcome of the present study is that, the capital employed and dividend payment extended in a great extent. During the study period profit volume in increased in a remarkable way. And year wise profit rate is not up to the mark. No doubt industrial policy resolutions helped and supported to enhance the level of performance by all means in public sector enterprises. If the Government concentrate required amendments in its policies towards growth and development of public sector, they can perform in a remarkable way and can achieve high competitive advantage in the current global scenario. During the study period the overall performance of central public sector enterprises are admissible.

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