

Public Sector Enterprises Management

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Introduction

- Entire Government Sector..**broadly speaking**
- Government controlled sector
- Public Enterprises (PE)
- Public Sector Enterprises (PSE)
- Public Sector Undertakings (PSU)
- Parastatal
- State owned enterprise (SOE)
- Government Controlled Enterprise (GCE)
- State Enterprise/undertakings (SE/SU)

Public Enterprises (PE)

- Government being the major shareholder
- Objectives:: **Social benefits/Economic (within the Government's policy)**
- Commercial objectives(?)

Characteristics of PE

1. Financial state of the nation
2. Economic interest of the nation
3. Political interest of the political party in power

Purpose is essentially to establish equality between men by enabling goods to be shared by the community in a socially equitable manner , while it does not seek to eliminate private property, private enterprise or private capital.

Source: The Theory of Nationalization by Konstantin Katzarov, edited by Bradley, Anthony Wilfred , Springer, Netherlands.

	Total SOEs			Majority-owned listed enterprises			Majority owned non-listed enterprises			Statutory corporations and quasi-corporations		
	N° of enterprises	N° of employees	Value of enterprises (USD bn) ¹	N° of enterprises	N° of employees	Value of enterprises (USD bn)	N° of enterprises	N° of employees	Value of enterprises (USD bn)	N° of enterprises	N° of employees	Value of enterprises (USD bn)
<i>Totals (excluding China)</i>	2 467	9 238 528	2 407.8	154	2 277 746	1 080.3	1889	5 461 502	1 140.7	424	1 499 280	186.7
Argentina	59	130 776	27.6	1	22 025	11.6	57	108 011	16.0	1	740	0.1
Australia	8	42 607	13.6	-	-	-	4	8 150	7.6	4	34 457	6.0
Austria	10	72 491	4.9	2	26 574	4.8	7	45 908	0.1	1	9	0.0 ³
Brazil	134	597 505	145.0	7	222 315	47.0	127	375 190	98.0	-	-	-
Canada	44	83 462	30.3	-	-	-	-	-	-	44	83 462	30.3
Chile	25	50 361	20.8	1	301	0.2	7	4 073	3.5	17	45 987	17.2
China	51 341	20 248 999	29 201.1
Colombia ²	39	33 033	23.0	3	13 781	23.0	32	19 002	..	4	250	..
Costa Rica	32	43 013	12.6	-	-	-	18	5 689	0.2	14	37 324	12.4
Czech Republic	133	133 826	28.8	1	25 826	9.7	94	35 500	11.6	38	72 500	7.5
Denmark	21	18 728	13.5	1	500	0.2	10	8 620	6.1	10	9 608	7.2
Estonia	66	26 026	4.2	-	-	-	32	14 279	3.7	34	11 747	0.5
Finland	47	72 391	40.3	3	17 558	22.3	42	52 973	10.6	2	1 860	7.4
France	51	826 967	76.9	4	209 809	52.5	28	292 430	24.3	19	324 728	0.1
Germany	71	370 440	72.0	-	-	-	70	370 440	69.5	1	0	2.5

The Size and State-Owned Enterprises

DOI: <https://dx.doi.org>
 State-owned enterprises are a common feature of many national economies internationally, which has led to many years about whether markets might adversely



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Greece	42	42 927	83.4	5	22 467	2.4	37	20 460	81.0
Hungary	370	148 193	9.1	1	1 664	0.1	369	146 529	9.0	-	-	-
Iceland	35	3 636	3.6	-	-	-	25	3 103	2.4	10	533	1.1
India	270	3 284 845	338.5	68	642 512	269.4	198	2 619 366	67.0	4	22 967	2.1
Ireland	25	39 079	10.2	-	-	-	25	39 079	10.2	-	-	-
Israel	28	57 114	..	-	-	-	28	57 114	..	-	-	-
Italy	20	499 765	207.5	11	403 240	153.7	9	96 525	53.8	-	-	-
Japan	8	256 265	82.4	1	218 312	55.8	7	37 953	26.5	-	-	-
Korea	56	147 833	217.8	8	50 158	41.9	48	97 675	175.9	-	-	-
Latvia	71	49 962	8.3	-	-	-	68	49 053	7.8	3	909	0.5
Lithuania	128	40 711	5.7	1	371	0.2	48	26 882	3.1	79	13 458	2.5
Mexico	78	73 686	21.2	-	-	-	41	21 821	11.4	37	51 865	9.9
Netherlands	29	110 400	82.9	1	22 048	21.5	28	88 352	61.4	-	-	-
New Zealand	37	36 214	29.1	4	12 719	10.1	16	19 366	3.6	17	4 129	15.4
Norway	55	230 601	107.9	3	64 269	78.7	14	44 568	16.6	38	121 764	12.5
Poland	126	128 016	15.7	8	101 857	12.4	116	25 407	3.3	2	752	0.0
Slovak Republic	113	60 471	..	-	-	-	95	37 169	..	18	23 302	..
Slovenia	37	47 052	12.5	3	10 227	1.5	34	36 825	..	-	-	-

Global Statistics

- **The five largest national contributors** to the SOE **financial sector** (excluding China) are the UK, India, the Netherlands, Brazil, Greece, accounting for over 60% of all financial sectors SOE by value.
- **Telecom, electricity and gas, transportation and other utilities including postal services** account for about half of all SOEs by value and 70% of all SOEs by Employment.
- The **five largest national contributors** to the state owned electricity and gas sector are India, Italy, Korea, Norway and France, accounting for 66% of its value.

Source: The size and the sectoral distribution of SOE: OECD 2015

Dominance in the Market

- Developing countries and developed countries
- **Interesting trend**

Country	Number of SOE	valuation
Japan	8	10.3 billion USD
Poland	126	125 million USD
India	270	338.5 billion USD

India ..History

- 1947...Independence..inherited poverty and unemployment

“The means of production should be socially owned and controlled for the benefit of society as a whole”...J.L. Nehru (1954) in a speech before National Development Council

- Planning Commission ..power to allocate natural resources for the purpose of development.

The First FYP (1951-56)

- Agriculture and industrialization
- Harrod Domar Model
- **Higher the savings leads to higher investment**
- **Productivity of the capital investment**
Ratio = capital/output

The second FYP (56-61)

- Mahalanobis Model
- Allocate the investment in various sectors to optimize the sectoral output for long term economic growth.
- **Steel and Power Sector PSU s were established.**
- Focus on Industrialization
- *“If we are to industrialize, it is of primary importance that we must have the heavy industries that build machines” Nehru in Speech in the Parliament in 1960.*

The Third FYP (61-66)

- Focus was on Agriculture
- Wars with China (62) and Pakistan (65)
- Coupled with a Draught in 65
- Suspended for 3 years

Temples of Modern India

- First FYP--- 5 CPSEs..total investment 29 crores
- 2016-17--- 444 ...16 lakh crores
- 2019----348—16.41 lakh crores (wikipedia)
- **Role of the state has changed From a producer to facilitator /catalyst**

Ratna's

- **In 2019, there are 10 Maharatnas, 14 Navratnas and 74 Miniratnas (DPE website)**

List of Maharatnas

1. National Thermal Power Corporation (NTPC)
2. Oil and Natural Gas Corporation (ONGC)
3. Steel Authority of India Limited (SAIL)
4. Bharat Heavy Electricals Limited (BHEL)
5. Indian Oil Corporation Limited (IOCL)
6. Hindustan Petroleum Corporation Limited (HPCL)
7. Coal India Limited (CIL)
8. Gas Authority of India Limited (GAIL)
9. Bharat Petroleum Corporation Limited (BPCL)
10. Power Grid Corporation of India (POWERGRID)

Navratnas

1. Bharat Electronics Limited (BEL)
2. Container Corporation of India (CONCOR)
3. Engineers India Limited (EIL)
4. Hindustan Aeronautics Limited (HAL)
5. Mahanagar Telephone Nigam Limited (MTNL)
6. National Aluminium Company (NALCO)
7. National Buildings Construction Corporation (NBCC)
8. National Mineral Development Corporation (NMDC)
9. NLC India Limited (NLCIL)
10. Oil India Limited (OIL)
11. Power Finance Corporation (PFC)
12. Rashtriya Ispat Nigam Limited (RINL)
13. Rural Electrification Corporation (REC)
14. Shipping Corporation of India (SCI)

Governance

Ministry of Heavy Industries and Public Enterprises

- Department of Public Enterprises
 - CPSEs
 - SLPEs
 - **Company's Act 2013**
-
- **Public Enterprise Survey (Vol 1 and Vol 2)**

Classification

- (1) Cognate group wise classification
- (2) Schedules A,B,C and D
- (3) Ratna Cateogory

Cognate Category

- Agriculture
- Manufacturing
- Mining
- Services
- Construction
- Financial
- Telecommunication

Refer to the PSE survey for the details

Categories as per the schedule

- A
- B
- C
- D

The categorization of CPSE has implications mainly for organizational structure and salary of Board level incumbents of the concerned CPSE.

(source: <https://pib.gov.in/newsite/PrintRelease.aspx?relid=79714>)

Ratna Categories

	Maharatna	Navratna	Miniratna Category-I	Miniratna Category-II
Eligibility	<p>Three years with an average annual net profit of over ₹2,500 crore, OR</p> <p>Average annual Net worth of ₹10,000 crore for 3 years, OR Average annual Turnover of ₹20,000 crore for 3 years (against Rs 25,000 crore prescribed earlier)^[14]</p>	<p>A score of 60 (out of 100), based on six parameters which include net profit, net worth, total manpower cost, total cost of production, cost of services, PBDIT (Profit Before Depreciation, Interest and Taxes), capital employed, etc., AND</p> <p>A company must first be a Miniratna and have 4 independent directors on its board before it can be made a Navratna.</p>	<p>Have made profits continuously for the last three years or earned a net profit of ₹30 crore or more in one of the three years</p>	<p>Have made profits continuously for the last three years and should have a positive net worth.</p>
Benefits for investment	<p>₹1,000 crore – ₹5,000 crore, or free to decide on investments up to 15% of their net worth in a project</p>	<p>up to ₹1,000 crore or 15% of their net worth on a single project or 30% of their net worth in the whole year (not exceeding ₹1,000 crores).</p>	<p>up to ₹500 crore or equal to their net worth, whichever is lower.</p>	<p>up to ₹300 crore or up to 50% of their net worth, whichever is lower.</p>