



## MANAGEMENT OF PUBLIC SECTOR UNDERTAKINGS IN THE POST LIBERALISATION ERA

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### **Abstract**

After Independence Nehru govt. adopted the mixed economic form of govt. Under mixed economy there is coexistence of Public and Private Sector. Public sector undertakings are those which are managed and operated by the govt. To accelerate the growth of the core sectors, to serve the needs of strategically important sectors, to control Private sector and to protect employment govt. followed the Public sector. 1948 and 1956 Industrial policies immensely supported Public sector undertakings. Public sector undertakings in India have been front runner in the direction of social development. They cultivate communicative skill, HR skills, Personality and decision making habits. Staffing Training and Management performance of PSU's are highly efficient. Liberalisation refers to relaxation of govt. restriction usually in social and economic policies. Privatisation is a form of Liberalisation. It refers to the transfer o assets or service functions from public to private sectors. In this paper I would like to present Liberalisation Policy of 1991, management of public sector undertakings in the hands of Private sector, Joint stock Corporations and MNC's. With this socialistic pattern of society becomes capitalistic economy. This has made unequal distribution of income and wealth, poverty, unemployment, regional disparity.

### **Literature Review**

- Gupta , Chopra and Kakani 2018 – Formal roles, lack of economic incentives and devided political leadership of Public enterprises in India
- Makhija 2006 – PSU's lead the economic and Industrial development of India.
- Silong, Hassan and Hariff (2008)- Leaders in public need abilities in Communication, Team work , problem solving, conflict resolution , project management, public relations, professionalism and leadership training.

**Methodology:** - Secondary Data

**Keywords:**-Public sectors, Liberalisation, management, Economic Development, Industrial Policy, Capitalism, socialism.

### **Objectives of the study**

To understand the importance of Public Sectors.

- To understand the impact of Liberalisation Policy on Public sector undertakings
- To analyse how a Socialistic economy turns into a capitalistic economy.
- To upheld that State role in imparting socio- economic infrastructure in the country.
- To promote rapid economic development through creation and expansion of infrastructure.
- To generate financial resources for development.
- To promote redistribution of income and wealth.

### **Statement of the problem**

**Management of Public sector undertakings in Post Liberalisation era**

### **Introduction**

The Draft of second Five Year Plan (1956) stated that “adoption of socialistic pattern of society as the national objective as well as the need for planned and rapid development requires that all industries of basic and strategic importance or public utilities should be in the public sector. The state has direct responsibility for the future



development. Public undertakings (PSU,s) are those enterprises which are owned and managed by the Central or State govt. After Independence when mixed economy path is chosen for economic development, PSU's attained much significance. The Industrial Policies of 1948 &1956 highlighted the role of PSU's. But after 1980 PSU's started to incur loss and in efficiency. Management and leadership qualities become deteriorating. However PSU's during Post Liberalisation period accelerated the pace of Economic growth and GDP growth rate were almost 6% during that period. Role performed by PSU's in post liberalisation period included Full employment, Savings and Capital formation, Strong Industrial base, Investment in critical areas, export promotion, Import substitution and raising internal resources. PSU's provides job security work environment and motivation for leaders. They give Top priority for staffing, training performance management and HRD development. The leadership qualities of the PSU's involves Positive Hr skills, Leadership, personality, communicative skills and decision making , lack of employee motivation, rigid rules, HR practices, political interference and lack of autonomy were the problems of PSU's in Liberation Period.

Managerial aspect of PSU's in Liberalisation Period:-

Dr. Manmohan Singh the Finance Minister during P V Narasimha Rao(Prime Minister)introduced New Economic Policy on 24<sup>th</sup> July 1991.NEP included Privatisation Liberalisation and Globalisation Govt. Gradually started the Privatisation of Public Sector Industries. At present there are only 3 Public Sector Undertakings. Leadership and Management of PSU are passed on to private sectors. Following are the features of management of PSU's after post Liberalisation.

- ❖ Industrial Licensing was abolished for all industries except 5 industries.
- ❖ The number of industries exclusively reserved for public sector is three.
- ❖ In 2011 defence production was dereserved and opened up to private participation.
- ❖ The disinvestment of a part of the equity shares of selected public sector units.
- ❖ The govt. Identified 9 public sector enterprises as NAVARATHNAS and gave enhanced powers to the Board of Directors of these enterprises.
- ❖ They include BHEL, BPCL, GAIL, HPCL, IOC, MTNL, NTPC, ONGC and SAIL.
- ❖ There are also Maharatnas (IOC, SAIL) Miniratnas (BSNL, AAI, Railways and Tourism Corporations).

During Post Liberalisation period govt. has given autonomy to PSU's in taking Managerial decisions. Every year the govt. fixes a target for disinvestment of PSU's.

Effects and Problems of Management of Public Sector Undertakings:-

When Public Sector Undertakings ownership is transferred to private sector following problems appears.

- Encourages the growth of Monopoly power in the hands of big business houses. It will result in greater disparities in income and wealth.
- It may result in lop-sided development of industries in the country. Private entrepreneurs will not be interested in long gestation periods, infrastructure, investments and risky projects.
- It may not uphold the principles of social justice and welfare.
- Given its commitments to WTO the govt. of India avoid foreign competition nor can it favour particular firms in the private sector.

Under such circumstances some of our Public Sector giants are best bets for becoming globally competitive firms.

#### **Findings of the study**

- ✓ Investment in social sector projects promoted Higher Education, health care and employment
- ✓ Capital investment in selected profitable and revivable PUBLIC SECTOR ENTERPRISES TO improve the overall capital base of the public sector in India.
- ✓ Complete neglect of agriculture and agro based industries.



- ✓ Foreign capital will be attracted and with its entry, updated technology will also enter the country.
- ✓ It improved the allocative efficiency of resources, reduced the capital output ratio and increased labour productivity and increased the inflow of foreign capital.
- ✓ Changed the production and trade pattern in a capital scarce, labour abundant economy in favour of labour intensive goods and techniques.
- ✓ Availability of cheaper and high quality consumer goods will be manufactured.
- ✓ Efficiency of banking and financial sectors improved with modern technology.
- ✓ Improved the quality of decision making of managers because their decisions will be made without any political interference.
- ✓ Public sector units more competitive.
- ✓ Reduced the burden on exchequer which results from the public subsidising of chronically loss making public sectors units.
- ✓ Helped the profit making public sector units to modernise and diversify their business.
- ✓ Political interference and lack of autonomy.
- ✓ Rigid rules and HR practices.
- ✓ Lack of Employee motivation.

### Suggestions

- ❖ Leaders should have good communication skills with employees.
- ❖ PSU Leader must be honest and person of integrity.
- ❖ The leaders must think like business professionals and identify profitable business opportunities.
- ❖ Leaders inculcate the practice of innovative strategy to achieve the goals.
- ❖ There should be organisational hierarchy.
- ❖ Selected procedure on the basis of merit and efficiency.
- ❖ Decision making process at the grass route level and not at the Central govt.
- ❖ Continuous fill up of vacancies.
- ❖ Providing training and orientation.

### Conclusion

The process of Liberalisation has produced positive as well as negative impact on public sector undertakings. Liberalisation should be seen an opportunity in terms of greater access to PSU's has compromised the welfare and identity of people belonging to rural areas. Privatisation of PSU's has widened the economic disparities among the states and people. With the privatisation there is an increase in the income and quality of consumption of only high income groups and the growth has been concentrated only in select areas such as Telecommunication, Information Technology, Finance, and Real Estate and Trade. Lastly I conclude that during the post liberalisation period, management of PSU's fall upon private sectors. Socialistic pattern of society has turned in to Capitalistic Society in India, Mixed economy features disappear from the economic system.

### References

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