

PUBLIC SECTOR ENTERPRISE IN ASSAM: A STUDY IN THE CONTEXT OF INDUSTRIAL SICKNESS

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ABSTRACT

Rapid Industrialization is a major common goal among the third world countries as it helps for upliftment of the economy from the bootstrap of poverty and unemployment. It is an established fact that economic development of the developed countries come through rapid industrialization. With this aim in view government of India adopted various policy resolutions for rapid industrial growth, because it is an established fact that development of major developed came through industrial development. At that time public enterprises were taken as an engine of growth due to lack of private investors. A strong industrial base is very essential in Assam, as the state holding prospects for rapid industrialization. In Assam industrialization was accelerated with establishment of a number of resource-based industries mostly in the public sector located in some of the backward areas of the state. In 1991, new economic policy gave a new approach towards public sector. Many industries could not cope up with this changing environment. Sickness became a familiar phenomenon in the public sectors enterprises. Economy of Assam also badly affected due to sickness in public enterprises. This paper makes an attempt to address such issue.

Keywords: Development, Industrial Sickness, Enterprises, Investors

INTRODUCTION

It is generally believe that industries play a pivotal role in economic development of a country; they can solve the problem like general poverty, unemployment, low productivity, backwardness, low standard of living etc. In 1947 when India became independent, there was an urgent need for a systematic and planned way of development. India at that time was an agrarian economy with a weak industrial base, low level of saving, lack of infrastructure and growing unemployment. There also existed considerable inequality in income, glaring regional imbalance in economic development. So in such a situation state intervention in all sector of the economy was inevitable. Equality does not only demand equal distribution of fruit of development among the different section of the society but also among the different regions. Therefore the issue of

regional development was become prominent in the early stage of development. The issue of regional development was less important in a mature economy because the spread effects were strong (Nath, 1971).

In the post independence period when the country had the pressure of removal of poverty, employment generation, and removal of regional imbalance, accelerated growth of agriculture and industry and better utilization of resources, public sector emerge as an instrument for self reliant economic growth. India is a mixed economy and government of India confronted with the primary duty realising the economic development with social justice. Public sector enterprise was the most important institution which will enable the government to achieve this goal (Vaidyanathan & Sundar, 2011). Public sector has become so much instrumental in the growth of economic development that Prof. A.H. Hanson went on saying in this regard-“Public Enterprise without a plan can achieve something, a plan without public enterprise is likely to remain on paper”.

With this aim in view, on April 6, 1948 the government of India adopted industrial policy resolution for accelerating the industrial development of the country. Government of India also adopted different plans for its rapid economic growth and development. During the first plan period in 1951-56, agriculture was given priority. However more emphasis was given to industrial development in the second plan period. In response to that many industrial units had come up all over the country.

In Assam industrialization took place at the colonial period. It was counted among the economically prosperous states of the country in the early 1950's. The major industries in state have been tea, petroleum and coal and plywood. Thus the dominance of tea, petroleum and coal continues even today, although some medium and small scale industries have been set up during post-independence period. But if we see the growth rate of industries it is very slow. In an agrarian economy like Assam industries play a vital role. This can act as a potent weapon to transform the surplus labour force from agriculture sector to industrial sector. So these industries serve as a way to solve the problem of disguised unemployment and also help to increase income (Goswami, 2015). In Assam pace of industrialization was slow, on the other hand some resource based public sector industries ware became sick. So an attempt has been made to understand the growth of public sector enterprise and its sickness in Assam.

OBJECTIVE AND METHODOLOGY

The sole objective of the study is to analyze the industrial sickness in public sector enterprise in Assam

This paper based on secondary sources. Besides, relevant literature on the subject the secondary sources will also include studies, reports and data from surveys like Public Enterprise Survey, Economic Survey, and Statistical Handbook etc. Data are presented in tabular and graphical format.

DISCUSSION AND ANALYSIS

Public enterprise is a business organization wholly or partly owned by the state and controlled through a public authority. Historically public sectors were assigning an important role and they were able to achieve notable growth. Public Enterprises in India were established by the Central Government as also by the State Government. In India PEs are not size specific. These are large, medium as well as small sized PEs. While the Central PEs are generally large sized ones, the State PEs in general are smaller size. Public enterprises were basically seen as an instrument to curb private monopolies, particularly if the country was to seen up industrial investment in pursuance of the planning objectives. Private sector would not found it attractive to undertake investments when the projects were more capital intensive, with long gestation period and offered not very attractive rates of return. The plan framework therefore played a crucial role in determining the size and role of PSE's.

Growth of Public Sector Enterprise:

At the time of independence government had the pressure of removal of poverty, employment generation, and removal of regional imbalance, accelerated growth of agriculture and industry and better utilization of resources, so in the presence of range of problem public sector use as an instrument of self reliant economic growth.

In 1948 the government of India adopted industrial policy resolution for accelerating the industrial development of the country and to give a careful thought to economic problems facing the country. It has introduced the industrial license system in independent India. The Industrial Policy Resolution (1956) classified industries into three categories with the main objective of demarcating the area of product reservation for the public and private sector. This policy resolution not only charted out reservation of industries in the public sector but also administrated industrial licensing policy for new industrial units in the private sector to ensure location of basic industries in less developed areas as a means of achieving regional development (Behera, 2013). India came up with some of the basis and strategic industries like Coal, Steel, Minerals, Petroleum, Heavy Engineering, Chemicals, Fertilizers, Pharmaceuticals, etc. and has emerged as the major industrial base of the world. The trade policy followed was inward oriented focusing on industrial development through import substitution which was encouraged through a tight control over the imports and maintenance of high tariffs. So it can be said that after

independence government have its full control over the establishment of industries and trade practices. First and foremost reason for this to start the process of economic development and break the vicious circle of stagnation. It would only be feasible when state directly takes part in economic development. State would come forward with the weapon of public sector only (Brahmachary, 1995).

The base for industrial development in Assam started in the colonial period with the establishment of tea plantation and oil industry in upper Assam. Unfortunately, despite having such a historical background, the state could hardly achieve the desired industrial development during the subsequent period. As a result, Assam continued to lag behind many other states of the country in the sphere of development of this sector even after completion of so many decades of planning. The economy of Assam has had to pass through a lot of constraints due to financial position, insurgency problem and natural calamities. Consequently, the growth of the state's economy has not been as encouraging as expected during the plan period.

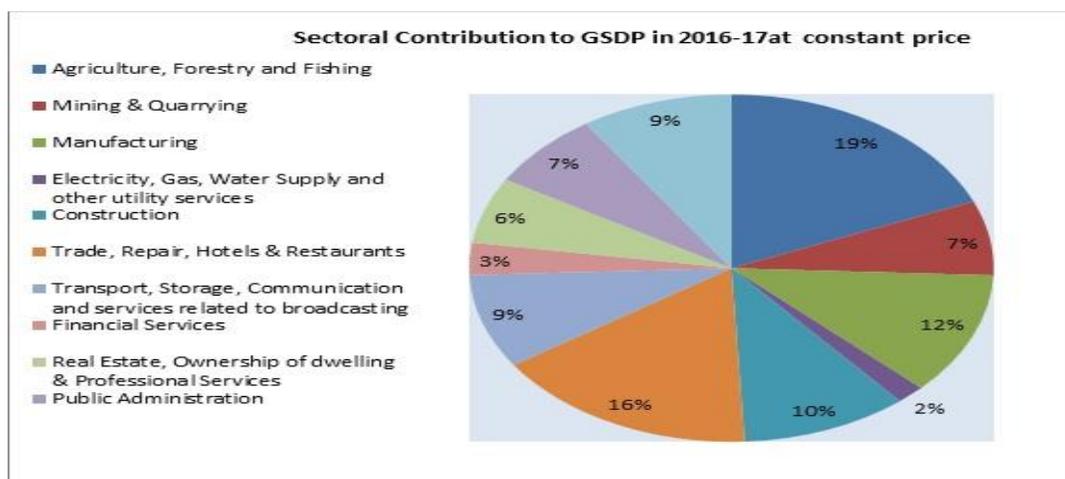
During the first decade of planning the industrial sector practically remained stagnant. It was during the Third Plan that the industrial development programmes were accelerated to provide much needed boost to the growth inducing factors. The State Government also directed its vigorous efforts with its limited resources towards creation and development of adequate infrastructure like expansion of the facilities of power, transport, providing technical training etc. Thus a favorable climate for investment in industries had been created with all these development. In the third plan a number of resource based industries were established. Two major projects viz: Noonmati Refinery and Namrup Fertiliser Plant both in the central sector and the third, the Gas Distribution Project - Assam Gas Company in the State Government sector were established. During the Fourth Plan, the pace of industrialization in the State was accelerated with the establishment of a number of resource-based industries mostly in the public sector located in some of the relatively backward areas of the state. During the Fourth Plan, some new industries were set up which included Assam Co-operative Jute Mill at Silghat, Assam Alkali Allied and Chemicals Ltd., at Jogighopa, Ashok Paper Mill at Jogighopa. The Assam Gas Company has laid down another pipeline connecting Moran Gas grid with Namrup to meet the requirement of natural gas of the Namrup Fertiliser Plant for the expansion. The setting up of Assam Co-operative Jute Mill at Silghat in Nowgaon district at a cost of Rs. 1.65 crores with 150 looms, sufficient to produce 7,000 tonnes of Jute Products was an important step towards industrialization of Assam. Then the Ashok Paper Mill was up at Jogighopa with production capacity of 120 tones of pulp and 90 tones of paper per day at the cost of Rs. 15 crores. Nagaon paper mill was established in 1970. But due to mismanagement this mills incurred a huge loss and now the mills are closed. Some of the important industries which were commissioned during 1976-77 and 1977-78 i.e. during the Fifth Plan are the Bokajan Cement Factory belonging to the

Cement Corporation of India, the Assam Petro-chemicals Complex, Namrup and the Cachar Sugar Mills Limited. Among the factories registered during 1978 are the Bongaigaon Refinery and Petro-chemicals Limited (BRPL). In 2007, then Prime Minister Manmohan Singh had laid the foundation stone for Assam Gas Cracker project at Lepetkata, Dibrugarh.

The AIDC (Assam Industrial Development Corporation Ltd.) is the only State level institution engaged in term lending activities in respect of medium scale industries Till 1992-93, the Corporation used to carry out its term lending activities by availing refinance from the IDBI. But the IDBI has discontinued providing refinance with effect from March 1993. In order to sustain industrial activities in the State in medium scale sector the AIDC continues its financing activities with its own source and Government supports. The AIDC has provided assistance for constructing an Export Promotion Industrial Park (EPIP) at Amingaon in Kamrup district. An Export Promotional Industrial Park was established at Amingaon in a designated area of about 200 bighas. The export-oriented units located in the EPIP would receive all the export incentives under the Government of India's EXIM Policy made for such EOUs.

GSDP at constant (2011-12) prices for the year 2016-17 (Quick Estimates) was estimated at Rs. 195496.93 crore as against Rs. 178929.64 crore for 2015-16(Provisional Estimation) registering a growth of 9.26%. The annual growth rate in respect of GSDP at constant price (2011-12) in industrial sector which comprises Mining & Quarry, Manufacturing, Electricity, Gas, Water Supply & Other Utility Services and construction sector was estimated at 8.33% growth in 2016-17(Quick Estimation) as against 7.31% in the 2014-15 (Provisional Estimation). The following figure shows the sectoral contribution to GSDP in 2016-17 at constant price.

Fig 1.1



Source: Directorate of Economic and statistics, Assam

From the above figure-1 it has been observed that contribution of primary sector to GSDP in 2016-17 was 26%, secondary sector was 24% and tertiary sector was 50%. So from the observation it is clear that secondary sector contribute lowest to the GSDP of Assam.

The industrial sector in the state had been centralized around some particular sectors like tea, petroleum, coal, jute and forests.

Assam is one of the industrially backward states of the country. In spite of being blessed with a high potential for development of resource-based and demand-based industries in the state, the pace of industrialization in Assam had not been satisfactory. In the state two types of public sector in industries are working viz. State Public Sector Industries and Central Public Sector Industries. The State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. The SPSUs are established to carry out the activities of commercial nature keeping in view the welfare of people and also to occupy an important place in the State economy. As on 31 March 2015, in Assam there were 49 SPSUs. Of these, one company was listed on the stock exchange. During the year 2014-15, no new SPSUs were incorporated whereas one non-working Statutory Corporation (*viz.* Assam State Electricity Board), was dissolved and ceased to exist with effect from 31 March 2013. The details of the SPSUs in Assam as on 31 March 2015 are given below.

Table no. 1.1: Total number of state PSUs (2015)

Type of PSU	Working PSU	Non-working PSU	Total
Government Companies	30	16	46
Statutory Companies	3	0	3
Total	33	16	49

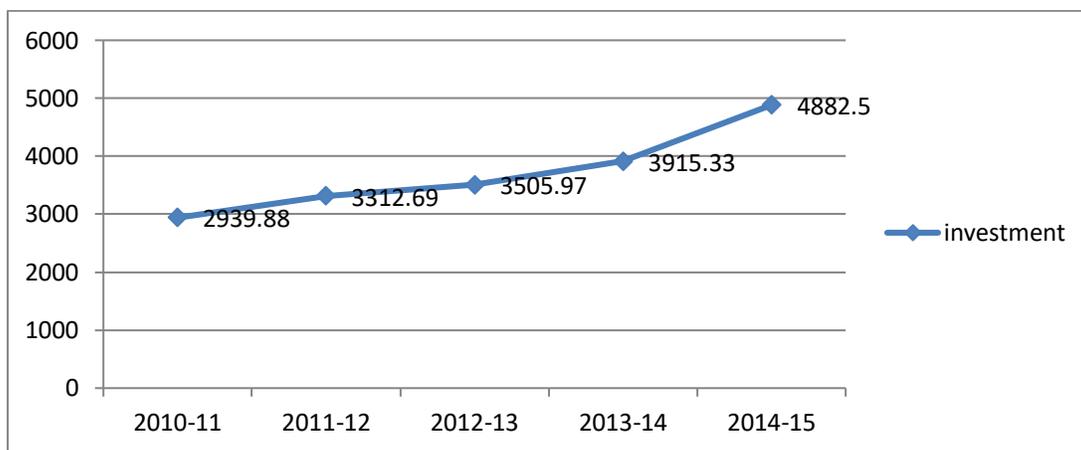
Source: Directorate of Economics and Statistics, Assam

As on 31 March 2015, there were 16 non-working SPSUs, has been existed since last several years and having investment of 153.00 crore. This was a critical area as the investments in non-working SPSUs did not contribute to the economic growth of the State and nor was it released by way of disposal of assets etc. for use for more production purposes. The working SPSUs registered a turnover of Rs. 4,380.58 crore as per their finalized accounts as of September 2015. The working SPSUs had shown a mixed trend during the five years from 2010-11 to 2014-15. In the financial year during 2014-15, the losses had again steeply increased to due to heavy losses incurred by three power sector SPSUs in the State. The major contributors to profit were Assam Gas Company Limited (₹ 59.53 crore), DNP Limited (₹ 6.70 crore) and Assam Industrial Development Corporation Limited (₹ 4.97 crore). The heavy losses were incurred by Assam

Power Distribution Company Limited (₹527.93 crore), Assam Power Generation Corporation Limited (₹ 86.36 crore) and Assam Electricity Grid Corporation Limited (₹ 80.55 crore). The heavy operational losses of these power sector companies were attributable to high cost of power generation/purchase as well as high employee costs. (Report of the controller and auditor general of India on Public Sector Undertakings, 2015)

The graph given below shows the total investment in SPSU form 2011 to 2014.

Fig. 1.2: Total investment in SPSU



Source: Report of the controller and auditor general of India on Public Sector Undertakings, 2015

Out of the total investment of ₹ 4,882.50 crore in SPSUs as on 31 March 2015, 96.87 per cent was in working SPSUs and the remaining 3.13 per cent in non-working SPSUs. This total investment consisted of 42.99 per cent towards capital and 57.01 per cent in long-term loans.

The investment has grown by 66.08 per cent from ₹ 2,939.88 crore in 2010-11 to ₹4,882.50 crore in 2014-15 as shown in the figure 1.2.

The following table shows the number of sick medium, small and micro enterprises in Assam.

Table no. 1.2: Number of sick medium, small and micro enterprise (2015)

	No. of micro and small enterprises	No. of medium enterprises
Assam	506	229
India	90141	4416

Source: Directorate of Economics and Statistics, Assam

The table shows the severe condition of industrial sickness in Assam. Micro and small enterprises are more labour intensive than the large units. Sickness in those units is not a good picture for a state like Assam.

The table given below shows the category-wise number of closed units-

Table no. 1.3: Category-wise number of closed units

	Struck off	Dissolved	Liquidated	Total
Assam	2329	1	1	2331
India	224552	8811	1399	234762

Source: Directorate of Economics and Statistics, Assam

Definition and causes of industrial sickness:

Sickness in industry is a Universal phenomenon. "Sickness" in the industry has been defined by different institutions and experts in different ways. The definition given by the Reserve Bank of India about the sick units is, "as one which incurs cash loss for one year and in the judgment of the bank is likely to continue to incur cash loss for the current year as well, ratios such as current ratio is less than 1:1 and worsening debt equity ratio".

The State Bank of India has defined Industrial sickness in a simple way —

"A sick unit is the one which fails to generate internal accruals on a continuous basis and depends for its survival upon frequent infusion of funds from outside sources".

According to Sick Industrial Companies (Special Provisions) Act, 1985 a unit is declared “sick industrial company” means an industrial company (being a company registered for not less than five years) which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

The coverage of Sick Industrial Companies Act, 1985 (SICA) is limited to only industrial companies, while the 2013 Act covers the revival and rehabilitation of all companies, irrespective of their sector.

The causes of industrial sickness are different in different industries. They depend on the nature, place, size etc. of the industry. Navulla and Sunitha (2016) divided Causes of industrial sickness into two categories. They are internal causes and external causes. The external factors which originate outside the unit and therefore, are not under the control of the unit such as power cuts, demand, recession, erratic availability of inputs, government policies, etc. the internal factors

include which originate within the unit and can therefore be said to be under the control of the unit such as production, management, marketing and finance. Banik (2002) also divided industrial sickness on the same two categories. He gave a further division as follows:

1. Finance Related causes;
2. Production Related causes;
3. Marketing Related causes;
4. Personnel Related causes;
5. Corporate Management Related causes.

According to a study by Jaishu (2010) in Kerala the losses of PSU's are mainly attributable to deficiencies in financial management, planning, implementation of projects, running of operations and monitoring. Lack of efficiency in corporate governance is one of the causes of reducing productivity. There is always a difference between the interest of the organization and the employees' interest. Organization wants to maximize profit on the other hand employees' interest is to maximize their earnings to satisfy their needs.

CONCLUSION

Industrial sector has occupied a pivotal position in the economy. In Assam both public and private sector units are working in various sectors. But the growing picture of industrial sickness has now become a serious problem and it seems to be a big blow on the face of the economic development of the state. From 1980s because of widespread inefficiencies in industrial establishments, sponsored by government policies, resulted in a steady increase in sickness. After economic reform the problem did not solved. For a state like Assam which always suffers from lack of entrepreneurs, government intervention in the industrial sector is essential. In Assam government shows a good environment and prospects for industrial development and encourages the investors to invest in Assam, but on the other hand from the above analysis one can see the picture of PSEs in Assam. Here government needs to take the issue seriously and take some effective measures to solve the problem. If all the suggestion made by different Government of India Act. and research group are considered and implemented in a good sprit, there will be a healthy and sound industrial atmosphere in the near future

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