
PREFACE

PREFACE

The theories on economic development, the adoption of 'Socialistic pattern of society' by Indian Constitution and latter on passing of several industrial policy resolutions have emphasised the need and rationale of Government into business for rapid economic development of our country during the post-independence period and also for the social justice in terms of balanced development, growth of downtrodden and weaker section of the society, production of goods and services required by the general masses etc. As a result top priority was given to public utilities, heavy and key industries in public sector with direct participation of both the Central and State Governments during the different plan periods. In fact, Government wanted the public sector to control the 'Commanding Heights of the Economy'. The whole attempt materialised and India rose to the 9th position in the world's industrial production. But this position could not last long due to various reasons and the public sector

enterprises also started facing many problems and their overall performance kept on deteriorating which invited a number of committees known as Estimate Committee (1963), Pathak Committee (1971), Md. Fazal Committee, Jha Commission (1983-84), Arjun Sen Gupta Committee (1984) to look into the affairs of central government public undertakings. Most of their reports pointed out the internal and external factors responsible for the poor performance of public enterprises. In fact, the financial performance of most of the public enterprises both at the central and state level has so worsened that most of them are totally dependent on budgetary support of the Government and still incurring huge losses year after year and thus compelling the policy makers to reexamine the rationale of PEs in Indian economy.

The performance of State-level-public-enterprises (SLPEs) in West Bengal is not better than the Central Govt. PEs. They have a dismal performance and their cash losses are heavily subsidised by the State Government. The reasons offered by the management for their poor performance are lack of finance and operational autonomy, obsolete technology and age-old machineries, over-investment in fixed assets, under-utilisation of capacity, surplus staff etc. etc., while the others held imprudent financial management as the main cause of losses. The State Government complains that central financial institutions are not coming forward to help the SLPEs in the

State. Whatever may be the reasons, doubts are being expressed as to their efficient functioning for quite some time and very recently they have come under serious scrutiny. Moreover, the problems of SLPEs in West Bengal are so complex and their solution has become so important that a study of their performance has long been overdue to present a clear picture as to their role in the States Economy. The State Government is also giving serious thought in this regard as it is evident from the various measures of left front Government in West Bengal for the development of industries.

Our study goes in depth examining the various aspects of their functioning in order to identify the weak spots in all the potential areas of performance. In fact, it is worthwhile to find out what has gone wrong with these colossal bodies, set up by the State Government at the cost of tax payers and to suggest possible ways and means to improve their workings. Although, the study does not attempt to work out a final solution of their problems, it examines the causes that have led to the present state of affairs and suggests some of the possible measures to put them in proper perspective. Such an analysis, based on objective data may contribute to an understanding of the problems affecting SLPEs in the State and create a suitable opinion for their restructuring and revival.

The study is divided into eight chapters, dealing with various areas of functioning of SLPEs in West Bengal.

Chapter one focuses the rationale of government into business, the past and present position and future prospect of industrialisation and that of public sector in West Bengal, theoretical aspects of the topic, the significance of the study and the methodology and limitations. This chapter also reviews the existing literatures on the subject.

Chapter two broadly classifies the various problems of SLPEs in West Bengal such as functional, financial, technical and managerial problems and also the prenatal and post-natal problems. It further reviews the specific problems and deficiencies of each of the sample SLPE.

Chapter three makes an study of the organisational structures of SLPEs in West Bengal, including the functioning of various coordinating agencies of SLPEs at the helm of the State Government. It also analyses the composition of board of management of each of the sample SLPEs.

Chapter four evaluates capital structure and long term financing pattern of each of the sample SLPE. It covers an analysis of debt-equity ratio of 28 SLPEs, the sources of each of the debt and equity capital have further been segregated and analysed. It also analyses the composition of assets, viz. gross block, capital work-in-process, current assets and also the fictitious assets and their financing pattern.

Chapter five discusses in length the problems of working capital management. It makes an enquiry into the affairs of various components of working capital, viz. management of inventory, receivables, cash and working finance. This analysis helps in determining which of the components of working capital blocks the working fund disproportionately.

Chapter six deals with a vital aspect of financial performance of SLPEs. It analyses the composition of overhead expenditures separately and traces out the abnormalities therein. It also makes an enquiry into the area of capacity utilisation, productivity of workers in terms of value of production etc. Lastly, it seeks the application of a prescribed norm for judging the degree of sickness in each of the sample SLPE in view of their falling financial strength and negative profitability in most of the SLPEs.

Chapter seven evaluates the macro and micro level social performances of SLPEs in West Bengal.

Chapter eight summerizes the whole discussion, analysis and the results of the each of the chapters and suggests some specific steps for the overall restructuring and thereby revival of the SLPEs in the State.

Jitendra Narayan Gupta.

(Jitendra Narayan Gupta)