

CHAPTER - VIII.

SUMMARY

AND

CONCLUSION.

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As the problem of excess capacity bears hard upon industrial carrier of West Bengal and as prospect suffers from it at poor industrial relation which does heavy production losses due, interalia, to strikes and lockouts, some thinking on radical line should be done to take the bull by the horns. Our study for Registered Manufacturing sector of West Bengal shows that while capital co-efficients rise at remarkably high rates, output grows at a slow rate. Here capital deepening seemed to be the major influence behind increases of labour productivity. But increasing capital co-efficients have failed to produce labour productivity across the industries. Continuous capital deepening without adequate increases in productivity means low rate of growth and cost push inflation. This has been found tested in state owned manufacturing enterprises of West Bengal where they have grown in size, investment, coverage

and expectancy. But their performance and profitability has not yet been shown up very much. Working capital of many enterprises has been locked up largely in heavy inventories and trade credits, creating a tremendous liquidity problem. Many public enterprises are incurring heavy losses and overburdening with loans. What would be socialist substitute for their bankruptcy? If they were carried through deficit operation, who will bear the burden? The crisis is serious; the authorities and leaders are aware of direct load bearing on the public funds. They had believed that joint venture would endorse savair-faire of private sector in feeble management of public sector. But it being a kind of enfeoffment of public sector unit has failed desire capacity utilisation. However, productivity under private sector units in the state had drawn some down as increasing capital intensity was not accompanied by increasing capital deepening. Entrepreneurs in this sector might have avoided capital deepening at the risk of labour trouble in their units. Still, compare to public sector units, private sector units are working better to-day. For this we favour the following
Diagnosis:

Privatisation of State Owned Enterprises and Public Sector Units for Commercial Viability and Social Responsibility:

If an enterprise, be it public or private, ensures greater value of output than the value of input employed, provides quality to consumers, pays reasonable wages and salaries to workers and employees, contributes public exchequer through taxes and makes available fair return on the investment; we recognise its commercial viability & social responsibility. So, social responsibility is quite compatible with commercial viability. The public sector units and state owned manufacturing enterprises in West Bengal have fulfilled neither commercial viability nor social responsibility. They run on high input output ratio and fail to generate adequate return on the investment of public money. By this, they have become a burden rather than being an asset to the Govt. and failed requirements of the economy mainly of employment generation in the state. For these units we support transfer of controlling interest to specific firms and persons. We also support preferential offer of share to workers and employees in the units they worked. (1) It will increase operational efficiency, reduce cost, improve quality and productivity.

For improving productivity and efficiency privatisation is now a global phenomenon. Even a Communist country like China is now indicating its urges emancipation from the bondage of controlled economy. The developed countries had already passed down their private path experience over new

enterprises in their countries. Recently, it has been put forward as when we see the process of privatisation in Britain began (1980) with 'British Aero-space Bill'. In France the 39 banks and 4 major industries, had nationalised in 1981, are expected to be privatised gradually. The Italian Govt. has given the I.R.I's Chairman a freehand regarding privatisation of I.R.I. The then West German had privatised 958 companies. Other advanced countries namely Spain, Sweden, Japan and Canada have got down to privatisation. The underdeveloped and developing countries are also not lagging behind. In Ghana, after Nkrumah, the new Govt. offered thirty state enterprises for sale. In 1982 Bangladesh had sold off 100 companies to private sector. And recently Pakistan have denationalised 200 rural industrial units. The other countries were Malaysia, Singapore, Brazil, South Korea, Mexico, Peru, Argentina, Chile, Venezuela and Senegal etc. (2) In India question of privatisation assumes greater significance and relevance as Central Government (1991) announced its intentions to divert 20 percent of state investment in a few public sector units and pass on the same to the private sector. (3) There is now a definite political trend towards privatisation as it not only grants creation of competitive environment to improve efficiency but also endorses utilisation of private funds to relieve the country from budgetary problem.

**Greater Reliance on 'Private Sector' for
Resource Mobilisation and Investment :**

We have seen that the private sector manufacturing units in West Bengal were left to their own resources. But Govt. backed up public sector units notwithstanding their inefficiency and excess capacity. For worthy motive they did turn many private sector units into public, but not a single public sector unit into private. It is due to an ideological bias. In West Bengal the left front leaders' morale stand is to create more and more units under public sector that workers can fall in love with them; that the generation of huge black money can be lessened; that the bias bigger private entrepreneurs can't threaten the smaller ones; and that, as a result the Laissez-faire economy can't have an entry to create chaos and anarchy⁽⁴⁾ This Socio-Political condition in the state has been putting the private sector in fear of death and dried up the trend of growth and development which once had maintained through remarkable employment and output. Nevertheless, the private sector manufacturing industries in the state were more efficient, better administered and better managed than the industries under public sector. It has been broke out through the analysis of excess capacity. For the country as a whole the picture is not different. In support of this contention it has been pointed that when public enterprises in the manufacturing sector recorded a growth rate of 7.18% in their

profit after tax in the year 1985-86, the same in the cases of large public limited companies under private sector as studied by the Reserve Bank of India had been 27.4%. This promising contribution of Private sector manufacturing enterprises in the economy suggests itself to encourage private path manufacturing development in India as well as in West Bengal.

We know that private individuals are free to run their affairs as they see fit. And for this competition usually errs by selfishness and indifference to the well being of others. Still, it would force businessmen to improve their products and keep their prices reasonable. The public interest would therefore be served by competition. For this competition has now become deliberateness and not the selfishness at modern age. Whether the competition is good or evil it indicates the undisputed fact as Marshallian thesaurus tells us:- "Modern business is characterized by more self-reliant habits, more forethought, more deliberate and free choice. There is not any one term adequate for this purpose: FREEDOM OF INDUSTRY AND ENTERPRISE, or more shortly, ECONOMIC FREEDOM, points in the right direction and may be used in the absence of a better."⁽⁵⁾ This thirst has been reflected on our 'New Economic Policy (1991)' or popularly known as liberalisation policy which laiding stress on restoration of competition, moderanisation of industries with high tech bias, smooth

functioning of market economy and integration of domestic economy with the world economy. (6) It can be achieved only through a bigger role of private sector.

Abatement of Activity of Unions.

In West Bengal the activities of most of the private sector manufacturing enterprises are under union leaders surveillance. Many union leaders of ruling party are formidable and rough for their demand and party catchwords. They pick on quarrels, even those might have been a local, with owners and stand out against duty. Sometimes these local quarrels fortify against owners and give off strikes which get in with Government support. And entrepreneurs have been backing down most quarrels by this way. This situation is closed in on the door of many private sector manufacturing units in the state and their wheels have been slowing down from late years of seventies. The industrialists are now reluctant to set up new units in the state. As before starting any manufacturing unit a successful industrialist always keeps his finger on the pulse of the Politico-economic condition of the place, one can't hope for West Bengal the growth and expansion of private sector units which would have been able solve a part of severe unemployment problem in the country.

In fact, so long our institutional frame work is concerned and labour is dissociated from management, one should expect 'War' and 'Peace' in industrial relation. But battle by so called union leaders on all issues against entrepreneurs would work for a false standariaztion of workers' consciousness.

For the interest of sound industrial development we are eager for trade union leaders to come at the risk of omitting haggler trade unionism in West Bengal. They should not forget the lesson of V.V.Giri, a famous trade unionist in the country, about their work culture: 'For the achievement of the goal of progressively speeding up production, it is necessary that workers should completely eschew indiscipline, stoppage of production and indifferent quality of works and for this it is necessary that they should build strong democratic trade unions'.⁽⁷⁾ So, we hope for removing the existing work culture through the formation of autonomous work groups. For this the process of crafting awareness in the mind of workers about future of their unit and acculturation would call forth a good work culture. With this a short of trusteeship approach and collaboration are also necessary from the part of the industrial leaders. We cann't negelect public openion too. Due to stoppage of work the loss of public sector units shifts on to tax payers and the same of private sector shifts on to consumers who are also tax payers in the society. Their openion based on sound economics sometimes should be an arbiter to the trade union leaders and entrepreneurs to split the difference.

**Consideration of Mergers: A Need for Active Participation
in Rising International Market.**

In West Bengal we have seen more exploitation of labour and lower wages in small manufacturing enterprises than big ones. By taking loans and subsidies many new small units in the state have made themselves burdensome which not only put back operational efficiency but also put the cart before the horse. They can't take the full benefits of economies of scale and operate under greater excess capacity due to a lack of research and development. So, they can't survive international competition. For this we have to permit bigger firms in the state. We also deem preferable mergers on industrial leaders' attention. The business houses will find it worthwhile to focus only in a few areas. The rest they will shed off and in their main lines they will consolidate their business by acquiring more capacities. This will make the groups more homogeneous. We give the example of the R.P.G. groups which have decided to concentrate on tyres and tubes, electricity, electronics and chemicals. Mergers have now become the order of the day. (8) D.H. Pai Panadikar, a business economist, says "every month around 15 (fifteen) mergers take place and this will increase". We believe that mergers will improve quality and specialization for particular products which can be supplied in international market.

Amelioration of Management and Technology for Learning Process by doing.

To come through the export deficiencies of the country the issue of improving quality of domestic manufacturing needs amelioration ^{of} decision process for product line design, new markets, new co-operation, new thinking and new survival strategies in changing course of time ahead. Accumulation of these invisible assets is the foundation of sustainable competitive advantage. The dream can't be realised without having new machineries. So, we need collaboration as well as multinational (foreign private investment) firms for organisational learning. They will provide opportunity to build the work method, standard and belief as a blue print of certainty. As our foreign fiscal deficit have reached at such unworkable magnitude and foreign exchange reserve depleted to such a level that these could be improved only by following a new policy.

The Indian company can offer transnational access to the lucre local market by allowing a part of the equity. In return it can acquire well known brand name which can get part in rising world market. However, one may think differently by pointing out the transfer of resources and encroachment in the huge local market through transnational firms which may create problem for the country; but one can't deny the gain from export trade and employment by this access.⁽⁹⁾

'We must recognise that the world is moving rapidly to-wards trading blocks, whose members enjoy preferential access to one another's markets. This large block-defined market becomes a major attraction for foreign investors, diverting investment to them from countries without such access',⁽¹⁰⁾ Without having membership of these block defined markets we can't expect to safe-guard our internal economic interest in cutting down industrial inefficiency, excess capacity, unemployment and regional disparity. As now in the country, the regional disparity is increasing regional politics.

So, this new policy suggests that we should change our attitude to new technology and new market. In fact, we have to do every thing to bring new industrialisation in West Bengal to solve the problem of hunger, poverty and unemployment.

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