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ON

"RESURGENCE OF STATE OWNED ENTERPRISES"

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STRENGTHENING ENVIRONMENT, SOCIAL AND GOVERNANCE POLICIES OF SOEs

I. State owned Enterprises – Characteristics in different Countries.

"A **government-owned corporation**, **state-owned enterprise**, **state enterprise**, **government business enterprise**, or **parastatal** is a legal entity created by a government to undertake commercial activities on behalf of an owner government. Their legal status varies from being a part of government into stock companies with a state as a regular stockholder. There is no standard definition of a government-owned corporation (GOC) or state-owned enterprise (SOE), although the two terms can be used interchangeably. The defining characteristics are that they have a distinct legal form and they are established to operate in commercial affairs. While they may also have public policy objectives, GOCs should be differentiated from other forms of government agencies or state entities established to pursue purely non-financial objectives that have no need or goal of satisfying the shareholders with return on their investment through price increase or dividends.

GOCs can be fully owned or partially owned by Government. As a definitional issue, it is difficult to determine categorically what level of state ownership would qualify an entity to be considered as "state-owned", since governments can also own regular stock, without implying any special interference. As an example, the Chinese Investment Corporation agreed in 2007 to acquire a 9.9% interest in the global investment bank Morgan Stanley, but it is unlikely that this would qualify the latter as a government-owned corporation. Government-owned or state-run enterprises are often the result of corporatization, a process in which government agencies and departments are re-organized as semi-autonomous corporate entities, sometimes with partial shares listed on stock exchanges."

SOE or GOC or GSE in capitalist countries

United States

The **government-sponsored enterprises** (**GSE**s) are a group of financial services corporations created by the United States Congress. The United States GSEs are private corporations owned by their stockholders, rather than government-owned corporations. Their primary function is to generate profits for their stockholders, but they are structured and regulated by the US government to enhance the availability and reduce the cost of credit to targeted borrowing sectors: agriculture, home finance and education. Congress created the first GSE in 1916 with the creation of the Farm Credit System; it initiated GSEs in the home finance segment of the economy with the creation of the Federal Home Loan Banks in 1932; and it targeted education when it chartered Sallie Mae in 1972 (although Congress allowed Sallie Mae to relinquish its government sponsorship and become a fully private institution via legislation in 1995). The residential mortgage borrowing segment is by far the largest of the borrowing segments in which the GSEs operate. Together, the three mortgage finance GSEs (Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks) have several trillion dollars of on-balance sheet assets. The federal government possesses warrants which, if exercised, would allow them to take a 79.9% ownership share in the companies. The federal government has not currently exercised these warrants.

Europe:

In Western Europe there was a massive nationalization throughout the 20th century, especially after World War II to ensure Government control over natural monopolies and to some extent industry. Typical sectors included telecommunications, power, petroleum, railways, airports, airlines, public transport, health care, postal services and sometimes banks. Many large industrial corporations were also nationalized or created as Government corporations, including among many British Steel, Statoil . Starting in the late 1970s and accelerating through the 1980s and 1990s many of these corporations were privatized, though many still remain wholly or partially owned by the respective governments.

A state-run enterprise needs to be distinguished from an ordinary limited liability corporation owned by the state. For example, in Finland, state-run enterprises (*liikelaitos*) are governed by a separate act. Even though responsible for their own finances, they cannot be declared bankrupt; the state answers for the liabilities. Stocks of the corporation are not sold and loans have to be government-approved, as they are government liabilities. In contrast, the state also owns controlling interest in ordinary limited liability corporations. A state-run enterprise is technically not always a corporation, it might also be a separate state entity, or simply a governmental agency acting as an enterprise, perhaps having its own budget. Conversely, the state can directly fund unprofitable business, such as railway services to remote areas.

Japan:

In Japan, Japan Post was reorganized into Japan Post Group in 2007 as a material step of the postal privatization. It is currently wholly owned by the government, but is planned to be sold into private ownership. Japan Railways Group (JR), Nippon Telegraph and Telephone (NTT) and Japan Tobacco (JT) were formerly owned by the government.

II. The 'New Statism'?

"The new statism" has several identifying characteristics:
The government allows free enterprise, but invests in some industries (mixed economy) and controls significant industries, especially those related to national defense, resources, communications and media. In some cases it also has extensive land ownership.

The government regulates, either directly or indirectly, international money transfers, international trade, wages, prices, internal investment and, in some cases, the labor market.

The government promotes nationalism, reinforces a chauvinistic identification among its people and allies the education system with these efforts.

China:

Statistics indicate that China's fully state owned enterprises (SOE) add value to much of China's industrial production. The government has about **17,000 partially owned enterprises.** Almost 200 are major and are represented in about 45% of the nation's productive enterprises. State monopolized industries are in petroleum (PetroChina, SinoPec, CNOOC), telecommunications (China Mobile, China Telecom), steel (Baosteel,) materials (China Shenhua, China Aluminum) and electric power (State Grid). China also has a huge tobacco monopoly. The monopoly SOEs, as in all monopolies, can manipulate prices in fast growing economic systems.

Private enterprises are increasing with less barriers to foreign investment. Nevertheless, the Chinese government still controls much of the legal, political, social and economic aspects of Chinese life. Investment can be channeled to favor certain corporations, labor can be moved to favor certain industries, regulations can be applied without approval, as long as the regulations don't violate international treaties and don't prejudice China's commitments to the World Trade Organization (WTO). Private enterprise is growing , but under the watchful presence of a domineering government. By pursuing a mixed economy of partial liberal economics and statism, China senses it has resolved the problems associated with its previous economy.

Supply for consumer markets is dictated by international demand rather than by government action. China supplies labor and resources and foreign investors supply much of the capital that makes China the manufacturer for the world. Chinese workers use the income to purchase part of the consumer demand and the surplus is exported to foreign markets. By partial ownership, taxes and license fees, the Chinese government gains revenue for financing its capital intensive projects.

Allocation of resources, another difficulty, is now more efficiently performed by market oriented managers, so that supply approximates a demand dictated by international needs. Unprofitable enterprises are quickly located and resources easily move from the slackers to the more efficient. This includes labor, which is represented by All-China Federation of Trade Unions (ACFTU).

Over-production is minimized and surplus is distributed. The Chinese masses can absorb surplus production that can't be exported. If necessary, the government can subsidize the prices. Since the Yuan is mainly the domestic currency (Hong Kong, Taiwan, Vietnam and Singapore use the Yuan), unlike the omnipresent Dollar and Euro, the Chinese authority can exchange the national currency for foreign currency acquired by export. The government maintains the Yuan at a value favorable to its economic growth, which is a cheaper Yuan for cheaper exports. With the huge accumulated reserves, the government SOE's wander the world and invest in other countries.

"*It is estimated that some 800 Chinese SOEs are active in Africa today, covering every country, although this figure includes provincially owned as well as nationally owned companies, as well as companies that are trading, not investing, and companies whose activities have nothing to do with natural resources or China's strategy for obtaining these resources. 'China is trying to move from being subject to price and supply risk takers on international markets to owning, operating, and refining the resource, thereby gaining some price and supply security."*'

<u>**Russia**</u> **is not as advanced as China,** but is growing in that direction - possibly due to the conclusion that the Chinese model can serve the former leading republic of Soviet Union.

The Putin era has transferred ownership and power from oligarchs who had little regard to the population needs to a state that controls essential industries. The state claims to use its controlled surplus for social benefit and internal investment. The investment reduces unemployment and provides incentives for additional investment and private ownership. Noting the derogatory effects of a previous "wild capitalism," which included concentrations of production, resources and media in the hands of a relatively few oligarchs, Putin has diverted the previous concentrations to the government. The present Russian government has overwhelming participation in defense industries, some banking, oil and gas resources, several television stations and print media.

Several other nations, including Poland, South Africa, Indonesia, Singapore, Vietnam and India have SOEs that account for a major portion of their Gross Domestic Product. India and Israel contain components of the statism system. Both of the latter countries are democratic nations with extensive free and private enterprises. <u>**India**</u> **has government majorities in many industries, which are totally state controlled.**

<u>**INDIA**</u>

<u>**A 'May 2006 World Bank Report' states:**</u>

"In India, there are 240 Public Sector Enterprises outside the financial sector. These enterprises produce 95 percent of India's coal, 66 percent of its refined oil, 83 percent of its natural gas, 32 percent of its finished steel, 35 percent of its aluminum, and 27 percent of its nitrogenous fertilizer. Indian Railways alone employs 1.6 million people, making it the world's largest commercial employer. Financial sector SOEs account for 75 percent of India's banking assets."

The India has three types of SOEs. It has Departmental Enterprises, Statutory Corporations, which are established by an official act of the legislature and wholly owned by the state, and the Government Limited Companies. The latter are organized similar to companies in the private sector, but have the state as the principal shareholder. The statist feature of the limited company is that it co-operates in private sector ventures and does not have the same reporting requirements to Parliament that other Indian SOEs have.

Israel has several unique and not readily apparent statist features. With these features, the government regulates the factors of production.

Israel's government controls 90% of the land and, by this ownership, is able to regulate much of the nation's economic and social fabric. It also uses legal restrictions and directives to essentially regulate labor.

Discriminatory laws prejudice the education and economic development of its Arab citizens. This creates availability of a lower wage labor market of less skilled workers.

Intensive concentration on immigration provides a growing number of flexible and directed laborers.

The West Bank and Gazan Palestinians have for decades provided another massive group of lesser skilled and lower wage laborers.

Guest workers, who cannot obtain residency, are the another group of directed workers.

*The **Heritage Foundation**, characterized as a right-wing think tank, concludes that "Israel is weak in business freedom and freedom from government. Complicated and inefficient bureaucracy makes closing a business difficult. Government spending is high, constituting over 40 percent of GDP, although revenue generated by state-owned businesses is not large. Though advanced for the region, Israel's financial sector is still subject to government intervention and control."*

III. "Co-Management" and Self Management" Systems.

(Former) Yugoslavia called its system of worker-management **"self-management**," and it demonstrated that you don't need capitalists -- that enterprises can be run by workers through workers councils, that those enterprises can be efficient and introduce modern technology which increases the productivity of those firms, and that considerable solidarity develops among the workers in each firm.

But there was a problem in Yugoslav self-management that is implied in its name -- "Self." True, workers in each firm determined the direction of their enterprises by themselves. But, they also looked out primarily *for* themselves. The focus of workers within each firm was on their own self-interest, their collective self-interest. What was missing was a sense of solidarity with society as a whole, a sense of responsibility to and responsibility for society. Instead, the emphasis was upon self-orientation, selfishness. In some respects, it was like the worst of capitalist mythology, the concept of "The Invisible Hand": the idea was that if each collective follows its own self-interest, the society as a whole will benefit. In fact, the invisible hand in Yugoslavia operated to increase inequality, to break down the solidarity of society -- leading, ultimately, to the dismembering of Yugoslavia.

VENEZUELA

Co-management in Venezuela is an attempt to avoid this particular mistake of Yugoslavia. Co-management implies a particular kind of *partnership* -- a partnership between the workers of an enterprise and society. Thus, it stresses that enterprises do not belong to the workers alone -- they are meant to be operated in the interest of the *whole* society. In other words, co-management is not intended only to remove the self-interested capitalist, leaving in place self-interested workers; rather, it is *also* meant to change the purpose of productive activity. It means the effort to find ways *both* to allow for the development of the full potential of workers and also for every member of society, *all* working people, to be the beneficiaries of co-management.

If co-management is a partnership between the workers of an enterprise and society, though, who speaks for society? Ideally, with the transformation of producers as the result of the experience of co-management, producers themselves should be able to speak for society. In other words, in the world we want to create, socialism of the 21st century, recognition of the needs of society would be internalized and understood by all producers. There would be no gap between particular producers and society as a whole.

Yet, even in an ideal situation where differences no longer represent antagonistic interests, the needs of society must be identified; and this is necessarily a democratic process -- one in which producers as citizens function in a democratic, participatory, and protagonistic manner. This combination of democracy in production and democracy in society is at the core of the co-managed society. But, is that possible at the beginning of co-management? Who speaks then for society in this partnership between democratic producers and society? Always, our answer must be the same -- the only way that society itself can speak is through democracy. Thus, where enterprises (for example, electric services) exist in particular communities, the democratic bodies within those communities identify their needs and what they feel those enterprises should contribute. The logic is the same for enterprises that serve the whole of the society -- the first step is to identify society's needs and then workers can determine how best to produce for society's needs.

In the case of strategic enterprises that serve the whole of society, ensuring that the central state which speaks for society truly represents society is likely to come at the end of a process of democratisation rather than the beginning. For this reason, the fullest possible discussion throughout society of the expectations for those specific enterprises is critical. How else can the workers in those enterprises know that the goals of those enterprises are the result of a social consensus and are not arbitrarily assigned by enterprise directors or ministries? With the confidence that the work they do and the decisions they make are important because they meet social needs, producers can go beyond searching for value in market rewards and can develop their own initiatives to meet those social needs. The measure of success in this partnership between worker management and society is the extent to which it is possible to realize the goal of **Article 102 of the Bolivarian Constitution** of "developing the creative potential of every human being and the full exercise of his or her personality in a democratic society."

Argentine Experience: FACTA, a network of independent workers cooperatives, explains that the "**recovered factory movement in Argentina**", which is composed primarily of independent worker cooperatives with few ties to the traditional trade unions, developed as a defensive mechanism, "**as a form of resistance to harsh neoliberalism**" and was born directly out of the need to defend employment in the context of the economic crisis of

2000; that the 220 recovered and self managed factories in Argentina have **generated 300 million dollars in the Argentine economy this year and generated 2,000 jobs since the economic crisis.**

What the recovered factory movement in Argentina shows, is that not only can workers manage factories, but also the economy and that, "**we can administrate society in a manner more just than private capital." "We have demonstrated that economy is not the property of a few powerful, important men**." However, it is important that the worker cooperatives in Argentina "are independent of political parties and the state." This reflects a different political context.

Venezuelan government, supporting the worker's cooperatives in Argentina had signed an agreement with FACTA for the purchase of 2,000 tractors.

Venezuela –Factories under "Workers' Control".

The nationalisation of some factories under workers' control opened a very important debate within the Venezuelan workers' movement about workers' control and participation.

On January 19, 2005 Chavez signed the "**decree of expropriation of Venepal"**, the paper company based in Moron, and announced that it was going to be run by the workers themselves. Later on that year, another factory was expropriated, the CNV, a valve making factory in Los Teques, also to be run with the participation of the workers. More or less at the same time, Carlos Lanz was appointed as the director of Alcasa, a state-owned aluminium smelter in the state of Bolivar, and started to introduce workers' control. These measures opened a very important debate within the Venezuelan workers' movement about workers' control and participation.

"**5 factories"** documents the experiences of workers' participation and control in 5 different factories, the aluminium smelter at Alcasa, the tomato processing plant in Caigua, a chocolate factory, a textile cooperative in Tachira and the paper mill in Carabobo, Invepal. Each one of these examples shows a different form of organisation and workers' participation. The workers themselves explain their own experience, their own struggle and their own aspirations. Machine operator Carmen Ortiz expresses their common perception that **"Working collectively is much better than working for someone else - working for someone else is like being a slave to someone".**

While the forms of organisation are different (workers' cooperative, workers' control, shared management with the state, etc), and the problems and difficulties they face are also different, there is one thing in common all the workers: **they all see their struggle as part of the general struggle of the Bolivarian revolution, as part of the struggle to free themselves from the chains of exploitation.**

IV. **Public Sector in India – Experiences & Expectations**

The Background:

Public sector in India was not created for any vague ideological reasons. It was the *need* of our country and the concept was that of freedom struggle. The AICC in its meeting at Bombay on 6-8, August 1931 adopted the programme: *"The state shall own or control key industries and services, mineral resources, railways, water ways, shipping and other means of public transport."* It is evident that the industrial policy was the heritage of our freedom movement and aimed at enriching political freedom by economic development to provide social justice. Public sector, after the Industrial Policy Resolution of 1956 was conceived in the 1957-62 plan to secure the following main objectives: (1) "Rapid industrial development and (2) Self reliance."

The General Assembly of the United Nations also recognised the important role of public sector and adopted a resolution on the role of public sector in promoting the economic development of developing countries.

The Preamble of the Constitution was consciously amended to include the word 'Socialist" secular democratic Republic. Part IV of the constitution, Directive Principles of State Policy, dealing with certain principles of policy to be followed by the state, include ***"that the ownership and control of the material resources of the community are so distributed as best to subsverse the common good," "that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment."***

Needless to state that these historic factors evidently indicate the need and necessity of public sector in India. Even the Bombay Plan (Tata-Birla plan) developed by seven prominent businessmen on the eve of independence speaks of planned economy and distribution of social income. The blue print drawn by them provided for setting up of public sector enterprises, though they were themselves for private sector.

The Objectives:

In recognition of the gross disparities in incomes and access to resources and services and given the stage of development in India, the public sector was set up with the following objectives:

i. **"To help in the rapid economic growth and industrialisation of the country and to create the necessary infra-structure for economic development.**
ii. **To promote redistribution of income and wealth.**
iii. **To create employment opportunities.**
iv. **To promote balanced regional development.**
v. **To assist the development of small scale and ancillary industries**
vi. **To promote import substitutions, save and earn foreign exchange for the economy.**
vii. **To earn return on investment and thus generate resources for development".**

The mother industries that made the other industries helped the growth of Indian economy and developed in Iron & Steel, Heavy Engineering. Electronics, Fertilizers, Cement, Coal, Minerals, Defence production, Power generation. Petroleum products, Atomic energy, Telecommunication etc. etc.

These modern temples of India have built up not merely factories hut also helped to build an industrial base in India. in developing backward areas. besides helping to build up private sector over the years. A solid technological base and technical manpower was the direct contribution of public sector in India. The establishment of public sector represented an integral part of the process of decolonisation on the one hand and a decisive factor for the struggle for the newly liberated nations for their economic independence and autonomous development on the other.

The unfriendly Acts against the Public Sector:

Obviously following the "Structural Adjustment Package" of the Bretten Wood Institutions the IMF & WB, the New Economic Policy evolved under the neo-liberal globalisation policy glorified as "Magna Carta" or 'Charter of liberation' to private sector, brought forth *the* following developments:

"1. *Delicensing/liberalisation of industrial activities, providing o opportunities for free competition for resources and services.*
2. *Private employers getting freedom to set up and operate industry as well as unfettered import of foreign technology and machines.*
3. *Entry of MNCs (even at the cost of PSEs)*
4. *Private sector including foreign companies entry in the insurance business.*
5. *Entry of foreign banks to compete with nationalised banking industry.*
6. *The concept of Exit Policy.*
7. ***Thus the Public sector was brought down from commanding heights to struggle for survival.***
8. *Replacement of the objective of 'growth with justice' to growth under market driven economy.*
9. *Removal of QRs (Quantitative Restrictions) on imports of almost all items.*
10. *'Lean model production' and 'capital intensive industrial growth'"*.

"REFORMS" IN GOVT. SERVICES - (A CASE STUDY)

Some years ago, the Govt. of India constituted three committees Viz. (1) Expenditure Reforms Committee (2) Rakesh Mohan committee (for Reforms in Railways) and (3) Task Force under the Planning Commission. These recommendations were brought in several forms, for example:

EXPENDITURE REFORMS COMMISSION: Known as "Geetha Krishnan Committee" headed by the former finance secretary, had dealt with 36 ministries on the "scope of reducing expenditure" in the govt. departments, besides "cut in fertilizer and food subsidies". The VRS package, reportedly on the lines of the scheme meant for public sector undertakings, was also a part of the ERC recommendations.

The implementation of the ERC recommendations was expected to "lead to drastic reduction in the centre's wage bill in the medium to long term, as the center will reduce flab and make the govt. departments lean and regulatory".

"Five lakh jobs in 36 govt departments and ministries was to be cut in the next five years. Further, an annual savings of Rs.15,000 crores in the Govt. subsidies bill at the end of the five years" was to result.

The Task Force headed by Shri Montek Singh Aluwaliah, the then Member of the Planning Commission had come out with its similar recommendations adversely affecting the workers.

There have been several such Committees, some by the Govt. of India on Banking, Insurance, Defence and other public sector services/industries and also by the state governments, whose recommendations have ultimately sought to redefine the role of the state, as a mere facilitator and not real regulator or manufacturer.

SOME MYTHS AND REALITIES?

The department of disinvestment, as existed earlier, had in a document presented a few years ago to Parliament gave the following as the rationale for privatisation:

Myth:
(A) *'Realising huge amount of scarce public resources locked up in nonstrategic PSEs for deployment in areas much higher on social priority such as public health, family welfare, education, and social and essential infrastructure.'*

Reality:

During the decade since disinvestment started the Govt. of India collected about Rs 18, 393 crores by selling equity in blue chip PSEs. Almost a trickle had been used for reducing either the internal or external debt; almost nothing had gone into augmenting the existing assets by way of revival of such PSEs or modernization of profitable PSEs. Most of the money had gone to meet the revenue deficit on the spacious argument that finances of the Govt. are fungible. Power Purchase Agreement with Enron is just an example to illustrate the kind of privatisation that took place and to what social priorities they have gone to.

Myth:
(B) *'Stemming further outflow of these scarce public resources for sustaining the unviable non strategic PSEs'*.

Reality:

Most of the unviable non strategic PSEs were those belonged to the private sector and British MNCs, which were driven to sickness by a combination of loot and mismanagement. Infact the most profitable ones including Navrathnas are being disinvested / sought to be disinvested.

Myth:
(C) *Reducing public debt that is threatening to assume unmanageable properties.*

Reality:

The fact is that the fiscal deficit had increased as a result of the sale of the equity, because the equity of the most profitable enterprises were sold as a result of which the dividend foregone is more than the interest on capital accrued by the sale.

V. **Performance of CPSUs in India**:

The latest figure available reveal the following:

Public Sector- Growing Tall both as Performer and Contributor (2007-08)

HIGHLIGHTS

- Total paid up capital in 242 CPSEs as on 31.3.2008 stood at Rs 1,34,322 crore compared to Rs 1,31,629 crore as on 31.3.2007, showing a growth of 2.50 %.
- **Total investment (equity plus long term loans) in all CPSEs stood at Rs. 4,55,409 crore as on 31.3.2008 compared to Rs 4,20,476 crore as on 31.3.2007, recording a growth of 8.31 percent.**
- **Capital Employed (net block plus working capital) in all CPSEs as on 31.3.2008 stood at Rs 7,63,815 crore compared to Rs 6,60,667 crore showing a growth of 15.61 percent.**
- **Total turnover of all CPSEs during 2007-08 was Rs 10,81,925 crore compared to Rs 9,64,896 crore in the previous year showing a growth of 12.13%.**
- **Profit of profit making CPSEs stood at Rs 91,140 crore during 2007-08 compared to Rs 89,578 crore in 2006-07.**
- Reserves & Surplus of all CPSEs went up from Rs. 4,16,601 crore in 2006-07 to Rs. 4,85,577 crore in 2007-08, showing an increase of 16.56 percent.
- **Net worth of all CPSEs went up form Rs. 4,54,279 crore in 2006-07 to Rs 5,20,855 crore in 2007-08 registering a growth of 14.66 percent.**
- **Contribution of CPSEs to central exchequer by way of excise duty, customs duty, corporate tax, interest on Central Government loans, dividend & other duties and taxes went up from Rs.1,14,878 crore in 2006-07 to Rs. 1,65,994 crore in 2007-08.**
- **Foreign exchange earnings through exports of goods and service increased from Rs 70,906 crore in 2006-07 to Rs 74,283 crore in 2007-08 showing a growth of 4-76 percent. Foreign exchange outgo on imports (primarily crude oil) went up from Rs 3,16,161 crore in 2006-07 to Rs 3,68,196 crore in 2007-08 showing a growth rate of 15.45 percent.**
- CPSEs employed 15.70 lakh people (excluding casual workers and contract labours), out of which about one-fourth of the employees belong to managerial and supervisory cadres.
- The salary and wages went up from Rs 52,586 crore in 2006-07 to Rs 64,306 crore, showing a growth of 15.90 percent. This was mainly on account of provisions made

by some CPSEs for pay revision pending final recommendation of the 2nd Pay Revision Committee.

- **Total Market Capitalization (M_Cap) of 41 listed CPSEs , based on the stock price in Mumbai Stock Exchange, went up from Rs 6,79,089 crore as on 31.3.2007 to Rs 11,20,061 crore as on 31.3.2008, showing a growth of 64.94 percent.**
- M_Cap of CPSEs as percent of BSE M_Cap also went up from 19.16 percent as on 31.3.2007 to 21.80 percent as on 31.3.2008.

A perusal of the Survey makes is quite clear, that CPSEs contributed Rs 165,993.80 crore to the Central exchequer during the year 2007-08, up from Rs 148, 789.16 crore in the previous year, by way of taxes, duties, dividend and interest. This accounted for 30.6 per cent of the total revenue receipt of Rs. 541,925 crore of the Union government during the year. In terms of government's total receipts that include revenue as also capital receipts by way of recoveries of loans, borrowings and other liabilities, the share from PSEs accounted for 23.29%.

Performance of Public Sector Banks in India

Performance of Public Sector Banks
Improvements year after year

Rs. In Crore

S.No.		31.3.2007	31.3.2008	31.3.2009
1.	Total Deposits	19,94,199	24,53,867	31,12,748
2.	Total Advances	14,40,146	17,97,401	22,60,155
3.	Total Investments	6,64,855	7,99,842	10,12,666
4.	Total Assets	24,40,166	30,21,924	37,66,717
5.	Interest Income	1,64,185	2,13,075	2,73,428
6.	Interest Expended	1,01,960	1,48,902	1,93,447
7.	Total Income	1,87,869	2,45,872	3,15,608
8.	Total Expenditure	1,45,214	1,95,565	2,48,636
9.	Operating Profit(7–8)	42,665	50,307	66,972
10.	Provisions & Contingencies	22,257	23,319	32,653
11.	Net Profit (9–10)	20,398	26,988	34,319
12.	Gross NPA	38,968	40,452	45,156
13.	Net NPA	15,325	17,836	21,033

SOEs Performance Trend in Kerala

(Rs. in crores)

Particulars	2005-06	2006-07	2007-08	2008-09
PROFIT MAKING UNITS				
Total Number of Profit Making Units	11+1*	23+1*	27	**28**
Value of Production	846.73	1,310.65	1,305.14	**1,547.83**
Turnover without Taxes and duties	767.62	1,311.65	1,379.89	**1,708.21**
Turnover with excise duty	868.13	1,451.83	1,533.66	**1867.96**
Profit made by the profit making units	56.38	126.08	122.24	**222.00**
LOSS INCURRING UNITS				
Total Number of Loss Making Units	31	19	15	**13**
Value of Production	536.19	276.33	255.47	**222.13**

Turnover without Taxes and duties	610.14	267.36	257.64	**224.63**
Turnover with excise duty	654.85	293.91	277.84	**237.05**
Loss made by the loss making units	125.87	34.65	41.93	**52.55**
TOTAL				
Total No. of Units	42	42	42	**41**
Total Value of Production	1,382.92	1,586.99	1,560.61	**1,769.96**
Total Turnover without Taxes & duties	1,377.76	1,579.00	1,637.53	**1,932.84**
Total Turnover with excise duty	1,522.98	1,745.75	1,811.50	**2,105.01**
Net profit / Loss (-)	(-) 69.49	91.43	80.31	**169.45**

**One company (KELTEC) was handed over to M/s. Drahmose, DRDO in 2007*

STRENGTHENING ENVIRONMENT, SOCIAL & GOVT. POLICIES OF SOEs

VI. Political will- a pre-requisite

Despite the above notable (recovery) situation in the state-owned enterprises, despite the fact the nationalised Banks in India did well during the recent financial crisis/melt down period also, while the big banks elsewhere in the West contributed to the crisis, despite the very many advantages the Indian economy gained over the years on account of PSEs, the emergence of neo-liberalism in the world order encouraged and followed by the ruling classes and policy makers at the political levels cause serious concern.

We are aware that "the essence of Neo-liberalism is the removal of all barriers to the accumulation of capital; linked to this is the elimination of the public sphere, and with it, the assumption that the Government has 'any' role other than as police, military and prison guards; it also means the overthrow of the notion that individuals can and should rely on government to address the needs of the people and most especially the needs of its most impoverished. It is in this context, that we can understand the attack on public education and public health, the attack on public distribution system, public transportation system, and public anything. What we are witnessing is nothing short of the re-emergence of what in the 19th century was called "Social Darwinism," or the "so-called survival of the fittest", as against the goal of "welfare of the weakest".

Therefore an essential pre-requisite for strengthening the environment is the Government policy, pro-public sector policy (as against the pro-MNC policy). Disinvestment of public sector shares in the CPSUs even in profit making ones, is still being persued vigorously, including in the Banking and Insurance Sector, even after the fall of the private banks and scandals in the private Insurance Companies. This has to go. In the aftermath of the financial crisis, a new process of "Financial Socialism" has emerged, that is "**socialising the losses and privatising the profits."**

The following aspects merit consideration on "public sector reforms" towards improving their performance.

- ***(i) Balance autonomy with accountability***
- ***(ii) Distance the government from the day-to-day operation***
- ***(iii) Financial restructuring, not only in case of sickness, but all cases where the capital structure is skewed in favour of either debt or equity.***

(iv) Business and technological forecasting

(v) Valuation of assets.

(vi) Compensation of discharging social obligations without commercial motive if such obligations were discharged mainly by public enterprise but not their counterparts in the private sector.

(vii) Increasing economic efficiency. This cannot be overshadowed in an effort to reduce financial burden on the state as part of fiscal stabilisation and fiscal prudence.

(viii) Employment policy in the short and long term, taking efforts to do away with 'atypical' forms of employment.

(ix) The maintenance and improvement of industrial relation systems, labour standards.

(x) Development of healthy ancillaries, to ensure improvement in business environment.

(xi) Information sharing, transparency and participation in decision making in the SOEs.

(xii) Image Building, need for streamlining aspects related to corporate governance, legal systems/procedures.

(xiii) Re-defining and better utilisation of all assets.

(xiv) Proper policy for training/re-training and re-deployment for better utilisation of manpower and machinery.

(xv) Modernisation and technological upgradation with a view to improve productivity and expansion.

(xvi) Employment of various types of new, innovative roles in SOEs, as experimented in some Latin American Countries (and earlier in Yugoslavia) such as "making workers manage / owners", "stock-option schemes" by allowing to utilise workers savings and giving employees effective say in the governance (Employee Participation in Management).

(xvii) Developing proposals and facilitating the setting up of new safety nets or improving existing ones to mitigate or avert adverse effects on jobs and incomes, in line with ILO provisions.

(xviii) Continued R&D efforts, in order to reduce cost and benefit the customer.

(xix) Both managements and trade unions to focus on common issues and common goals and work for making SOEs not only viable but also competitive and efficient.

(xx) Every additional/new investment should result in job retension, while job creation is the preference.

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