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- ④ **Overstaffing** :- Manpower planning is not effective due to which several public enterprises like Bhilai steel have excess manpower. Recruitment is not based on sound labour projection. On the other hand, posts of chief executive remain unfilled for years despite the availability of required personnel.
- ⑤ **Under-utilisation of capacity** :- One serious problem of the public sector has been low utilization of installed capacity. In the absence of definite targets of production, effective production planning and control and proper assessment of future needs many undertakings have failed to make full use of their fixed assets. There is considerable idle capacity. In the same cases productivity is low on account of poor material management or ineffective inventory control.
- ⑥ **Lack of a proper price policy** :- There is no clear-cut price policy for public enterprises and the Government has not laid down guidelines for the rate of return to be earned by different undertakings. Public enterprises are expected to achieve various socio-economic

objectives and in the absence of a clear directive, pricing decisions are not always based on rational analysis. In addition to domestic price policy, there is a lack of cost-consciousness, quality consciousness and effective control on waste and efficiency.

⑦ Inefficient Management :- The management of public enterprises in our country leaves much to be desired. Managerial efficiency and effectiveness have been low due to inept management, uninspiring leadership, too much centralisation, frequent transfers and lack of personal stake. Civil servants who are deputed to manage the enterprises often lack proper training and use bureaucratic practices. Political interference in day to day affairs, rigid bureaucratic control and ineffective delegation of authority hamper initiative, flexibility and quick decisions. Motivations and morale of both executives and workers are low due to the lack of appropriate incentives.

## Causes for the expansion of public enterprises

At the time of independence, India was backward and underdeveloped - basically an agrarian economy with weak industrial base, high rate of unemployment, low level of savings, and investment and near absence of infrastructural facilities. Indian economy needed a big push. This push could not come from the private sector because of the lack of funds and their inability to take risk with large long-gestation investments. As such, government intervention through public sector was necessary for self-reliant economic growth, to diversify the economy and to overcome economic and social backwardness.

Let us discuss the rationale or causes for the expansion of public sector enterprises in India -

- ① Rate of Economic development and public Enterprises :- The justification for public enterprises in India was based on the fact that the targeted rate of economic growth planned by the government was much higher than could be achieved by the private sector alone. In other words, the