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Wisdom Press
NEW DELHI

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This edition published by Wisdom Press,
Murari Lal Street, Ansari Road, Daryaganj,
New Delhi - 110002.

ISBN: 978-93-82006-85-5

Edition: 2022 (Revised)

Wisdom Press
Production Office: "Dominant House", G - 316, Sector - 63, Noida,
National Capital Region - 201301.
Ph. 0120-4270027, 4273334.

Sales & Marketing: 4378/4-B, Murari Lal Street,
Ansari Road, Daryaganj, New Delhi-110002.
Ph.: 011-23281685, 41043100.
e-mail : wisdompress@ymail.com

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CHAPTER 1

ROLE OF INDIA'S FINANCE MINISTRY DEPARTMENT OF PUBLIC ENTERPRISES

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ABSTRACT:

India's Central Public Sector Enterprises (CPSEs) are closely supervised and governed by the Department of Public Enterprises (DPE), a division of the Finance Ministry. The responsibility of DPE also includes establishing guidelines for the administration of human resources, financial delegation, autonomy, and performance evaluation. To carry out its duties, which include assessing CPSE performance, maintaining the Memorandum of Agreement (MoA) mechanism, retraining and redeploying personnel, and promoting corporate governance, the department works in conjunction with several ministries, CPSEs, and other organisations. In order to evaluate the performance of CPSEs, the DPE also conducts an annual Public Enterprises Survey.Giving CPSEs, which fall under the Maharatna, Navratna, and Miniratna schemes, more autonomy so they can make important choices about capital spending, investments, mergers, and human resources is one of the major projects the government is pursuing via DPE. All CPSEs have adopted corporate governance standards, with a particular emphasis on board composition, audit committees, pay committees, subsidiary firms, disclosures, and ethical behaviour.On CPSE boards, non-official Directors (NODs) play an important role in directing committees like the audit and pay. According to government regulations, CPSEs are obligated to designate a certain minimum number of NODs. According to quantitative and qualitative standards, CPSEs are categorised into schedules ("A," "B," "C," and "D") that have an effect on their standing, executive salary, and organisational structure.

KEYWORDS:

Department, Enterprises, Financial, Management, Public.

INTRODUCTION

Policy creation, performance evaluation, and data management are the main responsibilities of the DPE and are essential to the operation of CPSEs. It has effectively shortened the procedures involved in CPSE restructuring and resurrection, guaranteeing the early identification of failing businesses and rapid remedial action.The Memorandum of Agreement (MoA) system put in place by DPE improves CPSE performance by outlining precise goals and standards for assessment. Through an online system that is self-regulating and dashboard-based, it encourages responsibility and transparency.

The DPE's dedication to the welfare of CPSE personnel is best shown by the retraining and redeployment programme (CRR), which offers them chances for skill advancement and employment following separation under voluntary schemes.Additionally, DPE has made a substantial contribution to giving CPSEs more autonomy, which has led to the classification of businesses under programmes like Maharatna, Navratna, and Miniratna. These programmes enable CPSE boards to make strategic choices and aid in their financial growth.Another area that DPE has significantly impacted is corporate governance, ensuring that standards for board composition, audit committees, risk management, and other areas are followed by CPSEs.Additionally, as required by the Companies Act of 2013, DPE emphasises Corporate Social Responsibility (CSR) for CPSEs. Profitable CPSEs that reach certain financial benchmarks are required to set aside a percentage of their earnings for CSR programmes. DPE regularly reviews and updates its recommendations to make sure they are still relevant, current, and up-to-date.

The most recent compendium, "Guidelines for Administrative Ministries/Departments and Public Sector Enterprises, 2018," includes these changes and rationalisations. DPE's ongoing efforts help CPSEs expand and operate effectively while also keeping them in line with the aims and priorities of the country.

Finance Ministry Department of Public Enterprises

All Central Public Sector Enterprises (CPSEs) are coordinated under the Department of Public Enterprises, which also develops CPSE-specific policies. In particular, it sets forth policy standards for human management in CPSEs, financial delegation, autonomy, and performance assessment. Additionally, it gathers and keeps data in the form of a Public Enterprises Survey on several CPSE-related topics[1], [2].The Department of Public Enterprises' primary activities are, The Department works in concert with other Ministries, CPSEs, and interested organisations to carry out its mandate. The following is a list of some of the Department's crucial duties.

1. Remaining tasks associated with the former Bureau of Public Enterprises, such as Industrial Management Pool.
2. Coordinating broad policy issues that impact all Public Sector Enterprises.
3. Evaluating and keeping tabs on how Public Sector Enterprises, including the Memorandum of Understanding mechanism, are doing.
4. Issues pertaining to the Public Sector Enterprises Permanent Arbitration Mechanism.
5. Employee counselling, education, and rehabilitation in Central Public Sector Organizations under the Voluntary Retirement Scheme.
6. An examination of capital investments and spending by Central Public Sector Enterprises.
7. Efforts to boost the performance of Central Public Sector Enterprises and other Public Sector Enterprise capacity-building programmes.
8. Providing guidance on the methods for the revival, restructuring, or liquidation of Public Sector Enterprises.
9. Subjects associated with the Standing Conference of Public Enterprises.
10. Subjects associated with the International Centre for Public Enterprises.
11. Classifying Central Public Sector Organisations, including awarding "Ratna" designation.

Survey of Public Sector Businesses:

Every year during the budget session, the Department of Public Enterprises releases the Public Enterprises Survey, which examines the performance of CPSEs.Central Public Sector Enterprises: In accordance with a decision made by the government (Cabinet) on 7.10.2015, the Board for Reconstruction of Public Sector Enterprises (BRPSE) was disbanded on November 9, 2015, in order to simplify the many mechanisms for the resurrection of ailing CPSEs. Guidelines for "Streamlining the Mechanism for Revival and Restructuring of Sick/Incipient Sick and Weak" were released by DPE on October 29, 2015. Central Public Sector Enterprises: General Principles and Mechanism of Restructuring" is the guideline that administrative Ministries and Departments must adhere to when formulating suggestions for the timely revival, reorganisation, or closure of CPSEs that fall under their purview. In accordance with the standards, it is the duty of the relevant administrative Ministries/Departments to handle the CPSEs' illness. The administrative Ministries/Departments keep an eye on the health of the CPSEs that are under their jurisdiction and, with the competent authority's agreement, promptly take corrective action to revive, restructure, or divest from losing CPSEs. To detect CPSEs at an early stage, before they become ill/incipiently unwell, DPE guidelines have for the first time included a new category called "weak CPSEs." To prevent any danger of becoming ill, administrative Ministries/Departments are required to take corrective action with regard to such CPSEs by rigorously monitoring their performance[3], [4].

DISCUSSION

A Memorandum of Understanding (MoU) is a negotiated contract on particular terms between the management of the Central Public Sector Enterprises (CPSE) and the Administrative Ministry/Department/Holding CPSEs, which is the main shareholder. The goal of the MoU is to enhance the organization's vital performance indicators by evaluating the management of the CPSEs on key chosen criteria against the agreed-upon objectives. The following are key elements of the MoU Guidelines published by DPE. A dashboard-based, self-governing online system serves as the framework of the MoU to ensure openness and do away with judgement in goal setting and assessment. For entering, signing, overseeing, and analysingMoU agreements, a digital dashboard with a centralised interface would be employed.

The market-oriented characteristics of the MoU represent the interests of the shareholders in terms of revenue growth, return on net worth, asset turnover ratio, EBITDA, return on capital employed, and market capitalization. CPSE's main operational productivity-related criteria have also received adequate weighting. In addition, certain government targets and activities have been highlighted, such as buying from GeM, the MSE sector, research and innovation, etc.

Benchmarking and setting goals

The Inter-Ministerial Committee (IMC) would develop sectoral templates with the parameters and accompanying benchmarks, which would then be approved by the High-Powered Committee (HPC) and put on the dashboard. The selection and identification of the criteria and weights pertinent to the primary business operations in a sector is the goal of sectoral templates. The benchmarks would be determined by looking at the past performance of CPSEs, the sector's development and developing trends, the sector's vision, and the highest levels of global and regional standards.

By March 31 of the base year, which is the year before the MoU target year, the CPSE will upload the expected numbers of certain financial and physical features to the dashboard. Similar to this, by the end of March of the Base year, the Administrative Ministry/Department will post on the dashboard the specifics of a sectoral vision plan that spans at least three to five years with yearly milestones so that it may be taken into account when IMC conducts benchmarking. The CPSE will update the aforementioned financial and physical attribute numbers on the dashboard by October 30th of the MoU target year once the actual results of the base year are known. In light of this, benchmarked objectives based on historical data will be automatically updated, and performance will be assessed in relation to these revised targets. MoU Evaluation: In accordance with timeframes, CPSE will input data from their audited balance sheet and P&L Statement into the dashboard, where the score will be generated automatically in relation to the benchmarked objectives for each parameter.

'Excellent' level benchmarks will be used. Based on the accomplishment levels for each criterion, the CPSEs will get correspondingly more or less marks. To arrive at the aggregate Score, the scores for each parameter would be totaled.Since currency rate fluctuations, price adjustments for raw materials or finished products, or offsets for any other reason are considered standard business operations, the audited statement of accounts disclosed must take precedence.The final MoU score will be used to rank the CPSEs.

The top 25 CPSEs will only be allowed to be classified as "Excellent," provided that they scored 90 or above. However, only the top 25 CPSEs will get the "Excellent" ranking if more than 25 of them have scores of 90 or above[5], [6].

Retraining and Redeployment for Counsellors (CRR) Program

As a social safety net, DPE is implementing the Counselling, Retraining & Redeployment (CRR) Scheme to give employees or dependents of Central Public Sector Enterprises (CPSEs) who have been separated under the Voluntary Retirement Scheme (VRS) or Voluntary Separation Scheme (VSS) opportunities for self- or wage employment. The goal of the workers' retraining is to reorient them via brief skill training so they can settle into the new environment and choose new occupations after leaving the CPSEs. Around 1.96 lakh VRS/VSS opted/dependents have received training between 2001-02 and around 90847 of them have been redeployed.

The CRR Scheme was run by DPE up to 2015–16. As of 2016–17, the CRR Scheme is being implemented under the Ministry of Skill Development & Entrepreneurship (MSDE) in partnership with the National Skill Development Corporation (NSDC) with the goal of expanding the network of Training Providers and adhering to a standardized methodology for training, design, and delivery.

Training courses offered via the DPE's CRR scheme are in line with National Occupational Standards (NOS) and accreditation from the National Council for Vocational Training (NCVT). Healthcare, electronics, retail associates, automotive, food processing, plumbing, handicrafts, logistics, and information technology are just a few of the industries that provide skill training. Beneficiaries now have the chance for gainful redeployment (wages or self-employment). Out of the 1500 applicants that were targeted for the year 2018, 1021 candidates had their training completed. However, because of the lockdown limitation that has been in place since March 2017, these 1021 applicants' assessments, certifications, and redeployments are currently waiting.

Freedom for CPSEs

The government is working to transform Central Public Sector Enterprises (CPSEs) into independent, board-managed businesses. Under various schemes, including Maharatna, Navratna, and Miniratna, the government has granted enhanced powers to the boards of profit-making enterprises by delegating authority in the areas of capital expenditure, investment in joint ventures/subsidiaries, mergers & acquisitions, human resources management, etc. Ten Maharatna CPSEs, fourteen Navratna CPSE5, and seventy-three Miniratna CPSEs exist at the moment.

Board Professionalization& Corporate Governance in CPSEs

Corporate Governance establishes a system of checks and balances between the shareholders, directors, auditors, and management. It also involves openness in management processes and covers all aspects of the operation of the firm. In March 2010, the government approved the introduction of mandatory Corporate Governance Guidelines for all CPSEs. These guidelines cover topics like the makeup of the CPSE Board of Directors, the Audit Committee, the Remuneration Committee, Subsidiary Companies, Disclosures, the Code of Conduct and Ethics, Risk management, and reporting. DPE has established a mechanism for rating CPSE5 based on how well they adhere to the Guidelines on Corporate Governance for CPSEs.

CPSEs' Non-Official Directors (NODs)

Non-official (independent) Directors play a crucial role on CPSE boards and serve as chairs of crucial committees including the audit and compensation committees. The nomination of the minimum required number of NoDs to their Boards is a requirement for the CPSEs to operate the expanded autonomy and powers granted to them under the Ratnaprogrammes. There are other clauses pertaining to Independent Directors in the Companies Act of 2013 as well.

For unlisted and listed CPSEs, respectively, NoDs shall make up at least one-third and half of the board, respectively.The involved Ministries submit proposals for NOD appointments, which are then reviewed by a search committee made up of the concerned Ministry's secretary, the Secretary (DOPT), and two non-official members. The involved Ministries, with the consent of ACC/DoPT, make appointments based on the recommendations of the Search Committee[7], [8].

The classification of CPSEs

According to quantitative criteria like investment, capital employed, net sales, profit before tax, number of employees and units, capacity addition, revenue per employee, sales/capital employed, capacity utilisation, and value added per employee, as well as qualitative criteria like national importance, the complexity of the problems the company is currently facing, level of technology, and potential for expansion, CPSEs are divided into four schedules, designated as "A," "B," "C," and "D." The classification of CPSEs affects things like whether or not they are given Ratna status, the compensation schedules for their CEOs and full-time functional Directors, the maximum level permitted for below board level positions, etc.

The term "Corporate social responsibility"

According to Section 135 of the Companies Act of 2013, all profit-making businesses, including CPSEs, that meet the statutory requirements for net worth of Rs. 500 crore or more, turnover of Rs. 1000 crore or more, or a net profit of Rs. 5 crore or more, must spend 2% of the average net profit they generated over the previous three years in accordance with their CSR policy to carry out CSR activities as per the items listed in Schedule. According to a DPE advisory dated December 10th, 2018, all administrative Ministries/Departments and CPSEs should adopt a theme-based approach for their activities, allocate about 60% of their annual CSR budget to thematic programmes, and give aspirational districts priority when it comes to CSR.

Justification of outdated/outdated BPE/DPE guidelines

The guidelines have always been kept current, relevant, and up to date by DPE. The most recent Compendium, "Guidelines for Administrative Ministries/Departments and Public Sector Enterprises, 2018," has 203 rules that have been rationalized as a result of the evaluation. In addition, 430 rules have been stored and 40 have been combined[9], [10]. The compendium and the Department of Public Enterprises website both have a list of these consolidated and preserved rules.

CONCLUSION

In conclusion, the Department of Public Enterprises (DPE) of the Finance Ministry is crucial to the efficient governance, control, and modernization of Central Public Sector Enterprises (CPSEs) in India. The DPE has taken on a broad variety of duties and projects via a diversified strategy to guarantee the effectiveness, accountability, and expansion of CPSEs.The addition of Non-Official Directors (NODs) to CPSE boards improves corporate supervision and governance even further. In defending the interests of shareholders, these independent directors are essential.DPE's scheduling of CPSEs according to numerous criteria has a significant impact on their organizational structure, remuneration plans, and status.In conclusion, the Department of Public Enterprises has played a significant role in determining the profile of India's Central Public Sector Enterprises. The nation's growth and development via these firms is dependent on its ongoing attempts to modernize and adapt to shifting economic circumstances. The DPE's dedication to accountability, openness, and employee welfare is a major factor in the success of CPSEs and helps them to meet national goals.

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CHAPTER 2

AN OVERVIEW OF PUBLIC AND PRIVATE SECTOR DYNAMICS IN ECONOMIC DEVELOPMENT

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ABSTRACT:

An overview of the dynamics between the public and private sectors in relation to economic growth is given in this abstract. It addresses the many forms of business organisations and their functions in the economic environment of a country, including private businesses, government-owned companies, and multinational corporations.Examining the differences between the public and private sectors, as well as the organisational forms found in each, such as sole proprietorships, partnerships, cooperatives, corporations, departmental initiatives, statutory firms, and government-run organisations. These organisations' financing sources, accountability systems, and interactions with laws and rules define each one of them.Explored is the historical development of public sector policies in India, with a focus on how government policies changed from fostering public sector dominance to fostering rivalry with the private sector. The interconnectedness between these sectors and their contributions to attaining economic growth and regional development are stressed in the article.The abstract also explores the public sector's evolving position in India's economy, highlighting the need for public sector organisations to adjust to the competitive market circumstances. In order to encourage improved management and efficiency within the public sector, disinvestment is discussed.This abstract offers a general summary of the paper's discussion of the complex interrelationships between the public and private sectors in promoting economic growth and addressing India's changing economic environment.

KEYWORDS:

Development, Economic, Growth, Private Sector, Public Sector.

INTRODUCTION

The significance of cooperation between the public and private sectors as complementing elements of a country's total economic sector is emphasised in the paper's conclusion. While pressing the public sector to concentrate on providing better services and economic development, it urges private sector organisations to take on more duties towards the general public.The public sector, which consists of businesses that are owned and run by the government, plays a crucial role in fostering economic growth, encouraging the equal allocation of resources, and providing the general public with necessary services. Organizationally speaking, public sector businesses have developed through time, moving from departmental undertakings to statutory corporations and government entities.In order to control and direct the activities of both the public and private sectors, the Indian government has developed a number of industrial policies. These regulations now invite foreign investment and promote competition in response to shifting economic paradigms like globalisation and liberalisation.Over time, the public sector's role has undergone tremendous change. It was initially intended to be a catalyst for infrastructural building and economic expansion, bridging any gaps that the private sector was unable to meet. However, when economic policies changed towards privatisation and reforms focused on the market, the public sector was forced to compete more fiercely and face financial performance scrutiny.While there have been demands for increased efficiency, disinvestment, and restructuring, the public sector continues to perform important tasks such preserving regional balance, limiting the concentration of economic power, and replacing imports. Shares in a few public enterprises will be sold in order to free up public capital for other crucial industries, enhance management, and establish corporate governance.

In your everyday life, you must have encountered several commercial companies. In your local market, you may find businesses owned by lone owners or huge retailers that are corporately managed. Then there are companies controlled by many individuals, such as partnership businesses, that provide you services like legal and medical advice. All of these businesses are privately held. There are further workplaces or commercial locations that the government may possess. For instance, the government owns and manages Railways in its entirety. The Post and Telegraph Department of the Government of India controls the post office in your neighbourhood, but we no longer rely as much on them for postal services, especially in cities and towns. This is a result of the large number of private courier service companies present in larger cities. Then there are companies that span many nations and are referred to as global firms. As a result, whether governmental, corporate, or international groups, you may have noticed that they all do business in the nation[1], [2].

Public Sector And Private Sector

As you learned in the last chapter, businesses owned by one person or a group of people are considered to be in the private sector. A solo proprietorship, a partnership, a joint Hindu family, a cooperative, and a corporation are among the several organisational structures. The public sector comprises of a variety of businesses that the government owns and runs. The federal or state governments may own all or a portion of these organisation. A Special Act of the Parliament may create them or they may already be a part of the ministry. Through these businesses, the government takes part in the nation's economic operations.

The government sometimes specifies the areas of operations in which the public sector and private sector are authorised to operate in its industrial policy decisions. The Indian government outlined its strategy for the growth of the industrial sector in the Industrial Policy Resolution of 1948. The government was in charge of regulating the economic operations of both the public and private sectors via a number of Acts and Regulations, and the responsibilities of the public and private sectors were clearly defined. The Industrial Policy Resolution of 1956 also set out a number of goals for the public sector to adhere to in order to quicken the pace of development and industrialization. The significance of the public sector was highlighted, but it was also underscored how interdependent the public and private sectors are. The government had previously debated disinvesting in the public sector and giving the private sector more flexibility, but the industrial strategy of 1991 was fundamentally different from all previous programmes. Foreign business firms outside of India were invited to make direct investments at the same time. As a result, multinational organisations or global businesses that operate in many nations got access to the Indian economy. As a result, the Indian economy coexists with public sector organisations, private sector businesses, and multinational corporations.

Public Sector Enterprise Organisation Forms

The government's involvement in the commercial and economic spheres of the nation requires some kind of organisational structure to operate. You've learned about the several types of private sector business organisations, including sole proprietorship, partnership, Hindu undivided family, cooperative, and corporation.As the public sector expands, an essential issue of how it should be constituted or what shape it should take emerges. The creation of the public sector is mostly the responsibility of the government. However, the government makes choices on behalf of the individuals who work in its offices and via its workers.

The government created public businesses to take part in the nation's economic activity for this reason. In the liberalised, competitive world of today, they are expected to help the nation's economy develop. These public businesses are publicly owned and accountable to the people via the Parliament. They are distinguished by public ownership, the use of public funding for their operations, and public accountability. Depending on the nature of its activities and its connection with the government, a public business may adopt any specific organisational structure. The criteria of a given organisation would determine its applicability. Any organisation in the public sector should simultaneously assure organisational performance, productivity, and quality standards in line with general principles[3], [4]. The following are the organisational configurations that a public company may adopt:

1. Departmental project
2. Statutory company
3. Government-run business
4. Departmental Projects

The oldest and most conventional method of setting up public companies is this one. These businesses are founded as divisions of the ministry and are seen as an addition to or a division of the ministry. These departments are responsible for the operation of the government, and the tasks they carry out are essential to that operation. They are not independent legal entities since they have not been established as autonomous or independent organisations. its representatives are government officials, and all of its staff members work for the government. These initiatives may fall under either the federal or state governments, and each have their own set of regulations. Railways and the post and telegraph department are two examples of these enterprises.

DISCUSSION

The following are the major characteristics of departmental undertakings:These businesses are funded annually by appropriations from the government budget and get funds directly from the government Treasury. They are subject to the same accounting and audit controls that apply to other government operations.

The employees of the enterprise are employees of the government, and their recruitment and employment conditions are the same as those of other employees who work directly for the government. It is generally regarded as a major subdivision of the government department and is subject to direct control of the ministry. They are accountable to the ministry since their management is directly under the concerned ministry. They are led by Indian Administrative Service (IAS) officers and civil servants who are transferable from one ministry to another.

The following are some benefits of departmental projects:The revenue generated by the enterprise goes directly to the treasury and therefore is a source of income for the government. When national security is concerned, this form is most suitable as it is under the direct control and supervision of the concerned Ministry. These undertakings enable the Parliament to exercise effective control over their operations.

Limitations

This organisational structure has serious flaws, some of which are as follows: Departmental undertakings lack the flexibility necessary for efficient business operations; The employees or department heads of such undertakings are not permitted to make independent decisions without the ministry in question's consent. This causes delays in situations when quick choices are needed; these businesses are unable to seize commercial possibilities. There is excessive bureaucratic red tape that prevents decisions from being made without first going through the proper channels of authority; there is a lot of political interference through the ministry; and these organisations are frequently indifferent to the needs of customers and do not offer them adequate services.

Legal Corporations

A Special Act of the Parliament creates statutory companies, which are public organisations. The Act outlines its authority and responsibilities, as well as the policies and guidelines regulating its personnel and interactions with other government agencies. This is a corporate entity established by the legislature with explicit authority over a certain territory or specific business activity, defined authorities and functions, and financial independence. It may act in its own name since it is a corporate person. Statutory companies therefore possess both the authority of the state and a significant degree of operational freedom enjoyed by private businesses.

Statutory companies have a few unique characteristics, which are described below:Statutory corporations are established by a law passed by parliament and are subject to its rules. The Act outlines the purposes, authority, and privileges of statutory corporations, which are organisations that are entirely owned by the government.

The government is ultimately in charge of its finances and has the authority to take profits. A statutory corporation is a body corporate that may sue and be sued, engage into contracts, and buy property in its own name. This kind of business is often independently funded. At the same time, the state also has to suffer the losses, if any. It gets money by taking out loans from the government or from the general public using the proceeds from the sale of products and services. A statutory company is exempt from the same accounting and auditing requirements that apply to government agencies; it is allowed to spend its income. The workers of these businesses are not government or public officials, and they are not subject to government laws and regulations, therefore it is also unrelated to the government's overall budget. The provisions of the Act itself control the terms of employment for workers. On occasion, executives are deputed from government agencies to lead these organisations[5], [6].

These benefits of this kind of organization's working style are as follows: They perform independently and have a great degree of operational freedom. Since these organisations' funding does not come from the federal budget, the government typically stays out of their financial affairs, including their income and receipts. Since these organisations are autonomous, they set their own policies and procedures while adhering to the authority granted to them by the Act. The Act may, however, stipulate a small number of activities that need the previous permission of a certain minister; statutory corporations are an important tool for economic growth. It combines the initiative of private businesses with the authority of the government.

These organisations have a number of drawbacks, including the following:In reality, statutory corporations do not have the same degree of operational freedom as was previously asserted.

All actions are constrained by a plethora of rules and regulations; political and governmental interference has always existed in major decisions or in cases involving significant sums of money; where there is public interaction, rampant corruption exists; and the government has a practise of appointing advisors to the Corporation Board. This limits the corporation's flexibility to make choices and engage into contracts. In the event of a dispute, the government is consulted to make the ultimate decisions. This causes more inaction.

Government Enterprise

A government company is created in accordance with The Companies Act of 2013, and is registered under and subject to the rules of The Act. These were founded with just commercial objectives in mind, and they legitimately compete with businesses operating in the private sector. A government company is defined as any company in which the central government, a state government, or a combination of the central government and one or more state governments holds at least 51% of the paid up capital. This definition also includes a company that is a subsidiary of a government company. The definition of a corporation remains unchanged by the 2013 Companies Act. Unless otherwise stated, all provisions of the Act apply to government businesses. A public limited company or a private limited company may be established to constitute a government firm. When directors and other management employees are hired or fired, there are certain rules that must be followed. It is evident from the information above that the government has authority over the company's paid-up share capital. In the name of the President of India, shares of the corporation are bought. These businesses are referred to as government corporations since the government holds the majority of the stock and has managerial authority over them. Government corporations stand apart from other types of organisations because of a few specific traits.

It is an entity established in accordance with the 2013 Companies Act or any earlier Company Law.The management of the company is governed by the provisions of the Companies Act, like any other public limited company. The employees of the company are appointed in accordance with their own rules and regulations as contained in the Memorandum and Articles of Association of the company. The company can file a lawsuit in a court of law against any third party and be sued; the company can enter into a contract and can acquire property in its own name. These firms are excluded from the laws and procedures governing accounting and auditing. The Memorandum and Articles of Association are the primary papers of the company and include the purposes of the company as well as its rules and regulations. The Central Government appoints an auditor, and the Annual Report must be sent to the State Legislature or the Parliament. The Government Company receives its funding from Government Shareholdings and other Private Shareholders. The capital market may also be used to raise cash.

The following are a few benefits that government firms may take advantage of: A government company can be formed by meeting the conditions of the Indian firms Act. It has a separate legal entity from the government, enjoys autonomy in all management decisions, and takes actions in accordance with business prudence. These companies are able to control the market by offering goods and services at competitive prices, which helps to prevent unethical business practises.These companies, despite the autonomy granted to them, have a few drawbacks: It avoids the constitutional accountability that a government-funded company should have; some of the companies have the government as the sole shareholder, making the provisions of the Companies Act less relevant. As the only stakeholder and responsible for management and administration, the government is not directly liable to the Parliament. When a government entity registers as a business, its primary goal is defeated[7], [8].

Change In Public Sector's Role

At the time of independence, it was anticipated that public sector businesses would be crucial in attaining a number of economic goals, either directly by engaging in trade or indirectly by serving as an engine. The public sector would invest in crucial regions and provide infrastructure for other economic sectors. Projects that needed significant upfront investment and a lengthy gestation time were not attractive to the private sector. After that, the government decided to construct infrastructure facilities and provide commodities and services that were crucial to the economy.

The Indian economy is going through a change. The public sector was given a lot of attention in the early phases of the formulation of the five-year plans. Following the 1990s, new economic policies placed a strong focus on globalisation, privatisation, and liberalisation. The public sector's role has changed. It was expected to aggressively compete in the market with other private sector businesses in the same industry, not only take a passive role. Losses and returns on investment were also held against them. A public sector was submitted to the Board for Industrial and Financial Reconstruction (BIFR) for a full makeover or to be shut down if it was consistently losing money. Numerous committees were formed to investigate the operations of underperforming public sector organisations and provide recommendations on how to improve their management effectiveness and profitability. Definitely not what was envisioned for the public sector in the early 1960s or 1970s.

Industrialization in each nation requires the growth of its infrastructure. Because there was a lack of fundamental infrastructure during the time before independence, industrialization advanced relatively slowly. Without sufficient fuel and energy supplies, basic and heavy industries, transportation and communication infrastructure, and industrialization cannot continue. The private sector did not take any step to finance or otherwise advance heavy industry. The need of the economy prevented them from establishing heavy businesses right away due to a lack of educated staff or funding. Only the government was able to raise large sums of money, manage industrial building, and educate labourers and technicians. The development of the government-controlled modes of transportationrail, road, sea, and airhas accelerated industrialization and assured continued economic prosperity. The public sector businesses have to function in certain industries.

Give the core sector, which includes industries like steel plants, power generation plants, civil aviation, railroads, petroleum, state trading, coal, etc., infrastructure; Take the initiative in investing in the core sector, which includes industries like fertilisers, pharmaceuticals, petro-chemicals, newsprint, medium and heavy engineering, etc., where private sector enterprises are not operating in the desired manner. Regional disparities must be eliminated and all states and areas must be developed equally by the government. Prior to independence, the majority of industrial development was confined to a small number of locations, mostly port towns. In its Five Year Plans, the government said that, beginning in 1951, areas that were falling behind would get special attention, and public sector companies would be purposefully established. To speed up economic growth, engage the people, and create ancillary industries, four large steel factories were built in the less developed regions. Although this was partially accomplished, there is still room for much more. One of the main goals of planned development is the development of underdeveloped areas in order to maintain the country's regional balance. In order to avoid the mushrooming expansion of private sector units in previously advanced regions, the government had to place new businesses in underdeveloped areas.

The public sector had to intervene in order to benefit from economies of scale if large-scale enterprises had to be set up with significant capital expenditure. Examples of the public sector building up large scale units include electric power plants, natural gas, petroleum, and the telephone industry. These units needed a broader base to be economically viable, and mass manufacture and government funding were the only ways to make that happen.The public sector functions as a check over the private sector to prevent the concentration of economic power. Because there aren't many industrial companies prepared to engage in heavy industries in the private sector, money tends to concentrate in a small number of hands and monopolistic behaviour is supported. Income disparities result from this, which is bad for society. The money and advantages that result from the establishment of major enterprises in the public sector are thus distributed among a sizable number of workers and employees. This avoids economic power and wealth concentration in the private sector[9], [10].

Substitution of imports: India aimed to achieve self-sufficiency in several areas during the second and third Five Year Plans. The inability to import the heavy equipment necessary for a robust industrial base and the difficulty in obtaining foreign currency were further issues. Public sector heavy engineering firms that would aid in the import substitution of goods were founded at that time. Several public sector businesses, like STC and MMTC, have simultaneously contributed significantly to the growth of the nation's exports.Since the introduction of a new industrial strategy in 1991, four significant changes have been made to the public sector by the Indian government. The following are the key components of government policy:

1. Restructure and bring back potentially successful PSUs
2. Turn off PSUs that cannot be restarted.
3. If required, reduce government shareholding in all non-strategic PSUs to 26% or less;
4. Totally safeguard employees' interests

Around 17 industries were earmarked for the public sector in the 1956 resolution on industrial strategy. That number was later reduced to 8 and subsequently to 3. In 1991, just 8 industrieslimited to atomic energy, armaments and communication, mining, and railwayswere set aside for the public sector. Only three sectors were solely allocated for the public sector in 2001. Atomic power, weapons, and rail transportation are these. This meant that the public sector would have to compete with the private sector in all sectors. The public sector has been essential to the growth of the economy. However, the private sector is also very capable of making a significant contribution to the process of establishing a country. As a result, it is necessary to see the public and private sectors as complementary components of the overall national sector. Units in the private sector must take on more obligations to the general public. In a market that is very competitive, the public sector must simultaneously concentrate on delivering more.

Disinvestment of shares in a specific group of public sector companies: Disinvestment is the selling of equity shares to the public and private sectors. The goal was to increase funding and promote more public and employee ownership engagement in these businesses. The government has made the choice to leave the industrial sector and diminish its ownership stake in all businesses. This was anticipated to result in better management performance and ensure budgetary discipline. However, there is still more work to be done in this area.The following are the main goals of privatising public sector businesses:releasing the significant amounts of public funds restrained in non-strategic Public Sector Enterprises (PSEs), allowing them to be used to other social priority sectors including basic health, family assistance, and elementary education. Reducing the enormous public debt and interest burden; shifting commercial risk to the private sector so that funds are invested in viable projects; releasing these businesses from government control and introducing corporate governance; and In many industries where the public sector previously held a monopoly, such as the telecom sector, consumers have benefited from more options, lower costs, and higher-quality goods and services.

All public sector units were submitted to the Board of Industrial and Financial Reconstruction, which would determine whether a sick unit should be reorganised or shut down. This policy on sick units would be the same as that for the private sector. The Board has given revival and rehabilitation plans a second thought for certain situations and has decided to wind up other units. The staff members of the units that will be shut down are really angry. The government established a National Renewal Fund to retrain or redeploy laid-off workers and to compensate public sector workers who want to retire voluntarily.Numerous businesses have amassed significant losses, rendering them ill and unable to be resurrected. Both the federal government and state governments simply cannot support the public finances under the current conditions for much longer. The government's sole choice in these situations is to shut down these businesses after establishing a safety net for the workers and employees. The expense of the voluntary separation or voluntary retirement schemes has not been covered by resources from the National Renewal Fund.

Memorandum of Understanding: Improving performance via a Memorandum of Understanding (MoU) approach that gives managements more liberty while holding them responsible for certain outcomes. Under this approach, public sector organisations were given precise objectives to meet as well as operational freedom to do so. The Memorandum of Understanding (MoU) established the partnership and autonomy between the specific public sector unit and their administrative ministries.

CONCLUSION

In conclusion, the complex interaction between the public and private sectors is crucial to the development of every country's economy. You come into contact with a variety of commercial organisations in your daily life, from tiny enterprises to large corporations. Given that they perform different responsibilities and duties, it is essential to comprehend the differences between the public and private sectors.The Memorandum of Understanding (MoU) strategy, which establishes defined goals and grants operational autonomy while preserving responsibility, has proved crucial in improving the performance of public sector units.The public and private sectors essentially coexist and support one another within the larger national economy. For long-term economic development and prosperity, both sectors must work well together since they each have certain strengths and problems. The policies of the Indian government have changed throughout time to maintain a balance between these sectors while also adjusting to shifting economic conditions and external pressures.

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CHAPTER 3

EVOLUTION OF MULTINATIONAL CORPORATIONS AND PUBLIC-PRIVATE PARTNERSHIPS IN INDIA

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ABSTRACT:

An overview of the significant impact that multinational companies (MNCs), joint ventures, and public-private partnerships (PPPs) have had on the Indian economy during the last two decades is given in this abstract. MNCs have significantly influenced India's economic environment by using their large size, significant financial resources, state-of-the-art technology, and international marketing methods. Through a network of subsidiaries, they have grown their business, making a substantial contribution to India's industrial development. Mutually beneficial partnerships between MNCs and Indian companies have also given rise to worries about monopolies and concentrated power.MNCs are renowned for their cutting-edge production techniques, product innovation, and very successful marketing strategies, which have helped them gain market domination and reputation on a worldwide scale. They ensure stability and credibility in the financial industry by exercising centralised control over its branches and subsidiaries.Joint ventures are becoming a common form of cooperation in India outside of MNCs. Joint ventures are flexible and may be tailored to the individual requirements of the parties involved. They can be contractual or equity-based. These alliances have facilitated the development of resources and capacities, access to new markets, technology sharing, creative manufacturing, and innovation. In order to speed up the process of establishing brand awareness, joint ventures have also taken use of the existing reputation of its Indian partners.Additionally, the idea of PPPs has become increasingly popular in India, forming alliances between the public and private sectors to effectively provide infrastructure and services. PPPs have proved crucial in fields including transportation, healthcare, education, and electricity production. In addition to assuring social responsibility, environmental awareness, and local competence, the government's involvement in PPPs is providing resources and funding to support these alliances.

KEYWORDS:

Capacity, Government,Marketing, Private, Public.

INTRODUCTION

The capacity of MNCs to work with Indian companies in the public and private sectors to take use of technology, manufacturing capabilities, and brand awareness is one of their distinguishing characteristics. While these partnerships have been advantageous, they have also given rise to worries about the concentration of power and the expansion of monopolies.MNCs are renowned for their cutting-edge technical skills, which allow them to achieve global quality standards and support industrial development in the nations where they operate. Their dedication to research and development yields innovative products that often only big, global firms can produce.MNCs succeed in marketing with aggressive and successful methods that take advantage of their widespread presence and well-known brands. Their tremendous size and reach is evidence of their ability to penetrate new markets and establish themselves as global brands.

Joint ventures have become a popular strategic tool for businesses of all sizes to work together and accomplish shared goals. Joint ventures provide businesses the chance to access complementary talents, resources, and markets via contractual or equity-based partnerships. These collaborations may result in more resources, access to new markets, technology sharing, creative manufacturing, and innovation.Public-private partnerships (PPPs), in which the public and private sectors collaborate to fulfil diverse social demands, have also been crucial in the construction of infrastructure and the provision of services. PPPs have proved effective in a variety of sectors, including transportation, healthcare, and power production.India's public sector has developed to keep up with shifting economic principles and international competitiveness. While it used to dominate the economy, it now actively competes with the private sector in the majority of industries. The government has implemented strategies to enhance public sector performance and decrease government ownership in non-strategic public sector entities, such as disinvestment and the Memorandum of Understanding (MoU) strategy[1], [2].

Worldwide Enterprises

You must have at some point come into contact with goods made by multinational corporations (MNCs). around two decades ago. MNCs have contributed significantly to the Indian economy. They are now a typical element of the majority of emerging economies worldwide. MNCs are enormous organisations with activities in several nations, as is clear from what we see around us. They are distinguished by their enormous size, many goods, cutting-edge technology, marketing tactics, and global network of activities. Global firms are thus enormous industrial organisations that expand their activities in marketing and manufacturing via a network of their subsidiaries in many nations. These businesses have a wide range of operations, produce a wide range of goods, and have a global business strategy. Instead than trying to maximise revenues from only one or two goods, they attempt to stretch out their branches widely.

These businesses stand out from other private sector, public sector, and public sector enterprise organisations due to distinctive characteristics. These are listed below:Huge financial resources: These businesses are distinguished by their substantial financial resources and capacity to raise money from a variety of sources. They have access to money from a variety of sources. The public may get bonds, debentures, or equity shares from them. Additionally, they are able to borrow money from domestic and foreign banks. They have credibility in the financial sector. Even local banks and investors are eager to make investments in them. They can endure in any situation due to their strong financial position.

Collaboration with Indian businesses

Global corporations often engage into agreements with Indian businesses about the selling of technology, the manufacture of items, the use of brand names for finished goods, etc. These MNCs could work with both public and private sector businesses. Typically, the contract has a number of restrictive conditions about the transfer of technology, price, dividend payments, stringent oversight by foreign specialists, etc. Collaboration with MNCs has benefited large industrial firms seeking to diversify and grow in terms of patents, resources, foreign currency, etc. However, these international partnerships have also contributed to the expansion of monopolies and the concentration of power in a select few.

Advanced technology

The manufacturing processes used by these businesses are more advanced technologically. They have the ability to meet quality norms and international standards. This helps the nation where these firms are based advance industrially since they can best use the raw materials and resources there. The technical advances offered by MNCs have led to computerization and other breakthroughs.Product innovation: These businesses stand out for having highly advanced research and development teams working to create new items and improve upon current ones. Only large, international businesses can afford the enormous cost required for qualitative research.

Marketing tactics

Compared to other businesses, international corporations have far more successful marketing tactics. To quickly expand their revenue, they use aggressive marketing techniques. They have a more dependable and current approach for gathering market information. Their marketing and sales promotion strategies are often quite successful. Selling their goods is not an issue since they have already established themselves in the worldwide market and are renowned for their established brands.

Market territory expansion

Their operations and activities go beyond the actual borders of their own nations. Additionally, when their market share increases and their worldwide reputation grows, they are able to establish themselves as global brands. They do business via a network of affiliates, subsidiaries, and branches in the host nation. They have a dominating position in the market as a result of their enormous size.They exert control over all of their branches and subsidiaries from their home nation, where they also hold their corporate headquarters. However, this authority is only exercised over the parent company's wide set of policies. There is no disruption of regular activities[3], [4].

As you have already learned, there are many different sorts of business organisations, including private, publicly owned, and multinational corporations. Now, any business entity may collaborate with another business organisation for mutual gain if it so chooses. These two organisations might be privately held, state-owned, or foreign-owned. A joint venture is created when two companies decide to work together for a shared goal and mutual gain. Joint ventures are a great way for companies of any size to engage on short-term initiatives while also fostering long-term connections. According to each party's needs, a joint venture may be adaptable. To prevent disagreements later on, this must be spelt out in detail in the joint venture agreement.

DISCUSSION

An agreement between two companies operating in separate nations may potentially lead to the formation of a joint venture. There are a few conditions set out in this situation by the two governments, and they must be followed. As a result, we can see that, depending on the context in which we use the term, joint ventures may signify a variety of things. However, a joint venture is more broadly defined as the combining of the resources and knowledge of two or more companies in order to accomplish a certain objective. Additionally shared are the business's advantages and dangers. The establishment of new markets, especially those outside of the nation, or the creation of new goods are often the drivers behind joint ventures. corporations are increasingly joining up with other firms and corporations to establish joint ventures and strategic partnerships. These partnerships might be the result of complementary skills and resources, such distribution networks, technology, or cash. In this kind of joint venture, two or more (parent) corporations agree to share cash, technology, human resources, risks, and rewards in the creation of a new company that will be controlled by both parties.

Joint venture businesses are the most effective approach to do business in India. These joint enterprises are not subject to different legislation. Indian-incorporated businesses are given the same legal protections as domestic ones.There are two sorts of joint ventures:

Joint Venture Types

Contractual Joint Venture (CJV)

A contractual joint venture does not result in the creation of a new jointly owned firm. There is simply a commitment to collaborate. Although they do not jointly own the company, the parties do have some authority over the joint venture. A franchisee relationship is an example of a contractual joint venture. The essential components of such a partnership are:

1. Running a company is a shared aim of two or more persons;
2. Contributions are made by each party;
3. Both parties participate in decision-making on the business endeavour; and
4. The connection has a nature of significantly longer length rather than being a transaction-to-transaction interaction.

Equity-based Joint Venture (EJV)

An equity joint venture agreement is one in which a distinct business entity is created in line with the parties' agreement, jointly owned by two or more parties. In this situation, joint ownership by two or more parties is the main driving force. Various corporate entity types may exist.Trusts, limited liability partnership companies, corporations, partnership firms, venture capital funds, etc.

1. There is a contract that calls for the formation of a new company or the acquisition of an existing entity by one of the parties;
2. A joint ownership arrangement between the parties;
3. Joint management under shared management
4. Owned company;
5. Joint accountability for capital expenditures and other financial arrangements; and
6. Profits and losses will be split in accordance with the contract.

The foundation of a joint venture must bememorandum of understanding outlining the fundamentals of a joint venture agreement, signed by both parties. To prevent any legal issues later on, the conditions should be carefully addressed and agreed.

The parties' cultural and legal backgrounds must be taken into consideration during negotiations and term agreements. The joint venture agreement must also specify that all required government permits and permissions will be acquired within a certain time frame.Joint ventures with a partner might help a business make unexpected profits. Joint ventures may turn out to be quite advantageous for all parties involved. Even if one party has great development potential and creative ideas, doing a joint venture will likely be advantageous since it will increase that party's capacity, resources, and technological know-how.

Resources and capacity are increased as a result of working together or collaborating, which enables the joint venture firm to develop and expand more rapidly and effectively. The new company can meet market problems and seize new possibilities since it combines its financial and personnel resources.Access to new markets and distribution networks: When a company forms a joint venture with a foreign partner, it unlocks a large, expanding market. For instance, international businesses may access India's sizable market by establishing joint venture enterprises there. Their goods can be readily marketed in new markets even while their domestic markets are saturated. They may also benefit from the retail establishments in various local marketplaces, which are established distribution routes. Otherwise, opening up their own stores would probably be incredibly costly[5], [6].

The majority of organisations rely heavily on technology when deciding to form joint ventures. They don't have to build their own technology, which saves them a lot of time, effort, and money and results in higher quality goods. Technology also increases efficacy and efficiency, which lowers expenses.The markets are growing more and more demanding in terms of brand-new, cutting-edge goods. Joint partnerships enable companies to develop novel and inventive products for the same market. Innovative items may be created by partners, particularly international ones, thanks to fresh concepts and technology.Due to India's lower cost of production, foreign firms invest there and reap huge rewards. They can find high-quality items to meet their needs on a worldwide scale. India is becoming into a significant worldwide supplier and is fiercely competitive in several industries. There are several causes for this, including cheap labour and raw material costs, a technically skilled labour force, managerial experts, and great human resources in a variety of professions including law, chartered accounting, engineering, and science. As a result, the overseas partner may purchase goods with the needed quality and specifications for a lot less money than is customary in the home country.

When two companies form a joint venture, one of the parties has access to the other's established goodwill in the market. The Indian firm does not have to invest time or money in creating a brand name for the product or even a distribution system if the joint venture is in India and with an Indian company. A ready market is awaiting the introduction of the product. The technique results in significant investment savings.The Public Private Partnership model optimally distributes duties, responsibilities, and risks across the public and private parties. Governmental organisations, such as ministries, departments, municipalities, or state-owned businesses, are the public partners in PPPs. The private partners may be domestic or international companies or investors who have the necessary financial or technological know-how for the project. NGOs and/or community-based groups that are project stakeholders directly impacted by the project are also included in PPP. As a result, PPP is described as a partnership between public and private organisations for the purpose of providing infrastructure and other services. The public sector plays a significant role in the PPP model and guarantees that social commitments are satisfied as well as effective sector changes and public investment. The government's role to PPP includes social responsibility, environmental awareness, and local expertise in addition to funds for investment and the transfer of assets that support the partnership. The private sector's role in the partnership is to apply its operational, task-management, and innovative experience to operate the company successfully.

Power generation and distribution, water and sanitation, waste removal, pipelines, hospitals, schools and other educational facilities, stadiums, air traffic control, prisons, railways, roads, billing and other information technology systems, and housing are just a few of the industries where PPPs have been successfully implemented.Public and private sectors coexist in our nation's corporate landscape. These companies might be small or huge, industrial or commercial, privately or publicly held. These organisations have an impact on our everyday economic activities and as a result, they contribute to the Indian economy. The Indian government chose a mixed economy in which both government and private businesses are permitted to exist. Therefore, the economy may be divided into the private sector and the public sector. Businesses owned by one person or by a group of people make up the private sector. The terms sole proprietorship, partnership, joint Hindu family, cooperative, and corporation refer to several organisational types. The public sector comprises of a variety of businesses that the government owns and runs. The federal or state governments may own all or a portion of these organization [7], [8].

Forms of arranging public sector enterprises: The government's involvement in the commercial and economic life of the nation requires some kind of organisational structure to operate. Depending on the nature of its activities and its connection with the government, a public business may adopt any specific organisational structure. The criteria of a given organisation would determine its applicability. The following are the organisational configurations that a public company may adopt. Departmental undertaking, statutory corporation, government firm are only a few examples.Departmental enterprises: These businesses are organised as divisions of the ministry and are seen as an addition to or division of the ministry. These departments are responsible for the operation of the government, and the tasks they carry out are essential to that operation.

Statutory corporations are government-run businesses that were established by a special act of the parliament. The Act outlines its authority and responsibilities, as well as the policies and guidelines regulating its personnel and interactions with other government agencies. This is an organisation that was given legal status by the government, has unambiguous authority over a certain territory or kind of business activity, and is financially independent.A company is considered a government company if the central government, one or more states, or both the central government and one or more states hold at least 51 percent of the paid up capital. This definition also includes a subsidiary company of a government company.

At the time of independence, it was anticipated that the public sector firms would be crucial in accomplishing certain economic goals, either by direct involvement in business or by serving as a catalyst. The Indian economy is going through a change. The focus of the new economic policies in the years after the 1990s was on globalisation, privatisation, and liberalisation. The public sector's function has changed. It was expected to aggressively compete in the market with other private sector businesses in the same industry, not only take a passive role.Without enough fuel and energy supplies, basic and heavy industries, transportation and communication infrastructure, and industrialization cannot continue. Only the government is able to raise large sums of money, manage industrial projects, and educate labourers and technicians.

The government is in charge of promoting all states and regions equally and eradicating regional inequalities. One of the main goals of planned development is the development of underdeveloped areas in order to maintain the country's regional balance. In order to avoid the mushrooming expansion of the private sector in previously developed regions, the government had to situate new businesses in underdeveloped areas.The public sector had to step in to take advantage of economies of scale when large-scale enterprises needed to be established with significant capital expenditure.The public sector functions as a check over the private sector to prevent the concentration of economic power. Because there aren't many industrial companies prepared to engage in heavy industries in the private sector, money tends to concentrate in a small number of hands and monopolistic behaviour is supported.India aimed to achieve self-sufficiency in several areas during the second and third Five Year Plans. Establishments were made for heavy engineering public sector businesses that would aid in reducing imports.

Reorganise and resuscitate PSUs that may be viable, shut off any PSUs that can't be restarted. Reduce government ownership of all non-strategic PSUs to 26% or less, if necessary, and adequately defend worker interests. The reduction of the number of sectors allocated for the public sector from 17 to 8 (and eventually to 3) meant that the public sector would have to compete with the private sector in all but three of the remaining industries.Disinvestment refers to the selling of equity shares in a certain group of public sector companies to the public and private markets. The goal was to increase funding and promote more public and employee ownership engagement in these businesses. The government has made the choice to leave the industrial sector and diminish its ownership stake in all businesses. All public sector units were submitted to the Board of Industrial and Financial Reconstruction, which would determine whether a sick unit should be reorganised or shut down. This policy on sick units would be the same as that for the private sector[9], [10].

Improving performance via a Memorandum of Understanding (MoU) approach that gives managements more liberty while holding them responsible for certain outcomes. Global businesses: Over the last 20 years, MNCs have been crucial to the Indian economy. They are distinguished by their enormous size, many goods, cutting-edge technology, marketing tactics, and global network of activities. Global firms are thus enormous industrial organisations that expand their activities in marketing and manufacturing via a network of their subsidiaries in many nations. These corporations stand out from other private sector, public sector, and public sector enterprises due to their unique characteristics, including large capital resources, foreign collaboration, advanced technology, innovative products, marketing strategies, market territory expansion, and centralised control.

Depending on the context in which we use the term, "joint ventures" may signify a variety of things. However, a joint venture is more broadly defined as the combining of the resources and knowledge of two or more companies in order to accomplish a certain objective. Additionally shared are the business's advantages and dangers. The establishment of new markets, especially those outside of the nation, or the creation of new goods are often the drivers behind joint ventures. Public-private partnerships are arrangements between the public and private sectors for the purpose of allocating and completing development projects.

CONCLUSION

In conclusion, multinational corporations (MNCs), joint ventures, and public-private partnerships (PPPs) have had a substantial influence on India's economic growth and development, altering its industrial environment and encouraging innovation and cooperation. These many commercial entities have been instrumental in advancing India's economy and raising its position internationally.In conclusion, throughout the last 20 years, multinational companies (MNCs) have had a considerable impact on the Indian economy. Not only in India, but in many other rising economies throughout the globe, these enormous organisations have permanently altered the economic landscape. Large financial resources, cutting-edge technology, sophisticated marketing strategies, and a broad worldwide network of activities are characteristics of MNCs.In conclusion, the interaction of foreign businesses, joint ventures, and public-private partnerships has greatly aided India's economic development and change. India has been able to use the capabilities of both the public and private sectors thanks to these many kinds of economic organisation and cooperation, fostering innovation, growth, and competitiveness on a global scale. These relationships will probably continue to be crucial resources for attaining economic advancement and social development as India continues to change.

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CHAPTER 4

ECONOMIC TRANSFORMATION AND CHALLENGES: INDIA'S REFORM JOURNEY SINCE 1991

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ABSTRACT:

India has been able to build a strong industrial basis and attain food grain self-sufficiency after forty years of planned growth. However, a sizable portion of the populace still relies on agriculture for a living. A balance of payments problem in 1991 prompted the nation to implement economic changes. An evaluation of the reform process and its effects on India is provided in this section.Following their completion of this chapter, the students. grasp the history of the reform policies put in place in India in 1991, fathom the method by which reform policies were put in place, comprehend the effects of globalisation on India.understand how the reform process is affecting different industries.India adopted a mixed economy framework after gaining its independence, combining the benefits of a capitalism and a socialist economic structure. Many regulations and laws that were intended to govern and regulate the economy throughout time, according to some academics, were instead established as a consequence of this strategy, stifling economic progress and development. Others claim that India, which began its path towards development from a position of near stagnation, has since been able to increase savings, develop an industrial sector that is diversified and produces a range of goods, and experience sustained growth in agricultural output that has ensured food security.

KEYWORDS:

Economic, Globalization,Liberalization,Privatization,Policies.

INTRODUCTION

The economy was having issues with low foreign exchange, rising imports that weren't keeping up with rising exports, and increasing inflation. A financial crisis and pressure from foreign bodies like the World Bank and IMF led to changes in India's economic policy in 1991.The industrial and financial sectors of the domestic economy underwent significant transformations. Foreign currency deregulation and import liberalisation were two significant improvements in the external sector.There was general agreement that the public sector should play a smaller role and be more accessible to the private sector in order to function better. Disinvestment and liberalisation tactics were used to accomplish this.The result of liberalisation and privatisation policies is globalisation. It denotes the country's economy's integration with the global economy.The industrial and service sectors are beginning to see outsourcing as a significant activity.The WTO's goal is to create a trading system based on rules to guarantee the best possible use of global resources.Agriculture and manufacturing growth have decreased as a result of the changes, while the service sector has seen development.The agricultural industry has not profited from reforms. Public investment in this industry has also decreased.Due to the availability of less expensive imports and less investment, industrial sector development has slowed.

India experienced an economic crisis in 1991 as a result of its external debt, which prevented the government from repaying its borrowings from abroad. As a result, our foreign exchange reserves—which we typically keep to import petroleum and other essential goods—fell to levels that were insufficient for even a fortnight. The problem was made worse by the growing cost of necessities. As a result of all of these, the government introduced a new set ofpolicies that altered the focus of our development initiatives. The crises' historical context, the government's response, and how those actions have affected different economic sectors.

The ineffective handling of the Indian economy in the 1980s may be linked to the beginning of the financial crisis. We are aware that the government raises money from a variety of sources, including taxes, the operation of public sector firms, etc., for the implementation of different programmes and its general management. When spending exceeds revenue, the government borrows money from banks, as well as from citizens and foreign financial institutions, to cover the deficit. We use the cash we get from exports to pay for items like petroleum when we buy them[1], [2].In order to address issues like unemployment, poverty, and population growth, development strategies forced the government to exceed its income even though it had relatively low revenues. Government investment on development activities did not result in more money coming in. Additionally, the government was unable to raise enough revenue from domestic sources like taxes. There was a need to use the government's remaining cash very efficiently since a significant portion of it was going into defence and other non-immediately gratifying endeavours like the social sector.

To cover the rising expenses, the public sector's revenue was likewise not very high. Our foreign currency was sometimes used to fund our consumption demands after being borrowed from other nations and international financial organisations. Neither an effort to cut down on such wasteful expenditure nor enough focus on increasing exports to cover the rising imports were made. Government spending started to outpace receipts in the late 1980s by such wide proportions that borrowing to cover the difference became unworkable. Numerous necessities saw a dramatic increase in price. Without a corresponding increase in exports, import growth was quite rapid. As was previously mentioned, foreign currency reserves decreased to a position where they were unable to cover imports for more than two weeks. Additionally, there was not enough foreign currency available to cover the interest that had to be paid to overseas lenders. Additionally, no nation or foreign donor was eager to provide money to India.

India requested a loan of $7 billion from the International Bank for Reconstruction and Development (IBRD), often known as the World Bank and the International Monetary Fund (IMF), to help handle the crisis. These foreign organisations anticipated that India would liberalise and open up the economy by lifting limitations on the private sector, reducing the role of the government in many sectors, and abolishing trade barriers with other nations in order to qualify for the loan.

India unveiled the New Economic Policy (NEP) and accepted the World Bank and IMF's conditions. Wide-ranging economic changes made up the NEP. The main goals of the programmes were to make the economy more competitive and lower obstacles to new company entrance and expansion. The stabilisation measures and the structural reform measures are the two basic categories into which this collection of policies may be divided. Stabilisation measures are short-term actions designed to address some of the balance of payments vulnerabilities that have arisen and to limit inflation. This simply implies that it was necessary to retain enough foreign currency reserves on hand and rein in the growing costs. The goal of structural reform programmes, on the other hand, is to improve the economy's efficiency and international competitiveness over the long run by reducing rigidities from different sectors of the Indian economy. The administration launched a number of initiatives that fit under the three categories of globalisation, privatisation, and liberalisation.

Liberalisation

As was said at the outset, regulations and laws intended to control economic activity instead served as significant roadblocks to growth and development. To abolish these limits and open up many economic areas, liberalisation was adopted. Although certain liberalisation measures in the 1980s were implemented in the fields of industrial licencing, export-import policy, technical advancement, fiscal policy, and foreign investment, the reform programmes started in 1991 were more extensive. Let's examine several significant areas, such as the trade and investment sectors, the industrial sector, the financial sector, tax changes, foreign currency markets, and other areas that attracted more attention in and after 1991[3], [4].

The industrial sector in India was deregulated in a number of ways, including (i) industrial licencing, which required every businessperson to get official government approval before opening a business, closing one, or determining how many commodities may be produced. In several sectors, the private sector was not permitted; in others, only small-scale companies were permitted to create certain items; and in still others, there were restrictions on the distribution and price fixing of specific industrial goods.

DISCUSSION

Many of these limitations were lifted by the reform initiatives that were implemented in and after 1991. Nearly all product categoriesincluding alcohol, cigarettes, dangerous chemicals, industrial explosives, electronics, aerospace, and medications and pharmaceuticalswere exempt from the repeal of industrial licencing. The only sectors that remain exclusively in the public sector are those that are involved in the production of nuclear energy and a few essential aspects of rail transport. Small-scale enterprises used to manufacture a lot of products that are now deserving. The market has been permitted to set pricing in the majority of sectors.

Financial Sector Reforms: Financial institutions such as commercial banks, investment banks, stock exchange activities, and the foreign exchange market are all included in the financial sector. The Reserve Bank of India (RBI) oversees the financial industry in India. You may be aware that the RBI has established a number of standards and rules that apply to all banks and other financial institutions in India. The RBI sets interest rates, the maximum amount of cash that banks may have on hand, the kind of loans they may provide to different industries, among other things. Reducing the function of the RBI from regulator to facilitator of the financial system is one of the main goals of financial sector reforms. This suggests that many decisions might be made by the banking industry without contacting the RBI.

Foreign and domestic private sector banks were founded as a result of the reform efforts. The maximum permitted foreign investment in banks has been increased to around 74%. Banks that meet specific requirements have been granted permission to streamline their current branch networks and open new branches without the RBI's approval. Although the RBI has maintained certain supervisory responsibilities to protect the interests of account holders and the country, banks have been granted authority to produce resources from both inside and outside of India. The Indian financial markets now accept investments from Foreign Institutional Investors (FII), including pension funds, mutual funds, and merchant bankers.

The government's fiscal policy, sometimes referred to as its taxes and public spending policies, are the subject of tax revisions. Taxes come in two flavours: direct and indirect. Direct taxes are levied on both the earnings of commercial businesses and the income of individual taxpayers. Since 1991, the tax burden on individual income has steadily decreased since it was believed that high income tax rates were a major contributor to tax evasion. It is now generally acknowledged that modest income tax rates promote saving and voluntarily disclosing income. Previously extremely high company tax rates have been steadily lowered. To make it easier to create a single national market for goods and commodities, efforts have also been made to reform indirect taxes, or taxes placed on commodities.

In order to unify and streamline India's indirect tax structure, the Indian Parliament approved the Goods and Services Tax Act 2016 in 2016. With effect as of July 2017, this legislation. 'One country, one tax, and one market' are projected to be created as a result, increasing tax income for the government. The streamlining of this sector is another aspect of change. Numerous processes have been streamlined, and rates have also been significantly reduced, in an effort to encourage taxpayers to comply with the law more often.

The foreign currency market saw the first significant reform in the external sector. The rupee was depreciated against other currencies in 1991 as a quick fix to the balance of payments issue. As a result, foreign currency influx increased. Additionally, it prepared the stage for the government's control over rupee valuation in the foreign currency market to end. Markets now often decide exchange rates based on the supply and demand of foreign currency.To make industrial output more competitive internationally and to attract more foreign capital and technological innovation into the economy, trade and investment regime liberalisation was started. The promotion of local industry efficiency and technological adoption was another goal[5], [6].

India had a framework of quantitative import restrictions in place to safeguard native industry. The strict regulation of imports and the maintenance of extremely high tariffs served to foster this. These measures decreased productivity and competitiveness, which resulted in the industrial sector's sluggish expansion. The trade policy changes intended to (i) remove quantitative import and export limitations, (ii) lower tariff rates, and (iii) do away with import licencing requirements. Except in cases involving hazardous and ecologically sensitive sectors, import licencing was removed. As of April 2001, there were no more quantitative limits on the importation of manufactured consumer items or agricultural products. To make Indian products more competitive on global markets, export taxes have been eliminated.

Give an example of a mutual fund, a FII, a private bank, a private foreign bank, and a nationalised bank.Visit your neighbourhood bank with your folks. Discover its operations by keeping an eye on it. With your students, have a discussion about it, then create a chart.Check with your parents to see whether they file taxes. If so, why and how do they do it?Do you know that nations have kept silver and gold as reserves for making payments overseas for a very long time? Learn how we maintain our foreign currency reserves and how much was held in reserves over the previous year by consulting newspapers, periodicals, and the Economic Survey. Find the most recent rupee conversion rate for the following nations' foreign currencies as well.

Privatisation

It suggests giving over control over or management of a government-owned business. You may turn public sector enterprises into private ones in one of two ways: either by selling them outright or by (i) removing the government from their ownership and administration. Disinvestment is the process of privatising public sector firms by transferring a portion of its equity to the general public. According to the government, the sale was primarily done to encourage modernization and strengthen financial discipline. Additionally, it was envisioned that PSU performance might be enhanced by successfully using private resources and management skills. The administration believed that privatisation may provide the influx of FDI a significant boost. The government has also made an effort to increase the effectiveness of PSUs by granting them management decision-making authority. Examples of PSUs that have received special status include maharatnas, navratnas, and miniratnas.

Globalisation

Despite being usually thought to signify the country's economy becoming integrated with the global economy, globalisation is a complicated phenomena. It is the result of a series of different policies intended to change the world and make it more interdependent and integrated. It entails the development of networks and activities that cut beyond social, economic, and geographic borders. The goal of globalisation is to create connections that will allow events far abroad to have an impact on what happens in India. It involves unifying the whole universe or establishing a world without boundaries.

This is a significant result of the trend of globalisation. In outsourcing, a business acquires recurring services from external sources, often from other nations, that were previously delivered either internally or from inside the nation (such as legal counsel, computer support, advertising, and security, which were all handled by different business departments). Outsourcing has been more popular as a kind of economic activity recently as a result of the development of quick communication channels, notably Information Technology (IT). Many services are being outsourced to India by businesses in developed nations, including voice-based business processes (commonly referred to as BPO or call centres), record keeping, accounting, banking services, music recording, film editing, book transcription, clinical advice, and even teaching. The text, speech, and visual data related to these services are digitalized and transferred in real time across continents and national borders with the use of contemporary telecommunication systems, including the Internet. The majority of multinational organisations, as well as small businesses, outsource their work to India because it offers low rates for services with a high level of competence and precision. In the years after the reform, India has been a popular location for global outsourcing due to its cheap pay rates and accessibility to trained labour.

The World Trade Organisation (WTO) was established in 1995 to replace the General Agreement on Trade and Tariffs (GATT). GATT was founded in 1948 by 23 nations as the world trade organisation to oversee all multilateral trade agreements while giving all nations an equal chance to trade on the global market. It is anticipated that the WTO would develop a trading system based on rules, in which countries cannot impose arbitrary trade barriers.

1. Many academics contend that since globalisation lessens the government's influence in many industries, it poses a danger. Others reply that it's an opportunity since it creates new markets for competitors to enter and seize. debate among students.
2. Create a chart listing five businesses that provide BPO services in India, along with information about each business's annual revenue.
3. Is contact centre work sustainable? What type of skills should contact centre employees have to secure a steady income?
4. What would happen to people living in the nations where the multinational firms are based if they outsource a lot of services to places like India because of the cheap labour there?

Additionally, it aims to increase service production and commerce, guarantee the best possible use of global resources, and promote environmental protection. The WTO accords include both trade in goods and services, facilitating both bilateral and multilateral international commerce via the reduction of tariff and non-tariff barriers and granting all members greater market access. India, a significant WTO member, has been in the forefront of establishing just international norms, regulations, and safeguards as well as promoting the interests of the developing world. By abolishing quantitative import limits and lowering tariff rates, India has upheld its WTO obligations to trade liberalisation.

Given that a significant portion of global commerce is conducted among industrialised countries, several academics dispute the value of India's membership in the WTO. Additionally, they claim that although developed countries complain about the agricultural subsidies provided in their nations, developing nations feel deceived since they are required to open their markets to developed nations yet are denied access to those markets[7], [8].

The Indian Economy During Reforms: An Evaluation

Three decades after its inception, the reform process is now complete. Now let's examine how the Indian economy performed throughout this time. In economics, the Gross Domestic Product is used to gauge an economy's growth. India saw continuous, strong GDP growth after 1991 for two decades. GDP growth grew from 5.6% between 1980 and 1991 and 8.2% between 2007 and 2012. Agriculture's growth has slowed down throughout the reform era. The expansion of the service sector has increased, notwithstanding fluctuations in the industrial sector.

This suggests that the expansion of the service sector is primarily responsible for GDP growth. There has been a slowdown in the post-1991 growth rates of many industries from 2012 to 2015. Agriculture saw negative growth in 2014 despite having seen great growth during 2013–14. While the service sector continued to have strong growth in 2014–15, it did so at a pace that was greater than the total GDP growth, coming in at 9.8%. After a sharp decrease in 2012–2013, the industrial sector started to expand steadily in the years that followed.

Foreign direct investment and foreign currency reserves have risen sharply as a result of the economy's liberalisation. From around $100 million in 1990–1991 to $ 30 billion in 2017–18, the amount of foreign investment, which includes both FDI and FII, has surged. The foreign currency reserves have increased, going from roughly US $6 billion in 1990–1991 to over US $413 billion in 2018–19. India is one of the countries with the greatest foreign currency reserves. Since 1991, India has been regarded as a successful exporter of textiles, IT software, engineering products, pharmaceuticals, and auto components. Additionally, rising costs have been restrained.

A significant oilseed crop in Andhra Pradesh is groundnut. Mahadeva, a farmer in the Andhra Pradeshi district of Anantpur, used to spend Rs. 10,000 to plant groundnuts on his half-acre plot. The price includes expenses for manpower, bullock power, raw materials (seeds, fertilisers, etc.), and equipment. Mahadeva used to get two quintals of groundnut on average, with each quintal selling for Rs. 7,000. Mahadeva was earning Rs. 14,000 and spending Rs. 10,000 as a result.

The district of Anantpur is prone to drought. Economic changes prevented the government from starting any significant irrigation projects. Recently, crop disease has caused issues with the groundnut crop in Anantpur. Reduced government spending has resulted in a decrease in research and extension activities. Mahadeva and his companions constantly attempted to bring this issue to the attention of the government figures in charge of it, but they were unsuccessful. Mahadeva's cost of cultivation rose since the subsidy on materials (seeds, fertilisers) was cut. Furthermore, the lifting of import restrictions led to an oversupply of inexpensive imported edible oils in local markets. Mahadeva was unable to make enough money from his groundnut sales at the market to pay his expenses. On the other side, the reform process has come under fire for failing to solve some of the fundamental issues that our economy is now confronting, particularly in the areas of employment, agriculture, industry, the development of infrastructure, and fiscal management.

Growth and employment: Despite the fact that the GDP growth rate has grown throughout the reform era, experts point out that the growth brought on by the reforms has not led to enough job possibilities in the nation. In the next section, you will learn about the relationship between several components of work and development.

Despite the industry's decelerating growth rate, reforms have not been able to help the sector.Since 1991, governmental spending on infrastructure, such as roads, markets, irrigation, electricity, and research and extension (which was essential to the Green Revolution), has decreased in the agricultural sector.

Additionally, the partial withdrawal of the fertiliser subsidy has increased production costs, which has had a negative impact on small and marginal farmers. Numerous regulatory changes have affected this industry, including the removal of quantitative limits on the importation of agricultural goods and the decrease of import levies on agricultural items. Due to rising worldwide competition, they have a negative impact on Indian farmers.

Furthermore, production for the domestic market has shifted to production for the export market, concentrating on cash crops instead of production of food grains, as a result of export-oriented policy policies in agriculture.

The cost of food grains is under pressure as a result. Reforms in Industry: There has been a slowdown in industrial growth as well. This is a result of the decline in demand for industrial goods brought on by a number of factors, including cheaper imports, insufficient infrastructural investment, etc. In a globalised world, emerging nations are forced to expand the flow of money and products into their economies, making their sectors more susceptible to imports.

Thus, demand for indigenous products has been replaced by imports that are more affordable. Imports are putting pressure on domestic producers. Due to a lack of investment, the infrastructural facilities, especially the electricity supply, have remained insufficient. Thus, globalisation is often seen as fostering circumstances for the free flow of products and services from outside, which have a negative impact on the local economies and job prospects in developing nations.

Furthermore, owing to significant non-tariff barriers, emerging nations like India still do not have access to the markets of wealthy nations. For instance, even though all quota limits on textile and garment exports have been lifted in India, the USA still retains quota restrictions on textile imports from China and India. Disinvestment: The government sets a goal for PSE disinvestment each year.

For instance, it was intended to raise Rs 2500 crore by disinvestment in 1991–1992. 3,040 crores more than the goal were raised by the government. The aim for 2017–18 was around $1,000,000, while the actual amount raised was $1,057,000,000. Critics point out that PSE assets were sold to the private sector for less than they were worth. This indicates that the government has suffered a large loss and that public assets have been openly sold! Furthermore, instead of funding PSE growth and nation-wide social infrastructure, the earnings from disinvestment are utilised to make up for a lack of government income[9], [10].

Reforms and Fiscal Policies: The expansion of public spending, particularly in the social sectors, has been constrained by economic reforms. The government has not seen an increase in tax income as a consequence of the tax reductions made during the reform era that were intended to produce more revenue and prevent tax evasion. Additionally, the opportunities for earning money via customs taxes have been limited by the reform measures, which include tariff lowering. Tax incentives are given to foreign investors in order to entice their investment, which further reduces the potential for increasing tax collections. Spending on welfare and development is negatively impacted by this.

Both good and negative effects of the globalisation movement via liberalisation and privatisation policies have been seen in India and other nations. According to some academics, globalisation should be seen as an opportunity since it will provide developing nations' significant businesses more access to global markets, advanced technology, and opportunities to compete successfully on the global stage. On the other hand, detractors contend that globalisation is a tactic used by wealthy nations to expand their markets abroad. They claim that it has jeopardised the identity and wellbeing of individuals from underdeveloped nations. Furthermore, it has been noted that market-driven globalisation has expanded economic inequalities between individuals and countries.

CONCLUSION

According to some studies, when considered in the Indian context, the crisis that broke out in the early 1990s was primarily a result of the systemic inequalities in Indian society, and the economic reform measures taken by the government in response to the crisis, along with the externally advised policy package, only served to exacerbate the inequalities. Additionally, it has improved the standard of living and income of only high-income groups, and the growth has been concentrated only in a small number of key service sectors like telecommunication, information technology, finance, entertainment, travel and hospitality, real estate, and trade rather than crucial industries like agriculture and industry that support the livelihoods of millions of people across the nation.

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CHAPTER 5

TRANSFORMING INDIA'S PUBLIC SECTOR: A COMPREHENSIVE PLAN FOR ECONOMIC GROWTH AND INFRASTRUCTURE DEVELOPMENT

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ABSTRACT:

This abstract explores Prime Minister Modi's pledge to US investors on the role of government in business, as well as his most recent reaffirmation to German investors. India's enormous network of more than 235 Central Public Sector Undertakings (PSUs) and several state and municipal government-owned PSUs is a testament to its socialist past. Due to vested interests and the complexity of these legacy organisations' operations, reforming and modernising them is a substantial task.The novel chronicles India's economic history, emphasising the state sector's domination, overbearing rules, and the notorious "license-raj" system, which for many years hampered entrepreneurship and economic progress. During the middle of the 20th century, India's lagged social and economic indicators and sluggish GDP development made clear the effects of this strategy.The 1990s economic reforms, which sought to liberalise, delicensing, and partial privatisation of PSUs, are then discussed in the abstract. Along with performance-based criteria, the introduction of Maharatnas, Navratnas, and Miniratnas brought both problems and some benefits.The effect of privatisation and performance contracts is highlighted, along with the complexity of PSU performance and the necessity to distinguish between different PSU types. The difficulties in assessing PSU performance are discussed, along with the impact of size, industry, the state of the economy, and performance contracts.The demand for a daring 10-year plan to convert public equity into public infrastructure is made towards the end of the abstract. To promote economic growth and infrastructure development, it recommends selling at least 50% of PSU assets, using private funding, and setting up a strategic investment fund. It highlights the potential long-term advantages for the Indian economy while underlining the significance of competitive bidding and transparent procedures in privatisation.

KEYWORDS:

Development, Economic, Privatisation, Strategy.

INTRODUCTION

India's economic development has historically been constrained by regulations that prioritise state-led capitalism, industrial licencing, and inefficient bureaucracy. This strategy, also known as the "licence raj," discouraged private sector innovation and produced slow GDP growth rates, earning it the nickname "Hindu growth rate". Significant changes, like as licencing, giving successful PSUs more autonomy, and partial privatisation, weren't started until the balance of payments crisis in 1991.Maharatna, Navratna, and Miniratna categories were created in an effort to categorise PSUs according to their performance and potential. However, obstacles including political opposition and vested interests have made restructuring PSUs difficult. There is still work to be done, even if some progress has been achieved, such as raising the performance of certain PSUs via MOUs and partial privatisation.A detailed plan is required to proceed. A more ambitious strategic disinvestment plan should be part of this approach, with the goal of selling at least 50% of PSU assets during the next ten years. The proceeds from these transactions need to be used to fund infrastructure development initiatives, thereby converting public assets into public infrastructure. This strategy increases resource utilisation efficiency while simultaneously freeing up money.The plan should also take into account the sector, size, and performance of PSUs, with a focus on resolving the underperformance of several Navratnas and Miniratnas. To guarantee a fair and advantageous privatisation process, open and competitive bidding processes as well as arrangements for worker compensation should be put in place.

The commitment that Prime Minister Modi made to US investors over two years ago that "the government has no business to do business" was recently reaffirmed to German investors. The crown jewels of India's socialist heritage are its 235 Central Public Sector Undertakings (PSUs), of which seven are Maharatnas, seventeen are Navratnas, and more than seventy are Miniratnas. Additionally, state and local governments own more than 1,000 PSUs. This pricey legacy has to be cleaned up, and soon. The extensive network of entrenched interests that are committed to their continuation makes it difficult to know how to achieve this and how to approach them[1], [2].

The public sector's share of overall investment during this time period exceeded 50%. several new public sector businesses were created, and several businesses in industries including coal, aircraft, banking, and insurance were nationalised. Industrial licencing was implemented to restrict what the private sector might create, imitating the Soviet Union. To decide on the amount and kinds of licences, a complete apparatus known as the "license-raj" was set up and is controlled by convoluted administrative processes. Inefficiency and corruption were fostered by the licence raj along with ineffective state businesses, creating a plethora of middlemen whose primary job it was to seize these licences and sell them to the highest bidder. "Socialist allocation in the first round followed by market allocation in the second round" is how Prof. Raj Krishna described the licence raj. In certain circumstances, big businesses may acquire the licence to increase output but postpone its implementation in order to profit from shortages, or they'll merely leave the licence idle to prevent a rival from entering the market.

India's GDP growth remained low as a consequence, expanding by just 3.5% on average between 1950 and 1980, and 1.3% less per person over the first three decades after independence. It was infamously referred to as the "Hindu growth rate," implying that Hindu fatalism was to blame for this sluggish progress. However, as we subsequently discovered, when India expanded quicker thanks to improved policies, Hinduism had nothing to do with it. During this time, India's poverty increased and its social and economic indices lagged well behind those of many other nations. In the 1980s, some internal liberalisation was attempted, but it wasn't enough to handle the expanding economic issues. In the end, a balance of payments crisis in 1991 was necessary to convince the political elite that change was necessary.

India adopted a new industrial strategy in the 1990s that prioritised delicensing, increased independence for successful PSUs, and the restructuring of loss-making businesses under the Bureau of Industrial Financing and Restructuring after pursuing state-led capitalism for four decades after Independence. Other liberalisation components included: i) Free admission to private sector businesses in sectors restricted only for PSUs; ii) Disinvestment of a small portion of the government's shares (while still retaining the majority stocks); and iii) Listing of PSUs on Stock Exchanges. Telecommunications, petroleum (from extraction to refining and marketing), power production and distribution, as well as other basic commodities sectors including steel, aluminium, mining, and air transportation, were the industries most significantly impacted by the previous regime. And for the latter, it was necessary to establish independent directors, independent compensation, and audit committees in order to ensure that the listed PSUs adhere to the stock exchanges' listing criteria. Budgetary assistance for loss-making ('sick') PSUs is withheld or withdrawn. Sick PSUs were subsequently denied permission to revise pay and benefits. In order to find economic viability and avoid closure or privatisation, loss-making PSUs were to be pushed to lay off employees.

Few authors, like Bhagwati and Srinivasan (19931), advocated for complete privatisation. However, privatisation was not actively pushed between 1992 and 1998. One PSU was sold to another PSU, although this wasn't a true privatisation; it was more like a consolidation. The Board of Industrial Financing and Restructuring (BIFR) was established to monitor PSU performance and provide investment and restructuring advice, particularly to ailing PSUs. In order to establish incentives for higher performance, performance contracts (MOUs) were negotiated with the government and a number of PSUs to create the three categories of Maharatnas, Navratnas, and Mini Ratnas[3], [4].

The PSUs that satisfied the further qualifying requirements were given consideration for Maharatna Status 2. Have an average annual revenue of more than Rs.25,000 crores over the previous three years; have a minimum specified public ownership under SEBI laws; and have an average annual net worth of more than Rs.15,000 crore over the last three years. have had an average yearly net profit after tax of more than Rs. 5,000 crore over the previous three years, and should have a significant worldwide footprint.

DISCUSSION

The Boards of Maharatna PSUs will have the authority to: (i) make equity investments to establish financial joint ventures and wholly owned subsidiaries in India or abroad; and (ii) carry out mergers and acquisitions, in India or abroad, subject to a cap of 15% of the concerned PSU's net worth in one project, limited to an absolute cap of Rs. 5, 000 crore (Rs. 1,000 crore for Navratna PSUs). For all projects taken together, the total cap on these equity investments and mergers and acquisitions will not be more than 30% of the relevant PSU's net value. Additionally, Maharatna PSU boards have the authority to establish positions below board level up to E-9 level.The PSUs that are Miniratna I, Schedule "A" and have received a "excellent" or "very good" MOU rating in three of the previous five years are eligible for the award of Navratna status. The performance's "Composite Score" must be 60 or above. A composite score based on the PSU's performance over the previous three years would be computed in order to evaluate the PSU's performance.

The NDA administration led by PM Vajpayee inherited this complex network of PSUs and systems. Although it had a vigorous privatisation strategy, it ran across political and administrative roadblocks. The Ministry of Disinvestment was established in 1999, and under its purview, disinvestment was intended to increase efficiency as well as income. During this time, the sale of Maruti to Suzukione of India's most successful privatization initiativeswas completed. Over 30 firms were either completely privatised or had 50% of their equity divested3. When Arun Shourie, the then-Minister for Disinvestment, said, "These are not the crown jewels (Ratnas) of India's economy, but bleeding ulcers," he captured the situation well. Under his leadership, the euphemistically referred to as "strategic disinvestment" privatisation was aggressively pushed, but there was resistance, particularly from worker unions that had won the government several concessions. As the control over PSUs meant employment, favouritism, and the potential to profit from PSU contracts, criticism emerged even from inside the NDA government and bureaucracy.

Despite several PSUs being shut down, the UPA 1 administration, which was reliant on the communists and came to power in 2004, did not attempt to privatise PSUs. Clearly stating his limitations, Prime Minister Manmohan Singh said, "We are a coalition government, and it restricts our choices in certain respects. One such area is privatisation. UPA 2 reinstated disinvestment with the goal of increasing income, and private equity's stake of total equity in all PSUs increased from around 4% in 2008-09 to over 9% by 2013-14. Private equity was present in more than one third of the PSUs. By establishing the Bureau for reorganisation of Public Firms, the UPA administration supported the reorganisation of state-owned businesses as well. Additionally, a National Investment Fund was established to receive disinvestment profits with the intention that it would be wisely employed as opposed to being included in budget receipts. The requirement was steadily reduced in response to financial demands during the 2009 financial crisis until the fund effectively became a component of the budget. While not much has transpired in the first two years, there are signs that greater effort will be made in the remaining years of its tenure. The disinvestment strategy followed rather actively by NDA1 was expected to be picked up again with the return of the NDA administration in 2014.

In the 1990s, over half of PSUs were losing money. However, because to the strong growth that began in 2002–2003, improved MOUs (performance contracts) that were applied to a larger number of them, and more private equity, the percentage of losing PSUs has since fallen to roughly 25%. The percentage of loss makers has now climbed to about one-third of the total, particularly since development halted after 2012. The profitability of PSUs, as determined by the ratio of earnings to total sales, similarly rose from a pitiful 2% in 1990–1991 to around 3% by 2000–2001, to a high of about 9% between 2003–2004 and 2006–2007, and has subsequently declined to approximately 5-6%. In the next parts of the study, it will be further examined how much of the increased performance is attributable to MOUs and how much is attributable to partial privatisation. Along with investigating performance variations brought on by severe budgetary restrictions, we'll also look at how competitive the PSU's sector is.

Second, the top seven PSUs, known as Maharatnas, seem to have higher returns on assets and capital than similar-sized businesses in the private sector and FDI-based corporations, however the value of assets, particularly land, has to be carefully examined. Independent audits are required to evaluate their effectiveness. With the exception of the superior performance of the Navratnas relative to their private sector comparators during the time of rapid growth from 2003–2004 to about 2008–2009, the performance of the private enterprises of comparable size is much better in the case of the next group of PSUs, the Navratnas. The fact that the returns on capital and assets increased during the era of strong expansion and then significantly decreased after the global economic crisis is particularly noteworthy.

Third, PSUs in the service industries have performed worse than those in mining and manufacturing, including Air India, MTNL, and BSNL, as well as those offering a variety of other services, both financial and non-financial. Given that PSUs in the service sector lack a service orientation, this is not unexpected. PSU performance in the service sector is not just inferior, but their presence there may have had a negative impact on private sector companies' performance as well. Mukherjee (2015) said that the performance of the service sector is negatively impacted by former public monopolies, government vested interests, and PSUs. This definitely applies to the aviation industry more so than the telecommunications industry. Due to a more efficient regulatory framework, the presence of PSUs in the telecom sector has not had a detrimental impact on the industry and has not hampered private sector businesses. The telecom regulator is TRAI[5], [6].

has received criticism, although it has never been charged with supporting PSUs against the private sector. However, the Director General of Civil Aviation (DGCA) has not been as successful in levelling the playing field in the aviation industry and has favoured Air-India. Private sector airlines' performance has been impacted, whether intentionally or unintentionally. Private enterprises in the service industry have, however, also done badly for other reasons.

In earlier research, it was shown that disinvestmenteven the sale of minority shareshad a favourable impact on PSU performance.This was supposedly because the increased commercial zeal of the new owners helped increase productivity. But the MOUs were not taken into account in this outcome. A large portion of the performance gain that was formerly ascribed to privatisation is really attributable to the performance impact of MOUs, according to more recent research of PSUs with and without MoUs. Once the MOU performance impact is included, privatization's beneficial effects vanish. Therefore, it is improbable that a policy of selling a modest interest (up to 49%) as a disinvestment strategy would have any beneficial effects on efficiency. However, further research is required to fully comprehend the performance of PSUs, and in the next part, using fresh data from Capitaline, we examine the variables that account for PSU performance.

Influences on PSU Performance

The size of the PSU, the industry it belongs to, how well the economy is doing, as well as other elements like a strict budget limit and performance contracts, may all have an impact on how well the PSUs work, as we saw in the previous section. Some PSUs have soft budget restrictions by nature, while others get soft loans under other regimes, which enable them to have a soft budget since these loans are routinely renewed.

Although recently India has become more open so even PSUs selling largely into the domestic market face more competition from imports, PSUs that are more export oriented may also have better performance as they face greater external competition as opposed to those that sell in a more protected domestic market.Some of these elements are described in great detail in the literature.

However, it might be difficult to develop a clear strategy for dealing with them since we often cannot identify the key players that have an impact on PSU performance. We need a far better understanding of the relative importance of the different components. We estimate a model on all PSUs throughout the period of 1990 to 2015 in order to better understand the impact of numerous variables on PSU performance.

A 10-Year Plan to Transform Public Equity Into Public Infrastructure

A 10-year strategy is needed to sell at least 50% of the PSU assets. Instead of public corporations, the government's industry is public infrastructure. One of the biggest letdowns of 2015 was the inability to even make progress on the modest goals of disinvesting Rs 69,000 crore ($11 billion)especially strategic disinvesting of Rs 28,000 crore ($4 billion)out of the total assets of public sector undertakings (PSUs), which are estimated to be worth over Rs 30 lakh crore ($500 billion); state banks are excluded from this figure because they have also locked in significant amounts of public capital. Additional disinvestment, including strategic disinvestment, is projected for 2015–16.

What India needs is a considerably more ambitious strategy to sell off at least half of its government stock over the next ten years, mostly via strategic disinvestment. The nearly $250 billion in revenues might be deposited in the newly formed strategic investment fund.

India might be able to spend an extra $50 billion per yearor around 2.5% of GDPin public infrastructure for the next 10 years if these earnings are utilised to leverage private financing of the same amount. Such a strategy would be necessary given the difficulty we have in raising even modest budgetary increases for public infrastructure of 1% of GDP.Strategic disinvestment, however, does more than merely free up money for public infrastructure; it also increases the effectiveness of capital usage.

Recall that PSUs that were selectively de-invested in by the previous NDA administration have performed very well, increasing efficiency and boosting return on assets. This administration needs a more defined medium-term plan that builds on Prime Minister Modi's declaration that the "business of the government is not business," essentially removing the government from the management of these corporations and raising enormous sums of money for public infrastructure. The performance, size, and sector should be the foundation of such a medium-term strategy. Ad hoc efficiency based on annual goals is ineffective.

The Maharatnas might be left in state hands for the time being; their combined assets amount to over Rs 10 lakh crore ($133 billion), or nearly one-third of all PSU assets. In any event, BHEL, Coal India, GAIL, Indian Oil, NTPC, ONGC, and SAIL—the Maharatnas—are performing well as a group. They have outperformed similar private enterprises in terms of return on capital and return on assets by 4% and 2%, respectively.

Even in this category, however, the situation has witnessed a reversal of trends in the past three years; the Maharatnas are exhibiting a persistent fall in performance while the private sector has showed a remarkable gain in return on capital and return on assets. Additionally, more thorough audits of their financial statements may be required to evaluate their performance. SAIL, BHEL, and Indian Oil, three of the Maharatnas, need significant reorganisation and improved management.

Navratna and Miniratna businesses make up the remaining two thirds of state assets. The performance of the 17 Navratnas regularly performs worse than that of similar private companies, with a return on capital that is around 2% lower. Specifically, Bharat Electronics, MTNL, NMDC, and Oil India should all be privatized[7], [8].The 73 enterprises that make up the Miniratna category are the most suitable candidates for strategic disinvestment. The majority of these businesses should have a strategy for sale prepared, with the manufacturing and services sectors at the top of the list for an urgent sale since they are the worst-performing sectors.

There will be many arguments made against selling these businesses to the private sector, but there doesn't seem to be any justification for keeping them public aside from employing a small number of people and allowing party members to hold managerial positions once a new government takes office. The problem of contaminated contracts and procurement, when rich agreements are given to friends, is far more significant.

It matters how and to whom these businesses are sold. It is imperative to prevent privatisation in the Russian fashion, in which the majority of public assets were sold to "oligarchs." For strategic disinvestment to be successful, open and competitive bidding procedures are essential, as is making sure that part of the monies are put aside for worker compensation. Trade unions, established interests, and even customers wary of rising costs will be opposed to such a strategy. However, this strategy is worth investigating given the long-term advantages for the economy and, ultimately, better services and goods for the customer. Without such a bold strategy, some PSUs may see brief gains, but the fundamental incentives for greater performance will stay the same, burdening future generations with this expensive socialistic legacy[9], [10].

The prime minister vowed that a bolder plan would be created to progressively wean the government from its commercial activities. This plan must take a close look at the actual economic gains from some of the state-owned businesses that are profitable as well. It is a good idea for everyone involved to take this courageous step of shifting state-owned assets with typically poor returns towards public social infrastructure. Particularly considering how the private sector would increase profits, as shown by the first group of PSUs privatised by the Vajpayee-led government, whose return on capital quadrupled following privatisation. The second benefit is that it will allow for the construction of much-needed social infrastructure, such as roads, electricity lines, sewage systems, irrigation systems, trains, and urban infrastructure.

Additionally, this will encourage private investment, especially FDI. The best course of action for the Modi administration is to get the government out of the way while advancing India's infrastructure ambitions in order to establish the groundwork for fast development. Create a 10-year strategy to sell off at least 50% of PSU assets, transfer the money to the strategic investment fund, and enjoy the benefits. Instead of public corporations, the government's industry is public infrastructure. A long-lasting change would be the conversion of public assets into public infrastructure.

CONCLUSION

In conclusion, Prime Minister Modi's pledge to decrease the government's engagement in commercial operations to US and German investors is a crucial step in resolving the issues brought on by India's enormous network of public sector enterprises (PSUs). The socialist heritage of India, which was characterised by excessive government control and inefficiency, is the source of this network, which consists of hundreds of national, state, and municipal government-owned businesses.In conclusion, the process of reforming India's PSUs is difficult and long overdue. A more ambitious strategy that uses strategic disinvestment for public infrastructure development can help India unlock its economic potential and improve services for its citizens. Prime Minister Modi's commitment to reducing government involvement in business is a good first step. India can provide the foundation for long-term, inclusive economic development by switching from public assets to public infrastructure.

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CHAPTER 6

PUBLIC SECTOR ENTERPRISES IN INDIA: STRUCTURES, FUNCTIONS, AND SIGNIFICANCE

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ABSTRACT:

The government only handled the most basic services like the trains, power supplies, and postal services, leaving the majority of economic activity to individuals and private companies. However, it was noted that the private sector lacked interest in industries like machine manufacturing, infrastructure development, oil exploration, etc., which had lengthy gestation periods, high investment levels, and small profit margins. Additionally, businesses were concentrated in areas with particular natural advantages including easy access to markets, skilled workforce, and raw supplies. Regional imbalances resulted from this. Therefore, in order to control the commercial operations of private firms, the government established public enterprises in sectors such as the coal and oil industries, machine building, steel manufacture, finance and banking, insurance, etc. These organisations are referred to as "public sector enterprises" since they are not only administered and controlled by the federal, state, or municipal governments but also their owners. Following completion of this lesson, you will be able to: define what public sector businesses are; list the primary characteristics of organisations in the public sector; make a distinction between the public and private sectors; enumerate the many ways in which public sector firms are organised; list the characteristics, advantages, and drawbacks of departmental undertakings, public corporations, and government companies; elucidate the significance of public sector businesses; and describe the state of public companies nowadays.

KEYWORDS:

Company,Economic,Economy, Government, Public Enterprise.

INTRODUCTION

Public sector businesses, or public enterprises, are defined as the commercial entities owned, run, and controlled by the federal, state, or municipal government. The term "public sector undertakings" also applies to these. Any business or industry that is owned and operated by the government with the goal of maximising social welfare and upholding the public interest is considered a public sector firm. Public companies include private sector businesses that have been nationalised, including banks and the Life Insurance Corporation of India, as well as new businesses that the government has established, like Hindustan Machine Tools (HMT), the Gas Authority of India (GAIL), and the State Trading Corporation (STC), among others.

Essential Features Of Public Enterprises

When considering the nature of public companies, the following main traits may be summed up:

1. **Government Ownership and Management:** The local authority, the state government, or the federal government owns and operates the public businesses.

Public companies may be entirely owned by the government or may have a split ownership between the government, private industrialists, and the general public. In every situation, government retains primary ownership, management, and control. For instance, the Central Government formed the National Thermal Power Corporation (NTPC), an industrial organisation that receives a portion of its share capital from the general public.

2. **Financed by Government Funds:** Public businesses get their capital from Government Funds, and the government is required to provide funds in its budget to cover this cost.
3. **Public welfare:** Public businesses are not driven by the desire for profit. Their primary concern is offering the product or service at fair costs. Consider the situations of GAIL India Limited or Indian Oil Corporation. They provide the general population fuel and gasoline at reduced costs.
4. **Public Utility Services:** Public sector businesses focus on providing services including transportation, power, and telecommunications that are considered public utilities.
5. **Public Accountability:** Public businesses are subject to the legislative branch's oversight and are controlled by the government's public policy.
6. **Excessive Formalities:** Public firms are required to adhere to an excessive amount of formalities in order to comply with government laws and regulations. Because of this, management is a difficult and delicate responsibility[1], [2].

Many types of company structures that exist in the private sector or under private ownership in prior classes. The economic and social activities carried out privately by a single person or group of people are referred to as being in the private sector. They choose to do business in the private sector primarily in order to make money. The term "public sector," on the other hand, refers to the economic and social activities carried out by public authorities. The primary goal of public sector businesses is to safeguard the interests of the general public. Profit generation follows. Along with having different goals, the businesses in these two sectors also vary in a wide range of other ways. The wellbeing of the consumers is the goal of private sector businesses.

1. Professional managers oversee public sector businesses.
2. Private sector businesses prioritise providing public utility services.
3. Private persons own and run the businesses in the private sector.
4. The public provides all of the funding for the public businesses.

Forms of Public Enterprise Organisation

In India, there are three major organisational structures utilised by public sector businesses. The first is a departmental undertaking, the second is a statutory (or public) corporation, and the third is a government company.For the provision of critical services like railroads, postal services, broadcasting, etc., the Departmental Undertaking type of structure is often utilised. These organisations are funded and managed in the same ways as any other government agency and operate under the general direction of a ministry of the government. This form is seen to be appropriate for situations when the government wants to exert control over certain activities because it serves the greater good.A statutory corporation (also known as a public corporation) is a legal entity established by an exclusive Act of the Parliament or State Legislature that specifies its authority, duties, and organisational structure. Public company is another name for statutory corporation. The government provides all of its funding. These institutions include State Trading Corporation, Life Insurance Corporation of India, and others.

A corporation is referred to as a "government company" if the government owns at least 51% of the paid-up capital. Since it is registered under the Companies Act, the Act's rules apply in full to it. This group includes the majority of government-owned and -operated businesses.

Departmental Activities

The earliest public firms are departmental undertakings. The government plans, coordinates, and funds a departmental project. It is governed by a certain government department. A minister serves as the head of each such department. The governing ministry makes all decisions about policies and other significant issues. The overall approach for these endeavours is established by the Parliament[3], [4].

Characteristics of Departmental Enterprises

The following are the major characteristics of departmental undertakings:

1. The minister has overall authority over it and the government formed it.
2. It is a component of the government and is run similarly to every other department.
3. Money from the government is used to pay for it.
4. It is controlled by accounting, audit, and budgeting procedures.
5. The government sets its policy, and it is responsible to the legislature.

Benefits of Departmental Projects

The advantages of departmental endeavours include the following:

1. **Realisation of Social Objectives:** These initiatives are entirely within the jurisdiction of the government. As a result, it can achieve its social and economic goals. The social goals that the departmental enterprises strive to achieve include, for instance, establishing post offices in remote locations and broadcasting and telecasting programmes, which may contribute to the social, economic, and intellectual growth of people.
2. **Accountable to the Legislature:** Inquiries regarding the operation of departmental undertakings may be made in the parliament, and the responsible minister must satisfy the public with his explanations. They are thus prohibited from taking any action that would jeopardise the interests of any specific public group. Through the parliament, these initiatives are accountable to the general public.
3. **Exert of Control Over Specialised Economic Activities:** It aids in the government's ability to exert control over these activities and may be used as a tool for establishing social and economic policy.
4. **Contribution to Government Revenue:** The government owns any surplus from departmental undertakings. As a result, government revenue rises. Similar to this, the government must make up any deficiencies.
5. **Limited Potential for Fund Misuse:** Since such ventures are subject to budgetary accounting and audit supervision, the likelihood of financial misappropriation is greatly diminished.

DISCUSSION

Departmental projects are constrained by the following factors:

1. **The Influence of Bureaucracy:** A departmental effort suffers from all the drawbacks of bureaucratic operation due to government supervision. For instance, following official decisions about employee recruitment and advancement, as well as receiving approval from the government before making any expenditures, is necessary. Because

of these delays in making crucial choices, workers cannot immediately get rewards or punishment. These factors provide a few obstacles to the departmental initiatives' ability to function.

2. **Excessive parliamentary oversight:** Because of the parliamentary supervision, daily administration is difficult. This is also due to the fact that inquiries concerning the operation of the initiative are often made in the parliament.
3. **Lack of professional knowledge:** The administrative officials in charge of running departmental projects often lack both commercial competence and experience. Therefore, these endeavours are not handled in a professional way and are lacking, which causes an enormous strain on public resources.
4. **Lack of Flexibility:** A successful company has to be flexible in order to meet changing customer demands. However, since departmental undertakings cannot immediately modify their policy, they lack flexibility.
5. **Ineffective Functioning:** Such organisations struggle with ineffectiveness due to incompetent staff and a lack of adequate incentives to increase employee efficacy.

The departmental form of organisation for public enterprises should be noted as being on the decline. The majority of businesses, including those that offer telephone and electricity services, are now becoming government-owned corporations, such as MTNL, BSNL, and others.

Official Corporations

Those organisations that are incorporated under particular Acts of the Parliament or State Legislative Assemblies are referred to as Statutory Corporations (or Public Corporations). The relevant Act outlines its organisational structure, authority and responsibilities, geographic scope, employee rules and regulations, and relationships with other government agencies, among other things. State Bank of India, Life Insurance Corporation of India, Industrial Finance Corporation of India, and other entities are examples of statutory corporations. It should be noted that the same Act permits the establishment of multiple corporations. This group includes State Financial Corporation and State Electricity Boards.

Statutory corporations' characteristics

The following are the primary characteristics of Statutory Corporations: A unique Act of the Parliament or State Legislative Assembly established it. It is an independent body that is not subject to governmental regulation in terms of internal management. Nevertheless, it is answerable to both the national and state legislatures. It has its own independent legal existence. The government provides all of its funding. It is run by a board of directors made up of people with business management experience and training. The government proposes candidates to serve on the board of directors. It is expected to be financially self-sufficient. However, if necessary, it may take out a loan or request aid from the government. The employees of these businesses are hired in accordance with their own requirements by adhering to the hiring guidelines established by the Board[5], [6].

A Statutory Corporation's Advantages

The following benefits of statutory corporations as a structure for public enterprises can be summed up:

1. **Expert Management:** This approach combines the best aspects of departmental and commercial endeavours. Under the direction of knowledgeable and experienced Directors, these businesses are operated according to business principles.

2. **Internal Autonomy:** The government does not directly interfere with how these corporations are run on a daily basis. Decisions can be made quickly and without any obstacles.
3. **Accountable to Parliament:** The Parliament is accountable to statutory organisations. The public and media keep an eye on their activities. As a result, they are required to uphold a high standard of accountability and efficiency.
4. **Flexibility:** These organisations have the necessary flexibility to operate because they are independent in terms of management and finances. This aids in ensuring effective operation and performance.
5. **Promotion of National Interests:** Statutory Corporations safeguard and advance the interests of the nation. In accordance with the provisions of the Acts governing them, the government is permitted to give policy directives to the statutory corporations.
6. **Easy to Raise Money:** Since these statutory organisations are owned by the government, they can easily raise the money they need by issuing bonds, etc.

Statutory Corporation Restrictions

After looking at the benefits of statutory corporations, we can now consider its drawbacks. Statutory corporations must adhere to the following restrictions.The independence and flexibility of statutory corporations are undoubtedly their greatest advantages, but these qualities only exist on paper. In reality, the majority of issues are subject to excessive government interference.Only the Parliament has the authority to modify their rights and activities.

This results in several impediments in business of the corporations to respond to the changing conditions and take bold decisions.The statutory corporations usually face little competition and lack motivation for good performance. Hence, they suffer from ignorance of commercial principles in managing their affairs.

Government Companies

As per the provisions of the Companies Act, a company in which 51% or more of its capital is held by central and/or state government is regarded as a Government Company. These companies are registered under Companies Act, 1956 and follow all those rules and regulations as are applicable to any other registered company. The Government of India has organised and registered a number of its undertakings as government companies for ensuring managerial autonomy, operational efficiency and provide competition to private sector.The main features of Government companies are as follows:

(a) It is registered under the Companies Act, 1956.
(b) It has a separate legal entity. It can sue and be sued, and can acquire property in its own name.
(c) The annual reports of the government companies are required to be presented in parliament.

The capital is wholly or partially provided by the government. In case of partially owned company the capital is provided both by the government and private investors. But in such a case the central or state government must own at least 51% shares of the company. It is managed by the Board of Directors. All the Directors or the majority of Directors are appointed by the government, depending upon the extent of private participation. Its accounting and audit practices are more like those of private enterprises and its auditors are Chartered Accountants appointed by the government. Its employees are not civil servants. It regulates its personnel policies according to its articles of associations.The following are some benefits of structuring a public firm as a government company:

1. **A straightforward establishment process:**In contrast to other public companies, forming a government corporation is simpler since no measure has to be approved by the national or state legislatures. It may be created by simply following the steps outlined in the Companies Act.
2. **Effective Business Line Operations:** The government firm can be managed using commercial concepts. It has complete financial and administrative independence. Its board of directors often comprises of a few independent, reputable individuals.
3. **Effective Management:** As the government company's Annual Report is presented to both chambers of Parliament for consideration, its management is careful in how it conducts its business and ensures that it is managed well.
4. **Healthy Competition:** By providing the private sector with healthy competition, these businesses guarantee that products and services are available at competitive costs without sacrificing quality.

Limitations for Government-owned Businesses

The following restrictions affect government-owned businesses:

1. **Lack of initiative:** The management of government-owned businesses always lives in dread of being held accountable to the public.Because of this, individuals lack the initiative to make the best selections at the appropriate times. Additionally, some directors could not show a genuine interest in the company for fear of backlash from the public.
2. **Lack of business expertise:** In reality, administrative service personnel who often lack experience in managing the business organisation on professional lines are typically given control of these enterprises. As a result, they often fall short of meeting the necessary efficiency standards.
3. **Change in Policies and Management:** These organisations' policies and management often change when the government changes. The status of commercial operations becomes unhealthy as a result of frequent changes to regulations, policies, and processes[7], [8].

Value Of Public Sector Entrepreneurs

You are aware that not all businesses in our nation are public ones. Our nation has a mixed economy, with both the public and private sectors making contributions to its growth. To ensure a balanced economic growth and advance public welfare, the government only builds its firms in a small number of carefully chosen sectors. There are many industries that need significant capital expenditure, but the profit margin is either small or can only be realised over an extended period of time, such as the production and distribution of power, the manufacture of machinery, the building of dams, etc.

Private businesspeople are hesitant to start their operations in these places, yet the public interest forbids ignoring them. As a result, the government creates and oversees these businesses. Similar to this, public enterprises support industries throughout the nation, aiding in balanced regional growth. For instance, Madhya Pradesh has seen the emergence of various new minor enterprises as a result of the construction of the Bhilai Steel Plant.

The country's development depends heavily on industrial progress, which necessitates the full development of some fundamental industries like the production of heavy electrical goods, iron, steel, coal, and gas. These fundamental industries are given a boost by public enterprises, and their goods and services also contribute to the growth of the private sector. Some industries demand significant capital outlays due to technical considerations. These industries include those that produce electricity, power, gas, heavy machinery tools, telephones, etc.

Additionally, the growth of public enterprises prevents the concentration of economic power in the hands of one person or group of people. Additionally, economic inequality is growing in our nation. The rich are getting richer while the poor get poorer. With the aid of various policies, such as using earned profits for public welfare initiatives and providing raw materials to small-scale businesses at lower prices, public enterprises can contribute to the reduction of inequalities.

Additionally, the promotion of industries that can boost exports while reducing imports is essential for the nation's economic development. Public businesses also guarantee the promotion of these sectors. There is a long-held belief that everyone should have equal access to the benefits that come from nature. Land, oil, coal, gas, water, electricity, and other resources are made available to everyone at reasonable prices thanks to the public enterprises.

The nation's security comes first. No concessions should be made in order to accomplish this. For this reason, Public Enterprises are given control over the manufacturing of fighter jets, weapons, and ammunition related to national security. Therefore, the main objectives achieved through public enterprises are public welfare, planned economic development of the nation, regional balance, import substitution, and preventing economic power concentration.

A significant role is played by public sector businesses in the Indian economy. The Indian economy was primarily agrarian and had a small industrial base at the time of independence. In our nation, there were hardly any public sector businesses. The leading public sector companies were the Indian Railways, Posts and Telegraphs, Port Trust, and Government Salt Factories. After gaining independence, the government came to the conclusion that state intervention in all areas of the economy was necessary if the nation wanted to accelerate its rate of economic expansion.

In five central public sector enterprises at the start of the first five-year plan , the government had invested Rs. 29 crores. As of March 31, 2006, it had increased to Rs. 3,93,057 crores across 239 businesses. The public sector businesses have been significantly increasing the resources available to the federal government. Their contribution to the federal coffers in 2004–05 was Rs. 1,10,599 crores.Public businesses have unquestionably had a big impact on the Indian economy. However, the majority of public sector businesses' overall performance falls short of expectations.

The capital investment return rate is very low. The majority of them experience the drawbacks that were already covered in the earlier sections. The Indian government has implemented a number of measures to enhance the performance of the public enterprise. The Indian government unveiled its industrial policy on July 24, 1991, with the goal of enhancing the efficiency and scope of public sector enterprises. The liberalisation, privatisation, and globalisation of the Indian economy were also highlighted by the new economic policies. The public sector's function has changed.

The government designated nine central public sector companies as "Navaratnas" in July 1997. These companies include BHEL, BPCL, GAIL, HPCL, IOC, MTNL, NTPC, ONGC, and SAIL. These public sector businesses now have the freedom to invest in capital, form joint ventures, and raise money on the domestic and global markets, among other things. The government designated some additional profitable public sector businesses as "Miniratnas" in October 1997 and granted them increased financial autonomy. There are 45 Miniratna Public Sector Enterprises operating in India at the moment.

To enhance the performance, productivity, and profitability of the public sector enterprises, the government has made every effort to revitalise and restructure them. A lot of focus has been placed on dying and continuously losing businesses that can be revived. The Board for Industrial and Financial Reconstruction is tasked with creating an appropriate revival or rehabilitation package for these businesses. The Board for Reconstruction of Public Sector Enterprises , which the government established, evaluates and advises the government on proposals for restructuring/reviving sick and loss-making units, including proposals for disinvestment, closure, or sale. BRPSE has recommended changes for 31 central public sector companies so far, and the government has approved a revival plan for 15 of those companies through March 30, 2006.

Business units owned, managed and controlled by the central, state or local government are termed as public sector enterprises or public enterprises. The term "public sector undertakings" also applies to these. Characteristics of Public Enterprises Owned, managed and controlled by Government. Funded by Government Welfare oriented Concentrate on public utility services Responsible to parliament Observance of Government formality is necessary. There are three different forms of organisation used for the public sector enterprises. These are Departmental Undertaking; Statutory Corporation and Government Company.Departmental undertakings are organised, managed and financed by the Government. It is a part of the government and is managed like any other government department. It is financed through the government funds. It is subject to budgetary, accounting and audit control.

So, the possibility of misuse of funds is reduced. It fulfills the social and economic objectives of the government and is responsible to the legislature. It helps the government to exercise control over the specialised economic activities. Departmental undertakings suffer from limitations of bureaucratic functioning. Excessive parliamentary control, lack of flexibility, inefficient functioning are the other limitations of Departmental Undertakings. The Statutory Corporations are the organisations, which are incorporated under the special Acts of the Parliament/State Legislative Assemblies. These are autonomous bodies and are free from government control in respect of their internal management. However, they are accountable to parliament and state legislature. The capital is wholly provided by the government. They are managed by Board of Directors, which is composed of individuals who are trained and experienced in business management. The members of the board of Directors are nominated by the government. It is true that the greatest advantage of statutory corporation is its independence and flexibility, but it is found only on paper. In reality, the majority of issues are subject to excessive government interference. The amendments to their activities and rights can be made only by the Parliament. Since all these organisations face little competition, sometimes they ignore the commercial approach in managing their affairs[9], [10].

A company in which 51% or more of its capital is held by central and/or state government is regarded as a Government Company. These companies are registered under Companies Act 1956 and follow all those rules and regulations as are applicable to any other registered company. The capital is wholly or partially provided by the government. The Government Companies are formed simply by following the procedure laid down by the Companies Act. These companies are managed by the Board of Directors consisting of professionals and independent persons of repute. The government company can be run on business principles and it provides a healthy competition to private sector. Inspite of all these advantages, these companies suffer from the limitations like lack of initiative in taking right decisions at the right time, lack of expertise in business management, frequent change of policies and management due to change in Government, etc.

Balanced regional development. Boost the basic industries of an economy, concentrate on public welfare activities, promote export, Price control of essential good, Limit the influence of private monopoly. Ensure security of the country, Minimise economic inequalities.At the commencement of first five-year plan Government's investment was Rs. 29 crores in five central public sector enterprises. As of March 31, 2006, it had increased to Rs. 3,93,057 crores across 239 businesses. The public enterprises have played a significant role in Indian economy. However, the majority of public sector businesses' overall performance falls short of expectations.

The government is taking every step to revive and restructure the public sector enterprises to improve their performance, productivity and profitability. Major emphasis has been given on the sick and chronically loss making enterprises, which are capable of being revived. The Indian government unveiled its industrial policy on July 24, 1991, with the goal of enhancing the efficiency and scope of public sector enterprises. The new economic policies also emphasised on liberalisation, privatisation and globalisation. The public sector's function has changed. To grant autonomy and delegation of financial power to some of the profit making public sector enterprises Government has given them the status of Navaratnas and Miniratnas.

CONCLUSION

In conclusion, a detailed grasp of public sector firms, their traits, organisational layouts, benefits, and disadvantages has been supplied by this in-depth examination. Enterprises in the public sector are those that are owned and run by the government, prioritise public welfare, and provide services to important economic sectors. They differ from private sector companies, which prioritise making a profit.Departmental undertakings, statutory corporations, and government firms are the three basic organisational frameworks for public sector organisations that are covered. Government departments have direct authority over departmental enterprises, while statutory companies operate with more freedom and independence. However, despite having a majority of government ownership, government corporations operate similarly to private businesses and are incorporated under the corporations Act.Each of these organisational structures has a unique mix of benefits and restrictions. Departmental initiatives provide direct government oversight yet may experience ineffective bureaucracy. Statutory companies provide greater freedom, but they nevertheless risk meddling from the government. Governmental businesses operate with a high level of autonomy and employ skilled management, combining the best of both worlds.In conclusion, public sector businesses are crucial to the Indian economy because they collaborate with the private sector to promote social welfare and economic prosperity. Despite the difficulties they encounter, attempts are being made to increase their effectiveness, productivity, and contribution to the growth of the country.

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CHAPTER 7

EVOLUTION OF PUBLIC SECTOR ENTERPRISES IN INDIA

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ABSTRACT:

This historical summary explores the development of India's public sector organisations from their beginnings before to independence to the present. It investigates the justification for the creation of these businesses as engines of economic expansion, especially in tackling problems like income inequality, geographical imbalances, and unemployment.With an emphasis on the New Economic Policy of 1991, which represented a turning point in India's economic landscape, the article analyses the substantial policy changes that occurred throughout time. This strategy placed a strong emphasis on globalisation, privatisation, and liberalisation, which enhanced market competition and promoted interconnectedness.In addition, the paper examines the function of mergers and acquisitions (M&A) in the public sector, demonstrating how certain businesses used these tactics to adjust to the shifting economic landscape. In order to restructure public sector firms and improve market discipline, the study emphasises the need of disinvestment.Overall, this thorough research sheds important light on India's transition from a mostly state-controlled economy to an open and market-driven one, highlighting the potential and problems encountered by its public sector firms in the age of globalisation.

KEYWORDS:

Development,Enterprises, Globalization, Public Sector, Trade.

INTRODUCTION

In the early years of independence, the public sector continued to be crucial to industrial growth and development despite ongoing financial constraints and economic realities. Planning initiatives, such as five-year plans, were started to strategically direct economic development. However, the watershed year of 1991, which saw the implementation of liberalisation, privatisation, and globalisation policies, represented a substantial change in India's economic environment. This change emphasised market dynamics and gave the private sector a bigger role.The significance of enabling and regulating rather than actively controlling enterprises was underscored by the worldwide trend towards reduced government engagement in commercial activity and the collapse of communist economies. The liberalisation process was not without its difficulties, such as worries over the unequal distribution of benefits and pay gaps in emerging countries.

A number of reforms with the goals of limiting government interference, fostering competition, and luring foreign investment were implemented in India as a result of its stance on economic growth and integration with the global economy. These changes affected a number of industries, including administration of foreign currency, taxes, insurance, and communication infrastructure.Disinvestment played a critical part in the reorganisation of public sector organisations, while mergers and acquisitions emerged as popular strategy for corporations to adjust to the shifting economic environment. In order to empower and professionalise their management, the government established ideas like "Navratnas" and "Mini-ratnas," which made the performance of these businesses subject to market discipline.In order to address concerns of industrial illness and guarantee prompt action for revival and rehabilitation, the Sick Industrial Companies Act was extended to public firms and the Board for Reconstruction of Public Sector firms (BRPSE) was established.In terms of social and economic growth, India made significant strides, particularly in the areas of price stability and the eradication of poverty. Increased spending throughout subsequent five-year plans, population growth, and urbanisation tendencies are all signs that the nation is making the shift from a mostly agricultural economy to one that is more diversified[1], [2].

There weren't many "Public Sector" Enterprises in the nation before independence. These included the departmentally run Railways, Posts and Telegraphs, Port Trusts, Ordinance Factories, All India Radio, and a few other businesses like the Government Salt Factories and Quinine Factories. In a democratic, federal polity, independent India implemented deliberate economic growth plans. The nation struggled with issues including income inequality, low employment rates, regional disparities in economic growth, and a shortage of skilled labour. At the time, India's economy was mostly agricultural, with a limited industrial foundation, low levels of savings, insufficient investments, and inadequate infrastructure. In light of this sort of socioeconomic structure, our forward-thinking leaders created a development plan for the public sector as a tool for independent economic growth. This guiding principle encouraged the 1948 Industrial Policy Resolution and its successor, the 1956 Industrial Policy Resolution, to be passed. The 1948 Resolution envisioned the growth of key industries via public businesses. The public sector would even out geographical disparities and generate jobs. The Industrial Policy Resolution of 1948 placed a strong emphasis on the growth of agricultural and industrial production, especially the production of capital goods, goods that meet people's basic needs, and goods whose export would boost foreign exchange earnings.

In the early years of independence, funding was limited, and the foundation for entrepreneurship was weak as well. As a result, the 1956 Industrial Policy Resolution accorded the state's position as the party directly in charge of industrial growth priority. In light of the country's demands, the planning process (5 year Plans) was launched. Later, the policy statements from the years 1973, 1977, 1980, and 1991 provided an overview of the new plans for the public sector. When it comes to the deregulation of the Indian economy, 1991 might be considered a watershed year. The public sector gave the economy the necessary boost and developed and nourished the human resources, an essential component for any business, private or public, to succeed.

As a result of the industrial revolution in Europe, the public sector has become the engine of economic development. In the industrialised countries, the public sector now faces new problems as a result of globalisation. The public sector no longer had the benefit of functioning in a sellers' market and now faces competition from both local and foreign rivals. Furthermore, in the developed countries, political sentiment began to shift in the second half of the 20th century in favour of the idea that government involvement in commercial activities, including investment, should be minimised to the greatest degree feasible.

Numerous famous economists suggested that government should avoid activities that the private sector might carry out more effectively. Market-driven economies, as opposed to those that are regulated and run by the government, have received a lot of attention. The collapse of the socialist economy of the Soviet Union's former satellite states persuaded policymakers all over the globe that the role of the state should be one of facilitation and regulation rather than production and management. It may be important to note that the liberalisation of society, including deregulation and decontrol, also caused unrest among certain populations in several nations since its benefits did not reach the weaker and more disadvantaged segments of society.

The public and private sectors are now equally important to the economy. Although these sectors may not operate very differently in rich nations, the public sector's performance in emerging nations has a great deal of room for growth. Additionally, it has been noted that although pay packages in both sectors are practically same in industrialised nations, in developing nations like our own, such as the one we live in, there are significant disparities in compensation[3], [4].

Perspective on India's Economic Situation and the Public Sector

In order to accomplish comprehensive socioeconomic development of the nation, the Government of India has been consistently establishing policies for industrial growth, fiscal, trade, and foreign investment. This is part of its national strategy to encourage growth, rise in efficiency, and international competitiveness.

The government made the decision to transition to a liberalised economy in 1991 as a consequence of the country's unusually acute balance of payments and budgetary crises. This economy places more emphasis on market forces and gives the private sector, particularly foreign direct investment, a bigger role.

The government understood that India's development must be integrated into the global economy rather than occurring in isolation if a strong and growth-oriented country is to be created. In order to encourage development and integration with the global economy, liberalising and deregulatory measures were therefore started as of 1991. Since then, the focus of the New Economic Policy has been on progressive reforms like narrowing the scope of industrial licencing, amending the Monopolies and Restrictive Trade Practises Act, reducing the areas reserved solely for the public sector, disinvesting equity in a select number of PSEs, limiting foreign equity participation in domestic industrial undertakings, liberalising trade and exchange rate policies, and rati

DISCUSSION

World trade has increased significantly since the World Trade Organisation (WTO) was established in 1995 as an international apex body, to which India is a signatory. This growth in trade shows that international trade reforms are crucial for advancing economic development in various countries. The majority of Central Government industrial restrictions have been eliminated, which has drastically altered industrial policy. Strategic and non-strategic Central Public Sector Enterprises (CPSEs) were separated into two categories. Arms and ammunition, allied defence equipment, defence aircraft, and warships were all identified as strategic CPSEs. Atomic energy was also a strategic CPSE, with the exception of areas related to the operation of nuclear power plants and the use of radiation and radioisotopes in the fields of agriculture, medicine, and non-strategic industries. The rest of the CPSEs were regarded as non-strategic. Additionally, with the exception of a few sectors that are dangerous or ecologically sensitive, central government industrial licencing has almost completely been eliminated.

Below is a reproduction of the National Common Minimum Programme (NCMP), which contains the major components of the current government's strategy towards public sector enterprises:To provide profitable, successful businesses functioning in a competitive climate complete management and commercial liberty. Profitable firms won't often be privatised. There will be a concerted attempt to modernise, reorganise, and resuscitate the ailing public sector and industry. After all employees have received their just dues and recompense, chronically losing businesses will either be sold off or shut down. To revive businesses with revival potential, private industry will be brought in. Revenues from privatisation will be allocated for certain social sector programmes. It would be encouraged for public firms and nationalised banks to participate in the capital market in order to generate funds and provide new investment opportunities to retail investors.

The Government is firmly committed to giving the CPSEs and their managements more authority. Without the freedom to function and do business, it was acknowledged that state businesses could not successfully compete with private entrepreneurs. As a result, the Navratna and Mini-Ratna concepts were developed with more management and financial delegated power. The government has come to understand that 'Navratnas', 'Mini-ratnas', and other CPSEs must expand and fulfil the commitments they have made to their stakeholders. Various other changes, including the professionalisation of public sector enterprise boards of directors and the use of memorandums of understanding (MOU) to assess CPSE performance, have also been announced[5], [6].

Sick Industrial Companies Act (SICA) was extended to public enterprises in 1993 in order to combat industrial sickness, especially with regard to the important sectors where public money is locked up and for the timely detection of sick and potentially sick industrial companies. This allowed sick public sector enterprises to be referred to a quasi-judicial body, the Board for Industrial & Financial Reconstruction (BIFR), to take appropriate measures for revival and rehabilitation.According to the ill Industrial Companies Act (SICA), a business is considered ill if, at the conclusion of any financial year, its losses have reached or exceeded its whole net value. Such an industrial business must be sent to BIFR for the development of a rehabilitation or resurrection strategy. A Board for Reconstruction of Public Sector Enterprises (BRPSE) was established by the government in December 2004. Its primary responsibility is to advise the government on steps that should be implemented to resuscitate and reorganise CPSEs, including when disinvestments, closures, or sales are appropriate. The recommendations from respective CPSEs that have been deemed "sick" must be sent to the BRPSE for review by the administrative Ministries in question.

A CRITICAL Overview of Recent Developments

Social & Economic Development: Compared to other emerging nations, independent India has shown impressively higher pricing stability. Almost all of the years since Independence had an average inflation rate in the single digits. Regarding growth rates, the annual GDP growth for the 1950s decade was 3.6 percent, for the 1960s it was 4.0 percent, for the 1980s it was 5.6 percent, and for the 1990s (apart from the Gulf War Crisis year of 1991–1992) it was 6.3 percent. The growth rate increased to 6.9 percent in the new century, then from 2003–2004 through 2006–2007 it averaged 8.6 percent.

Since India's independence, there have been significant changes in both the social and economic growth of the nation. The entire expenditure for the first five-year plan (from 1951 to 1956) was Rs. 2069 crores, whereas it was Rs. 66632 crores for the tenth five-year plan (from 2002 to 2007). According to the 2001 census, India's population expanded from its estimated 36 crores in 1951 to 103 crores. From 54.9% in 1973–74 to 36% in 1993–94 (the most recent year for which NSS statistics were available), the head count ratio of people living in poverty has decreased. Given that it occurs at a time of intense urbanisation, the drop in urban poverty from 48% to 36% is notable.Since 1997, the nation's economic changes in the industrial, trade, and financial sectors have been carried out by succeeding administrations. The government's strategy has been to systematically restructure the economy in order to profit from the rapidly shifting global economic environment. The following are some of the notable developments that occurred throughout the ten-year period from 1.1.97 to 31.12.06 that had a significant impact on the nation's economic reform:

1. In order to "encourage the orderly development and maintenance of the foreign exchange market in India," including the introduction of rupee convertibility on current accounts, the Foreign Exchange Management Act (FEMA), 1999, replaced the Foreign Exchange Regulations Act (FERA), 1973.
2. Additionally, the passage of the Fiscal Responsibility and Budget Management (FRBM) Act in 2003 represented a substantial reform effort made by the Central Government and several States in the area of fiscal responsibility.
3. As it allows for private entrance into the insurance industry, which had previously been a government monopoly, the Insurance Regulatory and Development Authority Act, 1999 marks a significant turning point in liberalisation.
4. A world-class communication infrastructure was created in India thanks to the New communication Policy, which was put into place in 1999 to support the country's goal of becoming an IT giant.
5. In light of the policy change from preventing monopolies to fostering competition, the Competition Act of 2002 replaced the MRTP Act of 1969. A deliberate break from the preceding Monopolies and Restrictive Trade Practises Act (MRTP) was made with the enactment of the Competition Act. The MRTP Act's strict framework is intended to be replaced with the more flexible Competition Law. Furthermore, the regulatory body established by the Act, i.e.

The creation of the "Competition Commission of India" is intended toall the measures taken to remove the bad effects of competition fall under one roof.To foster a competitive environment that would improve the quality and dependability of service to consumers, the Electricity Act of 2003 was passed.

The Export and Import Policy for the years 2002–2007 was included into the Foreign Trade Policy for the years 2004–2009; further actions have been made to promote exports.In order to encourage FDI across a range of industries, the Foreign Direct Investment policy has been revised and liberalised.Direct and indirect tax legislation have been rationalised as part of significant tax changes. Lower customs taxes have been implemented, and the service tax net has expanded. Both the excise duty and service input tax credits have undergone simplification. A significant tax reform was the replacement of the sales tax at the state level with a value-added tax. The Goods and Services Tax system is being implemented, and it will go into force on April 1, 2010[7], [8].

To grow the capital market along healthy lines and safeguard the interests of investors in securities, the Securities and Exchange Board of India (SEBI) has enacted a number of rules and regulations.Special Economic Zones (SEZs) are being established to allow hassle-free production and commerce for export and to release the sector from the myriad of laws and regulations controlling imports and exports.When one considers the changes that have occurred in the nation since the New Economic Policy (NEP) of 1991 was announced, and more specifically since 1997, it is evident that India has chosen to have an open economy that places a larger emphasis on market forces. To put it simply, increased international competition has destroyed the monopoly of Indian industry in the domestic market and dismantled the "Licence Permit Raj."

Finding out how an enterprise leverages global capability for sourcing, procuring, and delivering all of its products and services across markets more quickly and takes advantage by cross-leveraging between different markets is one of the key components to increasing the bottom line in the globalised economy in the competitive industrial scenario. In this setting, mergers and acquisitions (M&A) have become more significant during the last several years, and a flurry of mergers with significant dollar values have been recorded. The authorities have also published rules to assist seamless transactions as well as making corporate restructuring tax neutral in response to the expanding business, to unleash productive energy, and to foster inventiveness of Indian enterprises. Consolidating market share, operational synergies, saving time and money when entering the domestic and international markets, lowering market share uncertainty, providing end-to-end solutions, eliminating competition, realising stock market valuations, creating value for shareholders, etc. are a few of the factors that are promoting both domestic M&A activity and Indian companies' acquisitions of foreign businesses.

New possibilities and difficulties have emerged as a result of India's economic integration with the world markets. Some public sector businesses with a strategic mindset are actively looking into new possibilities and have expanded their efforts to pursue takeovers, mergers, acquisitions, amalgamations, and joint ventures. The Navratna CPSEs, which have more freedom to invest in capital projects and form joint ventures both in India and abroad, should take use of these chances for quick international expansion. In the power, coal, and mining industries, acquisitions, joint ventures, and green field initiatives have either been completed or are actively being considered.Disinvestment in a few CPSEs is a crucial step in the restructuring of public sector businesses. In order to further market-discipline the performance of public firms, it was declared in the Statement of Industrial Policy of 1991 that some enterprises would have a portion of the Government's equity share capital holdings disinvested[9], [10]'.

Videsh Sanchar Nigam Ltd. (VSNL), Indian Petrochemicals Corporation Ltd. (IPCL), Maruti Udyog Limited (MUL), CMC Ltd., and other CPSEs have all undergone privatisation. Other CPSEs have been bought by other CPSEs via disinvestment and open bidding, such as when Indian Oil Corporation Limited purchased IBP. There are also examples of CPSEs acquiring private businesses, like in the case of MRPL, a joint-sector company that changed its status when ONGC acquired the bulk of its shares. In addition, CPSEs have formed joint ventures, made domestic offerings, listed GDRs, sold portions of their stock stakes on the open market, or to other companies.

CONCLUSION

In conclusion, the development of India's public sector firms throughout time has shown a remarkable shift from a small number of state-run organisations prior to independence to a vibrant and complex terrain of economic growth. Recognising the socioeconomic difficulties the newly independent country was facingincluding income disparity, regional imbalances, and a mostly agricultural economyled to this transformation.The groundwork for these businesses' participation in tackling these issues was created by the creation of the public sector and the following industrial policy decisions in 1948 and 1956. During this time, the government's dedication to utilise the public sector as a lever for economic development, job creation, and regional development was clear.In conclusion, India's public sector firms have contributed significantly to the country's economic development by adjusting to shifting political landscapes and global dynamics. India's integration into the world economy is being fueled by a shift in the economic environment brought about by the focus on market forces and competition. These businesses continue to encounter new possibilities and difficulties, necessitating adaptable methods to assure long-term growth and development.

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CHAPTER 8

NAVIGATING LABOR REFORMS AND HR STRATEGIES IN INDIA'S PUBLIC SECTOR

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ABSTRACT:

In the context of India's public sector firms, the summary presented covers a thorough review of labour reforms and human resources management. It provides a historical overview of the evolution of labor-related laws and policies while highlighting the need of reform and adaptation in response to shifting economic conditions and globalisation.The abstract explores human resources (HR) management from a managerial perspective, emphasising the growing significance of HR as a strategic partner in organisational growth. It highlights the shift from conventional HR practises to strategic HR methods like "pay for performance," which synchronises employee efforts with business goals.The abstract also covers the difficulties public sector businesses have in attracting and keeping talent in a cutthroat employment market on a national and international scale. It also discusses how committees evaluate and suggest wage increases for public sector workers.The abstract, which emphasises the need for adaptability and modernization in response to shifting economic realities, offers a thorough review of labour reforms, HR management trends, and pay revision procedures in India's public sector.

KEYWORDS:

Department, Development,Enterprises, Labour Reforms, Organisations.

INTRODUCTION

Many significant improvements in areas including social security, social welfare, wages, social insurance, and labour relations were made possible thanks to the First National Labour Commission, which was established in 1969. The emphasis of subsequent initiatives, such as the creation of the Second National Labour Commission and the National Common Minimum Programme, has been on modernising and harmonising labour regulations in order to accommodate shifting economic realities.From the standpoint of human resources, the function of HR inside organisations, especially in the public sector, has drastically changed. HR is now a key partner in organisational growth and does more than simply manage employees. The idea of "pay for performance" has gained popularity since it helps to connect employee efforts with organisational goals and promote an excellence-oriented culture.

India's public sector, which was formerly seen as a role model employer, is now up against more competition from other industries for the best people. Public sector businesses need to update their HR policies and procedures to be competitive and attract and keep qualified workers. They must implement competitive HR strategies that prioritise performance management, talent acquisition, and long-term profitability.Another essential component of these changes has been the pay adjustment in Central Public Sector Enterprises (CPSEs). Committees like the Second Pay Revision Committee and the High Power Pay Committee are crucial in establishing pay structures that take market realities into account and boost productivity and efficiency within CPSEs.Particularly the Second Pay Revision Committee is aware of the difficulties brought on by the private sector's competitiveness, globalisation, and the necessity for operational autonomy inside CPSEs. By taking into account elements such as employee benefits, pay systems, and the economic climate, it aims to match its ideas with regional and global economic realities[1], [2].

With regard to social security, social welfare, salaries, social insurance, labour relations, industrial adjudication, collective bargaining, etc., the 1969 report of the first National Labour Commission made a lot of promises. A number of laws were enacted as a result of the suggestions provided in the first National Commission on Labour's report. After about 30 years, the Second National Labour Commission (NLC) was established with the goals of rationalising the labour laws already in place for the organised sector and proposing a general piece of legislation to guarantee a minimum level of protection for workers in the unorganised sector. The report was sent to the government in 2002. Large-scale economic developments that have occurred over the previous three decades, especially in the post-liberalization era, have made the establishment of the Second NLC necessary.

The National Common Minimum Programme (NCMP) of the current administration also claims that additional labour legislation, like the Industrial Disputes Act of 1947, which established the Inspector Raj, would be reviewed, and that processes will be standardised and made more efficient. The necessity for significant changes to address the challenge of globalisation is reflected in the increased focus being placed on creating effective employment regulations.As it deals with the human aspect of corporate management, human resources (HR) is one of the most complicated and difficult areas of management. As HR plays a critical role in an organization's development and, therefore, in maximising returns on investment, it is now the largest problem facing CEOs. The HR management must clearly define its major responsibilities in the context of organisational functioning and contribute to the organization's strategy in order for the organisation to see it as a business strategic partner. Through the most effective use of human resources, strategic HR practises assist the organisation in accomplishing both long- and short-term objectives. Creating goals for human resources that are compatible with business goals is a part of this. As a result, the HR department must go beyond its conventional function of managing HR alone and adopt a new agenda.A new HR trend called "pay for performance" links employee effort to the organization's objective to improve organisational effectiveness. The workforce is clearly informed that the delivery of outcomes impacts everyone in the organisation by the grading of accomplishments of individuals, teams, or business groups as well as by the substantial contrasts in performance incentives between excellent performers and non-performers.

The shifts in the industrial landscape have made it evident that the public sector has to review its methods for managing human resources (HR) and develop HR strategies that put a long-term focus on profitability. The focus must be on competitive HR policies and practises in order to accomplish this. Now is the time for HRM to concentrate on creating organisations that adapt, learn, move, and act quicker than those of their rivals; it's time to create organisations in the public sector that are competitive, not just cosy. The HRM of public sector businesses must likewise stay up with the evolving laws and government rules.The major characteristic that sets succeeding firms apart from other organisations is their human resources, which are crucial to the growth of enterprises. The largest issue that businesses have encountered in the last ten years has been finding skilled employees due to the expansion of the corporate world, the market, the high consumer demand, and technological advancements. All industries, including IT and IT-enabled services, infrastructure, engineering, banking, airlines, hotels, biotech, medical, retail, etc., are seeing a rush to hire new employees. The demand-supply ratio for bright individuals is significantly weighted in favour of the former, and as a consequence, HR managers now face significant problems in both employee acquisition and retention. The issue has spread beyond the boundaries of the nation; it is now a worldwide phenomena, and even multinational corporations and international recruiting agencies are turning to India to fill their workforce gaps. However, in recent years, it has also become clear that the tendency is progressively changing. Now, expats are being assigned to or employed for Indian activities, and even many Indians who had previously worked as expatriates overseas are returning since India now has a lot to offer. The prediction for the future indicates that global nomad workers, who migrate from one nation to another for different jobs, will become a typical occurrence[3], [4].

For the public sector to reach professional and competitive HR standards, HR practises and management still have a long way to go. HR has a lot of work to do in terms of locating and developing talent, fostering a culture of performance, and influencing attitudes among workers at all levels so that everyone strives to provide value for customers. As a result, HR professionals must perform a variety of responsibilities, including those of business strategic partners, agents of change, consultants, service providers, etc.

DISCUSSION

Public sector organisations have long been seen as "model employers." The most intelligent individuals were previously hired via open competition and a highly fair selection procedure. The educated middle class used to choose public sector positions above others, and ability was typically treated with respect in this setting. However, during the last ten years, the situation has altered. Previously, there were few options for professionals to go from one organisation to another, but in the last ten years, many opportunities have been accessible for them to leave the organisation. Additionally, experts are shifting across industries, thus the need for talent is not limited to just one area of business. As a consequence, the public sector is under intense pressure to find and retain talent.

The proper strategy necessitates that the workforce, or workers, be viewed as resources. As a result, the management-employee connection should be highly valued in an organisation. It is past time for CPSEs to concentrate on the issue of human capital and determine incentive strategies for both tangible and intangible personnel. Periodic compensation modification in the CPSEs is required in this context. The Department of Public Enterprises (DPE), the nodal Department for CPSEs, handles salary revision for executives and non-unionized supervisors on behalf of the Government of India.DPE offers broad recommendations for the CPSEs to adhere to when revising workmen's salaries. Negotiations are held with the CPSEs' labour unions to reach the final agreement. Each CPSE's Board of Directors is given the authority to engage in union negotiations. The latest pay agreement between management and labour unions was reached on January 1, 1997, for a duration of ten years. The DPE OM dated 09.11.2006 has published the parameters for the seventh round of discussions.

Employee pay changes in CPSEs under the CDA Pattern

Some of the clerical employees, unionised cadres, and executives of 69 CPSEs who were listed on the payroll of these firms up to 31.12.1988 and received CDA pattern pay scales at that period are eligible for CDA pattern pay scales. The Government appointed the High Power Pay Committee (HPPC) in accordance with a Supreme Court ruling of 12.3.1986. On November 24, 1988, the HPPC delivered its report to the government. These CPSEs have carried out their suggestions. The IDA pattern and corresponding pay scales have been implemented in these CPSEs as of 1.1.1989. This is in accordance with the Supreme Court ruling of 3.5.1990 read with the following judgement dated 28.8.1991. There are now 58 CPSEs out of the 69 CPSEs (included under HPPC) that use pay scales based on both CDA and IDA patterns. According to the High Power Pay Committee's recommendations and Supreme Court rulings, workers of Central Public Sector Enterprises using CDA-pattern scales would only receive pay adjustments when comparable modifications are made for employees of the Central Government. As a result, starting on January 1, 1996, all CPSE personnel who were paid according to the CDA pattern of scales also received the benefits recommended by the 5th Central Pay Commission. The advantage of merging 50% of DA with basic pay was also made available to CPSE workers who follow the CDA pattern as of January 1, 2004. This benefit has been made available to workers at CPSEs that are not in the red and are able to cover the extra costs associated with the merging of DA and basic pay out of their own pockets without receiving financial assistance from the government[5], [6].

Committees that review pay

The First Pay Revision Committee was established by resolution dated December 10, 1996, with three members and a member secretary under the chairmanship of Mr. Justice S. Mohan (Retd Judge, Supreme Court), to review the structure of pay, allowances, perquisites, and benefits for Board level, Below Board Level Executives, and Non-Unionized Supervisors, taking into consideration the full range of benefits available, including non-monetary ones, and suggest changes therein. When the Vth Central Pay Commission's report was taken into consideration, the original six-month deadline for the Committee to submit its recommendations was extended to the end of October 1998.

The Department of Public Enterprises (DPE) established the 2nd Pay Revision Committee by resolution dated 30 November 2006, with 4 members and a member secretary, chaired by Mr Justice M. Jagannadha Rao. A deadline of 18 months has been given for the Committee to provide its recommendations to the Government. The 6th Central Pay Commission's findings will be taken into consideration by the Committee when it prepares its final report. Until his retirement on February 29, 2008, Dr. Ramesh Chandra Panda served as the Department of Public Enterprises' then-secretary as an ex-officio member. The Secretary, Dept. position was thereafter taken up by Shri R. Bandyopadhyay. on March 3, 2008, he was appointed an Ex-officio member of the Committee. of Public Enterprises.

The Second Pay Revision Committee is aware of its responsibility to recommend a comprehensive pay package to the CPSEs in order to increase efficiency, productivity, and economy through the rationalisation of organisational structures, systems, and processes. This is especially important in light of the current situation and the challenges facing the public sector, particularly the competition from the private sector and MNCs. Along with the need to increase openness, discipline, accountability, assimilation of technology, and research and development, the Committee also emphasises the necessity for functional and operational autonomy for the CPSEs. The committee has taken into consideration the present classification of CPSEs, such as Schedule "A" and "B" and "C" and "D" and their status as Navratna, Miniratna, loss- or profit-making CPSEs, as well as CPSEs referred to as BIFR or BRPSE as well as CPSEs under Industrial DA or Central DA pattern.

The Committee also thinks that its proposals should align the needs of the developing national and international economic reality with how the CPSEs operate. The Committee also took into consideration other pertinent factors, such as the totality of benefits offered to employees, the need to rationalise and simplify them, the current pay structure and retirement benefits offered, the country's economic situation, the need to manage CPSEs prudently in light of the country's economic and social development, the global economic environment, and competitive[7], [8].

The broad principles, budgetary constraints, and other requirements that should control the viability, continuity, and change of the productivity-linked incentive schemes and performance-related payments were taken into consideration by the committee as it made recommendations. The 2nd Pay Revision Committee has communicated with several CPSEs, Officers Associations of various CPSEs, and other agencies and consultants throughout its sessions at various places, including IPE, Department of Atomic Energy, Department of Defence Production, PESB, BIFR, and some private firms.

CONCLUSION

In conclusion, it is important to note the complexity and breadth of the subject of labour reforms and human resource management in India's public sector firms. Labour laws and regulations have undergone substantial modifications throughout time in response to the changing demands of the labour and the difficulties brought on by economic liberalisation and globalisation.In India's public sector, labour reforms and human resource management are essentially a continuing process. It displays more significant changes in both the Indian economy and the world economy. The difficulty is in striking a balance between defending the rights and interests of employees and preserving the efficiency and competitiveness of public sector businesses. The workforce and economy of India must continue to expand and develop, thus striking this balance is crucial.

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CHAPTER 9

CHALLENGES AND ACCOUNTABILITY IN MANAGING STATE PUBLIC SECTOR UNDERTAKINGS (PSUS) IN DELHI'S NCT: A COMPREHENSIVE REVIEW

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ABSTRACT:

The National Capital Territory (NCT) of Delhi's State Public Sector Undertakings (PSUs) are essential to the state's economy. There were 17 active PSUs in Delhi as of March 31, 2017, however none of them were listed on the stock exchange. For the fiscal year 2016–17, these PSUs generated revenues of 7,718,33 crore, or 1.24 percent of the state's GDP. The same time saw them suffer losses of 2,520.95 crore, however. This paper explores the legal structure and regulations that apply to these PSUs, with special emphasis on the function of the Comptroller and Auditor General of India (CAG).The audit procedure for government-owned businesses is governed by the Companies Act of 2013 and other pertinent laws, with the CAG in charge of audits for those corporations that the Central or State Governments indirectly control. The financial accounts of these PSUs are audited by Statutory Auditors nominated by the CAG, with additional audits conducted by the CAG. The State Government is in charge of selecting the senior executives and board members of these PSUs and overseeing them via administrative agencies. Transparency is ensured through legislative supervision, which includes the presentation of Annual Reports, Auditors' Reports, and CAG comments or Separate Audit Reports to the State Legislature.

The Government of the National Capital Territory of Delhi (GNCTD) has a financial interest in these PSUs via the provision of loans, guarantees, and share capital contributions. To manage government expenditure wisely, precise financial accounting and reconciliation are crucial.Account finalisation backlogs have been a recurring problem, contravening legal deadlines and perhaps resulting in fraud and the misappropriation of public monies. Accounts' delays have made it harder for the State Legislature to control government spending on these PSUs.

KEYWORDS:

Audit, Development, Government, Loan.

INTRODUCTION

The State Public Sector Undertakings (PSUs) were created to conduct business-related operations and play a significant role in the state's economy. In the NCT of Delhi, there were 17 PSUs that were entirely operational as of March 31, 2017. No one of these businesses had a stock market listing. In 2016–17, neither a PSU was established nor shut down. The information about State PSUs in Delhi's NCT as of March 31, 2017. According to their most recent completed accounts as of September 30, 2017, the operating PSUs had a turnover of 7,718.33 crore. For the fiscal year 2016–17, this turnover amounted to 1.24 percent of the State's Gross Domestic Product (GDP). According to the operating PSUs' most recent completed accounts as of September 30, 2017, they suffered losses of 2,520.95 crore. When March 2017 came to a close, they had 0.36 lakh workers.

Framework for accountability

The Companies Act, 2013 (Act), Section 143(6), governs the audit of Government Companies. A Government company is one in which the Government(s) own at least 51% of the paid up capital, as defined by Section 2(45) of the Act, and includes a subsidiary company of a Government business. Additionally, in accordance with Section 143(7) of the Act, the Comptroller and Auditor General of India (CAG) may order that a test audit of the company's accounts be conducted in accordance with Section 19A of the Comptroller and Auditor General's (Duty) Act in the case of any other company owned or controlled, directly or indirectly, by the Central Government, by any State Government, or by both the Central Government and one or more State Governments. The requirements of the Companies Act of 1956 will continue to apply to the audit of financial statements for fiscal years that began before 1 April 2014.

Statutory Auditors, who are chosen by the CAG in accordance with Section 139(5) or (7) of the firms Act, 2013, audit the financial accounts of Government firms (as defined in Section 2(45) of the Companies Act, 2013). These financial statements are also subject to a supplemental audit, which must be carried out by CAG within sixty days of the date on which the audit report under Section 143(5) was received, in accordance with the requirements of Section 143(6) of the Act, ibid[1], [2].

Legislation specific to each Statutory Corporation governs the audit process. Delhi Transport Corporation only has CAG as an auditor. Chartered accountants appointed in accordance with the State Financial Corporations Act of 1951 audit Delhi Financial Corporation, and CAG conducts a supplemental audit. Through its administrative agencies, the State Government manages the business of these PSUs. The Government appoints the Chief Executive Officer and Board of Directors members.

The State Legislature also keeps an eye on how the government's investment in PSUs is being used and accounted for. For this reason, the Legislature must be presented with the Annual Reports, Statutory Auditors' Reports, and CAG comments in the case of State Government companies, and Separate Audit Reports in the case of Statutory Corporations, within three months of their completion or in accordance with the applicable Acts. According to Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act of 1971, the CAG must submit its audit reports to the government.These PSUs have a large financial stake for the GNCTD. There are primarily three sorts of stakes:

1. Share Capital and Loans: In addition to the share capital contribution, GNCTD sometimes offers loans to the PSUs as a form of financial support.
2. Special Financial assistance: As and when needed, GNCTD offers financial assistance to the PSUs in the form of grants and subsidies.
3. Guarantees: The PSUs' interest-bearing loans from financial institutions are also covered by GNCTD's guarantees.

Financial Accounts and Reconciliation

The values for outstanding loans and share capital according to the records of State PSUs should match those found in the State's Finance Accounts. The affected PSUs and the Finance Department should perform reconciliation of disparities if the statistics do not match. Eighty-five PSUs were affected by the variances, according to the audit. The data must be reconciled in order for the right government spending to be provided to the legislative branch and other users. To resolve the issues in a timely way, the government and PSUs should take specific action.

Account finalisation backlog issues

According to Section 96(1) read with Section 129(2) of the firms Act, 2013, the financial statements of firms for each financial year must be completed within six months of the end of the relevant financial year, or by September end. Infractions might result in penalties under Section 99 of the aforementioned Act. Similar to statutory corporations, statutory corporations' accounts are completed, audited, and delivered to the Legislature in accordance with the rules set out in their individual Acts. Only the State Government's portion of the share capital is included[3], [4].PSUs with account backlogs must take decisive action to quickly remove the backlog and bring the accounts current. In order to prevent additional arrears accumulating, the PSUs should also make sure that at least one year's worth of accounting are concluded. The administrative departments are in charge of monitoring the operations of these organisations and making sure that the PSUs adopt the finished accounts within the allotted time frame. Even though the Audit regularly notified the Finance Department of the delays in finalising the accounts, the necessary corrective actions were not performed. As a consequence, it was impossible to determine these PSUs' net value during an audit. In November 2017, the issue was also raised with the Chief Secretary of the Government of the NCT of Delhi.

DISCUSSION

The GNCTD invested "2,373.31 crore" in seven PSUs, including "share capital" of 19.28 crore (one PSU), "loans" of 522.47 crore (four PSUs), and "grants/subsidies" of 1,831.56 crore (six PSUs). It could not be guaranteed that the investments and expenses made have been correctly accounted for and that the goal for which the money was invested has been reached in the absence of finalisation of the accounts and their subsequent audit. Thus, State Legislature had little influence over Government investment in these PSUs.Along with breaking the terms of the applicable legislation, a delay in finalising the accounts runs the danger of fraud and the loss of public funds. The contribution of PSUs to the State GDP for the year 2016–17 could not be determined due to the aforementioned state of account arrears, and their contribution to the State exchequer was also not reported to the State Legislature. In Annexure 2.1(ii), the financial standing and operational performance of Government corporations and Statutory Corporations are described. The amount of PSU operations in the State economy is shown by the ratio of PSU turnover to State GDP.

Between October 2016 and September 2017, fourteen active businesses sent the Accountant General their 19 audited accounts. Out of these, four accounts were chosen to get a non-review certificate and 15 accounts from 14 different firms were chosen for a supplemental audit. As of September 30, 2017, twelve accounts (ten15 PSUs) were concluded, while the remaining seven16 accounts were in the finalisation phase. During the aforementioned time period, ten accounts of 10 firms that were awaiting finalisation as of September 30, 2016, were also completed. The quality of account keeping requires a significant improvement, according to the audit reports of the statutory auditors CAG assigned as well as the CAG supplemental audit. The Statutory Auditors issued adverse certifications (i.e., the accounts do not represent a true and fair situation) for one account during the year and unqualified certificates for six accounts18, qualified certificates for twelve accounts. Qualifications by statutory auditors had the result of reducing DPCL's stated earnings for the fiscal year 2015–16 by '690.02 crore. Indraprastha Power Generation's declared loss ('77.45 crore) increased as a result of the CAG's qualifications[5], [6].

During the fiscal year 2015–16, Company Limited, by 91.04 crore. Companies continue to have low accounting standard compliance. In six accounts, there were 15 instances of non-compliance.Similar to this, from October 2016 to September 2017, two Statutory Corporations sent their two accounts for audit. One of them belonged to the Delhi Transport Corporation and was the subject of a single CAG audit, which was completed and for which a SAR was given for the fiscal year 2015–16. One more Delhi Financial Corporation account for the fiscal year 2016–17 was chosen for a supplemental audit, which was being completed as of September 30, 2017. It was noted in the Statutory Auditors' Audit Reports and the CAG's sole/supplementary audit that better account keeping was required. the specifics of the total dollar amount of the statutory auditors' and the CAG's opinions on the accounts examined during the previous three years.

Government's Reaction to the Audit

The Additional Chief Secretaries/Principal Secretaries of the respective Departments were given one Performance Audit (PA) and eight compliance audit paragraphs (including one follow-up audit) for the Comptroller and Auditor General of India (CAG) Report for the year ended 31 March 2017 with a request to provide responses within six weeks. But as of January 2018, responses from the State Government on the performance audit and six compliance audit paragraphs were still pending.

The Government of National Capital Territory of Delhi (GNCTD) owns Delhi Scheduled Castes, Scheduled Tribes, Other Backward Classes, Minorities, and Handicapped Financial and Development Corporation Limited to finance, facilitate, and promote economic activities for the all-around development and economic upliftment of members of Scheduled Castes, Scheduled Tribes, Other Backward Classes, Minorities, Safai Karamcharis, and Handicapped persons who established in 1983 in accordance with the Companies Act of 1956, the Delhi Scheduled Castes Financial and Development Corporation Limited (Company) was later renamed to the Delhi Scheduled Castes, Scheduled Tribes, Other Backward Classes, Minorities, and Handicapped Financial and Development Corporation Limited (Company). The Company was established to help people from the National Capital Territory of Delhi (NCTD) who are from Scheduled Castes, Scheduled Tribes, Other Backward Classes, Minorities, and Handicapped and are living in poverty by funding and mobilising institutional credits, facilitating and promoting economic activities, providing training to youth in various income-generating and job-oriented courses, and acting as a promoter and catalyst for their overall development.To carry out the projects supported by National Apex Corporations, i.e. National Backward Classes Finance and Development Corporation (NBCFDC), National Minorities Development and Finance Corporation (NMDFC), National Safai Karamcharis Finance and Development Corporation (NSKFDC), and National Handicapped Finance and Development Corporation (NHFDC) are among the organisations that make up the National Scheduled Castes Finance and Development Corporation (NSFDC).

The Company gets funding from Apex Corporations for the implementation of the plans, with interest accruing at a 3% annual rate. The beneficiaries are required to pay interest at a rate of 6% by the company. As a result, the Company receives revenue from its lending operations in the amount of 3%. In addition, the company receives revenue by renting out space in its office block and interest on money placed with banks.

The Board of Directors (BoDs), which consists of 12 Directors, is in charge of managing the company, with the Chairman-cum-Managing Director (CMD) serving as the company's CEO. The BoDs are made up of the CMD, two nominated representatives from the GNCTD and the Government of India, one representative from each of the NHFDC, NMDFC, and NBCFDC, as well as four distinguished individuals who belong to the targeted beneficiary category. The chairman of the GNCTD Department for the Welfare of SC/ST/OBC/Minorities is the

Minister, while the Special Secretary (Finance Department) and Principal Secretary/Secretary (SC/ST/OBC/Minorities Department) serve as the GNCTD's representatives.This performance audit's audit goals were to determine whether:

1. The Company had successfully, economically, and efficiently planned, developed, and executed the authorised financial support programmes.
2. The intended beneficiaries' credits were selected, sanctioned, released, and recovered under an efficient supervision and monitoring system[7], [8].

This performance audit, which covered the company's actions from April 2012 to March 2017, was carried out from April 2017 to September 2017. The Company issued 89, 72, 173, 501, and 2 loans during this time period, respectively, under the Education Loan Scheme, Transport Loan, Dilli Swarojgar Yojna, Composite Loan, and Big Loan Schemes. Of these, the Audit chose 23, 22, 25, 60, and 2 loan cases, accounting for 16% of the total loans issued during this time. We looked at the company's three zonal offices' and head office's documents.In May 2017, a meeting was conducted with the Company to review the performance audit's entrance criteria, goals, and scope. The audit results were communicated to management (in September 2017), and an exit conference was convened in which the executive director and company officials participated. The company's responses from January 30, 2018, have been appropriately integrated into this report. The audit's conclusions were compared to the following standards:

1. The Company's Board meeting agenda, minutes, and delegation of authority;
2. The State, Central Government, and National Apex Corporations' policies, frameworks, criteria, and guidelines;
3. The Company's policies for loan approval, disbursement, recovery, and oversight; and
4. Office documents, Company orders, circulars, and directions.

Planning was inadequate in certain ways. The Company created an MoU outlining its goals for each fiscal year and presented it to the Administrative Ministry, but the same could not be carried out. After the specific financial year was finished, the Administrative Ministry sent the proposed MoU back. The MoU could not be carried out as a consequence.Although there were major deficiencies in reaching objective of loan activities ranging from 38.80 to 99.04 percent under different schemes throughout the period of 2012–17, the company also produced its yearly plans as well as a five year plan (2012–17). This demonstrates that the welfare programmes' execution was subpar, depriving the targeted recipients of the advantages that were intended, as stated in the performance audit.

The Company also required to create a profile of the target group population residing in the GNCTD plan, set progressive goals for distributing aid under the indicated programmes, and create an implementation strategy for the programmes. Given that the development plans were aimed at the underprivileged sections of society, who ran a higher risk of exclusion due to their ignorance, identification of beneficiaries was essential. In order to plan and offer financial support and to gradually reach the whole targeted population, it was necessary to maintain a trustworthy database of the SC/ST/OBC/Minorities/Handicapped population via appropriate surveying. To determine the target audiences and to identify feasible professions and crafts to whom loans may be extended, the company did not, however, undertake any surveys. Additionally, it didn't keep a database of intended beneficiaries.

While acknowledging the facts, the company said that the failure to meet objectives was mostly caused by the model code of conduct's application during the 2013–2015 elections, the absence of a sanctioning body for more than a year, and the length of time it took to alter the Delhi Swarojgar Yojna. The company should have been more proactive in managing these concerns, thus the response is unacceptable. Moreover, over the five years covered by the audit, the Company was unable to meet its actual loan disbursement objectives.

Delays in completing the annual accounts

Only up to the year 2003–2004 have the Company's financial accounts been fully finished. The sufficiency and efficacy of the financial controls, accountal of the revenues, spending, assets and liabilities including investments, and utilisation of funds for stated purpose could not be vouchsafed in the absence of the audited Financial Statements for the periods 2004-05 and subsequently. According to unaudited accounting, the Company had fixed assets worth 5.20 crore as of March 31, 2011, however it had never kept a fixed assets registry or physically verified any of its assets since its founding.While acknowledging the facts, the Company maintained that the lack of available competent authorities prevented the accounts from being concluded. They also said that the accounting for the 2015–16 fiscal year had been concluded and that the physical verification of the fixed assets registry required by the Company Act will take place very soon. In the lack of any documents to back up the claims, the Management's response could not be independently checked. However, the audit noted that as of January 30, 2018, the statutory auditors had audited the books for the fiscal years 2004–05 and 2005–06[9], [10].

Disbursements and Receipts

The Company offers loans to qualified recipients through a number of programmes, which are listed below:

Composite credit Programme: As part of this programme, credit support ranges from'50,000 to '2 lakh only for members of Scheduled Castes, Other Backward Classes, Minorities, Safai Karamcharis, and Physically Handicapped is sanctioned and disbursed for any income-generating activity in different trades approved by the Municipal Corporations of Delhi (MCD), such as chemist shop, pan shop, tailoring shop, atta chakki, laundry, etc. Transport Loan Programme: Under this programme, the company offers loans for commercial vehicles that have been authorised. The amount of the loan that is given depends on how much the car costs. Members of the Safai Karamcharies, Scheduled Castes, Other Backward Classes, Minorities, and Physically Handicapped make up this target group.

Under this programme, the company offers loans to target group students who want to enrol in professional and technical courses. When studying in India, the company advances loans up to a maximum of Rs. 7.50 lakhs; when studying overseas, the loan amount may reach Rs. 15 lakhs.The loan offered under this category is for the establishment of small-scale economic activity (for projects up to $5 lakh in cost). This type of loan covers small and marginal enterprises, traditional vocations, including agriculture and related sectors.

For Scheduled Castes, Other Backward Classes, Minorities, Safai Karamcharis, and Physically Handicapped individuals, loans up to '5 lakh are sanctioned and distributed under the Dilli Swarojgar Yojna for any income-generating activity in different trades authorised by the MCD. The programme will be funded by the interest the company earns on the $50 billion it got from GNCTD.The significant under-profiling of target beneficiaries to create their database, the absence of an adequate awareness campaign, the failure to revise the income criteria to be even lower than the minimum wages set by GNCTD, and other factors may be to blame for the significantly low disbursement of loans to beneficiaries.The Board of Directors had formed a Committee to recommend the best course of action for corrective action after the Management complained that certain lending requirements were onerous. The response is unacceptable since the proportion of monies available for distribution that were actually spent, which supports audit argument, had dramatically reduced from 45.41 percent in 2012–2013 to only 12.90 percent in 2016–2017. Even if management's claim of complicated procedural problems is accepted, it may not have been possible for it to reach the target group since beneficiaries weren't profiled and people weren't aware of its programmes.

Blocking of money and ensuing interest loss

For SCs living below the poverty line, the Ministry of Social Justice and Empowerment, GoI, established (1986–1987) a fully supported family-oriented economic development programme. According to the plan, the company was required to provide a non-refundable subsidy out of the money received from the GoI that was equal to 50% of the loan offered to the SC recipient or $10,000, whichever was less. Additionally, SC applicants were to get training in a variety of trades that focused on employment. In accordance with this plan, the Company received funding totaling 9.68 crores from 1997–1998 to 2016–17, but spent 18.05 crores on training and subsidy payments, resulting in an extra outlay of 8.37 crores as of the end of March 2017. The company's excess money and interest on them were used to cover the additional costs. Major expenses were accumulated during the years 2001–2005, when the company received cash from the GoI totaling 3.68 crore and spent 13.39 crore using company funds, with no previous board permission required for the incurred excess expenses. Additionally, the company decided not to request a return for unauthorised expenses. The Company continued to spend money under this plan despite not receiving any GoI funding after 2007-2008, according to the audit, with the exception of the year 2012-2013. The failure to submit the Company's audited financial statements and the utilisation certificate for this performance audit was the cause of the money not being received. Between 2005-06 and 2016-17, due to the non-receipt of GoI funding and incurring expenses with its own money, a loss of interest revenue of 9.10 crore was incurred on the excess expenditure of 8.37 crore. The Company acknowledged the facts and claimed that the delay in finalisation and the need for an accounting audit was the reason the GoI did not transfer the monies.

Loss Of Interest From Putting Off Investing Spare Money

The Apex Corporations annually provide monies in advance to the Company for a number of initiatives, followed by approval and the release of funds. Undisbursed money build as previously said as a result of the Company's inadequate execution of social programmes. However, since the company lacks a strategy on how to invest extra cash, investment choices, such as extending current bank deposits, are postponed.

The business was given 227.05 square feet of space. mtrs. without signing a lease, in July 2007 to the office of the Delhi Commission for Safai Karamchari (DCSK) at Kalyan Building, Raigar Pura, New Delhi. It wasn't until April 2009 that the Company brought up the issue with the Public Works Department (PWD) to determine the rent for the aforementioned properties. After using the premises for around 10 years, the rent was set by the PWD Rent Fixation Committee in June 2015, and the lease was signed on March 23, 2017.The overall rent recovery came to 3.53 crore based on the monthly rate of'2.29 lakh, of which the company recovered'1.38 crore in March 2017. As of March 2017, the needless delay in rent determination and collection has cost 1.69 crore in lost interest revenue. The Company said that frequent follow-up is being done for the collection of the outstanding amount (January 2018).

The Board did not establish any guidelines for giving officials, especially those who are being paid extra, access to official vehicles. Official automobiles may be provided to the Company's only Executive Director, who also serves as its full-time Chairman and Managing

Director. The Chairperson, Managing Director, and Executive Director were utilising their official automobiles as of March 31, 2017. The Company, on the other hand, had a fleet of 10 employee cars as of that date. As a result, the Company had eight more automobiles than was legally necessary. Additionally, it was noted that the Company lacked a dedicated vehicle suited for transporting inspection teams or running any awareness campaigns in addition to the eight excess automobiles.

The total cost of these eight automobiles, including cost of ownership and upkeep, came to 98.66 lakh rupees. Additionally, the use of general pool automobiles for productive purposes is not encouraged due to the poor execution of financial assistance programmes for the target populations and the fact that the majority of the monies collected by the Company from Apex Corporations were maintained in banks as fixed deposits.

CONCLUSION

To sum up, the situation of public sector organisations (PSUs) in the National Capital Territory (NCT) of Delhi as of March 31, 2017, displays a complicated terrain characterised by a number of difficulties and deficiencies. Although these PSUs are supposed to have a big influence on the state's economy, a number of problems affect how they operate and how accountable they are.Lack of timely and accurate financial reporting and account finalisation is one of the major difficulties mentioned. Many PSUs in Delhi have a substantial backlog of financial account completions, with some accounts languishing for years. This backlog hinders transparency and increases the possibility of financial mismanagement and fraud. Prioritising and rushing the completion of accounts is crucial for these organisations if they want to make sure that public monies are used effectively and that legal obligations are met.In conclusion, fundamental reform and better governance are needed given the situation of PSUs in Delhi's NCT. It is possible to improve the general health and accountability of these state-owned businesses by addressing concerns with financial reporting, compliance with accounting standards, effective programme execution, and improved financial management. The government and pertinent authorities must move swiftly to allay these worries and make sure that PSUs play their intended role in the state's economy while ensuring openness and accountability.

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CHAPTER 10

AUDIT FINDINGS AND OPERATIONAL DEFICIENCIES IN A GOVERNMENT FINANCIAL CORPORATION'S LOAN DISBURSEMENT AND MANAGEMENT PRACTICES

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ABSTRACT:

The audit report on a company's financial operations and lending initiatives targeted at specific target demographics is summarised in this abstract. Examined are the company's deeds and adherence to Apex Corporations' rules. When it already possessed one car, the corporation decided it was unnecessary to buy another one. Although there was a sizable population of target groups, the corporation did not conduct loan programmes for them successfully. Without a clear distribution strategy, the firm accepted increased objectives and funding from Apex Corporations, which led to underutilised cash. Ineffective loan disbursement to diverse benefit groups caused the firm to fall well short of anticipated goals. The business neglected to use monies designated for specific programmes and neglected to raise beneficiaries' awareness. There are issues with the way training infrastructure funds are used, as well as bad space management. There are a number of concerns with loan disbursement that are emphasised, such as delays, a lack of necessary paperwork, and violations of the conditions of the loan. The firm had personnel inconsistencies, with jobs that did not correspond to authorised strengths. The organisation lacks the internal auditing tools, rules, and procedures required to guarantee regulatory compliance. The business did not assure the correct handling of public complaints or maintain records of them. The abstract gives a thorough summary of the audit's conclusions and points out areas where the company's lending programmes and financial management fell short of expectations.

KEYWORDS:

Audit, Corporation, Fund, Loan, Organisation.

INTRODUCTION

It was also noted that a Rural Transport Vehicle (RTV) that was utilised for recovery efforts and awareness campaigns while the automobile was deployed for CMD was condemned at the time of the acquisition of a replacement car on July 29, 2015. Therefore, it was not necessary to acquire a staff automobile in lieu of an RTV to be utilised for promoting the company's initiatives. With one automobile already acquired in 2015, CMD added a second vehicle to its fleet in April 2016 at a cost of $6.88 lakh.The company said that it only purchases automobiles when the Corporation requests them.

The response is unacceptable since the company only needed two cars for the two authorised personnel. According to the 2011 Census, Delhi has 28.12 lakh SC and 2.35 lakh handicapped residents, respectively. In the minority, there were 21.72 lakh people. There were 10.78 lakh widowed, separated, and divorced women. A little over 51% of Delhi's total population (1.67 crore) is made up of the 54 Other Backward Castes (OBC) that have been officially recognised. There are 64,000 Safai Karamcharis in only three of Delhi's municipal corporations. As a result, a sizable population of target groups existed that the Company could include in its different lending programmes. Credits might be given to these target groups thanks to funding provided by the Apex Corporations. As shown below, the Company didn't seem to be in a rush to put these credit schemes into place[1], [2].

The Apex Corporations also set the physical and financial benchmarks for each State and each benefit group at the time of the yearly allocations. The average loan amount for SC recipients in the instance of NSFDC was set at'0.45 lakh. In the instance of NBCFDC, the average loan amount to recipients from the underprivileged class was set at'0.45 lakh. In the case of NHFDC, the average loan amount to beneficiaries who are handicapped was aimed at'0.60 lakh, whereas in the case of NMDFC, the average loan amount to beneficiaries who are minorities was targeted at'1.11 lakh.The audit found that the company's acceptance of higher targets and funding allocations from Apex Corporation without a corresponding plan or roadmap for loan disbursement to the beneficiaries turned into a routinely advantageous tool in its arsenal for earning interest income from unused funds to cover its establishment costs and to demonstrate its economic viability at the expense of the target groups whose benefit the company was founded.

The Company acknowledged the facts and claimed that, although it made every effort to provide financial assistance to the targeted groups between 2012 and 2017, it was unable to do so due to the absence of the sanctioning authority for more than a year, the length of time it took to amend the Delhi Swarojgar Yojna, the non-revision of the income criteria, which is even lower than the minimum wages set by the GNCTD, and the implementation of the model code of conduct during the 2013–2015 elections. The management's response is unacceptable because it does not address the audit's conclusion that increased objectives and funding allocations from entities at the federal level were accepted without a strategy for distribution, allowing interest to be earned on cash held in banks but not used. Without any preparations, there were major shortages in accomplishing goal loan activities under different programmes from 2012 to 2017, ranging from 38.80 to 99.04 percent.The objectives for notional funding allocation to the Company are set by Apex Corporations each year. The Company then presents proposals outlining the total number of beneficiaries and monies needed for Apex Corporation sanctions. The monies taken and loans disbursed throughout the period are shown in Table 2.2.4, together with the consolidated fund allocations by NSFDC for SC beneficiaries, NBCFDC for backward Classes beneficiaries, and NHFDC for beneficiaries who are disabled.

For Scheduled Castes

In contrast to the aim of 3,175 beneficiaries, loans totaling 701.70 lakh were issued to 459 SC recipients over the period 2012–17. NSFDC requires the Company to divide the total loan amount intended for SC beneficiaries into three sectors: agriculture, services, and industries. Within each of these sectors, coverage of educated unemployed/underemployed, women, and others should be to the extent of 40%, 40%, and 20%, respectively. However, the Company did not use such prioritisation while disbursing loans to the SC beneficiaries in order to follow the rules. If the stipulated sectoral distribution was not determined to be practicable, it did not additionally call for any changes to be made at the sector level in an urban state like Delhi. Additionally, the NSFDC launched the "Single Women Scheme" in February 2013 and the "Green Business Scheme" (GBS) in December 2014 to provide financial support in the form of loans for e-rickshaws, solar pumps, and other equipment to address the concerns of climate change while also generating revenue. The Company's Board authorised the GBS in July 2015. However, as of the end of March 2017, the Company has not made any loan payments under any of the Schemes. The Company also failed to take the proper steps for cluster development to ensure that the NSFDC's concessional loan would be compatible with other programmes for the socioeconomic advancement of this target group[3], [4].

DISCUSSION

A Vocational Education and Training Loan Scheme (VETLS) was launched by the NSFDC in February 2014, and the Company was also given information about it. The programme offers training for the target population that last six months to 24 months and culminate in salary placement. The Company was supposed to spread the word widely in order to create enough proposals and sponsor them to NSFDC from 2014–2015, but it failed to do so, depriving the SC recipients of the planned advantages.

For Regressive Classes

In order to reach the company's 2018 beneficiary objective, 78 Other Backward Class (OBC) beneficiaries received loans totaling 42.26 lakh throughout the 2012–17 period. The Company did not withdraw any funds from the 350 lakh sanctioned amount for the benefits of the Backward Class (BC) beneficiaries during the years 2014–15 and 2015–16. NBCFDC particularly instructed the Company to hold awareness camps and programmes be given proper exposure among the target categories while awarding money, taking into consideration the lack of knowledge among the underprivileged and uneducated people about the financial assistance programmes. Despite the availability of funds from the NBCFDC during 2012–17 lying in bank deposits, the Company did not take adequate action in this regard, and loan disbursement had been primarily based on beneficiaries reaching out to the Company rather than the Company's outreach activities to for BC beneficiaries through awareness programmes.

For people with disabilities

Under the Company's Schemes, 24 handicapped recipients received loans totaling 36.57 lakh over the years 2012 to 2017. In contrast to the 2.35 lakh handicapped people, the company could only provide loans to 887 recipients from 2003–2004 to 2016–17. Only 24 recipients received loans from the firm from 2012–2013 to 2016–2017, falling short of the aim of 696. The Apex Corporation made note of the Company's substandard performance and concerns about its lending to people with impairments in September 2015. The Company was expressly tasked by NHFDC to submit additional benefit extension proposals. The Company planned to launch a special campaign by encouraging the district offices to support more PwDs' proposal submissions. Additionally, the Company was instructed to compile a list of unemployed individuals from the database of a special employment exchange and training facility in Delhi and to investigate the possibility of providing collateral-free loans to PwDs through public sector banks or the National Small Scale Industry Corporation (NSIC) in accordance with the Credit Guarantee Scheme of the Government of India. Despite having access to money from the NHFDC from 2012 to 2017 that were in its bank accounts, the Company did not take the necessary actions.

Minority Groups

The Company requested an allocation of "332.95 lakh" from NMDFC for the fiscal years 2015–16 and 2016–17. In response to this, the Company received a sanction of "200 lakh," however it only received "25.50 lakh" to distribute loans to minority recipients. Only 59 minority beneficiaries received loans from the company throughout the five-year period from 2012 to 2017, which is surprising given the sizeable minority population in Delhi NCT. According to the audit, NMDFC also gave the company an extra $2.50 lakh each year from

2012 to 2017 for the purpose of funding at least five loan melas or awareness campaigns, however the company failed to hold any of these events. Information on the submitted projects and the amount approved or drawn for the years 2012–2013 to 2014–2015 was not provided.

Additionally, the Apex Corporation mandated that the Company get beneficiary insurance against death and disability and asset protection at the time of financing and that the premium payment be included in the loan amount. The Company was to engage into an agreement with an insurance company to insure the beneficiaries and their assets for this purpose. However, the Company was unable to get insurance coverage for its beneficiaries[5], [6].The points were acknowledged by the company at sl. no. (a) to (d) above and blamed the failure to use the money sanctioned on the failure to update the income requirements, which is even lower than the minimum wage set by the GNCTD, and the application of the model code of conduct during elections between 2013 and 2015. The inadequate execution of continuing welfare programmes cannot be blamed for the model code of behaviour during election season, and it is the obligation of the Company and the GNCTD to amend the income criterion if they discover it to be below the statutory minimum wages set by the GNCTD.

Safai Karamcharis

166.80 crore were allotted to the National Safai Karamcharis Finance and Development Corporation (NSKFDC) between 2012 and 2017. However, the Company could only get '9 crore (5.39%) from NSKFDC in March 2016 to undertake different programmes for this target group (having yearly income up to '1.20 lakh), which was similarly underutilised. Additionally, no action plan for the distribution of unused cash to Safai Karamcharis, which were retained invested with the Bank, was seen throughout the audit. The Company claimed that since Apex Corporation was unaware of certain qualifying requirements, monies could not be used. The Company failed to acquire or settle the matter with the Apex Corporation in this regard for five years, therefore the response is not tenable.

For Scheduled Tribes

According to the 2011 Census, Delhi has no original/indigenous Scheduled Tribes. However, the GNCTD amended (25 July 2001) the Company's Memorandum of Agreement and also declared it as a Channelizing agency for the funds to be received from the National Scheduled Tribes Finance and Development Corporation (NSTFDC) for the benefits of ST population in Delhi in order to acknowledge the presence of Scheduled tribes of other States residing in Delhi and realising the need to provide financial assistance for their economic upliftment. The Apex Corporation was not followed up with after 2002 or any decision was made in this regard, so the ST population residing in Delhi was unable to receive benefits under the various credits schemes of the Company. The Company raised the issue of the release of funds to the ST population living in Delhi with the CMD, NSTFDC.

The Company cited the lack of clear rules from GNCTD and the non-recognition of STs in Delhi, even in the Economic Survey Report, as grounds for the loan not being disbursed. The response is unacceptable since the company did nothing to transfer monies to Delhi's ST community after 2002. The GNCTD's mission included the grounds given for non-disbursement, which means they ought to have been adequately handled.The Company and the Apparel Training and Design Centre (ATDC) signed a Memorandum of Understanding (MoU) in December 2007 to construct training infrastructure using a Government Grant of $30,000 to teach the target populations and provide job possibilities in the apparel sector. The following deficiencies were discovered.

According to the terms and conditions of the grant, the company was required to sponsor 500 members of the target groups (SC/ST/OBC/Handicapped/Minorities/Safai Karamchari) annually for such training; however, during the 2012–2017 audit period, the company could only sponsor/train 342 candidates out of the 2500 members of the target groups. As a result, the declared goal of operating a training facility using government subsidies was not accomplished. According to the Company, GNCTD did not disburse any money for the fiscal years 2015–16 and 2016–17.

The audit claim of goal non-achievement in prior years was not addressed in the management response.In accordance with the MoU, the Company was to give 5875 square feet of workspace at its Ambedkar Bhawan headquarters for the establishment of this Centre at a cost of only one dollar per year. In contravention of the terms and conditions of the Memorandum of Understanding, the Company permitted ATDC to occupy an extra 4092 square feet of space from December 2007 to November 2013 without collecting rent. As a result, the building the company built to provide room for the targeted group's training was not used to its full potential. However, the PWD set a rent of 9.82 lakh per year for this extra area, which translated to 58,92,480 for an unauthorised time and for which the Company made no claim for reimbursement[7], [8].The following mistakes were made while lending money to the recipients:

Survey Absence

In order to establish a foundation for planning and giving financial support and to gradually reach the whole targeted population, the Company did not survey beneficiaries who were below the poverty line (BPL). Additionally, the Company did not carry out any research on the viability of any professions or trades for the population of the targeted beneficiaries who were below the poverty line. As a consequence, the recipients who need financial help were unable to use the programmes' advantages.

Non-compliance with loan terms

The disbursement of composite loans and transport loans was determined to have the following significant deviations:

1. Out of the 501 Composite Loans that were issued between 2012 and 2017, 60 of them were subject to audit test checks, and it was discovered that no beneficiary supplier bills had been acquired, as required by the loan's terms and conditions, to verify the loan's use for the intended purpose.
2. According to the Citizen Charter of the Company, the total number of days that may pass before any loans were disbursed was 52. In 22 Transport and 60 Composite Loan disbursal instances, audit test-checking revealed delays ranging from 766 to 1055 days, while delays in Composite Loan programme cases ranged from 13 to 393 days. 23 of the instances included delays of more than 100 days.
3. The terms of loan disbursement included the execution of a hypothecation deed for assets funded with loans as well as an insurance of the hypothecated assets in order to protect the Company's interest. After loan disbursement, the hypothecation document for such assets (apart from the transport loan) was not signed, according to the audit. The recipients of the Transport Loans had submitted complete insurance policies for the first year, but the renewal of such policies in succeeding years was not guaranteed. The Company reported that instructions have been given to fulfil the timetables outlined in the Citizen Charter as well as the terms and conditions of the penalty letter.

Loan under the Dilli Swarojgar Yojna (DSY)

The Scheme, launched in 2012–2013, was to be financed by the Company using interest collected on the Corpus money of '50 crore' supplied by GNCTD as the first payment out of the entire Corpus of '100 crore. The following flaws were discovered during a test review of 25 DSY loan cases, to whom $75.20 lakh had been disbursed:

1. In contrast to the maximum 52 days allowed by its Citizen Charter, the Company delayed loan disbursements by 175 to 938 days.
2. The company issued a circular in July 2015 instructing branch/scheme-in-charges to take immediate action to cover all loan beneficiaries with insurance coverage worth $25,000 each at a low rate of premium that will be deducted annually from the beneficiary's bank account. Ten out of the 25 instances that were audited, however, did not have insurance coverage for the loan recipients.
3. The CMD instructed the Branch-in-Charges to issue letters to the concerned bank managers (February 2015) instructing them to not close the accounts of the beneficiaries without notifying the Company if the applicant/beneficiary has not repaid the entire loan to the Company because the Company suffered losses due to premature account closures. However, test-checked instances did not follow these directions.
4. The company said that 17 beneficiaries had paid back their loan obligations out of the 54 beneficiaries who closed their bank accounts. But the reality remains that the Branch-in-charges did not follow CMD guidelines. The Company may desire to investigate the reasons the Branch-in-Charges disregarded these directives and take necessary action.
5. To guarantee that the loan/funds were used by the beneficiary for the purpose for which it was sanctioned, the beneficiaries were not asked for the bills for the assets generated out of the loan in five instances.
6. The Corpus was not held in a separate bank account since DSY was to be funded only from interest revenue from the Corpus.

There was no clear process in place for rejecting loan offers under any of the programmes.Lists and archives of rejected cases were not kept up to date. The following anomalies were discovered in rejected loan cases belonging to the 2012–17 period when we test-checked 93 rejected instances. Several key discoveries are described. In five instances, loans that were first deemed eligible for disbursal in field survey reports written after applications were received were subsequently refused based on the same criteria.Deficit memoranda pointing out various inadequacies were repeatedly sent to the applicant in four situations, each time at great intervals. All of these flaws might have been brought to light at once. In five instances, applications were turned down because the applicant had previously complied with the criteria. When an applicant proposes to launch a normal company, such as the selling of ready-made clothing, their applications were turned down on the grounds that they were unaware of the anticipated activity. In three instances, loan applications were turned down because the family income of the applicant, a married applicant, contained the income of the applicant's father (a government employee), which was against the rules. In five instances, applications were turned down because the applicants failed to provide a quality project report or did not have an appropriate workspace.The Company failed to furnish the applicants with the required project report format, which prevented them from receiving the intended advantages of the schemes[9], [10].

The Company said that failure to comply with the necessary formalities as outlined in the programme or inadequate working conditions were the major causes of loan applications being cancelled even after being determined appropriate during field surveys. The response is unacceptable since Audit identified instances that were rejected but were not handled fairly. With the exception of education loans, the company gives out loans to recipients with three to five-year payback terms. For loans under $50,000, the company does not need security; however, for loans above $50,000, the assets bought with the loan money are hypothecated in the company's favour. The beneficiaries deposit cash, checks, or post-dated checks in exchange for equal monthly payments that cover both the principle and interest.

Operational Position Openings

In March 1996, the Board authorised a sanctioned strength of 155 officials, of whom 164 were serving in different roles as of March 31, 2017. Out of 164, 67 multitasking staff (MTS) had regular appointments compared to the sanctioned strength of 32; yet, there were sizable operational post openings. The accountability of the personnel in charge of maintaining MTS above the authorised ranks was not enforced. The Company responded that all open positions had been eliminated, making the current staff of 164 officials, including the 73 MTSs who are now working, its authorised strength. Only two supervisors were assigned to five sanctioned roles, while eight lower divisional clerks were assigned to 31 sanctioned posts, according to the audit. Field inspectors (8), statistics assistants (3), and the job of deputy legal manager (1) were all vacant. A government finance corporation's organisational structure does not seem to be feasible if sanctioned strength is increased to 73 MTS out of 164 total company officials. The GNCTD shall investigate if hiring 73 MTS was done in accordance with current policies and procedures and was required for the organization's efficient operation.

According to the audit, 78 out of 164 employeeswho distributed 837 loans over the course of five yearscould be regarded as personally liable. As a result, each member of staff issued two loans annually on average. In order to effectively execute concessional loan programmes, the Company should consider how to increase the percentage of employee loans disbursed. Internal control is a management technique that gives reasonable confidence that management's goals are being met effectively, efficiently, and in a systematic way. An effective internal audit division, manuals, and standard operating procedures are all components of an internal control framework. The internal control system has the following flaws, according to the audit.

1. The Company lacked the policies, guides, and SOPs necessary to govern its credit disbursal and recovery activities.
2. Even though the Company has been providing financial assistance to recipients since 1983, it hasn't set up an internal audit mechanism to gauge how well the laws and regulations are being followed.
3. No documentation was kept to substantiate visits made by representatives of the recovery department to collect loan payments or default amounts. As a result, it was impossible to verify whether the recovery team was doing its duties correctly or not.
4. The Company failed to keep track of the receipts and resolution of public complaints. The MD of the company was not made aware of these complaints or their resolution.

The company said that while disbursing loans, it adheres to the Citizen Charter. Since the paid-up capital was less than 50 crore, the Company Act of 2013 did not stipulate that an internal audit was necessary. Additionally, the Company conveys appropriate responses to the applicants and takes appropriate action in response to complaints. The response is unacceptable since the Company was required to develop manuals, rules, and standard operating processes in order to execute multiple lending schemes effectively. Internal audit is a useful technique for assessing how well current rules and regulations are being followed. Records of complaints were not kept, and the company's MD was never made aware of any such complaints.

The Company had access to enough money from the Apex Corporations to provide target groups credit, but it didn't fulfil its obligations. The provision of financial aid has shortcomings. The intended group had not been surveyed, and there were large delays in loan delivery. The yearly financial and physical objectives weren't met in full. The total amount of money taken from all Apex Corporations between 2012 and 2017 was '37.48 crore,' yet the company could only distribute '13.13 crore at that time.

The loan disbursement, which made up 45.41% of the total funds available in 2012–13, fell to 12.90% in 2016–17. Instead of implementing an outreach strategy to identify deserving recipients for the concessional loans, the Company kept the money stagnant in the banks and utilised the income it generated to cover its startup costs, harming the interests of the target groups.The mechanism in place to monitor beneficiary reimbursement was woefully inadequate. Only 11% of the company's overall losses were recovered in 2016–17, and the company lacked information on real losses from earlier years.

The Company did not practise post-loan disbursement monitoring, which resulted in a lack of impact studies, poor loan recovery, and non-verification of the assets generated. In order to exert control over the approval and distribution of loans to beneficiaries, the company has not implemented an internal audit system.

CONCLUSION

In conclusion, the audit results point to a number of critical problems and weaknesses in the management and operations of the business in charge of providing concessional loans to different target groups. These problems affect many different aspects of how the organisation operates and have a negative effect on the intended beneficiaries.A reoccurring issue is the acceptance of greater expectations and financial allotments from Apex Corporations without a defined strategy for loan distribution. This practise has caused money to accumulate that isn't being spent, which generates interest revenue for the business but deprives the target demographics of the advantages intended. The company's justifications, such as the lack of sanctioning power and the model code of behaviour during elections, fall short of appropriately addressing the problem of improper financial management.The audit's results as a whole highlight the need for extensive organisational changes, from strategy planning and budget management to beneficiary outreach and internal controls. To ensure that concessional loans reach their intended receivers and have a beneficial effect on the economic growth of the target groups, it is essential to address these challenges.

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CHAPTER 11

EVALUATING DELHI TRANSCO LIMITED'S RESPONSE TO AUDIT RECOMMENDATIONS

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ABSTRACT:

This abstract gives a general overview of the many problems and difficulties that Delhi Transco Limited (DTL) has to deal with, as identified in a performance audit that was done between 2007 and 2012, along with recommendations for further action. Numerous issues with project execution, planning, decision-making, and disaster preparation were exposed by the audit. Many of the suggested steps have only been partly executed, despite some progress. While some substations are nearing the end of their useful life, others are lacking required equipment. The process of updating outmoded equipment has been started by DTL. The audit also uncovered a number of financial and administrative problems, including the absence of bus insurance, financial losses as a result of poor contract management, and wasteful spending. In order to maintain efficient and successful operations at DTL, the government's answers to these problems are examined, emphasising areas where adjustments are required.

KEYWORDS:

Audit, Company, Delhi, Development.

INTRODUCTION

When the Company was founded in 1983, there were not many banks around. It is suggested to examine the receivables of the firm to operate in this sector primarily when it has failed to deliver since there are many government programmes now being run by banks that have the necessary infrastructure and know-how from project appraisal to recovery stage.In order to assess the economic viability of the professions and trades to which loans could be granted, the Company will: conduct outreach activities to profile the potential beneficiaries in each target group; prepare their database; and raise awareness among them about the Company's schemes so they can apply for financial aid. making sure that the money allotted and approved by the Apex Corporations is completely pulled and used for the advantages of the intended recipients. enhancing the loan recovery procedure and pertinent recordkeeping to enhance loan recovery performance. enhancing its corporate governance and supervision framework to successfully advance the company's goals in the beneficiaries' best interests.

The Government was contacted about the issue in November 2017, and a response was anticipated in January 2018. The Delhi Vidyut Board's liabilities, which had not been allotted to the other successor companies, were transferred and vested in the holding firm Delhi Power firm Limited (DPCL) by GNCTD by notice dated November 20, 2001. DISCOMs, Genco, and Transco. Additionally, DPCL was instructed to handle the Central Power Sector settlement liabilities.Payments owing to NTPC, BTPS, NHPC, PGCIL, and NPCIL total 3376.69 crore (plus 8.5 percent interest each year). The DPCL uses a grant that was granted by GNCTD to pay the CPSUs' debts.Every taxpayer company is required to pay Minimum Alternate Tax (MAT) under Section 115JB of the Income Tax Act of 1961 (the Act) if the income tax (including surcharge and cess) payable on the total income computed in accordance with the provisions of the Act in respect of any year is less than 18.50% of its book profit. The tax-paying individual is responsible for determining his current income and paying advance tax on his own. Advance tax is to be paid in installments that are due on the 15th of June, September, December, and March, according to Section 208 of the Act. where a taxpayer fails to pay advance tax or where the advance tax paid by the taxpayer is less than 90% of the assessed tax, Section 234B of the Income Tax Act of 1961 allows for the collection of simple interest at 1% each month or portion of a month. Interest may be assessed under Section 234C in the event that an advance tax installment is not paid on time[1], [2].

In paragraph 2.4 of Audit Report No. 1 of the Comptroller and Auditor General of India for the year ended 31 March 2015, it was noted that there had been a delay in the payment of MAT for the fiscal year 2009–2010 and that punitive interest of '2.02 crore had subsequently been paid in July 2014 under sections 234B and 234C. Therefore, it was anticipated of DPCL management to exercise caution in order to prevent a repeat of the abnormality. However, according to the audit, DPCL didn't pay advance tax since it didn't calculate its MAT duty on book profits of 14.63 and 20.76 crores in the fiscal years 2015–16 and 2016–17, respectively. Due to this, DPCL was required to pay '60.01 lakh in punitive interest under Sections 234B and 234C ('37.63 lakh for 2015-16 and '22.38 lakh for 2016-17).

The management of DPCL regularised the violations, on file, claiming that interest earned on money parked in the nationalised banks as fixed deposits significantly offset the amount of penal interest on delay in advance tax, rather than enforcing the accountability of the responsible officials for repeat violations of the Act that attract penal interest. This line of reasoning used by Management to justify Act infringement is unjustified.Additionally, the interest on fixed deposits was '25.41 lakh less than the punitive interest paid under Sections 234B and 234C. As a consequence, the DPCL's inability to promptly determine the MAT due and subsequent non-payment of advance tax led to the needless payment of criminal interest totaling '60.01 lakh. The government was notified of the issue in October 2017, and a response was sought in January 2018.

The Department of Power (DoP), GNCTD was given a plot in Molar Band measuring 10800 square metres by the Delhi Development Authority (DDA) in December 2009 with the intention of setting up a 66 KVA grid sub-station to power the planned 690 Lower Income Group DDA homes. In order to co-locate their 220/66 KV grid sub-station (by DTL) and 66/11 KV distribution sub-station (by BRPL), Delhi Transco Limited (DTL) and BSES Rajdhani Power Limited (BRPL), a privately held power distribution firm, agreed to the acquisition of this site in December 2010. In May 2011, the Department of Power (DoP) alerted DDA of this. According to DDA land policy, the property is given to DoP, who may then licence it to power utilities on a "Right to Use Basis" by assessing an annual licence charge. However, DDA only granted 8550 sqm of land in November 2012, for which DoP paid 11.16 crore to DDA in March 2013. The land was subsequently turned over by the DoP to DTL (5133 sqm) and BRPL (3417 sqm) in December 2014.

Due to its triangular shape and inadequate approach, the said piece of land was deemed unsuitable for the construction of a 220/66 KV grid sub-station (by DTL) and a 66/11 KV distribution sub-station (in October 2015), rendering the feasibility for infeed and outlets problematic. This information was provided to the Planning Steering Committee23 (PSC) during the assessment of the status of the ongoing electricity-related projects. After a delay of 19 months, DTL ultimately chose in April 2017 to forego the projected facilities' construction and return the site to DoP. While waiting,DTL kept paying the DoP the yearly licence cost. It had paid $4.08 crore (until July 2017), but it stopped producing. According to the audit, DoP and DTL did not do enough due diligence for property purchased from DDA and the power load predictions as shown by the fact that the same site was discovered to be unsuitable in October 2015 and the planned sub-stations were no longer necessary in April 2017. Before acquiring control, DTL did not determine whether it would be feasible to build the sub-station on the property. In reality, concerns were expressed over the appropriateness of the 8,550 sq m plot's layout for the sub-station during the PSC meeting on December 12th, 2013. DTL nonetheless made the decision to seize the property as directed by the DoP[3], [4].In accordance with the terms of the licence agreement, DTL was required to pay the annual fee for the entire 2014–2015 fiscal year as of December 23, 2014, whereas BRPL was only permitted to pay for 99 days. However, DoP insisted that DTL pay the full 2014–2015 licence fee. DTL therefore settled its liabilities of 36.34 lakh with 1.34 crore.DoP insisted on paying yearly licence fees for the next term even after informing the PSC (in October 2015) that the property was unsuitable for sub-stations. DoP also assessed interest of '6.42 lakh @ 1.25 per cent per month for failure to pay annual fee for 2016-17.

DISCUSSION

In the meantime, DTL suffered an interest loss of '79.92 lakh24 on the '4.08 crore paid for the property that is still banned. DTL responded in October 2017 that it no longer needed the site owing to changing circumstances, and that the section of the land assigned to it had been given to BRPL on September 5 for use in accordance with its licence. Furthermore, BRPL is settling the sum that DTL paid to DoP for its share of the land. The management's response is unacceptable since, although it is assumed that DTL will collect the licence charge previously paid from BRPL, it does not say whether it would also recover the cost of the money used to pay the licence fee from 2014 to 2017. Thus, without establishing the land's appropriateness for the planned sub-station and without a concrete plan, it was purchased in 2014 for a cost of 1.34 crore each yearfor extending. Due to the obstructed and unproductive property, the company has lost money in interest payments on its borrowing, which came to '79.92 lakh on '4.08 crore paid up to July 2017 for the land.

The issue was brought up with the government in August 2017, and a response was expected in January 2018.The Supreme Court issued directives in May 200625 stating that before acquiring property for development, one must understand the effects and detrimental effects of development on the environment and only buy land for development that does not seriously harm the ecology and environment. Drain covering in Delhi has been outlawed (February 2010)26 by the Unified Traffic and Transportation Infrastructure (Planning and Engineering) Centre (UTTIPEC) of the Delhi Development Authority (DDA). The Delhi Tourism and Transportation Development Corporation (DTTDC) started a proposal in May 2012 to build Dilli Haat by enclosing a section of the Shahdara Link Drain at Mayur Vihar, and it was noted in an audit from March 2017 that it had applied to the DDA for a change of land use in October 2012 at the suggestion of a Member of Parliament27. The GNCTD's Irrigation and Flood Control Department (IFCD) ceded to DTTDC in March 2013 the 27,000 square metre (Sqm) plot of land used for the Shahdara Link drain in Mayur Vihar on a 99-year lease basis. The audit's conclusions are as follows. The DTTDC recruited three consultants for structural design, structural design proof checking, and architectural consultation in June, August, and September 2013 respectively, without waiting for authorisation for a change of land use. The Board of Enquiry and Hearing of DDA, which was convened on October 24, 2013, did not, however, grant the request for a change in land use. However, the company did not terminate the consulting agreements and kept using their services until May 2015.

In January 2015, the National Green Tribunal issued a decision on an application28 made in 2013 asking for a suspension of the DDA's land use modification procedures. This decision forbade any authority from covering or building over any of Delhi's drains. In April or May 2015, the Company ended the consulting arrangements. The Company had already spent 39.66 lakh on the project when it became infructuous at this point.

The management responded in May 2017 by saying that there had been no violations for starting the project's preplanning operations. The Lieutenant Governor of Delhi (LG) has given his approval for the land transfer needed to build Dilli Haat in Mayur Vihar by covering the Shahdara Link Drain in that area. The Chief Minister and Chief Secretary of Delhi often examined the project's pre-planning work. In a meeting of the DDA technical committee in April 2013, the approval for a change in land use was discussed. In light of the fact that the LG approval letter for the transfer of land stated that the DTTDC should bring up the issue of land use change with DDA on its own and that it should also seek prior approval of all regulatory agencies prior to putting even a temporary structure on the land, the reply is not acceptable because this proposal was initially incorrect and the change in land use was rejected by DDA in October 2013. As a result, the DTTDC should not have hired the consultants without first obtaining DDA approval before committing financial resources to them.

The Government made a mistake by ordering the Company to start the project on the basis of a Member of Parliament's suggestion, disobeying UTTIPEC's decision from February 2010 prohibiting the covering of drains in Delhi by any agency, as well as statements from the Supreme Court and other competent bodies, and incurring an unnecessary expense of $39,665,000, when they should have first obtained all necessary clearances. The issue was brought up with the government in June 2017, and as of (January 2018), their response was still pending.

The Revenue Department of the GNCTD assigned DTTDC, on a deposit work basis, the task of building and upgrading the e-Sub-Registrar Office (RO) at Basai Darapur, Delhi, subject to compliance with all statutory requirements and related directives as outlined in the General Financial Rules (GFR) 2005 and the Central Public Works Department (CPWD) Manual.According to Sections 3.4(1) and (6) of the CPWD Works Manual, deposits received from client departments for their work shall never be used for other projects and should always be realised before any obligation is incurred on the work. Only $1.95 crore of the construction project's total cost of $15.09 crore, according to the audit, were realised prior to the contract's end. Between July 2013 and January 2017, a delay of between 2 and 44 months, DTTDC realised '12.79 crore (85% of the entire cost), while '34.74 lakh remained unrealized as of July 2017.

Additionally, DTTDC levies departmental fees of 5% and consulting costs of 1% to 3% of the entire cost of the deposit works. In this project, DTTDC did not collect consulting fees; instead, it received '71.88 lakh in departmental fees. The fact that the necessary payment was not received before incurring the expense suggested that DTTDC had used its own money to complete the job. The typical interest rate that DTTDC receives on its excess funds that are deposited with banks is roughly 6.5 percent, thus by spending money on deposit work without assuring that deposits would arrive first, DTTDC lost out on interest revenue of'1.18 crore. DTTDC suffered a net loss as a result of doing this job.

In November 2017, the government said that the work had been carried out as per GNCTD's instructions. It also said that the money used for the Basai Darapur initiative came from the same source, i.e., deposits made against the other e-Sub-Registrar offices by the Revenue

Department. The response is unpersuasive since DTTDC utilised its own money to carry out this operation, which was prohibited by the CPWD Works Manual.DTTDC incurred costs for deposit work without confirming that it had already received deposits from the client department, resulting in a loss of interest of '1.18 crore.

DTTDC purchased 5.22 acres of land on 99-year lease from the Office of Director (Panchayat), GNCTD in April 2005 for the expansion of its current 20-acre garden, "Garden of Five Senses," in Saidu-ul-Ajab village, New Delhi. The purchase cost a one-time premium of 1.38 crore and ground rent of 3.44 lakh per year.During the first five years (2005–2010), DTTDC did little to develop the property. It chose (2010–12) to establish a Wellness Centre and Recreation Club (WCRC) without first confirming if such a building was permitted, which the DDA announced in February 2007. For the "construction, operation, maintenance, management, and transfer of WCRC on public-private partnership (PPP) mode," DTTDC designated a Project Development Advisor (PDA) in October 2012.

However, when PDA presented its feasibility study and business plan to DTTDC in February 2013, it cast doubt on whether the building of WCRC would be allowed. However, even at this time, DTTDC decided without consulting the DDA about this and instead directed the PDA to hold a bidding process to choose a PPP partner.Only after the bidders at the pre-bid conference conducted in January 2014 informed DTTDC that the building of the WCRC would need a change in land use, did DTTDC ask DDA for clarification in February 2014. The DDA made it clear in April 2014 does not permit the building of WCRC and that a no objection certificate from the Ridge Management Board and Central Empowered Committee, which was established by the Supreme Court of India, is necessary for a change in land use. DTTDC did not request a change in land use, defaulted on its contract with PDA in October 2015, and abandoned its plan to build the WCRC in June 2016. As a result, the $15,19,000 paid to PDA for consulting and the $8,000 spent on a tender advertising were wasted funds. Additionally, DTTDC paid interest expenses of'1.27 crore29 (up to July 2017) on blocked funds of'1.79 crore30 with no commensurate income generation anticipated in the business plan.

The property will now be built for hosting large events with the minimal infrastructure, according to management's statement (May 2017), for which it had obtained plan funds totaling '36.59 lakh in 2016–17. The area has already been surrounded by a boundary wall, and it will be developed with the help of an architect. The response is untrue since DTTDC failed to develop the property over the first five years (2005–2010), which led to delays and wasted expenditures that might have been prevented had they investigated the legality of land use before to starting the WCRC project.

Therefore, a lack of planning and due diligence on the side of DTTDC led to a wasted expense of '23.19 lakh and an unwarranted delay of 12 years in developing the site for the stated purpose. Additionally, the DTTDC would incur interest costs of '1.27 crore (up to July 2017) on blocked funds of '1.79 crore, despite no equivalent income generation being planned in the business plan, if the land investment stays idle. The Government was contacted about the issue in August 2017, and a response was anticipated in January 2018.

According to a contract between M/s Tata Motors Limited (TML) and Delhi Transport Corporation (DTC) that was signed in October 2008, TML provided 2682 fully built low floor city buses between 2007 and 2011 with the responsibility of annual maintenance up to 7,50,000 KMs after the warranty period to ensure 92 percent of the time the buses were available for use. According to practise, DTC only insures its fleet for third parties, which reduces the risk and responsibility associated with using it in public settings and covers losses for damage to any third party but excludes harm to motor vehicles. However, clause 46.20 of the Annual Maintenance Contract (AMC) with TML mandates that TML would obtain adequate insurance coverage for the buses in its custody for maintenance, including buses parked in depots undergoing repair during the AMC period to safeguard against any loss while they are in the maintenance contractor's custody in the depots. This would protect DTC from any loss due to damage (including fire) to the bus.On January 1st, 2015, a fire destroyed seventeen of these buses, worth a total of $10.34 crore, that were parked at the DTC's Ambedkar Nagar Depot. In July 2015, a High Power Committee (HPC) that the Delhi government had established in January 2015 came to the conclusion that neither the source of the fire nor its precise origin had been determined.

The AMC facilities of TML were to be co-located with DTC depots for this purpose on the space supplied by DTC for TML's work force; storage of spares; and plant, equipment, tools, etc. The buses covered by AMC were to be serviced at DTC depots. Before each bus was scheduled to leave on a daily or regular basis, TML employees were to examine and perform preventative maintenance on the buses at the depot32. The buses within the depots were to be in the TML's actual possession until they were transferred from the depots for operation, according to the stipulations of the AMC. Buses were in TML's control when the fire erupted, according to a committee that DTC set up in April 2016 to look into the HPC report.

The audit found that none of the 2682 low floor buses covered by TML's maintenance contract had the necessary insurance coverage, despite being under the administration of DTC authorities. Even after this occurrence, TML hasn't gotten insurance coverage, leaving DTC open to the possibility of suffering damages in such an incident. DTC hasn't taken any action in this area either. In addition, TML would have included the cost of bus insurance when estimating the cost of AMC. By failing to ensure bus insurance for 2682 buses, the DTC gave TML an unauthorised advantage equal to the cost of insurance that company could have avoided.

DTC management failed to take any action in regards to this situation due to administrative delays. The HPC report was made public in July 2015, but it took DTC nine months to get a copy from the Delhi government in order to take further action. Although DTC considers TML to be the custodian of buses in the depots under Paragraph 46.20 of the AMC and was responsible for repairing burned-out buses, it failed to take any enforcement action against TML as required by Clause 46.7 (i)33 of the AMC - for the non-repairing of these buses, instead it kept on requesting34 TML for repairing the burnt buses. As a result, even more than 2.5 years (from January 2015 to June 2017) after the date of the fire event, TML was unable to restore the burned buses.In the absence of the report from the HPC, led by the Deputy Commissioner (South), TML refused to repair or make up the losses. A copy of the inquiry report was only sent to TML by DTC in October 2017 despite repeated requests from TML[5], [6].

The Management said in June 2017 that they had written to TML to request information on the insurance policies they had taken out, but that they were still waiting for a response. The TML is responsible for covering any loss brought on by damages. A new line of action is being considered. The response is untrue since DTC asked about insurance coverage after the fire event, which they might have secured right away in order to protect their interests. The contract was signed in October 2008. Additionally, DTC was unable to recoup its losses from the 346.26 crore in AMC payments it paid to TML from April 2015 to March 2017 (i.e., after the fire occurred), and the 17 burned buses have been left undisturbed for more than 2.5 years.

Therefore, owing to inadequate contract management and management delays attributable to DTC, DTC was unable to recoup losses from TML caused by 17 burned-out buses with a depreciated value of '5.86 crore. In addition, DTC has been losing 1.13 crore (£1.13 million) every year in contribution losses owing to the non-availability of 17 buses, and the cumulative loss through June 2017 was 33 Section 46.7.i)The contractor must be liable for any repairs needed as a result of incidents that may be directly or indirectly attributable to faults, mechanical issues, or fires in the bus. The buyer's choice is final as to whether the accident was caused by flaws, a mechanical breakdown, or anything else. 34 2015: 25 May, 5 August; 11 September; 16 September; 2016: 29 January; 29 February; and 27 December 35 less variable cost per KM than revenue per KM.

36 buses: 17 x 188 KM each bus per day on average x 9.675 for air conditioning Low Floor buses per KM x Days from 01.01.2015 to 30.06.2017, which equates to'1.13 crore yearly and'2.82 crore over a period of 2.5 years. Average of DTC's financial and physical performance for 2015–16 (Actual) and 2016–17 (provisional), according to the contribution source. ' 2.82 crore. If insurance coverage for the 2682 buses is not provided, TML will get an unauthorised benefit equal to the cost of the insurance cover. The Government was contacted about the issue in July 2017; a response was sought in January 2018.For a total cost of'6.73 crore, which was subsequently amended to'9.31 crore, the Department of Transport (DoT), GNCTD approved the building of a bus depot at Dwarka Sector-VIII for DTC to park buses during the Commonwealth Games (CWG)-2010 in July 2007. In August 2007, DTC assigned the project to the Public Works Department (PWD) as deposit work. Within 18 months, civil construction and the installation of an electrical sub-station (ESS) at the bus depot were included in the work.

PWD finished the depot's civil construction in October 2009. The PWD awarded the ESS project later, in October 2009, and it wasn't finished until July 2017. Due to the implementation of ESS being delayed, DTC was forced to establish a temporary power connection in July 2009 in order to have the depot up and running in time for the CWG event. Furthermore, DTC was still using a temporary connection to power the depot as of July 2017, resulting in an additional payment of electricity charges totaling '50.72 lakh (for 93 months) as power distribution companies charge 30% more for temporary electric connections than the standard tariff rate. At a monthly needless recurrent cost of '1 lakh, the temporary electrical connection at the Dwarka-VIII bus depot is still in use.

There were many unnecessary expenses that DTC spent that may have been avoided, totaling 50.72 lakh. The Executing Agency failed to synchronise the award of the civil and electrical work to ensure timely completion of the bus depot, i.e., 18 months from the date of assignment of deposit work, because DTC failed to monitor the progress of such an important work during the civil construction phase.When deciding on the ESS's scope of work, DTC did not consult the power distribution business to ascertain its needs. The ESS facility's preparedness was further delayed by the need to make adjustments to meet power supply requirements and standards during construction.

The Government said (in December 2017) that DTC followed up on the situation with the executing agency on a regular basis in order to get the ESS completed early. Due to a disagreement with the contractor, PWD has yet to install the electrical substation equipment in the building housing the substation, hence Dwarka Depot-VIII is still powered by a temporary electric connection. The additional payment made to DISCOM for the temporary power connection has been calculated and is '48.84 lakh (May 2017) for the Dwarka Depot. The delay that was ascribed to the executing agencies would not be covered by DTC, and this is why it has started collecting money from PWD. The response is unconvincing and must be seen in the context of the fact that they neglected to monitor the status of the project until January 2009, when they recognised that ESS construction had not yet begun. A formal contract under which DTC might seek reimbursement or the recovery of extra power costs incurred by DTC as a result of delays attributed to the executing agency has not been signed as of the awarding of the deposit work. As a consequence, faulty planning and a failure to monitor the status of the deposit work allocated to the executing agency for the construction of the Dwarka-VIII bus depot led to the unavoidable payment of power costs totaling'50.72 lakh.

A performance audit covering the organization's activities from 2007–2008 to 2011–12 was conducted to evaluate the economy, efficiency, and effectiveness of operations at Delhi Transco Limited. The results of the audit were included in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2012 – Government of National Capital Territory of Delhi (Audit Report No. 1 of the year 2013). On April 2, 2013, the Audit Report was delivered to the State Legislature.

The performance audit had noted: delays in major project execution due to poor planning and project management; lack of activity synchronisation; non-attainment of capacity addition targets; delays in decision-making, reckless decisions, and contracting affecting the operation and maintenance of sub-stations and lines; inadequate disaster preparedness; and deficiencies in material and inventory procurement[7], [8].

The performance audit included 48 observations, of which 34 were actionable, and five suggestions.A follow-up audit was done, the findings of which are detailed below, in order to evaluate the sufficiency and efficacy of the measures made in response to these 34 actionable observations. Three categories"Insignificant" or "No Progress," "Partial Implementation," and "Full Implementation"have been used to classify the current state of actions done on the recommendations and associated audit findings.There has been some progress, but only to a limited extent. Of the 35 substations, one does not have BBPP installed, two do not function, and three have reached the end of their usable lives. DTL has also started the process of replacing the outdated numerical BBPP with new BBPP for automation.

CONCLUSION

In conclusion, the audit report's conclusions reflect an unfavourable image of Delhi Transco Limited (DTL)'s management and operating procedures. Numerous problems and shortfalls have been found throughout time, underlining the necessity for considerable advancements in project management, planning, decision-making, and general efficiency

The execution of significant projects being delayed as a result of inadequate planning and project management is one of the main areas of concern. These delays not only cause cost overruns but also interfere with the company's plans to expand its capacity. Uncoordinated actions, careless choices, and contracting have all contributed to the worsening of these problems.The audit also identified a serious problem with the organization's emergency readiness, which is a major worry for a power transmission organisation. Given the effects of power outages on the general populace, ensuring the dependability and resilience of the power infrastructure should be a key concern.In conclusion, the audit results highlight how crucial it is to improve Delhi Transco Limited's governance, project management, disaster preparation, and procurement practises. To maintain the effective and dependable transmission of electricity to Delhi's residents while minimising financial losses and operational interruptions, the organisation should give these areas top priority. To monitor progress and guarantee that the suggested changes are properly implemented, efficient follow-up and accountability systems are crucial.

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CHAPTER 12

CHALLENGES AND ISSUES IN THE IMPLEMENTATION OF THE E-TENDERING SYSTEM FOR PUBLIC PROCUREMENT: A COMPREHENSIVE ANALYSIS

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ABSTRACT:

For open and responsible government, public procurement must be efficient and equitable. In the context of public procurement, this abstract offers a thorough review of the difficulties experienced while distributing offer materials to prospective customers. It explores a number of topics, such as the dissemination of bid materials, bidder confidentiality, delays in contract awarding, inaccurate tender statuses, duplicate physical submissions, problems with earnest money deposits (EMD), system security, and post-implementation flaws.The absence of automation in the dissemination of offer materials is one of the major difficulties mentioned in this abstract. Even though e-Tendering solutions like TenderWizard were widely used, human interventions like delayed distribution and uneven implementation of the Auto Send function caused inefficiencies and impeded the purpose of automation. Concerns regarding the integrity of the procurement process are also raised by the investigation of the violation of bidder confidentially brought on by improper handling of digital signature certificates (DSCs) and user roles.The abstract also discusses difficulties with EMD administration and collection, as well as issues with late payment of tender fees to government accounts. The problems were made worse by the lack of Service Level Agreements (SLAs) between the service provider and the implementing agency, which led to subpar management information systems (MIS) and insufficient reporting capabilities.

KEYWORDS:

E-Tendering, Government, Management, Public,

INTRODUCTION

Public procurement must be efficient, and suppliers must be treated fairly, according to GFR, 2005's Rule 137. In accordance with Section 18.2.1 of the CPWD Works Manual, 2012, bids must be sold to qualified contractors who meet the requirements outlined in the tender document. These guidelines need to have been mapped in the TenderWizard to restrict the acceptance of tender document fees from bidders who satisfied the tender requirements and to trigger the prompt release of tender documents to qualified applicants upon receipt of the necessary TDF. This was not, however, guaranteed.When approving each tender, purchasers may choose whether to utilise the Auto Send function in the TenderWizard, which included a 'Yes' or 'No' option. In contrast to the 'Yes' option, which permitted the detailed tender document to be immediately provided online to registered bidders, the 'No' option allowed purchasers to manually disclose the tender materials after confirming the eligibility of bidders. According to data analysis, out of 18,638 tenders issued between 2013 and 2018, 110 purchasers selected the Auto Send function to "Yes" for 16,335 tenders with estimated costs totaling 9,352 crore, and to "No" for 2,303 tenders with estimated costs totaling 2,493 crore. Although choosing the Auto Send - 'Yes' option allowed for the automatic distribution of offer papers upon receipt of TDF, the system did not guarantee that bidder eligibility had been verified. In these situations, the eligibility of bidders was manually checked at the time technical bids were opened. After receiving TDF, the purchasers that selected Auto Send - "No" delayed between 2 and 300 days to send tender papers, according to the audit. In other cases, as shown in Appendix 3.7, 11 purchasers set Auto Send to "No" in 20 tenders and issued the tender papers to 58 bidders at various times, giving some bidders less time to react even if they had paid TDF on the same day as the others[1], [2].ITG said (in August 2018) that the dates for releasing the tender documents and accepting bids were set by the purchasers and that the supplier of the e-Tendering service had no influence on the tender schedules. The responses are unworkable since the e-Tendering system was designed to reduce the amount of work that purchasers had to do and should have the ability to confirm the eligibility of bids. Nevertheless, it permitted the release of tender papers without the necessary inspections and also permitted manual intervention by buyers via the Auto Send - 'No' function, which caused delays in the distribution of tender materials to the bidders. The goal of automation for improved efficiency and transparency was undermined by the human involvement throughout this e-Tendering procedure.

Unretained bidder confidentiality

Public Key Infrastructure is one of the most important security features that must be implemented in order to achieve non-repudiation and secure the security of the online system, according to CVC recommendations on the deployment of e-Tendering solutions. A certified Certification Authority will issue a Digital Signature Certificate (DSC) to participating contractors and departmental users in accordance with the system.In order to determine if permitted users carry out e-Tendering operations independently, Audit observed two tender opening events43 (TOE) on 09 August 2018 and 11 September 2018. It was discovered that the authorised user(s) at the buyer's offices had requested help from the help desk employees since they had not received appropriate training on how to use the TenderWizard. The following ways that this arrangement endangered confidentiality:

The TOE for an electronic tender floated by Nerul VP was held. Rather than the announced location (Nerul VP), the meeting was held on August 9th in the conference room of ITG, and the Sarpanch and Secretary of Nerul VP were replaced by a clerk from Nerul VP.The assistance desk employee entered the TenderWizard on his laptop (IP address 192.168.43.216) using the VP Secretary's user name and password, which were made available by the VP clerk. The clerk also provided the help desk employees with the VP Secretary's DSC/PKI key for authenticating PKI-based sessions.Despite not providing the evidence of experience in doing comparable work that was needed by the tender rules, one of the two bidders who submitted bids was deemed technically qualified by the clerk in attendance. As it is known to the issuing authority, the default personal identification number (PIN) displayed on DSC/PKI security token (ePass 2003) has to be updated immediately. Even though the system requested that the default PIN be updated, the default (Admin) PIN was left in place, and the session proceeded.

The digital signature for the online comparative statement was clearly visible. Although none of the bidders were concurrently online at the time of TOE, this suggests that the message was pre-written and not digitally signed by the bidders in real time. Two DSC keys belonged to the Executive Engineer and Superintending Engineer, and they were needed to access the e-Tender issued by WRD Division-I. The help desk personnel had been given the Executive Engineer's DSC key. On the due date (September 11, 2018), the help desk employee used his laptop to enter into TenderWizard using the login, password, and DSC/PKI key supplied by the Executive Engineer. The opening of the tender was delayed, nonetheless, since the Superintending Engineer's DSC key was not accessible[3], [4].As a result, two people who were in charge of initiating a tender in the presence of bidders online abdicated their duties and gave their DSCs to help desk employees, an outsider to the buyer's office. A circumstance like this tainted the integrity of the public procurement process and led to a breach of Section 42(1)44 of the IT Act, 2000.As help desk workers (a third party) logged in, saw, and learned about submitted bids, the confidentiality of bids was not preserved. The method did not guarantee that all participating bidders would be simultaneously present online and that each opening offer would be digitally countersigned (by authorised users at the buyer's office). The TenderWizard did not maintain the openness and confidentiality offered by the manual tendering procedure. Due to the lack of a permanent record or log being kept at the help desk, audit was unable to determine the number of instances that help desk employees logged in and helped purchasers complete tendering tasks.

DISCUSSION

Participation of numerous bids from the same device/IP address in a certain project. Buyers completed 44,004 events related to technical/cost assessment and tender opening in relation to 18,638 tenders from 2013–18 from 4,433 devices/IP addresses, according to an analysis of the log table in the TenderWizard45. Of these, 42 purchasers conducted 3,266 tender opening events from three machines/IP addresses46 designated to the help desk at ITG, showing that the majority of actions (about 18%) were carried out by help desk workers on behalf of buyers. Similarly, 537 uploading eventsout of 63,463 total uploading eventswere carried out from the aforementioned three support desk-assigned IP addresses throughout the time period on behalf of bidders from 26,550 IP addresses. Further investigation found that all bidders who participated in the 26 bids issued by the four purchasers (PWD, DRDA, GHRSSIDC, and Goa Forest Development Corporation Ltd.) utilised two47 of the assistance desk IP addresses to upload and submit offer papers. As a result, help desk workers had access to and knowledge of the proposals that various bidders had made for a tender.

GTDC said in October 2018 that the TenderWizard site was difficult to use since it was incompatible with the most recent web browser version. CCP, PWD Division XXIII, and NGZP all said that TenderWizard needed the most recent version of Java to be loaded in the web browser, which they did not have on their computers and had to download each time they tried to log in. They were reliant on the help desk as a result of this and their lack of training, which endangered confidentiality.In October 2018, 14 buyers48 admitted that help desk agents logged in and handled all tendering tasks on their behalf. ITG responded in August 2018 that there was a potential that many users might log in from the same IP address or computer since many of them sought the help desk staff's assistance while submitting bids, documents, and during TOEs. The State Government/ITG had not made it clear, according to DSDE, that only approved users of the buyers were to use the TenderWizard. The responses show that purchasers were unable to utilise TenderWizard without assistance from the support desk, which jeopardised the procurement process's confidentiality. Prior to and during the deployment of the TenderWizard, adequate employee training and sensitization about working in a digital environment would have allowed the buyers to carry out their tendering operations freely and safely.

Delayed award of contracts

To cut down on the time and effort required for manual tendering, GoG deployed TenderWizard. This requires the e-Tendering system to process each transaction in a seamless manner and within the allotted/necessary amount of time for efficient operations. According to Rule 161 (i) of the GFR 2005, the Ministry or Department shall establish suitable deadlines for each step of the procurement process in order to minimise delays. In accordance with CPWD Manual 2007, a tender might be reviewed and decided upon for a maximum of 45 working days.However, as shown in the flow chart, the system did not include rules for prescribing time limitations for the crucial events and tasks in an e-Tendering environment. The authorities are given unrestricted discretion as a result.

Analysing the data showed that there were unusual delays at every e-Tendering step. After 205 out of 18,638 tenders with an estimated cost of Rs. 217.41 crore were authorised, it took the purchasers three months to more than a year to get offers. The purchasers waited three months to a year to open bids in 84 contracts with an estimated cost of 84.34 crore after receiving them. The delay experienced at crucial e-Tendering phases is shown in Appendix 3.8. The fact that pre-award tendering operations took longer than a reasonable three months to complete showed that, despite the use of the e-Tendering solution, human intervention and discretion were still in play[5], [6].Additionally, since the Tender Wizard's post-tender opening modules were not developed, the users turned to manual contract awarding. An audit review of 349 PWD Division-XVII contracts indicated delays for 274 of the 349 tenders that ranged from two months to more than a year. After examination of the winning bidder through e-Tendering, the award of works for two49 further bidders took more than two years.

Despite the TenderWizard's adoption, the awarding of contracts could not be sped up since human involvement and/or discretion predominated throughout crucial phases of the procurement process and works/contracts were not handled via the system. Therefore, buyers did not efficiently use the TenderWizard to speed up the procurement process, and this did not lead to a decrease in the amount of time needed to process the bids.The GFR, 2005 (Rule 161-Efficiency, economy and accountability in public procurement system) required contract awards to be made within the initial period of bid validity and discouraged such extensions, unless absolutely necessary.

The status of tenders was shown on the TenderWizard site as "created," "unapplied," "in progress," and "opened." A tender was created when it was issued, and it remained "unapplied" until bids were received and "in progress" until the bids were opened for technical and financial review.

According to an analysis of portal data retrieved and given by ITG, of which 109 (45%) were issued before March 2015 but had not yet been concluded or opened. The earliest of these tenders51, with a total of 54 and an estimated cost of 38.71 crore, was dated in 2013–2014, which is impossible since the deadline for submitting bids must have passed a long time ago. 'In process' tenders should normally change to the status of 'opened' tenders after they are opened and/or re-tendered/cancelled. 19 such offers from seven purchasers were examined. Examination showed that these tenders had been opened and re-tendered as a result of a lack of response or a single offer, but they had not been deleted from the "in progress" tab.

Due to a lack of training, the majority of purchasers were not familiar with the TenderWizard's capabilities, and since they did not close the prior tender before re-tendering, the status was incorrectly shown. The data representing the number of tenders for which technical/financial assessment has been finished/finalized, for award of contracts, is affected cascadingly by the inaccurate tender status. As the TenderWizard's award module was not yet created, it was not possible to track online the progress of works or supplies or completed contracts.Seven purchasers responded in October 2018 that they would take the required steps to annul any bids that were still listed as "in progress" after they had been re-tendered. The lack of knowledge highlighted the necessity to educate users on how to utilise features and functions in the electronic system.

Using their login information and DSC, bidders must electronically submit their bids and any supporting documents in an e-Tendering system. A system like this would guarantee that the bids were encrypted upon submission and kept secret until they were opened. It saves time and effort since there is no longer a need for bidders to physically submit their bids or supporting documentation, and purchasers may verify them online. The audit found that in 654 e-Tenders, the purchasers required that bids and necessary papers be submitted both physically and electronically before the deadline for the contract. Such a condition was pointless and made the e-Tendering method unnecessary.

The GSUDA excluded three consultants from a tender for the appointment of consultants because they failed to submit the necessary documentation during the e-Tender opening. On a manual tender opening, however, it deemed them eligible while avoiding TenderWizard. Ironically, the RFP that ITG issued in August 2018 to choose a new implementing agency for the e-Tendering solution (after the contract with KEONICS ended in December 2017) only allowed for the submission of physical bids for technical and commercial work[2], [7].

ITG responded (in August 2018) that neither the TenderWizard nor the purchasers had any influence on the requirement that bids be submitted in tangible form. The response is unjustifiable since ITG specifically requested tangible proposal submissions in its RFP. The goal of electronic tendering was thwarted by the need for physical bid submission. Buyer organisations should have taken action to discourage the submission of bids and documentation in physical form once the TenderWizard was implemented.

The gathering and administration of earnest money deposits

According to Section 18.3 of the CPWD Works Manual 2007, EMD shall be collected at two percent of the projected value for projects under 10 crore and at 20 lakh plus one percent of the expected value beyond 10 crore for projects over 10 crore.

The EMD of the failed bidders will be returned as soon as possible after the expiration of the tender's validity period.The EMD sum to be paid by bidders into a single/common bank account55 of ITG.

This money will be pooled, distributed, and returned at different phases of the bidding process, according to a directive from the State Government (October 2011). When collecting and managing EMD, which was deposited online when submitting bids and credited to ITG's bank account, audit found the following systematic flaws.

Buyers manually inputted the amount of EMD since EMD rates were not mapped in the TenderWizard for automated computation of EMD. As a consequence, 24 purchasers obtained EMD from 391 bids for 176 contracts, totalling 22.71 crore, at prices lower than those outlined in the CPWD Works Manual.

The brief collection would not have occurred if the rates had been properly mapped in the system.ITG has parked a total of 62.35 crore in EMD from bidders in fixed deposit account(s) with Axis Bank as of March 2018. It used the 2.80 crore in interest revenue from the aforementioned fixed deposit account(s) to cover its own expenses, including personnel wages and working capital needs. This was against the Goa Receipt and Payments Rules of 1997, which prohibited the appropriation of public funds and their usage to pay for departmental expenses.

While implementing the e-Tendering system, the TenderWizard's Auto Refund56 function, which would have allowed for quick refunds of EMD to rejected bidders, was not used or made active. Manual processing of EMD reimbursements caused an unusual delay in issuing

EMD refunds. There were 597 refund instances during the 2017–2018 fiscal year, according to data provided by ITG for EMD reimbursed to bidders. Of these, 223 cases involving EMD totaling 3.16 crore were repaid with a delay ranging from two months to three years, at an average delay of eight months (243 days).

EMD quantities were incorrectly captured and displayed by TenderWizard. Data analysis showed that 301 bids (with estimated costs totaling 12.06 crore) issued by 58 buyers57 between 2013 and 2018 showed EMDs ranging from 0.50 to 1,000 as collected. This includes 264 bids with estimated costs ranging from 0.50 to 10.25 crore, given by 53 purchasers. Test checks showed that TenderWizard only recorded the numerical component, i.e., two, and not the calculated value (% of the estimated cost) of EMD in cases where e-Tender notifications specified payment of EMD as two percent of the estimated tender cost. Because of this, the e-Tendering solution was unable to successfully acquire EMD data for online processing and reimbursement.

According to ITG (August 2018), the e-payment option was enabled to increase efficiency and transparency in the management of EMD payments, and it processed EMD refunds based on information from purchasers.

The response is unjustifiable since TenderWizard was unable to assure effective EMD collection and administration. It was further verified (in October 2018) by GED-CSC, Division-VI, KTC, NGZP, and PWD that the TenderWizard was not utilised for the automatic/online return of EMD, which caused a delay in processing.As a result, the TenderWizard was ineffective in achieving its goals of securing the collection of necessary EMD from bids and accelerating the process of refunding EMD to failed bidders.

Late payment of tender fees to the government account

The State Government stipulated (in October 2011) that TDF received by purchasers from bids to be placed in a separate bank account58 of ITG. ITG would then remit this account balance on a weekly basis by e-challan to the receipts heads of the relevant departments. The Goa Receipt and Payment Rules, 1997 further stipulated the collection and remittance of all revenues/receipts into an approved bank account for inclusion in Government accounts, as well as the need that the funds not be used for departmental expenses or maintained separate from Government accounts.

The TDF of 14.42 lakh that was received in 471 instances between September 2017 and January 2018 was remitted by ITG to State Government/buyers' accounts after a delay ranging from 34 days to 165 days, according to a test-check of records at PWD Division-XIII and WRD Division-I. Additionally, ITG violated government regulations by taking $1,000,000 between June 2016 and March 2018 from the specified bank account and investing it in one or more fixed deposit accounts[8], [9].ITG responded in August 2018 by stating that monthly e-challan transfers were used to move the funds from the TDF account to the purchasers' accounts. The response is unconvincing since there were 471 incidents between September 2017 and January 2018 when TDF transfers to purchasers' accounts were delayed. Additionally, ITG lacked the right to use TDF properly for fixed deposit investments before transferring money to purchasers' accounts.

E-Tendering system security

Defects in digital signature use

A digital signature is an electronic signature that is used to authenticate the identity of the sender of a message or the signatory of a document and to ensure that the message's or document's original content is preserved, according to the guidelines for the use of digital signatures in e-governance published by the GoI in December 2010. As a result, a DSC offers message authentication, integrity, and non-repudiation. The renewal of DSCs when their validity expires is crucial.

At the time of registration, the TenderWizard compelled all suppliers to use Class-III DSC59. Data analysis of the log table revealed that between 2013 and 2018, 88 operations were carried out by 21 users of 19 buyers, including creating, uploading, editing, and approving corrigenda, generating tender snapshots, processing fee e-payment, opening technological-commercial bids, etc. As a result, the DSCs did not bind users to the actions taken, and as a result, their operations were plagued by concerns about message integrity and non-repudiation. In Appendix 3.9, a list of the activities taken by users whose DSCs have expired.

The dates of expiry of the DSCs of other users who participated in some capacity in 28,910 occurrences involving 46 purchasers (17,061 instances) and 112 bidders (11,849 instances) between 2013–18 were not collected or made public in the TenderWizard database. While the bidders carried out tasks like submitting request forms through e-payment, making EMD payments, signing and uploading bid documents, etc., these buyers carried out crucial e-Tendering tasks including preparing tenders, opening tenders (technical bid and cost bid), issuing corrigendum, etc.

e-Tendering system user roles that aren't appropriate

An efficient internal control to provide supervision over potential mistakes and fraud prevention is the separation of roles. Role-based access restrictions should be implemented both at the database level and the application interface level, according to the CVC Circular (September 2009) on the installation of e-tendering solutions. A single user might have total control over the procurement process if they handle all of the tasks associated with creating, authorising, and opening tenders, which is undesirable. Critical tasks should be carried out by several officials/users with distinct login credentials and DSC, and the system architecture and work flow should be such as to provide internal control and transparency.

From 110 buyers who floated at least one e-Tender between 2013 and 2018, data analysis showed that 41 buyers had at least two approved users for executing e-Tendering operations, while 69 buyers had only one authorised user that handled all tendering activities. Additionally, data analysis showed that just one person handled all the crucial tasks of tender development, authorization, and opening in the case of 15,365 of the 18,638 tenders issued between 2013 and 2018.

This suggested that customers were unaware of the need of assigning different tasks to different staff in order to create effective internal controls that would guard against fraud and mistake. As a result, they gave one user many roles. Although no particular fraud cases have been brought to the audit's attention, given the risk involved, it is impossible to rule out the potential of abuse.

ITG retorted that it had no control over how access roles were assigned by customers (August 2018). However, 1361 of the 17 buyers whose information regarding segregation of duties was requested admitted (in October 2018) that all of their tendering activities had been assigned to a single user or official. This confirms that many buyers did not adhere to the need-to-know principle of segregation of duties, making the TenderWizard susceptible to the risk of misuse. Additionally, ITG cannot escape its obligation to act as a nodal agency in raising user awareness[10], [11].

Managing passwords

In order to comply with quality standards for e-Procurement systems, the STQC Directorate mandated (August 2011) rules that said that an e-Procurement system should not contain a Forgot Password function that gave users a temporary password created by an administrator or the system. The Forgot Password request, if accessible and utilised, should be digitally signed. Ideally, a new password should be granted via a sequence of steps including the user's DSC for resetting/accessing the password. Data investigation showed that 7,244 (out of 10,411) users' TenderWizard passwords were activated. Of these, 114 user requests for password changes were made in TenderWizard between 2013 and 2018 using the Forgot Password tool. It made it possible to send new passwords to users' registered email addresses without requesting their DSC. Furthermore, the TenderWizard database's hint question and answer for recovering forgotten passwords was not encrypted, making it possible for anybody to change a user's password without having to access DSC. Although Audit did not find any instances of security breaches, this creates a danger to the security of data and has to be rectified.

The Forgot Password option, ITG responded (August 2018), enabled users to reset their passwords based on a link given to their registered e-mail ID, and they could log in using their new password and DSC.

The response is unworkable since there was a risk of a security breach when changing or resetting a password without utilising DSC.An e-Tendering solution requires the execution of Service Level Agreements (SLA) between the service provider and the implementing agency to guarantee adherence to project timeframes, quality, and availability of essential services. There were no service level agreements (SLAs) for performance indicators such as acceptable downtime, speed and processing, lead time for resolving user complaints/queries, backup policy, disaster recovery plan, business continuity in the event of disruption, and penalty for non-compliance in the ITG and KEONICS agreement, which covered commercials, the scope of work of KEONICS, indemnities, warranties, termination clause, information non-disclosure, and other terms.

The method and frequency to check that the software programme is proper and free of defects or bugs, the way of tracking user complaints or inquiries and their resolution, etc., could not be established and handled in the absence of SLAs. It also indicated that ITG was not properly monitoring a number of services. ITG acknowledged (in August 2018) that it had failed to implement SLAs with KEONICS and made note of the audit finding for future compliance.

Poor management information system

Reports from the Management Information System (MIS) are designed to be a significant element of the integrated collection, recording, storing, and processing of data from all areas of the e-Tendering system, acting as a tool for gathering essential data for monitoring and decision-making.

According to the contract that was signed with KEONICS, TenderWizard must provide comprehensive MIS reports that detail each and every action that takes place inside the programme.

For a brief window of three months at a time, the TenderWizard was found to have the capacity to extract four different sorts of reports62. These reports have a status report-like quality. Additionally, the agreement with KEONICS did not specify the need for specific

MIS/exception reports, which prevented the availability of crucial MIS reports such as those on invitations to tenders but delays in opening them, cancellations and/or re-tenders, "in progress" tenders, online reconciliation of TDF and EMD collected with remittance to Government accounts, etc.

Additionally, the system had test or erroneous data, ambiguous nature of the works and supplies included in various tender categories, and important modules were not used, which led to the compilation of inaccurate results.Complete MIS reports were accessible in the e-Tendering system and could be activated on buyers' requests, ITG said (August 2018). The response is unacceptable since there were few status reports accessible for purchasers to utilise in the TenderWizard on the payment of TDF and EMD, the renewal of bidder registration, and the status of bids.

CONCLUSION

In conclusion, the dissemination of offer materials to prospective purchasers using the TenderWizard e-Tendering system has exposed a number of critical flaws and difficulties in the public procurement process. These problems not only reduce the system's effectiveness but also pose questions regarding security, privacy, and secrecy.

The need of thorough changes in the public procurement process, with a particular emphasis on the adoption of reliable e-Tendering systems, strict security measures, precise user job definitions, and the use of SLAs. To improve efficiency, openness, and accountability in public procurement, these issues must be addressed. It is crucial to take action to fix them and raise the efficiency, security, and openness of the e-Tendering system. By addressing these issues, the public procurement process will become more effective and ethical and will be in accordance with the fairness and accountability requirements set out by pertinent legislation and standards.

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