

CHAPTER VIII

SUMMARY AND CONCLUSION

In this final chapter, a summary of the main conclusions of the study is presented and at the end, on the basis of these conclusions a few suggestions for reforming the accountability system are given.

The second chapter on 'Dimensions of Accountability' represents the core of this study by deviating from most of the studies so far done on this subject. This chapter at first examined the conventional approaches in studies on accountability of PSEs which are basically institution oriented. The studies usually review the accountability only from the institutional point of view i.e., the efficacy of the Parliament and Ministry, C & AG Audit, and consequently the purpose served by these studies is to establish the efficiency or otherwise of the institutional set up. The many dimensions of the concept of accountability are not taken care of by such studies. By examining the diverse problems and dilemmas relating to accountability and the institutional set up, finally a multi-dimensional approach to accountability is arrived at. The important conclusion drawn from this chapter is that there is a need for further thinking about the concept of accountability itself and it should be done by considering the different dimensions of the concept of accountability in PSEs.

The system of ensuring public accountability, as in practice in India is entrusted with the Minister and the Legislature

and this can be justified as a contribution to the 'political' well being of the nation irrespective of its effect on the efficiency of the PSEs. However, the system of accountability as envisaged here is that of a socially responsible company which purports to include accountability to employees, consumers, public, Government and to the enterprise itself. Such an approach will help the political, social and as well as economic well being of both the Enterprise and the Nation.

Efficiency in the performance of a PSE is taken as the first important test of accountability for a PSE since there is no compelling need threatening its survival even if it is inefficient. In this sense it fulfils an important segment of accountability to itself especially in its endeavour to achieve socio-economic goals by **preserving** and effectively utilising the resources entrusted with it by the tax payers. This forms the basis of discussion in the third chapter, entitled 'Efficiency Accountability'. Due to the absence of definite norms to measure the performance of PSEs, an attempt is made to evolve a few suitable criteria for measuring the efficiency by taking into account the socio-economic objectives set for PSEs. **Though the objectives are not officially laid down and the need for the same is felt, certain assumptions are made for the purpose of analysis.**

In an attempt to examine the efficiency of select PSEs, first an assessment of efficiency is made with the help of the concept of X-efficiency and **Efficiency Frontier Curve**. The basic idea of this concept is that by **efficient** handling of inputs

maximum output can be attained and any deviation in this regard will lead toward X-inefficiency and in the application of this concept to TN PSEs with regard to Transport Corporations it was found that only two Corporations were maintaining their levels of efficiency above the industry average during the period 1976-77 and 1977-78.

The second method assesses the performance of selected PSEs in terms of their objectives and for this purpose four different norms are evolved for measurement which include assessment of undertakings 1) in terms of social welfare as the primary objective, 2) in terms of growth, 3) in terms of profitability and 4) in terms of financial health. Taking the first case, different norms are set for measuring the social and welfare objectives and later a cost and benefit approach relevant to a particular objective is evolved to assess the outcome of a particular social welfare objective of a financial agency. In terms of growth, though there was a satisfactory performance by many PSEs, capacity has not been fully utilised in many manufacturing enterprises. Regarding profitability, there were mixed results with Transport Undertakings and Financing Agencies maintaining fairly a consistent record of profits. In terms of financial health, it was noticed that the incidence of Debt-Equity ratio was fairly high in many PSEs of Tamil Nadu and there was also consistent increase in the Net-Worth. Finally in order to keep the capital stock contributed by the tax payer intact, an approach is suggested. Under this approach, if social

welfare is an accepted objective of a PSE, then the PSE may have to be specifically subsidised to compensate for the cost of welfare elements in its activity and thereafter there will be no justification for loss and in fact it must earn reasonable profits.

In the fourth chapter, PSEs' accountability to employees as a 'Model Employer' is discussed and it examines as to how far PSEs have fulfilled this part of accountability through their operational programmes with reference to policies on recruitment, training and development, compensation and workers' participation in management and industrial relations along with the problem of deputationists, and overstaffing in TN PSEs.

With regard to recruitment and selection, there have been controversial interferences from elements other than those connected with the operation and management of the PSEs in Tamil Nadu, although efforts are taken to conform to the general national policy, particularly regarding reservations for SC/ST. The problems of management on account of deputationists practices are present in almost all PSEs. Much remains to be explored in matters of training. As a matter of fact, the facilities available are found to be not enough and even this minimum facility is not fully utilised.

In regard to payment of wages and benefits it is found that there is significant difference in the amount of total remuneration received by the employee in PSEs when compared with

those in private enterprises for top level, but it is favourable at the middle and lower level of employment. In matters of maintaining better industrialisation not many conflicting confrontations are witnessed the PSEs in TN are significant exceptions when compared with most of the PSEs of the Central Government.

Many of the PSEs were established with persons deputed by the Government departments and hence initially they were continuing with their bureaucratic attitudes. In course of time these links have been severed and they are now able to develop, slowly, an organisational culture of their own suitable to a business undertaking. On all these counts it may be claimed that the PSEs of Tamil Nadu, by and large, have fulfilled their accountability as 'Model Employers' though there may be gaps of minor significance.

Chapter five deals with the accountability to consumers and the need for PSEs to protect the interest of consumers. In an economy of shortages the consumers expect the Government to supply the goods they need and they also cherish the freedom of choice. Under these circumstances, Government's intervention becomes sometimes inevitable and PSEs form the best instrument to protect the interest of the consumers. In the light of these issues, a reference is made to the Consumers Councils in the UK and their suitability to Indian conditions. Later, different laws protecting the interest of the consumers, pricing policies and public relations are examined. The main inferences drawn from this chapter are that there is a dire need for an organisation like

consumer councils in India also for inculcating the illiterate and ill-informed consumers about their rights and protecting the same eventhough there is a long list of laws and Acts enacted by the Government in the interest of the consumers.

Regarding pricing, PSEs have been adopting different policies suitable to market situations, however in some PSEs prices are controlled by the Government in public interest. As far as public relations are concerned it is rather unfortunate that many PSEs of Tamil Nadu have given scant importance to their Public Relations Departments and they are treated more as adjuncts to sales or personnel departments serving mostly to the executives than the public. Finally, the ethos of consumer protection postulate a certain social attitude, a degree of community education, a measure of civic awareness and the thrust of consumer vigilance. Without these elements, legal procedures, provisions and structures may themselves prove to be still born.

Public are the last claimants to accountability as per the approach evolved in this study. In Chapter VI, it is pointed out that a PSE should consider the public at large or the society as a whole as a passive claimant to accountability along with the fairly active claimants viz., the employees and consumers, eventhough there is no direct interaction of PSE with the public. Keeping in view, the various problems of the society, the PSEs have given due recognition to some of the wider public issues especially certain weaker sections of the society. The PSEs have also played an active role in the development of

backward regions, combating pollution, helping the underprivileged and weaker sections of the society and so on.

Chapter seven, makes a slight deviation from the line of thinking from the preceding chapters. The earlier chapters analysed the accountability issue on the assumption that the concept of accountability has many dimensions while the present one examines the working of the conventional institutional set up in ensuring accountability of PSEs. First taking Legislature, different tools like questions, debates, etc. are examined individually and it is found that Members of the Assembly have not given the importance that PSEs deserve.. With more than Rs.300 crores of investment in TN PSEs, very few questions enquire about PSEs and questions so enquired are aimed more at publicity value than for any constructive criticism or suggestion. Similarly, in debates also PSEs are given little importance. However while analysing COPUs this study has come to conclusion that even with certain limitations and draw backs in its functioning, the COPUs has done a fairly good job in enquiring certain important issues involved in PSEs. Hence it would be better for COPUs to bring in its coverage more number of PSEs during its term of tenure than what is done at present. Regarding C & AG Audit Report, though they do provide some useful insight about the functioning of PSEs and certify their accounts, the Reports submitted by the C & AG's Office take a fairly long time and when placed in the House the issue is almost stale and loses much of its practical importance. Hence certain urgent measures should be taken to speed up the preparation of reports and submit them atleast within 12 months

after the accounts are closed for the year.

Reforming the Accountability System

PSEs are now accepted as an integral part of the Indian economic system. More PSEs may come into existence in a not too distant future and they will have the support from consumers (since they may hope for some subsidised goods and services), workers (since they may aspire for more welfare benefits), the bureaucracy and politicians (since they may desire to expand the sphere of their influence, power and control). There may be also the positive reasons like better resource utilisation, filling the gaps left by the private sector in the industrial and commercial field, public welfare etc. In any case, unless an appropriate system of accountability is established the PSEs may themselves need continuous subsidising than providing subsidised goods and services to consumers or providing any useful service to the society.

In the past, as many studies reveal, the accountability system has not worked satisfactorily and even failed in many instances inspite of the various instruments and institutions that exist to ensure accountability. This is probably because, on the one hand the institutions created to ensure accountability did not function effectively and on the other hand there was no clarity about the concept of accountability itself. Institutions may grow, gain experience and mature to become effective. But it is a altogether a different matter as far as what is expected out of accountability. It is in this context a clear

perception is required as to who are all the claimants to accountability or in other words what are the different dimension of the concept of accountability. An answer is that the PSE is accountable first to itself (and this is executed by its efficient functioning), then to the other claimants like the workers, consumers and the public or society at large, of course, in different degrees. If this approach is acceptable, a certain institutional reform can be envisaged whereby there will be a certain demarcation of responsibilities as to who must look into which segment of the accountability.

As far as a certain overall policy framework is concerned, there is an urgent need for two decisions. The first is that the objectives of the enterprise - economic as well as social - are to be laid down clearly. The second decision is about providing for the additional cost of the particular objectives whether it is economic or social. For instance, if goods and services of a PSE are to be provided at less than their cost there can be a Government subsidy for the subsidised pricing. There is also a possibility of cross subsidy i.e., one group of consumers subsidising the other group of consumers though both may be consumers of two different goods of the same PSE. Similarly, if a free social service is expected from a PSE, a subsidy (to the extent the cost of such service cannot be absorbed by the enterprise itself) has to be provided for. After the appropriate subsidies are provided in a suitable way, the PSE will be put on par with any other private sector enterprise and

must be capable of earning a reasonable profit and contribute to the public exchequer.

Finally, with the growing number of PSEs in the State, an advisory, planning and coordinating agency on the model of the Bureau of Public Enterprises of the Central Government may be necessary. Such an agency can also take up the monitoring of the PSE accountability system in course of time.