1. What are the most pressing challenges facing the public sector undertakings (PSUs) in India today? Discuss. What measures have been taken by the government to meet these challenges? Examine.

Introduction

The government owned corporations are termed as Public sector Undertakings (PSUs) in India. In a PSU majority (51% or more) of the paid share capital is held by central government or by any state government or partly by the central government and partly by one or more state governments. Several Public Sector Undertakings (PSUs) under the aegis of Government of India regularly provide tremendous employment opportunities.

Body

Challenges of PSU's in India today:

- Problems in Administration like Poor policy making and poor execution, Over-staffing, Very high operation costs, Lack of a realistic and proper pricing policy, Lack of vision and motivation for self-improvement, Wastage of resources or under-utilization of resources
- Failure in its objective of Capital and Public Sector Formation, the role of public sector in collecting saving and investing them during the planning ear is very important. Moreover, during the first and second five-year plan it was 54% of the total investment. Furthermore, we see a decline to 24.6 % in the year 2010-11.
- PSU's were formed for creates millions of jobs to fight the obvious problem of unemployment in India. However, the number of people without employment in March 2011 was 150 lakh. In some of the public sector units there is the problem of surplus manpower which is creating drainage of resources unnecessarily leading to increase in the unit cost of production. Political considerations have also contributed towards overstaffing of unskilled workers in these units.
- Some of the public sector enterprises, particularly some of the loss-incurring enterprises are suffering from endowment constraints as the selection of sites of these enterprises were done on political considerations rather than on rational considerations.
- Under-utilisation of the production capacities are one of the common constraints from which almost all public sector enterprises are suffering. In 1986-87, out of the 175 public sector units 90 units had been able to utilize over 75 per cent of its capacities, 56 units achieved utilisation of capacities between 50 and 75 per cent and the rest 29 units could somehow managed to utilize under 50 per cent of its capacities.
- Some of the public sector enterprises in India are suffering from technological gap as these enterprises could not adopt up-to-date

technologies in their production system leading to high unit cost and lower yield. Enterprises like I.I.S.C.O., E.C.L. etc. are suffering from this constraint.

Government initiatives to help PSU's

- Privatization of PSU's, A high level group of secretaries on disinvestment have approved India's biggest disinvestment drive since last 20 years. Bharat Petroleum Corp Ltd (BPCL), Shipping Corp of India (SCI), THDC India and NEEPCO will be now privatized, as Govt. will sell its entire stake from these public sector companies.
- Disinvestments, the Department of Investment and Public Asset Management (DIPAM) have initiated the process of diluting government stake in public sector undertakings (PSUs). The government increased its disinvestment target to over Rs 1 lakh crore for the current financial year in the last budget. In the interim budget 2019-20 presented in February this year, it had pegged the disinvestment target of Rs 90,000 crore.
- Granting greater managerial autonomy to the board of PSUs could significantly boost their performance. Heavy industries and public enterprise ministry has taken a number of steps like enhancement of delegation of powers to the profit-making PSUs and setting up of the Board for Reconstruction of Public Sector Enterprises to revive the sick companies, an official release said.
- The government's move to consolidate 10 public sector banks into four large ones is ostensibly aimed at improving operating efficiency, governance and accountability and facilitates effective monitoring. However, the mergers will bring their own set of challenges and may not lead to value accretion for shareholders.
- Government is considering issues of retirement age and revision of wages of the public sector employees , provide equity, in terms of salary and wages, for sick CPSEs.

Conclusion

Being the largest commercial enterprises in the country, PSUs provide a huge leverage to the government (their controlling shareholder) to intervene in the economy. Their intervention is either directly or indirectly to achieve the desired socio-economic objectives. PSUs play a key role in steering the national economy in the right direction.

2. Examine the significance of an effective exit policy in the greater discourse of liberalisation in India. What measures have been taken by the government on this front? Are they effective? Critically examine.

Introduction

The introduction of reforms in India and the consequent liberalisation of the economy has exposed the entrepreneurs to an ever increasing competition. One of the important sets of policy measures since then relates to reforms in the labour sector of which the EXIT policy remains unaddressed.

Body

- The term 'exit' means the right of an industrial unit to close down. Exit policy means the policy regarding the retrenchment of the surplus labour force resulting from restructuring of industrial units and workers displaced by the closure of sick units.
- Exit may become necessary due to strategic reasons, financial constraints and environmental changes. Therefore, exit policy refers to the policy concerned with the action to be taken regarding surplus manpower in companies, owing to a variety of reasons, such as, restructuring, retrenchment, closure, or technological developments.

The significance of an effective exit policy in India is due to the following factors:

- Closure of sick units would be beneficial for the country's economy. Banks, financial institutions, state governments and the central government would be freed form the burden of providing incentives, subsidies and other concessions to keep the sick units going, the resources so saved can be invested for the growth of healthy units.
- An exit policy will ensure that the legitimate dues of displaced workers are paid to them speedily and satisfactorily. Without such a policy, these workers have to lose their dues.
- Closure of sick units may cause temporary unemployment. But the investment made out of the sale proceeds would create permanent employment.
- Maintenance of sick units provides more benefit to inefficient and corrupt employers responsible for sickness than to the workers.
- Sick units will ultimately close down exit policy or no exit policy.
- Several countries such as Singapore, Malaysia, Thailand and Indonesia have carried out economic reforms with exit policies. The result of such policies has been encouraging. A similar policy would be beneficial for India.
- Integration of an economy with the world economy would be incomplete without an exit policy. Indian companies would face a competitive disadvantage in the absence of freedom to retrench surplus labour.
- In the absence of an exit policy, labour is the biggest loser. The legitimate interests of workers are protected, only when there is a legal closure of a sick unit.

A well-laid out exit route should be provided both in the interest of workers and the economy.

Some of the measures introduced with regards to Exit policy in India include:

Voluntary Retirement Scheme (VRS)-

- The most important measure is the introduction of Voluntary Retirement Scheme(VRS). It is the most humane technique to provide overall reduction in the existing strength of the employees. It is also known as 'Golden Handshake' as it is the golden route to retrenchment.

National Renewal Fund (NRF)-

- The government of India created this fund on February 4, 1992 to provide a safety net for labour. The fund would provide assistance for retraining and redeployment of labour arising as a result of modernization and technology upgradation and also provide compensation to workers.

Scheme of Counselling, Retraining and Redeployment (CRR) of rationalized employees of Central Public Sector Undertakings (CPSUs)-

- The objective and scope of the scheme is to provide opportunities of counselling, retraining and redeployment to the rationalized employees of Central Public Sector Enterprises (CPSEs) rendered redundant as a result of modernization, technology upgradation and manpower restructuring in the Central PSEs.

Insolvency and Bankruptcy Code 2016-

- The RBI is using this to force banks to get tough with defaulting promoters, forcing them to sell assets to repay debts and make their companies solvent. This is a revolutionary change.
- The larger question of effectiveness of these measure's is muddled due to procedural deficiencies, bureaucratic red-tapism as well as legacy of the license permit raj system. IBC has been a welcome exception where-in larger insolvency proceedings have been effective while the issues of small and medium entities remain thus affecting the Exit mechanism and labour issues.
- At the same time, it is important to note that Exit policy is not the ideal remedy for tackling industrial sickness. It may benefit employers as they siphon off funds from old units to newer ones.
- To minimise the adverse effects of closure of a unit on labour, several options like social security nets, insurance schemes and other employee benefit schemes have been in place which have been successful to an extent.

Conclusion

There is no specific policy or law dealing with exit, and the actions are governed under the existing laws and regulations as and where they are applicable. However, the exit policy is gradually coming under formation and informed opinion is that a time may come when there will be adequate political will to enact and implement it.

3. Do you think the provision of compulsory corporate social responsibility is antithetical to the liberal economic principles? Critically comment.

Introduction

India is the first country in the world to make corporate social responsibility (CSR) mandatory, following an amendment to the Companies Act, 2013 in April 2014. Businesses can invest their profits in areas such as education, poverty, gender equality, and hunger as part of any CSR compliance.

Body

Background:

The government introduced the Companies (Amendment) Bill, 2019, in the Lok Sabha on Thursday, which seeks to tighten corporate social responsibility compliance and reduce the load of cases on the National Company Law Tribunal (NCLT).

Provisions as antithetical to the liberal economic principles:

- If the CSR is made mandatory, it will be treated as another tax on businesses.
- CSR is not the main business of a company and making it compulsory will result in focusing their energies on social spending rather than on the business.
- Compulsory CSR will result in micromanaging the companies by the government and tie down businesses with rules and regulations that impose a heavy compliance burden.
- The provisions of criminalizing for non-compliance of CSR will deter the investors and also results in several companies suppressing the profit to avoid CSR spending.
- A company's profits belong to the shareholders and a for-profit private enterprise spending in social sectors (which is the job of the government) is against liberal economic principle.
- Restrictive list of CSR spending as mentioned in the latest amendment will discourage the employee volunteering and compliance.

Provisions as conducive to the liberal economic principles:

- Branding: CSR will result in marketing of the company and hence increase the brand value and hence - the customer base.
- As the finance minister said – compulsory CSR will ensure more accountability and better enforcement to strengthen the corporate governance norms and compliance management in corporate sector.

- The spending on CSR will help in increasing purchasing power its clientele and hence in the long term is helpful to increase the customer base.
- As the prime minister said there should be diversification in CSR spending. Compulsory CSR will help in achieving the CSR fund allocation to every sector as requires. E.g. As per the statement of the ministry of corporate affairs 2/3rd of the CSR spending is spent in primary education.
- It helps in cracking down of shell companies and hence create a market driven economic competition in lines of liberal economic services.

Conclusion

CSR is a means to partner corporates for social development and criminal penal provisions are not in harmony with the spirit of CSR. Hence, it violates the liberal economic principles. As Bimal Jalan suggested CSR should be made voluntary and make it a civil offence.

4. What are the challenges facing the start up ecosystem in India? Discuss. In this regard, critically assess the efficacy of measures adopted by the government under the Start-up India scheme.

Introduction

Start-up India is a flagship initiative of the Government of India, intended to build a strong ecosystem that is conducive for the growth of start-up businesses, to drive sustainable economic growth and generate large scale employment opportunities. The Government through this initiative aims to empower Start-ups to grow through innovation and design into a country of job creators instead of job seekers.

Body

Challenges faced by Start up ecosystem in India

India has a unique set of problems due to multicultural and multilingual regions that need innovations to find solutions to health, education, infrastructure, sanitation and for population at the 'bottom-of-the-pyramid' space.

- Financial resources: Availability of finance is critical for the startups and is always a problem to get sufficient amounts.
- Supporting Infrastructure: There are a number of support mechanisms that play a significant role in the lifecycle of startups which include incubators, science and technology parks, business development centers etc. Lack of access to such support mechanisms increases the risk of failure.
- Regulations: Starting and exiting a business requires a number of permissions from government agencies. Although there is a perceptible change, it is still a challenge to register a company and exiting it.Regulations pertaining to labor laws, intellectual property rights, dispute resolution etc. are rigorous in India and as per World Bank report, "World Bank Ease of Doing Business", India ranks 137 out of 189 economies.

- A tax break of three years has been given in the scheme. Anyone who has business sense knows that only a few of start-ups will be profitable in the first three years and so this handful can avail themselves of the tax break.
- Bureaucratic hurdles and corruption: for example earlier Angel tax (now it has been removed) falls under corruption and bureaucratic inefficiencies as it takes the focus of entrepreneurs away from building a product or service to responding to tax notices and filing appeals, something that start-ups can clearly do without.
- Revenue generation: Several startups fail due to poor revenue generation as the business grows. As the operations increase, expenses grow with reduced revenues forcing startups to concentrate on the funding aspect, thus, diluting the focus on the fundamentals of business.

Initiatives by Government:

There are numerous government initiatives to assist start-ups,

- Start Up India initiative: This initiative provides three-year tax and compliance breaks intended for cutting government regulations and red tapism.
- MUDRA Yojna: Through this scheme, start-ups get loans from the banks to set up, grow and stabilize their businesses.
- SETU (Self-Employment and Talent Utilization) Fund: Government has allotted Rs 1,000 Cr in order to create opportunities for self-employment and new jobs mainly in technology-driven domains.
- E-Biz Portal: Government launched e-biz portal, India's first government to business portal that integrates 14 regulatory permissions and licenses at one source to enable faster clearances and improve the ease of doing business in India.
- Royalty Tax: Indian government has reduced the royalty tax paid by businesses and start-up firms from 25per cent to 10 per cent
- Credit Guarantee Fund Trust: launched by the Government of India (GoI) to make available collateral-free credit to the micro and small enterprise sector. Both the existing and the new enterprises are eligible to be covered under the scheme.
- Fund of Funds for Start-ups (FFS): 10,000 Rs corpus fund established in line with the Start-up India action plan under Small Industries Development Bank of India (SIDBI) for extending support to Start-ups.
- Tax Sops: Tax exemption on Capital gain tax, Removal of Angel tax, Tax exemption for 3 years and Tax exemption in investment above Fair Market Value.
- Self-certification compliance.

Limitation

- Schemes' definition of start-ups (driven by technology or intellectual property) prevents others from availing the incentives.

- Tax exemption is subjected to inter-ministerial board.
- The labour laws can be abused as they wouldn't be inspected for the next 3 years.
- Some provisions seem vague calling attention towards more clarity.

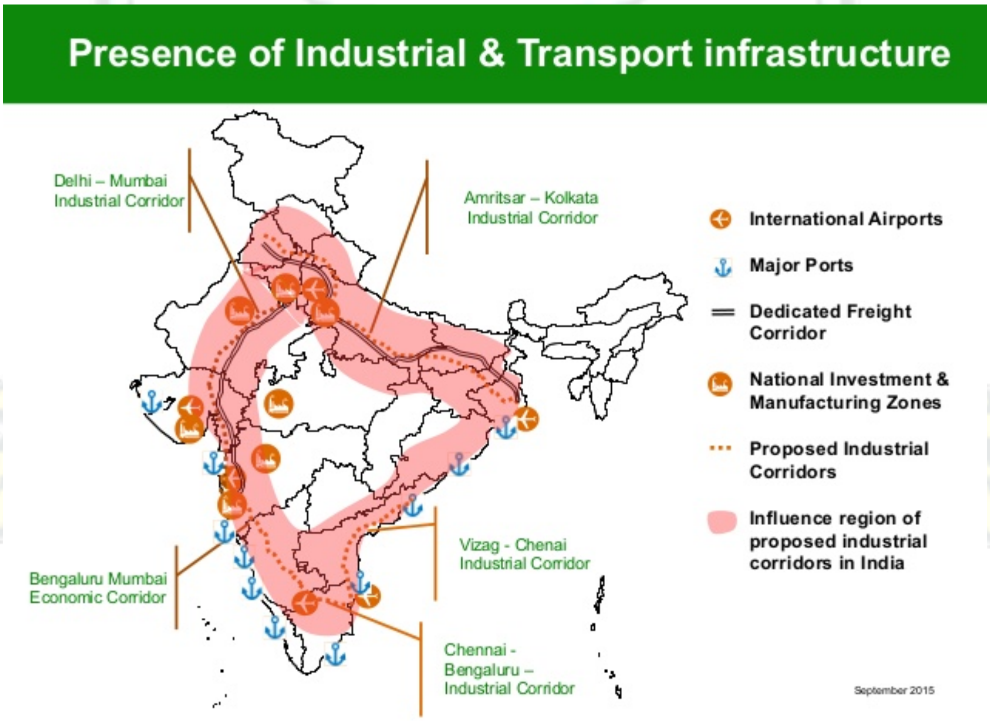
Conclusion

The current economic scenario in India is on expansion mode. The Indian government's liberal policies like Make in India, Digital India, MUDRA etc .shows enthusiasm of centre to increase the GDP rate of growth from grass root levels. With government going full hog on developing entrepreneurs, it could arrest brain drain. It is not out of place to mention that some of these startups would become unicorns and may become world renowned businesses by expanding into other developing and underdeveloped countries.

5. How effective is be the idea of developing industrial corridors? Comment. What are the challenges associated with this policy? Examine

Introduction

The different sectors of an economy are inter-dependent on each other. Industrial corridors, recognising this inter-dependence, offer effective integration between industry and infrastructure, leading to overall economic and social development.



Body

Effectiveness of Idea of developing industrial corridors

Industrial corridors have typically been built along major transport arteries and offer cost effective and efficient access.

- An industrial corridor is a package of infrastructure spending allocated to a specific geographical area, with the intent to stimulate industrial development. An industrial corridor aims to create an area with a cluster of manufacturing or other industry.
- Besides allocating a package of infrastructure spending to a specific geographical area, industrial corridors help in flourishing industrial development by creating manufacturing clusters and ancillary industries. Besides smart cities, these corridors will be well-connected by road, rail, air or sea. Industrial corridors will help attract talent in large numbers and achieve 100 million job targets easily.
- **Delhi Mumbai Industrial Corridor(DMIC)**: is about developing Greenfield future cities with backward integration to the dedicated freight corridor. At present, all goods produced in the northern part of India take 12-13 days to reach the ports on the western coast. The cost of transportation in India is, therefore, very high. The 1,483km-long dedicated freight corridor will transport goods within 12-13 hours. The DMIC project covers the six States of Uttar Pradesh, Haryana, Rajasthan, Madhya Pradesh, Gujarat and Maharashtra. With an envisaged investment of $100 billion by 2040, the 1504-km DMIC across six states was intended to be developed as a 'global manufacturing and trading hub'. The project was one of the important measures announced by the government to help drive the share of manufacturing in the country's GDP to 25% by 2022 from roughly 16% now.
- **Bengaluru-Mumbai Economic Corridor (BMEC) :**The Bengaluru Mumbai Economic Corridor (BMEC) in intended to facilitate the development of a well-planned and resource-efficient industrial base served by world-class sustainable connectivity infrastructure, bringing significant benefits in terms of innovation, manufacturing, job creation and resource security.
- **The Chennai Bengaluru Industrial Corridor (CBIC):** will achieve the goal by providing smooth access to industrial production units, reducing transportation logistic costs and improving delivery time as well as decreasing inventory cost. This will ensure increased private investments in manufacturing and industrial activity in the three states.
- **Vizag Chennai Industrial Corridor (VCIC)**: is the first coastal economic corridor in the country. It is part of the East Coast Economic Corridor (ECEC)It covers more than 800 km of Andhra Pradesh's coastline and is aligned with the Golden Quadrilateral.23 It also plays a critical role in the "Act East Policy" of India. The "Act East Policy" focuses on increasing the integration of the Indian economy with the economies of the Association of the Southeast Asian Nations (ASEAN).

Challenges associated with Industrial corridor policy

- The foremost problem being faced in setting up industrial corridor is Land Acquisition. Since the industrial corridor would cut across the length of the state, acquisition of land has been slow because of legal hurdles and the amount of compensation.
- Since India lacks technological knowhow in certain sectors, it would be prudent to raise FDI caps to allow foreign players to bring in the required technological knowhow and encourage Indian investment in setting up ancillary and auxiliary industries in that sector.
- India's taxation regime needs to clearly define the tax liabilities of foreign firms operating in India as permanent establishments and otherwise.
- Macroeconomic stability is necessary to have a stable exchange rate so that foreign players with investments in India can avoid currency risks.
- India needs to clearly lay down ground rules for cancellation of licenses in Bilateral Investment Treaties which could later create confusion as in case of Antrix-Devas deal.
- The economic and financial feasibility of industrial corridors should be ensured by attracting potential investors to set up manufacturing units at NMIZ.

Conclusion

Industrial corridors planned in India are mega-projects and futuristic vehicles of economic growth. Projects of this mammoth nature need thorough visualization, planning and extraordinary meticulous execution. Comprehensive policy frameworks and its implementation are mandatory for the success. Adaptation to local conditions is very important in preparing and refining the policy imperatives for industrial corridors in India. "Less of government and more of governance" is the mantra for future.