



# RESTRUCTURING STRATEGIES TO AWAKEN THE SICK PUBLIC SECTOR UNITS IN THE STATE OF KERALA

1. Dr.Sindhu S.Nair, Associate Professor of Economics, St.Michael's College, Cherthala, Kerala,  
Email:sindstvm@gmail.com
2. Dr. Sreedhar P Nair, Head of the Department of Commerce, St.Michael's College, Cherthala, Kerala, Email:  
drspnair@gmail.com
3. Shaly Marshal, M.Phil Scholar, Department of Commerce, SB College, Changanassery, Kerala, Email:  
shalymarshal97@gmail.com

## ABSTRACT

*Industrial strategy of a country also encourages the growth of all part of economy. The negative effect of sickness of public Enterprises can be avoided only by taking the proper preventive for restructuring measures by the government. Government of Kerala does not give due importance to privatization but they focused on several measures to restructure the loss making units. Comparing to the situation before 2016, the current state public sector units are offering a tremendous change and hope to the current economic growth of Kerala.*

*Key Words: Public Enterprises, Sickness, Restructuring.*

## INTRODUCTION

Government of India promoted public sector industries in the area of basic and strategic importance. Public sector enterprises are institutions operating for the service of an economy or for society or on behalf of government. Mainly the public sector enterprises are divided into three categories i.e. the Departmental Under takings, Public Corporation and Government Company. The main characteristics of Public Enterprises are state ownership, state control and management, public accountability, non-profit motive, state privileges and regulations. Public sector Enterprises play a major role in the society and also for the economic growth of the

country and such role can be measured from the point of view of the society. There are so many up and downs happened in the journey of Public Enterprises.

Industrial sector has played a major role in India's economic development since Independence. From 1947-1991, successive governments promoted protectionist economic policies with extensive state intervention and economic regulation, which is characterized as a 'dirigisme' in the form of License Raj. The end of the cold war and balance of payments crisis in 1991 led to the adoption of a broad economic liberalization in India. From 21<sup>st</sup> century, India's annual average GDP growth rate has been 6% to 7% and from 2013 to 2018, India was the world's fastest growing major economy than an outstanding country like China. Industrial strategy of a country encourages the development and growth of all or part of the economy, often focused on all or part of the manufacturing sector. The government undertakes proper measures for improving the competitiveness and capabilities of domestic firms and promoting structural transformation of manufacturing sectors.

## **BACK GROUND OF THE STUDY**

### **❖ Industrial Sickness – Public Sector Enterprises**

Sickness of public sector enterprises is very sensitive problem in India. This problem will reach the company to a weakness or illness stage. It is a situation that follows a continuous disorder in the debt-equity ratio and also weakness in the financial status of an industrial unit. In this situation such enterprises are not in a position to boost them with the company's turnover, so they are in need of financial assistance from other financial institutions or from government itself.

### **Meaning**

According to companies (2<sup>nd</sup> amendment) Act, 2002,

'Sick Industrial Company' means, "an industrial company which has

- a) The accumulated losses in any financial year equal to 50% or more of its average net worth during four years immediately preceding such financial year or,
- b) Failed to repay its debts within any three consecutive quarters on demand made in writing for its repayment by a creditor or creditors of such company"

The term 'Sick Industrial Company' is not defined in companies Act, 2013. In this Act, the sickness criteria are defined in the section 253 (1). This section specifies that "The inability of the company to pay or secure or compound the payment on demand by its secured creditors of the company in such an event may file an application with the tribunal to declare the company sick" [cite <https://www.icsi.edu/media/portals/70/328092013.pdf> ]

**Industrial sickness of public sector undertakings mainly caused due to;**

- Weak management
- Lack of financial assistance
- Unexpected changes in the government policies
- Inadequate marketing
- Lack of modern technologies
- Improper working environment

**❖ Restructuring of Public Sector Enterprises**

During the childhood change of Private Sector Enterprises, the public sector enterprises brings up the major contributions for the development of the country but the effects of LPG brings the private sector to more competing role and there by the public sector enterprises faced many constraints during this stage. There is a general concept that PSUs was always a loss making organizations because of their poor productivity, over staffing, unnecessary government interventions, and other social obligations. But in this situation there was a slight change made that the private sector taken over some public enterprises. But this is not safe for the existence of public enterprises. The PSUs have to compete with the private sector with all its effectiveness. For this the Government of India has to taken major initiatives to restructure the public sector by considering the whole working environment. Restructuring is always essential for manufacturing industries especially those engaged in services like government service, public transportation, public education and health care services.

**Reasons**

- Changing competitive environment
- Changes in government policy
- Disinvestment
- Privatization

**Benefits**

- ✓ Technological Up gradation
- ✓ Improving work culture and ethics
- ✓ Cost reduction
- ✓ Improves productivity and quality
- ✓ Profit maximization
- ✓ Consumer oriented approach

- ✓ Qualified working personals
- ✓ Close down the areas which are nonproductive

## **RESTRUCTURING PROCESS**

Restructuring of sick industry in India is an inevitable factor in the economic growth of the country. The market is always dynamic due to the competitive environment, so an inflexible company structure is not suited for innovative oriented industries. So a revival or restructuring should be needed to,

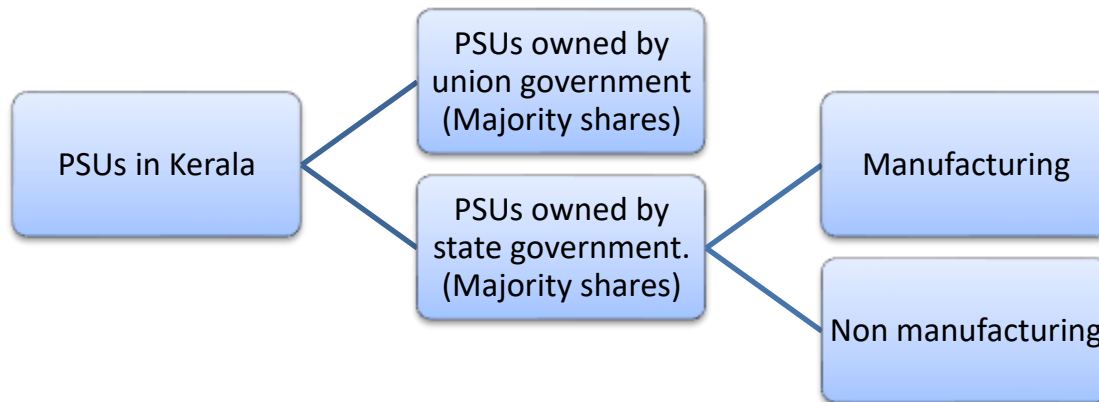
- Increase creativity
- Provide flexible working environment
- Bring customer oriented approach
- Increase competitive pressure
- Improve the quality of products.
- Provide modernization in technology

Major Initiatives to be taken in the industrial sector are,

- Introduction of cost-benefit analysis
- Improve innovation management
- Adoption of new marketing mix
- Creative pricing strategy
- Well developed management (National and International) team.
- Exploitation of local opportunities
- Vision towards global strategies
- Well developed R&D and project management team.



## Public Sector Undertakings in Kerala



As per the report of the Government, there are 104 enterprises which spread over 14 different sectors of the Kerala economy in the year 2004. From this 11 units are jointly managed by State and Central Government and 85 state public sector enterprises are under the Government Department of Industries and Commerce. Current report states that there are 103 State PSUs in Kerala and in which 12 units are jointly managed by State and Central Government.

### **An assessment of Combined Net P&L of State PSUs in Kerala**

<b>Year</b>	<b>Net P&amp;L</b>
2012-13 (40 State PSUs)	Profit
2013-14 (40 State PSUs)	Loss
2014-15	Loss
2015-16	Loss
2016-17	Loss
2017-18	Profit

From the above table it can be understood that several Public Sector Undertakings in Kerala were made loss until 2016. Major initiatives were taken by the Industries Department for strengthening the State PSUs during the last year of Twelfth Five-Year Plan, i.e. 2016-17. As part of these improvements there is a change from 8 PSUs to 13 PSUs under Industries Department who reported profits from the year 2015-16 to 2016-17. The State PSUs under loss were decreased from 32 to 27 from the year 2015-16 to 2016-17 and the amount of loss was also decreased from 226.6 Cr. to 180.5 Cr. during these years. After 2016-17, a change in the government and their policies



bring an upward trend in the growth of State PSUs including the chemical industries. The State PSUs were made a remarkable achievement in the year 2017-18. In the year 2018-19, 17 State PSUs had incurred an operational profit of Rs.330.36 Cr. and a net profit of Rs.258.29 Cr.

## **RIAB – Public Sector**

“Public Sector Restructuring and Internal Audit Board (RIAB) was constituted in 1994, to perform and execute the task of reform initiatives of State Owned Enterprises. It has worked in association with National and International Agencies such as Common Wealth Secretariat, Common Wealth Association for Corporate Governance, OECD, Global Corporate Governance Forum, UNDP and the Academy of Corporate Governance. RIAB also carries out macro level fund management, monitoring and performance management of SOEs” [cite<https://www.riab.in>]

Public Sector Undertakings in Kerala includes the various sectors such as Chemical, Electrical equipments, Ceramic & Refractory, Electronic, Development & Infrastructure, Engineering, Textiles, Traditional or Welfare Units and Wood and Agro-Based industries. Each Sectors or industries include various Units, Companies or Corporations. Public Sector RIAB provides major reform initiatives for the restructuring of loss making or inactive units in each sector.

“According to the latest report of the Public Sector Restructuring and Internal Audit Board, the PSUs have earned a turnover of Rs. 1,928.24 Cr. and 11units show profit of Rs. 216.43 Cr. Many company which were in red zone in 2016, changed and showed an impressive and notable performance during the year 2017-18.

## **Directorate of Industries and Commerce**

The Industrial Department of Kerala is headed by the honorable Minister for Industries. This department is located in Thiruvananthapuram. The main function of this department is to execute and promote the various industrial activities of traditional industrial sectors and Micro Small or Medium Enterprises in Kerala.

### **Objectives:**

- Creating employment opportunities and promoting the export oriented business for the sustainable economic development of Kerala.
- Promotion of Industrial Development through an eco-friendly system.
- Rejuvenation of Public Sector Enterprises, Quality Management and the establishment of internationally accepted standards in the Industrial Sector.

## **Kerala Industrial & Commercial policy, 2018**

The Industrial and Commercial policy 2018 was framed to adopt proper and effective measures to revive Kerala into an investor friendly, environment friendly and for the sustainable use of natural resources. Through the creation of employment opportunities and reasonable wages to the workers will improve the sustainable growth of the economy.

### **Objectives**

- Improve manpower and create employment opportunities through Industrial and Sustainable growth.
- Improving the efficiency of the active industries and restructuring the loss making units.
- Proper approval and clearances for new enterprises and simplifies regulatory procedures.
- Organizing more MSMEs in rural areas.
- Raise investment in Industrial sector from National and International sources.
- Promotion of Public Sector Undertakings and the new production units to attain their long term objectives,
- Exploitation of locally available resources.
- Encourages the new entrepreneurs to start business.
- Improves the infra structure development of industries.
- Promotes land acquisition, land pooling and private industrial parks for ensuring sufficient land availability
- Strengthening the services and commerce sectors.
- Adopting Globally Accepted Standards in Technology, Quality and Management to rejuvenate the public sector enterprises in the State.
- Develops Eco-friendly environment in enterprises.
- In industrial and infrastructural investments participatory approach is adopted.
- Develops an International market for Kerala economy through the production of high quality products at reasonable price.
- Provide advanced technical skills for young generation for improving efficiency in work.

### **Conclusion**

Today, Public sector covers wide range of activities such as mining and metallurgy, manufacture of electrical goods, machine tools, chemicals and fertilizers, drugs and pharmaceuticals, building of ships, aircrafts and locomotives, industrial financing and undertaking of life insurance and control of consumer goods production. When we moving through the profitability position of the public enterprises in India, it can be understood that the situation is not as alarming that of the earlier periods. That means neither all public

enterprises are inefficient nor efficient, i.e. some organizations are efficient. The expansion or modernization of public sector aimed at the fulfillment of our national and social goals such as development of employment opportunities, educational and medical facilities, removal of regional imbalances, revival of inefficient sick units, establishment of socialistic society, attainment of self reliance, industrial progress, promotion of backward sections of the society, enhance the production of essential public utility goods etc. So the restructuring strategy will convert the sick public sector enterprises into a profitable one.

### **References**

1. <https://www.riab.in>
2. [www.thehindu.com.cdn.anpproject.org](http://www.thehindu.com.cdn.anpproject.org)
3. <https://www.icsi.edu/media/portals/70/328092013.pdf>
4. <https://www.moneycontrol.com>
5. <https://www.en.m.wikipedia.org.>wiki>

