REVIEW OF RESEARCH
ISSN: 2249-894X
IMPACT FACTOR : 5.2331(UIF)
VOLUME - 7 | ISSUE - 6 | MARCH - 2018

STUDY OF EMERGING ROLE OF PRIVATE SECTOR IN INDIA

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ABSTRACT

Industrial Policy 1991- Stock Exchange Board of India (SEBI)- Tata Motors- Tata Finance- M/s. Satyam Computers- Industrial Policy 1948- Exit Policy – National Company Law Tribunal- Companies Act, 2013- Corporate Social Responsibility.

KEY WORDS: *Industrial Policy 1991- CSR- TISCO- TELCO- SEBI- Tata Motors.*

INTRODUCTION :

The Government of India accepted Privatisation, Liberlization and Free Economy Policy in the year 1991, Consequently, The Industrial Policy, 1991 came into force from June, 1991. The most notable feature of the Industrial Policy of 1991is the acceptance of the maturity and the ability of the private sector and their capabilities to shoulder higher responsibilities. It can be said that the emerging role of the private sector has been crystallized by the Industrial policy 1991.

Already, since the last two decades of reforms there have been an increased number of companies, expansion and diversification by existing companies, entering into key areas. They have been responsible for raising industrial growth and also lifting India's growth in recent times. The future will thus witness the following:-

1. A larger responsibility on the shoulders of the private sector for increasing investment, diversification, taking industrialization forward and furthering industrial growth.
2. They will have presence in all core/critical areas which were previously reserved for the public sector such as oil, power, etc. and now provide competition to them thereby eroding their monopoly status besides putting pressure on them for being competitive.
3. They will command greater respect from the government and have say in policy matters concerning the industrial sector. Already, they are known as the corporate sector.
4. Traditional family run businesses would pave way to greater professionalism.
5. Segregation of ownership from management and gradually to holding companies like Tata Sons as a holding company and other Tata companies operating independently such as Tata Motors, Tata Finance, TISCO, TELCO, etc. under a professional and not promoters / owners.
6. Many private companies have already gone for big ticket global acquisitions. The future would envision more such acquisitions and help Indian Private companies to emerge as global companies.
7. The government having realized the competence of private sector especially in execution of projects has recently resorted to the public private sector partnership (PPP) model for infrastructure development.

8. There would be an increasing trend towards 'corporate governance' which is complete transparency in operations, working in the interest of the company (not only owners) and seeking to maximize 'value' to the shareholders. It is also about broader overview and greater professionalism by having independent board members in the board of directors of companies, not related directly or indirectly either to the company or to the owners. Already, SEBI has made corporate governance mandatory for all listed companies and a stipulation of companies to have at least one-third directors as independent.
9. The private sector would operate with greater responsibility with moral and ethical values towards their company, society and the country as a whole, referred in the corporate world as corporate social responsibility (CSR), of business cannot be confined to the realms of business only and will have a spill over in the society.

a) It is self-consciousness realization, of the companies of the need to reciprocate by fulfilling the societal responsibilities, in any manner, as deemed appropriate by the company, but without any compulsions or directives from the government. Through a recent amendment to the Companies Act, CSR has been made mandatory for all listed companies. The Companies Act, 2013, has called upon companies having a net-wrorth of Rs. 500 crore or more; or a turnover of Rs. 1,000 crore or more; or a net profit of Rs. 5 crore or more to have a CSR spend of at least 2% of their average net profits of past three years.
b) There will be a growing realization on the part of the private sector that growth of businesses and moral responsibilities will go together in future, as distance from the earlier perception of driven only for benefit of self.
c) It is hoped that the unethical operations and frauds of M/s Satyam Companies was more in the nature of an exception and not repeated by other companies.

10. Many business houses may become philanthropic, giving their due share to society by setting up charitable trusts, hospitals etc.

a) They would demonstrate to the government that the private sector can contribute in its own way towards welfare of the people and social development.

11. Finally, the 'mixed economy' character would get further entrenched in future with co-existence of both the public and private sector working shoulder to shoulder in all the key areas and jointly increasing industrial and overall growth of the economy

The mixed economy character has always been an avowed objective of the government since the first Industrial Policy of 1948, however, it was only seen as an intention of the government, more on paper. The future is likely to see the true emergence of the mixed economy character. The policy of liberalization has imposed great confidence on the private sector, as becoming partners to the government in development efforts, operating with a code of ethics, business and moral responsibilities, transparency in operations.

It is up to the private sector to rise to the occasion, meet the expectations of the government and the people and ensure that the confidence reposed is never let down. However, for the private sector to truly emerge as visualized in the policy would require the environment, to permit rather than prevent. to allow rather than stop.

The challenge before the private sector is not only to deliver, but in more responsible manner realizing that business and moral responsibilities go together.

Exit Policy:-

'It is often said that absence of an exit policy is a cog in the wheels of liberalization. What is an exit policy. The policy of liberalization has given the freedom of entry but also given the risks of businesses that it is not necessary for all to survive, some may die a natural death, some industries may need to reorient into different businesses by closing down existing businesses and there lies the need for an exit policy.

An exit policy thus facilitates companies to close down their businesses, allowing them to reorient, restructure operations, in terms of market needs, with minimum restrictions from the government and in a quick time frame. At present, in India there is no exit policy and closure of companies is complex and cumbersome with multiple government bodies and 'acts' making closure extremely difficult and can take over several years.

Realizing its importance the government has set up the 'National Company Law Tribunal' as a one stop shop, single reference point for all sick companies either seeking revival or closure within a period of twenty-four months of the case field with NCLT. This would bring under one roof all the multiple bodies together to work in a coordinated manner either for revival or for the closure of companies in a time bound manner. The NCLT is yet to become operational as it requires amendments to various 'acts' and also compliance of legal formalities.

An exit policy also has a ticklish issue which is labour related and is a larger freedom to the management of companies in addressing labour related issues. That is, if there is freedom to recruit there should also be discretion to a company to dismiss in the larger interests of the company. Unfortunately, all the labour laws have been enacted during 1920s and 1930s to protect the interests of the workers in the industrial sector and making dismissing labour as virtually impossible with fears of strikes and labour unrest.

This has given rise to complacency, non-productive workers and a complete mismatch between salaries paid and the output of workers. As long as the Indian market was sheltered, large role of public sector these could be tolerated but in today's environment with increased competition productivity and efficiency have become critical for survival of companies.

Labour has to realize that 'in the growth of the companies lies their future' and not the other way around. Thus, labour reforms would involve factoring in productivity and linking salaries to productivity. Many feel that this will bring back the 'hire and fire' policy which had forced the government earlier to enact labour laws to protect interests of labour.

Labour reform is most controversial and no political party would like to touch given the likely fall-out, even going out of power. Let us get the facts straight first. All labour laws are there to protect the interest of 6-8 per cent of the workforce in the organized sector while the remaining 90 per cent and above engaged in the unorganized sector are outside the purview of labour laws.

Which sector needs protection: the organized or the unorganized sector? Clearly it is the vulnerable unorganized sector. Second, employment in the organized sector is 'skilled' and today most economies including India are feeling the pinch of shortage of skilled manpower. Companies would like to preserve the skill set required out of experience. If the labour has the skills and a willing worker why will be thrown out? Times have changed and employee retention instead is a big challenge for companies today.

Thirdly, all the labour laws have been framed much before independence and surely working environment has undergone a sea change which is not captured by these laws. Further, there is confusion over basic definitions, such as workmen, wages, employee, etc. Factory etc. are all defined differently in different 'acts'.

Provisions under factories act do not match provisions under minimum wages act. In fact, all these acts are not only out of time but provided for rigidity and excessive regulatory legislations in the economy and as mentioned previously only for 6-8 per cent of the workforce in the organized sector.

Fourthly, has it occurred that despite the increased industrial growth it has not led to increased employment opportunities in the organized sector as the prevalent stringent labour laws have forced the companies to substitute labour with labour displacing capital, greater automation which is ironical for a labour surplus country like India.

Fifthly, realization is required amongst labour that the priority is to first protect the interest of the company and if that is protected their interest would also get protected. Labour and management have to become partners in the process of improving productivity as well as protecting the interests of the company.

Agreed, no matter how much be the compulsion for labour reforms in the larger interest of the economy, it may be difficult to attempt given the democratic framework and frangile political set-up and cannot be pushed down as done in China.

However, at least a beginning can be made by reviewing the different labour laws, making them more comprehensive, removing duplications and ambiguities in different acts, having a uniform definition of a ‘worker or labour’. That should not be difficult. The government can also initiate dialogue with political parties and representations of various trade unions emphasizing upon the need for such reforms and arriving at a broad based consensus.

What is appalling is the government disinterest to even start thinking on these lines. Labour reforms in India is the hardest of reforms and has the potential of unleashing a storm, a great upheaval, and can have a grave political fallouts and has to tread carefully and gradually by building consensus step by step. Until such a time it may delay further reforms and the correct way for going ahead is to make a modest and acceptable beginning. At the same time it should also be kept in mind, that without changing the labour environment and with present levels of protection through multiple trade unions, would only imply not getting full benefits of reforms for which reforms cannot be balanced.

EASE OF DOING BUSINESS IN INDIA

The government of India has taken a series of following measures to improve ‘Ease of Doing Business’ in the country. Existing rules have been simplified and information technology is introduced to make governance more efficient and effective:

- The process of applying for Industrial License (IL) and Industrial Entrepreneur Memorandum (IEM) has been made online and this service is now available to entrepreneurs on a 24x7 basis at the eBiz website.
- Twenty services are integrated with the cBiz portal which will function as a single window portal for obtaining clearances from various governments and government agencies.
- Notification has been issued by Directorate General of Foreign Trade (DGFT) to limit number of documents required for export and import to three.
- The Ministry of Corporate Affairs has introduced an integrated process of incorporation of a company, wherein applicants can apply for Director’s Identification Number (DIN) and company name availability simultaneous to incorporation application [Form INC-29].
- The Companies (Amendment) Act, 2015 has been passed to remove requirements of minimum paid-up capital and common seal for companies.
- Application forms for Industrial License (IL) and Industrial Entrepreneur Memorandum (EM) have been simplified.
- Defence products’ list for industrial licensing has been issue, wherein a large number of parts/components, castings/forgings, etc. have been excluded from the purview of industrial licensing.
- Similarly, dual-use items, having military as well as civilian applications (unless classified as defence item), will also not require ILs from the defence angle.
- The Ministry of Home Affairs has stipulated that it will grant security clearance on IL applications within 12 weeks.
- An Investor Facilitation Cell has been created under Invest India to guide, assist and handhold investors during the entire life cycle of the business.
- The process of applying for environment and forest clearances has been made online through the Ministry of Environment and Forests and Climate Change portals.
- Registration with the Employees Provident Fund Organizaiton (EPFO) and Employees State Insurance Corporation (ESIC) has been automated and ESIC registration number is being provided on a real time basis.
- A unified portal for registration of units for Labour Identification Number (LIN), reporting of inspection, submission of returns and grievance redressal has been launched by the Ministry of Labour and Employment.
- A report titled ‘Assessment of State Implementation of Business Reforms’ was released on 14th Septemebr 2015.It reports the findings of an assessment of reform implementation by states by the DIPP. Ministry of Commerce and Industry, Government of India, with support from World Bank group and KPMG. This assessment has been c9nducted to take stock of reforms implemented by states in the

period January 1 to June 30 2015, based on a 98-point action plan for business reforms agreed between the DIPP and states/union territories (UT) and rank them according to the ease of doing business.

KEY INITIATIVES TAKEN BY THE GOVERNMENT TO BOOST INDUSTRIAL PERFORMANCE:-

Make In India:- The 'Make in India' programme has been launched globally on 25th September 2014 which aims at making India a global hub for manufacturing, research & innovation and integral part of the global supply chain. This initiative is based on four pillars of New Processes, New Infrastructure, New Sectors and New Mindset.

Startup India: Startup India is a flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design.

Ease of doing Business:- The Government has taken up a series of measures to improve Ease of doing Business. The emphasis has been on simplification and rationalization of the existing rules and introduction of information technology to make governance more efficient and effective. The 'distance to frontier' (DTF) score measurement used by the World Bank to ascertain the distance between each economy and the best performance in that category has improved for seven of the 10 indicators in the World bank's Doing Business report. Sates too have been brought on board in the process to expand the coverage of these efforts.

Intellectual Property Rights (IPR) Policy:- In May, 2016, Government for the first time adopted a comprehensive National Intellectual Property Rights (IPR) policy to lay future roadmap for intellectual property.

This aims to improve Indian intellectual property ecosystem, hopes to create an innovation movement in the country and aspires towards 'Creative India; Innovation India".

Objective of this policy is to increase IPR awareness stimulate generation of IPRs; have strong and effective IPR laws; modernize and strengthen service oriented IPR and administration get value for IPRs through commercialization; strengthen enforcement and adjudicatory mechanisms for combating IPR infringements; and to strengthen and expand human resources, institutions and capacities for teaching, training, research and skill building in IPRs.

CONCLUSION:-

A Cell for Intellectual Property Rights Promotion and Management (CIPAM) has been created under the aegis of department of Industrial Policy and Promotion (DIPP) for addressing the 7 identified objectives of the Policy. An MOU has also been signed with U.K. Singapore and E.U.in the field of Intellectual Property Trademark. Pendency in awarding patents has also come down from 3 months in 2015-16 to 1 month by the end of Financial Year 2016-17.

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