The Role of Public Sector Enterprises in Rural Development and Social Welfare

Sundarapandian Vaidyanathan\textsuperscript{1} and Vidya Sundar\textsuperscript{2}

\textsuperscript{1}Research and Development Centre, Vel Tech Dr. RR & Dr. SR Technical University
Avadi-600 062, Tamil Nadu, Chennnai, INDIA
sundarvtu@gmail.com
\textsuperscript{2}Department of Economics, Ethiraj College for Women, Chennai, India
vidyaasundar@gmail.com

Abstract

After 63 year of Independence and a population of one billion, India is the largest democracy in the world. To sustain this democracy and freedom, it is very necessary to ensure economic empowerment and better quality of life for all the citizens of India. Since the real India lives in villages, the rural development has assumed high priority and it is one of the very important factors of the Indian economy. The Industrial Policy Resolution in 1956 gave the public sector enterprises a strategic role in Indian Economy and the public sector was thought of as the engine for self-reliant economic growth to develop a sound agricultural and industrial base, diversify the economy and overcome economic and social backwardness. In this paper, we shall address the trade-off between the social and economic objectives of public sector enterprises with a focus on the Neyveli Lignite Corporation (NLC) and its role in the community development and social welfare of Neyveli population.

Keywords


1. Introduction

The Government of India in a mixed economy like India is confronted with the primary duty of realising economic development with social justice. Public enterprise is the most appropriate institution which will enable the Government to achieve this most important end.

After the attainment of Independence in 1947 and the advent of planning, there has been a progressive expansion in the scope of the public sector in India. The passage of Industrial Policy Resolution of 1956 has led to a deliberate enlargement of the role of public sector [1-2]. Over the last few decades, public sector enterprises have not only enabled the country to acquire the commanding heights of the economy, but have also been the prime mover of the country’s technological progress, which has been studied and analysed well in the Economics literature [1-25].

In India, where a majority of the population either belongs to middle income group or living below poverty line, public sector units have a significant role to play in the development of the country. Public sector enterprises have been set up with the two objectives, viz.

\begin{itemize}
  \item[(i)] To achieve economic development;
\end{itemize}
(ii) To fulfil simultaneously the egalitarian aspirations of the society.

The public sector has come to occupy a key position in national economy in several sectors especially in the production of fuel, basic metal industries, non-ferrous metal industries, fertilizers, communication equipments and generation of power.

The spectrum of public sector covers almost all segments of the economy, i.e. agriculture, commerce, industry, finance and banking, research and development, public utilities, cultural and social affairs. Public sector has been assigned the important role of achieving our national objective of economic growth with social justice, generating larger social gains and strengthening country’s economy by removing regional disparities and promoting balanced development in different parts of the country. Public sector plays a crucial role in effecting a rapid socio-economic transformation of the economy and hence the need to set up public sector enterprises has been widely recognized to bring about rapid economic growth in nations around the world [3-20].

The general objectives of the public sector enterprises are the following:

(i) To gain control of the commanding heights of the economy;

(ii) To promote critical development in terms of social change and strategic value rather than primarily an considerations of profit;

(iii) To promote surpluses for the Government to finance economic development.

In a mixed economy like India, both public and private sectors are supposed to act as partners in bringing about economic development. The private sector is essentially a business proposition in which public purpose finds a subsidiary or peripheral position and in case supercedes business consideration, but public sector has greater public interest orientation as against the logic of profit making. Public sector is built upon social values and welfare criteria.

Indian public sector has a significant role to play as this sector must achieve economic equality for all classes and regions in an orderly, peaceful and democratic manner consistent with the postulates of social justice. Public sector will have to focus on the development of infrastructure, key intermediate goods, production and distribution of strategic commodities and provision of social services.

This paper is organized as follows. In Section 2, we discuss the role of public sector enterprises in rural development and social welfare. In Section 3, we discuss the case study of Neyveli Lignite Corporation (NLC) in rural development and social welfare of Neyveli Township. Finally, in Section 4, we summarize the conclusions of this paper.

2. THE ROLE OF PUBLIC SECTOR ENTERPRISES IN RURAL DEVELOPMENT AND SOCIAL WELFARE

The public sector has been assigned the important role of achieving one national objective of economic growth with social justice, generating larger social gains and strengthening country’s economy by strengthening country’s economy by removing regional disparities and promoting balanced development in different parts of the country.

The impact of public sector undertakings on the regional development may be assessed in terms of two different components, viz. (A) Direct Impact and (B) Indirect Impact.
The direct impact is mainly in terms of the demand for men and materials unit and the value added which is its contribution to the regional as well as national income. The indirect impact may further be classified into two categories, viz. (B1) Multiplier Effects and (B2) Propulsive Effects.

The multiplier effects occur in terms of the increased incomes of the direct beneficiaries of the unit. The propulsive effects of the units would be in terms of generation of activity in the industries linked to the public sector either as supplier of inputs or consumers of outputs.

Public sector enterprises have rendered useful help and service in the development of human resource in backward areas for changing the traditional character of village life. Investment in human capital is considered an essential ingredient of development planning. Such development is only possible if rural talents are identified properly fed with modern knowledge of relevant science and technology.

A large number of public sector undertakings have been set up in the backward areas/regions/districts in order to capitalise the rural labour by equipping them with vocational education, technical training and managerial skills. The strategy behind this is to transform the unemployed rural people to get self-motivated and self-inspired employment avenues in local economic activities.

Public sector undertakings working as a vehicle of communication have taken the new knowledge to villages and acted as “change agents” for introducing changes in existing practices, initiating commercial use of appropriate village technologies in agriculture and allied activities, village artisan and handicrafts and local village industry by inducing use of productivity enhancing equipment and light machinery. Apart from the above, a number of public sector undertakings have been taking special interest in setting up community development centres to discharge their social responsibility.

Improvement in economic infrastructure in the backward areas can be provided through the help and active participation of the public sector undertakings. This should broadly cover constructing or improving existing link roads and inside roads in villages to make these accessible by modern means of transport; ensuring that each village is equipped with electricity and power for domestic as well as commercial and industrial use.

Indian public sector constitutes the core of the economy’s social and economic development history, since the dawn of Independence in 1947. Rightly, this sector is described as an engine of rural development and social welfare. The enterprises of public sector are unique, when compared to their counterpart in private sector in the sense that the former have to bear greater social obligation apart from displaying good performance to secure reasonable profits, which being the all important concern of the private enterprises.

The public sector undertakings emerge very significant in the Indian context by fulfilling various social obligations such as generation of employment for mass, provision of basic infrastructure and public utilities, protecting the consumers from being exploited etc., promoting backward regions of the country and achieving balanced regional development.

The public sector had received the best attention from the nation planner and Government during the 1960s and 1970s. However, from the late 80s, the public sector enterprises have become objects of controversy and criticism. The great push given to the public sector in the initial Five Year Plans did start to recede. This paradigm shift can be attributed to the overwhelming public orientation, namely to serve the social purpose than to run them as profit making apparatus as in the private sector.
3. CASE STUDY – NEYVELI LIGNITE CORPORATION

The present study focuses on the role of public sector undertakings with special reference to the role of Neyveli Lignite Corporation (NLC) in the regional development of rural areas in and around Neyveli Township and also uplifting the social welfare of the people in Neyveli. This study was carried out by using Mathematical tools, percentage and ratio, along with statistical tools like regression analysis [25].

The geographical advantage of this region had prompted the government of India to establish here this power generating unit in the year 1956. Transforming the abundant deposits of brown coal and lignite into power and useable resource, NLC started contributing to the development of Neyveli region, powering progress and nourishing the green revolution.

Besides, NLC, in right earnest, from 1956 onwards has had concrete schemes to impart development to the peripheral villages in a number of ways like irrigation facilities, public health and sanitation, free medical camps and dispensary, education, provision of roads, transport etc. Holding a pre-eminent place in the industrial and power map of India, it has been the major source of power to the sole beneficiary – Tamil Nadu, and also generating power for all the southern states and Union Territory of Pondicherry.

In economies like India, where the money and commodity markets are not that developed and organised, pre-eminence of agriculture sector is visibly seen and rural-urban dichotomy manifests itself in its pronounced order, the government has a larger role to play in initiating economic development.

Most regions of the nation still remain economically backward. To impart economic progress and sustain development in these regions, establishment of public sector units will be the best strategy. When such backward areas endowed with some natural resources, as is the case of Neyveli, the process of giving economic impetus becomes relatively easier.

Neyveli Lignite Corporation (NLC) was founded in Neyveli with this kind of environment. This corporation had a social purpose to achieve. The analysis in this section points towards detailing the significant transformation of Neyveli, which was in 1950, a remote hamlet in Cuddalore district in Tamil Nadu, into a modernised township today with all infrastructural facilities and provision of social services NLC has played a pivotal role in bringing about this transformation.

Economic development is construed as reflective of evolution taking place in a region. It should have an adequate focus on qualitative dimensions or quality of life too. Differential growth rates, yardsticks and measures pertaining to infrastructure and human resources standing for the region at different points of time are a trigger for economic transformation. In fact, incorporating them in a dynamic framework will determine the pace of economic development of the region. Along this line, the social performance of NLC is investigated through its expenditure on infrastructural facilities such as transport power and human resource development.

This kind of exercise would provide adequate insight into NLC’s contribution to the development of the region. In the following analysis, NLC’s expenditure over a period of two decades on infrastructural development broken in its constituents, such as transport, education, power, water, health services and broadly on the township is reckoned with a view to logically put forth that an upward trend in this would signal higher degrees of development.
NLC tunes its operations keeping in view of environment care, reclamation and massive afforestation schemes, pollution control and maintaining the best industrial relations, planning, welfare schemes to its employees and their families. Health care with 350 bed General Hospitals supported by eight peripheral dispensaries, family welfare centres, 35 schools and a college, central library with a number of reading rooms, education facilities for mentally handicapped and speech and hearing impaired children, rehabilitation centres for displaced persons, housing, subsidized transport facilities, industrial canteens, recreational facilities, etc. are other community development programmes of NLC.

The main objective of this research paper is to analyse the role of NLC, a leading public sector unit in the development history of Neyveli region.

NLC as a model employer lays great stress on the welfare of its employees and peripheral villages. NLC has taken upon itself the social responsibility of promoting overall regional development and making it sustainable.

The most important purpose of establishing public sector unit has been to bring about balanced economic development. The logic behind establishing public sector enterprise in backward regions intentionally or out of geographical advantage could be that the backward regions would develop with the growth of the public sector units there. Unless the public sector enterprise displays a sound financial stature, it might end up as a drag to the Government efforts and fail to serve the social purpose. Therefore, the financial performance of the unit has a bearing upon its social responsibility.

The analysis on the social performance of NLC naturally leads to unfolding the development of the region ascribable more to the public sector enterprise. The emergence of public sector enterprise is more on account of social purpose than securing huge profits to the Government.

The trade-off between economic objectives and social purposes of a public sector unit has to be clearly given its due place in any analysis. The economic objectives lie in efficiently managing the finances to earn a reasonable surplus to the management. Good finance performance ensures not only continued existence of the public sector unit but also certain degree of freedom to discharge its social obligations.

NLC has been able to honour its economic objectives, namely providing surplus to the Government. The effective discharge of its social facet depends upon the various schemes pursued by the corporation to post regional development.

NLC is regarded as a typical unit of public sector enterprise as it strives hard to put up good performance in terms of production and finance. It is striking that the corporation succeeded exceptionally well on these scores. It also provides basic services to the people in the Neyveli Township and outside.

The following analysis explores, in detail, the significant transformation on Neyveli, which was a remote hamlet in Cuddalore district in the state of Tamil Nadu in the 1950s. Now, Neyveli is indeed a modernised Township with all basic infrastructural facilities and provision of social services and NLC has played a pivotal role in bringing about this transformation. This analysis on the social performance of NLC explores the expenditure made by the study unit on the infrastructural facilities like transport, road, buildings, electrical installations, sewerage, water, education, library, Township, hospitals, etc.

The important socio-economic indicators used in this study for the growth analysis of the role of NLC in socio-economic uplift are as follows:
(1) **Education**

(2) **Health Service**

(3) **Expenditure on Water and Electrical Installations**

(4) **Expenditure on Drainage and Sewage Works**

(5) **Expenditure on Neyveli Township**

### 3.1. Education

The provision of education is an important requirement for promoting literacy. Increase in the number of schools and high enrolment rate of students would lead to a steep fall in the illiteracy rate. NLC provides free education to many of the children of its employees as well as the children of the downtrodden in the neighbouring villages.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Schools</th>
<th>No. of Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>9</td>
<td>2,858</td>
</tr>
<tr>
<td>1971</td>
<td>16</td>
<td>13,715</td>
</tr>
<tr>
<td>1981</td>
<td>16</td>
<td>21,570</td>
</tr>
<tr>
<td>1991</td>
<td>33</td>
<td>35,000</td>
</tr>
<tr>
<td>2001</td>
<td>35</td>
<td>35,000</td>
</tr>
</tbody>
</table>

Table 1. Education in Neyveli Township

Table 1 records the number of schools and students in the Neyveli Township for the study period. There has been a steep rise in the number of schools from 9 to 16 during the period 1961-81.

NLC, surveying the education needs of the people in the Township and neighbourhoods, found out a wide gap between the demand and supply. Accordingly, NLC had to double the number of schools from 16 to 33 in the period 1981-91. The level of rise in the number of schools between 1991 and 2001 went up marginally from 33 to 35. This is because of the reason that the demand for education is almost met.

The number of students has registered a rise of 86 percent between 1961 and 1981, while it records a 37 percent rise in the period 1981-91. By 1998-99, the literacy level in Neyveli Township was around 100 percent (Source: Annual Report of NLC, 1998-99).

To motivate and bring the best talent among the students, the NLC management has instituted merit scholarships and financial grants to students in NLC schools.

### 3.2. Health Service

NLC General Hospital has recorded great success over the past four decades mainly due to the attention given to the health of NLC employees, their family members as well as the general public. Apart from this, many dispensaries, free medical camps are conducted periodically in and around the Neyveli Township.
Table 2 depicts the expenditure made by NLC in the provision of medical facilities. NLC has been giving due attention to the health of its employees, the general public and also the rural population in and around the Neyveli Township.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Beds in Hospitals in Neyveli</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956-1961</td>
<td>16</td>
<td>----</td>
</tr>
<tr>
<td>1961-1966</td>
<td>162</td>
<td>0.59</td>
</tr>
<tr>
<td>1966-1976</td>
<td>200</td>
<td>0.29</td>
</tr>
<tr>
<td>1976-1986</td>
<td>400</td>
<td>0.24</td>
</tr>
<tr>
<td>1986-1996</td>
<td>400</td>
<td>0.17</td>
</tr>
<tr>
<td>1996-2001</td>
<td>450</td>
<td>0.14</td>
</tr>
</tbody>
</table>

For fulfilling this social obligation, it maintains a well-equipped hospital with 450 beds and several peripheral dispensaries located at different places in the Township and temporary colony to cater to the medical needs of the NLC employees, their family members and dependants including the workers and the general public in and around the Neyveli Township.

The period of 1966-76 registered a growth rate of 0.21 in the increase in the expenditure on medical facilities. Since the inception of NLC in 1956 till 2001, the number of beds provided in the Neyveli hospital has risen by 30 times.

### 3.3. Expenditure on Water and Electrical Installations

The basic infrastructural facilities like water and electrical installations, sewerage and drainage facilities are provided by NLC not only for the Neyveli Township, but also for the people living in the nearby villages. Inside the Neyveli Township, these facilities are either provided free of charge or for nominal costs.

The expenditures incurred by NLC since its inception on the water and electrical installations and its maintenance are analysed in Table 3.

There is a threefold increase in the expenditure made by NLC on the installation and maintenance of water and electrical systems when compared between the 5-year periods of 1956-61 and 1996-2001.

There is a steep rise in the expenditure on water and electrical installations during the 10-year periods 1966-76 and 1986-96, where the growth rate has risen from -0.05 to 0.30. This is because the expenditure incurred for the installation and maintenance of water and electrical systems in the period 1966-76 was a very meagre amount when compared to that incurred in the period 1986-96.

This implies that during the period 1966-76, the expenditure on water and electrical installations was essentially only of maintenance nature, while the expenditure incurred in the period 1986-96 incorporated the facilities needed for the new installations due to the expansion of the mines along with necessary maintenance expenditure.
3.4. Expenditure on Drainage and Sewerage Works

Table 4. Expenditure on Drainage and Sewerage Works in Neyveli Township

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure on Drainage and Sewerage (in Lakhs)</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956-1961</td>
<td>33.15</td>
<td>---</td>
</tr>
<tr>
<td>1961-1966</td>
<td>82.74</td>
<td>0.09</td>
</tr>
<tr>
<td>1966-1976</td>
<td>40.42</td>
<td>0.01</td>
</tr>
<tr>
<td>1976-1986</td>
<td>44.27</td>
<td>0.01</td>
</tr>
<tr>
<td>1986-1996</td>
<td>1310.79</td>
<td>0.10</td>
</tr>
<tr>
<td>1996-2001</td>
<td>1114.19</td>
<td>0.07</td>
</tr>
</tbody>
</table>

The provision of drainage and sewerage is one of the essential infrastructural facilities in any enterprise.

In Table 4, the expenditure on drainage and sewerage has increased by 97 percent between the periods 1956-61 and 1996-2001. Between the 10-year periods 1966-76 and 1976-86, the growth rate in the expenditure on drainage and sewerage was a meagre figure of 0.01, the reason being the annual expenditure, which is only of a maintenance nature.

3.5. Expenditure on Neyveli Township

It is true that NLC establishment in Neyveli had been due to the geographical advantage in the form of rich deposits of lignite and coal. It is also true that developing this most backward region had fallen upon the public sector enterprise as an all important social obligation.

In 1956, when NLC had incepted, this area was barren and a waste land. At the time of excavating mine and commencement of operations on 1960s, most segment of the area had thick forest. The corporation had embarked into an action plan of acquiring the lands there and transforming them into residential habitats. Providing housing accommodation to its employees became an official necessity as the surrounding pockets were underdeveloped.
In 1960-65, NLC, apart from generating power for Tamil Nadu and other states, had to take up housing projects too. By 1970, about 300 employees, including those on the ranks of executives, were given houses. Thus, around this time, the seeds for a modern township as is seen today had been sown by NLC. From that time onwards, NLC has planned in an organized manner to provide all basic amenities like electricity, water etc. to the households. The vision that NLC had to transform the region into a self-contained developed town, made the enterprise to expand its schemes from household point of view to the society as a whole.

Apart from the transport network, NLC established a number of schools, primary health centres, and recreational clubs. The prospects of this area developing into an organized form had started attracting more people. With the increase in work force of NLC, the demand for the services and facilities provided went up. Periodically assessing the household and other requirements of the Township, NLC has to design its expenditure schemes. The financial commitment of NLC towards the Township development encompasses a spectrum of activities such as maintenance of housing and shopping complexes, schools and colleges, library, cooperative stores, cinema halls, hospitals and health care centres besides routine upkeep of its own corporate offices. The foregoing analysis has lent enough credence to the fact that the quantum of increase in expenditure on various heads had direct correspondence to the order of development witnessed by the region.

The expenditures incurred by NLC since its inception on the Neyveli township are analysed in Table 5. Table 5 in striking clarity reflects an upward trend in the expenditure of NLC on developing the Township. The Township development expenditure has increased by about 18 times during the reference period expressed into 4 periods of study. The GGR for 1976-86 and 1986-96 have been worked out to be 0.03 and 0.18 respectively. The steep increase in the expenditure during 1986 and 1996 has been on account of the major housing projects and expansion of NLC hospital and infrastructure necessitated by the expansion of mine.

Table 5. Expenditure on Neyveli Township

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure on Neyveli Township (in Lakhs of Rs.)</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966-1976</td>
<td>1919.95</td>
<td>----</td>
</tr>
<tr>
<td>1976-1986</td>
<td>2688.18</td>
<td>0.03</td>
</tr>
<tr>
<td>1986-1996</td>
<td>52,660.78</td>
<td>0.18</td>
</tr>
<tr>
<td>1996-2001</td>
<td>34,978.36</td>
<td>0.10</td>
</tr>
</tbody>
</table>

NLC had to incur more development expenditure during 1996-2001. The extent of increase has been estimated to be about 33 percent over the previous periods. All these trends go to highlight the significant contribution of NLC in developing the Neyveli Township.

Public sector enterprises have two specific objectives to realise, viz.

(i) To serve the public interest or social purpose;

(ii) To earn surplus financial resources for the Government.
The discharge of the first objective clearly depends upon how effectively the second one is achieved. Accordingly, this paper has carried out an assessment of the performance of the study unit, NLC, both in terms of the physical or production and financial aspects. This assessment was followed by a study of the contribution of NLC towards the socio-economic development of the Neyveli Township and the peripheral villages.

Reckoning with well-established financial performances namely production and lignite, generation of power and capacity utilisation, the analysis had clearly demonstrated that the physical or production performance of NLC has been of a very high order.

It can be put forth as a corollary that a good physical performance would also guarantee an excellent financial performance besides long term growth. The well-established management and financial ratios have been employed to determine the financial performance of NLC. This exercise has led to the finding that NLC has had an impressive performance on all sides of finances during the reference period.

The social performance of NLC has been examined through NLC’s outlay for various socio-economic development schemes. NLC has continued remarkably towards providing a strong infrastructure for households as well as industries.

4. CONCLUSIONS

Neyveli Lignite Corporation (NLC) is aptly regarded as the power behind power – the leading public sector enterprise in power industry. NLC has been conferred with “Mini Ratna” status by Government of India, which is granted to select public sector enterprises fulfilling certain prescribed eligibility criteria which enables the enterprise to exercise enhanced autonomy and higher delegation of power. Every year, the corporation is registering all-time record in terms of excellent achievement in lignite production, generation and export of power. The corporation has always cordial industrial relations. Periodic discussions with the recognized union and the associations have helped to develop participative culture and improve the involvement of workmen and officers to maintain conductive industrial climate for improving the productivity and growth, thereby enjoying the support of the workmen and officers in all its growth plan and measures to improve its competitiveness. With all these, the corporation spends its manpower as well as money for the welfare of the Neyveli region not only in the Township but also the peripheral development of the surrounding villages. The conclusion put forth is that NLC has certainly achieved in bringing out a trade-off between the social and economic objectives of a public sector enterprise. Hence, NLC can be aptly termed as a *model public sector enterprise* in India.

REFERENCES


