



*OECD Working Group on Privatisation and Corporate Governance of State
Owned Assets*

Occasional Paper:

**STATE OWNED ENTERPRISES IN INDIA:
REVIEWING THE EVIDENCE**

This paper is based on work by Professor Ram Kumar Mishra of the Institute of Public Enterprise in India, acting as an external consultant to the Secretariat. It has been reviewed by the OECD Working Group on Privatisation and Corporate Governance of State Owned Assets. Views expressed are those of the consultant. They are not necessarily shared by the OECD or the Organisation's member countries.

26 January 2009

TABLE OF CONTENTS

1. Introduction.....	3
2. Types of SOEs	3
2.1 Central state owned enterprises (CSOEs).....	4
2.2 State level state owned enterprises (SLSOEs).....	8
2.3 Summing up: SOEs in overview	10
3. Weight of SOEs in Indian economy	10
3.1 Share of SOEs in GDP	10
3.2 Share of SOEs in employment	11
3.3 Economic weight of SOEs, by sectors	11
4. Listed SOEs	12
4.1 Market capitalisation of CGCs, by sector.....	13
4.2 Market capitalisation of PSFIs	14
4.3 Trends in combined market capitalisation of listed CSOEs and PSFIs vis-à-vis market capitalisation of BSE.....	14
5. Internationalisation of SOEs	15
5.1 Performance of CSOEs with regard to foreign exchange earnings	15
5.2 Mobilisation of foreign financial resources.....	16
5.3. Overview of the internationalisation of selected CSOEs	16
6. Conclusions.....	19

Tables

Table 1. CGCs in India during 1993-94 to 2006-07 (In Rs. Crore).....	5
Table 3. Investment and Profitability of Indian Railways (In Rs. Crore).....	6
Table 2. PSBs and the PSFIs in India during 1993-94 to 2006-07 (In Rs. Crore).....	7
Table 4. Subsidies extended to Indian Post (In Rs. Crore).....	8
Table 5. List of central co-operative enterprises in India	8
Table 6. State-wise number and classification of SLSOEs in terms of organisational forms	9
Table 7. Consolidated position of SOEs in terms of their numbers, form or organisation and investment	10
Table 8. Number of and investment in government companies (In Rs. Crore)	10
Table 9. Share of SOEs in GDP (In Rs Crore)	11
Table 10. Employment in public enterprises, public sector and private sector	11
Table 11A. Contribution of SOEs to GDP, by sector (In Rs. Crore)	12
Table 11B: Segmental Contribution of SOEs in India's GDP	12
Table 12. Sectoral contribution of CGCs to the market capitalisation of BSE.....	13
Table 13. Sectoral contribution of CSOEs to the market capitalisation of BSE.....	14
Table 14. Comparison of contribution by PSFIs, CGCs and total contribution of public sector to BSE market capitalisation	15
Table 15. Foreign Exchange Earnings of CSOEs (In Rs. Crore)	16

1. Introduction

State owned enterprises (SOEs) in India are widespread at all three levels of administration: Central, State and Local. They continue to act as the “nerve centres” of large swathes of the Indian economy and directly influence the lives of Indian people in a number of ways. Ongoing processes of liberalisation, globalisation and privatisation have not caused a material difference in their position. The recent global slowdown has, if anything, strengthened faith in the strategy of reliance on SOEs and accentuated the role that they are expected to continue to play in the future.

The purpose of this paper is to study the expanse of public enterprises in India in terms of the levels of administration, form of organisation, ownership objectives and their weight in the Indian economy. The paper makes an effort to assess also the importance of listed SOEs in stock markets as well as the extent of SOEs’ internationalisation. The paper is based on a substantive supporting material, which has been laid down as Annexes 1 to 6. On grounds of resource efficiency these have not been reproduced as part of the report; they will be made available upon request by the Secretariat to Delegates who wish to consult them.

2. Types of SOEs

India is a union of states. It has a three tier administration stretching from the central government and the state governments to the local level governments. The Indian Constitution describes the powers of the central and the state governments through the central, state and the concurrent lists. There is no description of powers assigned to the local level governments. In the case of any rift between the central and the state governments on the interpretation of provisions contained in the concurrent list, the powers of the central government override the powers of the state governments.

The 93rd Amendment in the Indian Constitution has gone a long way in recognizing the responsibilities of the local level governments by identifying 29 subjects the administration of which has become their responsibility. However, this has only slightly altered the balance of economic power in the favour of the local level governments as the state governments continue to run their writ on the local level governments. This paper almost totally ignores local level enterprises due to data limitations. This is not seen as a serious omission because, again, despite the recent amendments in the Indian Constitution, most of the economic activities at the sub-national levels remain governed by the states.

At any level of government an SOE can take several specific forms. The organisational forms are denoted throughout this paper by their Indian names rather than their equivalents in OECD-speak. The main forms are¹:

- *Government companies.* This is the main kind of SOEs in India today. A government company, according to the Indian Companies Act, 1956 is one in which not less than 51 per cent of the paid-up share capital is held by the central government or by the state governments.
- *Public corporations.* A public corporation is an SOE set up under a specific enactment by the central or the state governments. Their equivalent in OECD countries would be statutory corporations.
- *Departmental enterprises.* A departmental enterprise is an enterprise set up by the central or the state governments to carry out an economic activity controlled by a ministry itself, a ministerial

¹ In addition, regulatory authorities related to network industries, finance, etc. are also regularly cited in India as a type of SOEs.

department or by an inter-departmental committee/board. Their equivalent in OECD countries would be quasi-corporations.

- *Public sector banks and public sector financial institutions.* Government owned banks are kept separate in Indian documentation from public corporations *inter alia* because they are subject to a separate legislation, namely The Banking Companies (Acquisitions) Act and the Banking Companies Act of 1949. Public sector financial institutions do not include public sector banks. Mostly they are engaged in providing long-term finance or refinancing institutions lending to industries.
- *Co-operative societies.* Co-operative entities involved in business in India are, insofar as they are established pursuant to some policy objective, considered as SOEs.
- *Autonomous bodies.* An important instrument for public authorities is autonomous bodies set up as societies under the various ministries to promote designated objectives. (See also Annex 2.)
- *Trusts.* Public trusts form of organization is generally an SOE holding assets of the central or the state governments in trusts. The central government has 199 major and minor ports established under the Indian Port Trusts Act 1908.
- *Deemed government companies.* Deemed government companies are SOEs covered by the Indian Companies Act having a majority stake of the central government in their equity but managed by the private sector. There are such 68 companies. (See also Annex 3.)

1. The first five of these categories of SOEs are, in the specific context of ownership by the central government, discussed in more detail in the following section.

2.1 Central state owned enterprises (CSOEs)

2.1.1 Government companies

Table 1 incorporates annual figures for the centrally-owned government companies (CGCs) in terms of their number, investments profitability, broken down by sectors for the period 1993-94 to 2006-07. In sum, some of the main findings from the table are that, first, CGC investment constantly increased from Rs 163055 crore in 1993-94 to Rs.482544 crore in 2006-07. (The word “investments” follows Indian statistical conventions according to which the investments in an SOE are the pledged or fully paid equity capital plus long-term loans by the government.) Here and in the remainder of the paper the Indian multiple “crore” is employed; it denotes 10 million.

Secondly, if one tries to aggregate the numbers in the table a bit it appears that the largest equity values were ascribed to activities such as, in order of priority, the broader service sector; mining and minerals; electricity; and manufacturing. Thirdly, in terms of profitability service sector SOEs fared better than the manufacturing and utility sector enterprises. The enterprises in construction and agro-based industries were at the bottom of the table. And, fourthly, the largest number of individual enterprises was found in the service sector, followed by manufacturing, mining and utility groups respectively. (A list of CGCs is provided in Annex 1.)

Table 1. CGCs in India during 1993-94 to 2006-07 (In Rs. Crore)

	1993-94		1997-98		2000-01		2003-04		2006-07	
	Investment	Profit	Investment	Profit	Investment	Profit	Investment	Profit	Investment	Profit
Number of Enterprises	240		236		234		230		217	
Steel	20846.22	-116.73	36941.02	-511	29317.77	-1206.65	21612.71	4117.89	17296.61	7612.7
Minerals & Metals	6949.92	231.04	5754.4	746	5052.22	961.21	4515.25	1467.39	6583.2	5246.05
Coal & Lignite	16551.88	511.45	26307.08	1788.94	29362.72	-827.82	23990.86	5238.34	22139.34	8853.71
Petroleum	18827.82	3947.48	33742.83	7420.74	45727.29	11727.1	47762.49	24374.35	59874.02	15107.36
Fertilizers	5796.44	-272.81	14965.46	-1154.73	19498.55	-3244.18	23982.14	-2104.42	28819.84	-2474.77
Chemical & Pharmaceuticals	2891.24	-15.9	6498.24	-8.2	7591.31	-142.85	2969.45	-430.78	5300.13	-123.45
Heavy Engineering	2805.28	-369.91	4532.74	457.6	6571.05	-293	6051.73	117.47	6349.18	2123.32
Medium & Light Engineering	2605.07	-48.85	4679.96	-159.25	6273.16	-95.43	8398.86	-977.11	10525.43	-29.3
Transportation Equipment	2690.09	-165.63	4467.31	60.9	4339.11	123.21	3274.61	293.42	2740.4	2209.06
Consumer Goods	3092.03	-699.26	6707.11	-527.08	6498.77	-671.35	2350.79	-575.2	9268.79	-212.92
Agro-Based Industries	65.46	-3.88	114.93	-9.17	136.64	-35.33	195.4	-10.71	235.97	-1.58
Textiles	3784.54	-640.68	9991.81	-903.05	17882.81	-1547	22105.54	424.54	4577.95	
Power	31075.36	1013.53	36958.66	2743.	42294.42	5119	70331.29	8605.29	86930	12115.73
Trading & Marketing Services	2528.62	122.94	15539.03	104.7	26346.27	124.94	30912.74	139.83	57224.34	432.49
Transportation Services	9595.51	-31.57	9656.63	532.58	7684.52	697.49	5646.8	1665.47	14468.64	1962.63
Contract & Construction Services	1898.99	-234.42	5966.63	-446.21	6214.57	-561.51	8824.82	-474.47	12306.12	-80.47
Industrial Development & Tech Consultancy Service	6108.16	231.52	10115.91	436.62	13007.42	853.32	16136.23	984.83	916.24	373.44
Tourist Service	176.08	3.94	145.74	60.32	160.65	-62.13	206.46	-9.94	168.87	82.64
Telecommunication Services	6445.78	545.15	7430.54	2098.04	3796	3319.01	21774.98	7112.15	19269.52	14126.84
Financial Services	18130.87	545.15	30765.2	941.2	51689.74	1340.37	79717.16	3013.9	117548.6	2827.65
Welfare										
Welfare (Section 25 companies)	189.72	17.21	701.53		1209.44	74.08	1526.22	93.97	0	0
Total	163055.08	4569.77	271982.8	13671.98	330654.4	15653.26	402286.5	53066.21	482544	70151.13

Source: Ministry of Heavy Industries & Public Enterprises (Government of India, New Delhi), Public Enterprise Survey: Vol.III, for the years 1993-94 to 2006-07

2.1.2 Public corporations

As per the initial policy of the central government, the public corporation form was to be preferred in view of its various characteristics distinguishing from the other forms of the organisation. However, in view of the flexibility in setting up a government company, the executive preferred the government company form. The onset of liberalisation compelled the central government to treat the private sector enterprises on par with the CSOEs in the same sector which implied the conversion of the public corporations into the government companies in the same sector. Consequently, a number of public corporations have been converted into the government companies and only one CSOE viz., Food Corporation of India continues to remain a public corporation.

2.1.3 Public sector banks and public sector financial institutions

The Public Sector Banks (PSBs) have been set up as autonomous entities under the Banking Companies Act, 1949 promulgated by the Government of India. Similarly, many development banks known as the Public Sector Financial Institutions (PSFIs) have also been set up by the Government of India to provide long term finance to the Industry. The details pertaining to such banks and the PSFIs are given in Table 2 for the years 1993-94 to 2006-07.

Table 2 shows the Status of the PSBs and the PSFIs in India during 1993-94 to 2006-07. The PSBs and the PSFIs play an important role in the financial sector. The former transact more than 80 per cent of the total business in terms of deposits and lending where as the latter provide about 60 per cent of the long-term institutional finances to the industry. The advent of economic liberalisation and privatisation has resulted in competition to them from their counterparts in the private sector.

2.1.4 Departmental enterprises

The Indian Railways and the Indian Post have organized their business in the form of departmental enterprises. The Indian Railways operates under the aegis of the Railway Board as a quasi-corporation. The data regarding investment and profitability of the Indian Railways is given in Table 3.

Table 2. Investment and Profitability of Indian Railways (In Rs. Crore)

Years	Investment	Profit/Loss
1994-95	24925	2446
1997-98	33846	1535
2000-01	43077	763
2003-04	55338	600
2006-07	74385	4673

Source: Ministry of Finance (Government of India, New Delhi), Economic Survey: 2007-08, February, 2008, p.S-47

The Indian Railways have managed a great turnaround in the era of economic liberalisation and privatisation. From a loss making and heavily subsidised enterprise, it has become one of the relatively few state-owned railway systems in the world generating sufficient earnings not only to meet operational and capital costs, but also to currently undertake a large modernisation programme while contributing to the public purse.

Table 3. PSBs and the PSFIs in India during 1993-94 to 2006-07 (In Rs. Crore)

	2006-07	2005-06	2004-03	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
PSBs														
Bank Of Baroda	7474	3529	2761	2215	2046	2350	2350	1764	775	1275	1091	1790	544	601
Bank of India	11069	9680	8798	6739	6172	4930	2979	2596	3531	1960	2049	847	896	617
Canara Bank	9755	6463	5166	5841	4194	3796	3066	3548	4511	1902	1817	1290	1032	894
G.I.C.	1804	1612	1517	1083	812	683	612	559	534	418	346	194	141	96
I.D.B.I.	48557	52479	56063	2353	53560	55473	55632	54345	53255	44490	36579	31583	28004	25668
Indian Bank	2793	2522	1420	754	940	912	654	712	827	930	1918	2492	856	604
L.I.C.	16776	14089	11350	9331	7549	6292	5354	4319	3593	3063	2624	2175	1713	1326
Punjab National Bank	8646	7106	7129	5790	4008	2564	1836	2903	496	1325	1246	2652	2040	224
State Bank of India	69774	47564	31416	24057	19301	19270	22671	18753	16509	14023	11752	14613	13021	7729
U.T.I.	50	40	41	1	1	1	1	1	2	2	1	1	0	0
Allahabad Bank	1615	1197	1137	812	728	543	34	246	330	423	600	278	208	376
Andhra Bank	1873	2098	1673	1820	909	842	446	511	546	728	730	169	241	499
Corporation Bank	2103	1441	1077	922	1215	505	270	183	190	353	418	56	65	131
Syndicate Bank	2588	1517	1178	809	767	947	868	446	1354	1360	1733	1501	1032	359
UCO Bank	4002	2049	1935	857	572	389	321	175	268	1827	2584	164	163	1322
Vijaya Bank	1462	1419	1544	1110	994	579	652	519	822	700	107	446	400	285
Total	190350	154811	134211	64500	103775	100083	97754	91586	87550	74785	65601	60258	50364	40739
PSFIs														
Agricultural Finance Corporation Ltd	16	15	16	15	15	15	15	11	10	10	10	10	10	10
Industrial Investment Bank of India Ltd	1800	2233	2645	2979	3331	3331	3149	2931	1942	1372	1299	1056	919	852
Infrastructure Development Finance Co Ltd	16013	10488	7545	4975	3175	2650	2050	1800	1800	1300				
Export Credit Guarantee Corp of India Ltd	0	855	1599	536	440	390	281	229	185	130	160	232	50	50
Housing and Urban Development Corp Ltd	22435	23462	23217	24246	21774	18044	15881	13008	9534	7074	5978	5057	4297	3329
Indian Railway Finance Corp Ltd	20147	17769	16888	15191	13929	13020	12807	11996	9505	7821	6621	6865	6449	6102
Total	60412	54822	51910	47943	42665	37451	34183	29976	22976	17708	14069	13221	11725	10343

Source: Centre For Monitoring Indian Economy Pvt Ltd (CMIE), database for the years 1993-94 to 2006-07

The Indian Post is a departmental enterprise and one of the largest postal systems in the world. The economic liberalisation and privatisation has dented the monopoly of the Indian Post, but not yet to a fundamental degree. The Indian Post has been incurring regular losses, parts of which were covered by subsidies from the central government (Table 4).

Table 4. Subsidies extended to Indian Post (In Rs. Crore)

Years	Subsidy	Profit/Loss
1993-94	0	-207
1997-98	0	-620
2000-01	0	-1550
2003-04	96.8	-1310
2006-07	116.05	-1379

Source: Ministry of Finance (Government of India, New Delhi), Economic Survey, 1993-94 to 2007-08

Finally, the Ordnance Factory Board in the Ministry of Defence operates 39 Ordnance Factories. These ordnance factories have recorded a surplus for most of the years under study.

2.1.5 Co-operative societies

The Central Government has gone in for the cooperative form of business organisation in organizing some of its economic activities. Such enterprises at the apex level are mostly involved in fertilizers, agricultural marketing, housing and cooperative credit activities. Table 5 lists these enterprises.

Table 5. List of central co-operative enterprises in India

S No	Name of Central Cooperative
1.	Gujarat State Fertilizers Co-operative Limited
2.	Indian Farmers Fertilizers Co-operative Limited
3.	Krishak Bharati Co-operative Limited
4.	National Agricultural Co-operative Marketing Federation of India
5.	National Co-operative Consumers' Federation of India Limited
6.	National Co-operative Development Corporation
7.	National Co-operative Housing Federation of India
8.	National Co-operative Union of India
9.	National Federation of State Co-operative Banks Limited
10.	Reprivates Co-operative Finance and Development Bank Limited
11	Tribal Cooperative Marketing Development Federation of India Limited
12	National Bank for Agricultural and Rural Development

Source: www.GovernmentofIndia.Com

2.2 State level state owned enterprises (SLSOEs)

The various states of the Indian Union have set up their own enterprises as an instrument of development taking a cue from the central government or on their own as a part of their ideology of industrialisation and ensuring social equity. Such enterprises have come to be widely known as the State Level State Owned Enterprises (SLSOEs). Table 6 provides details with regard to state-wise classification of the SLSOEs in terms of their organisational forms and related numbers. The state-wise details of the individual SLSOEs are given in Annex 4.

Table 6. State-wise number and classification of SLSOEs in terms of organisational forms

States	Govt. companies	Public corporations	Co-operative enterprises	Public authorities	Regulatory authorities	Total
Andhra Pradesh	37	3	18	1	1	60
Arunachal Pradesh	3		2			5
Andaman & Nicobar Islands	2					2
Assam	32	3	5	1	1	42
Bihar	35	3	2	13	1	51
Chattisgarh	10					10
Delhi	11	6				15
Goa	15	0	8	0	1	15
Gujarat	40	3	3	4	1	50
Haryana	18	2	8	1	1	29
Himachal Pradesh	15	0	4	1	1	21
Jammu & Kashmir	20	1	0	1	1	23
Jarkhand	5			2		7
Karnataka	62	2	3	1	1	69
Kerala	93	3	4	4	1	105
Madhya Pradesh	20	2	3	1	1	27
Maharashtra	61	2	5	2	1	71
Manipur	15	0	0	0		15
Meghalaya	9	1	2	0	1	13
Mizoram	1	0	3	3	0	4
Nagaland	3	0	3	0	0	6
Orissa	55	3	11	0	1	70
Punjab	21	2	6	1	1	31
Rajasthan	19	3	17	4	1	44
Sikkim	7	0	2	0	0	9
Tamil Nadu	63	2	1	2	1	68
Tripura	7	0	3	0	1	11
Uttar Pradesh	91	9	2	1	1	104
West Bengal	52	9	3	0	1	65
						1042
(% in total)	78.9	5.7	11.3	4.1	1.9	100

Source: Institute of Public Enterprise Database

The table shows that the SLSOEs have been organized under a variety of legal structures. These include government companies, departmental concerns, public boards and statutory authorities, societies, cooperative enterprises and federations, and regulatory authorities. Around 79 per cent of these enterprises have been organised as government companies under the Companies Act. Again most of these government companies have been organised as private limited companies. About 15 percent of these enterprises have been incorporated as public corporations, public authorities and statutory boards. The cooperative enterprises constitute about 11 per cent of the total number of these enterprises.

2.3 Summing up: SOEs in overview

Table 7 presents the consolidated position of SOEs in terms of their numbers, form of organisation and investment. The table demonstrates that the maximum number and investment in SOEs belong to the government companies followed by public sector banks and departmental enterprises.

Table 7. Consolidated position of SOEs in terms of their numbers, form or organisation and investment as on 31st March 2006

Particulars	Government Companies	Public Corporations	Departmental Enterprises	Public Sector Banks and Financial Institutions	Regulatory Authorities	Autonomous Bodies	Deemed Companies	Cooperative Societies	Total Number	Total Investment
CSOEs	217	1	2	30	5	241	68	12	576	482544
SLPEs	822	59	43	0	20	0	0	118	1042	259184
Total	1039	60	45	30	25	241	68	130	1618	741728

Source: Institute of Public Enterprise Database and Ministry of Heavy Industries Public Enterprises (Government of India, New Delhi), Public Enterprise Survey.

Table 8 synthesizes the number and investment in government companies held at the central and the state level public enterprises taken together for the period 1993-94 to 2005-06.

Table 8. Number of and investment in government companies (In Rs. Crore)

Year	CSOEs:		SLSOEs:		Total:	
	Number	Investments	Number	Investments	Number of government companies in India	Investments in government companies in India
1993-94	240	163055	749	111757	989	274812
1995-96	239	163194	749	136301	988	299495
1998-99	235	280218	875	197823	1110	478041
2001-02	231	414347	1042	280116	1273	694463
2004-05	227	426568	1042	259184	1269	685752

Source: Institute of Public Enterprise Database and Ministry of Heavy Industries Public Enterprises (Government of India, New Delhi), Public Enterprise Survey.

3. Weight of SOEs in Indian economy

3.1 Share of SOEs in GDP

The impact of the government policy of gradual reduction of dependence on the public sector is discernable from Table 9 showing the decline of the contribution of SOEs to the GDP and also their contribution within the ambit of the public sector. On the whole, the table tells the story that, on the one hand, the public sector has lost ground in terms of GDP share and, on the other, SOEs have lost ground vis-à-vis other parts of the public sector. That said, the changes are not huge. The share of SOEs in the GDP declined from 17.5 per cent in 1993-94 to 13.2 per cent in 2006-07. The share of public sector GDP generated by SOEs declined from 68.3 per cent in 1993-94 to 61.5 per cent during 2006-07.

Table 9. Share of SOEs in GDP (In Rs Crore)

Years	GDP all India	Total GDP of public sector	GDP of SOEs	Share of SOEs in GDP: (3)/(1)	Share of SOEs in public sector GDP: (3)/(2)	Share of SOEs in productive economy: (3)/[(1)-(2)+(3)]
	(1)	(2)	(3)	(4)	(5)	(6)
1993-94	792150	202512	138374	17.5	68.3	19.0
1997-98	1401934	352518	233556	16.6	66.2	18.2
2000-01	1786525	465601	278607	14.4	59.8	17.4
2003-04	2261415	585196	358447	14.1	61.3	17.6
2006-07	3790063	812315	499201	13.1	61.5	14.4

Source: Ministry of Statistics & Programme Implementation, (Government of India, New Delhi) National Accounts Statistics, Central Statistical Organisation

3.2 Share of SOEs in employment

Table 10 shows that the employment in SOEs is on decline, which is through to reflect the government's policy of labour adjustment and rationalisation. As explained earlier, deregulation and privatisation have halted the buoyant growth of public enterprises resulting in reduction in employment. A study of employment in the public and the private sectors show that the public sector payroll has been reduced from 19.5 million people in 1994 to 18.0 million people in 2005. The relative decline was largest in the SOE sector, which saw employment drop by 740,000 people over the twelve year period. Employment in private sector [companies] increased from 7.9 million in 1994 to 8.5 million in 2005.

Table 10. Employment in public enterprises, public sector and private sector (In million persons as of 31 March)

Years	Public enterprises	General government	Private sector
1993-94	6.49	12.84	7.85
1996-97	6.46	12.97	8.51
1999-00	6.39	13.03	8.70
2002-03	6.02	12.75	8.43
2005-06	5.75	12.26	8.45

Source: Ministry of Finance (Government of India, New Delhi), Economic Survey: 2007-08, February, 2008, p.A-52

3.3 Economic weight of SOEs, by sectors

The sectoral contribution of SOEs in India's GDP shows that they have a very formidable presence in electricity, gas and water supply sector with nearly 90 per cent contribution in 1993-94 which declined to 68 per cent in 2005-06. The monopoly position of SOEs in many areas of the economy was responsible for this phenomenon. The economic liberalisation and privatisation have opened up the new avenues for setting up private enterprises in this sector which has resulted in the decline in the contribution of this sector. The community, social & personal service SOEs followed suit with 62 per cent in 1993-94 which declined to 48 per cent in 2005-06.

The welfare enterprises at the central and the state levels were responsible for their strong presence. The transport, storage & communication sector SOEs were third in ranking as SOEs in this sector enjoyed for very long period a monopoly position and have been exposed to competition only with the initiation of new economic policy in 1991. The manufacturing sector SOEs and banking, insurance, real estate &

business services vied with each other neck to neck and saw the decline in their contribution over the study period. The contribution of agricultural and construction sector SOEs was 4 ½ percent and 6 per cent in 1993-94 respectively, which declined to 3 and 7 per cent during 2005-06 respectively. To conclude, all the sectors showed the tendency of a decline in the contribution of the public sector (Table 11 A&B).

Table 11. Contribution of SOEs to GDP, by sector (In Rs. Crore)

	GDP of agriculture SOEs	GDP of agriculture	% share of SOEs in total agriculture GDP	GDP of manufacturing SOEs	GDP of manufacturing	% share of SOEs in manufacturing GDP	GDP of utilities ² SOEs	GDP of utilities	% share of SOEs in utilities GDP	GDP of construction SOEs	GDP of construction sector	% share of SOEs in construction GDP
1993-94	10218	229172	4.46	44665	125402	35.62	18112	20011	90.51	2317	39240	5.90
1996-97	13629	345020	3.95	55025	220759	24.93	35318	37617	93.89	3865	60382	6.40
1999-00	17094	446515	3.83	71667	264114	27.13	44921	48662	92.31	16381	102007	16.06
2002-03	17616	472060	3.73	75536	346029	21.83	46626	54531	85.50	16626	135172	12.30
2005-06	18826	615845	3.06	73862	519387	14.22	43619	64406	67.73	19267	264616	7.28

Source: Ministry of Statistics & Programme Implementation (Government of India, New Delhi), National Accounts Statistics: 2007-08, p27, 159

Table 11B: Segmental Contribution of SOEs in India's GDP

	GDP of transport, storage & Communication SOEs	GDP of transport, storage & Communication	%share of SOEs in transport, storage & Communication GDP	GDP of Banking ,Insurance, real estate & Business services SOEs	GDP of Banking ,Insurance, real estate & Business services	% share of SOEs in Banking , insurance, real estate & business services	GDP of Community, Social & Personal Service SOEs	GDP of Community, Social & Personal Service	% share of SOEs in Community, Social & Personal Service GDP
1993-94	29105	54267	53.63	25713	97928	26.26	64268	103946	61.83
1996-97	44680	88077	50.73	40228	146991	27.37	97807	163104	59.97
1999-00	59806	133372	44.84	61228	233549	26.22	179404	266707	67.27
2002-03	79670	178713	44.58	84146	330685	25.45	186957	334228	55.94
2005-06	108532	277156	39.16	88783	452593	19.62	213955	448972	47.65

Source: Ministry of Statistics & Programme Implementation (Government of India, New Delhi), National Accounts Statistics: 2007-08, p27, 159

4. Listed SOEs

As a part of new economic policy adopted in 1991 and owing to the introduction of corporate governance guidelines, the central government has been insisting on profitable centrally-owned government companies (CGCs) for listing on stock exchanges. The Bombay Stock Exchange is the premier stock exchange in India. As on March 31, 2008 there were 46 Central SOEs listed in the Bombay Stock Exchange (BSE). However, the data of market capitalisation for only 41 enterprises figure in the study as the shares of five CGCs have not been traded. Besides the CGCs, a number of public sector financial

² "Utilities" here means electricity, gas and water.

institutions are also listed. The BSE being the premier stock exchange, these financial institutions too have been listed on the BSE. These financial institutions include many development banks engaged in long term financing and commercial banks engaged in short term lending.

4.1 Market capitalisation of CGCs, by sector

A study of listed CGCs broken down by sectors has been undertaken in this section. The enterprises listed on BSE are enumerated in Annex 5.A&B. Table 12 (based on Annex 6) depicts the contribution of the listed CGCs to the total BSE market capitalisation during 1993-94 to 2007-08. Market capitalisation was calculated as the number of ordinary shares in issue multiplied by the previous day's closing share price.

Table 12. Sectoral contribution of CGCs to the market capitalisation of BSE

Sector	Oil & gas	Mining & metals	Engineering	Logistics	Telecom	Chemicals	Power	Financial services	Miscellaneous	Sum of 9 sectors	Total BSE
Year											
1993-94	19673	23927	4262	4227	11700	3507	0	0	435	67734	368071
1995-96	72614	19426	3319	2017	10680	2690	8534	0	586	119718	526476
1998-99	42214	7212	7093	2106	11125	3787	1814	0	1138	76482	545361
2001-02	81956	9014	6125	4343	9289	3539	3347	0	1317	118846	612224
2004-05	229583	57469	23397	12228	7232	4786	81820	136	3589	418992	1698428
2007-08	341268	261358	109638	22861	6082	5991	223777	27908	112086	1011593	5296758
Average	133103	44562	22591	8044	10371	3852	40151	2710	9646	267589	1358404
Avg. share (%)	9.8	3.3	1.7	0.6	0.8	0.3	3.0	0.2	0.7	19.7	100
Latest share (%)	6.4	4.9	2.1	0.4	0.1	0.1	4.2	0.5	2.1	19.1	100

Source: Centre For Monitoring Indian Economy Pvt Ltd (CMIE), database for the years 1993-94 to 2006-07

Table 12 indicates that on average the contribution of CGCs to the total market capitalisation of BSE has been in the region of 20 per cent. CGCs in the oil and gas sector make the predominant contribution in terms of market capitalisation, followed by minerals and metals, and the power sector. It may be noted that these sectors also feature the largest number of the especially privileged “navratnas” companies (public sector champions).

The trends in market capitalisation of SOEs in various categories as discussed above vis-à-vis market capitalisation in similar categories in the BSE and representative public and private sector enterprise in each such category suggest a few “stylised observations”. First, in the oil and gas sector the market value of listed state-owned enterprises underperformed compared with this segment of the BSE. Individually, the Oil and Natural Gas Corporation underperformed compared to the privately owned oil and gas operator Aban Lyod Chiles. In only a couple of sectors (minerals and metals; engineering) did the CGCs over perform the market, thanks to a strong showing by individual public companies such as the Steel Authority of India. In most sectors, however, it is fair to say that the state-owned enterprises have performed less well in terms of market valuation than their private sector competitors.

4.2 Market capitalisation of PSFIs

For the purpose of this study, the market capitalisation of 17 PSFIs listed on BSE has been studied for the period of 1993-94 to 2007-08. The scope of PSFIs include commercial banks, development banks, merchant banking companies, financial companies, and those housing finance companies whose shares are held by the public sector banks.

Table 13 shows the contribution of PSFIs market capitalisation in the BSE in selected fiscal years. Total PSFIs' contribution was the lowest at 1.8 percent in 1999-00 and the highest at 5.4 percent in 1996-97. On an average, the PSFIs contributed 3.5 percent to the BSEs' total market capitalisation during the period 1993-94 to 2007-08. A comparison of the State Bank of India (SBI) with the ICICI bank, a private sector bank (not included in the table) reveals that the average market capitalisation of both the banks was a "neck to neck race" over the last ten years.

Table 13. Sectoral contribution of CSOEs to the market capitalisation of BSE

PSFIs/Years	1993-94	1995-96	1998-99	2001-02	2004-05	2007-08	Average
BSE Mart. Cap.	368071	526476	545361	612224	1698428	5296758	1358404
Bank Of Baroda	-	-	1346	1419	6394	10341	4523
Bank Of India	-	-	1278	1603	5044	13281	4088
Can Fin Homes Ltd.	112	43	30	53	90	138	69
Canara Bank	-	-	-	-	8216	9233	7537
G I C Housing Finance Ltd.	-	54	35	18	98	323	89
I D B I Bank Ltd.	-	7336	1999	1067	5951	6453	4255
Ind Bank Housing Ltd.	22	13	4	2	7	17	9
Indbank Mer.Bank. Ser. Ltd.	-	68	8	5	26	90	40
Indian Bank	-	-	-	-	-	7001	5438
L I C Housing Finance Ltd.		364	285	540	2003	2375	851
P N B Gilts Ltd.	-	-	-	241	254	372	280
Punjab National Bank	-	-	-	-	12401	16022	11618
S B I Home Finance Ltd.	101	51	16	10	31	23	32
State Bank Of Bikaner & Jaipur	-	-	117	168	1180	2499	802
State Bank Of India	8122	8131	11231	11568	34575	100962	25347
State Bank Of Mysore	-	-	86	101	736	2700	870
State Bank Of Travancore	-	-	112	152	1012	2387	792
Total Contribution to BSE by PSFIs	8359	16062	16551	16951	78023	174224	47020
Total PSFIs Markt. Cap./BSE	2.3	3.1	3.0	2.8	4.6	3.3	3.5

Source: Centre For Monitoring Indian Economy Pvt Ltd (CMIE), database for the years 1993-94 to 2006-07

4.3 Trends in combined market capitalisation of listed CSOEs and PSFIs vis-à-vis market capitalisation of BSE

Table 14 shows that the overall average contribution of the CSOEs and the PSFIs to the market capitalisation in BSE was 23.01 per cent in 2007-08. This was composed of market capitalisation of 23 per

cent of the CSOEs and 3.3 per cent of the PSFIs. During 1993-94, the overall average contribution of the CSOEs and the PSFIs to the market capitalisation in BSE was 20.7 per cent. This was composed of market capitalisation of 18.4 per cent of the CSOEs and 2.3 per cent of the PSFIs.

Table 14. Comparison of contribution by PSFIs, CGCs and total contribution of public sector to BSE market capitalisation

Years	BSE Market Cap.	CGCs Contribution	PSFIs Contribution	Total Contribution by CGCs and PSFIs	Total Contribution by CGCs and PSFI	CGCs Contribution	PSFIs Contribution
In Rs. Crore				In Percent			
1993-94	368071	67734.21	8359.22	76093.43	20.67	18.4	2.27
1996-97	463912	124083.3	23544.03	147627.3	31.82	26.75	5.08
2001-02	612224	118846.8	16951.09	135797.9	22.18	19.41	2.77
2004-05	1698428	418993	78022.91	497015.9	29.26	24.67	4.59
2007-08	5296758	1011594	174224.8	1185819	22.39	19.1	3.29
Average	1358404	267590	47020.7	314610	23	19.57	3.34

Source: Centre For Monitoring Indian Economy Pvt Ltd (CMIE), database for the years 1993-94 to 2007-08

5. Internationalisation of SOEs

In the era of globalisation, the central government is pursuing vigorously the policy of the internationalisation of SOEs by granting autonomy to them to make investments abroad and form joint ventures. There is an increasing emphasis on securing higher export earnings from these enterprises. Many of these enterprises have been permitted to mobilise funds from abroad through various instruments. Some enterprises have done exceedingly well in expanding their international operations.

5.1 Performance of CSOEs with regard to foreign exchange earnings

Table 15 depicts the foreign exchange earnings of these enterprises. The foreign exchange earnings have fluctuated in the region of the lowest 4.3 per cent in the year 2001-02 to the highest 7.5 per cent in 1993-94. A majority of the foreign exchange earnings came from the export of goods. It is clear that the accent on foreign exchange earnings is very low and there is a need to prop up such earnings through a well thought out strategy. It may be noted that the investments made by these enterprises are very marginal which is supported by the fact that the interest and dividend earnings have turned out to be insignificant.

Table 15. Foreign Exchange Earnings of CSOEs (In Rs. Crore)

Years	Export of goods on FOB basis	Royalty, know-how, professional and consultancy fees	Interest and dividend	Other income	Grand total	Turnover	Foreign exchange share as percentage of turnover
1993-94	7805	4067.45	0	0	11872.5	158049	7.51
1997-98	16203	133	257	3890	20483	276002	7.42
2000-01	20606	117	381	3668	24772	458237	5.41
2003-04	32976.6	173.2	451.71	1291.9	34893.5	630704	5.53
2006-07	54489.7	1080.25	70.84	8157.43	63798.2	964410	6.62

Source: Ministry of Heavy Industries & Public Enterprises, (Government of India, New Delhi), Public Enterprise Survey:2007-08

5.2 Mobilisation of foreign financial resources

The mobilisation of financial resources from international capital markets may serve as a significant parameter for measuring the degree of internationalisation of a firm. It is worth mentioning that shares of Mahanagar Telephone Nigam (American Depository Receipts) are listed in New York Stock Exchange. GAIL Ltd. and the Steel Authority of India (Global Depository Receipts) are listed on London Stock Exchange. CSOEs raised Rs.30,100 crore, Rs.32,551 crore, Rs.42,550 crore in foreign capital markets during 2004-05, 2005-06 and 2006-07, respectively. As noted earlier, some CSOEs are very active on the internationalisation front. A large number of CSOEs have to catch up with them. An effort is made to describe briefly the international operations of some of the CSOEs.

5.3. Overview of the internationalisation of selected CSOEs

5.3.1 Bharat Heavy Electricals Limited (BEHL)

BEHL expanded its international operation through entering new markets and building up on existing ones. During the year 2006-07, the exports by BHEL went up to Rs.1071 crore. The company, moreover, booked export orders worth Rs.1903 crore in comparison to an average yearly order book of Rs.1275 crore during the last five years. Export orders received during the year include countries like France, Sweden, Bangladesh, Jordan, Oman, Tajikistan, Egypt, Afghanistan, Ethiopia, Sudan and Nepal. The continued focus on After-Sales Services led to several orders for spares and services from Oman, Indonesia, Kazakhstan, Germany, Libya, Philippines, Surinam, Malaysia, and Sri Lanka. The Company received orders during the year for power equipments for over 900 MW of power plants and for 5600 MVA of transformer capacity from over ten countries.

In the area of overseas project execution, a significant landmark was achieved with the commissioning of the remaining two gas turbine generating units at the 600 MW Western Mountain Project in Libya. The company also successfully supplied and commissioned 1x25 MVA & 1x15 MVA transformers for NVEBS Surinam. The largest single phase transformer bank of 405 MVA capacity with 3 x 135 MVA single phase transformers in Zambia was also commissioned during the year. Over the next five year period, BHEL aims to increase exports by six times from the current levels. Investments abroad through Merger & Acquisition (M&A) route will also be explored for growth opportunities in order to enlarge its operations both in India and abroad.

5.3.2 Engineers India Limited (EIL)

EIL provides various services in India and abroad mainly in the field of engineering which inter-alia include petroleum refineries, pipeline, oil & gas processing, petrochemicals, offshore structures & platforms, power, fertilizers and metallurgy. The company renders complete range of services needed for conceptualisation,, designing, engineering and constructing of projects. EIL has served in the past, various customers in Algeria, Abu Dhabi, Australia, Papua New Guinea, Bahrain, Ghana, Iran, Kuwait, Qatar and Saudi Arabia. During the year 2006-07, engineering consultancy services was provided to Shauaiba Petrochemicals Complex, Kuwait and product storage tanks at Buipe and Bolgatanga for BOST, Ghana were completed. Other assignments are going on satisfactorily in Algeria, Kuwait and Iran. A significant new assignment secured during 2006-07 related to engineering consultancy services for an Ammonia-Urea Fertilizer Complex in Papua New Guinea. Other assignments received, during the year, are Abadan refinery in Iran and Consultancy Services in Abu Dhabi, Iran, Qatar and Kuwait.

The revenue generation from overseas business accounted for about 26% of the total revenue from consultancy services of EIL for the year 2006-07. EIL Asia Pacific Sdn. Bhd. Is a wholly owned foreign subsidiary of EIL in Malaysia.

5.3.3 GAIL (India) Limited (GAIL)

GAIL has been going for strategic alliance with international players for technological collaboration to gain entry in international market. It entered into a MOU with Arrow Energy of Australia and Energy Infrastructure Group of Sweden for exploring Coal Based Methane opportunities in India, Australia and other countries. During the year, all the four companies in which GAIL has made investments, namely, Fayum Gas Authority, Shell CNG Egypt, National Gas Company in Egypt and China Gas holding Ltd performed well.

GAIL also plans to form a joint venture company with China Gas, for pursuing CNG, City Gas, CBM and other related gas opportunities in China. A joint venture agreement to this effect has been signed with China Gas. Further, discussions are on with Iran and Pakistan Governments and significant progress has already been made for brining gas from Iran to India through pipeline under a trilateral framework. GAIL is also pursuing other business opportunities in the gas sector in Australia, Algeria, Libya, Egypt, Saudi Arabia, China, Singapore and Oman. GAIL Global (Singapore) Pte Ltd is a wholly owned subsidiary of GAIL.

5.3.4 Indian Oil Corporation Limited (IOC)

Indian Oil is actively pursuing upstream integration through exploration & production activities both within and outside India. During the year, IOC along with its consortium partners participated in the exploration block in Gabon, acquired participating interest in a block in Nigeria and other two blocks in Yemen. With this IOC has now seven oil & gas blocks overseas. The corporation also executed an MOU with Sinopec, the leading petroleum and Chemicals Company of China for jointly pursuing opportunities in international trade, exploration & production, refinery & petrochemicals, engineering & technical services.

Indian Oil (Mauritius) Ltd (IOML) and Lanka IOC Ltd (LIOC) are subsidiaries of IOC. The main activities of these companies relate to imports, sale and distribution of petroleum products in Mauritius and Sri Lanka. IOC Middle East FZE is also a wholly owned subsidiary of IOC operating in Dubai, and is engaged in marketing of lubricants and other petroleum products in the Middle East, Africa and CIS regions.

5.3.5 *MECON Limited (MECON)*

MECON is engaged in providing design and technical consultancy services in the field of steel production. During the year 2006-07, the company received various foreign assignments, which inter-alia include countries like The Netherlands, Thailand, Japan, Dubai, UAE and Nigeria. Various overseas assignments taken up for execution during the year related to detailed engineering and consultancy services to M/s Star Steel International, UAE for their 3,60,000 Rebar Mill in Dubai, basic engineering services for integrated steel plant of M/s Essar Construction Limited in Iran, vetting of Bankable Feasibility Report on development of iron ore mine in Central Kazakhstan assigned by M/s Oilex N. Kazakhstan and preparation of a technical proposal for development of iron ore deposit and processing of iron ore concentrate at Bolivia assigned by M/s Jindal Steel & Power Ltd.

5.3.6 *National Thermal Power Corporation Limited (NTPC)*

The consultancy wing of NTPC, with an ISO 9001:2000 accreditation, undertakes a broad range of services, namely, consultancy services in engineering, project management, contract & procurement, construction, operation & maintenance of power plants, renovation & modernisation, energy audit etc to domestic and international clients. The company is registered as a consultant with several leading international development and financial institutions such as the World Bank, the Asian Development Bank, the African Development Bank and UNDP. NTPC also launched a separate *International Cell* to meet the varied need of Independent Power Producers (IPP) and other international clients who are looking for world class services in the power sector. The company has executed / implemented a number of power related projects abroad. Some of the countries where NTPC has executed projects inter-alia include countries such as Dubai, Nepal, Tanzania, Sri Lanka, Bahrain, Oman, Nigeria, Kenya, Saudi Arabia, Egypt, etc.

During the year 2006-07, the company signed a MOU with the Government of Sri Lanka and the Ceylon Electricity Board for development of a 2 x 250 MW coal based power plant at Trincomalee in Sri Lanka. A MOU was also signed with the Ministry of Energy, Federal Government of Nigeria (FGN) for energy cooperation. Under the MOU, FGN shall provide a minimum of 3 million Tonnes per annum of LNG to NTPC on long term basis and permit NTPC to participate in bidding for gas blocks. NTPC shall also set-up and operate a 500 MW coal based power plant and a 700 MW gas based power plant in Nigeria.

NTPC has also signed a MOU with Kyushi Electric Power Consultancy Inc., Japan establishing an alliance under which expertise and information in different areas will be exchanged. The company is also doing the work of energy audit for power plants in Saudi Arabia and has set up an office in Dubai to explore business opportunities in the Middle-East

5.3.7 *Oil and Natural Gas Corporation Limited (ONGC)*

ONGC Videsh Ltd (OVL) is a wholly owned subsidiary of ONGC. It is engaged in overseas Exploration and Production (E&P). Since April, 2006 OVL has acquired stakes in 9 projects in 6 countries, out of which 6 projects were acquired through participation in 'competitive bidding' and 3 projects directly from the existing concession holders. Out of the acquired projects, Manasarovar Energy Project in Columbia acquired in partnership with Sinopec, (China) is under production, Block BC-10 in Brazil is under development and other blocks in Vietnam, Cuba and Nigeria are under exploration.

Sakhalin-1 project in Russia commenced export of crude oil from September, 2006. The peak production of over 2,50,000 BOPD was achieved in March, 2007 by the consortium, with OVL's share being equal to 50,000 BOPD. Crude oil production from Block 5A in Sudan commenced in May, 2006. The consortium of Blocks A-1 and A-3 in Myanmar in which (OVL) holds 20% share, made also gas

discoveries. The consortium of North Ramadan Block in Egypt, in which OVL holds 70% also made oil discoveries. The company also completed drilling of four wells including a high pressure complex gas well in Farsi offshore block in Iran. This success has won OVL recognition as a credible global operator. OVL currently participates in 26 E&P projects in 15 countries. The company has three subsidiaries, namely, ONGC Nile Ganga BV, ONGC Narmada Ltd, ONGC Amazon Alaknanda Ltd, and one joint venture ONGC Mittal Energy Limited.

5.3.8 RITES Limited (RITES)

RITES Ltd is a multi-disciplinary consultancy organisation in the fields of transport, infrastructure and related technologies in India and abroad. It provides an array of services under a single roof and believes in transfer of technology to client organisations. In regard to overseas projects, RITES actively develops cooperative link with local consultants / firms for maximum utilisation of local resources. The company is internationally recognized as a leading consultant in rail transport with operational experience of 62 countries in Africa, Middle East and Latin America. Most of RITES foreign assignments are for National Governments and other apex organisations.

The company is currently implementing projects in various countries such as Sudan, Senegal, Angola, Tanzania, Mozambique, Mali, and Bangladesh. It has established two wholly owned foreign subsidiaries, namely, TIES (Africa) Pty Ltd. Botswana and RITES Columbia LTDA, Colombia and one foreign joint venture, namely, Companhia Das Cominhos De Ferro De Beira, SARL (CCFB), Mozambique for strengthening its overseas operations. Tanzania Railway Concession project was awarded to the company. RITES & Government of Tanzania have signed the shareholders agreement and the concession company in the name of Tanzania Railway Limited has been incorporated on 25th May, 2007 to take over the project. During the year 2006-07, the company posted an export of Rs.252.79 crore compared to Rs.96.09 crores as exports in the previous year.

6. Conclusions

SOEs continue to constitute an important segment of Indian economy. They provide essential services to the general population and historically have been part of the superstructure of India's economy has been built. They operate at the central and the state levels. The central SOEs are small in numbers but represent a very large equity value. The SLSOEs are more than four times the number of the Central SOEs, but in value terms they are less significant.

The government company is the most popular form of organisation. The other forms include public corporations, trusts and boards, departmental enterprises and regulatory authorities. The contribution of these enterprises to both the GDP and the public sector is declining mainly owing to the introduction of new economic policy in 1991 the foundation of which rest on economic liberalisation and globalisation. A similar trend is seen in the contribution of SOEs to the various segments of the GDPs. Although, the contribution of SOEs to the GDP in the electricity, gas and water supply, and community, social and personal service sectors was much higher than private sector, a declining trend was seen in their weight in the various segments. A similar trend was seen in the case of employment where the employment in SOEs was seen to be declining as compared to the employment in private sector and public sectors.

In terms of the market capitalisation of listed companies, SOEs have come to occupy an important position as almost one-fifth of the total capitalisation of the BSE in 2007-08 belonged to the listed CSOEs. The inclusion of financial sector SOEs lifts the contribution to 23 per cent. In terms of the sectoral performance, the oil and gas sector, minerals & metals sector and power sector enterprises dominated the capitalisation of the listed SOEs. SOEs were on the road to internationalize their operations. The foreign exchange earnings and utilisation are increasing in the absolute terms but continued to be a minor

proportion of their turnover. The investments made abroad and the dividends and interests accruing on such investments were paltry. Many enterprises were successful in raising funds from abroad. A study of international operations of select CSOEs showed that 12 CSOEs have made a notable progress on this score.