

**SOCIAL RESPONSIBILITIES AND
PUBLIC ACCOUNTABILITY OF
PUBLIC UNDERTAKINGS**

**MINISTRY OF INDUSTRY
(DEPARTMENT OF PUBLIC ENTERPRISES)**

**COMMITTEE ON
PUBLIC UNDERTAKINGS
1993-94**

TENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

TWENTY FOURTH REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS (1993-94)

(TENTH LOK SABHA)

SOCIAL RESPONSIBILITIES AND PUBLIC ACCOUNTABILITY OF PUBLIC UNDERTAKINGS

MINISTRY OF INDUSTRY
(DEPARTMENT OF PUBLIC ENTERPRISES)



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LOK SABHA SECRETARIAT
NEW DELHI

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**COMMITTEE ON PUBLIC UNDERTAKINGS
(1993-94)**

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INTRODUCTION

1. the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Twenty Fourth Report on 'Social Responsibilities and Public Accountability of Public Undertakings'.

2. The Subject was examined by the Committee on Public Undertakings (1992-93). The Committee took evidence of the representatives of Industrial Development Bank of India on 3 February, 1993, Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited, Electronics Trade & Technology Development Corporation Limited, Oil & Natural Gas Commission, Gas Authority of India Limited and Rashtriya Chemicals & Fertilizers Limited on 4 February, 1993; Steel Authority of India Limited, National Aluminium Co. Limited, Coal India Limited, Hindustan Organic Chemicals Limited, Artificial Limbs Manufacturing Corporation of India and Indian Medicines Pharmaceuticals Corporation Limited on 5 February, 1993 and Life Insurance Corporation of India, General Insurance Corporation of India, National Small Industries Corporation Limited, Hindustan Insecticides Limited National Mineral Development Corporation Limited, HMT Limited, Indian Drugs & Pharmaceuticals Limited and Central Warehousing Corporation on 15 February, 1993. The Committee also took evidence of the representatives of Ministry of Industry (Department of Public Enterprises) on 16 March, 1993.

3. The Committee on Public Undertakings (1993-94) considered and adopted the Report at their sitting held on 21 December, 1993.

4. The Committee feel obliged to the Members of the Committee on Public Undertakings (1992-93) for the useful work done by them in taking evidence and sifting information which forms the basis of this Report. They would also like to place on record their sense of deep appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

5. The Committee wish to express their thanks to the Ministry of Industry (Department of Public Enterprises), Ministry of Finance (Department of Economic Affairs) and the Public Undertakings for placing before them the material and information they wanted in connection with examination of the subject. They also wish to thank in particular the representatives of the Department of Public Enterprises and PSUs mentioned in Para 2 who gave evidence and placed their considered views before the Committee.

6. The Committee also wish to thank the representatives of Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals and Department of Fertilizers), Ministry of Coal, Ministry of Finance (Department of Economic Affairs), Ministry of Industry (Department of Heavy Industry and Department of Public Enterprises, Ministry of Petroleum & Natural Gas, Ministry of Steel, Cement Corporation of India Limited, Coal India Limited, Fertilizers & Chemicals (Travancore) Limited, Gas Authority of India Limited, Hindustan Organic Chemicals Limited, Indian Drugs & Pharmaceuticals Limited, Indian Petrochemicals Corporation Limited, Kudremukh Iron Ore Company Limited, Manganese Ore (India) Limited, National Mineral Development Corporation Limited, Rashtriya Chemicals & Fertilizers Limited, Sponge Iron India Limited, Industrial Development Bank of India, Industrial Finance Corporation of India Limited, Industrial Credit & Investment Corporation of India and Unit Trust of India for making valuable suggestions before the Study Group-I of Committee on Public Undertakings (1992-93).

NEW DELHI;
December 22, 1993

Pusa 1, 1915 (S)

VILAS MUTTEMWAR
Chairman,
Committee on Public Undertakings.

PART I

BACKGROUND ANALYSIS

I. Introductory

1.1 The origin of social welfare in India can be traced back to the ancient times when society had certain in-built organisations for the relief of those in need or distress. The right of the indigent to receive succour is recognised in societies dating back to the Vedic Times. The responsibility of society towards individuals in distress and the needy was shared equally by the people and their rulers. Kautilya's *Arthashastra* also holds the king responsible for the care and protection of the helpless, the weak and the aged and also of the families of deceased soldiers and workers.

1.2 Independence brought new visions of a Welfare State and the aspirations and urges of our people were reflected in the Constitution of India. In a Welfare State all are assured of adequate help in case of need based on the principle that the State and the community at large had a duty to help its less fortunate members.

1.3 The Public Sector in India was deployed as a potent instrument of socio-economic development with a view to develop sound agricultural and industrial base, overcome economic and social backwardness and for generating sufficient surpluses. That social upliftment was one of the major considerations which favoured setting up of the Public Sector is clear from the Industrial Policy Resolution, 1956 which *inter-alia* states:

"The adoption of the socialist pattern of society as the national objective as well as the need for planned and rapid development, require that all industries of basic and strategic importance, or in the nature of public utility services should be in the public sector."

1.4 Although with the passage of time massive investments have been made for the expansion of public enterprises, the macro and micro objectives and obligations in the sphere of social responsibilities have not been defined by the Government and individual Undertakings. As a result of this the social responsibilities to be discharged by Public Undertakings continue to remain as ambiguous and undefined as ever before. It was in this context that the Committee on Public Undertakings (1991-92) decided to select the subject 'Social Responsibilities and Public Accountability of Public Undertakings (a) with particular reference to the benefits accruing to region/area and the people concerned specially Project Affected Persons (PAPs) and (b) Recruitment of employees from Class I downwards to Class IV' for horizontal study.

1.5 The Committee called for Preliminary Material on the subject from all the Public Undertakings. In all information was received from 225 Public Undertakings.

II. Social Responsibilities of Public Undertakings

A. Concept, Scope and Sphere of Social Responsibilities

2.1 The concept of a Welfare State is derived from the Preamble and the Directive Principles of State Policy in the Constitution of India. The Preamble enjoins upon the Government to secure to all its citizens 'Justice, Social, Economic and Political'. The concept of a Welfare State is amply defined in Article 38 of the Constitution of India which provides as follows:—

- (1) The State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic and political, shall inform all the institutions of the national life.
- (2) The State shall, in particular, strive to minimise the inequalities in income, and endeavour to eliminate inequalities in status, facilities and opportunities not only amongst individuals but also amongst groups of people residing in different areas or engaged in different vocations."

2.2 Article 39 of the Constitution also provides *inter-alia* that the State shall in particular direct its policy towards securing that the ownership and control of the material resources of the community are so distributed as best to subserve the common good and that "the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment." There is a further direction to the State in Article 41 of the Constitution which lays down that "the State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want." These Principles clearly enunciate the social policy in the country and form the basis of planning. The Directive Principles have been reflected in the Five Year Plans which have sought to raise the socio-economic level of all people, specially of the weaker sections.

2.3 From the information furnished to the Committee, it is seen that some of the Public Undertakings were not clear about the very concept of social responsibilities.

2.4 On being enquired about social responsibilities discharged by the Corporation, State Trading Corporation of India Limited (STC) stated in a written reply as follows:—

"Since our Corporation is engaged in trading activities *i.e.*, imports and exports, and have not set up any project, the question of giving

any facilities by our Corporation to concerned area/people of the region/district) tehsil/surroundings in the matter of health, education, sanitation, roads, electricity, supply of drinking water, etc. does not arise.”

2.5 Videsh Sanchar Nigam Limited stated in a note as follows:

“The Company has not planned or undertaken any activity solely for social welfare as its structure does not permit it to do so. Hence, the question of specifying purely social objectives without any commercial basis does not arise.”

2.6 Giving the details of social responsibilities discharged, Food Corporation of India (FCI) stated in a note as follows:

“Following are the main spheres of activities undertaken by the Corporation:

- (i) The Corporation alongwith other Government agencies is always present in the market to purchase all the stocks of FAQ standard offered to them at minimum support prices fixed by the Government of India. This protects the interests of the farmers from distress sale in the event of surplus foodgrains production.
- (ii) The Corporation makes available foodgrains in all parts of the country to cater to the needs of PDS and special schemes like ITDP, RPDS in all seasons at uniform prices.
- (iii) The Corporation maintains buffer stocks of foodgrains to meet the additional requirement or emergency demand due to natural calamities, etc.

2.7 The above functions mentioned by FCI are mostly part of the Company's corporate objectives. In reply to a question as to whether the Corporation did undertake any activity in the field of promotion of literacy and providing higher education, health and family welfare, providing clean drinking water, environmental protection and sanitation and development of infrastructural amenities and facilities, FCI replied in a note in the negative.

2.8 On the other hand, many of the Public Undertakings were conscious of social obligations and even staunchly advocated in favour of it.

2.9 During evidence of representatives of Steel Authority of India Limited (SAIL), the Chairman, SAIL linked social responsibility to conscience. He stated in evidence:

“To my mind, the responsibility is two-fold of a public undertaking's officers or top executives. As a citizen, if I go out on the road and find somebody being run over by a car, I will immediately try to take him to a hospital. This is not a sort of obligation, but an obligation which is combined with conscience that I have. I can just disregard it and go ahead. If an individual is bound to do certain

things with conscience, a public undertaking is more fitted, more equipped, better placed to do things.

We have evolved a new concept of social responsibility linked with conscience. Your conscience should be how best you can help a person who comes in contact with you, how do you give him a sense of belonging and how he gets a sense of belonging. We start from the areas where our units are located."

2.10 Terming social responsibilities and 'investment' in the real sense, the Chairman, SAIL further stated in evidence:

"Another attempt or philosophy has been that investment in the region is not considered as an obligation. I am sorry to have a slight difference in approach from what you stated. We think that it is an investment. It is an investment because if this investment does not take place then the tension that would be generated would itself jeopardise the functioning of the steel plants."

2.11 Expressing the view that it was considered a duty that people in the region should be benefitted by the existence of a public undertaking in a particular place, the Director-in-Charge, Hindustan Organic Chemicals Limited (HOC) stated in evidence:

"HOC is located in a backward area. The distance from Bombay is around 70 kms. But apart from the distance, it was really in a very interior location and for a long time, when we set up our industry, we did not have even proper approach roads. The villages around were having even worst conditions. As a Government company we had some resources of our own whereas the rural population there was not having any such facility and they were totally lacking all these facilities for decades or centuries. We thought that this is our duty to really take into account the problems that they have been facing and the sacrifices that they have made by sparing their land for our project and we always took it as our duty to see that they also are benefitted by our existence in that area and to see that their lot is improved."

2.12 Enquired about the scope of social responsibilities the Chairman, Indian Oil Corporation Limited replied in evidence as follows:

"Most of our refineries are in the remote areas in Assam and Guwahati. Before we put up our refineries, there was absolutely nothing available. We have achieved the highest standard of environment. One of our basic social objectives is to see that we provide assistance to preserve our culture, art and national heritage, and the causes which directly promote employees' growth and welfare alongwith the welfare of the community at large, like contributions to the hospitals, educational institutions and sports. These are the causes which generally create goodwill as a good

corporate citizen in the area in which we generate and we also ensure to the extent possible that we make contributions to literacy, medicines, health, communications and development of sports, art and culture.

Indeed some of these are enshrined in our corporate mission, objectives and obligations of the Corporation which have been written down. We see that we live as per the spirit and the letter of what is enunciated in the corporate mission and objectives. We have a community in the Indian Oil of almost 34000 strong."

2.13 In this connection, Central Inland Water Transport Corporation Limited stated in a written note as follows:

"Public Undertakings are broadly expected to fulfil commercial target through investment with reasonable return and at the same time may undertake the social responsibilities on voluntary basis keeping pace with the national policy as well as follow-up the directives/guidelines of the Government for upliftment of the weaker section of the society besides employees of PSUs."

2.14 On social responsibilities, Hindustan Prefeb Limited stated in a written reply as under:

"The very purpose of forming the PSUs is to achieve accelerated overall economic growth of the country in a planned and systematic manner. Further, the PSUs have various social responsibilities too, which related to generating employment, developing the area in and around various projects, keeping welfare of the people both working as well as local population always in view, providing goods and services at a reasonable price to the community at large and so on."

2.15 When enquired about the sphere of social obligations discharged by the Central Warehousing Corporation (CWC), the Chairman, CWC replied in evidence:

"So far as environment plans and water supply are concerned, in our warehouses we have taken sufficient steps. We have taken up tree plantation, both inside and outside the warehouses. We are not going into the village. We have not done anything to augment the facilities in the villages around, except that we have ensured that water is available through our warehouses. But we have not provided any special health and medical facilities besides the ones that are available for our staff and that also in the form of repayment through our reimbursement programme after they have availed of the facilities."

2.16 On being further asked to specify those activities which related to social responsibilities, the witness conceded:

"We understand. We are doing only for our staff now, except that

we have now started in certain cases providing to the children of our employees, some more facilities when we acquire land for our needs, the people of that area are offered employment."

2.17 During evidence of the representatives of Life Insurance Corporation of India (LIC), the Committee wanted to know as to what are the social responsibilities being discharged by the Corporation. The Chairman, LIC replied in evidence as follows:

"Our main function is in the insurance field and whatever we are doing for the upliftment or the betterment of the weaker sections of the society, in the rural areas and the backward areas is done through the medium of insurance."

2.18 On insurance cover given to the weaker sections of the society, the witness stated:

"As far as LIC is concerned, we have set up a Social Security Fund for setting aside Rs. 100 crores in the year 1988, and through this Social Security Fund, we are providing insurance cover to certain weaker sections of the society. 50% of the premium for these weaker sections' scheme is paid out of this Social Security Fund. There are certain schemes for which we are paying 50% of the premium, such as, scheme for the brick kiln workers, handlooms weavers, primary milk producers, etc. There are 22 such groups for whom there are insurance schemes and 50% of the premium is paid out of the Fund which has been set aside by LIC.

There are two other major groups—landless agricultural labourers and the loanees of IRDP Schemes. For the first one per cent of the premium is paid out of this Fund which has been set aside by LIC."

2.19 The Committee pointed out that these functions formed part of objectives of LIC whereas the information being sought was on social responsibilities. The witness then conceded as follows:

"If you mean providing some special hospitals or some such facilities, that we are not doing specially or separately."

2.20. However, the Chairman LIC held out an assurance before the Committee:

".....if the Committee is suggesting any other social responsibility work to us we will definitely look into it. We are now doing in a small way through giving encouragement through loans, etc. It is not done in a big way. If there is any direction from the Committee, we will certainly do it."

2.21 On being asked to explain the measures taken by General Insurance Corporation of India (GIC), in this regard, the Chairman, GIC stated in evidence:

"With regard to the question of social responsibility, in a small way something is done. One is, for those who get killed in the accidents

and there is no insurance protection, there is a scheme by which the GIC has set up a fund called Solatium Fund. Though it is in a small way of social responsibility, it is not to the extent the hon'ble Members would expect.

With regard to reserved category of people, we have set up a fund of Rs. 50 lakhs to provide training and education of Scheduled Castes and Scheduled Tribes members. Two years ago we set up this fund in the year of Dr. Ambedkar Centenary. This money will be utilised for training the weaker candidates before recruitment to enable them to equip better."

He added:

"About the question of specifically paying for hospitals and schools, it has not been undertaken. If it is definitely the desire of this Committee to do that then we will take it up."

2.22 Enquired as to whether it was not felt that being a Public Undertaking, the Corporation should do something for the wellbeing of the people, the witness replied:

"The answer straightaway is "Yes". No Indian can feel that such a responsibility does not exist."

The witness went on to say further:

"I think, we will definitely prepare a proposal with regard to this. Since ours is an all-India institution, there will be issues such as where the areas are to be selected, what help and attention is to be focussed and how can this scheme be spread everywhere. Some kind of help and guidance is required as to how to allocate. I would only say that we will move in the matter."

2.3. On the spheres of activities identified for fulfilment of social responsibilities, Gas Authority of India Limited (GAIL) informed the Committee in a note as follows:

"As far as GAIL is concerned the following spheres of activities have been identified for fulfilment of social responsibilities, specifically towards the socio-economic development of the regions neighbouring its work centres:

- (i) Developing basic amenities like construction of approach roads, provision of drinking water, primary health and medical facilities.
- (ii) Developing economic base by promoting local residents to take up contracts for the various services like upkeep of township, horticulture etc.
- (iii) Community Development: By setting community development centre where facilities for craft training could be provided and

by providing special programmes raising the standard of living (provision made for educational assistance/stipend etc. for educational/vocational training).

- (iv) **Primary and Adult Education:** Through financial assistance for setting up of infrastructural facilities for primary schools, centres for adult education, etc.
- (v) Providing medical assistance to the local populace and undertaking extensive health and family welfare programmes.
- (vi) Protection of environment by undertaking widespread afforestation.
- (vii) Generating opportunities for employment for the local population through expansion of services and facilities in the regions."

2.24 In this connection, Oil & Natural Gas Commission (ONGC) stated in a note as follows:

"ONGC has identified the following spheres of activities for fulfilment of social responsibilities:

- (i) Undertaking Development Projects like construction of roads/bridges providing drinking water, gohar gas, street lights, etc. in the areas of operations.
- (ii) Family welfare programmes and medical assistance.
- (iii) Promoting education by way of grant and also through the K.V. Schools.
- (iv) Employment to local persons to meet the work requirements.
- (v) Protection of environment, preservation/improvement of ecology and achievement of high standard of environmental pollution control measures including trees plantation and affluent disposal, etc.. Environment Protection is one of Commission's objectives.
- (vi) Encouragement of sports, including adventure, promotion of art and culture and preservation of national heritage.
- (vii) Donations to PM/CM funds to mitigate the hardship of people in the wake of natural/national calamities.
- (viii) Supplementing the Nation's/State's efforts in the improvement of the lot of weaker sections of the society and improvement in the quality of life.
- (ix) Support to causes and institutions which would help generate goodwill for the organisation in the national/international areas, so as to enhance the organisation's image as a corporate body responsive to the social responsibilities.

2.25 Giving the details of activities undertaken by Steel Authority of India Limited (SAIL), the Committee were informed in a note:

"To fulfil its social obligations work in the following areas are undertaken:

- (i) Education,
- (ii) Medical,
- (iii) Family Welfare,
- (iv) Literacy development/adult education,
- (v) Cooperative Societies and distribution of essential commodities,
- (vi) Housing,
- (vii) Canteen,
- (viii) Community/Peripheral Development.

In the area of community/peripheral development the following broad items are undertaken by the plants according to the needs:

- (i) Road and improvement of existing roads,
- (ii) Drainage,
- (iii) Drinking water facilities,
- (iv) School building, community centres,
- (v) Employment generating schemes,
- (vi) Periodical medical care for villages and their livestock,
- (vii) Desilting and renovation of community wells, tanks, ponds etc.,
- (viii) Agricultural improvement including distribution of seeds and fertilizers,
- (ix) Development of poultry, dairy and piggery etc.,
- (x) Antyodya Scheme."

2.26 Elucidating the activities undertaken by National Mineral Development Corporation Limited (NMDC) with a view to fulfil social responsibilities, the Chairman, NMDC stated in evidence as follows:

"In general terms I may state the main spheres in which NMDC had engaged itself for fulfilment of social responsibilities. These are given below:

- (a) To maintain the quality of ambient air and natural sources of water and controlling noise and vibration levels of operations within prescribed limits so that the surrounding villages are not affected by the mining operations.
- (b) To provide clean drinking water to some of the nearby villages of the project where adivasis mostly live.

- (c) Providing medical and health check up facilities for adivasis and others in the nearby villages.
- (d) Providing quality higher education facilities to them.
- (e) Improving communication facilities like roads, transports etc.
- (f) Improving infrastructure facilities like market places, cultural and recreation facilities, etc.
- (g) Providing employment for local people to the extent possible.
- (h) In these areas, there are a lot of tribals. Training and developing such employees to meet the requirement of the Corporation.

2.27 NMDC projects have endeavoured to undertake the following activities in this regard:—

- (a) Improvement of approach roads to the adjacent villages.
- (b) Construction of permanent Health Centres at the nearby villages.
- (c) Rest shelters at the project hospital premises for the facility of relatives of in-patient tribals.
- (d) Free medical and diet facilities to the in-patient local people in project hospitals.
- (e) Erection and commissioning of bore-wells at the nearby villages.
- (f) Installation of solar pumps for the existing wells. Supply of water through overhead tank and pipeline.
- (g) Construction of additional classrooms in Government Tribal Higher Secondary School and School building at Bailadila-5 hilltop for Tribal Department Schools.
- (h) Construction of adult education/vocational centre building.
- (i) Construction of Government Industrial Training Institution building at Bhansi which caters mostly to the local tribal students.
- (j) Environmental measures to control air and water pollution and improve the quality by systematic programme of plantation of saplings.
- (k) Allowing local people to travel in the project buses free of charge.
- (l) Encouragement to tribal vendors to sell their various produces, vegetables etc. in the weekly markets at projects.
- (m) Employment to local people.
- (n) Training to local people in the Training Institution set up by NMDC.

- (o) In the case of NMDC's employees, NMDC being a public sector all those above facilities are extended to NMDC employees as per the various rules, regulations, statutes, guidelines, directions etc. received from Government time to time.
- (p) In each of the mines, NMDC has full fledged township for its employees with all infrastructural facilities like housing, schools, hospitals, welfare centres, nice environment etc. as applicable to such PSU township.

2.28 During evidence, highlighting their activities the Director-in-Charge, HOC stated:—

“HOC has been giving help for building school buildings in the area, giving them necessary library equipments and other assistance for constructing approach roads. It has also provided water supply to many nearby areas. HOC took the initiative to lay the pipeline in many villages, who could not afford to pay even the running charges for supply of water. HOC has not been recovering any water charges from them and has been supplying water, free of cost to the nearby villages. HOC's hospital is always kept open for the benefit of the rural population and we have been taking even the delivery/maternity cases as well as the operation cases for the benefit of the rural population, We have given full discretion to our Chief Medical Officer to give all the medical benefits free of cost, if according to his judgement the patient cannot afford to pay for the same. We have also given donations to other efforts in that area. When the new industrial township was set up there, under the name of Patalganga Industrial Area, the river water quality came down and the reservoir from which about 60 villages were getting the water supply was on the down-stream whereas the water that we are getting was on the upstream of the industrial area. So, it was demanded by the villagers that a pipeline should be laid from the reservoir from which we are taking water, to bring the water to the downstream reservoir and supply the same water to all the villages around. The scheme is costing about Rs. 70 lakhs. For that HOC took lead and donated Rs. 22 lakhs. We also started a medical centre in the name of our first Managing Director who was very popular among the rural population. In that we mainly tackle these eye ailments. We have given spectacles to many persons in the area free of cost. We have conducted many eye operations. We used all our hospital facilities for the purpose. We have also trained about fifty rural health workers particularly women in that area to whom we have given the first-aid kit. We have given some basic training in hygiene and health and for treating minor ailments. These women keep the statistics of the birth and the death rate in the area and guide the villagers about pre-natal and post-natal treatment. They also bring the serious cases to our hospital. Every week we hold a

meeting of these village workers. Our doctor conducts the meeting and guides them for any further help that they want. It has resulted in giving a good medical care to the villagers."

We have also donated to the drinking water scheme to the extent of Rs. 11 lakhs. For a similar scheme in Ahmednagar we have donated Rs. 22 lakhs.

2.29 Stating a particular case where the Company took initiative for the welfare of local residents in the Bokaro Steel Plant, the Chairman, SAIL stated in evidence:

"I have been in Bokaro and I can cite some examples. We have a large number of people around the plant who also keep cattle and sell milk. It is consumed in huge quantities and there are a number of people who have set up Khatahs to feed the cattle and it becomes a source of tension between the communities. What we have done to put them together is that we have earmarked land for them to give them cattle sheds and this has given results. In future we are hoping that they would be able to put up together a common pasturisation unit and like that, which will be hygienic and health oriented. One has been recently inaugurated by the Chief Minister of that State."

B. Government Guidelines

2.30 As far back as in 1965 the Committee on Public Undertakings in their 7th Report (3rd Lok Sabha) had recommended that objectives and obligations of Public Undertakings including those in the social sphere should be defined clearly:

"This Committee, therefore, consider that the time has now come that Government should clearly enunciate the *economic, financial, and social* responsibilities of public undertakings so that they are well understood by the management of these Undertakings."

2.31 The Committee reiterated the recommendations in their 40th Report (5th Lok Sabha) on 'Role and Achievements of Public Undertakings' and recommended that the White Paper promised to the Committee on the subject be presented to Parliament setting out *inter-alia* the following:—

- (i) A framework of principles of Government's general *economic, financial and social* strategy for public sector undertakings;
- (ii) micro objectives, both financial and economic, of each Public Undertaking and providing for review from time to time; and
- (iii) Quantification of social objectives and obligations and issue of Government directives in appropriate cases.

2.32 On 23rd December, 1977 the Government spelt out the macro-objectives of Public enterprises, both *financial and economic*, in the Industrial Policy Statement made in Parliament. Subsequently in May,

1979 the then Bureau of Public Enterprises (BPE) issued instructions to all Ministries to advise the Public Undertakings under their administrative control to frame their micro objectives, both *financial and economic*, consistent with the road objectives spelt out in Government Industrial Policy statement of December, 1977 and get them approved by their administrative Ministry to facilitate meaningful evaluation by Parliament and the Government.

2.33 The Committee wanted to know whether any guidelines had been issued by Government to the Public Undertakings in matters pertaining to fulfillment of social responsibility. Bharat Petroleum Corporation Limited (BPCL) replied in a note as follows:—

“Guidelines have been issued by the Government in the following areas:

- (i) Directives on formulation of Tribal Sub-Plan from Government of India. Reference O.M. No. J-26011/2/89-SCT dated 8.6.1989.
- (ii) Guidelines on land acquisition and rehabilitation of Project Affected Persons from Department of Public Enterprises. Reference No. 15/13/84-BPE (C) dated 3.2.1986.”

2.34 In this context, Bharat Yantra Nigam Limited (BYNL) stated in written reply:—

“The guidelines in the matter are only broad and possibly there is scope to clearly set them out in a modified manner. In fact, the social responsibilities are possibly required to be defined in a more quantified manner to avoid variation in approach from one enterprise to another.”

Oil India Limited suggested in a note as follows:

“Government should define the policy more specifically by outlining the avenues to be undertaken and prescribing a minimum/maximum allocation of resources with full autonomy to PSUs to execute within such definitions at the micro level.”

2.35 One being asked whether the social objectives of the Company have been specified in the long term Corporate and Annual Plans, Mazagaon Dock Limited (MDL) replied in a note:—

“The long term corporate plan of the Company in respect of social objectives has not been drawn yet for want of clear guidelines from the Government. But from the Company’s long term Corporate Plan for the business indirectly, some aspects of the social obligation can be fulfilled and in that light the Company understands that if by sound performance, a profit can be generated, it can be partly reinvested by Government in the field of social objectives.”

2.36 In reply to the query whether it was desirable to clearly lay down social responsibilities to be fulfilled by Public Undertakings at macro level

by the Government in order to make Public Undertakings conscious and committed to the social upliftment of the society at large and the people of the area/region in which their units are located in particular, Videsh Sanchar Nigam (VSNL) stated in one note as follows:—

“Yes, we do agree that in order to make Public Undertakings conscious and committed to the social upliftment of society at large and the people of the area/region in which their units are located in particular, the Government of India should lay down the social responsibilities to be fulfilled by the Public Undertakings at macro level.”

2.37 Replying to the same question, Container Corporation of India Limited informed the Committee in a note:—

“In the context of competitive environment in which the public undertakings are required to function efficiently, the social responsibilities to be fulfilled by the public undertakings need to be dovetailed into their primary and basic objective. In relation to the responsibilities to be fulfilled at the micro level, the basic guidelines should be decided by the Government. In deciding the various areas of responsibilities, the macro level perceptions are better captioned by the Government rather than by the public undertakings. At the micro level, however, it should be left to the individual undertakings to embark upon particular schemes or programmes related to its objectives and functions.”

2.38 In this context Oil & Natural Gas Commission stated in a note as follows:—

“There is a need to clearly specify the role for each public undertaking or a group of similar industries in discharging the obligations towards the upliftment of poor, development of areas in which the operations are undertaken, social welfare of the people at large etc. If macro level social responsibilities are laid down by the Government, it would help in deciding the micro level responsibilities by PSUs.”

2.39 During the sitting of Study Group I of the Committee on Public Undertakings held on 24.4.1992, while discussing the need for laying down certain guidelines by Government on social responsibilities which could be followed by public undertakings, the Chairman and Managing Director, Indian Petrochemicals Corporation Ltd., stated:—

“The Department of Public Enterprises has from time to time issued certain guidelines and circulars on the subject; whether it relates to employment, social work and neighbourhood relations. If we take stock of the current guidelines we would know what is the basis of the guidelines. In addition to the guidelines, practically every undertaking is doing something. There are various case studies. On our part, we have felt that a good deal of social work and response

to neighbourhood aspirations depend if it is voluntary, on individual interest, as it is not institutionalised. So, we should propose to do it in such a way so that it is not dependent on a Chief Executive's interest in rural development, but it gets institutionalised as an activity, which is of a permanent nature."

2.40 On being asked as to whether it was not desirable that the term 'Social Responsibility' was defined and the sphere of activities by PSUs in this regard quantified, the Secretary, Ministry of Industry (Department of Public Enterprises) stated in evidence as follows:—

"I have some difficulty and it arises from what I have been stating earlier. If we define 52 items as social responsibilities and issue a guideline, then nobody is going to bother about the point that I have already made that the Public Enterprises keep on changing their objectives. The point I am trying to make is that in the case of public enterprises what if you had a social responsibility? I am going to define that. As you know, when we created public enterprises in the country, it was given a corporate form in most of the cases. You have to draw up your Articles of Association. They have to define certain things. If they have not defined, the Government can issue a directive. Then it becomes a social responsibility. Therefore, in a situation where the social part and the commercial part keep on changing, where things are changing in regard to social obligations, some may be fulfilled immediately and some may be fulfilled after 10 years and some may not be fulfilled at all. Therefore, I will not commit the whole public sector to this."

2.41 Expressing the view that PSUs are at liberty to fulfil social responsibilities provided they have the resources, the witness stated further:

"If a company has built hospital, then it is expected to run it efficiently. Supposing you say this hospital which is created for the colony which is here and also for taking care of 200 more people from outside, it is the management's job and not the Government's. It is up to them whether they are willing to take up that cause. Frankly, today the Government is not in a position to give budgetary support. If the Company is unable to generate resources from within its own activities, then the Government is finding extremely difficult to provide any budgetary support. This is the reason why today we are sending public enterprises also before BIFR extending the same treatment which is given to the private sector. It is because the Government finds it difficult to keep on nursing the sick units.

What I am saying is, if you run the hospital, you run it with your own resources and do not look to the directive of the

Government to carry on. PSUs are not prevented from fulfilling social responsibility.”

2.42 Suggesting legislation for enforcement of social obligations by the public as well as private sector the Secretary, Ministry of Industry (Department of Heavy Industry) stated in the sitting of study Group I of the Committee held on 24.4.1992 as follows:—

“We now have to see, the changed environment and the economic policy where the public sector has to compete with the private sector on terms of equality, as to whether it is really not necessary, much more than going to the question of whether the public sector had discharged its responsibilities to the society or to the people around it, to what extent and in what manner the public sector units can also be made to realise their responsibilities. So many things are there and would say even legislation in certain countries is there at the federal or State level, in respect of things like racial discrimination. Recently, I saw somewhere about some law passed in America. The whole country is making it for each unit—not only in industrial units but even in other services, like hotels, hospitals and that kind of things—to do things for the benefit of the physically handicapped, be it provision of special kind of lifts for them or special kind of entrances where they can enter properly and, of course, even reservation of jobs for them.

I would say in our country somehow we have not really thought of too much legislation in this respect and, I think, we should. Even take a thing like reservation. I do not want to get too much into it because there are many kinds of ramifications to this. But I really do not see why Government should legislate or make legislation only in respect of the Government and the public sector. It is a kind of thing in which every responsible institution in the country should do. But much more than legislation I think, is the kind of pressure that needs to be brought upon the private sector also to be more aware of their responsibilities.”

C. Quantification of Social Responsibilities

2.43 The public undertakings are engaged in various fields of activities ranging from production to rendering services. The nature of social responsibilities which are discharged by an enterprise like Coal India Limited would be quite different from those of another production unit like Hindustan Latex Limited although both are engaged in production and sale. Much more varied should be the scope of social responsibilities between a trading organisation like Minerals & Metals Trading Corporation of India Limited, a company rendering telecommunication services like Mahanagar Telephone Nigam Limited and a financial institution like Industrial Development Bank of India. The potential for undertaking social responsibilities would also vary from Undertaking to Undertaking

depending on factors like capital investment, turnover, profitability, location of the units, etc.

2.44 In reply to the query whether the social objectives of PSUs have been specified in their long term corporate and annual plans, Hindustan Antibiotics Ltd. and Central Electronics Ltd. replied in the negative.

2.45 Bharat Petroleum Corporation Ltd. stated in a written reply as follows:—

“...The internal policy document of the Corporation viz. 5-year Corporate Plan stimulates certain thrust areas like adoption of villages, family planning activities and other welfare activities, etc.”

2.46 National Aluminium Company Ltd. has outlined the social responsibilities to be fulfilled by the company. In a note NALCO stated:—

“The Social responsibilities of NALCO have been outlined in the First Annual General Body Meeting held on 31st March, 1982. It states the following:—

- (1) To plan and construct suitable down-stream facilities for the manufacture of value-added products, to develop ancillary industries in the small and tiny sector, to supply raw materials or other inputs, developing tertiary industries in the medium or small scale sector based on Aluminium Ingots and Products.
- (2) To draw up and implement suitable plans for minimizing pollution by NALCO Plants, maintaining ecological balance and improving the environment for a reasonable range around the Company's plants.
- (3) To take special steps for ameliorating the lot of the tribal population and other weaker sections of the local population in and around the different plants of NALCO. In this effort, NALCO will collaborate with other Governmental and non-Governmental organisations.
- (4) To take special care of those who have lost their houses or a substantial part of their land holdings as a result of land acquisition by NALCO and arrange for their rehabilitation through employment of one person from each affected family in NALCO or associate Public Enterprises.
- (5) To play a catalytic role in improving the general quality of life for people within a reasonable area around the plants.”

2.47 On being enquired as to whether the annual targets spelled out in the Memorandum of Understanding (MOU) include social objectives to be achieved by the Company, Mishra Dhatu Nigam Limited stated in a written reply:

“We have started entering into Memorandum of Understanding from the year 1991-92 onwards. We have not incorporated specifically any

social objectives to be fulfilled in MOU document because the stress of the Government is that PSUs should operate like a commercial or business enterprise."

2.48 In reply to the same query ONGC stated in a note as follows:

"The Memorandum of Understanding is framed as per Government guidelines. Since the criteria for which the targets are included in MOU, are very limited, social responsibilities are not explicitly covered in it."

BPCL also replied as follows:

"The Memorandum of Understanding does not specify the social objectives to be achieved by the Company."

2.49 On the question of inclusion of social objectives in the MOU, GAIL stated in a note:

"The MOU does not specifically include monitoring the performance of the company on the social welfare front. However, as part of the environmental protection objective which has an impact on social plane, afforestation has been taken up seriously and creation of greenbelts in and around our complexes was taken as parameter for evaluation in the MOU for 1990-91 and 1991-92. The Company achieved an "Excellent" rating on this parameter.

Fulfillment of the social welfare obligations in terms of the specific plan as drawn up by the company, could in future, be incorporated in the MOU as an additional parameter for evaluating the Company's performance, subject to acceptance of the same by the Government."

2.50 On inclusion of objectives for fulfillment of social responsibilities in the MOU, Sponge Iron India Limited stated in a note:

"The MOU signed by the Company with Government does not contain any targets for fulfilment of social responsibilities. As a matter of fact, inclusion of such targets in MOUs has been specifically prohibited as per guidelines issued by DPE. Item 3 of the "Checklist for MOU: 1992-93" circulated with DPE D.O. letter No. 8(1)/90-DPE (MOU) dated 1.4.92 reads as under:

'3. No weightage should be assigned to social obligations unless they form an integral part of Memorandum of Association of the PSE'."

Bharat Yantra Nigam Limited has been incorporating social responsibilities in the MOU. The Company stated in a note:

"The Company signs MOUs with the Government on year to year basis. The social responsibilities are incorporated in the MOU. The areas broadly covered include:

—Rural development;

- plantation of trees and environmental protection;
- Job opportunities for scheduled castes and scheduled tribes; and
- other activities including sports and culture."

2.52 Emphasising the view that social responsibilities should form part of the corporate strategy of PSUs, the Secretary, Ministry of Industry (Department of Public Enterprises) stated in evidence:—

"I think the existing situation is that whatever be the social responsibility, I am not defining it. I said there is a problem of general definition of social responsibility. It should be part of a company's policy as expressed in its Corporate plan; what the COPU once indicated in the early 80s as the macro-plan and its micro-plans. The micro-plan gives a long-term view about what the company ought to be doing. The Government is, in fact investing the money. Whatever it defines for itself, as social obligation, it will be carried out through that public investment which would form part of the corporate plan. At the micro-plan level which I call the MOU part, you start judging as to how you are carrying out your social objectives. If you have a policy on protection of environment, then it becomes a social obligation across-the board for everybody in the country. It is not necessary that it is there only for the public sector. It is there for the private sector, it is there for everybody. This is a kind of a thing for which you could issue a guideline. It affects everybody in this matter. This must form part of the corporate strategy of any company. Even in the case of manufacturing etc., it requires raw-materials which have got something to do with the natural products. All these things must be taken care of within the corporate objectives. It should be expressed in the long-term policy. This is the basic thing that we have devised in the MOU exercise. You must put down your commercial and non-commercial objectives. We are deliberately not defining this objective because once you do that, then the audit will come into play. In a governmental system, this is bound to happen. Of all the PSUs, 249 will not be doing it. We are supposed to write the report also."

Summing up his view, the witness added:—

" This is the crux of the whole thing. What I am saying is that it is for the company to define for itself what is its social obligation."

D. Expenditure on Social Responsibilities

2.53 ONGC informed Committee in a note about the expenditure incurred on social responsibilities as follows:—

"ONGC has incurred an expenditure of the order of Rs. 47 crores in the last 5 years in fulfillment of its social obligations towards the society. Activity-wise details of expenditure are indicated overleaf:—

Year-wise Expenditure on Social Economic Welfare Programme

(Rs. in lakhs)

Sl. No.	Description	1987-88	1988-89	1989-90	1990-91	1991-92	Total (5 years)
1	2	3	4	5	6	7	8
1.	Medical including expenditure on family planning programme	10.17	55.87	15.72	167.88	343.24	592.88
2.	Education	22.35	28.72	160.14	75.11	162.64	448.96
3.	Aid to schools & Kendriya Vidyalaya	81.75	140.59	41.21	90.11	123.68	477.34
4.	SC/ST Welfare measures, scholarships and component plans	10.01	10.48	9.16	15.36	19.13	64.14
5.	Sports and Culture	8.36	23.82	60.02	8.38	18.66	119.24
6.	Gobar Gas/Drinking water	7.72	1.95	56.02	2.69	10.04	78.42
7.	Chief Minister's Relief Fund	47.00	17.75	20.28	15.00	27.10	127.13
8.	Development Projects (Roads/Bridges)	730.85	598.19	242.88	382.15	639.14	2593.21
9.	Tree plantation	26.61	45.76	9.15	37.47	23.80	142.79
10.	Any other misc.	13.31	14.70	11.50	4.67	34.49	78.67
Total		958.13	937.83	626.06	798.82	1401.92	4722.78

2.54 On social welfare, Gas Authority of India Limited incurred expenditure as follows :

Year	Social Service	Social obligation	Total Expenditure
1990-91	91,000	3,367,000	3,458,000
1991-92	323,000	8,426,000	8,749,000
1992-93	595,850	3,822,900	4,418,750
1993-94	1,410,000	1,105,000	2,515,000

2.55 Steel Authority of India Limited informed the Committee in a note:

"The net social income to the various sectors of the community during last five years has been estimated as under:

(Rs. in crores)

Year	Employees	Community	General Public	Total
1987-88	384.65	1028.69	1236.22	2649.56
1988-89	407.84	1415.19	1474.25	3297.28
1989-90	498.73	1925.45	2185.98	4610.16
1990-91	560.96	2202.17	2592.12	5355.25
1991-92	629.01	2781.15	4446.40	7856.56

The CMD, NMDC stated in evidence as follows :

"During the VIII Five Year Plan an amount of Rs. 42 crores is provided for Revenue Expenditure on the social amenities/environmental improvement and Rs. 10 crores towards capital expenditure on environmental improvement. Thus the Corpn. has proposed to spend Rs. 52 crores during the VIII Five Year Plan towards these social welfare programmes."

2.56 Regarding funding of social welfare activities, Central Electronics Limited (CEL) informed the Committee in a note:

"Lack of profitability and funds are the main constraints. Further, ours is a single small unit having the staff strength of 950 employees. Further, our unit is located at such a place, where development of nearby area has already been made by Government authorities and local administration in all respects. The fulfillment of social responsibilities should depend on the profitability and prosperity of the concerned PSUs".

2.57 Minerals & Metals Trading Corporation of India Limited (MMTC) stated in this connection as follows:

"...The social objectives at the macro level and micro level have to be linked to the income generating capacity and growth of the public sector undertakings in a competitive environment."

2.58 Suggesting that monetary limits should be laid down on expenditure to be incurred by the Undertakings on fulfilment of social responsibilities, Videsh Sanchar Nigam Limited stated in the written replies:

"Government should lay down monetary limits—like a certain percentage of profit or a certain percentage of revenue to be spent on social responsibilities."

2.59 Expressing the view that fulfillment of social responsibilities should

not be at the cost of profitability and operational efficiency of the undertaking, the Executive Trustee, Unit Trust of India stated in the sitting of Study Group I of Committee on Public Undertakings held on 24.4.1992:

“When we speak of social responsibility of the public sector, the first concern should be that these public sector units which are operating less efficiently and not achieving their objectives must, first and foremost, concentrate on achieving their objectives. If a unit is operating less efficiently, below capacity and if it is incurring losses, to speak of social responsibility would be putting the horse before the cart.”

2.60 Suggesting the need for taking into account the expenditure incurred by the public sector on social responsibilities while evaluating the financial performance, the Chairman and Managing Director, National Mineral Development Corporation stated in the sitting of the Study Group I:

“I personally feel that the public sector has played its role which the founding fathers have outlined for them. The public sector has done quite a lot, as far as social responsibility are concerned, much more than the private sector. In fact, one of the grouse is that while evaluating the performance of the public sector, the expenditure and the energy which the public sector spends on social responsibilities are not accounted for.”

2.61 The Executive Trustee, Unit Trust of India, favouring tax saving mechanism to encourage involvement of the public as well as private sector in the world of social welfare activities stated in the sitting of the Study Group I as follows:

“The public and the private sectors can step in provided this is built into the system. It will be possible, if there is tax-saving mechanism. The profit-making units could pool their resources and play their role. Further, there is the family welfare area. This is where the Public Sector can do a lot more provided this is built into a market-oriented tax rebate system.”

2.62 On a suggestion regarding pooling together of resources of PSUs located in particular area to take up a particular project as part of social obligation, the Chairman, Indian Oil Corporation Limited stated in evidence as follows:

“The idea that you have suggested that we can take the most backward areas and develop it as a model by pooling together the resources of all the four organisations over a period of five years, or over a time-frame, so that it may be a milestone and a model of distinct development, is indeed a good idea. But we need to apply our mind to that project.”

E. Administrative set up to monitor implementation of Welfare Programmes

2.63 Giving the details of organisational set up for monitoring the implementation of social responsibilities, National Thermal Power Corporation Ltd. (NTPC) stated in a note as follows:

“NTPC is a multi-unit organisation having several Power Plants located in different parts of the country. For effective formulation, implementation and monitoring activities in respect of social welfare have been decentralised and responsibility given to local units. At local units, the activities are monitored as below:

Environmental

Protection : Environment Management Group Overall guidance and monitoring is done by the Corporate Environment Management Group, under the charge of Director (Operations).

Community Personnel Department.”

Development :

2.64 On the procedure for selection of specific projects, Oil India Ltd. (OIL) stated:

“The Administration and Public Relations Department identify the avenues by undertaking environment studies jointly with Industrial Relations, Safety and Training Departments and put up a composite proposal to local managements. These are scrutinized by Director (Personnel) and approved by all Executive Directors as per delegation of powers.

Limited powers have also been delegated to local managements to decide their priorities upto specified budgetted financial limit for unforeseen requirements, a budget outlay for Rs. 1 crore is approved for special programmes. The budget allocation during the Seventh Five Year Plan was on average of Rs. 50 lakhs p.a. which has been enhanced to Rs. 1 crore p.a. in the Eighth Five Year Plan.”

2.65 Bharat Petroleum Corporation Ltd. stated in this regard as follows:

“The social welfare activities are monitored by the Corporate Office under the charge of a General Manager. Besides, the area activities are monitored by the Regional General Manager and the Refinery activities on social obligations are monitored by Director (Refineries)”.

2.66 Giving the details of administrative set up for organising and implementing social welfare activities, Gas Authority of India Ltd. (GAIL) stated in a note:—

“The Corporate HRD, PR and Administration Directorate supervises all social welfare activities in GAIL.

The administrative set up for organisation and implementation of social welfare activities work centres is as follows:—

At each of the four major work centres, an officer has been nominated to coordinate social welfare activities.

At each of the work centre a task force comprising executives from personnel, Finance and the line function has been constituted to identify the project as per guidelines issued by the Corporate Office and also monitor the actual benefit accrued with reference to each programme undertaken.

At Corporate level, the Corporate Personnel Group monitors and reviews the status.”

2.67 Explaining as to how the projects for peripheral community development programmes are drawn up and got approved by the Board before preparing the annual budget Steel Authority of India Ltd. (SAIL) stated in a note:

“The specific projects undertaken by the steel plants are identified under the peripheral/community development programmes of the Company. Depending on the requirements of the local areas, such projects are identified and scrutinised by the plants. These are then referred to the Corporate Office from the various plants of SAIL where consolidated proposals are prepared for the approval of the SAIL Board. Based on these proposals, the SAIL Board prepares the annual budget for undertaking such projects.”

2.68 On the various activities under the peripheral/community development programmes and the administrative machinery for their implementation, SAIL stated further:

“.....SAIL has been undertaking various development works under the Community/Peripheral Development Schemes. Under these schemes, efforts have been made to improve the lots of the people living in the surrounding villages through various Social Benefit Programmes undertaken by the Mahila Samities functioning in each plant and through other schemes under the Community Development Programmes. The emphasis has been on children's education, women and adult education, public hygiene, family welfare programmes, community entertainment through sports and cultural activities, providing clean drinking water, road communication and health care, etc.

For the Peripheral Development Programmes, a centralised budget is approved by the SAIL Board and allocations to various plants are made. As already explained, there is a Peripheral

Development Department in each plant under the charge of the Head of Personnel, who work in close coordination with the State Government, District Administration as well as the local Panchayats. There are also Peripheral Development Coordination Committees in the plants consisting of the State Government Authorities, local social Organisations, local MLA and the Plant Officials. The field staff and officers of our Peripheral Development Departments survey the different villages, discuss with the villagers and the Village Panchayats and then prepare an annual work plan. These plans are put up before the Advisory Committees. Some Schemes are also directly put up by the Advisory Committee Members and State Government officials before the Committee. All such proposed schemes are discussed in the meeting and then on the recommendation of the Committee, an annual work plan is drawn. After the approval of the respective Managing Director such schemes are approved by the Board and necessary allocations of funds are made."

F. Generation of Employment Opportunities

2.69 According to Government guidelines, the recruitment of posts carrying scales of pay the maximum of which does not exceed Rs. 2,500/- per month is to be made through Local/National Employment Exchange.

2.70 On being enquired as to whether the guidelines were being complied with in recruitment to posts in lower grades National Thermal Power Corporation replied in the affirmative stating the procedure for recruitment and the percentage of actual representation of local people in each of the grades (From class I to class IV), NTPC stated in a note:

"Workmen in the unskilled and semi-skilled categories largely comparable to class IV are recruited through the local employment exchange. Therefore almost 100% of the employees in these groups are from among locals.

In respect of skilled and highly skilled workmen comparable with class III and II, generally recruitment is effected through the local employment exchange. However, wherever persons with suitable background are not available recruitment is made through a press advertisement also, after obtaining Non-Availability Certificate from the Employment Exchange. Therefore the percentage of employees from the local population in this group is little less compared to the earlier groups.

In respect of supervisors broadly comparable with class II recruitment is made through open advertisements covering the Region comprising the State (S) in which the Power Station/Project is located and the neighbouring State Recruitment to the

executive category, broadly comparable to class I is made on all-India basis."

2.71 On percentage of local people employed in the Company, Oil India Ltd. stated in written reply:

"In the entire organisation 35% of the staff is represented by local inhabitants."

2.72 In Mishra-Dhatu Nigam Ltd. the percentage of representation of local people in each of the grades as on 31.3.1992 was as follows:—

Class	Total No.	No. from local area	Percentage
Class I (Gr. A)	254	165	65%
Class II (Gr. B)	36	34	94%
Class III(Gr. C)	1152	1081	94%
Class IV (Gr. D)	75	75	100%

2.73 In Pawan Hans Ltd. the percentage of representation of local people obtaining as on 31.3.1992 was as follows:—

Class	Corporate Office New Delhi	Northern Region New Delhi	Western Region Bombay
A (Class-I)	41%	58%	16.5%
B (Class-II)	75%	83%	21.7%
C (Class-III)	40%	37%	40%
D (Class-IV)	25%	41%	76%

2.74 The Committee wanted to know the procedure followed in Public Undertakings in recruitment of employees in grade III and IV. NTPC stated in a written reply as follows:—

"The recruitment of workmen broadly comparable to class III and IV are done at the concerned project/plant level. All such posts which fall within the coverage of employment exchanges (Compulsory Notification of Vacancies) Act, 1959 are notified to the Local Employment Exchange and persons sponsored for selection against available identified vacancies are considered. The notification for recruitment to reserved vacancies are also issued to the Association concerned copies of notification are also sent simultaneously to the Central Employment Exchange and other Employment exchanges in the neighbouring districts within the State and Government and Semi-government organisations and/or the position may be advertised in the local press subject, however, to the condition that all

other things being equal preference is given to suitable candidates sponsored. In the event the employment exchange are not able to sponsor sufficient number of suitable candidates and issue a non-availability certificate such posts are advertised in the local area for filling up the vacancies."

2.75 In this connection ONGC stated in the written replies as follows:—

"The recruitment in ONGC is regulated in accordance with the R&P regulations which have the approval of the Government. In accordance with these regulations which have the approval of the Government. In accordance with these regulations the direct recruitment in Class III & IV is made at the following induction levels:—

- | | |
|--------------------------------|---|
| (i) Top of class-III level | Junior Engineer/Junior Supdt. or equivalent
(Pay scale 1526-2886) |
| (ii) Bottom of Class-III level | Assistant Gd-III/Assistant Technician Gd-III or equivalent
(Pay Scale 1256-1936/-) |
| (iii) Class-IV level | Attendant Gd-III/Helper Gd-III/Sanitary Gd-III or equivalent
(Pay Scale 1156-1526) |

The vacancies caused at top of Class-III posts are filled up by direct recruitment and advertised in Regional/National Newspapers. Simultaneously, the vacancies are also notified to the respective employment exchange regionally. Depending upon the number of applications received, the selection, is made on the basis of written examination, practical tests or interview or any combination of these, depending upon number of vacancies. The vacancy caused at the bottom of Class-III posts and Class-IV posts are filled up by direct recruitment and also notified to the respective employment exchange."

2.76 The Committee wanted to know as to what efforts were being made by the Undertakings to impart training to the local people to make them eligible for the jobs expected of them if people of the desired qualifications were not available. Bharat Yantra Nigam Ltd. stated in their reply as follows:—

"The Companies in BYN group have a system of induction ITI apprentices on regular basis mostly from amongst the local people. There exist training departments and organised training infrastructure in all the subsidiaries and due care is taken in imparting suitable training the apprentices in order to make them fit for jobs in the respective trades. In addition, companies like BPCL and TSL which were set up in green-field locations had organised tailor-made training programmes in coordination with the local training institutes

to train local people for enabling them to acquire the required skills for employment.”

2.77 Replied to the above question, National Aluminium Co. Ltd. (NALCO) stated:—

“Since NALCO has its units in relatively remote areas and not many experienced hands could have been available in Aluminium and Alumina industries, the Company has taken more than 50% of its skilled, semi-skilled, highly-skilled and supervisory personnel through its own training schemes like for Junior Operative Trainees, Assistant Trainees, Land Displaced persons training scheme, training scheme for drivers from SC/ST categories as well as the senior operative trainees schemes. A total of about 2000 such personnel have been inducted through the Company’s training schemes as above, as against the existing manpower of about 3650 employees in such categories.

As stated above land displaced persons belonging to Scheduled Tribes from Damanjodi have been trained to perform semi-skilled and also exposed to literacy development programmes apart from formal counselling to make them suitable for employment. At Angul sector more than 300 boys from the nearby villages mostly belonging to land affected categories have been trained at local ITI at Talcher for developing the employability technical skill by way of acquiring a formal training and qualification.

2.78 In this context, Bharat Petroleum Corporation Ltd. (BPCL) stated:—

“At our Refinery the local people in large numbers are trained as Apprentices under the provisions of the Apprenticeship Act, 1961. Whilst there is no statutory obligation cast on us to absorb such persons on completion of their apprenticeship period, it does equip them to improve their prospects for employment elsewhere. We do absorb many of them depending on availability of vacancies as can be seen in the figures below:

Year	No. of apprentices undergone training	No. absorbed
1989-90	67	33
1990-91	58	10
1991-92	60	32
1992-93	22	18

2.79 Giving the details of other schemes apart from employment opportunities introduced for the benefit of the local population, Steel Authority of India Ltd. stated in a note:

"The contracts upto Rs. 5 lakhs for construction, maintenance, transportation, etc. are generally awarded to the local people. There are Industrial Cooperative Societies in each of the plants who are accorded preference in award of such contracts.

In some of the plants special efforts have been made to assist the local population for their economic developments and these efforts are directed towards motivating and involving the villagers in the peripheral villages in various income generation schemes so that their economic upliftment becomes a self-sustaining process. Some of the steps taken are:

(a) Dairy and Poultry Development Programmes by providing transport subsidy, subsidy for expansion of distribution network and providing medicines and equipments.

(b) Agricultural development programmes such as distribution of improved seeds and fertilizers to small and marginal farmers and subsidy to vegetable growers.

(c) Installation of lift irrigation points for irrigation.

(d) Cottage and Village Industry Development Programmes by providing subsidy for purchase of tools and tackles for different cooperative societies engaged in small scale industries."

G. Other benefits accruing to the people of the area of operation

(i) Development of Ancillaries

2.80 The Committee wanted to know about the steps taken by Public Undertakings to promote small scale and ancillary industrial units started and run by local people in their area of operation, if necessary by training them to equip themselves to come up to the mark and the progress achieved in the sphere. Mishra Dhatu Nigam Limited replied in a note:

"We have no ancillary industries in and around our Plant."

2.81 Central Electronics Limited stated in this context that no steps have been taken by them to encourage small scale and ancillary units.

2.82 Replying to the question HMT Limited stated in a note as follows:—

"92 Ancillary Units have been set up by HMT which are run by the local people besides, 160 small scale Units have been given Ancillary status. HMT provides the following assistance:

(a) Assistance to Ancillary/SSI Units by way of repeated orders, providing special tools/gauges, drawings on free of charge basis.

(b) Providing scarce raw materials.

(c) Providing technical assistance.

(d) Inspection of facilities through visits to suppliers Units.”

2.83 Progress made by HMT Limited in purchasing products manufactured by Ancillaries/SSI Units is shown in the table given below:—

(Value Rs. lakhs)

Year	Ancillaries		Small Scale Industries		Total	
	Nos.	Value of purchases	Nos.	Value of purchases	Nos.	Value of purchases
1987-88	219	1700	1025	2830	1244	4530
1988-89	250	2040	1073	3340	1323	5380
1989-90	252	3140	1271	3785	1523	6925
1990-91	249	3480	1327	4620	1576	8100
1991-92	252	3793	1392	5902	1644	9695

2.84 Giving the details of progress made by National Aluminium Company Limited in promoting ancillary units, the Company stated in a note:

“NALCO is in constant touch with the State Government through its Industry Department for development of ancillary units at both ends, viz. producing items of regular use in the company and also making products based on Aluminium and Alumina— The plant level committee constituted with representatives of the company, the State Government and public representatives (MPs/MLAs) at very senior level under the Chairmanship of CMD, NALCO, meets periodically to review the progress and facilitate growth of ancillary units.

More than 300 boys have been trained in the local ITI for developing their skills and employability through formal ITI training with a view to make them available for this purpose.

The Company has adopted the Government of India guidelines and developed its policy on encouragement to the SSI units, for registration of Ancillary industries and award of Ancillary status. NALCO's involvement with SSI units, local manufacturers, local contractors and State Agencies have been encouraging. Industrial opportunities have identified jointly with IPICOL and Director of Industries, Orissa and given wide publicity resulting in establishment of a number of small/medium scale units in and around NALCO sites and elsewhere in Orissa.”

2.85 Steel Authority of India Limited (SAIL) has taken a decision at the Board level to assist development of Small-Scale Industries and Ancillary Units. SAIL stated in a note as follows:

“One of the major objective of Public Sector Enterprises (PSEs) is to assist the development of Small-Scale Industries (SSI) and Ancillary Units. In line with this objective Bureau of Public Enterprises (BPE) issued guidelines spelling out the steps to be taken by the PSEs to accelerate growth of SSI/Ancillary Industries. A resolution was passed in the 208th Meeting of the Board of Directors of the then Hindustan Steel Limited held on 16.3.1978 indicating that action for ancillary development may be taken by the plants as per direction of the Central Government.”

SAIL stated further:

“All SAIL plants have appointed a full time senior level officer to look after development of SSI/Ancillary Industries. The Ancillary development officers are/in constant touch with the SSI/Ancillary units around the Steel Plants for identification of items which can be developed by them. These officers also interact with the shop floor managers to locate items which can be off loaded on the SSI/Ancillary Units.

Identification of items by SAIL plants for offloading on SSI/Ancillary industries is a continuous process and studies are undertaken from time to time by the Ancillary Development Officers, who were exclusively responsible to ensure development of these units. Project profiles for the items which can be developed by SSI/Ancillary Units are prepared and distributed free of cost to the prospective entrepreneurs.”

2.86 The following are the number of ancillary units promoted by the different plants of SAIL since 1986:

Name of Plant	No. of Ancillary Units			
	1986	1988	1990	1992
Bhilai	44	69	106	115
Durgapur	Nil	10	27	27
Bokaro	47	58	58	65

The value of items purchased from these units rose from Rs. 89.27 crores in 1989-90 to Rs. 119.37 crores in 1991-92.

2.87 On technical assistance rendered by SAIL engineers to the units, the Company said in the note:

"In case of SAIL plants product range remain the same. There are, however, occasions when technological changes for improvement of quality of the end products are introduced. Technology upgradation is a continuous process and wherever SSI/Ancillary Units are required to upgrade their facilities, necessary guidance is given regularly to these units by way of visits of plant engineers or during the course of discussion of PLAC meetings."

The note further added:

"With a view to give further momentum for accelerated growth of ancillary units, plants have taken following steps:

BSP have constituted a "Product Development Committee" comprising representatives of State Industries Directorate and Orissa State Financial Corporation to identify new items by SSIs. The Committee has already identified 22 such items. Plants issue advertisements in the newspapers inviting new entrepreneurs to establish SSI/Ancillary Units for meeting requirement of newly identified items.

Plants also invite entrepreneurs to set up SSIs for manufacture of end products of SSIs plants. Some of the items proposed to be made available are flyash by BSP, secondary products and used refractories by BSP.

BSP has also entered into conversion contract for manufacture of lancing pipes."

(ii) *Award of Contracts to local people*

2.88 On being asked as to what is the percentage of company's contracts for construction, maintenance, transportation, etc. given to the people belonging to the area where the plants/units are located National Textiles Corporation (APKK & M) Limited, replied as follows:

"There is no major activity at present in civil construction. Maintenance is normally done by the internal work force; transportation is awarded on the basis of competitive rates in which local transporters also participate."

2.89 In this connection Telecommunications Consultants India Limited stated in a note:

"The Company has adopted a competitive tender scheme for awarding the contracts. As such, there is no preference for any one from the vendors qualified by the Company."

2.90 Videsh Sanchar Nigam Limited also observed in note as follows:

“Contracts are awarded for construction, maintenance, transportation etc., based on competitive tendering and not necessarily to people belonging to the area where the units are situated, but it may be stated that the Company itself owns buses for transportation and has its own civil and maintenance wings employ primarily local people. Contracts for cleaning, gardening, etc., are awarded to local people.”

2.91 Regarding awarding of contract to local people Gas Authority of India Limited state in written replies as follows:

“Nearly 62% of the Company’s contracts have been awarded to people belonging to the areas where the units are located.”

2.92 National Aluminium Company Limited stated in the written replies as below:

“In terms of the laid down procedure, contracts are finalised and awarded on tender basis. However, majority of workers engaged by contractors are local ones belonging to the areas around projects. Among them priority is given to the displaced persons.

Approximately all contracts for township were extended to State based construction Companies. Plant construction has been already completed and commissioned progressively by 1988. As far as transport and maintenance work is concerned most of these are executed through local based agencies.”

2.93 Oil India Limited also award most of the contracts to local people. A note received from OIL stated as follows:

(a) “Contracts for construction of housing roads, drilling site preparations, normal factory buildings, office premises are entirely awarded to local entrepreneurs in area of operations.

Contracts of specialized factory construction, bridges, etc. are mostly awarded to local entrepreneurs situated in a proximate city to the area of operations.

(b) Contracts for civil works/maintenance and local transport services (Hire of cars, jeeps, vannedes, buses, trucks) are in all instances awarded to local entrepreneurs in area of operations.

(c) The Company has its inhouse mechanised maintenance base/expertise because of highly technical, sophisticated machinery deployed. Nevertheless, all routine non-specialized breakdown maintenance contracts are awarded to local contractors within the area of operations.”

2.94 Steel Authority of India Limited stated in this regard:

“The contracts upto Rs. 5 lakhs for construction maintenance, transportation etc. are generally awarded to the local people. There are industrial cooperative societies in each of the plants who are accorded preference in award of such contracts.

For example, in Bokaro Steel Plant, there is Bokaro Industrial Area Development Authority which has been awarded contracts to carry out the routine jobs in the Plants and the townships. Certain exemptions like waiving of deposit of Earnest Money, etc. have been extended to the local persons in award of contracts. In Bhilai Mines, the cooperative society has been awarded the work of iron ore mining, raising, sizing and the loading and unloading. As a matter of policy, the local people are given preference in the award of such contracts.”

(iii) *Other measures for Social Benefit*

2.95 On other social benefit programmes undertaken for the welfare of the local people, National Aluminium Company Limited stated:

“We have undertaken various social welfare programmes for the welfare of the people of these areas which includes construction of roads, community centres, schools, colleges, marketing, sports, adult education centre, establishment of tribal museum, outdoor medical facilities, drinking water facilities, etc. Since these people are habituated to pudu cultivation (shifting cultivation), we have undertaken several agricultural demonstration projects of Mustard, Maize, Mulberry, Mushroom, Paddy, Ginger, etc. to induce the people for settled cultivation. Besides we have distributed fruit bearing trees for development of Orchards.”

2.96 Describing similar measures taken by the Company, Bharat Petroleum Corporation Limited stated in a note:

“Some of social benefit programmes undertaken at a few of these locations include providing alternate house sites for the displaced persons whose land was acquired, extension of the local medical centre which was part of the local village school, construction of additional rooms for village school, renovation of the Panchayat Ghar at nearby village, construction of approach roads for the village, construction of toilet facilities in the village and renovation of village dispensary.”

H. Rehabilitation of Project Affected Persons (PAPs)

2.97 As a corollary of the fast pace of industrialisation, there has been widespread displacement of people from developed, backward, hilly as well as tribal areas resulting in loss of agricultural land, ancestral habitat and/or traditional occupation.

2.98 Enquired as to which individual or group of individuals is termed as project affected persons (PAPs), National Aluminium Company Limited (NALCO) stated in written reply as follows:

“Any person or family from whom land is acquired is called a Land Affected Person (LAP). Any person/family whose agricultural and homestead land or both is acquired totally is called a Land Displaced Person (LDP). Anyone who has lost more than one third of his agricultural land holdings is called a substantial affected person (SAP). Anyone who has some land and not categorized LDP/SAP is called a LAP.”

On amenities available to the PAPs, NALCO stated:

“The LDP is given a house and a job in the Company. The SAPs are given job as far as practicable depending on available/vacancy. SAPs and LAPs are given jobs with the Company’s contractors and also they are engaged to take small contracts with the Company and some of them have also been provided with shops.”

2.99 Enquired about the norms/regulations for payment of compensation for land acquired, Bharat Petroleum Corporation Limited replied in a note:

“The compensation for the land acquired by the Corporation for the various projects is determined by the State Government and the individual land losers are compensated by the State Government as per the norms and rates decided under the Land Acquisition Act. Invariably, the Corporation pays to the State Government compensation in advance.”

2.100 On payment of compensation, Bharat Yantra Nigam Limited stated in writing:

“Compensation to the affected families was paid by the State Government while employment to one person per family was provided by the concerned unit of the group.”

2.101 In this context, Gas Authority of India Limited stated as follows:

“For Right of Use land we have paid compensation 10% of land cost to be decided by the competent Authority/Liaison Officer taken on deputation from the State Government. This land was acquired for laying pipeline during the period of construction only. Thereafter, the land was handed back to land owner for cultivation but they were not allowed to construct any permanent building or plant any trees there.

Besides the above, crop compensation was paid to the land owner for the standing crop and crop likely to be raised during the period of construction. Similarly, compensation was paid for the standing trees which were affected during the construction stage.

For the land acquired on permanent basis, amount of compensation was awarded by the Land Acquisition Officer/Revenue Officer of State Government under Land Acquisition Act, 1968, taking into consideration such factors as the present market value of the land and facilities available in its vicinity."

2.102 Regarding rehabilitation of PAPs, BPCL stated as follows:

"For land acquisition, compensation as determined by the State Government under the Land Acquisition Act, is payable.

Rehabilitation assistance is available to bonafide cultivators of lands owned by them which are acquired. The District Authorities are empowered to identify the land losers family eligible for rehabilitation assistance as per the laid down criteria.

In 1986, the Government revised its instructions whereby no guarantee regarding offer of employment to one member of every dispossessed family is required to be given. Instead, the project authorities were required to assist the State Government by way of financing various activities like poultry farming, animal husbandry, training, etc."

2.103 The Committee wanted to know as to what were the facilities available to PAPs under the rules. HMT Limited replied in a note:

"Under the existing system one person from each such family is given employment opportunity by the concerned Public Undertaking."

2.104 SAIL pointed out the constraints in this regard in a note as follows:

"Rehabilitation of displaced persons has been the function of State Government. The liability of the steel plants in this respect was limited to the extent of providing employment to them. Apart from employment aspect, the other issues pertaining to displaced persons come under the exclusive jurisdiction of the State Government authorities. One member from each displaced family was given employment in the steel plant. However, Officer Memorandum No. 15/1384-BPE(C) dated 3.2.1986 of the then Bureau of Public Enterprises, stated that in the context of the urgent necessity of Public Sector Enterprises operating at commercially viable levels and generating adequate internal resources, over-manning has to be guarded against. Any understanding, formal or informal in regard to offer of employment to one member of every dispossessed family in the project will stand withdrawn."

2.105 However, out of 28,363 families displaced as a result of land acquired for setting up the steel plants, SAIL provided employment to 26,881 persons.

2.106 Giving the details of employment provided to PAPs, HMT Limited further stated:

“We have given employment to Project Affected Persons during the setting up of some of our Units/Factories. For example, this was done in the Company’s Machine Tool Factory at Kalamassery and Watch Factories at Tumkur and Ranibagh. While in Tumkur Unit 73 such affected persons were given employment and rehabilitation, 54 similar persons were rehabilitated at the Ranibagh Unit. About 182 affected persons were also given employment at the Kalamassery Unit.”

2.107 Central Electronics Limited stated in a note in this regard as follows:

“The names of eligible PAPs were considered for employment.”

2.108 National Aluminium Company Limited provides employment to PAPs as part of a scheme approved by the Board of Directors. The Company stated in a note:

“The Board of Directors of the Company have approved a scheme for assistance to land affected person which *inter-alia*, also lays down guidelines for giving preference to the land affected persons. In terms of this, one member each of a family whose total land or homestead land has been acquired for the project, is offered employment subject to vacancies being available, and the nominee possessing requisite qualification or skill.”

2.109 On any other amenities given to PAPs Gas Authority of India Limited (GAIL) informed the Committee in a note:

“Besides monetary compensation, affected persons are also extended such benefits as free medical care at GAIL’s dispensaries, allotment of shops in GAIL’s townships at nominal fee, awarding contracts for grass cutting and sanitation, access to banking and postal facilities and rendering services such as provisions of milk, vegetables, etc. at the GAIL townships.”

In this connection, NALCO stated as follows:

“The displaced persons are provided with the built up house and vocational training to make him suitable for the job. The children of the LDP’s is provided education in the Company’ school and medical assistance is also provided free in the hospital of the Company at par with the employees.”

2.110 Explaining the initiative taken by Bharat Petroleum Corporation Limited in rehabilitation of PAPs, the Company stated in a note:

“Apart from the compensation given to the land owners for the land acquired, 5 “Kudikidapukar” (people who do not own the land but live on the site for a number of years) were given alternate sites that were purchased by the Corporation, near Cochin.

In Village Piyala, we funded the expansion of the local Medical Centre (part of the local school). In village Pakri (Patna District alternate house sites have been provided to 41 displaced families.

In Koyali, we have constructed 4 rooms for the village shcools, renovated the Panchayat Ghar, constructed metal approach road for the village and toilet facilities for the village. Near Mogalsarai, we are renovating the village dispensary and school at an estimated cost of Rs. 10.63 lakhs."

2.111 Coal India Limited has an extensive package for rchabilitation of land outees. Giving the details CIL stated in a note:

"The Coal Companies acquire land for construction of projects. A rehabilitation package is given to the land oustees displaced on account of acquisition of their land. The package include:

- Cash compensation for land and for crop.
- Every attempt is made to fill up the posts in the new projects under 'Semi-Skilled' and 'Un-Skilled' categories by giving preference to land oustees.
- Suitable vocational training facilities are provided to land losers to upgrade their skills for employment.
- Each evictee family is paid Shifting Allowance up to Rs. 2000/- and Lumpsum Grant of Rs. 5,000/-.
- In case no employment is possible the land oustees will be offered SUBSISTENCE ALLOWANCE for 20 years at the rates given below:
 - (a) To families losing : At the Rate of Rs. 300/- per month plus land upto one acre an ex-gratia amount of Rs. 100/- per month per family.
 - (b) Families losing : Rs. 300/- per month per acre subject to a maximum of Rs. 1000/- per month plus an ex-gratia amount of Rs. 100/- per month per family.
- Development of infrastructural facilities like approach road, drainage, street lighting, drinking water facilities, shopping centre, Panchayat Bhawan, recreation centre, etc. on the rehabilitation site."

2.112 Similarly, Steel Authority of India Limited also has been rendering assistance for the rehabilitation of displaced persons. A note furnished by the Company stated:

"Rehabilitation of displaced persons has been the function of the State Government. However, Steel Plants have been extending

various assistance to the State Governments in order to rehabilitate the displaced persons. For example in RSP, the Steel Plant extended help to the State Government in undertaking the following rehabilitation measures:

- Displaced families were rehabilitated with Land Acquisition Compensation;
- Re-settlement colonies at the periphery of Rourkela were established;
- Houses site plots in the rehabilitation colonies were allotted to all the displaced families with a housing subsidy ranging from Rs. 200/- to Rs. 400/- per family;
- In the re-settlement colonies, social development works, roads, parks, schools, community centres, market wells, and tanks and permanent piped water supply schemes were executed."

I. Socially Oriented Public Undertakings

2.113 Some of the Public Undertakings were set up with social objectives in view to cater to specific needs of common men or a group of people.

2.114 Artificial Limbs Manufacturing Corporation of India (ALIMCO) was set up in 1973 with the following social objectives in view:

- (a) To make available aids and appliances needed by the disabled;
- (b) To set up a net work of limb fitting centres and dealers which would make the Aids & Appliances easily available to the disabled; and
- (c) To develop training facilities for orthotic and prosthetic technicians and engineers.

2.115 According to the Memorandum and Articles of Association of ALIMCO the funds for the Company apart from those arising out of its own activities will be derived from:

- (a) Contribution from the National Defence Fund.
- (b) Contribution from the Central Government.
- (c) Contribution from the State Government and Public Institutions and body corporate.
- (d) Annual grants as may be received from the Central Government or any State Government.
- (e) From donations from any philanthropic institution, trust body corporate, firm or individual.
- (f) Subscription to its share capital.
- (g) Borrowings from various sources.

ALIMCO stated in a note as follows:

“The Corporation in its attempt to fulfil its obligation to the disabled brought out more than 500 products so that the needs of the disabled are met even if the manufacturing of such small requirements is uneconomical. The Corporation has incurred a substantial expenditure on the manufacture of tools and dies needed for manufacturing such a large number of items. This was necessary otherwise the products would not be standardised and the cost of unit production would be very high. The Corporation developed these extensive facilities for manufacture on the assumption that there would be a large demand for such products. However, when it came to receiving grants from the Government of India as already indicated in the Memorandum and Articles of Association, the Government preferred to give loans at current rate of interest. It will be thus seen that the Corporation planned its activities on an assumption which did not hold true. This is the basic conflict from which the Corporation has suffered i.e. it was set up to fulfil social objectives in Government aided environment which was subsequently changed by the Government to a self sustaining environment.

Realising that the Corporation is only going to get loans, it had to, therefore, obtain required funds from its turnover. It has no choice but to fix prices of its products in such a way that the product price would at least cover the raw material and direct labour cost and fair portion of overheads. Even though the voluntary organisations, practising doctors and disabled have appreciated the quality of ALIMCO products, the product prices have come under severe criticism.”

2.116 With regard to social responsibilities actually been discharged by the Company, ALIMCO stated in the note:

“In the present environment the Corporation has not been able to utilise its full potential and has not been able to fulfil its social obligations to the disabled to the extent it could have.”

2.117 Indian Medicines Pharmaceutical Corporation Limited (IMPCL) was set up in 1978 with factory and registered office in Almora of Kumaon region, for the manufacture of Ayurvedic and Unani medicines. Tracing the social objectives of setting up IMPCL the Company stated in a note:

“Indigenous systems of medicine continue to provide efficient medicare in remote areas at a comparatively low cost. These systems of medicare have deep roots in our cultural heritage. People in the rural areas in particular have a special sentiment and attachment to indigenous medicare, perhaps due to their extreme suitability to their own temperament and living condi-

tions.....Recognising the need for establishment of a Public Sector Undertaking for the purpose, the Ministry of Health and Family Welfare, Government of India decided to set up an Undertaking under it to be known as the Indian Medicines Pharmaceutical Corporation Limited. Accordingly, a Company was registered by this name with the prime object of establishing a Central Pharmacy for the production of indigenous medicines. The Pharmacy is to produce standardised medicines to cater to the needs initially of Central Government Health Scheme dispensaries, hospitals and units of Research Councils of Ayurvedic, Unani and Siddha. The Corporation would in course of time enter the market and diversify its manufacture to meet the needs of the general public. The Corporation has also been entrusted with the task of cultivation of good quality herbs and also organising their collection from the Himalayan region."

2.118 During the evidence of representatives of the Company, the Chairman, IMPCL expressed the view that 'although there is great potential for the Unani and Ayurvedic medicine in order to conduct research and develop it, a lot more funds and support are required from the Government. In one of the Seminars on AIDS, the Chairman, IMPCL had suggested that they would be able to develop a remedy for the disease provided sufficient help and facilities were made available.

J. Social Responsibilities of Financial Institutions

2.119 Outlining the Social Responsibilities pursued by General Insurance Corporation of India (GIC), the Corporation stated in a note:

"Social responsibilities of the GIC and its subsidiary companies specifically emanate from the General Insurance Business (Nationalisation) Act, 1972 which clearly states that the purpose of the Industry is to serve better the need of the economy by securing the development of General Insurance Business in the best interest of the community....." The developmental path visualised for the country under the Five Year Plans and the nationalisation of General Insurance have enjoined the vigorous pursuit of the following social obligations:

- (a) To provide need based and low cost General Insurance covers to the rural population keeping in mind their low premium paying capacity.
- (b) Developing marketing network throughout the country including areas with a low premium potential with the objective of a balanced regional development but with the primary objective of making insurance available to the masses.
- (c) Develop and introduce insurance with social security benefits.

- (d) Channelise investible funds into socially oriented sectors and provide resources for national development.

The above obligations and responsibilities have been specifically translated into the Corporate Mission and objective Statements in the Corporate Plan of the General Insurance Industry. The current Corporate Plan for the period 1992-93 to 1996-97 coterminous with the VIII Five Year Plan period specifically deals with the social responsibilities in the form of Corporate Mission statements as under:

- (i) To serve better insurance needs of the community with emphasis on all sections of the society and keep customer as the focus of our business.
- (ii) To provide customer satisfaction.
- (iii) To implement the socio-economic policy of the Government of India aimed at upliftment of rural masses and other weaker sections of the society through the instrument of insurance and play a vital role in the development of Indian economy on the basis of sound underwriting principles and techniques.
- (iv) To manage business profitably and deploy investible funds in a manner to improve yield consistent with stability of income.
- (v) To conceive and support measures aimed at propagation of safety awareness, risk management techniques, minimisation of losses and avoid national waste, thus conserving scarce resources.

The above mentioned statements *inter alia* encompass the entire area of social responsibilities of the General Insurance Industry as well as aim at fulfilment of obligations as a public financial institution by channelising the investible funds into socio-oriented and other sectors of the economy as per Government of India guidelines from time to time besides aiming at providing customer satisfaction."

2.120 Stating that social responsibilities are discharged by Industrial Development Bank of India (IDBI) either directly or indirectly through industrial units assisted by it, the IDBI stated in a note:-

"Social responsibilities of financial institutions like Industrial Development Bank of India (IDBI) may be described in relation to various areas of its operations in conformity with the provisions of the statute under which the development bank has been established. Social responsibilities are discharged either directly by IDBI or indirectly through industrial units assisted by it. Activities with a socio-economic orientation taken up by IDBI cover (a) assistance to economically weaker sections of the society (b) developmental activities undertaken to promote self employment/entrepreneurship particularly for specially disadvantaged segments of the society through accredited voluntary agencies and other organisations under

specified activities, (c) environmental aspects of projects assisted by IDBI and (d) development of industrially backward areas. Industrial units assisted by IDBI, particularly in remote and backward areas are encouraged to undertake development of social infrastructure, etc. for the benefit of local population. Also, industrial units assisted by IDBI are encouraged to promote ancillarisation."

2.121 Enquired about the specific spheres of activities financial institutions undertake for the general upliftment of economically weaker sections of the society, Ministry of Finance (Department of Economic Affairs) stated in a written reply as follows:-

"Financial institutions remain financially sound only as long as they focus their lending to Viable Projects. In this context, the apex Financial Institutions, IDBI formulated special scheme for assisting viable industrial projects promoted by economically weaker sections of the society viz. SC/ST, women etc. The Schemes are now operated by Small Industries Development Bank of India (SIDBI), a wholly-owned subsidiary of IDBI. The assistance is routed through state-level institutions and banks by way of refinance of their term loans. Special schemes for village, artisans, tiny units, SCST entrepreneurs, women entrepreneurs and ex-servicemen for providing seed capital, etc. have been introduced. During 1991-92, SIDBI provided refinance assistance of Rs. 510 lakh to 1444 SC/ST entrepreneurs; during 1990-91, sanctions amounted to Rs. 566 lakh to 1820 entrepreneurs. Similarly, under the Mahila Udyam Nidhi (MUN) SIDBI sanctioned Seed Capital assistance of Rs. 284 lakh to 317 women entrepreneurs in 1991-92. Under the Mahila Vikas Nidhi (MVN), SIDBI supported 41 Voluntary Agencies (including 19 by IDBI since transferred to SIDBI) for assistance aggregating Rs. 159 lakh upto end-March 1992."

2.122 On incentives and financial assistance given by financial institutions for projects set up in notified backward areas in the country, the Ministry of Finance (Department of Economic Affairs) stated in a written reply:-

"The decision regarding location of industrial projects vests with the entrepreneurs. However, to attract entrepreneurs to industrially backward areas, IDBI had formulated certain incentives like lower interest rates, higher debt equity ratio, etc. IDBI has also played active role in the development of rural industry and training of rural entrepreneurs. On an average nearly 40% of IDBI assistance has been for units located in backward areas. These activities have resulted in employment generation, and encouraged self-employment among rural masses."

2.123 Given below are details of assistance sanctioned and disbursed by each financial institution for projects in notified backward areas:-

(Rs. Crores)

Name of Institution	1989-90		1990-91		1991-92	
	Sanctioned	Disbursed	Sanctioned	Disbursed	Sanctioned	Disbursed
IDBI	2658.4* (7151.2)	1807.0* (4506.0)	2665.0 (6159.2)	1417.7 (3832.5)	2218.6 (7010.9)	1810.0 (5113.1)
IFCI	890.1 (2101.3)	559.0 (1121.8)	1284.9 (2775.1)	729.6 (1574.8)	1897.2 (2869.2)	781.0 (1605.2)
ICICI	800.6 (1947.7)	445.8 (913.3)	1206.4 (2715.6)	632.5 (1406.4)	1737.8 (3328.2)	856.4 (1867.2)
SIDBI	— —	— —	896.6 (2318.2)	694.9 (1760.2)	1027.0 (2814.2)	727.4 (1983.3)
IRBI	44.1 (146.1)	53.0 (140.5)	67.8 (234.7)	57.3 (153.7)	63.5 (277.7)	54.1 (185.1)

*Includes assistance to small scale sector.

—Figures within brackets indicate assistance to all regions.
factors like social benefit

2.124 The Committee wanted to know whether factors like social benefit to the inhabitants of the area and location of Projects in notified backwards areas, etc. are given due weightage while considering applications for loans for various Projects. In reply, GIC stated in a note:—

“The investment of funds by General Insurance Corporation is guided by government guidelines laid down from time to time. As per the present guidelines 70% of investible funds are invested in socially oriented sectors, viz. Central Government securities, State Government securities, other approved securities, loans to State Governments for economically weaker section housing, loans to State Governments for purchase of fire fighting equipments, loans to HUDCO, (Bonds and Debentures of Public Sector Undertakings) and Special Deposits with Government of India. These investments are made at low rate of interest and carry longer repayment period.

The remaining 30% of investible funds are channelised towards investment in equity/preference shares, debentures of companies and loans to companies besides parking funds. These investments are made with a view to maximise the overall yield on investment portfolio as well as the scope for capital appreciation. Hence weightage is given to return and safety of funds.”

2.125 In reply to the question as to whether factors like social benefit to the inhabitants of the area and location of projects in notified areas, etc.

are given due weightage while considering applications for loans for various projects, IDBI stated in a note:—

“The social benefits flowing to the area and its inhabitants are kept in mind while considering loan proposals. These relate to spin-off benefits of projects assisted by IDBI. Many of the IDBI assisted units apart from meeting their statutory obligations like industrial safety, pollution control, energy conservation, etc., provide in their enlightened self interest to their employees, facilities like transport, free/subsidised meals, facilities for educating their children, medical assistance etc. Some of the units have also taken up activities in rural areas. A few assisted units have also obtained social audit report from eminent persons of their activities aimed at meeting their corporate to social responsibilities. IDBI’s nominee on the board of assisted companies contribute in formulating the activities taken by some of the assisted companies aimed at fulfilling their social responsibilities.”

2.126 Giving information on weightage given to social benefit at the time of sanctioning loans and making other investments, Life Insurance Corporation of India (LIC) stated:-

“The investment of funds of L.I.C. is governed by provisions of Section 27A of Insurance Act, 1938, as made applicable to LIC and Guidelines issued thereunder by Government of India from time to time.

In terms of the aforesaid Statutory Provisions, over 75% of L.I.C. funds are invested for the benefit of the community and the people at large as we are required to invest at least 75% of our annual accretion to the fund in Central Government Securities, State Government Securities, loans to National Housing Bank, Government Guaranteed Bonds issued by All India Financial Institutions, State level Financial Institutions, such as IDBI, IFCI, ICICI, EXIM, IRBI, NABARD, State Electricity Boards, State Financial Corporations, State-level Land Development Banks, etc. and loans for approved purposes in the socially oriented sector. The socially oriented loans are advanced to State Government for social housing schemes-general and rural, to State Electricity Boards, to Local Bodies/Water Supply and Sewerage Boards and State Road Transport Corporations as per allocations made by the Planning Commission on year to year basis at concessional rates of interest and such loans are repayable over a long period. L.I.C. also grants loans to State-level Apex Co-operative Housing Finance Societies and Co-operative Industrial Estate, keeping in view the demand and the availability of funds.

Balance 25% of L.I.C. funds (including 50% funds in pipeline) are invested by way of loans/Debentures/Bonds/Equity of Public

Limited Companies, loans to L.I.C. policyholders and by way of acquisition/Construction of House Properties, etc.

It is apparent that a small part of L.I.C. funds are invested in the industrial projects in the private sector. Such investments are made in consortium with the Lead institutions such as IDBI, IFCI, ICICI and other investment institutions viz. STI, GIC. Generally projects in the priority sector are preferred. All such investments are made as per the advice of the Investment Committee of the Corporation and on investment considerations."

2.127 Asked about the specific schemes being implemented by financial institutions including interest rates subsidy, relaxed terms and conditions for repayment of loans, etc., Ministry of Finance (Department of Economic Affairs) stated in a note as follows:-

"Balanced regional development has all along been one of the objectives of planning. In 1970-71, PFIs devised schemes of concessional assistance such as lower rate of interest/underwriting commission, higher debt-equity ratio, lower promoter's contribution, longer repayment period, etc. for projects in industrially backward area districts identified by the Government. Simultaneously they carried out industrial potential surveys of all the States identified as backward. Subsequently, district-level surveys of selected Backward Districts were carried out by IDBI through the Technical Consultancy Organisations sponsored by it. These surveys succeeded in identifying industrial opportunities in small and small medium sector and in creating an awareness of the development potential of these areas. In line with the Government policy, IDBI launched, during 1982-83, an integrated programme for industrialisation of No-Industry Districts (NIDs). Surveys carried out under this programme, resulted in identification of 122 project ideas in 44 selected NIDs involving capital investment of Rs. 363 crore with employment potential for 20,000 persons. Simultaneously, IDBI also launched two special schemes for development of infrastructure in NIDs (i) Scheme of Assistance for Project Specific Infrastructure Development and (ii) Scheme of Assistance for Area Specific Infrastructure Development. Infrastructure for this purpose was specified to include approach road, railway siding, minimum housing facilities, laying of power lines and water pipes, captive power plant etc. Assistance Sanctioned by IDBI for area-specific infrastructure development in NIDs upto March 1991 amount to Rs. 101 crore covering 48 NIDs. Thus, assistance sanctioned to backward areas increased from Rs. 1666 crore in 1986-87 to Rs. 2686 crore in 1990-91. Also, more than 40% of the total IDBI assistance has been in respect of backward areas. All 301 identified backward districts have been covered under IDBI's direct or refinance assistance. The Government subsequently decided to set up Growth centres instead of continuing

with the concept of NIDs and also discontinued the investment subsidy scheme. Financial institutions now provide assistance to projects in backward areas on normal terms."

2.128 Enquired about the role played by financial institutions in promoting balanced regional development, the Ministry of Finance (Department of Economic Affairs) informed the Committee in a note:-

"The Government has decided to set up Growth Centres in place of No-Industry Districts Schemes. The objectives of the Growth Centres is to promote industrialisation of backward areas as also development of infrastructure for bringing about balanced growth in such areas. So far, 70 Growth Centres have been identified by the Government. Of these, projects for 28 growth centres in various States have been approved by the Apex Committee constituted by the Government. Besides the participation of Central and State Government, all-India financial institutions have agreed to provide assistance upto Rs. 5 crore (equity Rs. 3 crore and loan Rs. 2 crore) for Growth Centres to meet part of the project cost amounting Rs. 25.30 crore.

The FFIs have also promoted 17 Technical Consultancy Organisations (TCOs) covering all the backward States. TCOs are undertaking industrial potential surveys, preparation of project profiles, entrepreneurial development programme and other related advisory services to entrepreneurs.

Recognising the importance of entrepreneurship, IDBI has been supporting the Entrepreneurship Development Programmes which include EDPs for women, persons from rural areas, ex-servicemen, etc. An institute styled Entrepreneurship Development Institute of India (EDII) has been set up for training the trainers, developing the training material, research in EDPs etc. IDBI has also taken steps to set up training and development centres in the North Eastern Region. It has set up institutes for Entrepreneurship Development in less-developed States of Uttar Pradesh, Bihar, Orissa and Madhya Pradesh. In order to improve the performance of operating SSI entrepreneurs, IDBI has been supporting skill and Technology Upgradation Programmes especially in the less developed States.

With a view to making available quality testing facilities to Small Sector, IDBI is setting up 10 Common Quality Testing Centres (QTC). To establish and interface between engineering and technology institute and industries, IDBI jointly with IFCI and ICICI has assisted 8 Science and Technology Entrep-

renews Parks (STEPS) projects approved by Department of Science and Technology, Government of India.

Besides, SIDBI is undertaking a variety of promotional activities or the development of SSI and rural industries."

K. Social Responsibilities of the Private Sector

2.129 The Private Sector enterprises are financed by the financial institutions in the public sector and provided with the requisite raw material by other public enterprises.

2.130 The then Chairman, Committee on Public Undertakings in his Inaugural Address to the Committee on 30th September, 1991 where Hon'ble Speaker, Lok Sabha was also present observed as under:-

"There are quite a few public undertakings without whose support and concessions the so-called private industries cannot be started as of today. The State and the Central Governments offer lot many incentives to these 'private' industries; like exemption from payment for a certain period of sales tax, etc. They are given many other additional incentives and benefits too. Development loan is made available to them at low rate of interest and all this money comes from the public exchequer with the sole aim of developing industries more especially in backward areas and to ameliorate the lot of backward people. A certain machinery has to be established by these controlling helping public undertakings and/or by Committee on Public Undertakings in order to see that the money that comes from the public exchequer for those private industries either directly by public undertakings or by State or Union Governments to achieve these objectives is spent in a manner that the objectives of the scheme of such incentives are achieved and to examine whether the objectives are achieved. In my humble submission, I would say in all humility, that those public undertakings which have thus a control over the private industry like IDBI, IFCUTI, LIC etc. have to do their duty to the public. We need to request the Chairman of those undertakings to see that when they finance such projects and incentives are given the objective behind that financing and offer of incentives; and facilities are achieved and money thus coming from the public exchequer is well spent by such so-called private industries. Indeed, there is no such thing as totally a private industry in reality. Ultimately, much of the money comes from the public finance. One can at best sum it up by stating that the public money is managed by private individuals."

2.131 Suggesting that the Public Sector should be an effective change agent for the Private Sector, the Executive Trustee, Unit Trust of India stated during the first sitting of Study Group-I of Committee on Public Undertakings held on 24th April, 1992 as follows:—

"The Public Sector Units can be a great sources of what is called the

change agents. We are speaking about how the Public Sector could make the private sector more socially accountable or conscious. The Public Sector could be a good change agents. The Public Sector uses a lot of private sector agencies for despatch, transportation and rendering computerisation services. As a user, the public sector would be able to set certain standards, promote those standards and thereby act as an important change agent. Therefore, some good value-systems can be evolved by the private sector. Otherwise, it will merely be profit oriented."

2.132 On the participation of private sector in fulfilment of social responsibilities, Oil India Limited stated in a note:-

"In order to encourage private sector participation in undertaking social responsibilities and ensure accountability in respect thereof public sector should be permitted to enter into joint programmes/ventures with the private sector to finance/implement such programmes. Any other means would perhaps not be desirable because they would be in the nature of restraint of trade or fundamental rights. Nevertheless, it is suggested that the involvement of the private sector be mentioned as follows:-

- (i) By statute or mandate to contribute to the social responsibilities on a slab system of profitability and rate of return;
- (ii) Private Sector should also be furnished guidelines to undertake such responsibilities towards which there should be declaration in their mandate to do business, e.g. Memorandum of Association/Articles of Association/Prospectus etc.
- (iii) It must be made mandatory to include in the Annual Reports for both the Sectors to furnish statement on their social obligation policies and a statement on their social commitments. An accounting policy for social accounts should also be prescribed by the appropriate authorities and the Annual Reports must also disclose the social income statements and the social balance sheets."

2.133 Giving the views on the same subject, Mazgoan Dock Limited stated in a note:—

"A duty should be cast by the public sector financial institutions on the private sector units, at the time of granting loans that they will endeavour to contribute their share for the betterment of the people of the area in which they are located. An enforcement agency should be created in the District Industries Centres. An Act of Parliament be passed for such enforcement in respect of fulfilment of social responsibilities and also such responsibilities should be listed clearly."

Hindustan Prefab Limited made the following suggestion in this regard:—

“Certain percentage of net profit of the private firm be earmarked and pooled for social obligation and this private sector can be involved in such activities for the local people.”

2.134 On fulfilling of social responsibilities by those private sector Industries which are financed by the public sector or financial institutions, National Film Development Corporation Limited (NFC) suggested as follows:—

“Social responsibilities of the private sector being so financed should be laid down and further funding should be dependent on the targets achieved. Government/Public sector nominee should be on the board of such private sector and it should be their responsibility to ensure that the management of the private sector enforces the laid down norms.”

2.135 Suggesting that a Memorandum of Understanding should be signed with a company in the private sector with regard to the social obligations they are expected to discharge at the time when Government offers incentive packages, the Chairman Industrial Development Bank of India stated in evidence:—

“I propose that while the states are offering incentive packages for attracting industries side by side with them, the States must have a standard MoU... The MoU should outline how are they going to accomplish the tasks regarding social responsibilities. And signing of that MoU is an essential part for getting incentive package.”

2.136 Suggesting provisions in the Loan Agreement itself for discharging social obligations, Telecommunications Consultants India Limited stated in a note:—

“Public Sector can make private sector accountable to the social welfare in case while giving the loans/facilities/contracts financial institutions provide a clause in the Loan Agreement identifying for fulfilling the social responsibilities by the company duly identifying the social responsibilities of the Company. Further, the Board of members from the Public Sector Financial Institutions/Government should also ensure the same.”

2.137 In this regard Bharat Petroleum Corporation Limited suggested as follows:—

“Guidelines may be issued whereby even the private sector is made responsible for undertaking certain essential activities by way of their social obligations.”

2.138 Pointing out the need for the involvement of the private sector in the implementation of Social Welfare Programmes, the Chairman & Managing Director Hindustan Organic Chemicals Limited stated at the first sitting of Study Group-I of the Committee on 24th April, 1992 as follows:—

“One thing we should really appreciate that private sector should also come forward or should be required to discharge some social obligations because so far the total burden has been falling only on the public sector and if the private sector in that region could do even half of the work which the public sector is required to do, the pressure on the public sector will considerably diminish. What happens generally that whenever any demand comes, it is the public sector—those who make profits has to look after that demand. The demands come from various corners—immediate neighbourhood, the district, the state and the country somewhere flood, earthquake somewhere drought relief, these are all required to be fulfilled for various reasons.”

He further added:—

“For social obligation and public accountability it should be desirable that all the resources, both of private and public, be pooled so that somewhere you create hospital facilities, some where you create fire-fighting facilities somebody is entrusted with infrastructural facilities, and so on.”

III. PUBLIC ACCOUNTABILITY OF THE PUBLIC SECTOR

3.1 Public Undertakings are accountable to the people since it is the public money which has been invested in the public enterprises. Public accountability of the public sector is one of the basic ingredients of the democratic set up in our country.

3.2 The Committee wanted to know as to what was the existing mechanism to ensure public accountability of the public sector in matters relating to fulfilment of social responsibilities. Telecommunications Consultants India Limited (TCIL) stated in a reply:

“The existing mechanism to ensure public sector accountability in the matter relating to the fulfilment of the social responsibilities is through MoU which should be strengthened further.”

3.3 The Public enterprises Survey brought out by the Department of Public enterprises annually depicts only a brief resume relating to socio-economic and welfare measures undertaken by the Public Enterprises for their employees.

3.4 Enquired as to whether the Public Undertakings are required to indicate progress made in social obligation programmes in the periodical reports and returns submitted to the administrative Ministry. DPE etc. and in the Annual Reports presented to Parliament. TCIL replied as follows:—

“Presently no report or return on social obligation is sought by the administrative Ministry.”

3.5 In this context Bharat Petroleum Corporation Ltd., (BPCL) stated in a note:—

“In this inputs provided to the Ministry of Petroleum and Natural Gas for its Annual Report, we submit details of our activities under social obligations. In the Annual Report of the Corporation too, we indicate the broad areas of achievements with regard to activities on ‘social obligations.’”

3.6 Some of the Public Undertakings voluntarily furnish Social Accounts in the Annual Report which consist of a statement on social commitments and social balance sheet.

However, Mishra Dhatu Nigam Limited stated in a note:—

“Except that we indicate the expenditure incurred on providing social welfare measures for our employees and their family members in our Annual Reports, no separate Social Balance Sheet is included.”

3.7 National Textile Corporation (APKK&M) Limited argued in a note as follows:—

“The Companies Act and various guidelines from Bureau of Public Enterprises and Company Law Boards govern the contents of Annual Reports, while it is mandatory to Publish the capital and revenue expenditure on social overheads, we are not aware of the guidelines if any for the form and contents of a separate Social Balance Sheet. Formal guidelines will be necessary in this regard.”

On this issue, BPCL stated as follows:—

“Although we do not produce a separate Balance Sheet, in this Annual Report, we indicate separately the capital and revenue expenditure on social overheads. Besides, in the Annual Report, we indicate the broad areas of achievements with regard to activities on social obligations.

3.8 ONGC stated in their reply as below:—

“For couple of years, ONGC has given Social Balance Sheet in the Annual Report. This was, however, discontinued since 1988-89 and many of the undertakings were not giving this information in their Annual Accounts.”

3.9 MMTC stated that it includes a social income statement and Social Balance Sheet as part of its Annual Report.

3.10 Oil India Limited besides giving the Social Balance Sheet gives a detailed account of the social welfare measures undertaken by the Company during the year, in the Annual Report.

3.11 In reply to a question as to why this procedure has not been uniformly adopted by all the Undertakings, OIL stated:—

“Progressive undertakings having commitments to social obligations programmes submit Social Balance Sheets as proud proclamations in their Annual Report. This procedure is not uniformly adopted by all undertakings due to followings:—

- (a) Lack of commitment to programmes;
- (b) No mandatory requirement under Accounting Standards of Institute of Chartered Accountants or Company Act 1956 to include the same.”

3.12 To a query by the Committee as to whether it would not be desirable to subject the social accounts of the Undertakings to statutory and C&AG audit, the Ministry of Industry (Department of Public Enterprises) was unable to give any satisfactory reply for or against the suggestion.

3.13 On being enquired as to whether any Social Audit has been conducted to assess the extent to which social obligations towards employees, consumers, the community at large and the people in the areas where the units are located have been fulfilled, the PSUs replied in the negative. However, Mahanagar Telephone Nigam Ltd. stated as follows:—

“Hon’ Minister of State (Communications) has appointed a Social Audit Panel to ensure greater degree of satisfaction amongst our valued customers for both Delhi and Bombay Units.”

3.14 The Committee were given to understand that a private sector company like Tata Iron & Steel Company Limited undertook Social Audit as far as in 1979. The Panel appointed by the Board of Directors of TISCO in 1979 to conduct the Social Audit arrived at the following conclusion:—

“The Committee has studied the literature on social audit and examined its diverse aspects and has come to the conclusion that companies such as TISCO have obligations to its workers and share holders and to the community in which the company operates and to the larger society that these obligations arise from the Company’s own understanding of what it owes to society and that such an understanding is based on values and norms that have been traditionally nurtured in India.”

PART II

CONCLUSIONS/RECOMMENDATIONS OF THE COMMITTEE

1. The concept of social welfare has been prevalent in our society from time immemorial. It received approbation after independence in the Constitution of India which provides for a Welfare State. The Preamble and the Directive Principles of State Policy in the Constitution of India clearly enunciate the social policy of the State, which is the basis of our planning. A Welfare State is expected to strive to minimise inequalities in income, status, facilities and opportunities among the people and strive to promote the welfare of the people.

2. After independence, to tide over the problems which were being faced by the country on economic, social and strategic fronts, it became a pragmatic compulsion on the part of the Government to deploy the public sector as an instrument to develop sound agricultural and industrial base, overcome economic and social backwardness and generate employment opportunities and balanced regional development. This endeavour to have a planned development of the country and the national objective of establishing a socialistic pattern of society together with the Industrial Policy Resolutions adopted by Parliament in 1948 and 1956 lead to steady growth of State enterprises of diverse nature in India. As against 5 enterprises under the Union Government with an investment of Rs. 29 crores in 1951, there were as many as 246 Central Public Sector Enterprises with an investment of Rs. 135871 crores as on 31.3.1992. The Committee view with great concern that although there has been such a massive growth in the public sector, the social objective, which was one of the basic considerations for the formation of the public sector has not been assigned the importance it deserved either by the Government or by the PSUs. (*Recommendation, S.No. 1, Paragraphs 1 and 2*)

3. Social responsibilities endowed on a Welfare State are enunciated in the Directive Principles of State Policy in the Constitution of India. The State includes the Government and Parliament of India and the Government and the Legislature of each of the States and all local or other authorities within the territory of India or under the control of the Government of India. Thus every Public Undertaking forms an integral part of the State. The Committee, therefore, are of the considered view that being part of the State every Public Undertaking has the moral responsibility to play an active role in discharging the social obligations endowed on a Welfare State, subject to the financial health of the enterprise. (*Recommendation S.No. 2, Paragraph 3*)

4. The Social responsibilities of public undertakings could broadly be split into four spheres, viz. those (a) towards the shareholders, (b) towards the employees, (c) towards the consumers and (d) towards the society in general and the local people in particular. In the present Report, the thrust of the Committee is on the last sphere of social responsibilities, i.e. social responsibilities of Public Undertakings including financial institutions towards the society at large and the local people in particular. Within the ambit of the Committee's present examination, *Social responsibilities of Public Undertakings including financial institutions could be defined as the moral obligations, which an enterprise, being an agency of a Welfare State, is expected to fulfill in addition to its corporate objectives for the welfare of the society at large and the people in and around its area (s) of operation.* The term has a very wide connotation covering the entire gamut of social and welfare measures in the fields of education, culture, health and family welfare, housing, development of infrastructural facilities and civic amenities, recreation, social welfare, disaster relief, environmental protection, schemes for rural upliftment, etc. With a view to help the underprivileged class of people and raise their lot socially and economically so that they can be brought into the mainstream of the society, the public sector undertakings being the potent instruments of the State have a significant role to play. (*Recommendation S.No. 3, Paragraph 4*)

5. The Committee find that whereas some of the PSUs like Gas Authority of India Ltd., Oil & Natural Gas Commission, Steel Authority of India Ltd., National Mineral Development Corporation Ltd. and Hindustan Organic Chemicals Ltd. have shown a sense of commitment to the cause of social responsibilities and are engaged in various activities voluntarily for the welfare of the people around the areas of their operation, there are other enterprises like Life Insurance Corporation of India, General Insurance Corporation of India and Central Warehousing Corporation, which despite having a wide-spread network across the country have not done anything worthwhile in this direction. However, the Committee are perturbed to find that some enterprises have failed to discharge social responsibilities on one pretext or the other. They are of the view that being in any specific service like trading, telecommunication or consultancy does not exonerate an enterprise from discharging social responsibilities. For instance, in the field of commerce, trade and business wherever our public undertakings have to deal with foreign trading companies such companies as are established and run by NRIs need to be encouraged; as an illustration public undertakings like VSNL must give preference to NRI owned Telecommunication Carriers like Stratech established and run by NRIs in Washington DC(USA). Similarly, an Undertaking like Food Corporation of India should not be content with merely discharging its corporate objectives like procurement, supply and maintenance of buffer stocks of foodgrains. The Committee trust that as assured by the Chairman, LIC and the Chairman, GIC, plan of action must have already been drawn up by the

Corporations for discharging social responsibilities. (Recommendation S.No. 4, Paragraph 5)

6. For its own efficient functioning an enterprise needs to operate in a congenial and peaceful surrounding. A healthy and prosperous unit cannot remain an island for long ignoring the poverty and sufferings of the people around it. Therefore, every Undertaking has to be sensitive to the problems, needs and aspirations of the people of the area in which they operate and should be prepared to render them a helping hand whenever required. However, in the Committee's view an act of charity should not be something thrust upon but a spontaneous outflow from a benevolent heart, Swami Vivekananda has rightly said: "It is great privilege for all of us to be allowed to do anything for the world. In helping the world, we really help ourselves." In Committee's view the ultimate goal of discharging social responsibilities should be the common good of as many people as possible, be it something for the benefit of the people in general or the people of the area of operation of the enterprise in particular. (*Recommendation S.No. 5, Paragraph 6*)

7. Some of the common spheres of activities which could be undertaken by public undertakings are promotion of literacy and higher education; health and family welfare; providing clean drinking water; community development; environmental protection and sanitation; development of infrastructural facilities and amenities like roads, bridges, street lighting and drainage; promotion of sports, art and culture; assistance in housing and township; improving the lots of socially and economically weaker sections of the society; providing employment to local people; rehabilitation of Project Affected Persons (PAPs) and meeting local needs as and when required. The spheres of activities listed above are only illustrative and not exhaustive. The Committee suggest that projects for fulfilment of social responsibilities should be selected by individual undertakings keeping in view the specific requirements of the areas where the units are located. In consultation preferably with the peoples' representatives, renowned social workers of the district and non-governmental organisations. (*Recommendation S.No. 6, Paragraph 7*)

8. The Committee note that whereas some Public Undertakings discharge social responsibilities voluntarily, there are others which are not even aware of the social significance of the public sector. This is mainly due to the failure of Government to define the social objectives and obligations at the macro level and by the PSUs at the micro level. The Committee on Public Undertakings have been focussing their attention on this vital aspect relating to the public sector since the last three decades. As far back as in 1965 the Committee had in their 7th Report (3rd Lok Sabha) recommended that the Government should enunciate social objectives and obligations of PSUs

alongwith financial and economic objectives. Even after the Committee reiterated their recommendation in the 40th Report (1973-74), the Government spelt out only financial and economic macro objectives of the public enterprises in the Industrial Policy. Statement made in Parliament in 1977 ignoring the social objectives. The Committee cannot but deprecate the cavalier and ham-handed manner in which the Government has been handling such a vital objective of the public sector. The Committee are of the firm view that if the public sector has not been able to adopt a codified strategy with regard to fulfilment of social obligations, it is the Government which should own the responsibility for not taking the initiatives to spell out the macro objectives in this regard. (*Recommendation S.No. 7, Paragraph 8*)

9. The result of the absence of any clear policy in this regard has been that most of the PSUs have not been able to spell out their social objectives in the Corporate and Annual Plans, although many of the public undertakings earmark separate funds for social welfare annually and take up projects of their choice. In the absence of any Government guidelines some of the enterprises are even hesitant to take the risk of undertaking welfare activities. In order to make the public sector conscious and committed to upliftment of the society at large and the people in the area of their operation most of the public undertakings were also of the view that it is desirable that Government should clearly lay down social responsibilities to be fulfilled by them.

10. Not only has the Government failed to lay down any policy in regard to social objectives of PSUs, what is surprising to the Committee is their failure even to regulate and streamline the welfare activities which are already being undertaken by several PSUs. It is high time that effective steps are taken to codify and institutionalise various types of social responsibilities being discharged by different PSUs in an unorganised and haphazard manner. After examining all the aspects relating to the subject, the Committee have arrived at the inevitable conclusion that the Government should clearly enunciate social objectives and obligations of the public sector. The Committee would like to be apprised of the action taken by Government in this regard.

11. The Committee agree with the view expressed by the Secretary, Ministry of Industry (Department of Public Enterprises) that it would not be desirable to draw up an exhaustive list of activities to be discharged by each and every undertaking. The nature of activities selected may vary from Undertaking to undertaking depending on the sphere of operation of the Company, location of the units, financial health, etc. The Committee are, therefore, of the firm view that the Government should spell out the social objectives only at the macro level and leave it to individual enterprises to draw up detailed programmes for compulsory implementation by them. After the social objectives are defined by Government, each undertaking

should within a period of six months draw up its own plan of social responsibilities at the micro level keeping in view the Government guidelines, the availability of resources and the local needs which every undertaking should conscientiously sense with discernment. The targets for social responsibilities to be discharged by a particular undertaking should be included in the Annual Plan and the Memorandum of Understanding (MoU) signed with the Government. Government guidelines with regard to MoU therefore need to be suitably modified to include also general targets for fulfilment of social responsibilities. (*Recommendation S.No. 8, Paragraphs 9-11*)

12. In the Committee's view, fulfilment of social responsibilities should be linked to profitability of an enterprise. No PSU should undertake welfare activities to the detriment of its financial health. The Committee fully subscribe to the views expressed by the Executive Trustee, Unit Trust of India that "when we speak of social responsibility of the Public Sector, the first concern should be that those public sector units which are operating less efficiently and not achieving their objectives must, first and foremost, concentrate on achieving their objective." PSUs which are declared sick or which have been in the red consecutively for a period of three years should automatically stand exempted from discharging social responsibilities till such time they come out of the red. But at the same time this should not be construed to mean that there is a premium on inefficiency and that Committee are in favour of condoning any slackness. The Committee have also taken note of the suggestions about taking into account the expenditure incurred on social responsibilities while evaluating the financial performance of the Undertaking and a tax rebate system on the amount spent on social welfare. They have not gone into the merits and demerits of the proposals. The Committee suggest that the proposals should be examined by Government taking into account their pros and cons and decisions taken thereon should be intimated to the Committee. (*Recommendation S.No. 9, Paragraph 12*)

13. The Committee welcome the suggestion for pooling together of resources by the public and private sector industries located in a region for the pursuit of social responsibilities. In their 18th Report (1992-93) on Indian Petrochemicals Corporation Limited, the Committee had recommended that the proposal by IPCL to set up a large hospital in association with other neighbouring industries such as RCF, HOC and other private industries located in the area should be translated into a reality. In their 19th Report (1992-93) on Industrial Development Bank of India also the Committee, while illustratively pointing out the fact of scarcity of water in a highly industrialised district like Raigad in Maharashtra, had welcomed the positive response shown by the Chairman, IDBI who had volunteered to work out a scheme to cover the entire district so that the acute problem of

drinking water was solved. He had also assured to set an example in all other similar areas/regions. The Committee had desired an early action in this regard. They reiterate the recommendations and expect all concerned to treat these as guidelines for the good of the locality and its people in discharge of their social responsibilities and in commitment of their public accountability. They further suggest that wherever in a region PSUs are contiguously located, efforts should be made to pool together the resources and jointly plan and implement major projects of public utility like hospitals, educational institutions, provision of drinking water, etc. for the welfare of the people in the region. (*Recommendation S.No. 10, Paragraph 13*)

14. For effective formulation, implementation and monitoring of activities relating to social responsibilities it is imperative that a cogent group of committed persons should be deputed by the Public Undertakings for the job. As is being done in most PSUs, it would be appropriate to assign the overall supervision of the programmes relating to social responsibilities to the senior most officer in charge of Administration/personnel both at the corporate and the plant level especially in case of multi-unit enterprises. The Committee wish to stress the need to have a separate division in each major unit/plant where social welfare programmes are carried out on the pattern of the Peripheral Development Department functioning in SAIL's plants. The Committee feel that the existing procedure and administrative set up in SAIL for planning, formulation and implementation of proposals with regard to social responsibilities is worthy of emulation. In multi-unit enterprises, social projects should be identified and proposals prepared at the plant level. After scrutiny and approval at the plant level, the proposals should be sent to the Corporate Office. Consolidated proposals should be got approved at the Board level before budget allocations are made. It is also desirable to avail of the help of the State Government and District administration, wherever necessary, for identification and implementation of schemes at the plant level. (*Recommendation S.No. 11, Paragraph 14*)

15. One of the main planks of planning in India has been to generate employment opportunities. As far as public undertakings are concerned, they can act as a potent device for offering employment particularly to the residents of the region where their plants/units are located. The Committee are happy to note that the Government has realised the necessity of providing employment benefit to the local people at least in recruitment of posts carrying scales of pay the maximum of which does not exceed Rs. 2,500/- per month. In spite of this, the actual compliance of the guidelines is not satisfactory in respect of many of the undertakings. To the Committee it appears incredible that public enterprises are unable to find local people even for unskilled and manual jobs in group 'D' posts. If at all any type of basic training is required for posts in Group 'D', the enterprise concerned should be forthcoming to arrange for such training to the local people in the eligible age-group so as to make them suitable for the job

requirements. The Committee are of the firm view that recruitment to posts with pay scales upto Rs.2,500/- should invariably be done through the local Employment Exchange by providing training as and when required. However, in exceptional cases if an Undertaking is unable to get candidates through the local Employment Exchange, the vacancies should be advertised in the local newspapers after obtaining non-availability certificate from the local Employment Exchange and candidates from the adjoining areas should be given priority as compared to outsiders provided they possess the required qualifications. (*Recommendation S.No.12, Paragraph 15*)

16. As far as categories other than Group 'D' are concerned BYNL has a system of inducting ITI apprentices on regular basis from amongst the local people and imparting them training in order to make them better qualified for jobs in the respective trades. In addition, its subsidiaries like Bharat Pumps Compressors Limited and Triveni Structurals Limited organise tailor-made training programmes in collaboration with the local training institutes for the local people to equip them with the required skills for employment. Similarly, BPCL Refineries also train large number of local people as Apprentices under the provisions of Apprenticeship Act, 1961. Though it is not obligatory, many such trained people are absorbed depending on availability of vacancies while others acquire improved prospects of obtaining jobs elsewhere. It is also commendable that NALCO units which are located in relatively remote areas with relatively less qualified people around have recruited more than 50% of their skilled, semi-skilled, highly-skilled and even supervisory personnel through the Company's own training schemes. Against the existing manpower of about 3650 employees in these categories, about 2000 persons have been inducted through NALCO's own training schemes. NALCO's Angul Plant has trained more than 300 boys from nearby villages, who mostly belong to land affected categories, at the ITI for giving them technical qualifications and skill for employment. The Committee suggest that similar sincere efforts should be made by all other public Undertakings and especially by the units which are located in the rural, hill, backward and tribal areas to impart suitable training to the local population with a view to equip them with the required skill to take up employment. If an undertaking is unable to provide employment to people in the locality due to reasons like excess manpower, efforts should be made to impart training and financial help, if possible, to them in order to enable them to take up self-employment as is being done by SAIL plants. (*Recommendation S.No. 13, Paragraph 16*)

17. The DPE issued comprehensive guidelines to PSUs to accelerate the growth and development of small scale ancillary units as far back as in 1971. The Committee are astonished to find that inspite of repeated guidelines issued by Government from time to time, some enterprises have not taken adequate steps for encouraging development of ancillaries. Although a detailed format for submission of half yearly report by PSUs to

the DPE, Administrative Ministry, etc. for the purpose of monitoring the progress of the growth and development of ancillary units was circulated to all Undertakings, the Committee have gathered the impression that the DPE and the Administrative Ministries have failed to ensure strict compliance of the guidelines and in monitoring the progress made by the Undertakings in this regard. The Committee urge the DPE and the Administrative Ministries to ensure that public enterprises take adequate steps to develop/support ancillary and small scale industries. (*Recommendation S.No. 14, Paragraph 17*)

18. With a view to encourage ancillaries and small scale industries (SSIs), the Committee suggest that a full time senior level officer should be appointed as Ancillary Development Officer at plant level to supervise and coordinate with floor managers and ancillaries for identification of products which could be developed by these units and SSIs and location of units which could undertake the job. The progress made in this regard should be reviewed at the highest level in each plant periodically and specific steps taken to speed up the process of development. (*Recommendation S.No. 15, Paragraph 18*)

19. Another area of rendering benefit to the local people would be by way of awarding contracts to eligible people in the region. While the extant guidelines with regard to inviting of tenders for awarding major contracts might continue to be complied with, the Committee see no reasons why routine maintenance jobs of plant and township; contracts for cleaning, repairs and transportation; minor construction jobs, etc. involving minor expenditure should not be awarded to local entrepreneurs. (*Recommendation S.No. 16, Paragraph 19*)

20. The most woeful impact of industrialisation is displacement of large number of people from their ancestral habitat and traditional occupation. As provided in the Land Acquisition Act, 1968, the State Government awards the compensation for the land acquired for the purpose of setting up new projects/units. What the Committee are deeply concerned about is the rehabilitation aspects after land acquisition. Although the DPE had issued certain guidelines in this regard in 1986 with a view to streamline the procedure it is disturbing to find that till now a uniform approach to alleviation of hardships faced by displaced persons has not been evolved by the PSUs. Whereas some enterprises have taken shelter under the plea that rehabilitation of Project Affected Persons (PAPs) is the responsibility of the State Government and washed off their hands, there are PSUs which have gone to the extent of attending to every minute requirement of rehabilitation besides providing employment or paying subsistence allowance for a period of 20 years. It goes without saying that the Public Undertakings concerned have a moral responsibility to ensure that the dispossessed persons are rehabilitated fully instead of leaving them to destiny to decide their fate.

Their basic requirement like alternative house, educational facilities, drinking water and requisite infrastructural facilities need to be taken care of. The role of the State Government and the Undertaking concerned needs to be specified to avoid any sort of lapse on either side or duplication of efforts in the rehabilitation process. The Committee, therefore, impress upon the Government to clearly lay down comprehensive guidelines covering all aspects of rehabilitation and demarcating the responsibilities of the State Government and the Public Enterprises. (*Recommendation S.No. 17, Paragraph 20*)

21. Perhaps the only facility that was being extended to PAPs by most of the public enterprises was providing employment to one person from each displaced family. However, in 1986 DPE issued the following instructions revoking it:

“In the context of the urgent necessity of public sector enterprises operating at commercially viable levels and generating adequate internal resources, over-manning has to be guarded against. Any understanding formal or informal, in regard to offer of employment to one member of every dispossessed family in the project will stand withdrawn.”

It is astonishing that a deserving facility that was being made available to PAPs for almost last four decades was withdrawn in such a casual manner. A tribal or peasant who is evicted from a hilly or rural area loses his traditional occupation and is left high and dry without any source of subsistence. It is only humane to offer him some source of livelihood. The Committee feel that if lack of required educational qualification is the deterrent factor, those without the specific qualifications should be offered jobs in unskilled categories or imparted training by the undertaking concerned to equip them for the skilled categories of jobs. In case there is a problem of over-staffing, PAPs could be absorbed as and when vacancies arise. The Committee cannot but deprecate the casual manner in which the Government discontinued the facility of employment to PAPs and desire that it should be restored forthwith and the Committee be apprised of the same. Care should, however, be taken that employment is offered only against existing vacancies after the candidate acquires the required qualification/skill wherever necessary. (*Recommendation S. No. 18, Paragraph 21*)

22. Most of the PSUs were set up mainly to function on commercial lines and earn profit on the investment made although social responsibilities are also an important ingredient of their objective. Nevertheless a few public undertakings like Artificial Limbs Manufacturing Corporation of India (ALIMCO) and Indian Medicines Pharmaceutical Corporation Limited (IMPCL) were primarily set up for much more benevolent and noble objectives. The Committee need hardly emphasise that such enterprises ought not be viewed at par with other PSUs.

23. The aims and objectives of ALIMCO which was set up for the manufacture and supply of aides and appliances needed by the disabled are more charitable in nature than commercial. The original assumption was that funds for the Company's operations would be derived *inter-alia* from contributions and annual grants from the National Defence Fund, The Central Government, the State Government, public institutions, etc. and donations from various sources. However, having been left to sustain itself, ALIMCO had no choice other than to fix high prices for its products to meet the cost of production. With exorbitant prices required to be paid by the disabled for procuring aides and appliances, the social benefits expected of the Company have not really accrued to the deserving sections of the lower strata of society. While deploring the indiscriminate manner in which Government has rescinded the original assumption with regard to raising resources for the operations of the Company, the Committee would like to impress upon the Government that even in the context of the changing economic policy, a more lenient policy should be adopted towards socially oriented PSUs like ALIMCO. Government should examine ways and means of providing financial support to those activities of the Company which are directly meant to benefit the disabled. Such a support is not meant to help the enterprise, but is essential for the social cause the company is engaged in. The Committee would like to be informed of the specific steps taken by Government in this regard. (*Recommendation S. No. 19, Paragraphs 22 and 23*)

24. Similarly, Indian Medicines Pharmaceutical Corporation Limited (IMPCL), besides being located in a remote tribal area is endowed with the prime social objective of preserving and developing indigenous Ayurvedic, Unani and Siddha medicines, which are part of our cultural heritage. It would be no exaggeration to say that the dormant potential and extreme suitability of the indigenous systems of medicare to the Indian conditions of life are still not fully recognised. The Committee urge that IMPCL which is also entrusted with the responsibility of cultivation of high quality herbs and their collection from high terrains of the Himalayan region, should be given necessary financial assistance to take up research in Ayurveda, Unani and Siddha especially with a view to developing medicines for those diseases with no remedy as yet. (*Recommendation S.No. 20, Paragraph 24*)

25. Public sector financial institutions (PFIs) including banks play a pivotal role in the development of backward regions, upliftment of rural masses and weaker sections of the society and promotion of industrialisation. As such, PFIs, have a specialised role towards the society at large as part of their corporate objective over and above those social responsibilities which each and every public sector enterprise discharges out of moral obligation or goodwill being an agency of the State. To mention a few, the PFIs are endowed with the social objectives like implementation of socio economic policies of the Government aimed at upliftment of less privileged sections of the society through their investment and insurance cover suited

to the rural population with low premium paying capacity; introducing schemes for loan/insurance with the objective of social benefit; channelising investible funds towards under developed regions, weaker sections of the society and other socially oriented sectors and providing loans, assistance, etc. at non-commercial terms and concessional rate of interest.

26. The Committee note that high claims have been made by the Government and the financial institutions about fulfilment of social obligations in keeping with their corporate objectives. They are, however, sceptical about the extent to which the benefits have actually percolated down to the lowest strata of the society especially in the remote, hilly and tribal regions of the country. The Committee urge that the Government should issue detailed and comprehensive guidelines to all financial institutions including banks to vigorously pursue social objectives in letter and spirit in keeping with the socio-economic policies of the Government. (*Recommendation S.No. 21, Paragraphs 25 and 26*)

27. One of the aspects of PFIs which the Committee would like to mention specifically is that they should earnestly strive to promote balanced regional development. In order that benefits deriving out of industrial development and progress are equitably shared by one and all, it is necessary that disparities between regions are progressively reduced. With this end in view, financial institutions should make a conscientious effort to channelise more investments to relatively under-developed and economically backward areas. (*Recommendation S.No. 22, Paragraph 27*)

28. Coming to the implementation part of socially oriented schemes, the impression gathered by the Committee is that benefits deriving out of the schemes directed towards the welfare of the poorest of the poor are actually enjoyed by the more influential and well to do sections of the society. The Committee suggest that PFIs should renew and regenerate their commitment to the social objectives. With respect to schemes which are exclusively launched for social welfare, Government should examine the possibility of giving more liberal incentives like lower rate of interest, relaxed terms of repayment, etc. All schemes with social objectives in view should be made more specifically suited to the targetted groups and implemented religiously. In order to ensure that the benefits out of such schemes are not diverted for other purposes, the Committee desire that there should be stricter and regular monitoring at the implementation stage. (*Recommendation S.No. 23, Paragraph 28*)

29. Every human being should cultivate a sense of concern for fellow-beings. Charity and goodwill should become a way of life. Thus, it would be unfair to restrict social objectives and obligations to the public sector alone. In fact, many a time the public sector is under great pressure to meet several requirements like fulfilling of various social responsibilities, meeting emergency demands for relief at the time of natural calamities like flood, drought and earthquake, etc. It has been acknowledged even in developed

countries that maximisation of social welfare should be the legitimate goal of any enterprise and the company should be responsible not only to the shareholders, but also to the workers, consumers and other members of the community.

30. Having realised their obligations to the society, some of the private sector enterprises have been discharging welfare activities on their own. The Committee endorse the observations made in this regard by the Panel appointed by Tata Iron & Steel Company Limited (TISCO) for Social Audit in 1979 "that companies such as TISCO have obligations to its workers and shareholders and to the community in which the company operates and to the larger society, that these obligations arise from the Company's own understanding of what it owes to society and that such an understanding is based on values and norms that have been traditionally nurtured in India." Moreover, the Committee observe that even the guidelines issued by the Government with regard to reservation of jobs for the handicapped, ex-servicemen and weaker sections of the society do not apply to the private sector. On the other hand, many of the enterprises enjoy, several benefits, avail of concessions and receive financial assistance from the Government as well as public sector institutions. There are some private companies which enjoy more concessions from the Government on some consideration or the other as compared to the public sector. It would not be an exaggeration to say about the private sector that it is the public money which is being managed by private individuals. In the circumstances, the Committee would suggest that the Government should urgently consider ways and means of making private enterprises also discharge certain social responsibilities which could be linked to profitability. Some of the suggestions placed before the Committee in this context like inclusion of social objectives in the Memorandum and Articles of Association, entering into Memorandum of Understanding with Government making agreements with PFIs on social responsibilities at the time of sanctioning loans, inclusion of a statement on social objectives and Social Balance Sheet in the Annual Report, etc. are worth considering. The Committee would like to be apprised of the steps taken by Government in this regard. (*Recommendation S. No. 24, Paragraphs 29 and 30*)

31. Public Accountability of the public sector could rightly be called the keystone of a democratic set up. It is the public money which is invested in the public sector and hence the term public accountability connotes the obligation on the part of the Government and the enterprise to reveal and justify their policies, actions and the results achieved thereagainst to the real owners of the Company, that is, the people at large. In view of the fact that the public sector was conceived as a device for socio-economic development, the concept of public accountability has a larger social significance. Since accountability of the public sector is a very complex issue which the Committee have already dealt in their 32nd Report (8th Lok Sabha), the scope of the present examination is limited to the ways and means of

ensuring public accountability of the public sector with regard to pursuit of social responsibilities.

32. The Committee stress that the Government should ensure public accountability of PSUs with regard to fulfilment of social objectives and obligations. In the earlier part of this report the Committee have recommended that targets for pursuit of social responsibilities should be laid down in the MOU. This would facilitate ratings by Government in this sphere and present to the public an authentic evaluation of social responsibilities discharged by the Undertaking concerned. The Committee have noted that some of the PSUs like OIL and BPCL furnish details on broad areas of operation with regard to social responsibilities and the results achieved thereagainst in their Annual Report. Similarly Social Accounts including Social Balance Sheet is included in the Annual Report by some undertakings. The Committee feel that this would undoubtedly help better transparency in the operations of the enterprises. They suggest that the performance by PSUs in this sphere should be given due weightage also in the periodical reports and returns submitted by the undertakings to the DPE and the administrative Ministry and in the Quarterly Review Meetings. Besides this, a comprehensive review of the social responsibilities discharged by the public undertakings should be brought out in the Public Enterprises Survey brought out by the DPE annually. The Committee also desire that the Government should examine the feasibility of subjecting the Social Accounts of PSUs to statutory and C&AG audit and arranging Social Audit of public enterprises on the lines of TISCO. These steps will definitely ensure better accountability of PSUs to the Parliament, the consumers and the public. (*Recommendation S. No. 25, Paragraph 31 and 32*)

NEW DELHI;

December 22, 1993

Pausa 1, 1915 (Saka)

VILAS MUTTEMWAR

Chairman

Committee on Public Undertakings