UNIT 6 PRIVATISATION AND ISSUES RELATING TO DISINVESTMENT POLICY

Structure

6.0 OBJECTIVES

The 1960s and 1970s were characterised by the rapid expansion of the public sector in the developing world. In contrast, the 1980s witnessed widespread attempts by policymakers to curb the state's economic role. Privatisation first gained prominence in Great Britain under the leadership of Margaret Thatcher and then spread quickly to the developing world. In this unit, you will be able to:

- learn the meaning of privatisation;
- know the reasons of nationalisation of many industries earlier;
- understand why is there a move towards privatisation;
- comprehend the problems faced by governments when they try to privatise;
- discuss some of the important issues in privatisation; and
- appreciate the Indian experience with privatisation.

6.1 WHAT IS THE MEANING OF PRIVATISATION?

6.1.1 Definition

What is privatisation? Privatisation involves a transfer of ownership and control from the public to the private sector, with particular reference to asset sales. Privatisation can be accomplished in two ways.

- The government can sell assets it owns to private buyers.
- The government can stop providing a service directly and rely on the private sector to deliver the service.

The public enterprises relevant here are revenue-generating entities originally owned or controlled by the state. An example of a revenue-generating entity is a municipal corporation that gets property taxes.

6.1.2 Techniques of Privatisation

Divestiture: The most well known technique of privatisation is the sale of equity to the general public. This is called divestiture (divestment or disinvestments), and may be complete or partial. That is, the government may sell its entire stake in an enterprise or sell only a certain percentage. This can be done through direct sales and equity offerings.

However, the inadequacy of national stock markets and the lack of domestic capital have sometimes led to a shortage of local buyers, while foreign investors, unable to obtain sound information on the enterprises offered, often lacked sufficient interest. Furthermore, the direct sales approach may be costly and slow, owing to the complexity of preparing each state asset for sale individually, and then ensuring that buyers observed all contract provisions.

Restitution: Restitution refers to the return of state assets to their former private owners in situations where the government's original acquisition is seen as unjust, such as uncompensated seizure. Restitution, in such cases, it is argued, is essential on moral grounds. Restitution has been an important issue in the transition economies of central and Eastern Europe.

Opponents of restitution counter that the process is necessarily selective, and therefore an unsatisfactory way of achieving justice retroactively. As a practical matter, private claims can often be complicated and drawn out, bogging down privatisation unnecessarily. In practice, the transition countries have seldom used restitution, except for Estonia and, to a lesser extent, the Czech Republic.

Management-Employee Buyouts: Under this approach, shares of an enterprise are sold or given to some combination of managers and other employees. The powerful positions of employees and of managers may give this approach the twin advantages of feasibility and political popularity. It is also rapid and easy to implement. Well-structured management-employee buyouts can sometimes lead to efficient results, since the people who know best about an enterprise, i.e. employees and managers, become the owners.

Nevertheless, experience shows that these buyouts suffer serious disadvantages. Yielding to insider interests often entails large costs in inefficiency and poor management. The new owners may grant excessive wage increases, maintain excessively high employment, and undertake insufficient investment. Insiders may also lack many of the skills necessary to function in a market-oriented economy. Further, the process is seen to be inequitable, handing employees, rather than the population at large, over most of the benefits.

Mass Privatisation: In mass, or equal-access, voucher privatisation, the government generally gives away, or sells for a nominal fee, vouchers that can be used to purchase shares in enterprises. This technique was rarely used elsewhere in the world before the massive transition started in Central and Eastern Europe, but it has proved popular there, particularly in the Czech Republic.

Voucher privatisation helps to overcome the shortage of domestic capital. Voucher schemes can be politically popular because they address the perceived unfairness of other approaches and avoid the charges of a sellout of national assets to foreigners. The difficulties associated with valuing enterprises before privatisation are also avoided.

Early proponents argued that the fast pace of voucher privatisation would add to the credibility of reform programs and bolster their chance of success. At times, the speed could prevent employees or other interests from mobilising opposition to privatisation. Furthermore, the widespread participation of a country's citizens fosters a greater understanding of reform and creates a new owner class with a stake in the process.

Mass privatisation has its downside, however. The main risk is that a dispersed ownership structure will lack the focus and power to direct effective corporate management. This, in turn, may scare off potential new sources of capital. In practice, these problems have been partly addressed by pooling ownership interests in investment or mutual funds. The funds, however, do not always have adequate management, control, and supervisory powers. In such cases, voucher privatisation becomes merely ineffective absentee ownership.

Contracting out or leasing out of government services can be another technique of privatisation. For example, a municipal corporation can contract out the task of garbage collection to a private party.

Associated with privatisation usually are processes of liberalisation and deregulation. Liberalisation refers to the introduction/promotion of competition in a traditionally monopolised industry. Deregulation refers to the abolition of statutory barriers to the operation of market forces. For example, the Government of India controls the prices of many commodities through the administered pricing mechanism. If some commodity is taken out of the purview of this mechanism, then this is a deregulatory measure, because the price will now be determined by market forces.

Check Your Progress 1

1) How would you define privatisation?

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2) Clearly explain the differences between privatisation, liberalisation and deregulation.

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3) What are the different modes of privatisation? Which one would you choose for India and why?

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6.2 REASONS FOR THE ESTABLISHMENT OF PUBLIC SECTOR ENTERPRISES (PSEs) AND NATIONALISATION

Public sector enterprises (PSEs) were created for a number of reasons.

- It was believed that nationalisation and PSEs in general would provide governments access to much-needed revenues. PSEs would generate large profits/ surpluses, which could be channelised to develop the priority sectors of the economy.
- The private sector would not help in the rapid and sustained development of the economy if left to its own. There was a need to control the "commanding heights" of the economy, that is, the strategic industries. If the government controlled these industries, it would be able to steer the economy in the right direction and overcome critical bottlenecks. Thus, for example, in India, while TISCO continued to exist as a major producer of steel, till recently new steel mills were set up only as PSEs.
- National security reasons were sometimes added as justifications to the above, particularly in the context of heavy industries.
- In many developing countries, lack of private entrepreneurs was also a major concern and forced the state to take an active role in the process of industrialisation. Local private entrepreneurs often were in short supply. Even if they did exist, they might not have had access to adequate capital, partly because stock markets were not well developed. In some countries, private entrepreneurs came from unpopular minorities or were linked to foreign powers.
- Distributional considerations also played a role. In India, PSEs were set up in backward regions to lessen regional inequalities. PSEs were also used to increase employment generation.
- In political terms, PSEs constituted important resources for state elites — politicians and bureaucrats. They could be used to provide jobs to potential voters and service constituencies (for example, a railway minister could order railways officials to provide better links to his/her constituency).

It is clear from this discussion that improving economic efficiency was not a major factor behind the setting up of PSEs. The overwhelming reason was to gain control over certain spheres of the economy.

In India, the PSEs have accounted for a significant part of the economic activity. The importance of the public sector in India can be gauged both by looking at capital formation and employment in the public sector. The Gross Fixed Capital Formation (GFCF) in the public sector, whether at current prices or constant (1980-81) prices accounts even today for more than a third of total GFCF. As a percentage of the GDP, this has remained at around 8%.

The importance of the public sector in terms of employment generation is brought out in the following table 6.1:

Table 6.1: Employment in the Organised Sector

(in thousands)

Year	Total Public Sector	Private Sector
1971	11,099	6,734
1980	15,384	7,443
1986	17,913	7,401

Source: Economic Survey

6.3 WHY PRIVATISE?

Over time, in many countries, the performance of PSEs turned out to be, by and large, unsatisfactory. They incurred losses, or did not make as much profit as they should have, given that they had privileged access to capital, various subsidies and protection from domestic and foreign competition. Governments have begun to think of privatisation of PSEs as a solution to these problems.

We next examine the possible impacts of privatisation to determine whether it can transform PSEs.

Fiscal Impact

When a PSE is sold off to the private sector, the government gets the sales proceeds. Further, if the PSE had been making losses and was being subsidised, then these subsidies come to an end, which further helps the government. Thus the immediate generation of revenues is supplemented by reduction in recurrent expenditures.

But does the government really gain? In the simplest case, the buyer will be willing to pay only so much as the PSE is expected to bring in the future. The PSE is expected to generate a future stream of returns. The sum of the returns (after being discounted to reflect the fact that a rupee today is more valuable than a rupee tomorrow) is what a buyer will pay. The government would have got the same revenue had it not sold the PSE. Therefore, it would seem that privatisation does not have any real impact on the government's finances.

There are two reasons why privatisation might still make a difference. First, a privatised firm might be expected to be more efficient than a PSE. Hence, the sum of discounted returns will be higher than that under government ownership. Secondly, the government, when it privatises, is getting funds immediately. This added liquidity might be desirable for a number of reasons, for example, because the government might want to spend on education or infrastructure.

It is interesting to note that in theory, for a loss-making PSE the price might be negative. This is not very far-fetched. Governments have sometimes given so many concessions to the buyer to induce them to buy loss-making concerns, that in effect the price has turned out to be negative.

Efficiency Gains

Proponents of privatisation have argued that it can have an important effect on economic efficiency. Two types of efficiency gains are possible : gains in allocative efficiency, and gains in productive efficiency.

Allocative efficiency : Proper allocation of the resources of the economy depends on the prices reflecting correctly relative scarcities of resources. A resource that is more scarce should have a higher price and this would lead to it being used more sparingly. In PSEs, prices sometimes did not reflect scarcities properly. For example, if the government gives a subsidy for an input used by a PSE, the PSE would tend to over-use that resource. Or, if a PSE is a monopoly, then it can set its own price. Thus, kerosene may be sold at a very low price, which would encourage adulteration of diesel with kerosene (i.e., over-use of kerosene).

It is clear that for PSEs operating in competitive markets, prices would better reflect scarcities and therefore allocative inefficiency would be less. Then the gains from privatisation would also be less. On the other hand, transforming a public sector monopoly into a private sector monopoly would also not lead to increases in allocative efficiency. We can expect large increases in allocative efficiency to be achieved when a public sector monopoly is privatised and the market opened up to other players.

Productive efficiency : Productive efficiency relates to the optimal use of inputs in the production process. It has been argued that PSEs are likely to exhibit greater internal inefficiencies than private firms for various reasons. Public managers are given numerous and inconsistent objectives. Instead of control by shareholders who are interested in profit-maximisation, there is bureaucratic control which puts more emphasis on "playing it safe". Suppose that productive efficiency requires use of an input that is not available in a competitive market. The manager in a PSE is required to obtain competitive quotations for almost everything, and hence may have no way of using this particular input because there is only one seller.

Distributional Impact

Critics of privatisation argue that it is likely to affect adversely weaker sections of the society. First, it might lead to layoffs by the new owners. Or the firm might go bankrupt after privatisation and the government will not be there to protect jobs. Secondly, the goods and services made available by the PSE to the poor may become less accessible. For example, a privatised airline may choose not to fly on unprofitable routes.

A counter argument is that the PSEs have not had a very successful record of reaching the poor and the disadvantaged sections. For example, in India, it has been repeatedly shown that the Public Distribution System does not do a good job of reaching essential commodities to the poorest sections; it is more useful to the richer sections.

Check Your Progress 2

1) What were some of the important reasons for the state expanding its role in the economic sphere?

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2) Explain how privatisation can lead to gains for society.

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3) What are likely to be the distributional impacts of privatisation?

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6.4 OBSTACLES TO PRIVATISATION

Worldwide experience shows that implementation of privatisation programmes has lagged well behind stated intentions. Barring a few countries, privatisation has been limited to small PSEs of the manufacturing and the services sector. Two kinds of obstacles to privatisation can be identified - implementation issues and political constraints. We take these up in turn.

6.4.1 Implementation Issues

Technical constraints to privatisation are related to both managerial deficiencies and weaknesses within the economy.

First, privatisation requires a high level of administrative capacity. In some developing countries, there is a lack of well-established, competent, management consulting groups, accounting firms and investment bankers. These are needed to provide technical advice and valuation of PSEs. As a result, in some instances, foreign experts have been brought in.

Secondly, a valuation of the PSE has to be carried out before it can be offered for sale and the valuation exercise has faced severe problems. Valuation is a sensitive subject politically, because governments want to get high sales price and at the same time the valuation process might raise questions about past public management and investment decisions.There have been inordinate delays in valuation. The problem is aggaravated when poor records are maintained by PSEs.

Thirdly, once the valuation has taken place, administrative capacity is needed to assess buyers' bids, arrange finance and insurance and deal with a host of complex legal issues. Sometimes, a comprehensive rehabilitation plan for the PSE has to be designed, evaluated and financed before privatisation is possible. Moreover, appropriate regulatory structures may not exist and have to be set up, particularly when privatisation leads to the creation of a monopoly.

Fourthly, capital markets in many developing countries are typically weak and poorly regulated. Large investments in equity are quite unusual. PSEs are some of the largest firms in the country and the private sector may not be in a position to fund the purchase of large assets. The private sector may also be suspicious about the government's intentions, given the record of nationalisation in the past. On the other hand, the government may not be willing to sell assets to foreign investors.

6.4.2 Political Constraints

Generally, the costs of privatisation are borne by a small group of people, e.g. the workers of the enterprise who may lose their jobs or the suppliers who may lose favoured contracts. The benefits, however, are spread out over a large number of people, sometimes a very large section of the population. Public choice theory suggests that in such situations, it will be easier to organise opposition to the privatisation programme than support. Experience tells us that in many countries, privatisation programmes fail to mobilise popular support and in fact gives rise to strong opposition.

Trade unions, in particular, tend to react strongly against privatisation. Trade union power is often concentrated in the public sector and the public sector provides a base for such power. Unions oppose privatisation, not only because of the direct effect on employment, but also because of a fear that trade union power will be reduced in the private sector.

6.5 SOME CRITICAL ISSUES

Governments considering privatisation of PSEs must first decide on a number of critical issues.

6.5.1 Should Restructuring Occur Before or After Sale of the Unit?

Most PSEs will not fetch a good price if they are sold in their current condition. For historical reasons, many have excess workers, are burdened with obsolete machinery and technology and are often run bureaucratically. Such un-restructured enterprises will fetch lower prices. One option before the Government is to restructure these enterprises before placing them on the market, e.g., by laying off excess workers, by inducting new workers with appropriate skills, by selling off non-strategic parts of the business, computerisation of operations, etc. These enterprises will then become attractive to private investors who would be willing to pay high prices for them. On the other hand, proponents of speedy privatisation argue that the attempt to restructure these enterprises before sales will inevitably lead to delays and the entire momentum for privatisation will be lost. Further, it is doubtful whether the Governments are at all adept at restructuring.

6.5.2 How to Deal with the Problem of Laying Off Workers ?

The overstaffing in PSEs means that the restructuring process would generally involve laying off part of the workforce. Usually, forced dismissals are politically infeasible and only generate more opposition to privatisation. Governments therefore try to adopt some kind of voluntary approach. Components of voluntary approaches that have been tried out include

- Monetary compensation (e.g. through voluntary retirement schemes)
- Retraining
- Redeployment

Sometimes the Government agrees to accepting a lower price for the enterprise in return for an assurance from the new owner that employees will be retained even after privatisation. In the East German privatisation programme, there is an instance where an enterprise was sold for one deutschmark, because the bidder promised to retain all the workers.

Retraining can refer to giving workers training in skills that would help them to become productive members of the PSE itself. Or the aim may be to enable them to find alternative jobs in the private sector. Redeployment can be from one government PSE or Department to another, or it can be to the private sector.

The process of laying off workers poses a number of difficulties:

i) The total cost of laying off workers can be quite high and may pose a problem to cash-strapped governments. The problem has been eased to a certain extent because multilateral agencies are now prepared to lend for severance pay packages.

ii) It is not easy to estimate the right package. Usually, some rules of thumb are employed to arrive at the compensation package, e.g., paying one year's salary for every year's service. Generally no attempt is made to find out whether the compensation offered is adequate or not.

But to properly calculate the present value of change in earnings resulting from dismissal, one must take into account not only salaries, but also bonuses and other cash benefits. In many industries, salaries in the public sector are higher than in the private sector except for highly skilled employees. Moreover, it might take a long time for a laid off worker to find an alternative employment and earnings might be close to zero in the intervening period. Further, in most developing countries, the public sector provides health coverage as well as old age pension. The greater job security in the public sector also makes employment in this sector more attractive. If all these factors are to be taken into account, then the required compensation becomes sizeable.

It might also be argued that in developing countries, where job opportunities are so limited, one employee in the public sector might have to support a large number of unemployed members of the family. Loss of this one person's income can affect many more individuals.

iii) There is also another subtle problem involved here. Once a severance package has been formulated, only the high-productivity or the superior workers may accept the package and leave, because they are certain of getting jobs elsewhere. The PSE is left with the low-productivity workers. This is called the problem of adverse selection: since the package offered is not tailored to individual needs or characteristics, any employee gets to consider the same package. But only the high-productivity workers find the package attractive and accept it.

6.5.3 Should the Assets be Given Away or Sold?

As we have noted earlier, one way of attempting privatisation is to give vouchers to a group of people who can then use these vouchers to get stakes in enterprises of their choice. The free distribution of vouchers, perhaps to all the citizens of the country, is seen to satisfy the goal of equality and to create stakes in the privatisation process for everybody. The latter could then help to overcome opposition to the privatisation process. However, this method is difficult to implement in large economies. Moreover, dispersed ownership can lead to corporate governance problems. Therefore, many countries have opted for selling off the PSEs rather than giving them away. Those who have money or access to it are usually foreigners or people who have enriched themselves under the old system, and political opposition to the sales to these two groups of people can be quite strong.

One easy way of giving away an enterprise is to give stakes to the "insiders", i.e. managers and workers of the enterprise. But this is considered to be inherently unfair to the populace at large, since it is their tax payments, which helped in the setting up of the enterprise in the first place. Further, since valuation of the PSEs is a tricky business, there have been allegations that insiders often manage to grab hold of PSEs at throwaway prices by deliberately presenting a sick picture of the PSEs to the outside world and undervaluing the assets. This is particularly important in transition economies with no experience in putting market values on land, buildings or other assets.

Check Your Progress 3

1) Discuss some of the obstacles to privatisation? In your opinion, are they insurmountable?

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2) Should restructuring of PSEs take place before or after privatisation? Give reasons for your answer.

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3) How can Governments tackle the problems arising from the unemployment resulting from restructuring of PSEs?

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4) What are the arguments for and against "giving away" PSEs?

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6.6 PRIVATISATION IN INDIA

6.6.1 Disinvestment

The Industrial Policy Statement of 24th July 1991 envisaged for the first time, disinvestment of part of Government equity holdings in selected PSEs. The following objectives were sought to be met through disinvestment of shares: provide market discipline, raise resources, encourage wider public participation, promote greater accountability and improve the performance of PSEs. It was proposed that the revenue generated from disinvestment would be utilised in the two vital areas of health and education, particularly in the poor backward districts of the country.

On 20th November 1991, the GOI announced that it was offering "packets" containing shares of 31 PSEs for sale by a competitive bidding process. A reserve price was determined for each packet (i.e. the price below which the packet would not be sold) and each packet was sold to the highest bidder. After about 3-6 months, buyers would be allowed to unbundle the shares and sell them on the stock market.

In 1992-93, buyers were allowed to bid for the shares of individual PSEs through an open auction (See table 6.2).

Table 6.2: Disinvestment in India

Year	Number of shares sold (crores)	Amount raised (Rs. Cr.)	Target (Rs. Cr.)	Permitted bidders
1991-92	87.21	3038	2500	Insurance Cos., Mutual Funds, Banks
1992-93	43.93	1912	2500	All the above and private parties
1993-94	11.37	2292	2500	All the above and Foreign Institutional Investors (FIIs)

Source : R.R. Vaidya (1995)

In the first year, therefore, the set of bidders was restricted to insurance companies, mutual funds and banks. Moreover, shares were sold in bundles. The GOI was not committed to sell all the shares intended to be sold at the reserve price as no underwriters were appointed. Thus there was nobody to take up the unsold shares in the event of under subscription.

Over time, the set of bidders was enlarged. Moreover, the shares were not sold in bundles. This helped the GOI to get better prices for the shares. Beginning from 1991-92, till 2000, 14 rounds of disinvestments of government share holding have taken place in 39 PSEs and a total amount of about Rs.18, 288 crore has been realised.

In the Budget Speech 1999-2000, Government announced that the strategy towards public sector enterprises will continue to encompass a judicious mix of strengthening strategic units, privatising non-strategic ones through gradual disinvestment or strategic sale and devising viable rehabilitation strategies for weak units. It has also been decided that in the generality of cases, the Government shareholdings in Public Sector Enterprises would be brought down to 26%. In cases of PSEs involving strategic considerations, Government will continue to retain majority holding.

In order to give greater impetus to the disinvestments programme and expedite the disinvestment of government equity the Government has constituted a Cabinet Committee on Disinvestment (CCD). The Committee is headed by the Prime Minister. Government have set up a separate Department of Disinvestment to handle disinvestment of government equity. Government has already decided, on the recommendations of the Disinvestment Commission, to reduce its shareholding to below 51% through strategic alliance in certain PSEs like Modern Food Industries Limited (MFIL), Bharat Aluminium Company Limited (BALCO) and Madras Fertilisers Limited (MFL). The process is in progress.

The Disinvestment Commission was constituted in 1996, for a limited period of three years to advise the Government on extent, mode, timing and pricing of disinvestment. The Commission has submitted 12 Reports in which recommendations have been given in respect of 58 PSEs. The tenure of the Commission was extended up to 30.11.99. The Terms of the Commission ended on 30.11.99 and the Commission as constituted has ceased to exist.

In practice, the revenues generated from the disinvestment process have been utilised to reduce fiscal deficits. Targets have not been met and the entire process has been plagued by huge delays. The processes as well as the selection of particular units for sale have generated sharp controversies (the attempt to divest the Government's stake in BALCO being the latest example) and the Government of India has not been able to form a national consensus in favour of privatisation.

6.6.2 Navratnas and Mini-ratnas

In addition to disinvestment, in 1997 the government had identified 11 Public Sector Companies, which have comparative advantages, as Navratnas and granted substantially enhanced autonomy to the Boards of Directors of these PSEs to enable them to become global players. These enterprises are IOC, ONGC, BPCL, NTPC, SAIL, VSNL, BHEL, GAIL and MTNL. The criteria for selecting the enterprises included factors like size, performance, nature of activity, future prospects and the potential to develop into world level players.

The Boards of these PSEs have been broad based by appointment of part-time non-official Directors. These enterprises, subject to certain guidelines would now enjoy freedom to make capital expenditure, enter into joint ventures, effect organisational restructuring, create and wind up post below Board level, raise capital from the domestic and international markets, establish financial joint ventures subject to equity investments with specified limits etc.

The Government have also granted enhanced financial, managerial and operational autonomy to other profit-making enterprises, called mini-ratnas. These enterprises should have earned profits continuously for the last three years, have positive net worth, do not seek budgetary support or guarantees from the Government and have not defaulted in the repayment of loans/interests to the Government. These enterprises can incur capital expenditure, enter into joint ventures, set up technological and strategic alliances, formulate schemes of human resources management, etc. subject to certain stipulations and Guidelines. This is designed to make them more efficient and competitive. As on 31.12.1999 there were 39 enterprises categorised as Miniratna.

Check Your Progress 4

1) Mention some of the important features of the disinvestment process in India in the first three years.

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2) What is the objective behind the designation of certain PSEs as Navratnas and mini-ratnas?

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6.7 LET US SUM UP

Privatisation in essence represents a reduction in the role of the Government in the economic activities of the nation. In the 1960s and 1970s, many public sector enterprises were set up and many private units nationalised, because it was felt that the private sector would only pursue the profit motive and not utilise resources to attain societal goals. But the performance of PSEs was disappointing and Governments are now trying to privatise them. There are many techniques of privatisation and Governments must decide which ones to adopt. The process of privatisation faces a number of significant hurdles and Governments must be able to devise ways of surmounting them

6.8 KEY WORDS

Monopoly: A single seller of a good that has no close substitutes.

Efficiency: Efficiency is reached when nobody can be made better off without somebody being made worse off. In production it refers to a situation where more cannot be produced using the same amount of inputs.

Nationalisation: The process of bringing a private sector unit under government ownership and management.

Liberalisation: The introduction/promotion of competition in a traditionally monopolised industry.

Deregulation: The abolition of statutory barriers to the operation of market forces.

Transition Economies: Economies making the transition from socialism to capitalism, e.g. Poland, Hungary, the Czech Republic.

6.9 SOME USEFUL BOOKS AND REFERENCES

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R.R. Vaidya, (1995). "Disinvestment of Public Sector Enterprise Shares", in K.S. Parikh (ed.) *Mid-year Review of the Economy 1994-95*, pp. 223-243. Konark Publishers.

J. Vickers and G. Yarrow, (1988). *Privatization: An Economic Analysis*, The MIT Press.

M. Bala, (2003) *Cement Industry in India: Policy, Structure and Performance,* Shipra Publications, Ch. 1 and 2.

Government website - http://dpe.nic.in/vsdpe.

6.10 ANSWERS OR HINTS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

1) See Sub-section 6.1.1

2) See Sub-section 6.1.2

3) See Sub-section 6.1.2

Check Your Progress 2

1) See Section 6.2

2) See Section 6.3

3) See Section 6.3

Check Your Progress 3

1) See Sub-section 6.4.1 and 6.4.2

2) See Sub-section 6.5.1

3) See Sub-section 6.5.2

4) See Sub-section 6.5.3

Check Your Progress 4

1) See Sub-section 6.6.1

2) See Sub-section 6.6.2