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PUBLIC ENTERPRISES IN INDIA

(A Study of Public Relations and Annual Reports)

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With a foreword
by

Professor W. A. Robson
London School of Economics
and Political Science

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FOREWORD

In this book Dr. Laxmi Narain presents the results of an intensive study of the Annual Reports of public enterprises in India. The enterprises which are covered by the study include forty-five Government companies and nearly a dozen public corporations, together with a departmental enterprise in the form of the Indian Railways.

The work was undertaken at the instance of the Research Programmes Committee of the Planning Commission, and their sponsorship indicates the importance which the Planning Commission attaches to the subject. In Chapter I Dr. Narain discusses the broad question of the public relations of public enterprises and then goes on in the rest of the study to deal with the Annual Reports as an important aspect of their public relations. It is, in my opinion, difficult to overestimate the importance of public relations generally in the field of government, and particularly in the public sector of the economy. In view of the magnitude and wide scope of the public sector in India, ranging from the great steel works owned by Hindustan Steel to the Ashoka Hotels in Delhi, from the basic industries concerned with shipbuilding, instruments making, heavy electrical plant and the Damodar Valley Corporation to the Airlines and the Film Finance Corporation, it is a matter of the utmost importance to ensure that the work of these great enterprises, on which the economic future of the country depends, is accurately and objectively presented to the public; that their policies are understood, and that they are susceptible to outside criticism and suggestions from members of the public. These purposes can only be achieved through a well-ordered and technically competent public relations and public information service.

The Annual Reports form the main concern of Dr. Narain's study. He subjects them to very close scrutiny which brings out clearly their shortcomings and defects both of omission and commission. His report is not, however, merely critical ; it is also constructive in that he makes numerous proposals for the improvement of the Annual Reports which the public undertakings are required to present.

The report is a pioneering study in a field which has hitherto received little or no attention in India. It represents a welcome step in the direction of empirical research about the actual behaviour of public enterprises as contrasted with the somewhat formal discussions about the respective merits of Government companies and public corporations to which so much effort was devoted in the past. Dr. Narain's work appears to be not only thorough but highly reliable, and I should be surprised if anyone can fault him in regard to any of his factual statements. The result is a valuable contribution which can scarcely be ignored either by the managers of the public enterprises, by the relevant Ministers or by members of Lok Sabha. Within a relatively short time one may hope that the reporting practices of the public enterprises will have substantially improved.

For all these reasons, I have no hesitation in recommending Dr. Narain's work as a worthwhile contribution to the development of public enterprise in India.

London School of
Economics and Political Science

W. A. Robson

PREFACE

The present Study was sponsored by the Research Programmes Committee of the Planning Commission and was financed by a grant from it. The idea to take up this Study emerged out of the writings of my former teacher at the London School of Economics, Professor W A. Robson, who attaches great importance to public enterprises pursuing a vigorous public relations policy. The basic theme of this Study is that in an economy wedded to democratic socialism, it is essential to ensure public acceptance of the public sector. This is possible by educating the people about the objectives and achievements of public enterprises.

In a developing economy, the public sector has to be largely entrepreneurial in character and this adds to its problems, which are required to be explained properly. A considerable part of the criticism of the public enterprises is because sufficient efforts have not been made to project a correct image of their operations, achievements, policies and problems. In this context, public relations assumes great significance This is perhaps the first study to consider at some length the organisation and working of public relations of the public enterprises in India.

The Annual Report of an enterprise is generally the most widely read public document and serves as an important instrument of public relations. It has, therefore, come in for detailed consideration here. A study of the Annual Report is also important for the Report provides an instrument of control in as much as, through it the enterprise gives an account of itself to the public at large : the achievements during the year are displayed and non-achievements are accounted for. The extent to which this objective is implemented has been considered here in some detail.

The Research Programmes Committee and its former secretary, Dr. D.K. Malhotra deserve my grateful thanks for making this Study possible. Dr. Malhotra not only greatly helped in seeing through the Project Scheme in its initial stages, he took personal interest in the Study and readily agreed to many adjustments in the financial proposals. I am thankful to the present secretary of the Committee, Dr. Harbans Lal and Shri S. V. Sanjeevarao for their personal interest and help in the publication of this Report.

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My thanks are also due to Shri Hans Nagpaul, who initiated me and helped me in submitting the Research Proposal to the Committee.

I owe a deep debt of gratitude to my erstwhile teacher and now the Principal of Shri Ram College of Commerce, Delhi University, where this Project was taken up and completed. Principal Vaish, whose affectionate treatment is well known and is greatly admired by all those who have come in his contact, provided every facility and encouragement to complete this Study. I am also thankful to my former colleagues at Shri Ram College of Commerce—Dr. C.B. Gupta and Dr. M.C. Kapoor, for their useful suggestions and comments.

I am particularly grateful to Professor V. V. Ramanadham, Dean, Faculty of Commerce, Osmania University, who took a keen interest in this Study and gave me the opportunity to discuss it with him and many others who attended the All-India Seminars on Public Enterprise, to which he was kind enough to invite me. Thanks are also due to Shri R.S. Bisht of the Federation of Indian Chambers of Commerce and Industry who went through the draft report and gave some useful suggestions.

I feel greatly obliged to Professer W.A. Robson who so readily agreed to write the foreword to this Study, and who went through the entire manuscript and suggested many useful improvements and corrections.

I am also thankful to a large number of distinguished persons whose names are given in Appendix VIII, for sparing their valuable time for discussions and for taking interest in my work. Various public enterprises who responded to my queries and requests also deserve my grateful thanks, for without their co-operation it would have been impossible to complete this work. However, it may be mentioned that I alone am responsible for the opinions and facts given in the pages which follow.

This Study was completed in December, 1964. At few places the information has been brought up-to-date, but largely *the pages which follow describe the situation as contained in the Annual Reports for the year 1962-63.* The Chapter on Public Relations, however, was revised on the basis of a fresh questionnaire in 1966.

LAXMI NARAIN

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The list of enterprises covered in this study, the abbreviations used and the Year of Reports with reference to which the study has generally been made.

Name of the Enterprise	*Year of the Report*	*Abbreviations Used*
A. Government Companies :		
1. Ashoka Hotels Ltd.	1962-63	Ashoka Hotels
2. Bharat Electronics Ltd.	1962-63	Bharat Electronics
3. Exports Risks Insurance Corporation Ltd.	1962	E.R.I.C.
4. Fertilizer Corporation of India Ltd.	1962-63	F.C.I.
5. Film Finance Corporation Ltd.	1962-63	F.F.C.
6. Garden Reach Workshops Ltd.	1962-63	G.R.W.
7. Handicrafts & Handlooms Exports Corporation of India Ltd.	1962-63	H.H.E.C.
8. Heavy Electricals (India) Ltd.	1962-63	Heavy Electricals
9. Heavy Engineering Corporation Ltd.	1962-63	H.E.C.
10. Hindustan Aircraft Ltd.	1961-62	Hindustan Aircraft
11. Hindustan Antibiotics Ltd.	1962-63	Hindustan Antibiotics
12. Hindustan Cables Ltd.	1962-63	Hindustan Cables
13. Hindustan Housing Factory Ltd.	1962-63	H.H.F.
14. Hindustan Insecticides Ltd.	1962-63	Hindustan Insecticides
15. Hindustan Machine Tools Ltd.	1962-63	H.M.T.
16. Hindustan Organic Chemicals Ltd.	1962-63	H.O.C.
17. Hindustan Photo Films Manufacturing Co. Ltd.	1962-63	H.P.F.M.. Co.
18. Hindustan Salts Ltd.	1961-62	Hindustan Salts
19. Hindustan Shipyard Ltd.	1962-63	Hindustan Shipyard

Name of the Enterprise	*Year of the Report*	*Abbreviations Used*
20. Hindustan Steel Ltd.	1962–63	Hindustan Steel
21. Hindustan Teleprinters Ltd.	1962–63	Hindustan Teleprinters
22 Indian Drugs & Pharmaceuticals Ltd.	1962–63	I.D. & P.
23. Indian Oil Co. Ltd.	1962–63	I.O.C.
24. Indian Rare Earths Ltd.	1962–63	I.R.E.
25. Indian Refineries Ltd.	1962–63	Indian Refineries
26. Indian Telephone Industries Ltd	1962–63	I.T.I.
27. Mazagon Dock Ltd.	1962–63	Mazagon Dock
28. Mogul Line Ltd.	1962	Mogul Line
29. Nahan Foundry Ltd.	1962–63	Nahan Foundry
30. National Buildings Construction Corporation Ltd.	1962–63	N.B.C.C.
31. National Coal Development Corporation Ltd.	1961–62 (Popular Edition)	N.C.D.C.
32. National Industrial Development Corporation Ltd.	1962–63	N.I.D.C.
33. National Instruments Ltd.	1962–63	National Instruments
34. National Mineral Development Corporation Ltd.	1962–63	N.M.D.C.
35. National Newsprint & Paper Mills Ltd.	1962–63	N.N. & P.M.
36. National Projects Construction Corporation Ltd.	1962–63	N.P.C.C.
37. National Research Development Corporation of India.	1962–63	N.R.D.C.
38. National Small Industries Corporation Ltd.	1962–63	N.S.I.C.
39. Neyveli Lignite Corporation Ltd.	1961–62	N.L.C.
40. Praga Tools Ltd.	1962-63	Praga Tools

Name of the Enterprise	*Year of the Report*	*Abbreviations Used*
41. Pyrites & Chemicals Development Company Ltd.	1962-63	P. & C.D.C.
42. Rehabilitation Industries Corporation Ltd.	1962-63	R.I.C.
43. Shipping Corporation of India Ltd.	1962-63	Shipping Corporation
44. State Trading Corporation of India Ltd.	1962-63	S.T.C.
45. Travancore Minerals Ltd.	1962-63	Travancore Minerals
B. Public Corporations		
1. Air-India	1962-63	Air-India
2. Central Warehousing Corporation	1962-63	C.W.C.
3. Damodar Valley Corporation	1962-63	D.V.C
4. Employees' State Insurance Corporation	1961-62	E.S.I.C.
5. Indian Airlines Corporation	1962-63	I.A.C.
6. Industrial Finance Corporation of India	1962-63	I.F.C.
7. Life Insurance Corporation of India	1962-63	L.I.C.
8. National Co-operative Development Corporation	1962-63	N.Co-op.D.C.
9. Oil & Natural Gas Commission	1962-63	O. & N.G.C.
10. Reserve Bank of India	1962-63	Reserve Bank
11. State Bank of India	1963	State Bank
C. Departmental Enterprises		
1. Indian Railways	1961-62	Railways

Note : The change of name has occurred in the case of the Export Risk Insurance Corporation Ltd., which is now called Export Credit and Guarantee Corporation Ltd. The Indian Refineries was merged with the Indian Oil Company from 1st September, 1964, and the combined organisation is known as the Indian Oil Corporation Ltd. The Hindustan Aircrafts Ltd., was transformed into Hindustan Aeronautics Ltd. in October, 1964.

INTRODUCTION

Since Independence, public enterprise in India is making a tremendous forward surge. The public sector which accounted for just about 3 per cent of the total productive capital employed in organised industry in 1951, would account for about half the total investment in the entire field of organised industry in 1970. Besides, the position it occupies in the context of national economy as a whole is of strategic importance. It is insufficiently realised that the areas where public enterprises operate are so crucial and significant that the very course of the economy, to a great extent, will be determined by the way these enterprises behave. The arteries and veins of the economy as also its foundations — the infrastructure — are being provided by the network of public sector enterprises.

The goals which the public enterprises are expected to achieve are many and varied. Not all of them are clear-cut, precise and tangible. Often these may be inconsistent with their commercial viability[1]. The public enterprises are expected to serve the aims of public policy. For example, it is hoped that they would act as counterweights to abuses of economic power and may also help usher in a more just and equitable social order. Moreover, they may provide the right levers to public authority to guide the economy into planned directions.

The handicaps under which they have to operate are, however, not always adequately appreciated. Most of the public enterprises exist in fields where indigenous technical know-how is almost non-existent. The organisational experience is also very inadequate. Since their gestation period is long, getting returns involves prolonged waiting. Those accustomed to consumer goods industries, which produce quick results, feel disappointed by the long delays in getting returns.

The fact that most public enterprises came into being fully grown and as such lack the legacy of confidence which a private company accumulates long before attaining a comparable status, is often overlooked. The Hindustan Steel, for example, with the present Net Block of about Rs. 665 crores came up more or less at

1. Most of the public enterprises in India are expected to show profits.

a stroke. In comparison, the Tata Iron & Steel Company Ltd., with the present Net Block of about Rs. 95[1] crores, has gradually grown over the last 58 years, gathering experience and confidence on the way.

It requires to be understood widely that public enterprise for us in India is not a matter of choice, but of necessity. Areas over which public enterprise operates are those where either the risk was considered too big, or private enterprise found itself technically or financially incompetent. Since economic development could not wait indefinitely, public enterprise had to step in to bridge the gap.

No one would deny that the operation of public enterprises should be characterised by efficiency and economy. An all-out effort would be necessary to search weaker areas of management, control and accountability so that their administration is put on sounder footings. This would call for a tremendous effort. However, these questions do not form part of this Study.

The main emphasis in this Study is on the fact that public enterprises should not only operate efficiently but must also appear to be so. This means, that their successful operation is as important as the image which is projected before the public. During the initial period, the standards of judging the performance of these enterprises should be suitably modified, keeping in view the totality of the circumstances in which they have to operate. And the public should be educated in the matter. Unfortunately, little has been done to place their performance in right perspective. In fact, no serious thought has been accorded to this aspect.

In a mixed economy the private *versus* public sector controversy is bound to exist. Though in our case the two sectors do not compete with each other in any significant way, yet the ostensible success of one may become a cause of concern for the other. Attempts are often made to judge the success of public enterprises in the same way as that of private enterprises : by the rate of return on the capital invested. The public enterprises and Government have done little to disabuse public mind of such wrong impressions and false comparisons.

Lesson from U.K.

In the United Kingdom public enterprise is facing a difficult

1. These figures are for the year ending 1964-65.

time.[1] Even those who recognise the success of nationalised industries are unwilling to support any further measures of nationalisation.[2] An important reason for this, as a recent Fabian Society study points out[3], is that the British nationalised industries have "failed to cope effectively with their public relations — to make the public fully aware of their achievements, to admit their shortcomings, and to convince the electorate that adequate and energetic efforts would be made to remedy these defects".

According to Professor W. A. Robson, the changed outlook towards nationalisation is because of a feeling of disillusionment which "has been mainly induced by the persistent denigration of the nationalised industries by the Press, by Conservative politicians, both inside and outside Parliament, by leading businessmen, and by organs like the Federation of British Industries and the Institute of Directors". He adds, that "for more than ten years a ceaseless campaign has been waged by the great majority of the daily newspapers to present a continuously unfavourable picture of the nationalised industries. Anything which might show in their favour is usually suppressed or discounted or given a minor place, whereas every fact which could arouse resentment or prejudice or dissatisfaction is magnified and given prominence".[4]

This attitude of indifference to public relations by the nationalised industries in Britain was brought out earlier in a valuable study made by the Action Society Trust.[5] It found that "the public's experiences of nationalisation have inspired nothing more than a widespread indifference, based to some extent on a feeling that it is one of the last factors to be taken into account".[6] This study stressed the need for overcoming "the feeling of remoteness which many of the public undoubtedly feel, and which

1. How Labour Party has changed its stand on nationalisation is clear from the Party's policy pamphlet *Industry and Society*, which was submitted to the Party's Annual Conference at Brighton in October, 1957.
2. It may be observed that coming in power of the Labour Party has not made much difference in the situation. The re-nationalisation has been restricted to Steel Industry only — a measure to which the Labour Party was committed as a matter of prestige.
3. Shanks, Michael (ed.), *The Lessons of Public Enterprise*, London, 1963, p. 209.
4. *Nationalised Industry and Public Ownership*, London, 1960, p. 479.
5. *Relations with the Public*, London, 1953.
6. *Ibid.*, p. 3.

provides all the elements of a growing opposition, or hostility, to the whole nationalised industries, irrespective of the success or efficiency they may achieve in their tasks".[1]

It would be a sad mistake to ignore the British experience, and we can do so only at our peril. It is essential to see that the morale of public enterprises in India does not suffer. Otherwise, the repercussions on those responsible for manning these enterprises would be serious and damaging. Eventually, public enterprises in any democratic country will have to carry conviction with the masses. But failures anywhere catch the public eye much more easily than success. For instance, few people talk about the successful operation of the Chittaranjan Locomotives, Hindustan Antibiotics, Indian Telephone Industries and so on. The H.M.T. and Air-India are well-known as public enterprises *par excellence*. But somehow, successful state-run units are not easily identified by the public as public enterprises.[2]

It would also be necessary to bring out clearly the values which public enterprises stress in their working. The difficulty here arises because of contradictory claims of social responsibility and commercial profitability, both of which are expected from public enterprises in full measure. A keen consciousness will also have to be created at all levels in public enterprises that they have to justify themselves at the bar of public opinion.

To achieve the objective of keeping the public adequately informed and to secure acceptance of public enterprise policies, great stress has to be laid on a well-organised publicity and public relations programme. More so, because no statutory requirements regarding consumers' consultative councils exist for these enterprises.

An endeavour has been made here to study how public relations and publicity work is organised, and with what effectiveness it is carried out. As the Annual Report of an enterprise is, in most cases, the only or the most important medium of communication between the enterprise and the public and, in as much as, it provides the annual "progress report" of the enterprise to the nation, it has special significance from the public relations point of view. A detailed consideration therefore has been given to it in this Study.

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1. *Ibid.*, p. 33.
2. The British experience in this regard is similar. See, *The Lessons of Public Enterprise*, op. cit.

The Coverage of the Study

The Study covers, as listed earlier, all the Centrally owned enterprises which are established as statutory corporations or companies and which are expected to make profits, or break-even. The Indian Railways is the only departmental enterprise included in this Study, for it is not only the most important commercial enterprise but also because in matter of public relations and Annual Reports—the two main themes of this Study—it occupies an important position.

The Scheme of the Study

The Study starts with an analysis of public relations—its place in public enterprises, the aims and the *modus operandi* thereof.

A detailed factual study of the Annual Reports, which is divided into four Chapters follows. The first Chapter mainly deals with statutory requirements and their implementation, and the effectiveness of Reports as a medium of communication with Parliament. The analysis of the contents of the Reports is done in two parts: the Directors' Reports and the Accounts and Audit Report. Here a bird's-eye view of the contents of the Reports is presented along with relevant comments. In the last Chapter, matters dealing with the presentation of material, and the editing of the Annual Reports are discussed.

Chapter I

Public Relations of Public Enterprises

Introduction

A large part of the criticism of public enterprises in India stems from ignorance of their problems and policies. The very difficult nature of their assignments, their lack of experience in the field and the expectation that they would spearhead social and economic change together lay a heavy burden on the public enterprises. But very inadequate efforts are made to project before the public the totality of the circumstances in which they have to function. Perhaps, with a little extra effort and with a correct approach towards public relations much of the criticism directed against public enterprises, both inside and outside Parliament, could be effectively answered.

It is generally felt that vested interests denigrate public enterprises as much as possible.[1] Every single failure, misjudgment or shortcoming is pounced upon and important achievements are side-tracked or ignored by the Press and some parliamentarians who, as a matter of policy, support those who at heart are not very happy with the growing public sector. Though it may be difficult to prove in any scientific way, the feeling that the public enterprises are being

1. One Managing Director from civil service held the view that the matters are made easier for vested interests because of a considerable amount of self-criticism openly made through the medium of Public Accounts Committee, Estimates Committee and the Committee on Public Undertakings. He felt that if half the information made available to the public regarding public enterprises was available regarding the other sector, the situation would be different.

systematically run down is quite strong. Naturally, in a mixed economy success of one sector would become embarrassing for the other, and at times both the sectors may begin to compete with each other to gain public support. The public enterprises are not known to have done anything substantial to vindicate their position before the public or to meet the situation caused by the campaign alleged to have been directed against them.

In a democracy, public opinion counts first and last. especially when an organisation has to look to public support for its actions and policies. Efforts have, therefore, to be made to secure a favourable response from the public. For a public enterprise, public opinion is not confined to some groups of people who come in contact with the enterprise or are affected by it (as would be the case in private enterprise), but the whole nation feels a sense of proprietorship over it. It thus becomes necessary to provide a strong link between public enterprises and the community at large.

A small section of the public enterprises feels that responsibility for the public relations work should be undertaken by the Government, and the official machinery for publicity and propaganda should take care of the public enterprises as it does of other Governmental activities. And it should be for the Government to spread and support the philosophy behind the public sector ; the public enterprises should be run strictly on commercial basis and their publicity be confined to sales promotion only.

The above approach is rather one-sided. The public enterprises will have to meet their obligations in respect of publicity and public relations. Each unit will have to be fully conscious of public relations and its import. If the public enterprises are freed from this responsibility, it will lead to avoidable centralisation. A true and correct presentation of their case may not possibly be made by a central authority, and their autonomy may also suffer in consequence. Above all, these enterprises might lose the habit of viewing their decisions in terms of their public responsibilities.

Direct responsibility for public relations and publicity is also justifiable from a strictly business point of view. Uninformed and unjustified criticism, if not countered by vigorous publicity, may have adverse repercussions on the morale of

public enterprise personnel at all levels. Similarly, relations with various segments of the 'public' such as suppliers, dealers, consumers, employees etc. directly affect operational efficiency of an enterprise. There can, therefore, be no excuse for avoiding public relations on the ground that this work is more political than commercial in character. The Government can, however, further supplement and reinforce the publicity and public relations of public enterprises.

The public cannot be expected to support an organisation about which it knows little and understands even less. The public support has to be won and to this end any organisation must disseminate information in a sustained manner about what it does and aims to do. An effective system to keep the public informed in a purposive and intelligent way will have to be devised. The feeling in some enterprises that since they stand for the public good and can get on by paying little or no attention to public relations is basically unwise. In democratic societies everywhere any governmental activity will sustain itself only on public goodwill. An attitude of complacency in this respect can be dangerously debilitating.

Maintaining good relations with the public and fostering public goodwill for the enterprise is a specialised and at the same time a non-specialised job. Every one in the organisation does a public relations job when he comes in contact with the public. But it is the duty of the public relations department to infuse and create among others in the organisation the right temperament and approach in view of their responsibilities to the public. As a P. R. chief felt, a good P. R. man works to his own extinction by getting the whole organisation P. R. conscious. But till that time (which may never come) he has an important role to play in the organisation.

Selling the goods or services of the enterprise is not the *prime* object of public relations, but it does aim at providing a favourable background for the selling effort. Organisationally, the P. R. function may sometimes fall under the Commercial or Sales Manager, but in reality, it is a top management function. The P. R. man helps the top man in presenting a favourable image of the enterprise. This may need specialised skill. He is concerned with sales only to the extent it affects the image of and understanding about the enterprise.

To provide a correct perspective it must be added, that public relations cannot be built on words only; to last long it must be built on deeds. The P. R. man is not an alchemist; there must be something good to show, and talk about. Many P. R. Os. were candid enough to admit that there was not much to talk about and in the circumstances the best public relations job was to speak as little as possible. The idea that public relations is only to cover up mistakes is wholly incorrect and harmful. Nor is public relations propaganda of the type where facts have to be distorted in order to achieve the desired end. In public relations the end can hardly, if ever, justify the use of false or questionable means.

It is not feasible to use public relations techniques to bolster up a weak case. In fact, a successful P. R. programme would invariably expose weaknesses of an organisation and would compel some introspection and a second look at the policies and programmes of the enterprise.

Public relations rarely produces direct positive results, and, therefore, one should not look for them to judge the success of P. R. work. In most cases, results may be indirect and passive and incapable of exact measurement.

In the following pages an assessment is made of public relations in the Indian public enterprises. The Study was largely conducted during the year 1963 and most of the information was obtained on the basis of a questionnaire (Appendix VII).[1] The response from the enterprises was, on the whole, encouraging. But the questionnaire method of collecting information has serious shortcomings, from all of which this Study would have suffered but for supplementing it greatly by personal visits which covered over 80 per cent of the P. R. departments in various public enterprises. The discussions with persons engaged in P. R. work helped a lot in having a clearer understanding of the profession and its practices, about which there is practically no information available in India.

1. To bring the Study up-to-date, another brief questionnaire was sent to public enterprises in 1966. To this twenty enterprises responded. This latest information did not show any basic change in the working or organisation of P. R. departments. The information obtained has been incorporated at appropriate places.

This Study is purely factual. The theoretical discussion, as far as possible, has been avoided.[1] An attempt has been made to depict the present position and working of P. R. departments, along with suggestions for improvement. The Study begins with a discussion of the position and structure of the P. R. departments and briefly refers to the qualifications and responsibilities of P. R. chiefs. It then goes on to discuss the aims and objectives and working of the P. R. departments, followed by a study of the tools of public relations.

The P.R. Departments and P.R.Os.

In India, the P. R. work is in its infancy. Its recognition as a necessary adjunct to managment is of recent origin even in developed countries. But with the growing emphasis on social and public aspects of industry, it is acquiring its rightful place. Not all the public enterprises in India have recognised the need of public relations, and where this function has received recognition, the scope of its work, as will be presently seen, differs widely.

As listed in Table I below (page 6), only 25 out of 57 enterprises have a separate public relations, publicity or information department. In 18 cases, the P. R. function is recognised but it is not considered sufficiently important to have a separate section or department for the purpose. It is, therefore, taken up as a subsidiary or additional function of some official whose rank and the time at whose disposal determine the attention given to it. Out of these 18, in as many as 8 cases, the chief executive himself or along with some other official looks after the P. R. work. This is clearly indicative of the importance attached to public relations in these enterprises. The commercial manager is in-charge of it in two cases. In the remainder, it is looked after by the economic adviser, the personnel manager, the general manager, the secretary, and other senior officials.

1. For a theoretical discussion reference may be made to the books listed in the bibliography.

TABLE I

lowing the position of public relations departments

Enterprises having separate public relations, publicity or information department	*Enterprises where P. R. work is entrusted to some other official, the name of which is in brackets*	*Enterprises which do not fall in either of the first two categories*	*Enterprises for which information is not available*
1	2	3	4
1. Air India	1. C. W. C. (Dy. Secretary)	1. Ashoka Hotels	1. Hindustan Cables
2. B. E. L.	2. E. R. I. C. (Managing Director)	2. E.S.I.C.	2. Hindustan Teleprinters
3. B. E. M.	3. F.F.C. (Sec., Administrative Officer)	3. H.O.C.	
4. D.V.C.	4. G.R.W. (Managing Director)	4. I.D. & P.	
5. F.C.I.	5. H.H.E.C. (General Manager)	5. I.F.C.	
6. Heavy Electricals	6. H.H.F. (Various Heads of Departments)	6. Nahan Foundry	
7. H.E.C.	7. H.P.F.M. Co. (No particular officers)	7. N.I.D.C.	
8. H.A.L.	8. Hindustan Salts (Managing Director & Sec.)	8. N.M.D.C.	
9. Hindustan Antibiotics	9. I.R.E. (Managing Director)	9. N.N. & P.M.	
10. Hindustan Insecticides	10. Mazagon Dock (Commercial Manager)	10. N. Co-op. D.C.	
11. H.M.T.	11. Mogul Lines (Secretary)	11. P. & C.D.C.	
12. Hindustan Shipyard	12. N.B.C.C. (Secretary)	12. Reserve Bank	
13. Hindustan Steel	13. National Instruments (Commercial Manager)		
14. I.A.C.	14. N.R.D.C. (Executive Director)		

1	2	3	4
15. I.O.C.	15. N.S.I.C. (Chairman & Secretary)		
16. I.T.I.	16. Praga Tools (M. D. & Secretary)		
17. L.I.C.	17. Shipping Corporation (M.D. & other senior officials)		
18. M.M.T.C.	18. State Bank (Economic Adviser)		
19. N.C.D.C.			
20. N.P.C.C.			
21. N.L.C.			
22. O. & N.G.C.			
23. Railways			
24. R.I.C.			
25. S.T.C.			

Twelve enterprises do not seem to recognise the need of public relations as a function of management. The reasons for this are many and varied. The Employees' State Insurance Corporation feels that it "is not directly concerned with the general public and has, therefore, no public relations department." The Hindustan Organic Chemicals, the Indian Drugs and Pharmaceuticals, the Pyrites and Chemicals Development Company, and the National Mineral Development Corporation being in the construction stage did not feel the need for a P. R. department. The National Industrial Development Corporation does not consider itself a commercial organisation. The National Co-operative Development Corporation is a promotional and financing body and has no direct dealings with the public.[1] For the Nahan Foundry, the Reserve Bank, the Ashoka Hotels, the Hindustan Housing and the National Newsprint and Paper Mills the reasons for the non-recognition of the P. R. function as such are best known to the enterprises themselves.

1. In this case, whatever contact with the Press is necessary is maintained by an Information Officer attached to the Ministry of Community Development and Co-operation.

In the 25 enterprises having a separate public relations, publicity or information department,[1] the position is considered with reference to the number of persons employed, the annual financial appropriation for the purpose, and the status accorded to the P. R. chief. To give an idea of the situation elsewhere, information on these points about some foreign public enterprises and a few Indian private enterprises has also been given. (Table II A)

The number of persons employed (as shown in Table II, page 10) is an indication of the importance of the department in the organisation. This may, however, not give the whole picture. Duties which may generally be considered extraneous to public relations may be assigned to a P. R. department,[2] or the P. R. department's legitimate work might not be entrusted to it.[3] In either case, the correct perspective regarding P. R. work is lacking.

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1. It may be noted that in this Study no distinction has been maintained in the information and publicity on the one hand, and public relations on the other. In the view of Professor W. A. Robson the work of information and publicity involves supplying absolutely reliable and objective information to the public, in contrast to the sphere of public relations which covers persuasion, propaganda and a conscious attempt to influence. In his words, "the confusion between information and public relations has had the effect of permitting public relations to masquerade under the guise of information", which, according to him, is "unfortunate". (*The Governors and the Governed*, Louisiana State University Press, 1964, p. 43). The subtle distinction between public relations, and publicity and information is worth observing but is not generally recognised. The line of demarcation becomes all the more blurred when the two functions are assigned to the same individual or the department, as is generally the case.

2. In the H.E.C., *e.g.*, the P. R. department is also responsible for some aspects of the sales side of the enterprise. It may be noted here that the sales promotion constitutes an important part of the public relations in enterprises which provide a service. It would, *e.g.*, be impossible to distinguish between the pure public relations work and the pure publicity and sales promotion work of the P. R. department of the L.I.C.

3. In the N. C. D. C., *e.g.*, the Secretary's department and not the P. R. O. looks after Parliament's reactions to the enterprise's operations, and to the relationship with various parliamentary committees. The P.R.O., it was surprising to find, was not even shown the report of the Estimates Committee on the Enterprise.

The strength of a P. R. department is also governed by the fact that whether an enterprise is utilising the services of outside agencies for specialised work, *e.g.*, a large number of public enterprises make use of the services of publicity and advertising agencies[1] for expert help in designing, printing, layout etc. of their publicity and P. R. material. But there is no specific policy in this regard.[2] The policy of the British Atomic Energy Authority to contract out as much work as possible regarding publicity (film production, exhibition, design and printing of publications etc.) is worth emulating. This practice permits fluctuations in the work of the department to be absorbed without disturbing the staff structure.

The financial allocations to a P. R. department may also reflect its relative importance. A correct picture, however, may not be available as the statistical information in this behalf lacks a uniform basis. The P. R. work might be distributed over various departments and its exact coverage differs from enterprise to enterprise. It, for example, partly or fully covers expenditure on sales publicity in some cases. In others, there is no specific budget for the P. R. department as such. Existing P.R. allocations are shown in Table II, page 10.

The salary paid to the P. R. chief and his place—formal and informal—in the organisation may, to some extent, be indicative of the place and position of public relations in the organisation. As Table II indicates, half of the P. R. chiefs are in the middle or lower management cadres. Only in 13 cases (including four in Railways) they are in the pay scales upwards of Rs. 1,000 per month, and these can be considered as belonging to the senior management level.

Direct access of the P. R. chief to the head of the enterprise is helpful in carrying out the P. R. work effectively.

1. The use of Government publicity organs is reported to be made in two cases. The C. W. C. makes use of the services of the Directorate of Audio-Visual Publicity, and the Indian Rare Earth's publicity is largely through the Director of Commercial Publicity, Ministry of Commerce, Government of India.
2. Here it is interesting to note the experience of the Andhra Pradesh State Road Transport Corporation which found that a full-fledged organisation for public relations would be too costly at the present stage and therefore engaged the services of a reputed advertising firm "to assist the Corporation in planning, formulation and execution of public relations and publicity programmes."

TABLE II

Showing designation and salary of public relations officers, the persons to whom they are directly responsible, the financial appropriations and the number of persons employed in public relations departments

Name of the Enterprise	*Designation*	*Salary*	*No. of persons*	*Appropriation for 1962 or 1963 (Rupees)*	*To whom responsible*
1	2	3	4	5	6
1. Air-India	P.R. Manager	900 – 1450	5	—[1]	G.M. (Thro' Commercial Manager)
2. B.E.L.	Commercial Officer	500 - 860	12	3,00,000	Chief Commercial Manager
3. B.E.M.	P.R.O.	500 – 860	3	—	Dy. G.M. (Commercial)
4. D.V.C.	Ch. Information Officer	1100 – 1400	30	3,21,000	Dy. G.M.
5. F.C.I.	P.R. Adviser	1100 – 1400	6	80,000	Chairman & M. D.
6. Heavy Electricals	Publicity & Public Relations Manager	1300 – 1600	27	6,45,000	Commercial Manager
7. H.E.C.	P.R.O.	1300 – 1600	19	—	Chairman

1. The dash in various columns indicates that the information is not available.

1	2	3	4	5	6
8. H.A.L.	1. P.R.O.	600 - 1250	5	—	G.M.
	2. Publicity Officer	600 — 1250	5	—	G.M.
9. Hindustan Antibiotics	P.R.O.	350 — 850	2	1,20,000	Secretary
10. Hindustan Insecticides	Publicity Officer	330 — 560	2	—	Financial Controller
11. H.M.T.	P.R. and Publicity Manager	1100 —1600	8	—	Managing Director
12. Hindustan Shipyard	Asstt. P.R.O.	335— 600	3	25,000	Executive Asstt. to M.D.
13. Hindustan Steel	P.R.O.	1100 —1400	4	6,00,000	Secretary
(*a*) Bhilai	P.R.O.	700 - 1100	24	3,00,000	Dy. G.M.
(*b*) Durgapur	P.R.O.	700 - 1150	20	3,00,000	—do—
(*c*) Rourkela	P.R.O.	700 —1100	—	3,00,000	—do—
14. I.A.C.	Ch. Publicity Officer	1100—1700	4	10,00,000	1. G.M. 2. Ch. Traffic Manager
15. L.I.C.	P.R.O.	1600 —2000	59	40,00,000	M.D.
16. M.M.T.C.	P.R.O.	700 —1250	8	1,47,000	Chairman
17. N.C.D.C.	P.R.O.	700 —1250	2	—	M.D. Thro' Secretary

1	2	3	4	5	6
18. N.P.C.C.	Information Officer	700—1250	—	—	Ch. Executive Officer
19. N.L.C.	P.R.O.	700—1250	12	3,44,000	Dy. G.M.
20. O. & N.G.C.	1. Exhibition Officer	700—1200	—	—	Director Administration
	2. Publicity Officer	400— 950	4	—	Ch. of Co-ordination
	3. P.R.O.	325— 475	—	—	Ch. of Western Region
21. (*a*) Railway Board	Jt. Director	As Dy. Principal Inf. Off., Govt. of India	30	3,40,000	Chairman, Railway Board
(*b*) Central Rly.	1. Ch. P.R.O.	1300—1600	36	8,66,000	Senior Dy. G.M.
	2. P.R.O.	700—1250			
(*c*) Eastern Rly.	1. Ch. P.R.O.	1300—1600	125	9,15,000	—do—
	2. P.R.O.	700—1250			
(*d*) Northern Rly.	1. Ch. P.R O.	1300—1600	77	4,86,000	—do—
	2. P.R.O.	700—1250			
(*e*) North Eastern Rly.	P.R.O.	700 – 1250	60	2,53,000	—do—
(*f*) North Frontier Rly.	P.R.O.	700 - 1250	42	2,08,000	—do—

1	2	3	4	5	6
(*g*) South Eastern Rly.	P.R.O.	700—1250	89	4,57,000	Senior Dy. G.M.
(*h*) Western Rly.	P.R.O.	700—1250	—	7,82,000	—do—
22. R.I.C.	P.R.O.	400— 950	—	—	M.D.
23. S.T.C.	P. R.O.	700—1250	8	—	Chairman (Thro' Dy. Mgr. Administration
24. I.T.I.	1. Ch. P.R.O.	350— 600	—	—	Dy. Personnel Manager
	2. Publicity Officer	350— 600	—	—	Senior Engineer
	3. Magazine Editor	350— 600	—	—	Secretary
25. X. Ltd.[1]	P.R.O.	1100—1400	16	35,00,000	Chairman

1. The enterprise prefers to remain anonymous.

TABLE II A

Showing data about other enterprises[1] on the same basis as in Table II

Name of the enterprise	*Designation*	*Salary*	*No. of persons*	*Appropriation for 1962 or 1963*	*To whom responsible*
1	2	3	4	5	6
1. T.V.A.	Director of Information	About $17,000 a year	13	$2,25,000	G.M.
2. British Railways	P. R. Adviser	"Confidential"	80	£30,00,000	A member of the Board
3. National Coal Board (U.K.)	Chief P.R.O.	"Paid as a very senior official"	70	"Not published"	"Normally to the Secretary but effectively to the Chairman"
4. British European Airways	Chief P.R.O.	"That of a senior executive"	27	"Private"	Chairman
5. Central Electricity Generating Board (U.K.)	P.R O.	Not disclosed	26 at H.Q.	Not disclosed	Board Secretary
6. Canadian National Railways	Director	"Confidential"	30 at H.Q.	Not disclosed	President

1. The questionnaire on the basis of which the information in Table II was collected, was also sent to some 20 leading foreign public and private enterprises in English-speaking countries and to about 100 top (with regard to paid-up capital) public limited companies in India. The few enterprises which supplied the information are listed here for comparative purposes. But it is to be noted that this information is only of a chosen few enterprises which apparently had a strong P.R. department.

1	2	3	4	5	6
7. A private enterprise from U.K.[1]	Head of Public Relations	£4,000—5,000	30	£1,40,000 to £3,00,000	G M. Publicity
8. A private enterprise from U.K.	Group Marketing Controller	Not disclosed	20	£1,30,000	M D.
9. Dalmia Cement	Manager Sales Division	Rs. 2,000—3,000	"Adequate"	Not disclosed	Managing Agents
10. Hindustan Lever	P. R. Manager	"A senior member of Management Team"	5	Over Rs. 5 lakhs	Co-ordinating Director
11. Alembic Chemicals	Manager, Advertising Deptt.	Rs. 850—Rs. 1,200	6	About Rs. 2 lakhs	Director Marketing Division
12. Indian Aluminium	P.R.O.	Not disclosed	2	About Rs. 4 lakhs	G.M.
13. Tata Sons	P.R.O.	"Senior Management Level"	4—5	Rs. 1½ lakhs	Vice-Chairman
14. Punjab National Bank	P.R.O.	"Senior Officer's scale"	10—12	Rs. 7½ lakhs	G.M.

1. The companies in the private sector were given an option to disclose their identity or not. The two companies from the U.K. which responded did not disclose their names.

Such an access, to some extent, also makes up for his low position in the administrative heirarchy. Only in 8 cases the P. R. Os. are reported to have a direct access to the top man.[1] Elsewhere, it is through an intermediary or not at all. His relative lower position in terms of salary should not bar his having a direct approach to the top man. His is a "staff" function and the rules applying to the "line" personnel should not apply to him. In this connection it may also be observed that the Information Officers in various Ministries, though in the salary scales of Rs. 750-1250, have direct access to their Ministers and Secretaries.

It may be relevant to consider here the designations given to the P. R. chiefs. Except in Indian Railways, which has a "Joint Director Public Relations", and the Fertilizer Corporation which has a "Public Relations Adviser", in most other cases, the P. R. chief is simply called P. R. O. In the N. P. C. C. he is designated as "Information Officer", and in the D. V. C. as "Chief Information Officer". If the status of the P. R. chief is to be reflected in his designation then the omnibus title "P. R. O."[2] could be changed into "Chief P. R. Division", where the P. R. department is sufficiently big, or where the P. R. chief holds a high position in the organisation.[3] Where there is more than one P. R. O. as in the Hindustan Steel, the P. R. O. at the centre could easily be called "Chief P. R. O." The title "Public Relations Adviser" is also appropriate as the functions of the P. R. O. are basically "staff" or advisory. In some cases, in India and abroad the designation is "Public Relations Manager." This too seems to be appropriate.

Unfortunately, the term public relations has acquired a somewhat unpleasant flavour. The same applies to the appellation P. R. O.[4] Somehow, it is thought that a P. R. O.

1. In many cases direct access to the chief was reported to exist in practice, though the same was not formally recognised.
2. The term P. R. O., it would be noted, does not indicate the level at which the P. R. work is done in the organisation.
3. In Hindustan Steel, the P. R. O.'s name is shown along with other chiefs of divisions in the Annual Reports of the Enterprise.
4. How the term public relations is generally misconceived was brought out recently in an article by a P. R. practitioner. He said : "There is little in our name to avert considerable management and public

(*Continued on page 17*)

is one who gets things done and who does not very much care how he goes about it. This, no doubt, is a distorted picture, though it cannot be said that the means employed are always above board. In any case, there is little sense in quarrelling with the terms "public relations" or "P. R. O." All that can be said is that public relations men themselves by their conduct can alter the present image in the public mind.

Organisation of P. R. Departments

The P. R. departments in general are too small to merit a consideration of their organisation. No P. R. department had a formal organisation chart,[1] nor could it provide one on the lines of the Atomic Energy Authority (U. K.), which is reproduced as Annexure I to this Chapter.

The Indian Railways has a Joint-Director of Public Relations at the centre. He is assisted by a Deputy and an Assistant Director. In each of the seven zones there is a P. R. O. who is responsible to his Senior Deputy General Manager and performs his duties with ample freedom. He, however, keeps the centre informed of his activities by sending monthly reports. The centre guides and co-ordinates the work of the zonal P. R. Os. where matters of all-India importance are involved.

The Hindustan Steel has a P. R. O. at the headquarters and three P. R. Os. at the three plant sites—Bhilai, Durgapur and Rourkela. Conceding the need for sufficient autonomy for local units in such a situation, the headquarters would be expected to co-ordinate the activities of the units so as to present a unified picture, and to effect economies in regard to common services. In practice, however, the P. R. departments at the three plants work as completely independent units. This may mean a loss of a consolidated image of the enterprise ; while the names Durgapur, Bhilai and Rourkela may stick in

(*Continued from page 16*)

skepticism regarding our motives and actions. In popular thinking, public relations people are essentially mercenaries, hired propagandists commissioned to put over a product or an idea regardless of its merits". "Public Relations—a Mis-Named Speciality", by Davis Gordon, F., *Public Relations Journal*. New York, September, 1964, p. 8.

1. Lately, information has been received from the D. V. C. in this regard. This has been reproduced as an Annexure II to this Chapter.

the public mind, the Hindustan Steel, as such, is pushed into the background. May be, the plant General Managers want to be autonomous or the headquarters does not make itself sufficiently effective. While there is nothing wrong in autonomous functioning, at the same time in matters of common interest a unified approach needs to be worked out.

The Fertilizer Corporation also has P. R. Os. at Sindri, Nangal and Trombay, where the units are located. They are under the direct control of the local General Managers and have full autonomy in local matters, but their activities are co-ordinated by the head office[1] which regularly receives reports and diaries kept by them. The head office, in turn, keeps the units informed in respect of its policies and programmes and renders such help as may be necessary.

The Hindustan Machine Tools has a Publicity and Public Relations Manager at the head office with a nucleus staff. There is one Assistant P. R. O. each, directly responsible for P. R. work, at H. M. T. (I) and (II), Bangalore, H. M. T. (III) at Pinjore (Punjab), H. M. T. (IV) at Kalamassery (Kerala), and H. M. T. (V) at Hyderabad. A P. R. Assistant looks after the P. R. work at the H. M. T. Watch Factory, Bangalore. These assistant P.R.Os. at the Plant site could release news items regarding production, visit of V. I. Ps., and social functions. All policy statements and items relating to over-all production of H.M.T. etc., are dealt with by the head office. Display advertising is centralised at the head office, though individual units can make recommendations to the central office in this regard. Publicity relating to functions like inauguration, commissioning of a project etc. is co-ordinated by the head office, with the co-operation of the local P. R. Os.

Organisation of the P.R. department in the L.I.C. is different from others. There is a Public Relations Committee comprising the chairman and two members of the Board. It is not known why the P.R.O., who is a senior official, is not a member of the Committee. At the headquarters, the P.R.O. is assisted by two officers, one incharge of field publicity and the other of

1. Unlike the Hindustan Steel where there is no co-ordinated house magazine, the F. C. I. headquarters publish "F. C. I. News" which covers all its plants located at various places. This, however, does not preclude the publication of news bulletins or house magazines at the local level.

editorial work. In each of the zones, the "Assistant Secretary—Training and Publicity" looks after local problems of public relations and keeps the Central Office informed of P.R. requirements in his respective area. However, all the publicity and press relations are handled centrally.

The P. R. work in the Oil and Natural Gas Commission is widely dispersed. It is looked after by three different officials : a publicity officer at the centre is mainly responsible for all publicity and press relations and the house journal, the P.R.O. at the operation site conducts tours for visitors and looks after local press relations ; and an exhibition officer is responsible for arranging participation in various exhibitions in India and abroad.

"Public Relations Department" is the most common nomenclature given to the section carrying P. R. work. In the D.V.C. it is called "Information Department",[1] in the N.P.C.C. "Information Cell", and in the I.A.C. "Publicity Department". The nomenclature is suggestive of functions of a department. It may, however, be noted that the scope of public relations is clearly wider than merely supplying information or publicising the enterprise. It is to create a favourable image of the enterprise and to communicate back public reactions to its policies and programmes. The P.R. work thus covers a much broader field.

Qualifications and Responsibilities of P.R. Chiefs

The most common qualification of a P.R. chief is journalistic experience. At least in 13 cases out of 25, P.R.Os. were reported to have had experience of journalism. It is largely so because of the emphasis on press relations in the P.R. work. In actual fact, however, public relations work goes much beyond maintaining good press relations. A P.R. man has to be wide

1. The D.V.C., as in many other matters, draws its inspiration here from the T.V.A. which makes a clear distinction between P.R. work and that of supplying information to the public. In the view of the Chief Information Officer of the T.V.A. : "in contrast to the conception of public relations involving promotional, selling and advertising activities, the public relations operation carried out by the T.V.A. is designed to provide the maximum factual information to the public about the T.V.A.'s obligations. This is a part of the T.V.A.'s obligations to make readily available to the public full and accurate information concerning the T.V.A., its work and policies."

awake about the image and impact of the total personality of his organisation on the outside world and has also to keep in touch with various "publics".

A journalist may be a good P.R. man but there is no direct correlation between the two. There seems to be no reason to confine the choice of P.R.O. to a journalist only. It may be noted that except in one case, no P. R. chief had any formal qualification of public relations ; and but for two cases, none of them had any previous experience of P.R. work. The previous experience was in the Press Information Bureau (P.I.B.) (2 cases), Government of India (13 cases), and sales promotion and advertising (4 cases). Technical knowledge of the industry was also mentioned as a qualification in 3 cases. In two cases retired army officials have been appointed as P.R.Os.

Mostly the P.R. chiefs hold permanent posts in the enterprise. Only in one case he belongs to the Industrial Management Pool and in two cases the appointees are deputationists—one from the Ministry of Information and Broadcasting and another from a college. In another instance, the P.R.O. is on a contract for three years.

All such arrangements, as indicated above, would stand in the way of organising P. R. departments on a sound footing. The position is particularly bad in the case of Railways and the Central Warehousing Corporation.[1] Here the P.R.Os. are officers of the P.I.B., Government of India.[2] In the former case he is a Deputy Principal Information Officer and in the latter an Information Officer. Both these officials sit for a part of the day in the P.I.B. Office to meet the Press. This practice would mean a change of the P.R.O. with every reshuffling of work, promotion or transfer of the P.I.B. officials who are with the enterprise. It would definitely be in the interest of the enterprise to have a P.R.O. who is on its permanent staff.

The present Study shows that apart from the general supervision and responsibility for the P.R. department, the P.R. chief looks to the preparation of news releases, helps in organising and conducting press conferences and attends to the Press. He

1. This Corporation has recently abolished the post of P.R.O.
2. It may incidentally be noted that the Government recovers the salary and other establishment expenditure of these officials from the enterprise with whom they serve.

is also responsible for all types of publicity, including radio talks, films, exhibitions etc. Only in two or three cases, his help is sought in the preparation of Annual Report of the enterprise. In enterprises having a house magazine, he edits or supervises such work. In one case, his duties were stated to be "developing contact with the Government departments and leaders of public opinion and of keeping them informed about the progress and problems of the enterprise." Only in few cases, P.R.Os. participate in the activities of the local cultural and social organisations, towards making the enterprise and its point of view known to the people around the enterprise.

The P.R.O. also communicates to the management reactions of the various publics to the policies and programmes of the enterprise largely through circulating newspaper clippings to the top management. Except in two or three cases, no wider dissemination of the news covering the enterprise is done by preparing daily, weekly or fortnightly news summaries. Also, opinion surveys have not been conducted in any enterprise.

In all cases, the P.R.O. has a general duty of looking after the visitors to the enterprise, and depending upon their rank and status, he arranges for their being taken round. In the Air-India, the P.R.O. also serves as a Protocol Officer of the Corporation in regard to dignitaries travelling by Air-India. In the Minerals and Metal Trading Corporation also the P.R.O. is responsible for entertaining foreign missions with the help of a Protocal Officer. In this case, the P.R.O. is also responsible for the staff welfare activities with the assistance of the Welfare Officer. In a few other cases, the P.R. chiefs are responsible for social and cultural activities in the township of the enterprise. In some enterprises, the P.R.O. has been given an overall responsibility for all paid advertisements of the enterprise. This is expected to help him in securing benefits arising from co-ordination of work, and the indirect benefit of strengthening his hands while dealing with the Press.[1]

1. The L.I.C., however, eschews this approach completely. It says: "Time and again there have been suggestions that the Corporation should make use of the lever of press advertisements patronage for ensuring that criticism of Corporation's work is minimised. This approach has been rejected and to avoid the danger of such an approach militating against both the ethics and the needs of the Corporation, relations with the press are maintained at high level."

Aims and Objectives of Public Relations Departments

What the P.R. function entails is not always clear. In many cases the P.R. department is created for it may be considered "fashionable" to have one. The area of operation of the public relations in an enterprise generally varies with the personality of the P.R. chief and the correct ideas of management regarding public relations. Replies to the question regarding the aims and objectives of P.R. departments, given below in brief, provide a variety of approaches, a large part of which is dictated by the nature of the enterprise, the training and approach of the P.R. chief, and the outlook of the top management.

Air-India	:	To see that all the policies and actions are clearly identified with public interest to achieve public understanding, goodwill and acceptance.
Bharat Electronics	:	To create an awareness in the public mind of the activities and achievements of the company and the important place it holds in the economic life of the Nation and in the area of defence.
Bharat Earthmovers	:	To keep the users of products informed of the activities of the Company and the progress made from time to time, and to project the objects and schemes of the Company to interested parties.
C.W.C.	:	To get the publicity material printed through D. A. V. P. and its distribution to Central Warehouses.
D.V.C.	:	To disseminate knowledge about this Project and other usual public relations work.
Fertiliser Corporation	:	To inform the general public about the various activities of the Corporation. To interpret the policies and to explain difficulties and problems facing the management and efforts made to solve them. To project an image which would command confidence and respect.
F.F.C.	:	To acquaint the public with policies and procedure (regarding loans) followed by the Corporation.
Heavy Electricals	:	To project a correct image of the Company and highlight its significance and contribution in the national economy. To launch sales promotion campaign through all available media for buildin g

up goodwill and boosting up sales of the products of the factory within the country at present and in foreign countries in future.

Hindustan Insecticides : To project a good image of the Organisation effectively. To develop contacts with important groups of public and the Press and put forth for information activities of the Company. To develop contacts with educational institutions particularly technical institutions, and explain the functions of the Company and job opportunity for talented students in the Company.

Hindustan Steel : To project a favourable image of the Company. To publicise the activities and performances of H.S.L. so as to convince the public that the enterprise as a large public sector undertaking has in various ways fulfilled the expectations of the nation.

Neyveli Lignite : To give wide publicity for this Project.

The correct approach towards public relations would not only be to communicate about the enterprise's activities and to present its proper image, but also to interpret the public's reactions to its policies and programmes.[1] This two-way communication has special significance inasmuch as it helps management to streamline its policies and actions so as to secure public approval. This is all the more important in an organisation which thrives on public support. The objectives of the public relations of the L.I.C. are stated to be to make the L.I.C. known to the people and to tell them how it serves them, and is to find out how the people feel about the L.I.C. This deserves emulation by others.

It is important to note that most enterprises could not reply satisfactorily to the question : How did they ensure to get public reactions to their policies and programmes ? Some enterprises admitted that no attempt had been made by them

1. In the Central Electricity Generating Board (U.K.), the objectives of the public relations department are : "Assessing and advising on the opinions and reactions of the public to the Generating Board's policies and activities, and interpreting to the public and employees the Board's policies and actions".

to assess public reactions ; others said that the objective was accomplished through Press and personal contacts. Still others thought that they got round the problem by circulating their Annual Reports, news letters etc., and through public visits to their plants. Two or three enterprises propose to undertake opinion surveys for this purpose.

A clear statement of the scope of the P. R. department's work is important. The management would then be in a position to know as to what it expects from its P. R. department, and this would provide the P. R. department itself with clearer lines of action. Public relations should in fact cover all facets of the enterprise's activities where it comes in contact with the public. There are those who buy its products or services, then there are its dealers or suppliers, and the community around the plant. There are also the members of Parliament and, of course, the public in general. An important segment of the public from the P. R. point of view is constituted of the enterprise's own employees. In practice, however, the P. R. departments operate in only a limited field : largely, they are centres of dissemination of information regarding the policies, programmes and working of the enterprise. No specific attention is paid to relations with various publics as such.

Relations with various publics

(*a*) *The Legislature*

For public enterprises, perhaps the most important and most difficult "public" is the legislature. Opinions expressed by the legislators—in the Centre and in the States—must command the greatest attention and care. Also, it has to be seen that a proper and adequate account of the situation is provided to them in order to avoid uninformed and unjustified criticism on the floor of the legislature. Public relations in this respect has a specially difficult task to perform, for there is a constant risk of the P. R. work being misunderstood by the Government as well as by legislators. The fear, however, is somewhat misplaced. Because of separate legal entities and specified responsibilities of public corporations and Government companies it is obligatory on them to hold their own rather than abandon the responsibility of public and parliamentary

opinion to the Government. The P. R. work is not canvassing for a particular point of view : it is to keep the legislators fully posted with facts so that it is possible for them to reach a balanced and unbiased judgement.

Almost the only medium utilised by the public enterprises to acquaint M.Ps. of their working is through sending them their Annual Reports. Even here, only about 15 enterprises seem to be following the practice. Others send a limited number of copies to the ministry and to the Parliament Secretariat for being distributed to M.Ps. Members of the state legislature, except ministers and a few selected members, are not generally supplied with the Annual Reports.[1]

The public enterprises expect that the legislators would visit them and get acquainted with their working ; but the initiative here is left entirely to the legislators. No specific attempt is made to attract them to the plant or to acquaint them with its working. The visits of the Public Accounts Committee, and of the Committee on Public Undertakings are considered sufficient to maintain contacts with M. Ps., in most cases. Some enterprises also invite legislators to inaugural and other similar functions organized by the enterprise.

(*b*) *The Consumer*

Relations with consumers are of paramount importance for any business organisation. For not only the success but the very existence of an enterprise depends upon the buyers of its products and services. Good consumer relations aim at fostering favourable customer attitudes towards the organisation and its products, and handling with promptness and integrity enquiries, complaints, suggestions and reactions of the customers. The findings of this Study show that P. R. departments do precious little towards maintaining and improving consumer relations.[2] The function is somehow considered to be one

1. It is felt that the Centrally owned public enterprises in various states do not always give sufficient attention to maintain and develop relations with state government officials and local politicians. And this sometimes causes difficulties in matters where the local authority's or the state government's co-operation is needed.

2. The P. R. department of the Hindustan Steel Ltd. arranges conducted tours for steel stockists and big consumers of steel.

exclusively belonging to the sales or marketing departments. The position is different only where P. R. departments also look after the sales side of the business, or are directly connected with the sales departments.[1]

(c) The Community

The word community here means the people living around an industrial establishment. Community relations aim at convincing the people that the enterprise is an integral part of the community. An enterprise should try to prove to be a "good citizen" and should seek to create a good impression in the community by informing the community about itself, about its products, policies, operations and the way it looks at its social responsibilities. The enterprise can participate in community affairs. It can extend facilities for community activities, for example, by allowing the use of its premises, auditorium, club etc. It can organise prize contests, assist local organisations, provide for some entertainment, organise public visits to plant, and take an active part in educational, cultural and philanthropic activities. No detailed information in this regard could be obtained. But the replies to the questionnaire show that very little, if any, attention is being given to community relations.

(d) The Employees

Outsiders generally judge an organisation by the people working in it. This applies more particularly to a service organisation, where the general public at times identifies the employees with the organisation. In this respect, the staff's point of view should be found out, and the staff should be kept informed on all matters of concern to it. An endeavour should be made to foster pride among employees about the enterprise. Employees who know their enterprise and like it would radiate its goodwill in their contact with the outsiders. Questions of petty jurisdiction, that is, where and how responsibilities should be shared by the public relations and the personnel

1. In the Heavy Engineering Corporation, *e. g.*, the P. R. department looks after the marketing function also. In Mazagon Dock, the Commercial Manager looks after public relations. In Air-India, Heavy Electricals, Bharat Earth Movers and Bharat Electronics the P.R. chief reports directly to the Commercial Manager.

department, should not stand in the way of achieving these objectives. Generally, employee relations is not the responsibility of the P. R. department, but in many cases this department looks after the staff welfare work.

It is found that very few enterprises make a conscious or systematic effort to make their employees public relations minded. The replies to the question as to "the steps taken to create public relation consciousness among the employees" show that this aspect is not attached any importance and an easy presumption is made that the employees would automatically or intuitively be careful about public relations. A few typical replies, produced below, would substantiate this point.

1. "The members of staff have been instructed by the Chairman of the Corporation to show utmost regard, courtesy, help and co-operation to the public."

2. "The necessity for projecting a healthy image is impressed on all members of the staff during periodical meetings and discussions."

3. "Lectures on public relations are included in training programmes. The P.R.O. meets officers and staff in all the branches and talks to them on the P.R. activities."

4. "All our officers have instructions to maintain co-operation and cordial public relations."

5. "It is ensured personally by various Heads of Departments that visitors are properly attended to."

6. (*i*) "Seminars are organised from time to time for the purpose. (*ii*) Through the house journal of the enterprise."

7. "Through Weekly Newsletter, posting the officers with the reaction of the press and the public, and by arranging talks of experts and dignitaries."

8. "Staff is P. R. conscious."

9. "By giving them necessary training before appointing."

10. "By periodic issuing of circulars, talks, and conferences."

11. "Advice is occasionally issued to different departments dealing with public on certain norms of behaviour."

(*e*) *Other Publics*

Public relations would cover various other segments of the public, such as dealers and suppliers of the enterprise, and

the public in general. The role of the P. R. department in regard to the supplier and dealer relations is controversial. In practice also nothing is done in regard to them. The P. R. man is, however, clearly responsible to keep constantly in touch with the public in general : to inform it about the enterprise and, in turn, to convey its viewpoint to the management.

Tools of Public Relations

(a) The Press

The Press is the single most important medium of communication with the public : so much so, that it is sometimes considered synonymous with public relations as a whole. The P. R. Os. naturally direct their energies in main to build good liaison, formally and informally, with the Press. Such relations usually take the form of issuance of press notes and organising press conferences. Rejoinders to and explanations of letters etc. appearing in the Press are also used as means of enlightening the public about the enterprise's views on specific matters. The P. R. O. is generally directly responsible for the press relations, though he has to function under the supervision of some top official. The extent of this control varies from unit to unit.

A regular and systematic flow of carefully prepared press releases is perhaps the best way of keeping the people informed about the enterprise. All aspects concerning production, sales, expansion programmes, achievements of targets, development of new products, etc. can be publicised through this medium inexpensively and conveniently. Not many public enterprises try to keep themselves in news. Most of them may have perhaps not much to talk about, but if and when an opportunity arises, it should not be missed. Only 24 enterprises are known to have taken recourse to press notes, which run into half a dozen or so in a year. Preparing a press release is an art of saying the right thing at the right time, and hence should merit due attention. It may incidentally be noted that, on the whole, the public enterprises are satisfied about the coverage and prominence given to their releases in the Press.

Press conferences help in disseminating information on important issues and also bring the Press in contact wit

those responsible for shaping the policies of an enterprise. Twenty enterprises hold press conferences at least once a year ; some do so more than once, depending upon their needs and circumstances. The occasions for these generally are : release of the Annual Report, launching of fresh production programmes, signing of collaboration agreements, visits of dignitaries etc. In the last mentioned case, the Press may not so much be invited formally, but the Press party attached to the dignitary is given an opportunity of meeting the senior officials of the enterprise. Organising a press conference involves considerable planning and efforts on the part of the P. R. department. Such conferences are usually addressed by the chief executive or some other senior officer. Entertainment which generally follows provides an opportunity for informal discussion and improves mutual understanding.

Press relations also entail winning the support and co-operation of the Press. Constant personal touch with the editors and special correspondents of newspapers is considered necessary to provide them a complete background before they write for the Press. And here informal relations are of crucial significance. The P. R. Os. attach much value to these relations and try to develop them as much as possible. Healthy informal relations are found to have helped in taking the sting out of some press reports. It is generally felt that it pays to take the Press into confidence, and more often than not this confidence is not betrayed. However, some P. R. Os. were of the view that the Press should be talked to only on "business". Instances were quoted where information was misinterpreted in order to secure news. On the other hand, cases are also known when informal relations with the Press were misused by the enterprise.

Only when items published in the Press distort facts or misrepresent policy, rejoinders are issued by the enterprise. The opinion in this behalf is that since rejoinders often lead to public controversies, resort should be taken to them only sparingly. The wisdom of this approach may be questioned. The P. R. Os. should not try to wink at what is being said about the enterprise only because it is a good defence strategy. The public enterprises should, instead, face their responsibilities squarely and boldly. Evasive techniques in the long run may do more harm than good.

Most enterprises do not show sufficient courage in going out at their own initiative to meet the Press ; they just wait for the Press to take interest in them. Sufficient recognition of the fact that the Press is always looking for the news and anything which has a news value is welcome to it, is lacking. Also, if the Press is fed with news and views on a regular basis there would be little room for misinformed criticism or half-baked stories.

Some P.R.Os. felt that by inspiring editorials public enterprises could get a very effective and inexpensive publicity. This, they think, is possible through informal contacts and personal relations. Others, however, felt that inspiring editorials one way or the other amounts to impinging on a precious value in a democratic society, *viz.*, the freedom of the Press.

In some cases, feature articles appear in the Press, particularly in the financial Press. Some important enterprises get supplements issued on special occasions. These may be initiated or aided by the enterprise. Senior officials in such a case can be requested to contribute articles etc.

(*b*) *Advertising*

Public relations deals mostly with prestige or institutional advertising and not with product advertising undertaken to boost up sales.[1] It is necessary that people be constantly apprised how public enterprises help the economy to develop and thereby directly contribute in improving standards of well being. Also, that they foster values and support objectives which the country has placed before itself. Institutional advertising would thus constitute an important plank of public relations.

Very few enterprises have a separate budget for institutional advertising. Such matters are decided purely on *ad hoc* basis, depending upon the resourcefulness of the P.R.O. and the consciousness of the management. The idea of "selling" the institution, and eventually the whole public sector, apart from the sale of the goods and services, has not been driven home clearly to the management. Since many public enterprises under

1. Prestige advertisement in so far as it familiarises the name of the enterprise and builds confidence in it, helps to enhance the goodwill of the firm. This indirectly and in the long run very much helps the selling process.

study would, due to various reasons, find it difficult to justify themselves solely on grounds of profitability, they should lay stress on other sides of their achievements in a systematic and planned way. In all, 19 enterprises are reported to have resorted to prestige advertising in varying measures and degrees. Prestige advertisement deserves more attention than has hitherto been given to it.

(c) Radio

Radio is becoming increasingly an important medium of communication. From the public relations' viewpoint, however, it is not being put to much effective use. The All India Radio covers public enterprises in news and other features as often as it deems necessary, depending upon the availability of news-worthy material. The A.I.R. undoubtedly does some publicity for public enterprises: whenever important developments such as the setting up or commissioning of an enterprise takes place, or when some significant target is achieved, the news is broadcast. Similar prominence is not always given to the developments in the private sector. Talks, interviews, etc. are also arranged much oftener in respect of the public than private enterprises.

The use of radio is being made in one or more of the following ways: (*a*) Talks, (*b*) Newsreels, (*c*) Discussions with public enterprise officials, (*d*) Documentaries, (*e*) Feature programmes, and (*f*) Specialised programmes, such as for labour, for universities, and for industrial workers. Participation in the programmes is generally at the top management level. Only in few cases are the P.R.Os. reported to have participated.

The number of times an enterprise is put on the air differs from unit to unit, depending upon the availability of news-worthy material and other relevant considerations. Except in one or two cases, enterprises have not gone on the air more than once or twice in a year. Most of the public enterprises have done little on their own to find a place in the A.I.R. programmes.

There is no reason why public enterprises should not give greater attention to the A.I.R., which is not only a powerful but also a free medium of publicity. A systematic and sustained effort is, therefore, called for towards cultivating the A.I.R. so that greater and more frequent use of its various stations be made. It is wrong to think that radio facilities should be sought only to announce something startling. Problems, policies and

objectives of public enterprises could be discussed with advantage. For example, the General Manager of a public enterprise gave a talk about how public enterprises have special difficulties to face as compared to private enterprises. Closer contact between the P.R.Os. and the A.I.R. officials is bound to prove fruitful.

(*d*) *Films and Slides*

In Indian conditions films can be specially useful and valuable for publicity. They constitute an effective medium of communication inasmuch as they entertain and also create more lasting impressions. Public enterprises have paid scant attention to this medium.

Most films are produced at the instance of the Films Division of the Ministry of Information and Broadcasting. An enterprise finds a place in such features only when it has something news-worthy to offer. Of course, sometimes the coverage is done as part of the Ministry's obligation to publicise the Five-Year Plans. In most cases, the initiative for inclusion in the film-making programme has been left to the Films Division, and the enterprises only co-operate whenever asked to do so.

The enterprises have not, by and large, produced any film on their own. This was largely attributed to lack of funds. But basically it is a matter of carrying conviction with the management. The L.I.C. has produced over a dozen films mainly to augment the sale of its policies. The D.V.C., the three Steel Plants of the Hindustan Steel, and the H.E.C. have film units as part of the P.R. departments and have produced a few 35 mm and 16 mm documentaries. At least some among the bigger enterprises could produce full-length feature films for displaying to visitors and for lending to educational, social and cultural institutions. But in most cases it is not so. Films have not been produced even for the purposes of training the technical personnel.

Some enterprises, for example, the Central Warehousing Corporation, the National Small Industries Corporation, the Employees' State Insurance Corporation use cinema slides to advertise their products and services.

(*e*) *Exhibitions*

Exhibitions can be highly educative; more so in the case of industrial enterprises which can be put on a live display through models, photographs and other exhibits. A large number of

public enterprises participate in local, national and international exhibitions either to advertise their products, or to popularise their names. There seems to be no specific policy regarding participation in exhibitions, the decisions are largely *ad hoc.*

The participation in local or regional fairs and exhibitions is on a limited scale and seems to have been actuated more by prestige than any other consideration.[1] Of the national exhibitions, the most important in recent years was the Indian Industries Fair, New Delhi, 1961, in which about 25 public enterprises participated. However, it has not been possible to judge the effectiveness of these participations from the public relations or sales point of view.

The participation in international exhibitions (including trade fairs) is more frequent and the number of enterprises taking part is also large. The Exhibitions Branch of the Ministry of Commerce and Industry arranges participation of Indian industries in these exhibitions. The figures supplied by this department show that out of 13 exhibitions in which India participated (some of these were organised by India) during 1961—only in 3 cases were public enterprises represented by 18 units in all. In 1962, out of 13 exhibitions, public enterprises took part in 5 and were represented by 23 units in all.[2] Some enterprises took part in more than one exhibition, with the result that total participation in two years was shared by 13 enterprises, with 6 of them participating in as many as 5 events each.

For participation in international exhibitions the Government meets a part of the expenditure. It has not been

1. Some examples of such participation are : the Indian Refinery participating in the Industrial Fair, Jorhat, Assam, 1961, and in the Indian National Congress Exhibition, Patna, 1962 ; and the H.E.C. participating in an exhibition organised by the Bihar Government in 1962, and in the Jagannathpur Mela, Ranchi, 1962.

2. The figures pertain only to the public enterprises under study, and do not include various departmental enterprises and other Government agencies which participated therein. It may further be noted that the figures given here are those supplied by the Exhibitions Branch of the Ministry of Commerce and Industry. The information obtained from the public enterprises in reply to the questionnaire revealed that some enterprises which took part in international exhibitions are not included in the list supplied by the Ministry.

possible to ascertain the effectiveness and usefulness of such participations either in terms of increased sales or in other respects. It was, however, gathered from the officials responsible for these exhibitions that the enthusiasm shown by the public sector enterprises was much less as compared with the private sector enterprises. It is also noteworthy that though some of the trade fairs were of a technical nature "none of the public sector enterprises deputed its technical personnel to any of the fairs/exhibitions" during the two years.[1]

(f) Visits to Plant

Open houses or plant tours are well-recognised instruments of public relations. Plant tours could be arranged for the families of employees, customers, suppliers, opinion leaders (such as Members of Parliament), educational institutions and for public in general. These tours give a sense of identity to the visitor and add to his understanding of the enterprise. In practice, however, persons are seldom invited to visit the plant in any planned way. Only those who choose to come on their own are provided some facilities.

Since the late Prime Minister Shri Jawaharlal Nehru referred to the public sector projects as places of pilgrimage of modern India, greater public attention was drawn to them. As most public enterprises are doing something out of the ordinary and on a grander scale, they attract attention and serve as symbols of hope. As the whole nation feels a sense of proprietorship and is interested in knowing about them, they are expected to keep their doors open to almost everyone who cares to have a look at what they are doing. This is advantageous only to a point; beyond that, plant tours of large number of persons, day in and day out, result in wastage of valuable time, distract workers' attention and hamper work.

The number of persons taken around the plants is quite large. For many big manufacturing public enterprises it ranges between 15 to 20 thousands per year. The problem of showing around V.I.Ps. is somewhat more difficult.[2] In many public

1. The quotation is based on an enquiry made from the Exhibitions Branch of the Ministry of Commerce and Industry.
2. In some cases the P.R.Os. complained that they have too little time to attend to their desk work. For 3 to 4 days in the week they are busy accompanying V.I.Ps. visiting the plant.

enterprises the number of V.I.Ps. visiting the plant every year runs into hundreds.

Looking after visitors to the plant forms an important part of the P.R. work[1] in most of the enterprises.[2] In some 10 cases the work of showing the visitors around is done by the staff appointed specifically for this purpose. This staff is generally of junior rank and its number differs according to requirements. In a majority of cases, however, the persons to show the visitors around are pulled out from various departments including the P.R. department, depending upon their availability and the status of visitors. Some enterprises have fixed hours and days for this purpose but most enterprises prefer any time during working hours, fixed through prior appointment. In some cases, where time and days are fixed these are not often observed in practice. Enterprises do not consider it good public relations to disappoint persons coming from distant places to visit their plants, without giving prior intimation of their arrival.

The machanics of showing people around requires some attention. Impressions formed by visitors not only last long but are conveyed to others as well. Courtesy is the first requisite. But the visitor has also to be educated about the enterprise—its history, development, achievements, problems etc. A brief informative talk at the commencement of the tour and an opportunity to ask questions at the end may prove useful. A well-produced booklet or brochure containing important facts and photographs about the enterprise could, with advantage, be given to the visitors. Booklets or pamphlets for specialised public could be separately prepared. Where the Project is spread over a large area, some conveyance to show the visitors around would be welcome. Only a few enterprises attend to these details.

Of the non-industrial enterprises, only the State Trading Corporation claims to "encourage visitors in groups to its offices to know about it." But how this process actually takes place is not clear. Another non-industrial organisation,

1. In Hindustan Aircraft, the public relations department does no other work except taking people around. There is a separate department for publicity work.
2. Because of the Emergency public visits have either been stopped or curtailed in most cases.

the Employees' State Insurance Corporation, feels that "the public in general as such do not take any interest in the activities of the Corporation." Whether it is the Corporation which is responsible for this alleged lack of interest, or the public, is a different matter. In the D.V.C., guest houses are maintained at all important work sites. Thousands of visitors who come to see the D.V.C. installations are looked after and shown around by P.R. assistants at the sites.

(*g*) *The House Magazine*

A house journal is largely intended to create a sense of fraternity among the employees of an enterprise. As an organisation grows in size, it becomes more and more difficult even for those who are working in it to be fully familiar with its policies, programmes and day-to-day developments. The house organ provides a link between the employees and the organisation, and the employees *inter se*.

As listed in Table III below, 22 enterprises have house magazines or newsletters published periodically. In the Railways and the Hindustan Steel, each of the seven zones and the three plants respectively, have separate magazines. In the L.I.C., not only all the zonal offices, but some divisional offices also publish their own journals.

TABLE III

Showing details of house journals of public enterprises

Name of the Enterprise	*Name of the Journal*	*Duration of issue*	*Pages (Approximate)*	*Price*
1	2	3	4	5
1. Air-India	"Magic Carpet"	Monthly	12	Not priced
2. B.E.L.	"Electronica"	Bi-monthly	12–16	Re. 1 per year
3. D.V.C.	"D.V.C. Samachar"	Bi-monthly	6	Not priced
4. F.C.I.	"F.C.I. News"	Bi-monthly	20	Rs. 1.50 a year
5. H.E.C.	"HENCO News"	Quarterly	32	Not priced

1	2	3	4	5
6. Hindustan Steel				
(*a*) Bhilai Plant	"Bhilai News"	Bi-monthly	28	Rs. 4 a year
(*b*) Durgapur Plant	"Durgapur Steel Tidings"	Monthly	8–12	Not priced
(*c*) Rourkela Plant	"Rourkela News"	Fortnightly	8	Not priced
7. H.M.T.	"H.M.T. News-Digest"	Monthly	6–8	Not priced
8. Heavy Electricals	"H.E. News-letter"	Weekly	2	Not priced
9. H.A.L.	"Vimana Samachar"	Monthly	48	Re. 1 a year
10. Hindustan Shipyard	"Shipyard Review"	Quarterly	48	Rs. 4 a year
11. Hindustan Insecticides	"D.D.T. News"	Quarterly	60–80	Not priced
12. Hindustan Antibiotics	"Pimpri News"	Monthly	8–10	Not priced
13. I.A.C.	"Trimsheet"	Bi-monthly	16	Not priced
14. I.T.I.	"I.T.I. Magazine"	Bi-monthly	100	Rs. 6 a year
15. I.O.C.	"Indian Oil News"	Monthly	24	Not priced
16. L.I.C.[1]	"Yogakshema"	Monthly	48	Rs. 8 a year
(*a*) Eastern Zone	"Sevavrati"	Quarterly	48	Rs. 3 a year
(*b*) Northern Zone	"Jankalyan"	Quarterly	80	Rs. 3 a year
(*c*) Western Zone	"Bima Pragati"	Bi-monthly	48	Rs. 4 a year
(*d*) Central Zone	"Navjyoti"	Bi-monthly	60	Rs. 3 a year
(*e*) Southern Zone	"Jan Raksha"	Quarterly	60	Rs. 4 a year

1. Many of the Divisional offices of the L.I.C. have separate house journals.

1	2	3	4	5
17. M.M.T.C.	"M.M.T.C. News"	Quarterly	20-24	Not priced
18. N.L.C.	"Lignite Jyoti"	Quarterly	28	80 P. a year
19. O. & N. G. C.	"O.N.G.C. Reporter"	Monthly	6-8	Not priced
20. Railways[1]	"Indian Railways"	Monthly	60	Rs. 10 a year (Rs. 8 for Railwaymen)
21. S.T.C.	"S.T.C. News"	Quarterly	32	Not priced

1. All the seven zones issue their own house journals named after the zone. Staff Newsletters and Newsletters for Railway Users are brought out in many cases.

The house journals generally cover all important news regarding the enterprise and its units as also various aspects of activities within the enterprise. The extent and details of coverage differ from one organisation to another, depending upon the size of the magazine and the policy in the matter. The coverage is invariably supported by photographs. The house journals of the L.I.C. provide useful professional information and advice to the subscribers who mostly are development officers and agents engaged in the task of selling insurance. House journals also act as gazetteers inasmuch as they record appointments, transfers, promotions etc. in the enterprise. Besides, announcements to the employees are also made through them, in many cases.

Contributions to house journals are made almost invariably by persons from within the enterprise and, except in one or two cases, no payment to contributors is made. In some journals a column or a page is reserved for the head of the enterprise to address the staff regularly. House journals often contain highly technical articles, contributed by persons on the technical side of the staff, which would be understood by only few persons.

In about half the cases these journals are priced. Some P.R.Os. thought that the house journal should be given to every employee as a matter of right and should not, therefore, be priced. The other view was that free distribution, apart from the cost involved—which is an important consideration on account of the slim budgets of P.R. departments—would reduce the importance of the publication and may even make it 'unwanted'. In fact,

if these journals have to achieve a certain measure of popularity, the element of subsidy cannot be avoided. In practice, too, the house magazines are greatly subsidized.[1] The information supplied in Table IV (page 40) is illustrative of the existing situation.

Some of the house magazines and newsletters are well turned out ; but in most of them there is scope for improvement from the point of view of printing,[2] get up, contents, consistency in shape and size etc. Timeliness of publication is another important consideration which is often overlooked.

A house organ mirrors the whole organisation and reflects aspirations of those working in it. Constant efforts are, therefore, necessary to bring it as close to the employees as possible. The contents would have to be adjusted according to the needs and requirements in each case. In a general way, it may be said that the journal need not necessarily be big or voluminous ; it can be published fortnightly or monthly and distributed at a nominal price. To add to its popularity, the contents may be, in part or in full, in local languages also.[3]

(h) Miscellaneous

Other media of public relations include booklets, brochures, leaflets, posters, etc., dealing with various aspects of an enterprise's operation and policies. These publications may be meant for the public visiting the enterprise or for distribution on special occasions, such as the visit of a dignitary, some important anniversary etc. Some publications may also be intended for customers.

In some cases, the chairman's speech at the annual general meeting, or addresses and articles by senior officials are reprinted to serve as publicity and public relations material. Periodically, say after every 5 or 10 years, booklets evaluating or assessing developments are also brought out. An enterprise may in some instances advertise for obtaining public support for

1. An important exception to this are the house journals (Central as well as Zonal) of the Railways. These accept commercial advertisements and are run on business principles. They have their own funds out of which they are managed. Even the establishment expenses of these house journals are met out of the sale price and advertisements.
2. In one case, according to the lowest tender rule, the press which got the right to print the house magazine had no resources to attend to the quality aspect of printing, and the P.R.O. found himself helpless.
3. Even at present in many cases a part or whole of the house journal is being published in one or more languages.

TABLE IV

Showing the price, cost per copy, number of copies distributed or sold, and the subsidy involved in the publication of house journals of a few public enterprises

Name of the Enterprise	*Price*	*Cost per copy*	*No. of copies distributed or sold*	*Subsidy*
1	2	3	4	5
1. B.E.L.	Re. 1 per year	50 to 60 Paise	2200	Entire cost except for nominal collection from subscribers
2. D.V.C.	Nil	Rs. 1·10	1500 English 5000 Bengali 5000 Hindi	The entire cost is borne by the Corporation
3. Heavy Electricals	Nil	Printed departmentally	3000	Printed departmentally
4. Hindustan Antibiotics	Nil	40 Paise	2000	Rs. 10,000 approx.
5. Hindustan Insecticides	Nil	75 Paise	950	Rs. 4,000
6. N.L.C.	20 P. per copy for employees, 40 P. for outsiders.	Rs. 1·50	1200 Tamil 750 English	—
7. F.C.I.	Employees Rs. 1.50 for English and Re. 1 for Hindi. Non-employees Rs. 3 per year	About Rs. 1·50	3,500	Rs. 5,000 (Budget ceiling)
8. X Company[1]	Nil	70 Paise	10,000	No subsidy as this is a part of the P. R. Budget

1. The Company prefers to remain anonymous.

its plans : the D.V.C., in its earlier years, published and circulated a pamphlet entitled "Why Damodar Scheme deserves top priority among India's development projects". Publications could be brought out to explain or vindicate the position of an enterprise involved in a public controversy or when some allegations are made against it. The T.V.A., in the U.S.A., for example, widely publicised its views against a publication of the U.S. Chamber of Commerce : "T.V.A.—What is next ?" ; which was damaging to it. Some enterprises also bring out publications in question-answer form, pertaining to issues of topical interest regarding the enterprise.

What is important about publicity material is the quality. But however well-produced the material is, if the same does not reach the proper person, the end in view is not served. It needs hardly be said that well-planned and attractively got up material is bound to catch the eye more easily. Even a casual glance at the publicity material, which is being brought out by our enterprises, would underline the need for greater attention to the quality of production.

A large number of enterprises make use of gift articles, such as, calendars, diaries, memo boxes, wallets and other types of souvenirs, as part of their sales and public relations programme. Some also give charity advertisements. Articles concerning the enterprise are contributed by senior officials to various magazines and journals, and, in one or two cases, senior officials also take an active part in the local cultural and social organisations.

Generally speaking, few public enterprises encourage their officials to participate in the activities of social, academic and professional bodies, with the result that in such gatherings the personality of the enterprise remains unprojected, and its viewpoint is not represented. If public enterprise officials, such as accountants, engineers, administrators etc. were encouraged to participate in their respective professional bodies as also in social and cultural activities, the benefit to the enterprise could, in the long run, be substantial.

Conclusion

The position occupied by public relations in different enterprises was not uniform. In some enterprises, the P.R. departments were full of life and energy and apparently had something

worthwhile to do. They enjoyed a definite place in the organisation. In others, such departments were considered inessential and, as a result, were languishing. Apart from the drive, spirit and efforts of the P. R. chief, which in themselves are important considerations, his vitality and inner strength, in no small measure, depends upon the attitude of the top management.

Since the results accruing from the P.R. work are intangible and incapable of exact measurement, it is not easy to convince the management of the significance and usefulness of public relations. The P.R. department may be looked upon as a non-earning department and its work may, therefore, be dispersed over other departments. For example, the secretariat of the chief executive may deal with the Press and publicity, the house journal may be made the responsibility of the personnel department, and so on. Such dispersal comes in the way of a specialised approach to the matter and the management may fail to appreciate what lies at the core of the P.R. activities.

Perhaps the most important consideration in organising public relations effectively is the attitude of the chief executive. As a senior chief executive[1] has very rightly put it: "Howsoever good and able a Public Relations Officer may be, he cannot do much unless the chief executive appreciates the value of the public relations and generally maintains direct contact himself with the members of Parliament, representatives of the Press and important people among the public who guide the public opinion. Similarly, dissemination of news and information in the proper form should be guided by the chief executive and he must be keen to put across the achievements of an organisation without exaggerating them". In many cases, public relations is not regarded as a function of management. It is treated as an adjunct of the sales or personnel departments, or is developed as a cell dealing with liasion work, contacts, reservations for the transportation of senior officers etc. Public relations to be effective must be conceived in its true perspective and should function directly under the chief executive officer of the enterprise.

A part of the difficulty probably arises because top managers who, in most cases, are drawn from civil service, by temperament and training shy away from public relations and

1. Mr. S.T. Raja, formerly Managing Director, National Coal Development Corporation.

publicity.[1] In most cases, public enterprise managements believe in what in American parlance is called "fire brigade" type of public relations.[2] This does not permit anticipatory action with the result that initiative has little room for flowering. It needs to be clearly understood that public relations is not a defence mechanism to ride over temporary difficulties. Nor should it be viewed as a stand-by to be called into operation as and when the need arises. On the other hand, public relations, of necessity, is a long-term exercise to be pursued with consistency, resilience and initiative. Only then results can be achieved.

There is no simple device for convincing top management of the need and importance of public relations. Perhaps, if public enterprises are reminded of their responsibilities in this regard at the ministerial level, some results may be forthcoming. For other levels of management, orientation and training programmes are necessary. In none of the public enterprises (which responded to our questionnaire), public relations is included as part of the training courses organised for managerial personnel. This lacuna needs to be corrected. Public relations consciousness must permeate all public enterprises and conditions need be created in which P.R. departments can function in a congenial atmosphere.

It is important to note that the role of public relations is much better understood and recognised in various ministries and departments of the Government. Annexure III to this Chapter throws light on the importance attached to the work of Information Officers in different ministries. If P.R.Os. in public enterprises were also given the same status and importance as Information Officers have in the Government, quite a few problems arising from low priority to P.R. function would disappear. It may be noted that most P.R.Os. in public enterprises are in the same pay scales as Information Officers in the Government. The nature of their work is also, by and large, similar.

At present, in most cases, the knowledge of the P.R.O.

1. One P.R.O., however, held the view that civil servants who manage the enterprises were not publicity shy, but they were afraid of it, for it could go against them and they were not likely to get a direct benefit from it.

2. In many cases it was found that the P.R. man was wanted most when the enterprise ran into difficulty with the Press.

about the policies and programmes of the enterprise is no better than that of other executives in the organisation. No systematic method of keeping him posted with the policy decisions and day-to-day development has been devised. The P.R.Os. do not attend meetings of the Board of Directors and they are seldom shown the minutes of such meetings. The top management, for most matters of policy, considers itself its own public relations adviser. In this respect also, we can draw some lessons from the position of Information Officers in the ministries.

It is suggested that the P. R. O. in the enterprise should have adequate liaison with the appropriate ministry in respect of matters where the Press, the public and Parliament come into picture prominently. Some people feel that the P.R.O.'s contact with the ministry should only be through his chief executive, and not direct. Whatever the approach in this regard, there is need for better and closer co-ordination between an enterprise and the relevant ministry. At present, even the liaison between the Information Officers in the ministries and the P.R.Os. in public enterprises is not adequate, and requires improvement.

Sometimes, ministers through their utterances make the task of the P.R.O. more difficult. A P.R.O. pathetically remarked that a disparaging or unkind statement in the nature of a self-confession by a minister renders his job unenviable. And in such a case he is entirely helpless. A little exercise of restraint on the part of high dignitaries can at times prove beneficial.

Projecting a correct image is always an important consideration for an enterprise. The image building, however, is a sustained and time consuming process and requires concerted effort on the part of every individual in the organisation. Though the P.R. department can well co-ordinate efforts towards that end, the basic 'impulse' or motivation must come from the top man. But frequent changes at the top[1] come in the way of his indentification with the enterprise and consequently his concern with the prestige and image of the enterprise is correspondingly lessened. Sufficiently long tenures of appointment are, therefore, of prime importance.

1. The turnover of the top managerial personnel in public enterprises is alarmingly high. Just take two of the biggest enterprises—the L.I.C. and the Hindustan Steel—both are having their sixth chairmen since their inception in 1956 and 1954 respectively.

One universal lacuna observed in the operations of P.R. deparments related to the lack of communication as between the various publics and the enterprise. Few, if any, public enterprises go about in a systematic way ascertaining the views of the consumers, employees and other publics. It is surprising that none of them care to keep a full track of the utterances of the legislators, or of the questions asked in Parliament and in state legislatures. Indeed, it may be worth finding out whether a legislator has any specific and genuine complaint against the enterprise or he belongs to one or the other pressure groups. In some cases, a legislator may have a genuine specialised interest in a particular enterprise or industry. An understanding of the legislators' point of view can go a long way in improving relations with Parliament and state legislatures. Due attention has also to be given to the views of other publics.

The public enterprises are not generally making adequate use of the means of communication with the public. Not a single P.R.O. expressed any difficulty *vis-a-vis* the Press in regard to coverage given to his enterprise. Many P.R.Os. also admitted that the A.I.R. was more anxious to put them on air than they themselves were.

Unfortunately, some of the public enterprises are too much preoccupied with the Secretariat and its officials in New Delhi. That is the only public, it appears, which really matters for them. If New Delhi is satisfied, other things can take care of themselves. Needless to say, such an approach is short-sighted and is unlikely to help the image of the public enterprises.

There is a considerable scope for improvement in the techniques and tools used by our P. R. departments. Some specific suggestions for improvement have been made earlier. It may, however, be added that a scientific and specialised approach is not in evidence. Perhaps, this is due to the fact that most of our P.R Os. have no formal training of public relations. Adequate training in public relations and a correct approach could make much difference in the existing situation. The P.R.Os. could usefully study some standard text books.[1] Short term orientation courses for P.R.Os. could also be conducted with the help of specialised institutions like the Indian

1. *See* Bibliography.

Institute of Public Administration and the Institute of Public Enterprise.[1]

It is suggested that periodically P.R. chiefs from all the public sector enterprises should meet to discuss their common problems. Thus, they would have the benefit of the experience of others, for often it is found that a less bold management accepts an idea with relative ease if the same has succeeded elsewhere. Also, certain common problems of public relations could be discussed with advantage. Even resources can be pooled together to advance some common aim.[2] The idea of a P.R.O. conference was appreciated by almost every P.R.O., who was interviewed. The P.R.Os. themselves could take initiative in the matter, or some other forum such as the Institute of Public Enterprise could do the sponsoring. Few would question the usefulness of such get togethers. The community of aims and objectives is a binding force among the P.R.Os. and the sharing of experience and ideas can go a long way in providing a more enduring base to the profession.[3]

The view was expressed earlier that the public enterprises should not expect the Government to take up responsibility of their public relations and publicity. The Government can, however, assist them in furthering their common aims. For example, it could sponsor a permanent exhibition of public enterprises. Such an exhibition would serve as a storehouse of knowledge about public enterprises and provide an index of their growth and development. The transformation in the

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1. The Institute of Public Enterprise which is a non-official autonomous body has been recently established at Osmania University, Hyderabad. It has already organised over half a dozen specialised conferences at various places in the country to discuss problems of financial management, incentives, and personnel planning in public enterprises. Shri S. S. Khera is Chairman of the Executive Committee of the Institute and Professor V.V. Ramanadham is its Director.

2. Enterprises within the same state or region or enterprises of similar nature have many common problems.

3. At present, at some places local P.R.Os. meet together in an informal way. In Delhi, there is a P.R. Group which meets occasionally. In Bombay, there is Public Relations Society of India, but its members are from Bombay only. The present president of the Society, Mr. F. S. Mulla, P.R.O. of Tatas is, however, anxious to give the organisation an all-India shape.

ANN

U. K. Atomic Organisation

Director of Public

Deputy Director of Publ

PRESS OFFICE	SCIENCE WRITERS	EXHIBITION
Principal Information Officer	Principal Information Officer	Principal Information Officer
2 Senior Information Officers	Senior Information Officer	Senior Information Officer
Information Officer	Information Officer	Information Officer
E.O./Sec.	Clerk/Typist	Clerk
(Press Inquiries and Briefing, Press Releases, Press Conferences, Visits, T.V. and Radio)	(Exhibition and Publication texts, "Atom"; Scientific and Technical News Service)	(Organisation of Exhibitions ; Models)

country's economic and industrial scene and the special role played by public enterprises can be effectively displayed. Not only such an exhibition would have high educative value, but it would also earn a sizeable publicity for the public sector.

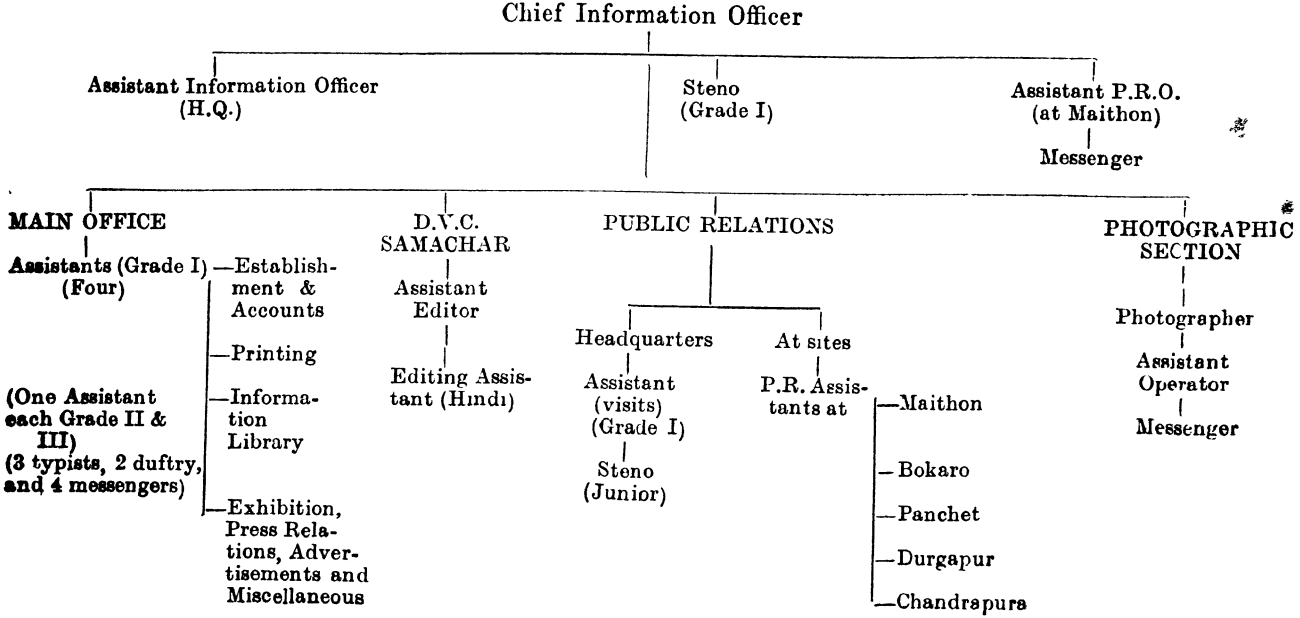
Public relations in a public enterprise—where nothing is immune from public criticism—cannot be left to chance. The planning for public relations has, therefore, to be systematic and deliberate and must be viewed as an important management function. Only through a well-planned programme of public relations can the public enterprises hope to secure public acceptance. And on such efforts, to a large degree, hinges the future of public enterprises.

A note of caution is required to be struck at this stage. An undue and unsophisticated enthusiasm for public relations should be avoided, lest the same may add to or aggravate the public *versus* private sector controversy. It has also to be recognized that P.R. departments are not to carry the responsibility of patching up the loopholes of other departments. The responsibility for sound public relations should be an all-inclusive effort and every department should be held responsible for maintaining the highest standards of public relations. There is also a danger that with a strong P.R. department, an enterprise may deceive itself into an image of efficiency and progress, and may thus conceal its real weaknesses, at least for some time.

ANNEXURE II

Damodar Valley Corporation

Organization of Public Relations Department



ANNEXURE III

Abstract from the office memorandum of 1st December, 1947 (26/51/47-IP) of the Ministry of Information and Broadcasting to all Ministries of the Government of India

Information Officers have been attached to all ministries and have a duty to keep the ministries constantly informed of the press reaction to their activities to correct misapprehensions and misrepresentations about the activities and to attempt to popularise their policies. If they are to discharge their duties properly they must be in a position to maintain close liaison with the honourable ministers and secretaries of the ministries to which they are attached. It is a truism that a Government which depends on the support of the popular will must ensure that their policies are properly interpreted to the public on whose support they hold office and the Press Information Bureau and its officers are the agency for this interpretation. If the Information Officers are to discharge their duties satisfactorily the co-operation of the ministries is essential in the following measures :

(*i*) Information Officers should have free access to their respective ministers and secretaries.

(*ii*) In some ministries, Information Officers are invited to attend all important conferences and committee meetings. This practice has proved useful and it is suggested that it might be adopted by all ministries with advantage.

(*iii*) Information Officers should have access to all important decisions taken and orders passed by the ministries. They should be kept fully informed not only on all matters which are in the public eye, but what is equally important on all matters of policy and administration which though they may be in the confidential stage are likely to arouse public interest or controversy at some later date. They might also be kept in touch with important developments so that they can understand the background of the decision taken. In particular, they should be supplied with the monthly and weekly summaries prepared by the ministries for the information of the Cabinet.

(*iv*) It would help the Information Officers in the discharge of their duties if they are given some accommodation in the ministries they serve.[1]

1. Lest it may be considered that the Government's policy has changed in this regard since 1947, here is an extract from a report of the Prime Minister Lal Bahadur Shastri's address to the State Information Ministers, on 7th May, 1965. The *Statesman* reported that : "The Prime Minister was unhappy over the indifference shown by Ministers and senior officers to the information officers who were sometimes regarded by them as a "nuisance". This attitude must change. The Information Officers were the judges of what to tell and what not to tell to the people. They should be told almost everything. Ministers and officials should meet them more often, preferably once a week".

Chapter II

Annual Reports of Public Enterprises– Some General Considerations

Introduction

This and the following three chapters deal with various aspects of the Annual Reports of public enterprises. This Chapter begins with a plea for greater disclosures in the Reports. Provisions of law regarding Annual Reports and how far they are being implemented are considered. The question of timeliness in the preparation and submission of Reports to Parliament is then dealt with at length. The views of the Estimates Committee and the extent to which the Annual Reports attract parliamentary attention are also discussed.

Successful working of a government founded on democratic principles largely depends upon well-informed public opinion. In a democracy "social evolution occurs through changes in public opinion rather than through revolutionary action."[1] It is, therefore, essential to keep people continuously informed of what is happening in government. In a democratic community, government should tell people as much as is possible within the limits of prudence.

A universal feature of all modern governments is that the executive and the bureaucracy display a strong bias towards secrecy. The legislature and the courts, by contrast, manifest a strong tendency towards publicity. To a point, the element of

1. A. P., Miles, *An Introduction to Public Welfare,* Boston, 1949, pp. 434–37.

secrecy is unavoidable in any administration ; but to make a fetish of secrecy is harmful. Only bureaucrats gain from the latter for they get the opportunity to cover errors of commission and omission. Secrecy breedss suspicion and encourages rumours, and as such is not healthy for a responsible government.

The administrator's preference for secrecy is obvious : it is generally easier to deal with Parliament or public which is not fully informed. Legislatures all over the democratic world are, therefore, apprehensive of the executive's tendency to secrecy. Parliaments, representing people as they do, exercise democratic control over the executive. The only danger to be avoided is that legislatures in maintaining their supremacy and ensuring responsible administration do not insist on information which may impair the political neutrality and anonymity of the administrator.[1] A moving equilibrium, therefore, has to be maintained by means of which the necessity of control is balanced with the need for action.

So far as the public enterprises are concerned, the balance between the amount of information to be provided and the desired extent of secrecy has nowhere been fully struck. The very nature of these enterprises demands that they be kept away from parliamentary inquisitiveness, except in matters of policy ; yet Parliament has to be kept sufficiently informed about their programmes, operations and achievements.

The bureaucracy in publicenterprises is as good or as bad as anywhere else, so far as disclosure of information is concerned. Parliament in India, on the other hand, is somewhat over-enthusiastic to learn details of even day-to-day working.[2] The Annual Reports, if carefully drawn, can satisfy Parliament's desire to get itself acquainted with routine as well as matters of policy. If properly organised, public relations departments

1. In practice, this may not always be so. For example, "the U.S. Congress in playing its role of a "watch-dog" undoubtedly engages in far more alarms and excursions than the danger warrants, but this is the price that society has traditionally had to pay for the watch-dog function." Administrative Secrecy : A Congressional Dilemma, *The American Political Science Review*, 1960, p. 693.

2. At present, a large number of questions relating to day-to-day administration of public enterprises are answered on the floor of the House. In fact, questions are seldom rejected on the ground that they do not deal with matters of policy, but with day-to-day working.

can also help a great deal in informing Parliament and the public.

Parliament is often compared with the body of shareholders in a joint stock company. But unlike ordinary shareholders, whose main interest lie in financial returns, Parliament looks at things from a wider and broader standpoint. For instance : how the enterprise is behaving as an employer ? How far is it helping to advance the declared and accepted social and economic values and objectives ? And above all, to what extent is it financially viable ? The Annual Reports of public enterprises could greatly help Parliament by providing a correct perspective of their operations.

A well-drafted Annual Report serves as an important medium of communication between the enterprise and the public. In private concerns, the Annual Report essentially is a means through which directors seek and the shareholders extend or refuse their confidence to them every year. In private enterprise, however, the Accounts are supposed to reveal in an objective and quantified way the management's success. The Directors' Report is a mere formality which assumes significance when the results in terms of profit do not measure up to the shareholders expectations.

In a public enterprise, accountability is not to the shareholders but to Parliament (and through it to the public at large). This body does not meet only once a year, but is in session more or less continuously. Again, unlike in private firms, the achievements of public enterprises cannot be reflected in terms of profits alone. Other aspects are equally, if not more, important. In their case, therefore, achievements are primarily recorded in the Directors' Report ; the Accounts throw light only on a particular aspect of working.

For a public enterprise, the main purposes of the Annual Report would be :

(*i*) to fulfil the statutory requirements ;

(*ii*) to provide a record of the year's activities ;

(*iii*) to provide as complete an account of the policies and programmes of the enterprise as possible ;

(*iv*) to indicate clearly the efficiency with which an enterprise is operating.

The first point is considered here, and the next three are taken up in the following chapters.

The Law Regarding Annual Reports[1]

(*a*) *Public Corporations*

The public corporations are required to give in their Annual Reports "an account of activities during the year". In the D.V.C., this account has to be "true and faithful" and in the National Co-operative Development Corporation, it has to be "true and full". The latter corporation has to give not only the account of its activities but also of its "policies and programmes". In the State Bank, the Reserve Bank, and the Industrial Finance Corporation, the requirement is to provide a Report of the working of the corporation throughout the year. For the Central Warehousing Corporation, what the Report is expected to contain is not mentioned. In the L.I.C., D.V.C., I.A.C., Air-India, N. Co-op. D.C., and O. & N.G.C. some details of what *shall* be included in the Reports have also been prescribed.

No statutory provision requires the disclosure of long term plans of the enterprises. The only provision in the L.I.C., the two air corporations and the O. & N.G.C. requires "an account of the activities, if any, which are likely to be undertaken during the next financial year". The long term plans encompass relatively extended time schedules and entail huge capital expenditure. Parliament and the public would be interested in having a specific, detailed and clear-cut account of such plans. No enterprise provides information on this point.

Considering the diversity of statutory provisions, it may be asked, would the legislature expect a difference in reporting when it wants "a true and faithful report" or a "true and full account", or simply "the report of the activities"? Again, would there be a difference if the report is on "activities", or on the "activities, policies and programmes"? Are the differences in wording to be dismissed as idiosyncrasies of the authors of the enactments ? Further, details of the contents of the Reports have been prescribed only in six cases out of eleven, and the extent of disclosures required to be made varies in these cases.

In the U.K., the provision in most cases is to "report

1. For complete statutory provisions, *see* Appendix III.

on the performance of the functions and of the policy and programmes". The Minister is also empowered to specify the form of the Report and of the Accounts of the nationalised industries.[1]

In Canada, the National Railways and the air corporations are required to "set forth the results of their operations and such other information as appears to them to be of public interest or necessary for the information of Parliament with relation to any situation existing at the time of such report or as may be required from time to time by the Governor-in-Council". Thus, the emphasis is clearly on presenting information to Parliament.

The T.V.A. in the U.S.A. is to provide "a complete report as to the business of the Corporation covering the preceding governmental fiscal year". The Report has to "include an itemized statement of the cost of power at each power station, the total number of employees, and the names, salaries and duties of those receiving compensation at the rate of more than $1500 a year".[2] One might guess that perhaps the details about the personnel are specifically required so as to avoid any patronage in appointments.

It would be pertinent to consider here in brief the extent to which statutory provisions have been implemented,[3] where detailed contents have been prescribed. Taking the D.V.C. first : it is required to give a "true and faithful" account of its activities during the previous financial year, with particular reference to :

(*i*) Irrigation,
(*ii*) Water supply,
(*iii*) Electric energy,
(*iv*) Flood control,

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1. See, *e.g.*, Gas Act, 1948, Section 10, and Electricity Act, 1947, Section 8 (3).
2. In 1944, as a means of conserving paper during war, it was decided that since the Act did notr equire the list to be included in the printed version of the Report, it could be typed and placed on file. Since that time, copies of the typed list of the employees drawing salaries over $1500 are sent to the President, the House of Representatives, and the Senate, and are not printed in the Annual Reports of the Authority.
3. This has reference mainly to the Annual Reports for 1962-63.

(*v*) Navigation,

(*vi*) Afforestation,

(*vii*) Soil erosion,

(*viii*) Use of lands,

(*ix*) Resettlement of displaced population,

(*x*) Sanitation and public health measures,

(*xi*) Economic and social welfare of the people.

The Reports of the Corporation do not cover all these heads in any systematic or faithful way. Most of these have either been merely touched upon or dealt with cursorily. Of the three major objectives of the Corporation, the two--irrigation and flood control—are summarily disposed of. Even information on break-up of irrigation acreage from various projects and reasons for failure to achieve irrigation targets are not provided. The only information about flood control concerns the total area protected and the peak load of cusecs against which effective control is provided. To what extent the flood control problem is met, and if not, what are the future plans, is not indicated. The third main objective (power generation and distribution), has been dealt with in some detail, a separate chapter being devoted to it. Treatment of other subsidiary heads is much less satisfactory. Under all the heads much of the desired information is left out.

In the L. I. C., the statutory requirements to publish (*a*) the extent of new business, (*b*) the total amount of business in force, (*c*) the total amount of claims, (*d*) nature of investment, and (*e*) the accounts are so elementary that one would not find them missing in the Annual Report of any insurance company. However, the requirement that the Corporation would provide "the account of the activities likely to be undertaken during the next financial year" has not been fulfilled. One would expect here at least a mention of the directions in which the Corporation intends to operate during the next year : the new or improved type of policies proposed to be issued, the training and recruitment programmes to be taken up, future policies regarding loans, underwriting, investments, the ways and means of bringing about an adjustment or improvement in its working and administration, and so forth. The Estimates Committee[1] also expressed the hope that "the details of activities likely to be taken up in

1. 134th Report, Second Lok Sabha, p. 37, para 94.

subsequent years would also be incorporated in the Reports from 1960 onwards". Nothing substantial has, however, been done in this direction.

The two air corporations are required to "give an account of their activities during the previous year" as well "an account of the activities, if any, which are likely to be undertaken during the next financial year." The following particulars "shall" also be contained in their Reports :

(*i*) Routes,
(*ii*) Operations,
(*iii*) Traffic & Sales,
(*iv*) Passenger Services,
(*v*) Engineering and Maintenance,
(*vi*) Staff,
(*vii*) Organisation,
(*viii*) Finance & Accounts,
(*ix*) Subsidiary and Associated Companies.

Reporting with reference to the statutory provisions is generally poor. Of the 9 items specified, some have been ignored and others dealt with summarily. For example, the I.A.C.'s Reports do not contain the head "Routes". Some reference to this has been made under the head "Operations", which is inadequate. Only the Air-India Report mentions the frequency of service on various routes. Both the corporations provide a route map but none mentions the capacity offered and utilised on each route. Plans for new routes to be taken up or of old routes to be abandoned are not mentioned by the I.A.C. Mention is also not made of the routes subsidised by the Central and State Governments or the policy in the matter. Other heads as also the future policy and programmes are not dealt with adequately. In general, reporting by the Air-India is better than that of the I.A.C.

The National Co-operative Development Corporation is enjoined to give a true and full account of its activities, policies and programmes during the previous year. It is required to be in the form of a narrative and "shall" contain a general review of the Corporation's plans of development in regard to the following :

(*i*) Agricultural credit,
(*ii*) Marketing,
(*iii*) Processing,

(*iv*) Storage,
(*v*) Consumers' Co-operatives, and
(*vi*) Administration.

The Report of the Corporation devotes a separate chapter to each one of the heads prescribed and gives a fairly good review of the activities excepting in the case of the last head, which is covered in a half-hearted manner.

The Oil and Natural Gas Commission Reports have to give a true and full account of its activities, policies and programmes during the previous financial year and an account of the activities likely to be undertaken during the current financial year. The following activities have been specifically mentioned for inclusion in the Annual Reports:

(*i*) geological, geophysical, exploratory structural drilling, drilling and other operations carried out and the results obtained in each category of operations ;
(*ii*) the production, refining and sale of products of the Commission ;
(*iii*) trading activities of the Commision.

The Commision's Reports meet the requirements laid down by law. Separate chapters are devoted to a review of working up to the beginning of the current year, for the current year and the programme of work for the next year. The details of various surveys are given for *each* category of operations, as required.

There does not seem to be much correlation between statutory requirements and actual contents of the Reports. The reason perhaps is that there is little control on enforcing statutory provisions. These matters, to a large extent, depend upon the level of consciousness prevailing in an enterprise in the matter of reporting. In one case, when the chief executive was asked to comment on non-implementation of the statutory provisions, he confessed that he had never seen those provisions.

(*b*) *Government Companies*

A Government company like any other joint stock company[1] has to present to its shareholders a report by its Board of Directors. This Report, *inter alia*, deals with:

1. Provisions of the Companies Act regarding the Annual Report have been given in Appendix V.

(*a*) the state of the company's affairs ;

(*b*) the amount, if any, which is proposed to be carried to any reserves ;

(*c*) the amount, if any, which is recommended to be paid by way of dividend ;

(*d*) material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company and the date of the Report ;

(*e*) The Board shall, so far as is material for the appreciation of the state of the company's affairs by its members and which will not in the Board's opinion be harmful to the business of the company or of any of its subsidiaries, deal with any changes which have occurred during the financial year (*a*) in the nature of the business of the company or its subsidiaries, (*b*) generally in the class of business in which the company has an interest ;

(*f*) The Board shall also be bound to give the fullest information and explanations on every reservation, qualification or adverse remarks of the auditors.

Though the requirements of law are modest, not all of them are satisfactorily met. The Board's Report, for example, is expected to contain material changes and commitments affecting the financial position of the company between the end of the financial year and the date of the Report.[1] Most Reports do not take note of this provision. As there is a gap of about six months between close of the year and issuance of the Report in majority of cases,[2] the developments during the intervening period, if covered, would at least partly mitigate the disadvantages arising from late presentment of the Reports.

Again, the requirement to provide information about the "class of business in which the company has an interest" is not given due attention, except in one or two cases.[3] One would expect enterprises like the Hindustan Steel, the National Coal

1. Sec. 217 (1) (d). This clause was inserted by an amendment in 1960 (Act 65 of 1960, Sec. 45).

2. See Tables V and VI.

3. See, *e.g.*, Annual Reports, Hindustan Shipyard, 1962-63, p. 9 and Air-India, 1962-63, pp. 18-19.

Development Corporation, and the Indian Oil Corporation to report on their working in the context of the industry as a whole. In fact, important public enterprises should endeavour to present a narration of their functioning with reference to the five year plans and the economy as a whole.

In private sector units the Chairman's speech generally provides information about the industry in which the enterprise operates. This speech is often given wide publicity in the Press.[1] In public enterprises, the Directors' Report could be amplified to provide the necessary information. If, however, this information is intended to be given in the chairman's speech, the same could be published as part of the Annual Report. This is being done only in 4 cases at present.

Under the Companies Act, the Board of Directors enjoys the discretion to provide as much information as *"in the Board's opinion"* is not harmful to the business of the company. This provision often provides an alibi for withholding useful information. In the Jenkins Committee's opinion, the disclosure of information in the Reports might "on rare occasions be harmful to the company" and the Committee was not "impressed by the examples of possible damage" cited before it. The Committee held the view that "the public benefit to be gained from giving shareholders sufficient information to exercise independently the powers which the Act bestows upon them should be the overriding considerations in this matter."[2]

Government Control over Annual Reports

The Government, in general, exercises no control over the contents of Annual Reports. The Company Law Board scrutinises Annual Reports of Government companies from accounts point of view. Various ministries draw attention of the public enterprises to recommendations of the Estimates and Public Accounts Committees regarding contents, form and presentation of Annual Reports. No specific attempt is, however, made by

1. Invariably, this is paid publicity. The chairman's speech often contains fulminations about Government's economic policies.

2. *The Report of the Company Law Committee*, H.M.S.O. Cmd. 1749, June 1962, para 116 (The Committee with Lord Jenkins as Chairman was appointed in U.K. to review, *inter alia*, the provisions and the working of the Companies Act, 1948).

the Government to ensure that Reports from public enterprises contain necessary and basic information, and comply with the statutory requirements.

In the U. K., as a Government witness told the Select Committee on Nationalised Industries: "there is no obligation about the form of the report so long as it is a report".[1] The reply to the question whether Government "consults with the corporations to see that their reports contain at least a minimum of information", was that Government "have never had occasion to raise that, but we should raise it, if we thought that the information was inadequate."[2]

Estimates Committee and Committee on Public Undertakings on Annual Reports[3]

In main, the Annual Reports are expected to provide Parliament with information on the activities of public enterprises. These should therefore be comprehensive and coherent. Carefully prepared Reports help to raise the standard of parliamentary discussions and also ensure more constructive criticism. When adequate information is lacking recourse has to be taken to other and less authentic sources, there is even room for surmises and conjunctures. The Parliament has not expressed its views on Annual Reports; the Estimates Committee of the Lok Sabha has, however, dealt with this question often and at length.

It was perhaps in 1955 when for the first time the Committee drew pointed attention to "very short and general" and "scanty" Annual Reports. It recommended the publication of "a detailed annual report", and specified details to be included.[4] The Government found itself "in general agreement" with the

1. It is not clear how this statement was made to the parliamentary Select Committee. Under the Gas Act 1948, Section 10 and Section 50, and under the Electricity Act 1947, Section 8 (3) provide that a Minister can specify the form of the Report and of the Accounts of the nationalised industries. It is possible that the Minister might not have specified any form for the Annual Report under the Act.

2. *Report from the Select Committee on Nationalised Industries*, 14 May, 1957 Evidence Qs. 218-20.

3. A comprehensive list of the views and recommendations of the Estimates Committee and the Committee on Public Undertakings regarding Annual Reports is given as Appendix I.

4. The Estimates Committee, 16th Report, First Lok Sabha, para 30.

recommendation and stated that "the reports of the undertakings should give as much information as is possible depending on the nature of the undertaking".[1]

In 1956, the Committee reiterated its earlier recommendation and urged for more informative Reports.[2] The Government's reply was exactly the same as earlier.[3] The same year the Committee recorded its dissatisfaction with the Reports of the I.A.C. by stating that the Corporation should "study the Reports of various modern airlines and improve both the extent of information furnished in its Reports as well as the standard of reporting."[4] In 1958, while examining the affairs of the I.T.I., the Committee reiterated its recommendation for "more detailed and exhaustive" reports and cited the Annual Reports of nationalised industries in the U.K. as models.[5] More comments of the Committee on similar

1. *Ibid.*, 19th Report, Second Lok Sabha, pp. 46-47. In its comments on the reply of the Government, the Committee said that the Annual Report "should be submitted in respect of each financial year and be in addition to the annual report of the Board of Directors". (*Ibid*). This is apparently confusing. But what the Estimates Committee perhaps had in view (which, of course, was not made clear) was that the Annual Report, with the details it wanted, should be submitted in addition to the formal Annual Report which the board of directors of a Government company is required to make under Sec. 217 of the Companies Act.
2. The Estimates Committee, 39th Report, First Lok Sabha, para 42.
3. *Ibid*, 68th Report, First Lok Sabha, pp. 4-5.
4. *Ibid*, 43rd Report, First Lok Sabha, para 44.
5. Estimates Committee, 11th Report, Second Lok Sabha, para 78. It is interesting to note that in U.K., too, Parliament did not feel satisfied about the Reports of nationalised industries. A select committee appointed "to consider the present methods by which the House of Commons is informed of the affairs of the nationalised industries . . . ", commented : "The nationalised industries publish voluminous reports but these do not completely meet the needs of Parliament or the public". A part of the reason for this was "their sheer volume and complexity". (Report from the Select Committee on Nationalised Industries, H.O.M.S.O., 23rd July, 1953, p. IV). It will be noted that the British Parliament did not feel concerned over "less informative" and "scanty" Reports but over "sheer volume and complexity". In India, similar position arose only in the case of Indian Railways. The Estimates Committee (26th Report, First Lok Sabha, para 123) said that these Reports were "very voluminous" and were "rarely studied by individuals at large". The Committee "welcomed" the publication of a popular edition of these Reports. (The Annual Report of Railways for 1960-61 contained 709 foolscap pages and was in two volumes).

lines are reproduced in Appendix I. The following would perhaps summarise the Committee's view about the matter.

> "Parliament is not interested merely in the rate of dividend declared by the public undertakings but it is also concerned with various aspects of their working such as their physical and financial programme, achievements in relation to the programme, productivity, cost of production, price structure, employment trends, labour relations, organisational changes, etc.... The Committee suggests that all the undertakings may be advised to describe in their reports their programmes and achievements in greater details; the industrial undertakings may indicate in their reports, *inter alia*, their unit cost of production, the rate of output per man or per unit of capital employed and other undertakings also may be encouraged to indicate where possible similar co-efficients of efficiency appropriate to their business".[1]

The Government has accepted this recommendation and the instructions were issued so that the Reports were amplified on the lines indicated by the Committee.[2] Nothing worth mentioning, however, has resulted from this.

Since its establishment in May 1964, the Committee on Public Undertakings[3] has been pursuing the question of making the Annual Reports more informative and useful. The Committee recommended that Annual Reports of public enterprises should contain a review of their performance with reference to the objectives laid down for them.[4] The Committee has also recommended that if an activity cannot be justified on strictly economic considerations, its effects on the overall working of the enterprise should be published in the Annual Report.[5] To judge the progress of public enterprises in the use indigenous raw-materials and

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1. *Ibid.*, 73rd Report, Second Lok Sabha, p. 12, para 27.
2. The Estimates Committee, 9th Report, Third Lok Sabha, p. 10. It is learnt that Government has not sent any specific instructions on this point. Only the recommendations of the Estimates Committee as such have been sent to public enterprises.
3. This Committee has now taken over the functions of both the Estimates and the Public Accounts Committee so far as public enterprises are concerned.
4. The Committee on Public Undertakings, 1st Report, Third Lok Sabha, p. 3, para 6.
5. *Ibid.*, 3rd Report, p. 9, para 32.

components from year to year, the Committee felt that this information should be published in the Annual Report.[1] Many such recommendations have so far been made by this Committee. Disclosures like these, if made, would certainly expose many facets of public enterprise working to public scrutiny, and will generally be for the good of all concerned.

Time Taken in Preparation of Reports

The time taken in the preparation of Annual Report is of great importance. A Report prepared long after the period to which it belongs is unlikely to serve much purpose except as a document of historical record. But it would take some time to compile the results of a year's operation. Preparation of financial statements and their certification by two independent authorities[2] will take its own time.

(*a*) *Public Corporations*

In the three financial institutions—the Reserve Bank, the State Bank and the I.F.C., the time limit for submission of Reports to Government is quite short; it is 2 months in the first two and 3 months in the last case. In the D.V.C. and the two air corporations, the last dates specified for submission of Reports are 15th October and 31st August respectively, *i.e.*, 6½ months and 5 months after the close of the year. In the N. Co-op. D.C., the time limit is 6 months after the expiry of the period to which the Report relates, and in the C.W.C., the Report is submitted to Government one month after it is placed before the Annual General Meeting.[3] In other cases, the limit has been kept vague by saying "as soon as may be after the end of each year".[4]

It is not possible, in most cases, to ascertain the time after which the Reports are actually submitted to Government. Only the Reports of the Reserve Bank and the E.S.I.C. contain a

1. *Ibid.*, 13th Report, p. 52, para 135.
2. In Government companies the accounts are primarily certified by professional auditors, but a certificate has also to be obtained from the Comptroller and Auditor-General of India, which is a supplement to or comment upon the professional auditors' report. (Sec. 619 (4), Companies Act, 1956).
3. This meeting is required to be held within 6 months of the close of the year.
4. For detailed statutory provisions, *see* Appendix III.

forwarding communication to the Government. In others, the time taken can only be estimated with reference to the last date given in the Report. This may be the date on which the chairman signed it, or the date on which the auditors' certificate was issued. Sometimes, none of these dates may be available, as for example, in the Reports of the O. & N.G.C. A study made within these limitations shows (as per table V below) that except in the case of the D.V.C., the C.W.C., and the N. Co-op. D.C. the Reports were prepared and submitted within the prescribed time.

TABLE V

Showing the time taken in submission of Annual Reports of the public corporations to Government, and in their presentation to Lok Sabha

Name of the Enterprise	*Time taken in submission of Annual Report to Government after the close of the year, in months*	*Time taken in presentation of Annual Reports to Lok Sabha after the close of the year, in months*	*Gap between submission of the Reports to Government and their presentation to Lok Sabha, in months*
1	2	3	4
1. Air-India	4	10[1]	6
2. C.W.C.	8	10½	2½
3. D.V.C.	10½	11½	1
4. E.S.I.C.	5	11½	6½
5. I.A.C.	5	10[1]	5
6. I.F.C.	3	4	1
7. L.I.C.	8	10	2
8. N. Co-op. D.C.	7	10	3
9. O. & N.G.C.	N.A.	5[2]	
10. Reserve Bank	1½	Not laid	
11. State Bank	1½	Not laid	

(Year of the Report, 1961–62[3]

1. The Audit Reports of the two air corporations are not presented to Parliament along with the Annual Reports. The I.A.C.'s Audit Report and Accounts were presented to Parliament 4 months after the presentation of the Annual Report.
2. In this case the Annual Report contained neither the Audit Report, nor the Accounts. These two were separately presented to Lok Sabha 25 months after the presentation of the Annual Report.
3. For the I.F.C. and the Reserve Bank the year of the Report taken into account here is 1st July to 30th June, 1962. For the L.I.C. it is 1st January to 31st December, 1961, and for the State Bank from 1st January to 31st December, 1962.

(b) Government Companies

In Government companies, the Directors' Report along with Balance Sheet and the Profit & Loss Account is presented to shareholders within 6 months of the close of the year,[1] plus a permissible extension of three months,[2] that is, a maximum period of 9 months after the close of the year. As Table VI shows, as many as 37 companies submitted their Reports to shareholders within 6 months of the close of the year (1961-62), and the rest within 9 months.

TABLE VI

Showing the time taken in submission of Annual Reports of Government companies and their presentation to Lok Sabha

Name of the Enterprise	*Time taken in submission of Annual Reports after the close of year*, in months*	*Time taken in presentation of Annual Reports to Lok Sabha after the close of the years in months*	*Gap between submission of Reports to Government and their presentation to Lok Sabha, in month*
1	2	3	4
1. Ashoka Hotels	5	8	3
2. B.E.L.	6	8	2
3. E.R.I.C.	3	8	5
4. F.C.I.	6	8½	2½
5. F.F.C.	5	7	2
6. G.R.W.	6	10	4
7. Heavy Electricals	7	10	3

* The Annual Report of a Government company (as of any other company) is presented to its Shareholders at the time of its Annual General Meeting. There is no provision either in the Articles of Government companies or in the Companies Act for submission of the Annual Report to the Government as such. But the Government automatically gets it as the sole or majority shareholder. In most cases, the date of the Annual General Meeting is given in the Annual Reports. Where it is not given, the relevant time has been calculated with reference to the last date in the Report. It may, *e.g.*, be the date on which the chairman or the auditors signed it.

1. As required by Sec. 210 (3)(*b*).
2. As allowed by Sec. 166 (1).
3. Being the majority or the only shareholder, the Government receives the Report 21 days before the Annual General Meeting, as provided in Section 219 of the Companies Act.

1	2	3	4
8. H.E.C.	6	8½	2½
9. H.A.L.	6	11	5
10. Hindustan Antibiotics	6	8	2
11. Hindustan Cables	6	10	4
12. H.H.F.	7	10	3
13. Hindustan Insecticides	6	10½	4½
14. H.M.T.	3	5	2
15. H.O.C.	2	5	3
16. Hindustan Salts	6	10	4
17. Hindustan Shipyard	6	8	2
18. Hindustan Steel	6½	11	4½
19. Hindustan Teleprinters	4	8	4
20. I.D. & P.	6	8	2
21. I.O.C.	6	10	4
22. I.R.E.	6	10½	4½
23. Indian Refineries	6	10	4
24. I.T.I.	6	8	2
25. Mazagon Dock	5½	10	4½
26. Mogul Line	6	11	5
27. Nahan Foundry	6	12	6
28. N.B.C.C.	9	10	1
29. N.C.D.C.	6	10	4
30. N.I.D.C.	6	8	2
31. National Instruments	6	12½	6½
32. N.M.D.C.	6	10	4
33. N.P.C.C.	6	11	5
34. N.R.D.C.	4	8	4
35. N.S.I.C.	9	10	1
36. Neyveli Lignite	6	10	4
37. Praga Tools	6	8	2
38. P. & C.D.C.	5	8	3
39. R.I.C.	5½	10	4½
40. Shipping Corporation	6	8	2
41. S.T.C.	6	8	2
42. T.M.L.	6	10½	4½

(Year of the Report, 1961-62)*

* For the E.R.I.C. the year of the Report is 1st January to 31st December, 1962 ; for the Hindustan Salts it is 1st July to 30th June, 1962 ; and for Mogul Line it is 1st January to 31st December, 1961.

Presentation of Reports to Parliament

(*a*) *Public Corporations*

The Central Government is obliged to lay the Annual Reports of the public corporations before Parliament. No time

limit has been prescribed, but they should be placed before both the Houses "as soon as may be" after submission to the Government. The State Bank and the Reserve Bank Acts make no mention of submission of Annual Reports to Parliament. The Reports from these two Banks are, however, placed in the Parliament library. On the recommendation of the Estimates Committee,[1] the Government agreed to place these two Reports on the Table of both the Houses ; but no statutory change has been made for this purpose. A scrutiny of the parliamentary papers reveals that the Government has not fulfilled its assurance to the Estimates Committee.

In the case of Central Warehousing Corporation, only the Audit Report is required to be sent to the Government for being placed before Parliament.[2] The Directors' Report gets placed before Parliament as it is always published as a part of the Audit Report and Accounts.

(*b*) *Government Companies*

The Government is required by the Companies Act to get an "annual report" prepared on the working and affairs of a Government company to be placed before Parliament, along with copy of the Audit Report and the comments thereon of the Comptroller and Auditor-General of India.[3] No specific mention is made for placing the Directors' Report and the financial Accounts of the company before Parliament, though this may be implied for the Auditors' Reports always form part of the Directors' Report and Annual Accounts.

The legislature, it seems, wanted to have something more than merely the Annual Report of the company as received

1. 9th Report, Third Lok Sabha, p. 5.
2. Warehousing Corporation Act, 1962, Sec. 31 (11).
3. Where the Central Government is a member of a Government company, the Central Government shall cause an annual report on the working and affairs of that compay to be
   (*a*) prepared within three months of its annual general meeting before which the audit report is placed under sub-section (5) of section 619; and
   (*b*) as soon as may be after such preparation, laid before both Houses of Parliament together with a copy of the audit report and any comments upon, or supplement to the audit report made by the Comptroller and Auditor-General of India. (Section 619 A (1), Companies Act, 1956).

by the Government, and for this purpose the Government has been allowed three months' time after the Annual General Meeting of the company to *cause an annual report to be prepared on the working and affairs* of the company. Perhaps, the intention was to obtain a fuller view of the working and affairs of Government companies, which the Board of Directors may not be able to provide in its formal Report to shareholders.

In practice, the Government's "annual report" to Parliament is nominal and contains hardly anything more than what is contained in the Annual Report of the company. In some cases, these "annual reports" are not prepared[1] and only the Reports as received from the companies are presented to Parliament. The Government is not at all clear about the purpose and significance of "annual reports" it is called upon to prepare.[2] Most of the information in the "reviews"[3] is condensed from the Annual Reports of the enterprise. The apparent purpose is to highlight the contents of the Annual Reports and to bring the information up-to-date, for it takes 6 to 12 months in most cases before a Report is presented to Parliament.[4]

The reviews[5] sometimes emphasize matters of immediate interest to Parliament. The review of the Ashoka Hotels, *e.g.*, gives the extent of Government's stake and the return obtained on the capital invested by the Government. The review of the Travancore Minerals brings to the notice of Parliament the important fact, not found in the Annual Report, that "the company is at present passing through a crisis and it will be necessary to take adequate measures before it is put on a sound, economic and modern basis". These reviews may also sometimes

1. The Ministries of Transport and Communication, and Scientific and Cultural Affairs, *e.g.*, do not prepare any report under section 619 A for the companies under their administrative control.
2. The Company Law Administration in a circular dated 2nd June, 1958 to Government Departments and Ministries stated that these reports "should be a brief review of the working of the Government company, in which the comments of Government responsible for the preparation of the review, including matters of special interest, if any, to that Government, may be incorporated". This clarification is vague and general.
3. Though the word used by the Companies Act is "annual report" on the working and affairs of the company, the Government calls it "review".
4. *See*, Column 3 in Tables V and VI above.
5. The reference to the reviews pertains to the year 1961-62.

cause confusion by providing information which is at variance with that contained in the Annual Reports. A few instances may be cited :

1. The production target of Monazite given in the 1961-62 Report of the I.R.E. was 2,400 tons as against 3,000 tons for the same period in Government's review.
2. The cost of plant established by the H.M.T. at Pinjore, Punjab, is given as Rs. 7.50 crores in the Government's review as against Rs. 10 crores in the Annual Report, 1961-62.
3. "The relations between the management and the employees have been cordial throughout the year", according to the Government's review of Hindustan Cables. But according to the relevant Annual Report, 1961-62, "labour relations took an unhappy turn on the issue of wage revision. The difference could not be resolved despite considerable efforts. Finally the employees resorted to a strike...."
4. In the Government's review of Ashoka Hotels for 1961-62, figures of income for 1959-60 and 1960-61 were given as Rs. 75.35 lakhs and Rs. 90.83 lakhs respectively, as against the figures of Rs. 75.36 and Rs. 90.67 lakhs respectively given in the Annual Report for 1961-62.

It is felt that a 500 to 1000-word review on one or two cyclostyled sheets is not serving any useful purpose. For some enterprises no reviews are prepared. In some other cases it is not even a faithful condensation and highlighting of the Annual Report. Its get up and appearance is generally shabby as compared to the nicely printed Annual Reports. It is suggested that the Annual Report itself should highlight the year's operations and should contain a simplified Balance Sheet and Profit and Loss Account. (This is already being done by some enterprises.)

A review by the Government would serve a useful purpose if it refers to the Government's policy regarding the enterprise. This has been done in one or two cases.[1] At present

1. The Hindustan Housing, *e.g.*, declared a dividend of 3 per cent on its share capital. The Report for 1961-62 baldly tells us that the President of India has withheld the sanction for the payment of this dividend.

Parliament has little means of knowing as to how the large number of powers vested in the Government[1] are being exercised. Wherever the Government exercises its power under the Articles of a company, including a direction given to the enterprise, a reference to the same should be made in the review prepared by it, unless public interest is involved; and in the latter case the fact of its being so should be disclosed.

The preparation of "reviews" by Government (to avoid confusion the Companies Act should not call them "annual reports") should serve a definite purpose and they should be prepared for public corporations as well.

In the U.K., for gas and electricity industries, along with the Annnal Report the minister is required to "lay before each House of Parliament a report with respect to the exercise of his functions during that year under the Act except as regards matters which in his opinion, it is against the interest of national security to disclose."[2] In these reports the minister presents an account of the exercise of his powers under the statute. A copy of such a report is given as Appendix VI. The Indian public corporations have no such provision.

Time Taken in Presentation of Reports to Parliament[3]

The utility of the Annual Reports to Parliament both as instrument of information and control is greatly affected by the

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(*Contd. from page 70*)

The "review" clarifies the position by stating that as "it was proposed to expand the factory it was felt that instead of declaring a dividend the money should be retained by the Company and reinvested into the business".

1. These powers, *e.g.*, relate to (*i*) the appointment and removal of the members of the Board of Directors, (*ii*) appointment with salaries beyond a particular limit, (*iii*) approval of capital expenditure beyond a particular limit. For details *see* : V.V. Ramanadham, *The Control of Public Enterprises in India*, New York, 1964, pp. 54–76.
2. Section 10 (5), Gas Act, 1948, and Section 10 (6), Electricity Act, 1957.
3. For statutory provisions in this regard, see Appendix III. This Appendix relates to statutory corporations only. Regarding Government Companies it is significant to note that the time within which the Annual Report is to be presented to Parliament is not laid down by the law. The Company Law Board in its memorandum of 3.1.1959, however, thought it advisable that the Annual Report is laid before Parliament within three months after the holding of the Annual General Meeting of the company.

time taken in submitting them. The Estimates Committee[1] which considered this question at some length recommended that the Accounts and Reports for the previous year be laid before Parliament before the general Budget for the following year is presented. For the enterprises whose financial year closes on 31st March this provides a maximum time of 11 months,[2] but for enterprises which close their book on 30th June,[3] it would mean 8 months, and for enterprises which close their books on 31st December,[4] it would mean only 2 months, or to be realistic, 14 months. The Government assured the Estimates Committee that every effort will be made to present the Annual Report to Parliament within the least possible time after the close of the financial year.[5]

The actual time taken after the close of the year in presenting the Annual Reports to the Lok Sabha is shown in Column 3 of the Tables V and VI above. This reveals that in great majority of cases the recommendation of the Estimates Committee has been carried out. The margin of time permitted by the Estimates Committee is a bit too liberal.[6] As Table VII shows, since the Estimates Committee's Report, the number of Reports taking more than 12 months has gone down significantly. The majority of Reports, however, still takes 9 to 12 months

1. 73rd Report, Second Lok Sabha, on Preparation of Budget Estimates of Public Undertakings and Presentation of their Annual Report and Accounts to Parliament.
2. The Budget by convention is presented on the last date of February.
3. These are: Reserve Bank, I.F.C. and Hindustan Salts Ltd. (The last named company has changed its year, which is October to September, from 1962-63).
4. These are: Mogul Lines, E.R.I.C., State Bank and L.I.C. The L.I.C. has, from 1962-63, changed to financial year.
5. 9th Report, Third Lok Sabha, p. 18. It contains the Government's replies to the recommendations of the Estimates Committee made in its 73rd Report, Second Lok Sabha.
6. In a later Report (49th Report, Third Lok Sabha, para 49) the Estimates Committee wanted the Government to fix a time limit for the presentation of the Annual Reports to Parliament. The Government then issued a memorandum (Oct. 1964) asking public enterprises to lay their Reports on the Table of both Houses of Parliament latest by November-December of the next financial year to which the Report pertains, and it wanted a 'strict compliance' of this suggestion (32nd Report, Committee on Public Undertakings, Third Lok Sabha, p. 40).

before they go to the Table of the Lok Sabha. There is apparently a scope for reducing this time lag.

TABLE VII

Showing the time taken in presentation of Reports to Lok Sabha

Time taken in presentation of Reports to Lok Sabha	*1957–58*		*1961–62*	
	No. of Reports[1]	*% of Total*	*No. of Reports*	*% of Total*
1	2	3	4	5
3 months or less	—	—	—	—
6 months or less	2	6	4	8
9 months or less	6	18	17	34
12 months or less	16	47	28	56
More than one year	10	29	1	2
	34	100	50	100

A part of the delay in presenting the Annual Reports to Parliament is at the Government's end. Neither for the public corporations nor for Government companies is there any specific time limit within which the Government in its turn should submit the Reports to Parliament. As column 4 in Tables V and VI above would indicate, the time taken by the Government is anywhere between 1 to 7 months. Half the Reports take more than 3 months in getting presented to the House[2], after being received by the Government. In some cases a technical difficulty may delay the presentation of the Annual Report. In the case of E.S.I.C., for example, the Government took 6½ months for submission of the 1961–62 Report to Parliament, after it was received by it. The Government's explanation is that under the E.S.I.C. Act and the Rules thereunder the Annual Report and the Audit Report are to be placed *together* before Parliament. Even though the Annual Report of the Corporation was adopted in October, 1962, the audited accounts were adopted by the Corporation only in February, 1963, and hence the delay.

1. The figures have been obtained from the data collected by the Estimates Committee, 73rd Report, Second Lok Sabha, pp. 22–34.
2. This Study is confined to the presentation of the Reports to Lok Sabha only.

Time Taken in Bringing Reports to a Discussion and in Discussion

All the Reports presented to Parliament are not discussed, and the handful that are, have to wait their turn along with many other more important parliamentary businesses. As Table VIII below would show, it took 15 months for the 1958 Report of the National Industrial Department Corporation to be put before the Lok Sabha and another 29 months before any discussion on it could take place. Similarly, the L.I.C. Report for 1961 took 10 months in presentation and another 10 months before it was actually discussed. This delay is largely caused by the lengthy and cumbersome parliamentary procedure.[1]

TABLE VIII

Showing the time lag between the year of the Report and the date on which the discussion on it took place, during first 5 sessions of the Third Lok Sabha, up to 23.9.1963.

Name of the Enterprise	*Year of the Report ending on*	*Date on which laid on the Table of Lok Sabha*	*Time lag between 2 & 3 in months*	*Date on which discussion took place*	*Time lag between 3 & 5, in months*
1	2	3	4	5	6
N.I.D.C.*	31.12.58	31.3.60	15	18.8.62	29
	31. 3.60	11.4.61	12	18.8.62	16
L I.C.	31.12.61	10.11.62	10	5.9.63	10
S.T.C.	31. 3.62	4.12.62	8	26.8.63	8

* There was a joint discussion on both the Reports of N.I.D.C.

1. The Annual Reports do not come up for discussion unless a notice has been given under Rule 184 of the *Rules of Procedure and Conduct of Business in Lok Sabha*. This Rule provides for discussion on matters of "general public interest". The admission of the motion is at the discretion of the Speaker ; but the motion before it can be accepted must satisfy, *inter alia*, the conditions that (*i*) it raises one definite issue, and (*ii*) it shall be restricted to a matter of recent occurrence.

The motion, after it is admitted, is published in the bulletin of Parliament under the heading "No-Day-Yet-Named Motion" (Rule 189). This means that it is not certain whether the motion will be discussed or not, and as to when it will be discussed.

(*Contd. on page 75*)

It may be argued that because of a pressing time schedule, instead of Parliament, the parliamentary "Committee on Public Undertakings" is better placed to give a closer attention to Annual Reports. The present procedure to bring about a discussion on the Reports is only an enabling one. However, it seems that the M.Ps. are quite eager to bring about a discussion on the Reports. During the first 5 sessions of the Third Lok Sabha (April, 16, 1962, to September, 21, 1963) 82 notices to discuss various Annual Reports were given, but only 3 Reports (as shown in Table VIII) could be discussed, and in all 7 hours of parliamentary time was devoted to them[1].

Ensuring Quickness in the Preparation and Presentation of Reports

In India, the State Bank and the H.M.T. have set healthy examples of speedy preparation of the Annual Reports. Both enterprises have widely spread-out units and have large scale operations, yet the former takes only 1 to 2 and the latter 2 to 3 months, after the close of the year, in preparing the Annual Report. In the U.K., Annual Reports of nationalised industries like coal, railways, electricity, which are far bigger than most of our public enterprises, are presented to Parliament within 5 to 6 months of the close of the year. With greater mechanisation and efficiency, Chesapeake and Ohio Railway Company in the U.S.A., was able to send the "Flash Annual Report" for the year 1961 to its

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(*Contd. from page 74*)

The Business Advisory Committee considers the various motions accepted by the Speaker. It generally asks the Member giving the notice to show the urgency and importance of his motion. The Committee then prepares a list of motions to which the Speaker may allot a day or a part of a day for discussion.

If a motion could not be discussed in the session in which the notice for it was given, a fresh notice would have to be given in the next session and the whole procedure gone through again, for what is of public interest today may not be of public interest tomorrow.

The inevitable consequence of this procedure is that a discussion on the Annual Reports at present has to compete with numerous other matters of general public interest, which may be more attractive though less substantial, than the matters arising out of the Annual Reports.

1. It may be mentioned that discussion on the Annual Reports is only one of the many occasions when Parliament discusses public enterprises. But its importance lies in the fact that at this time Parliament devotes its exclusive attention to a public enterprise.

shareholders on January 2, 1962—the first working day of 1962. The full Annual Report was sent to its 93 thousand shareholders within 30 days of the close of the year.

The Company Law Administration has, from time to time, impressed upon Government companies the need to streamline their administration so as to quicken the process of preparation of Annual Reports. In a circular to all Government companies[1], it commended the following time-schedule adopted by the H.M.T. :

1. Preparing monthly accounts and balance sheet and getting the March accounts ready by 20th April.
2. Making final adjustments by the end of April so that the accounts are ready for statutory audit by the first week of May.
3. Planning statutory audit in consultation with the Statutory Auditors in such a way that the whole year's transactions are audited by the end of April so that they are ready to audit the final accounts by the first week of May.
4. Planning along with the Deputy Director of Commercial Audit posting their audit team so that they are ready to take up the accounts as audited by the Statutory Auditors by middle of May.
5. Getting the accounts adopted by the Board by middle of May, by circular, if necessary.
6. Getting the local Deputy Director of Commercial Audit's report on part IV of the accounts by the end of May and expediting the final certificate of the Director of Commercial Audit by the first week of June.
7. Planning of printing etc. of the annual report by the first week of June, and publishing the same by the second week of June as soon as the Director of Commercial Audit's certificate is obtained.

But it is not only the enterprise, the Government too will have to streamline its machinery. There is no reason why the Government should generally require 3 to 6 months, after the receipt of the Reports, just to place them before Parliament. The answer that Parliament was not in session would hardly be valid

1. Estimates Committee, 73rd Report, op. cit., pp. 35–6.

for the simple reason that the gap between sessions is generally not more than 3 months.

In the U.K., Annual Reports of nationalised industries organised as public corporations are ordered to be printed by the House of Commons. When the date of publication of a Report falls during a parliamentary recess a device is used to avoid unnecessary delay in publication : since the House of Commons can order a document to be printed only while it is sitting, the minister lays an outline of the Report on the Table of the House before it rises for the recess. For example, the B.O.A.C. Report for 1961-62 was presented to the House of Commons and ordered to be printed on 19th July, 1962, but the letter of transmittal from the Chairman of the Corporation to the Minister is dated 18th September[1]. The same holds good in respect of the Reports of many other nationalised industries.

Some lesson can be drawn from this practice. If a Report is likely to be ready soon after the parliamentary recess, the ministry may formally submit an outline Report before the House breaks. As soon as the full Report is ready it may replace the former. This will reduce the time in presentation of the Reports to Parliament and would enable the public to obtain them earlier[2]. This suggestion might also provide some spur for presenting the final Report itself quickly, for the enterprise would like to avoid the trouble of preparing an outline Report.

In Canada, the Financial Administration Act, which governs all the Crown Corporations, prescribes a maximum period of 3 months after the close of the financial year within which a Corporation has to submit its Report to the minister. The latter in his turn has to lay this Report before Parliament within 15 days after the commencement of the next ensuing session[3]. A comparable statutory provision may not be necessay in India, but a convention should be established by which, exceptional cases apart, an Annual Report is placed before the legislature within nine months after the close of the financial year.

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1. The information is obtained from the B.O.A.C. Annual Report, 1961-62.
2. The public enterprises do not, as a matter of policy, make their Annual Reports available to the public until they are placed before Parliament.
3. Financial Administration Act, 1951, Section 85 (3).

Conclusion

The Annual Report is an important medium through which an enterprise gives an account of itself. To the public and Parliament, the Annual Report provides information on a *continuous basis*, which helps in judging the enterprise's performance. Carefully planned, properly streamlined and detailed Annual Reports would also obviate the need of routine questions and thus save valuable parliamentary time. They could also affect the quality of parliamentary discussions on public enterprises, in a much as it might become more informed and constructive.

At present, few Reports are oriented to the requirements of the public and Parliament. There is not sufficient recognition of the fact that the public and Parliament are as much appreciative of the difficulties as they are critical of the lapses and shortcomings. The Annual Report should therefore aim at providing a correct, comprehensive[1] and coherent picture of the enterprise. This would not be an easy exercise to do, for it would call for a big change in the the approach and outlook of the management in regard to the what and how of reporting[2]. The present state of reporting, along with some suggestions for improvement is considered in the following Chapters.

1. As regards comprehensibility of the Annual Reports the policy of the British Transport Commission deserves emulation. The Commission considers as its "duty" to present in its Annual Report "as clear a picture as possible of the state of business over which it exercises control on behalf of the nation, even if it does involve repetition of things which have been said in other places". British Transport Commission, Annual Report, 1961, Vol. I, p. 1, para 4.
2. The chief executive of one of the biggest public enterprises turned the tables when he asked the present writer as to why he wanted to provide a broader frontage for public attacks by asking for more detailed and informative Annual Reports.

Chapter III

A Survey of Annual Reports— Directors' Report

Introduction

The Annual Report has two distinct parts—the Directors' Report, and the Accounts and Audit Report. This Chapter contains a general survey of the first part and the next of the second part. The Study does not aim at analysing the working of public enterprises : it only attempts to find how far their working has been reported, and to what extent the same has been clear, coherent, complete and consistent. Suggestions for improvements have also been made. The various examples chosen to illustrate the analysis may give an impression of picking holes. But these instances are not intended to cast reflection on one enterprise or the other ; they are only to show that the Study is not merely academic or hypothetical.

For a correct perspective, it must be stated that public enterprises in India lack experience and tradition[1] in the matter of Annual Reports. The enterprises established as companies are governed by the same law as is applicable to their counterparts in the private sector. But they have not much to learn from the experience of the latter here. The shareholders in private enterprises, in most cases, are kept ignorant of the functioning of the companies on the plea that disclosures would impair their interests. The Bhabha Committee quoted with approval the Cohen Committee

1. The fact that the Reports of the Indian Railways are more elaborate and useful than most other Annual Reports is due to their tradition of 100 years.

to say that "most Directors' reports are colourless documents which do little to inform or educate the shareholders"[1].

It is necessary to state that complete objectivity cannot be expected from the Annual Reports[2]. The public enterprises have to justify their actions before a highly critical audience, some of which is temperamentally opposed to them. These people are not prepared to take a lenient or sympathetic view of the lapses and faults of public enterprises, though committed during infancy. One who is likely to be attacked, naturally tries to defend himself in advance. It is not uncommon, therefore, to find the public enterprises glossing over failures or attributing them to causes beyond their control. The basic fact, however, remains that these enterprises are sustained on public goodwill and will have to carry conviction with the community.

The following analysis deals with important matters which are generally contained in the Directors' Report. The Study would also provide some insight into the various aspects of public enterprise operations.

Financial Matters

Most Reports while dealing with financial matters give the result of the year's operations in monetary terms and the main factors affecting it. The details of appropriations of profit are also given, though comparative figures for the last year are often missing. To place things in perspective, it will be desirable that figures for two previous years are provided. A 5-year or 10-year comparative statement of the main items of the financial results

1. *Report of the Company Law Committee* (Bhabha Committee), 1952, p. 126, para 170.

2. There are other sources, *e.g.*, the Reports of the Estimates and Public Accounts Committees, the Committee on Public Undertakings, the Reports of the Comptroller and Auditor-General of India, *i.e.*, Central Government, Audit Report (Commercial), and the Reports on Working of the Industrial and Commercial Undertakings of the Central Government, published by the Ministry of Finance, where one may look for greater objectivity in reporting about the public enterprises' operations. Except the last source, which is a yearly publication compiled largely from the information contained in the Annual Reports, the other sources do not report about public enterprises in any regular way. Over a hundred Reports of the Estimates Committee and about three dozen Reports of the Committee on Public Undertakings published so far, provide a very valuable objective study of public enterprises in India.

would be excellent. The Hindustan Shipyard[1], the Indian Rare Earths[2] and the Hindustan Antibiotics[3] provide some useful information in this regard. Graphs, charts, and simplified financial statements are also given in many cases to provide a broad picture of the working of the enterprise.

The Reports also refer to important changes in the capital structure including the number of shares issued, the consideration for which issued, the loans obtained etc. However, outside participation in the share capital and interest holiday or moratorium, if secured, are not mentioned in many cases. In the Hindustan Shipyard, Government took over the interest of Scindias, but no information of the reasons and the basis of take over was provided[4].

For most persons, it is the financial outcome of the operations which counts first and last. The financial narrative and statistics require great attention particularly to explain adverse situations and to refer to future prospects. True, often, due to extenuating circumstances, financial results alone are not a test of efficiency; but then such a situation needs a detailed mention.

Sufficient attention has not been paid to explain the financial position clearly, particularly when it tends to be difficult. The Hindustan Steel, whose adverse working has titled the scales against the public enterprise as a whole, is a case in point. It suffered a loss of Rs. 239 million in the 9th year of its operations as against Rs. 194 million in the 8th, and Rs. 7 million in the 7th. Yet the 9th Report (1962-63) did not contain a single word to explain this phenomenon. On the other hand, the directors felt "gratified to report that concerted efforts in all directions, both technological and managerial have improved operational results alround"[5]. The Company has been complaining in a mild way about the fixation of retention price which "does not take into account the capital block of the Company which is larger than the capital block of the private sector companies". "This", the Company said, "puts us at a disadvantage"[6]. The extent of loss

1. Annual Report, 1962-63, p. 15.
2. *Ibid.*, pp. 4-5.
3. *Ibid.*, p. 6.
4. *Ibid.*, 1961-62, p. 9.
5. *Ibid.*, 1962-63, p. 15, para 22.
6. *Ibid.*, p. 8, para 8.

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2. *Ibid.*, pp. 4-5.
3. *Ibid.*, p. 6.
4. *Ibid.*, 1961-62, p. 9.
5. *Ibid.*, 1962-63, p. 15, para 22.
6. *Ibid.*, p. 8, para 8.

on this account and other factors that have affected profitability are not clearly stated anywhere.

Falling profits or increasing losses as also other important changes affecting financial position need to be explained thoroughly. It cannot be said that the necessary degree of attention is being paid to these matters.

The National Building Construction Corporation is one of the few enterprises which takes some pains to explains its adverse financial working[1]. However, the extenuatory arguments offered could be arranged and emphasized differently and substantiated further to achieve greater effectiveness. The public enterprises cannot afford to lose sight of the blaze of publicity which their operating results attract inside and outside Parliament. Every effort is necessary to secure results *and* to explain adequately the failure in not achieving them.

The decrease in the S.T.C.'s profits in 1962-63 by Rs. 60 lakhs over the previous year was "attributed" to "imposition of super-tax"[2]. The National Coal Development Corporation made clear how it had to incur heavy losses (nearly Rs. 6 million) on two coal mines which were worked at the instance of the Government of India, because they were producing coking coal[3]. A major change from the financial point of view took place when the Hindustan Insecticides' basis of operation was changed from "no profit no loss" to "commercial". But this significant fact was only casually mentioned[4]. The Hindustan Antibiotics, where a similar change took place, gave useful details of the financial implications of the change over[5].

Financial working during the gestation period would require special attention. The Heavy Electricals, for example, showed a loss of Rs. 1·06 crores in 1961-62 ; the explanation, *inter alia*, being that "a sizeable loss in the initial phases of construction is inevitable...and has been expected"[6]. Again, the explanation of the loss of Rs. 4·58 crores next year was that "a loss in the earlier years has been anticipated", and that "the large

1. Annual Report, 1962–63, pp. 6–7.
2. *Ibid.*, p. 10.
3. *Ibid.*, 1960–61, pp. 3–4.
4. *Ibid.*, 1961–62, p. ?
5. *Ibid.*, p. 9, para 4.
6. *Ibid.*, p. 4.

over-heads, depreciation and interest charges cannot be covered at the inception when the level of production is small in relation to capacity"[1]. The 7th Annual Report thus continues to use the words such as "earlier years" and "inception" without mentioning the expected gestation period. The public, it should be remembered, can appreciate losses provided the situation is properly explained[2].

Personnel Matters

(*a*) *Manpower*

As a piece of information, the Annual Reports would be expected to mention the staff strength, category-wise. But the majority of Reports do not even provide the total staff strength, and only a few gives its category-wise distribution. Some detailed statistics about staff are provided by the two Air Corporations[3], where eight categories of staff are compared with the last year's figures in each category. The L.I.C.[4], which shows staff figures under four categories, also gives details of the increase or decrease in each category, during the year, *i.e.*, by recruitments, promotions, retirements, deaths, and resignations. On the recommendations of the Estimates Committee[5] the Heavy Electrical's Report[6] now contains staff strength in four categories.

Very few enterprises talk about the efficiency with which man-power is being employed. This, to some extent, would be reflected in the percentage of the man-days lost of the possible man-days during the year, which figure no enterprise gives. Only a few Reports contain some reference to work study, incentive schemes and other methods employed to improve productivity of labour.

Increase or decrease in the number of persons employed

1. Annual Report, 1962-63, p. 4.
2. The General Manager of the Enterprise told the present writer that he was thinking of preparing a profitability curve to indicate clearly the extent of loss during gestation. He thought that in that way the enterprise's efficiency would be judged with reference to the diminution in losses, which were otherwise expected.
3. Air-India, Annual Report, 1962-63, p. 15; I.A.C. Annual Report, 1962-63, p. 8.
4. Annual Report, 1962-63, p. 46.
5. 35th Report, Third Lok Sabha, p. 72, para 233
6. Annual Report, 1962-63, p. 8.

over the previous year if correlated with an increase or decrease in some other sphere of operation, for example, sales, or production, could be, though with many limitations, an index of efficiency. The Indian Telephone Industries, for instance, compared a 35 per cent increase in sales with a 10 per cent accretion to staff during 1961-62, over the previous year[1]. In Indian Railways also the percentage increase in staff strength (and not the percentage increase in cost of staff, for which only total figures are given) has been justified with reference to percentage increase in passenger and goods traffic[2].

Man-power planning is the Achilles' heel of the economy as well as of most public enterprises. The subject does not find much mention in Annual Reports. The following extract from the Report of Hindustan Steel is perhaps the only of its kind :

> "Re-assessment of man-power requirements is being made on the basis of work studies conducted by the Industrial Engineering Department of the Plants. Based on this experience and study, advanced planning for man-power requirements for the expanded plants has also made good progress...Man-power planning cells in the plants and a Man-power and Training Division in the Head Office have been set up to continually study and co-ordinate manning requirements on a systematic basis. Apart from this, personnel budgeting has been introduced..."[3]

Virtually no information is provided on recruitment policies and programmes : the difficulties in recruiting and retaining special skills and the steps taken to meet the situation. At best, some general comments are made by few enterprises[4]. The Employees' State Insurance Corporation provides figures[5] for direct recruitment and by departmental promotion of the various categories of staff.

A great emphasis on long term plans of training and development of personnel was laid by the Third Plan. Many enterprises give details of training and apprentice schemes of

1. Annual Report, 1961-62, p. 19. Such a comparison has not been made in the 1962-63 Report.
2. *Ibid.*, 1961-62, p. 50.
3. *Ibid.*, 1962-63, p. 12, para 14.
4. See, *e.g.*, the Annual Reports of Hindustan Shipyard, 1961-62, p. 21 ; and of S.T.C., 1962-63, p. 12, para 11.1.
5. Annual Report, 1961-62, p. 58.

various types. But there is no grappling with the issue. Not a single enterprise relates its training programme with its short or long term requirements. The Third Plan's view[1] that "in the context of programmes for the training of man-power, the demand of rapid economic development is like those of a national emergency", does not seem to have been taken to heart by most of the public enterprises. In any case, there is no such indication in the Annual Reports. From the point of view of information, reporting by the Oil and Natural Gas Commission about the number of persons trained in various categories, their designations along with the subject in which and place where the training was obtained, is commendable[2]. A few Reports also mention about managerial and other types of training.

(*b*) *Labour Relations*

"The relations continue to be cordial throughout the year" is virtually all that most of the Reports state regarding labour relations. The Fertilizer Corporation's directors were "pleased to report that relations with *the recognised unions* in all Units remained undisturbed during the year"[3]. In the Garden Reach Workshops "reasonably good relations" were maintained[4]. In the State Trading Corporation "the relationship with the staff was "cordial and *espirit de corps* has been established between staff and management"[5].

Reporting about strained industrial relations and strikes is inadequate. The factors affecting labour relations, and the efforts made to improve them should be mentioned except where it may not be in the interest of the enterprise. If a strike is resorted to, the minimum one expects to know is the number of man-days lost, loss of production in physical and financial terms and the efforts made to avoid the recurrence of a similar situation in future. Very few enterprises, if any, provide information on these lines.

The machinery for industrial relations is often ignored in the Reports. The L.I.C. Reports make no reference even to

1. At p. 168
2. Annual Report, 1962–63, p. 62.
3. This is the only sentence given under the head "industrial relations", Annual Report 1962-63, p. xi (Italics ours).
4. Annual Report, 1962-63, p. 3.
5. *Ibid.*, p. 12, para 11.1.

the statutory Employees and Agents Relations Committee. This Committee has a duty to advise the zonal managers on welfare of employees and agents and to promote amity and good relations between them and the Corporation[1]. The Labour Relations Committee required to be formed under the Air Corporations Act for the same purpose[2] finds a casual mention in the Reports of the two Corporations[3].

(*c*) *Labour Welfare*

The public enterprises are expected to bring about "a qualitative difference in the tasks set for the labour movement. The economic activity is not to be conceived of solely in terms of output and return ; the principal test of this would be the good of all those who are engaged in it"[4].

The concept of "model employer" lays a heavy responsibility on the public enterprises. And this seems to have been taken up seriously. Many Reports contain a detailed mention of welfare activities like housing, free education and scholarships etc. to workers' children, medical facilities, transportation to and from the place of work, canteens, welfare centres, sports and cultural activities and so forth. Some enterprises, *e.g.*, the Hindustan Steel[5] keep silence on these matters. Counting or recounting[6] welfare measures will draw attention to a fact of which the public enterprises could be deservedly proud of.

The finances involved in various welfare measures, the aggregate as well as the per head expenditure, do not generally find any mention. The Hindustan Machine Tools and the Hindustan Antibiotics focus attention on workers' welfare by comparing total emoluments of the lowest paid employee with the figures of the previous period[7]. The National Coal Development Corporation refers to the average per capita expenditure of

1. L I.C. Act, Sec. 22(3).
2. Air Corporations Act, Sec. 41(2).
3. Annual Reports, 1962–63, I.A.C. and Air-India, p. 9, para 40, and p. 16, para 60 respectively.
4. Third Five Year Plan, p. 253.
5. The Hindustan Steel has spent about Rs. 50 crores on housing, and during 1962–63 its welfare expenditure was over Rs 62 lakhs.
6. The Annual Report of Hindustan Salts both for 1960–61 and 1961–62 without mentioning the amenities stated that all "as mentioned in the last Report were continued during the year".
7. Annual Reports for 1962–63, H.M.T., p. 40, Antibiotics, p. 13.

Rs. 100 per annum on housing, welfare and other amenities[1]. The Heavy Electricals gives the cost of labour amenities, including housing, at Rs. 679 per head per annum[2]. If the information of expenditure incurred in the industry as a whole on welfare measures is made available, more useful comparisons would be possible.

Expenditure on welfare should be clearly stated particularly where it makes inroads into the profits. For instance, heavy expenditure has been incurred on housing by many enterprises. This affects the return on the capital invested—a test by which a business enterprise is often judged. But very few enterprises state the amount invested in housing and none refers to its effects on the return on capital invested. In some cases, inadequacy of housing is referred to without going into its financial implications[3]. Such omissions may give rise to expectations, which it may not be possible to fulfil. The public enterprises in their own interest should clearly bring out financial implications of welfare measures. Attempt could also perhaps be made to work out some tentative relationship between welfare expenditure and labour productivity.

(d) Industrial Democracy

The achievement of industrial democracy is considered an important ingredient of the socialist system[4]. The Second Plan[5] considered industrial democracy as "prerequisite for the establishment of a socialist society". The First Plan[6] envisaged to create a sense of partnership in industry and to make the worker feel that he is not only the servant but the master of the enterprise in which he serves. The public enterprises as model employers are also expected to be forerunners here. Their Annual Reports, however, do not substantiate this expectation. Virtually no information is provided of efforts to bring about workers' participation in management, except a brief reference to the existence and functioning of the Works Committees, or Joint

1. Annual Report, 1963–64, p. 8.
2. *Ibid.*
3. See, *e.g.*, Hindustan Cables, Annual Report, 1962–63, p. 7.
4. Third Five Year Plan, p. 254.
5. At p. 572.
6. At p. 518.

Management Committees, in some cases[1].

Suggestion schemes are now an accepted part of the programme of workers' participation in management. Quite a few enterprises have such schemes in operation but only a few make a mention about them. The success of industrial democracy depends in a large measure on an educated labour force but virtually no reference has been made to workers' education in the Reports.

(*e*) *Safety*

Very little reporting is done about safety. Nationalised British industries give the number of accidents category-wise and make mention of the safety measures adopted. In India, the Air-India gives figures for (*a*) "number of accidents involving injuries" and (*b*) "man-hours lost thereby", along with a percentage comparison with the previous year.[2] The Indian Railways classify accidents in three categories, and mention the number of accidents for which compensation was paid, and the amount thereof[3]. No comparative figures are however provided; nor is there any reference to measures undertaken to reduce accidents. The Hindustan Shipyard states pithily that "the incidence of accidents is on the decline on account of intensive propaganda on safety measures"[4]. The Fertilizer Corporation mentioned the accidents reportable under the Factories Act in its 1960-61 Report. But the later two Reports omitted this information. The Hindustan Insecticides in its 1960-61 and 1961-62 Reports gave a sub-head "safety", which was not followed in the later Reports. Other Reports have practically nothing to say on this topic.

Production

(*a*) *Targets*

The first thing expected from an Annual Report about production is its quantum, both in physical and financial terms. But very few enterprises provide both these figures. Further, production statistics to be of value, must be related to targets.

1. See, *e.g*, the Annual Reports (all 1962-63) of Hindustan Steel, p. 12, para 16; Indian Refineries, p. 6; National Instruments, p. ?; I.A C., p 9, para 40; and Indian Railways (1961-62), p. 52.
2. Annual Report, 1962-63, p. 14, para 49.
3. *Ibid.*, 1961-62, p. 52, para 103.
4. *Ibid.*, 1962-63, p. 26, para 33.

A large number of Reports do not make any mention of the targets, and in many cases if it is done once, it may not always be done next year. To illustrate :

1. *Heavy Electricals*: 1961-62 Report (p. 6) gives a target of an output of Rs. 5 crores for 1962-63, but the 1962-63 Report (p. 6) without referring to this target mentions only the output of Rs. 3.1 crores achieved during the year[1].
2. *National Newsprint and Paper Mills* : 1961-62 Report (p. 4) gives a production target of 28,000 tonnes for 1962-63, but the Report of 1962-63 (p. 10) shows production at 26,515 tonnes and refers to an increase in production of 1236 tonnes over the previous year, without referring to the target.
3. *Hindustan Cables* : 1959-60 Report (p. 3) envisaged a production of 1174 miles of Dry Core Cable and 200 miles of Coaxial Cable for the year 1960-61. But the 1960-61 Report (p. 3) gave the year's production as 1077 miles of the former and 57 miles of the latter without any reference to the targets fixed earlier. It, however, took pride in the fact that its output of Dry Core Cables had gone up by 56 per cent as compared to the previous year (p. 3).
4. *Fertilizer Corporation* : 1961-62 Report (p. 3) gave the target of double salt of 84,000 tons for the Sindri Unit for the year 1962-63. But the 1962-63 Report (p. iv) gave only the actual production of 62,229 tonnes, without referring to the target.

There could be no two opinions that not only targets but also the reasons for not achieving them should be related. Not many enterprises do so. The non-achievement of targets by the Indian Telephone Industries in 1961-62 was explained away by merely stating that targets "were placed high enough to provide sufficient leeway for diversion of effort towards non-scheduled items and to serve as an incentive for greater efficiency"[2]. The

1. The Annual Report for 1964-65 (perhaps following the recommendation made by the Estimates Committee, third Lok Sabha, in its 35th Report) now gives itemised production in physical terms as well as its value, and compares it with the targets.
2. Annual Report, 1961-62, p. 15.

1962-63 Report dropped the comparison of the actuals with the target and thus the need to explain the differences was obviated. The Hindustan Housing Factory admitted the shortfall in the achievement of the targets which was ascribed mainly to the "lack of cordiality in the employer-employee relations and strikes"[1].

For the Heavy Electricals, the Estimates Committee[2] suggested that the Company should give in its Report "the actual item-wise production during the year *vis-a-vis* the targets", along with "the reasons for shortfall and steps taken to overcome the difficulties". This useful recommendation should, as far as possible, be followed by other public enterprises. Following the recommendation, the non-achievement of targets was, *inter alia*, explained as follows :

> "The shortfall in production against the targets for finished output is attributable mainly to inexperience and low productivity of staff and the inevitable teething troubles and difficulties in establishing intricate manufacturing techniques involved in the production of a variety of complicated equipment. Every endeavour is being made to get over these initial difficulties . . ."[3]

It is thought that frank admissions of shortcomings by public enterprises would not undermine confidence in them, if there is a sincere endeavour to improve the situation, and if this is detailed out in the Reports as much as possible. A mere statement of the prevailing situation is not enough. The Air-India faced a difficult situation when during 1961-62, along with other world air lines, it increased its capacity in the expectation of an increase in traffic, which did not materialise. Consequently, the Corporation suffered a sharp reduction in profits. This significant occurrence was explained away summarily which did not provide a satisfactory appraisal of the situation[4]. This is brought into bold relief when set against the B.O.A.C.'s Report for the same year (1961-62), which in a most comprehensive and painstaking way explained as to why its capacity was increased, the reasons of shortfall of traffic, its results, and efforts made to meet the situation.

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1. Annual Report, 1962-63, p. 4.
2. 35th Report, Third Lok Sabha, p. 31, para 98.
3. *Ibid.*, 1962-63, p. 6.
4. *Ibid.*, 1961-62, p. 8.

In the National Coal Development Corporation there was heavy stockpiling because of transport difficulties. The production had to be cut to less than 50 per cent of the capacity with the resultant loss all-round. Not a word, however, was said about the efforts made regarding the transport difficulty—that being taken as given[1].

Talking about targets, they have certain bases of fixation, which must be stated. These may be the installed or rated capacity, the availability of some scarce raw material or some other factor of production, the demand for the product, etc. At present, very few enterprises state the bases of their target fixation[2]. In the absence of this information, a correct evaluation of the enterprise's efficiency becomes difficult. Also, the targets should be mentioned in Annual Reports at least a year in advance. This is not done in most cases.

(*b*) *Cost of Production*

The cost of production is generally not disclosed in the Anuual Reports, as it is considered something secret. The Indian Telephone Industry's Report for 1961-62 (p. 44) gave graphs to show the cost of production of a few selected items over a period of years[3]. And thus gave some indication of cost trends without disclosing the actual cost of production. This method can be safely commended for adoption by other public enterprises. However, where disclosure does not affect the interest of an enterprise, the actual production cost may be compared over a period of years. If possible, the factors which go into the making of the cost, such as man-hours and machine-hours spent in producing a unit of output, be compared over a period of time. The cost of production can also be compared either with the landed cost[4], or cost of production in other units within the coun-

1. Annual Report, pp. 1-3.
2. The Hindustan Salt's target of production is, *e.g* ,fixed every year before the commencement of the manufacturing operations, after taking into consideration the (1) likely demand for salt, (2) stocks of salt in hand, (3) rain-fall during the particular year". (Annual Report, 1961-62, p. 4)
3. It is not known why the later Reports did not provide these graphs.
4. The H.M.T., *e.g.*, compares the sale price of its machine tools with the "current landed cost of European machines of equivalent quality", but the name of the country, or the make with which comparisons are made is not disclosed. This may create doubts about the validity of the comparison. Annual Report, 1962-63, p. 7 and p. 40.

try or outside. The factors impeding such a comparison could be suitably explained.

Further, it would not be of much use to say in a general way that "the cost of production was maintained as per the previous year"[1], or that "it was possible to economise on production costs in spite of rise in material costs and salary levels"[2]. More specific support of cost reduction must be given and cost-consciousness be clearly shown.

(c) *Efficiency of Production*

Apart from cost reduction, efficiency of production could be shown in the form of conservation of scarce resources and development of indigenous sources of raw material[3]. As it is, some Annual Reports contain general remarks like ; "special efforts are made to increase the indigenous contents to the extent possible"[4] or, "a sustained programme of exploration is pursued to find more indigenous substitutes and also to induce the indigenous manufactures to take up the production of imported items"[5]. Greater details of the reduction effected in the use of imported items as also of difficulties encountered in doing so, should be given. The indigenous content of the H.M.T. machines is about 95 per cent, and has remained so for the last three years[6]. No disclosure is, however, made about the components not obtainable locally, or of the efforts to manufacture them indigenously.

The quality control finds a mention in the Reports of the Hindustan Antibiotics. The Report of the National Projects Construction Corporation[7] also mentions the setting up of a quality control cell in the Corporation for improving the quality of work and to effect savings. The next year's Report, however, skips over the matter. Other Reports are silent on this point.

1. Hindustan Insecticides, Annual Report, 1960–61, p. 6.
2. Bharat Electronics, Annual Report, 1962–63, p. 10.
3. The Estimates Committee considered it "highly desirable for the Annual Reports of Heavy Electricals to indicate the percentage of imported raw materials and components used in the manufacture of equipment so that the progress made in the utilization of indigenous raw materials and components is known from year to year". 35th Report, Third Lok Sabha, p. 39, para, 124.
4. Bharat Electronics, Annual Report, 1962–63, p. 7.
5. Hindustan Shipyard, Annual Report, 1962–63, p. 17.
6. Hindustan Machine Tools, Annual Report, 1962–63, p. 40
7. Annual Report, 1963–64, p. 10.

Sales and Export Promotion

(*a*) *Sales*

Every enterprise has something to sell. In some enterprises sales present no problem as the whole[1] or a large part[2] of their products is taken up by a Government department or agency ; in some others it is largely a seller's market[3]. Only some enterprises have to take care of sales and have to find ways and means to dispose of their products or services. The reporting about sales is generally meagre : in most cases no mention exists about sales targets, the extent to which these are achieved, or other aspects of the sales problem.

The information about sales, if given region-wise, would in some cases be useful for many types of economic analysis. The Fertilizer Corporation gives details of the sale of fertilizers to various states. The L.I.C. provides figures for the average sum assured per policy, the number of policies and the sum assured in rural and urban areas for each of its five zones[4]. The Hindustan Insecticides gave details of the sale of D.D.T. to various states; but the 1962-63 Report dropped them without any apparent reason. The Industrial Finance Corporation has given figures of financial assistance state-wise. The Employees' State Insurance Corporation's Reports also give many useful details of the Corporation's activities, region-wise.

(*b*) *Export Promotion*

Export promotion being an essential obligation of the enterprises with an export potential, efforts made in this behalf should be stated in the Annual Report. Most enterprises have

1. The total production of the F.C.I. is, *e.g.*, disposed of through the Central Fertilizer Pool.
2. A large part of the sales of Hindustan Aircraft, Hindustan Cables, Hindustan Insecticides, I.T.I., *e.g.*, are made to government departments or agencies.
3. As for example in case of the National Newsprint and Paper Mills, and the H.M.T.
4. The five zones are : Northern, Central, Eastern, Southern and Western. It may incidentally be of interest to note that in 962-63 the average sum assured in the Northern and Southern zones was Rs. 5,013 and Rs 3,754 respectively. The total sum assured in the two cases was Rs. 115 crores and Rs. 202 crores respectively. (L.I.C., Annual Report, 1962–63, pp. 3 and 26).

not taken this obligation seriously, if we are to go to Annual Reports. Export contracts of Rs. 128 million were, for example, entered into by the Hindustan Steel during 1960-61. Of these, goods worth Rs. 44 million were actually exported[1]. The exports dwindled to Rs 32 million in 1961-62[2]. In 1962-63 a new market in bars and structurals was explored and goods worth Rs. 4·33 million were reported to be exported[3]. It is not clear what happened to the contract to supply Rs. 128 million worth of goods. The Enterprise's latest Report confusedly explains the position thus : "the sharp decline in prices of steel in the international market prevented us from any extensive export activity"[4].

The Indian Telephone Industries showed consciousness about this problem, but this proved short-lived. It endeavoured to "contribute its mite" to "the acute foreign exchange crisis" faced by the country, and referred[5] to the appointment of agents in Nepal, Egypt, Burma etc. But the later Reports did not deal with this question in any satisfactory way. The Hindustan Antibiotics referred to its "strenuous efforts" to introduce its products in the South East Asia and Middle Eastern countries and hoped that these efforts would be successful[6]. The next Annual Report, however, glossed over the matter by stating that the question of exports had to be considered carefully in view of the growing demand and highly competitive market abroad. The Annual Reports of the State Trading Corporation and the Minerals and Metals Trading Corporation give a detailed account of the efforts in regard to export promotion. To sum up, it should be necessary for public enterprises to show publicly their consciousness about the crucial problem of earning foreign exchange.

Consumer Relations

The Annual Reports have so little to say about the users of products or services of public enterprises that one gets the impression of the consumer being a neglected party. True, a large number of enterprises have not to deal with the consumers

1. Annual Report, 1960-61, p. 13, para 8.4.
2. *Ibid.*, 1961-62, p. 11, para 4.
3. *Ibid.*, 1962-63, p. 9, para 9.
4. *Ibid.*
5. *Ibid.*, 1961-62, p. 17.
6. *Ibid.*, 1963-64, p. 12.

directly, or they mainly operate in a sellers' market, this does not acquit an enterprise of its obligations to the consumer, whose satisfaction is the prime object of all production. The management of public enterprises, has not developed sufficient consumer relations. There is a great deal of follow-up and a great deal of nursing of the consumer which ought to form the responsibility of management.[1]

The Air-India is one of the few enterprises which operates in a highly competitive field. And it "continues to seek further improvements in its dealings with travellers both on the ground and in the air. Every complaint or criticism is carefully investigated and corrective action taken wherever and whenever possible"[2]. The I.A.C. also tells us about several steps taken by it "towards facilitation of passengers handling"[3]. The Shipping Corporation, again, in a competitive field, assured its constituents to "continue to endeavour to render them its best services"[4].

Both the air corporations are statutorily required to have a committee each to advise, *inter alia*, about amenities to air travellers, improvement in services, timetables, opening of new air stations, etc.[5]. The reporting about the working of these committees is fragmentary[6]. Even the names of the members of the Committee are not given. The L.I.C., is required to have a Public Relations Committee[7]. This Committee is, however, expected to help the Corporation to project itself in a better way to the public rather than presenting the public point of view to the Corporation. The only reference to this Committee in the Reports of the Corporation is that the names of its members are given. In the Reports of the Indian Railways a separate chapter entitled "Amenities to Passengers and other Railway Users" covers 2 pages out of a total narrative running into 60 pages[8]. A

1. S.S. Khera, *Government in Business*, Bombay, 1963, p. 289.
2. Annual Report, 1962-63, p. 13, para 42.
3. *Ibid.*, p. 4, para 10.
4. *Ibid.*, p. 15.
5. Air Corporation Act, Sec. 41(1) and rule 50 of the rules framed in exercise of the powers conferred by Sec. 44 of the Act.
6. I.A.C., Annual Report, 1962-63, p. 9, para 42, and Air-India, Annual Report, 1962-63, pp. 16-7, para 65.
7. Rule 29 of the rules framed under Sec. 49(2) of the L.I.C. Act, 1956.
8. Annual Report, 1961-62, pp. 57-8.

reference to the number of meetings of the Railway Users' Consultative Council is also made[1].

Pricing Policy

The price fixation by public enterprises is not dependent upon the interplay of market forces to the same extent as in private enterprises. The distinguishing features of price fixation need broadly to be indicated in the Reports of public enterprises. In addition, the price trends over a period of years and a rise in prices, wherever effected, should be mentioned along with reasons thereof. If possible, break down of the increase be given.

Only a few enterprises tell something about their pricing policy. The Hindustan Antibiotics charged a price higher than the C. & F. cost of imported Penicillin, (i) in order to provide "reasonable surpluses for future expansion instead of approaching Government for further funds which would be an additional burden on the plan resources"[2], and (ii) "to subsidise the newly introduced Streptomycine production at least in the initial stages"[3]. A later Report stated that although the actual cost of production was high, the sale price of streptomycin was fixed at Rs. 175 Kg. to keep it practically at par with the imported price.[4]

The "U.K.-parity-price" method followed by the Hindustan Shipyard has attracted attention. Of this, the Shipyard seems to be conscious. Its report[5] under the caption "Pricing—thorny problem" points out how the present condition of ship-building industry in the world is not conducive to evolving a satisfactory pricing formula acceptable to the owners, to the Shipyard and to the Government.

The H.M.T. reported that its prices were uniformly 15 per cent below the current landed cost of European machines of equivalent quality, manufactured by its collaborators, and as the European prices were regulated by fierce competition, the Company felt that it was maintaining a judicious balance between

1. Annual Report, 1961-62, p. 7.
2. *Ibid.*, 1960-61, p. 11, para 7.
3. *Ibid.*, 1961-62, p. 12 para 12. The 1962-63 Report (p. 11) also gives expansion programme as the reason for non-reduction of the selling price of Penicillin.
4. *Ibid.*, 1963-64, p. 7.
5. *Ibid.*, 1961-62, p. 57.

the interests of its customers and shareholders.[1] However, as stated earlier, the basis of calculating the landed cost and the make with which the comparison is made are left to the readers' guess or imagination. The Hindustan Steel did not support its plea against the uniform retention price of steel except by saying that the company proposes "to urge the Tariff Commission to recommend in future, the levels of retention prices on the peculiar conditions of each undertaking, having regard to the basic requirements of efficient production"[2].

The Hindustan Cables referred to the revision of its pricing agreement with the Director-General of Supplies and Disposals. The new pricing formula[3] was given without any reference to the old one, thus rendering comparison difficult. The revised pricing formula, the 1961-62 Report (p. 5) warned, "may adversely affect internal resources of the Company". But the 1962-63 Report (p. 5) commended the revision because it will "generally enable the Company to plan its production and financial operations on a more stable basis and effect economies in the manufacturing processes". How the revision in price formula, the planning of production and effecting of economies are related, is, at best, a matter of conjuncture.

The Fertilizer Corporation pleaded in its Report for the revision of retention prices because of increased prices of raw materials and imposition of new excise duties. Its Report for 1963-64 stated that retention prices were fixed after a cost investigation by the Chief Cost Accounts Officer of the Government of India.[4] The Annual Report of the Indian Telephone Industries referred to a price agreement with the Post and Telegraph Department which instead of a cost plus 10% basis, will be a fixed price contract[5] The Report of the Fertilizers and Chemicals, Travan-

1. Annual Report, 1963-64, p. 12.
2. *Ibid*, 1961-62, p. 13. A later Report (1963-64) referred to some details of price fixation by the Joint Plant Committee, pp. 8-9.
3. According to this formula the "selling price of cables manufactured and despatched during 1961-62 is to be determined on the basis of cost of production during 1960-61 plus an element of profit to be determined at 12% return on the capital employed including six months Working Capital less interest on loan, and *ad hoc* ex-gratia payment to employees and advertisement expenses". (Annual Report, 1961-62, p. 4)
4. At p. 8.
5. Annual Report, 1964-65, p. 12.

core, referred to the retention prices fixed by the Government, which the Company felt were unfair to it.[1] The Air India's Report[2] gave a brief narrative of the way the fares are established for international airlines and referred to its policy in the matter. The Report of the Railways[3] referred to the complaints which came up before the Railway Rates Tribunal during the year. A somewhat detailed account of the sale price policy of the imported commodities is given in the Report of the State Trading Corporation of India.[4]

Annual Reports of many important enterprises make no mention of price policy. For example, the D.V.C., whose electricity and water rates have been a subject of much controversy does not even refer to the problem. The I.A.C. did not refer to its freight and fare structure in its Reports, even though the same was examined by a statutory committee.

Research and Development

(*a*) *Research*

"A socialist economy", the Third Plan observes[5], "must be efficient and progressive in its approach to science and technology". The present climate of neglect in the field is apparent from the recent recommendation of the Scientific Advisory Committee to the Cabinet which, *inter alia*, stated that "the country should be made to turn away from the concept that research in development is a kind of luxury"[6]. Public enterprises have a special obligation in matter of research, particularly because most of them operate in areas where the speed of innovation is very great. Unfortunately, so far as the Annual Reports indicate, sufficient attention is not being paid to this aspect. The following are some references to research in the Reports.

The Hindustan Antibiotics mentions the "intensive research programme" and the success in "developing a new strain for Penicillin" which is considered "a milestone in the progress

1. Annual Report, 1964-65, p. 7.
2. *Ibid.*, 1962-63, p. 13, para 41.
3. *Ibid.*, 1961-62, p. 8, para 15.
4. *Ibid.*, 1963-64, p.9.
5. At p. 9, para 18.
6. Indian Institute of Public Administration, New Delhi, *Newsletter*, March, 1964.

and achievements of Research Laboratory". It also mentions three new antibiotics which have been "successfully evolved" and the process of production of Teracyclines which "holds out great promises"[1]. In the field of electronics, rapid strides are being made in research. The Bharat Electronics' Report lists a number of items taken up for research and development. Many of these relate more to operational than fundamental research. The enterprise does not make any reference to its research organisation or to the relationship with other independent research bodies.

The Hindustan Aircraft seems satisfied with the two scholarships of Rs. 200 per month each which it provides at the Indian Institute of Science in advanced aeronautics[2]. The Hindustan Cables carries out largely operational research, and during 1961-62 "several aspects of engineering, design and technical investigations" were taken up[3]. The Hindustan Steel has felt contented to hand over its major technical problems of production to the National Metallurgical Laboratory and to the Central Fuel Research Institute. It makes no mention of its own research organisation except a vague generalisation that many studies have been sponsored "with outside organisations in addition to certain investigations in its own facilities"[4]. The O. & N.G.C. has recently established a Research and Training Institute with the help of the United Nations Special Fund to undertake, among others, research connected with petroleum exploration, development and production[5].

For some enterprises the consumer and market research may be as important as technological research. No mention anywhere of this aspect has, however, been made.

In matters of research, public enterprise should not take its cue from private enterprise which generally has not shown research consciousness. Public enterprise has to be in the vanguard of research activity; for research alone can put the whole economy on the road to progress. And this is what the public enterprise is aimed to do.

1. Annual Report, 1961-62, pp. 12-13, para 13. The later Reports also refer to the research activities of the enterprise.
2. *Ibid.*, 1961-62, p. 14, para 39.
3. *Ibid.*, p. 5, para 6.
4. *Ibid.*, p. 20. Some specific proplems studied in the Plant's laboratories have been mentioned in the later Reports.
5. *Ibid* , 1962-63, p. 35.

(b) Development

Development is considered along with research because it largely stems from the latter. In what direction the enterprise wants to move forward, the economics thereof and how the same dovetails with the Country's requirements is expected to find an important place in an Annual Report.

Generally, the enterprises do not refer to their long-term plans. What is the estimated future demand for the goods or services produced or expected to be produced by an enterprise ? And the extent to which it is to be met by the enterprise alone or by the industry as a whole, does not find mention in the Reports. True, the production plans are framed by the Government and have to be adjusted in the national plan, but the enterprise which is responsible for their successful execution should also refer to some of their salient features.

Information about development plans, in most cases, is purely a matter-of-fact reporting. The Hindustan Cables, for example, just lists some 10 cases of expansion etc. and mentions their stage of development in terms of the sanction of the Government of India and the Planning Commission[1]. No details about their nature, finances involved, the date by which they are expected to come up and so forth are, however, mentioned. The Hindustan Steel, similarly, tells us about its large expansion programmes. But comparatively minor matters have been mentioned to the exclusion of the questions such as the size of the expansion programme in financial and physical terms and the expected date of its completion[2].

True, the Annual Reports are not project reports of developmental plans, but all-round development of an enterprise cannot be appreciated without a brief idea about the importance and potentiality of the projects in hand. And who else except the enterprise is to give out the information ? If necessary, separate publications could be brought out for this purpose and the Annual Report might refer to them.

Organisation and Management

The information about management is by and large confined to the Board of Directors. But here too, even the basic

1. Annual Report, 1962-63, pp. 6-7.
2. *Ibid.*, p. 13.

information about Board Members—whether part-time or full-time, their qualifications and affiliations—is not provided.[1] In some cases, even changes in the Board membership during the year are not given[2], and in very few cases the dates of such changes are mentioned. Only about one third of the Reports give reasons of changes in the Board membership. In few cases the number of Board meetings held, and in two cases[3] the yearly average attendance at the Board meetings is given. This information is useful as it broadly indicates the directors' interest in the enterprise.

In many cases, a Board of Management exists in addition to the Board of Directors, but the information about its membership and functions is not often provided. Only a few Reports state the names and designations of the senior officials. In the U.S.A., some enterprises even publish small photographs of Board members and senior officials and the years of service put in by each of them. This is aimed at creating a greater sense of belonging and public responsibility among them. The public enterprises have something to learn here.

The administrative organisation of the enterprise generally finds no reference in the Annual Reports. Some Reports (particularly the initial ones) could provide a broad picture of the anatomy of the enterprise. The Annual Reports of the O. & N.G.C. discuss the activities of its various divisions and also refer to their organisation and functions in brief. Some organisational changes are reported by four or five enterprises. How many enterprises actually underwent the process of change cannot be said[4].

The Hindustan Steel Report, 1961-62 (pp. 19-20), gave details about decentralisation of work and authority. The direc-

1. All such information, *e.g.*, is given in the Annual Reports of the British nationalised industries.
2. Some such enterprises are : the O. & N.G.C., the Mazagon Dock and the H.M.T. In the G.R.W. only some of the changes during the year have been reported. (In most cases, changes in the Board membership can be known from the Agenda of the Annual General Meeting which, with few exceptions, is published in the Annual Reports of Government companies).
3. These are : Indian Refineries and I.O.C. These two companies are now transformed into Indian Oil Corporation.
4. Sometimes, even important organisational changes may remain unreported. The N.C.D.C. did an important re-grouping of its collieries in 1961, but this was not referred to in the Corporation's Annual Reports.

tors, it was reported, were steadily reorganising the work on the basis of federal decentralisation, the first phase of which was "fuller responsibility and authority to the general managers of plants", and the second phase, which was reported to be "in process", was "further delegation by general managers to managers of the individual units and thereafter to the supervisory personnel within the plant units". It is a pity that the later Annual Report omitted the whole issue.

Some of the enterprises have frankly and clearly stated their managerial and administrative problems. See, for instance, the following :

1. *State Trading Corporation :* "The Corporation has been alive to the need for constant review and streamlining of the administrative machinery... The methods and procedures are being brought in line with commerial practices consistent with the obligations imposed by accountability to Parliament... Generally, a commodity-wise horizontal division of work has been made so as to put an officer of appropriate rank in charge of a commodity or a group of commodities and, as far as possible, a hierarchical set up has been eliminated with a view to expeditious disposal of work"[1].
2. *Fertilizer Corporation* : "The Corporation has consciously endeavoured to leave to its constituent units the maximum possible autonomy and independence of action and has, accordingly restricted to the minimum its headquarters organisation...Wider powers have just been delegated...to the General Manager in charge of constituent units so as to ensure that... they enjoy full authority to sanction expenditure within the approved budget...as well as in the matter of recruitment of personnel"[2].

One would wish that more and more public enterprises showed similar awareness of the problems of organization and administration in their Annual Reports. The Employees' State Insurance Corporation[3] and the Indian Refineries[4] are the only

1. Annual Report, 1962-63, p. 12, para 111.
2. *Ibid.*, 1961-62, p. 11, para 37.
3. *Ibid.*, pp. 63-6.
4. *Ibid.*, 1962-63, pp. 4-5.

enterprises which refer in their Annual Reports to important decisions of the Board of Directors during the year.

Relations with the Government

An important consideration is how a public enterprise is to report its dealings and relationship with the government or a sister enterprise. How openly, for example, could a complaint be made against or blame be laid upon another governmental agency, if necessary ? This is indeed a delicate issue and involves many considerations. Obviously, no rules for the purpose could be laid down. It needs, however, be stressed that a separate legal entity of public enterprise is meant to emphasize its accountability in clear terms. The non-achievement of specified responsibilities would have to be accounted for and the blame be apportioned for this purpose. Many public enterprises consider "discretion the "better part of valour", and skip over a difficult situation. Some others just mention their cases and leave it at th at[1]. But some are a bit vociferous about their point of view :

1. *I.A.C.* : "The Corporation would respectfully point out that if it is to meet the demands of both of domestic and foreign traffic—the latter a substantial foreign traffic earner—its fleet must be augmented... Otherwise, it will be impossible to avoid distress and inconvenience to thousands of intending passengers, Indian and foreign, such as was experienced last winter and caused substantial loss of foreign exchange"[2].
2. *Air-India* : "The Corporation has now been unfortunately and unexpectely burdened by the severe handicap of being deprived of an important part of its passenger traffic over which it had preferential rights. The practically total ban on travel abroad by Indian nationals, has shut off an important source of the Corporation's revenues...It must be remembered that travel between countries cannot be a one way affair for ever, and that in the long run India might

1. For some examples of this, *see*, the Annual Reports of the I.R.E., 1962-63, p. 6 ; of the F.C.I. 1961-62, p. 5 ; of the I.O.C., 1962-63, p. 7 ; and of the Hindustan Steel, 1962-63, p. 7.
2. Annual Report, 1961-62, p. 6, para 15.

lose more in foreign exchange than it will save by banning foreign travel by Indians"[1].

Such warnings publicly given would generally keep the enterprise in good stead and help win public understanding of its impending difficulties.

Favourable relations with the Government have been underlined by some enterprises through showering gratitude on the Government and its officials. In some cases, this formality is extended to the auditors of the enterprise. See, for instance, the following :

1. *Shipping Corporation* : "Your directors desire to place on record their gratitude for the constant guidance and encouragement which the Corporation has received...from the Minister of Transport and Communications and from the Minister of Shipping of the Government of India. The Corporation is also greatly indebted to the Secretary to the Government of India, Ministry of Transport and Communications, and to the Additional Secretary to the Ministry of Transport and Communications and the Director-General of Shipping for the keen interest taken by them in the growth of the activities of the Corporation and for the help and guidance given by them from time to time to the management"[2].
2. *Hindustan Antibiotics* : "Your Company Auditors... rendered very useful service in auditing the accounts of your Company...for which your Directors are grateful...Our thanks are also due to the Director of Commercial Audit, New Delhi, Senior Deputy Director of

1. *Ibid* , p. 22, paras 57-8. It appears as if the air corporations are somewhat more vehement than other public enterprises. In U.K. also, the B.E.A. was outspoken when it did not agree with the Air-Transport Licensing Board's decision to allow private companies to operate on routes parallel to it. It stated how the Licensing Board "misconceived the primary duty laid upon it". It maintained that to permit more air lines to operate "would be folly". (B.E.A., Annual Report, 1961-62, p. 15).
   In India, the Annual Report of the N.I.D.C., 1962-63, pp. 6-7, provides another instance when the Corporation insisted on holding its own *vis-a-vis* the Government.
2. Annual Report, 1962-63, pp. 14-15, para 10.

Commercial Audit, Bombay Region, and his staff for their valuable advice and constructive co-operation throughout the year".[1]

A difficulty about a big list of "thanks" is that if it is not maintained year after year, it may cause an unjustifiable inference to be drawn about relationship with the authority or the person who is not thanked in a particular year.

Government Directives

At present, the enterprises generally fight shy of publishing Government directives in the Annual Reports. A directive somehow is considered in the nature of the Government "overruling" the enterprise, or of imposing itself upon a recalcitrant Board, and should therefore be kept secret. This approach appears somewhat wrong. A directive is a device to keep public enterprises away from political maneuvering and bureaucratic pressures. It is thus meant to keep the corporate personality unmutilated and undisturbed, without Parliament being aware of it. The intention is also to show clearly where the responsibility lies for decisions taken by an enterprise. In the U.K., it is obligatory for the nationalised industries to set out in Annual Reports any direction given by the Minister during the year, unless the Minister has notified to the Board his opinion that it is against the national interest to do so[2].

In India, only the I.F.C. has been publishing in full the "instructions" given to it. It may be because the Corporation is not fully owned by the Government and outside interests would not like to take responsibility for a policy decision not originating from them. In a few other cases, references to the directives have been made, but out of how many is not possible to know. The following of these deserve mention.

The N.I.D.C. was directed not to entertain any fresh loan applications. The Corporation considered the directive and requested the Government to reconsider the same. When Government did not agree, the enterprise expressed the hope that "the directives issued by the Government are of a temporary

1. Annual Report, 1962-63, p. 18.
2. *See*, for example, the Coal Industry Nationalisation Act, 1946, Sec. 54(2).

nature"[1]. The Indian Refineries referred to two directives from the President of India for conducting and for examining some techno-economic surveys[2]. The N.R.D.C. Reports give a paragraph entitled "Directives from the President", mentioning thereunder the directives, if any, received. This makes the position very clear. It is significant that this separate head appeared for the first time in the 1959-60 Report, when Mr. Manubhai Shah (a minister) became Chairman of the Corporation, and it was recorded that "no directive was received from the President of India for compliance". It would be excellent if other enterprises follow this practice.

The Estimates Committee[3] recommended in the case of the S. T. C. that the directives issued by the Government, the manner in which they were carried out and their effects on the working of the Corporation should be mentioned in the Annual Report of the Corporation. The recommendation was reiterated by the Committee more than once[4]. Though the Committee's recommendation was accepted by the Government, a subsequent report of the Committee[5] on the S.T.C. found that "there was no mention of directives in the Annual Reports except in one or two cases".

Parliament and the Enterprise

In most cases, no awareness is shown in the Directors' Report of references to the enterprise in Parliament, or to scrutiny by a parliamentary committee. The Reports from the Indian Railways gives a distinct head,"Railways and the Legislature", wherein a reference is made to the dates on which Parliament discussed the Railway Budget, and the number of questions asked in Parliament about the Railways. A brief reference to the coverage of debates and question is also given. No other enterprise provides this much of information. The I. F. C.'s Report[6] referred to the Estimates Committee's scrutiny of the Corporation and the date on which the Committee's report was presented to the Lok Sabha. It also stated that comments of the

1. Annual Report, 1962-3, p. 7.
2. *Ibid.*, 1961-62, p. 13.
3. 86th Report, Second Lok Sabha, para 26.
4. 134th Report, Second Lok Sabha, p. 14, para 36, and 32nd Report, Third Lok Sabha, p. 83, para 264.
5. 49th Report, Third Lok Sabha, p. 53, para 167.
6. Annual Report, 1962-63, p. 29, para 102.

Corporation on the Committee's report were being furnished. The matter was followed up in the next year's Report of the Corporation[1].

The Annual Report, of course, is not a forum for discussion or replying to what has been said in Parliament or by its committees. But to show awarenees about such matters and for record purposes, the matter should find a place in the Directors' Report.

Public Relations

In a few cases the Directors' Report shows the heading of public relations. Here, generally the number of visitors to the enterprise's plant during the year is given. Participation in exhibitions and fairs is also mentioned in one or two Reports under this head. The Report from the Railways contains a head "Publicity and Public Relations"[2], which refers (i) to the way in which contact is maintained with the Press, (ii) to the two monthly magazines, (iii) to the participation by Railways in the Indian Industries Fair, and (iv) to the two films produced by the Films Division concerning Railways. Somehow, the commercial advertisement exhibited on the Railways has also been put under this head.

The consciousness of public relations shown in the British European Airways Report[3] provides a big contrast here. See, for instance, the following given under the head Public Relations :

> "For B.E.A. the public is unusually a wide one . . . as a nationally owned undertaking we command the attention of the British public at large. Those who follow our fortunes are not necessarily air travellers, but their interests in B.E.A. range over every imaginable aspect of our business. Recognising this interest, and in order to encourage it, B.E.A. has practised a full information policy for many years, sometimes even going beyond the limit of what might generally be considered information of value to competitors . . . Without question, a frank and forthcoming attitude has helped accumulate and strengthen public confidence in B.E.A. Staff, too, at all levels are kept informed of the Corporation's affairs through the B.E.A.

1. Annual Report, 1963-64, p. 31, para 53.
2. *Ibid.*, 1961-62, p. 7, para 13.
3. *Ibid.*, p. 53.

Magazine, departmental bulletins and press summaries as well as by word of mouth. Lectures on the importance of public relations in B.E.A. are also given to staff undergoing training courses".

Efficiency

The public and Parliament are most interested in knowing about the efficiency with which public enterprises operate. Yet most of them do not seem to be sufficiently concerned to put across indices of their operating efficiency, and a narrative of the efforts made to improve their efficiency[1]. Even if public enterprises were to operate in a competitive field, profitability *alone* could not be a *true* test of their success[2]. The test of profitability becomes practically useless when these enterprises are of a promotional and developmental character or operate in monopolistic fields. Because of the general unsuitability of the profit criterion[3], every enterprise should explain how it would like its efficiency to be measured.

The efficiency could only be measured with reference to the broad purposes which an enterprise is expected to achieve. These should be stated in the Reports, and the enterprise's working be shown with reference to them. Even though it might involve some repetition, to provide a comprehensive picture, a summary of the performance should be given at one place. The piecemeal way in which the enterprises at present draw attention to their efficiency will be clear from the following.

1. The National Coal Board of U.K., *e.g.*, under a separate head "Improving Efficiency", narrates the efforts made or proposed to be made in this regard. (Annual Report, 1961, pp. 11-2).
2. It is so because *qua* public enterprises they are subject to various handicaps, as well favoured with certain advantages not available to equivalent private sector enterprises.
3. When surpluses from the public enterprises are expected to make a big contribution to the plan revenues, the profitability criterion attains significance. Sometime, a profit-making public enterprise itself may allude to it, to the exclusion of other aspects. For the H.M.T., *e.g.*, in its own words, "the substantial profit of 33 per cent on the Share Capital therefore reflects the continued rise in productivity and efficiency". (Annual Report, 1962-63, p. 7). The enterprise, therefore, does not adduce additional information in support of the proof of efficiency, even though the relationship it has established between profit and productivity and efficiency may have many traps.

The Hindustan Shipyard under the head "Assessment of Efficiency" says[1] that the number of ships built during a certain period is not the sole criterion of efficiency because of the differences in their size and nature. It suggested that in its case it was necessary to take into account the labour man-hours spent for processing a ton of steel, and a unit of materials other than steel. Other measures of efficiency for which its Annual Reports[2] contained graphs for a number of years are material-labour ratio, production overhead ratio, overhead expenditure, direct labour etc.

The Fertilizer Corporation's Report, 1962-63 (p. 3) tells us for the first time that the efficiency of its Sindri Unit, which is a nitrogenous fertilizer plant, should be judged not with reference to the output during the year, but "in context of its quantum of ammonia production as compared with its rated capacity" because "the heart of any nitrogenous fertilizer factory is its ammonia plant". "Judged by this criterion", the Report adds; "Sindri's performance during the year was excellent"[3]. The Annual Report thus educated the public about the tests to be applied in evaluating the efficiency.

"Efficiency in the consumption of raw material" is the only angle from which the Hindustan Insecticides wants us to look at its efficiency[4]. The figures of consumption of Alcohol, Chlorine, Oleum and Benzene have been compared in percentages with the designer's figures, which provide the base 100. No explanation, however, has been provided for the wide differences in the effective utilisation of raw materials with reference to the base at the two units of the enterprise—at Delhi and Alwaye. For example, the percentage of Alcohol put to effective use in Delhi was 92 in 1960-61 and 97 in 1961-62, whereas in Alwaye, the respective percentages were 84 and 82 At Alwaye, the utilisation percentage of Oleum fell from 91 to 82 in one year; yet no explanation was provided. And, without ascribing any reasons, even these indices were deleted from the 1962-63 Report.

1. Annual Report, 1959-60, p. 10.
2. For the years 1961-62, p. 16, and 1962-63, p. 8. The 1964-65 Report does not provide these graphs.
3. The Sindri's production of ammonia during 1962-63 exceeded the designed capacity. The production of ammonium sulphate, that is, the end-product, was however, only 3.24 lakh tonnes as against the designed capacity of 3·55 lakh tonnes. The reasons for the shortfall in production have been given. (Annual Report, 1962-63, p. 3)
4. Annual Report, 1961-62, p. 7.

The National Instruments refers to productivity per industrial employee in terms of value of goods produced, as a test of efficiency[1]. This has limited usefulness, for an increase in cost of production would enhance productivity in money terms without commensurate increase in real efficiency[2]. The I.T.I. also takes a narrow view of efficiency when under the head "efficiency" it only refers to the percentage increase in work potential of labour in all "incentive shops"[3].

The air corporations provide somewhat technical information on efficiency. The Air India gives figures for the available tonne kilometers (A.T.Km.) per employee, which is an accepted measure of productivity in the air transport industry. The figures for operating cost per A.T.Km., which is the unit of production, are also given. The load factor figures given in the Reports indicate overall utilisation of capacity during a particular period. In all cases comparison with the previous year's figures are made[4].

The Hindustan Antibiotics wants us "to consider the efficiency level in terms of production cost". And a table is given to show all-round percentage reduction in production cost over a period of years[5]. The Shipping Corporation, *inter alia*, gives the quantity of the cargo carried, operating earnings, the operating expenses as a percentage of operating earnings, and the expenditure on management as a percentage of operating earnings and compares them over a period of 4 years[6]. This provides a fairly good view of its operations. The Annual Report of the Railways under the head "Operating Efficiency" provides about a dozen percentages of Engine and Wagon utilisation and compares them with the previous year's figures and indicates percentage increase or decrease in each case[7].

A reference to one or two aspects of operations cannot provide a criterion of efficiency. In fact, an all-round picture of effi-

1. *Ibid.*, 1961-62 and 1962-63, p. ? The information is not provided in the later Reports.
2. A senior officer of the enterprise stated that in view of the large number of items manufactured by it, no other *simple* criterion of efficiency could have been provided in the Annual Report.
3. Annual Report, 1962-63, p. 19.
4. *Ibid.*, pp. 15 and 18.
5. *Ibid.*, p. 11.
6. *Ibid.*, p. 10.
7. *Ibid.*, 1961-62, p. 22.

ciency cannot be built only on some engineering or technical criteria. The public enterprises should take care to clearly underline their contribution, in respect of, say, labour welfare, export promotion, conservation of foreign exchange, development and use of indigenous raw materials, and a host of other factors pertinent to their aims and objectives. Even with regard to efficiency in production, indicators need be carefully chosen. Further, it would be very necessary to compare the indices with a norm or a standard and where such norms are not available, inter-time, inter-firm or international comparisons would be necessary.

Some Suggested Indices of Efficiency

The following are some of the indices of efficiency, which, with suitable adjustments, could be considered for inclusion in the Annual Reports. Many of them are being used at present by various enterprises.

(*a*) *Efficiency of Labour*

(*i*) Quantity of output per unit of working time, for example, monthly, weekly or daily output of a worker over a period of time.

(*ii*) In the reverse form, number of units of working time spent in turning out a unit of output, for example, man-hours consumed for the manufacture of a unit of product, compared over a period of time.

Special circumstances, such as technology of production, qualification of workers, which affect these indices should be mentioned wherever necessary.

Ratio of man-days lost to man-days worked provides an idea of overall utilisation of labour capacity. Some British nationalised industries give the breakup of the days lost, for example, through sickness and accidents. These figures would indicate the concern of the enterprise about the workers' welfare and safety.

The percentage increase in various categories of the labour force compared with the percentage increase in some aspects of operation, for example, production or sale, could roughly indicate the productivity in aggregate over a period of time[1].

Turnover of the various categories of personnel as percentage of the total number of persons employed in each category, would

1. This point is also considered at pages 83-4 above.

partly indicate the efficiency of the personnel department.

(*b*) *Utilisation of Machinery*

The ratio of output to annual average production capacity would generally indicate the extent to which the productive capacity of the enterprises is being utilised. This capacity should also be compared with the installed capacity and reasons for the difference between the two be accounted for[1]. It is not of much use to say that the "utilisation of installed capacity is already at a high level", without mentioning the percentage thereof[2].

In transport industry utilisation of capacity is stated in terms of load factors. The air corporations in India, for example, give figures of the (*i*) capacity tonne kilometers offered, (*ii*) load tonne kilometers sold, and (*iii*) the load factor calculated as a percentage. The Railways give percentages of the engine and wagon usage.

(*c*) *Cost of Production*

Figures of cost of production be compared over a period of time, and with similar enterprises. Some details regarding the information to be given under this head have been indicated earlier in this chapter[3].

(*d*) *Financial Ratios*

Like other ratios, financial ratios require a norm with reference to which they can be measured, otherwise the ratios in themselves do not convey much meaning. As to fix a norm or standard for each enterprise is not easy, the utility of these ratios would largely be obtained by inter-time comparisons[4]; or (often with

1. An extract from the British Electricity Council Annual Report, 1961-62, would provide an example here. "After allowing for break-down, overhaul and other causes of plant being out of commission, the output capacity of the generating plant in service at the time of the maximum demand was 26209 M.W. out of the maximum output capacity of 28649 M.W. This represented an availability of 91·5 per cent". (p. 17, para 52)
2. Hindustan Cables, Annual Report, 1962-63, p. 8.
3. See, pp. 91-2.
4. The Indian Rare Earths is the only enterprise which provides a large number of financial ratios and percentages and compare them over a period of six years. The ratios given are: (*a*) Net Block to Equity Capital, (*b*) Liquidity (*c*) Depreciation Funds as percentage of Gross Block (*d*) Gross Profit to Sales (*e*) Net Profit to Capital Employed. (Annual Report, 1962-63, pp. 4-5)

(*Contd. on page 113*)

many limitations) by a comparison with similar enterprises elsewhere. The following financial ratios, among many others, could be usefully given in the Annual Reports[1]:

1. *Net Profit Ratio*: Profit (after depreciation, interest and taxes) as percentage of sales.
2. *Net Yield Ratio*: Profit (after depreciation, interest and taxes) as percentage of equity capital plus free reserves.
3. *Coverage Ratio*: Paid-up capital and Reserves as percentage of fixed liabilities.
4. *Liquidity Ratio*: Current assets as percentage of current liabilities.
5. *Inventory-Turnover Ratio*: Inventories as percentage of sales.
6. *Expense Ratios*: The ratios of important items of expense to net sales.

Some aspects of efficiency are very difficult to measure quantitatively, for example, the quality of products or services provided by an enterprise[2]. For a public enterprise, particularly one providing service, the number of complaints or suggestions received from the public and the way they are dealt is an important criterion of efficiency[3]. Then it may be seen how far a public enterprise acts

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(*Contd. from page* 112)

The I.T.I. gives ratios over a period of years in the form of graphs, indicating, (*i*) Net Profit to Sales (*ii*) Net Profit to Capital Employed (*iii*) Sundry Debtors to Total Sales (*iv*) Turnover to Equity Capital and (*v*) Reserves to Equity Capital. (Annual Report, 1961-62, pp. 48-9.)

1. Twenty financial ratios are now calculated by the Director of Commercial Audit as a part of his review of accounts under section 619 (4) of the Companies Act for about 40 per cent of the Government companies, and are published in the Annual Reports of these companies.
2. The British European Airways provides a measurement of the quality of its services by giving percentage figures of their regularity and punctuality. (Annual Report, 1961-62, p. 7).

   The Indian Railways give the percentage figures of "passenger and mixed trains not losing time, to the total number of trains run". These are compared with the previous year's figures, and differences are commented upon. (Annual Report, 1961-62, p. 19).
3. For the L.I.C., the Estimates Committee recommended that "an analysis of complaints received by the Corporation during a year from each zone, should be published in its Annual Reports." (134th Report, Second Lok Sabha, p. 74, para 166). The Government accepted this recommendation in November, 1961 (Estimates Committee, 41st Report, Third Lok Sabha, p. 22), but the 1962-63 Report published two years later did not contain any such analysis.

as a "good citizen" of the community in which it operates, how benevolent it is as an employer, and so on.

The efficiency may also partly be judged, say, with reference to the earnings of or savings in foreign exchange. The contribution in this regard needs to be specifically stated[1], and the progress made be shown over a period of time[2]. Similarly, the efforts made to develop indigenous sources of raw material and components[3], and the progress made in this direction would be taken into account while considering the efficiency of a public sector enterprise.

A note of caution may be struck here. A rise in production alone is no criterion of efficiency. The 1962-63 Report of the Hindustan Cables has shown a rise in production without making any reference to the cost thereof. The Report prominently mentions an overall increase in production of 58 per cent over the previous year[4]. The industry is stated to be "material and machine intensive". But it is not made clear why this 58 per cent rise in production is at the cost of 58 per cent increase in direct wages, 87 per cent increase in power and fuel, and 83 per cent increase in salaries and wages[5].

Conclusion

The Directors' Reports have a long way to go to provide a fuller account of the operations and problems of public enterprises. Most of them are in new fields of activity and are assigned difficult jobs. This requires to be stated pointedly. At present,

1. The I.T.I. which took up the production of some item which was being imported, stated vaguely that "more orders for such items will result in saving in foreign exchange to the country". (Annual Report, 1961-62, p. 15). As compared to this the Air-India was more specific when it said that "overhaul of the Corporation's jet engines in its own shop has not only resulted in considerable economy, but, what is most important for the country today, a saving in foreign exchange outgo to the extent of Rs. 35 lakhs per annum". (Annual Report, 1962-63, p. 14, para 44)
2. The Garden Reach Workshops made a "valuable contribution to the welfare of the nation" by earning and conserving foreign exchange of Rs. 99 lakhs in 1962-63. (Annual Report, 1962-63, p. ?) But a sharp decline in this "valuable contribution" from Rs. 150 lakhs in 1961-62 (Annual Report, p. 7) and Rs. 255 lakhs in 1960-61 (Annual Report, p. 8), which is more significant from the efficiency point of view, remains unexplained. See also, pp. 93-4 above.
3. See also p . 92 above.
4. Annual Report, p. 4.
5. *Ibid.*, p, 18.

the tendency generally is to gloss over difficulties or to merely state problems without adequate explanations[1]. Details in some cases may no doubt create more complications than they may solve, but the easier attitude of indifference is bound to harm the long-term good of public enterprises.

A public enterprise like any other business enterprise is apt to commit mistakes, some of which may be serious. The great difficulty about public enterprises, however, is that a judgment about efficiency on the basis of overall performance, to the exclusion of individual decisions, cannot always in practice be insisted upon. The public and Parliament do not appreciate general achievements as much as they show concern about specific failures. Taking people into confidence and educating them about various problems would generally lead to better understanding and appreciation of the situation[2].

Provisions of sufficient and adequate information in the Reports, is the main burden of the analysis in this chapter. "Sufficient and adequate", however, defies any precise definition and its content would differ according to the management's concept of public responsibility. At best one could say that without harming the interests of the enterprise[3], the largest disclosures should be made in the Reports. But here again, no one except the management could decide the interest of the enterprise.

It is also important that the Annual Reports provide a perspective for the future and also correlate achievements with those in the past. Too much emphasis on the *Annual* aspect of the Reports should go.

1. In some cases, however, satisfactory explanation is given for the difficulties faced by the enterprise. For example, the Indian Refineries Report (1961-62, pp. 6-7) gives good reasons for the delay in the commissioning of the Gauhati Refineries.
2. An example of educating the public may be drawn from the Report of the British Railways. In order to meet the criticism of increasing fares, the Annual Report, 1961-62, gave actual receipts (per passenger mile) at constant money rate, to show that the "passenger fares rose much less than would have been necessary to compensate for the fall in the value of money". The Report also enunciated the principle that "the prices of services in a modern economy must be expected to rise faster than the prices of manufactured goods". (p. 60)
3. Companies in a competitive field, *e.g.*, the Indian Oil Company, are rightly chary of disclosures, which equivalent private companies are not expected or asked to make.

It may be reasonably asked that the manifold expectations from the Annual Report may render it cumbrous and bulky and thus reduce its usefulness to the "citizen shareholder" for whom it is meant. The answer would depend upon how carefully the editing and presentation is done. For example, with proper division into chapters, with carefully chosen and adequately detailed heads and sub-heads, with a summary of the operating results and by relegating the details to appendices, difficulties of bulk and complexity can be minimised. An index and/or a detailed table of contents would be a very useful addition to most of the Reports. Bigger enterprises like the Hindustan Steel and the L. I. C. could also usefully prepare a "Summary Report" about, say, one tenth of the size of the normal Report. This would come handy to the interested but busy reader.

Chapter IV

A Survey of Annual Reports– Accounts & Audit Report

The object of this chapter is a modest one : to tell the reader what the Accounts, which in terms of pages form a major part of the Annual Reports[1], generally contain. The discussion covers the question of form and presentation of Accounts. Some comments on their contents in respect of details, uniformity and clarity in presentation have been made. As Audit Report forms an important part of the Accounts, a reference to it has also been made, in the later part of the chapter.

A. Accounts

For most enterprises, Accounts comprise a Balance Sheet and a Profit and Loss Account (P. & L. A/c). These are generally supported by various schedules, notes, charts and diagrams. An integral part of Accounts is the Auditor's Report thereon, which is required to be published along with them.

The Accounts spotlight some important aspects of operating efficiency of the enterprise ; its financial standing on a particular date is also revealed in the assets and liabilities statement. The picture provided by Accounts should be clear and orderly — a picture which a reasonably intelligent person can appreciate. In fact, no Accounts can be regarded as satisfactory if they can be misunderstood by an intelligent reader[2].

1. Generally, the space occupied by Accounts including the Audit Report is double that of the Directors' Report.
2. F. S. Bray, and H. B. Sheasby, *Design of Accounts*, London, 1947, p. 2.

Intelligibility presupposes some degree of simplicity. But to make Accounts both simple and illuminating "is a test of penetration as well of ability to analyse and classify an assortment of transactions with reasonable precision. Behind such a form of Accounts lies the enterprise's whole accounting system which must be organised on lines consistent with the design of the final document"[1].

Quite a few of our enterprises have inadequate accounting organisation. This would reflect into the form and contents of the published Accounts. Audit objections in the Reports indicate that in some cases the accounting system is not upto the mark[2]. The Company Law Administration[3] and the Estimates Committee[4] have also drawn attention of the public enterprises to this aspect.

1. *Ibid*
2. See, *e.g.*, the following abstracts from the Audit Reports :
   (*i*) In Hindustan Steel, the inventories were not produced to the auditors in respect of many items of assets and stock. (Annual Report, 1962-63, p. 130.)
   (*ii*) In Heavy Electricals, because of the non-availability of records, the auditors expressed their inability to certify whether "Advances Accounts" were good and fully recoverable. (Annual Report, 1962-63, p. 17)
   (*iii*) In R. I. C., the auditors recommended for "immediate steps to be taken to reorganise the accounts department and the accounting system of the Corporation". (Annual Report, 1962-63, p. ?)
   (*iv*) In Hindustan Salts, the physical verification of fixed assets and general stores was not carried out. Further, outstandings for periods exceeding six months were not exhibited separately as required by the Companies Act. (Annual Report, 1961 62, p. 9)
   (*v*) In I. O. C., the auditors could not get proper documents in support of cash payment in many cases. (Annual Report, 1961-62, p. 9)
3. A copy of the letter from the Company Law Board to all Government companies is reproduced as Annexure I to this chapter.
4. A few of the comments of the Estimates Committee be noted :
   (*i*) "Evidently the Heavy Electricals had not put the right type of men in their accounts department or trained them properly", 35th Report, Third Lok Sabha, p. 51, para 163.
   (*ii*) "Normal accounting standards" had generally not been maintained and the "state of books was unsatisfactory." *Ibid.*, para 162.
   (*iii*) "The layout and the system of accounting itself in this organisation is far behind the standard that should be expected in an organisation of this type". 11th Report, Second Lok Sabha, p. 25, para 75.

Form of Accounts

(a) Government Companies

The Board of Directors of every Government company (as of any other company) is obliged to lay before every one of its Annual General Meetings a Balance Sheet as at the end of the financial year and a P. & L. A/c. for that period[1]. The Balance Sheet shall give a true and fair view of the state of affairs of the company as at the end of the financial year and shall be in the form prescribed or as near thereto as possible or in such other form as approved by the Central Government[2]. No specific form of the P. & L. A/c. has been prescribed. A large number of items relating to income and expenditure have been listed[3]. These are required to be arranged under the most convenient heads, so as to provide a true and fair view of the profit or loss of the company for the financial year[4]. In case of companies not carrying on business for profit, an Income and Expenditure Account is required to be prepared[5].

(b) Public Corporations

For the statutory corporations, the requirements vary from case to case[6]. But in most cases a Balance Sheet[7] and a P. & L. A/c. are required to be prepared, broadly on the pattern prescribed in the Companies Act. To meet the special requirements of the case, the D. V. C. has to prepare a Capital Account and a "Statement Showing Overhead and General Expenses and their allocation", and the N. Co-op. D. C. is required to prepare a Receipt and Payment Account.

For the L. I. C., the form and contents of Accounts are governed by section 11 of the Insurance Act, 1938.[8] The Corporation prepares Revenue Accounts and Balance Sheets in respect of

1. Companies Act, 1956, Sec. 210 (1).
2. *Ibid.*, Sec. 211. The form of the Balance Sheet has been prescribed in Schedule VI, Part I of the Companies Act.
3. *Ibid.*, Schedule VI, Part II.
4. *Ibid.*, Sec. 211 (2).
5. *Ibid.*, Sec. 210 (2).
6. For details of statutory provisions, see Appendix IV.
7. In the E. S. I. C. and the N. Co-op. D. C. there is no statutory requirement to prepare a Balance Sheet.
8. L. I. C. Act., 1956, Sec. 43.

its various businesses, *viz.*, Life, Capital Redemption Insurance, and Annuity Certain ; and separate Revenue Accounts for Fire, Marine and Miscellaneous Business, which are followed by a consolidated Balance Sheet and a P. & L. A/c. of the three businesses. A summarised consolidated Balance Sheet of all the businesses is also provided.

In the case of Reserve Bank, there is no mention of any specific accounts to be prepared. The Bank is only obliged to prepare its "annual accounts". In practice, it prepares two Balance Sheets — one of the Issue Department and another of the Banking Department. Both of these are very brief and carry no schedules or notes, as are given by most other enterprises. In addition, a condensed P. & L. A/c. (showing about a dozen main items of income and expenditure) is prepared.

It was noticed that both in the case of companies and corporations, while there is a broad uniformity in the presentation of the Balance Sheet, varying practices prevail in the preparation of the P. & L. A/c. For example, in case of some manufacturing concerns the Manufacturing Account is prepared, in other cases it is not. Again, while some show the P. & L. Appropriation Account separately from the P. & L. A/c., in others it is included in the P. & L. A/c.

Normally, an industrial enterprise is expected to give a separate Manufacturing Account showing various components of cost of production, such as, materials consumed, direct wages, and various expenses applicable to production. The Company Law Board (at the instance of the Director of Commercial Audit) suggested the desirability of including this Account in the Annual Reports of public undertakings[1]. Only 4 enterprises[2], however, prepare a Manufacturing Account with a distinct heading ; two others[3] do so without giving a distinct caption. In one case[4] it is

1. Estimates Committee, Second Lok Sabha, 94th Report, p. 7, para 16.
2. These are : Heavy Electricals, Bharat Electronics, I. T. I. and Hindustan Aircraft (now Hindustan Aeronautics).
3. These are : Travancore Minerals and Hindustan Cables. The latter enterprise gives another Account showing the aggregates of the important elements of the cost, cost of sales and the profit on the two main products of the Company. But the title given to this account : "Manufacturing, Trading and Profit and Loss", is wrong and confusing. (Annual Report, 1962-63, pp. 32-33).
4. This is : National Coal Development Corporation.

mixed up with the Profit and Loss Account. Other manufacturing, mining or extracting enterprises do not prepare a manufacturing or production account, in the absence of which it is not possible to work out and comment on the trends of various elements that go to make up the cost of production[1].

A Trading Account generally follows a Manufacturing Account in a manufacturing unit ; in a trading concern it comes first. It shows the excess of sale price over the purchases or cost of manufacture. The balance is Gross Profit (or Gross Loss). This balance is transferred to the P. & L. A/c. Four enterprises[2] prepare a Trading Account as distinct from the Manufacturing and Profit and Loss Accounts. In other cases, Trading items are mixed up with the P & L. A/c.

The function of the P. & L. A/c. is to indicate clearly the net profit or loss for the year. It shows all the important heads of expenditure under which expenses are incurred for operating the enterprise. A broad division of this expenditure among "establishment", "administrative", "selling", "financing" etc., could serve a useful purpose for the financial and economic analyst. No enterprise does so systematically barring the air corporations, which provide a detailed classification of their operating expenses[3]. Further, very few enterprises show the figure of the year's profit clearly. The confusion arises because of adjustment of items not pertaining to the activities of the year, which should be shown separately after the year's profit is arrived at.

A P. & L. Appropriation A/c. showing dispositions and appropriations of the net profit is prepared after the P. & L. A/c.

1. There may be a difference of opinion on this issue. Some may feel that it is neither necessary nor desirable to disclose even the main cost figures in the published Accounts. For enterprises in competitive fields, one unit cannot in fairness be asked to disclose the cost figures unless all other units be called upon to do so The latter, however, is a big question, and has many implications. The inhibition, in any case, need not apply to enterprises which operate in fields where there is no danger of misuse of information by the competitors.
2. These are : N.S.I.C., Bharat Electronics, I.T.I. and S.T.C.
3. In both the corporations the main classified heads are : (i) Flying operations, (ii) Flying Training, (iii) Flight Equipment Maintenance and Overhaul, (vi) Traffic Sales and Publicity, (v) Passenger and Cargo Services, (vi) Surface Transport, (vii) General Administration, (viii) Medical and Staff Welfare. In both the corporations about 50 items have been grouped under these heads.

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4. This is: National Coal Development Corporation.

Its balance is transferred to the Balance Sheet. A large number of enterprises which prepare this account do not give a specific title to it. Some do not prepare it and show the appropriations as a part of the Directors' Report. Only 6 companies[1] and 4 corporations[2] give a clear caption to this account.

As stated earlier, an enterprise not carrying on business for profit, prepares an Income and Expenditure Account instead of a P. & L. A/c. Only 2 Government companies[3] and one public Corporation[4] prepare an Income and Expenditure Account.

During gestation period, no Profit or Loss or Revenue Account is prepared. For the D. V. C. it is statutorily provided that "for a period, not exceeding fifteen years, from the establishment of the Corporation, if the Corporation runs in deficit, the interest charges and all other expenditure shall be added to the capital cost and all receipts shall be taken in reduction of such capital cost"[5]. In no other case such a provision exists. Being in the gestation period, the Oil and Natural Gas Commission does not prepare any Revenue or P. & L. A/c. All its revenue expenditure is treated as developmental and is capitalised.

Government companies under construction also capitalise their revenue expenditure. The Heavy Engineering Corporation prepares an "Expenditure during Construction A/c."; the Pyrites and Chemicals Development Corporation a "Development A/c." and the National Mineral Development Corporation a "Prospecting and Exploration Expenses A/c." The Hindustan Organic Chemicals and the Indian Drugs and Pharmaceuticals, though under construction, prepare a P. & L. A/c. And in all these cases the revenue expenditure as shown in these accounts is capitalised.

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1. There are : Hindustan Antibiotics, Hindustan Salts, I. R. E., Nahan Foundry, N. C. D. C. and N. P. C. C.
2. These are : Air-India, I. A. C., L. I. C. and State Bank.
3. These are : N. R. D. C. and N. S. I. C. The former enterprise is not allowed to make profits by its constitution, and is the only Government company which has got exemption under Sec. 25 of the Companies Act from the use of the word "Limited" as a part of its name. The N. S. I. C. prepares Income & Expenditure Accounts for its promotional activities and a P. & L. A/c. for its commercial activities.
4. It is : Employees' State Insurance Corporation.
5. D. V. C. Act, 1948, Sec. 39.

Contents of Accounts

The Balance Sheet and the P. & L. A/c. are expected to give a true and fair view of the state of affairs of an enterprise. At the same time, they should be sufficiently detailed, unambiguous and such as to provide a comparative picture of the situation. The details are of use to one who is interested in a depth-study of the Accounts, the comparative figures help in assessing the trends of working over a period of time, and clarity makes for better understanding.

(*a*) *Details*

As it is, the Accounts do not contain sufficient details on many matters. To illustrate : the share-holdings of various parties in the capital structure of the enterprise ; the rates and the terms on which the loans have been obtained ; the expenditure on objectives involving extra-economic considerations : the details of recurring and non-recurring expenditure on labour welfare, are not adequately itemised.

An enterprise having separate units or distinct divisions, should give details about them, as far as possible. The nationalised industries in Britain are generally required by law to disclose results of *each* of the main activities in their Accounts[1]. The idea is that public enterprise should prove its existence not only as a whole but part by part or unit by unit, and the decision to operate uneconomically even for a part or a division should be made known. Still more important consideration would be to create a sense of competition among various units or divisions in a monopolistic enterprise. If the L. I. C., for example, were to publish figures for : the overall expense and the renewal expense ratio, the management expenses, the business done, the lapse ratio etc., zone-wise or division-wise, it would generate a greater competitive spirit among its various units.

In the case of the National Coal Development Corporation, the Estimates Committee[2] recommended that the Accounts of each colliery should be published separately on "commercial lines". But the Government thought it was "not convenient" to do so.

1. See, *e. g.*, Coal Industry Nationalisation Act, 1946, Sec. 31 (1) ; Electricity Act, 1947, Sec. 46 (1) ; Transport Act, 1947, Sec. 94 (2) and Gas Act, 1948, Sec. 50 (2).
2. 93rd Report, Second Lok Sabha, p. 4, para 8.

Later, the Corporation agreed to the Committee's suggestion[1] that summarised P. & L. Accounts of collieries area-wise be given in the Annual Reports[2].

No legal obligation exists for publishing separate Accounts for each of the divisions, units, branches or other areas of activity. However, some of the enterprises of their own, make these disclosures. The Hindustan Aircraft gives separate manufacturing-cum-P. & L. A/c. for its Aircraft, Railcoach and Engine Divisions as also for the Barrackpur Branch. In addition, it provides consolidated Manufacturing, Trading and P. & L. Accounts. A commendable feature of its Manufacturing Account is that the details of overheads as applied to manufacturing are shown. The National Small Industries Corporation, besides a general P. & L A/c. and a Balance Sheet, gives separate Trading and P. & L. A/cs. of its commercial activities as also Income and Expenditure Accounts of various promotional activities. The State Trading Corporation presents quite a few detailed accounts in regard to its Cement Agency.

The Accounts of units or plants geographically diversified are shown separately by the Hindustan Steel. Separate sets of final accounts are given for the Head Office, Rourkela, Bhilai, Durgapur, Coal Washeries, Bokaro, and Alloy Steels, along with a combined Balance Sheet and a P. & L A/c. The Fertilizer Corporation gives separate sets of final accounts (along with necessary schedules in each case) for the Head Office, Sindri and Nangal units, and for Trombay, Namrup, Gorakhpur and Madhya Pradesh Divisions. In addition, a consolidated Balance Sheet and P. & L. A/c. is given. The Hindustan Insecticides gives separate as well as consolidated P. & L. A/c. of its two units at Delhi and Alwaye, though only one Balance Sheet is prepared.

The Hindustan Salts provides separate P. & L. A/cs. for its three units at Sambhar, Didwana and Kharaghoda, in addition to a combined one. The Handloom and Handicraft Export Corporation prepares a separate Trading and P. & L. A/cs. for its Handloom Wing, Moradabad Centre, Okhla Bag Centre, Bangalore Doll Centre and a combined P. & L. A/c. The Mazagon

1. Estimates Committee, 32nd Report, Third Lok Sabha, p. 83, para 264.
2. The National Coal Board in U. K. publishes the accounts of collieries area-wise.

Dock gives a P. & L. A/c. for its Goa Branch. The National Coal Development Corporation prepares separate final accounts for "Kobra Partnership Project", and the Heavy Engineering Corporation for its Ranchi and Durgapur projects.

The Hindustan Machine Tools, although a multi-plant factory, does not give separate Final Accounts of its various units. Only details of fixed assets of these units are given in the Balance Sheet. Similarly, the National Mineral Development Corporation does not publish separate Accounts for its projects at Kiriburu, Panna, Khetri etc.

No rule of thumb method could guide the extent of disclosures to be made. Regarding the S. T. C., the Estimates Committee wanted a commodity-wise statement for each item traded by the Corporation. Replying to the Corporation's contention that the disclosure would not be expedient nor was it required under the Company Law, the Committee raised the issue "whether the detailed information could be withheld from the shareholders, who ultimately are the Parliament". The Committee felt that the matter "should be gone into more carefully by the Government"[1].

Another item where lack of details has often been complained of is miscellaneous expenditure. When the magnitude of such expenses is high, details of at least major items be given[2]. It is no argument that the law does not require details of such expenses[3]. It is suggested that a separate schedule of miscellaneous expenses be given, wherever the amount involved is large.

(*b*) *Uniformity*

The next question is of uniformity in presentation. It should be possible to get important financial statistics for the public sector as a whole by aggregating similar heads, with as few adjustments as possible. For this, the treatment of costs, expenses, revenues, allocation of profit etc., should substantially be uniform. And for this, the area of differences and inconsistencies in accounting

1. Estimates Committee, 86th Report, Second Lok Sabha, para 37.
2. In National Instruments, in 1962-63, the total profits were Rs. 4 lakhs, and most of the items of expenses were less than a lakh, but over one lakh was shown as miscellaneous expenses.
3. See also, the Estimates Committee, 9th Report, Second Lok Sabha, p. 6, para 14.

practices would have to be narrowed down[1]. As the following would show, there is great scope for improvement here.

It is an accepted principle that the Accounts for a particular period should contain income and expenditure relating to that period only. The income and expenditure for the previous period which is received in or paid from the current year's accounts should, therefore, be shown after the year's profit is arrived at. Many enterprises seem to have overlooked this fundamental principle.

The State Trading Corporation, for example, has taken credit for over Rs. 40 lakhs in its P. & L. A/c. in respect of some "provisions made in previous year not required"[2]. The Hindustan Machine Tools' salary and wages, and bonus include amount for the previous year of over Rs. 4 lakhs[3]. The Shipping Corporation's "Operating Earning" for 1962-63 include Rs. 4 lakhs of freight in respect of previous year. The Hindustan Shipyard, N. P. C. C., P. & C. D. C., Hindustan Salts, Mogul Line, I. R. E., and Praga Tools also make similar adjustments. In the Hindustan Steel, Fertilizer Corporation, Hindustan Cables, Heavy Electricals, National Coal Development Corporation, Ashoka Hotels, Indian Refineries and National Instruments, however, the amounts not relating to the current year have rightly been shown after ascertaining the year's profit. Some of the enterprises, for example, the Fertilizer Corporation gives a separate schedule of the "Debits and Credits relating to the past period", and only the net balance is shown in the P. & L. Appropriation Account. In two cases[4], some adjustments relating to the previous period were made in the P. & L. A/c. and some in the P. & L. Appropriation Account.

On the principle that the P. & L. A/c. is required to show the year's trading profit correctly and fairly, items of unusual profit or loss should be shown as "below the line" adjustments. But profit or loss on sale of assets in some cases is shown in the P. & L. A/c.[5] Items of voluntary donations for political or

1. American Accounting Association, Accounting Research Bulletin No. 43.
2. Annual Report, 1962-63, p. 35.
3. *Ibid.*, p. 30.
4. These are : Hindustan Salts and Indian Rare Earths.
5. The Estimates Committee in the case of the H. M. T., for example, observed that "net profit includes a sum of Rs. 22,169 as profit on sale of assets of the company. It would have been desirable to transfer this amount to Capital Reserve". 94th Report, Second Lok Sabha, p. 8.

charitable purposes are also encountered in the P. & L. A/c. These items cannot be considered as usual trade expenses.

A few other well-accepted principles are not observed in some cases. Provision for Bad and Doubtful Debts is always made against the year's profit. The Hindustan Housing has, however, arrived at the net profit without making this provision, which is shown along with other dispositions of the net profit[1]. The same applies to the National Instruments[2] and the Garden Reach Workshops[3]. Preliminary Expenses, that is, the expenditure incurred in promoting the company are usually written off in the P. & L. A/c. over a period of time. In the Bharat Electronics[4], Indian Oil Company[5] and National Instruments[6] these have, however, been written off in the P. & L. Appropriation Account.

There are a few items about the placement of which there is great diversity, *e g.*, "Provision for Income Tax". As income tax provision is for an unknown liability of the future, it is argued, it is not a charge against the profit and has no place in the P. & L. A/c. On the other hand, some maintain that as income tax has to be paid in advance, the expense is incurred and it has reduced the year's profits. The Estimates Committee[7] thought that the net profit is always understood to mean disposable profit, and the substantial charge on the profits in regard to tax payment should normally be deducted to give a true measure of profit earned. In practice, the enterprises showing the item of income tax in the P. & L. A/c., and in the P. & L. Appropriation Account are equally divided.

Development Rebate is another item where no uniformity in presentation exists. This Rebate is allowed over and above the full recoupment of the actual cost by way of depreciation allowance. As a reserve for Development Rebate has to be created compulsorily, profit or no profit, it may be considered a charge against the profit. Alternatively, the argument is that all reserves are to be shown in the Appropriation Account and Development

1. Annual Report, 1962-63, p. 14.
2. *Ibid.*, p. ?
3. *Ibid.*, p. ?
4. *Ibid.*, p. 30.
5. *Ibid.*
6. *Ibid.*, p. ?
7. 120th Report, Second Lok Sabha, para 26.

Rebate Reserve could be no exception[1]. In practice, 16 enterprises out of 29, where this item appears, show it in the Appropriation Account.

From the above, the difficulties in comprehending and comparing figures of true income for the year in financial statements of two enterprises would be obvious. Some degree of uniformity in treating various items is necessary. Perhaps, the Institute of Chartered Accountants of India would be able to provide some guidance on contentious issues liable to more than one interpretation.

The Government has also moved in the matter. Arising from the recommendations of the Estimates Committee, the Government after consultations with the Comptroller and Auditor General of India, intimated all public enterprises that: provision for obligatory taxes and charges like income tax, provision for doubtful debts etc. should rightly be a charge on profits, these items being shown as the last item in the P. & L. A/c. to facilitate checking of the net profit before taxation. On the other hand, all appropriations of profits, *e.g.*, transfer to Development Rebate Reserve, general or other reserves and proposed dividends etc., should find a place in the P. & L. Appropriation A/c.[2]

(c) *Clarity*

Clarity in presentation is of utmost importance. The difficulty here generally arises because of various complex adjustments which are often made in the Accounts. Even persons well-versed in accounting may not be able to untangle such adjustments easily. The P. & L. A/c. of the Heavy Electricals, for example, shows as a credit item, "Transfer of Proportionate Charges" Rs. 1.76 crores[3], and its Manufacturing Account is credited with "Expenditure on design, tools and patterns transferred to Deferred Revenue Expenditure"[4]. In the Indian Telephone Industries, the Manufacturing Account shows "Cost variation taken to Trading A/c. Sales"[5],

1. There may be a technical difficulty here. Some people hold the view that for claiming deduction for tax purposes Development Rebate must be shown in the P. & L. A/c.
2. From the circular O. M. No. F. 3 (1)-PC/63, dated 3rd August, 1963, from the Ministry of Finance (Department of Expenditure), New Delhi.
3. Annual Report, 1962-63, p. 43.
4. *Ibid.*, p. 39.
   Ibid., 1961-62, p. 26.

and in the Hindustan Cables the credit side of the P. & L. A/c. shows such items as Capital Expenditure, Power & Fuel, Repairs to Plant, Machinery and Building.[1] Other similar instances could be quoted. Care has not been taken to add a line or two to explain the position.

The ambiguity in Accounts also creeps in due to the prevalence of suspense items. The Hindustan Steel, for example, has shown over Rs. 1 crore as "Current Liabilities Suspense"[2] and more than Rs. 3 crores as "Suspense" under the head "Loans and Advances"[3]. In the D.V.C. the head of Creditors shows "Miscellaneous Suspense Account" of Rs. 4 lakhs[4] and a suspense of Rs. 1.70 crores appears under "Transmission and Distribution"[5]. In many other enterprises details or explanations of the nature and of circumstances giving rise to "Suspense" have not been set out.

Insufficient information also gives rise to ambiguity where large "revenue expenses" are being capitalised during construction. In many of these cases, expenses thus incurred are for quite sometime shown as "pending allocation". The question of capitalisation of revenue expenditure becomes important while calculating return on the capital invested. It is necessary to show clearly the extent of capitalisation done along with the basis of allocation. At present, no information on this account is being supplied.

The terminology used is not always clear-cut and this adds to ambiguity. Items like "Reserve for Investment Depreciation"[6]; "Unclaimed Amount in respect of past year written back"[7]; "Managing Director's Remuneration Salary"[8]; "Provision for Disallowance by S.O.W.O.T."[9]; "Foreign Service Contribution"[10] could keep the reader guessing about their true significance and implications.

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1. Annual Report, 1962-63, p. 19.
2. *Ibid.*, p. 33.
3. *Ibid.*, p. 36.
4. *Ibid.*, p. 44.
5. *Ibid.*, p. 49.
6. *Ibid.*, Mogul Line, 1962–63, p. 12.
7. *Ibid.*, p. 19.
8. *Ibid.*, Garden Reach Workshop, p. ?
9. *Ibid.*, Mazagon Dock, p. ?
10. *Ibid.*, N.C.D.C., 1961-62, p. 14

Presentation of Accounts

Good presentation implies that the reader is able to obtain the required information with the least possible inconvenience and is able to comprehend the same without difficulty. Another test of well-presented Accounts is its visual impact on the reader. This is affected by design, get up, use of colours[1], type used in printing[2], charts and diagrams and so forth.

Some thinking and planning would be necessary to improve presentation. This involves many and varied considerations which taken together become very important. Most of the decisions here would be matters of taste, judgment and common sense, and, therefore, are not gone into details. One or two specific points in this regard may, however, be mentioned here.

A detailed table of contents (forming part of the general table of contents or one immediately preceding the accounts section) must refer separately to every single head in Accounts, schedules, notes, audit report, etc. Very few enterprises take care of this aspect.

Another point is about the arrangement of the matter. On pragmatic considerations alone, (not much of the principles are involved here) the accounting section of the Report should begin with a simplified statement of Accounts, to be followed by Audit Report and replies thereto. Thereafter may come the P. & L. A/c. and the Balance Sheet may follow them[3], followed by notes to financial statements, Schedules to Accounts should go after the notes.

It is necessary to see that the Accounts are not cumbered with many details : schedules should be used to avoid complexity. No hard and fast rules can be laid down, but properly presented

1. Apart from the advantage of beautifying the Accounts, colours could also be used effectively to differentiate between one set of figures and the other.
2. Varying types if used for printing sub-totals, totals, figures for the previous year, etc., would be an aid to get at the required figures easily.
3. At present, in almost all cases the Balance Sheet precedes the P. & L. A|c. more because of convention than law. In the U.K. many important nationalised industries (*e.g.*, gas, electricity and transport), and in some of the internationally known companies (*e.g.*, U.S. Steel Corporation, Dunlop Rubber Co., General Motors, British Motor Corporation) the P. & L. A/c. precedes the Balance Sheet. The order of presentation of these two statements is, however, not very material.

Accounts must avoid extremes of relegating everything to schedules[1] or of cluttering up the main Accounts with details[2]. In the final analysis it is a matter of discretion and taste as to what is to be included in the Balance Sheet and P. & L. A/c. and what should be relegated to schedules. A small point in this connection is that where the number of schedules is large, for ease of reference the page on which each one of them appears in the Report may also be indicated wherever a reference to them is made.

Many times entries in the Accounts are not self-explanatory or need extra comments or information. The same could be provided separately as "notes" on Accounts. Important changes subsequent to the date up to which the Accounts are drawn or unusual situations could also be referred to in the notes. Most enterprises make use of notes to comment on or supplement their Accounts. These often contain useful information on the financial working of the enterprise. There is no rigidity as to what should be contained in the notes and what should be shown in the Accounts[3], so long as the legal requirements are fulfilled.

Notes, as are required, should be few, significant and material. However useful the notes may be, if they are too many and not given systematically and clearly they may cause confusion. Wherever given, the notes should be adequately referred to in the Accounts, including a reference against items to which they relate. In some cases either no reference to notes is made or it is inadequate. An Audit Report also generally contains reference to notes subject to which the Report is made. In about half a dozen cases, however, no such reference exists.

The financial statements gain added significance when comparative data are given. The law requires that for every item in the Accounts, the corresponding amount for the immediately preceding year is also shown. This requirement should be extended

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1. See, for example, the Balance Sheet of N.S.I.C., Heavy Electricals, H.H.F., Ashoka Hotels, I.T.I., N.N. & P.M., Hindustan Insecticides, Indian Refineries, Hindustan Steel. In most of these cases the Balance Sheet is contained only in 2 pages. The Balance Sheet of N.S.I.C. occupies only one-third of a page for each side.
2. The Balance Sheets of Praga Tools, S.T.C. and I F.C., *e.g.*, run into 10 pages each and that of the E.S.I.C in 9 pages.
3. For example, details regarding contingent liabilities, sundry debtors, managing director's remuneration, are given in notes in some cases, while in other cases they appear in the Accounts proper.

to notes and to other documents annexed to Accounts. In cases where regrouping, sub-division, or rearrangement is done in the current year's Accounts, the figure for the previous year should be adjusted on the same bases. If comparability is affected, for one reason or the other, the fact should be clearly stated.

An extensive commentary on the Accounts (in a separate chapter/section) and a discussion of the important items in the Balance Sheet and P. & L. A/c. forms part of the Directors' Report in many better known foreign concerns. This practice helps the reader to get at the heart of Accounts much more quickly and easily. It can be adopted by our enterprises with advantage.

The Paise has no significance for all practical purposes in the Accounts. In fact it gives a false sense of accuracy when so many items are based on estimates only. Still 20 enterprises continue to cling to it in their Accounts. The prescribed form of Balance Sheet requires the amount of assets and liabilities to be given only in rupees[1]. The Paise can as such be dispensed with.

Vertical or Statement Form of Accounts

It is now generally accepted that a vertical form of income statement showing expenses as deduction from the incomings, and making necessary adjustments thereunder is more appropriate. Such a form saves the botheration of shifting attention between left and right hand pages before reaching the net figure of profit. A large number of joint stock companies all the world over adopt this form for their P. & L. A/c. In our case only the Hindustan Antibiotics and the Export Risk Insurance Corporation have adopted this form. As regards the Balance Sheet, the vertical form is much less popular[2].

A mplified Statement of Accounts

The financial statements as are required by law would not generally serve the purpose of the average or the busy reader who is interested in a broad view of the financial standing and the results of the year's operations. In fact, the technical phra-

1. See, Schedule VI, Part I, Companies Act. The notes to this schedule, however, permit the use of paise "in addition to rupees, if desired".
2. Perhaps, it may be because of the fact that a deviation from the prescribed form of Balance Sheet requires prior approval of the Government, whereas there is no prescribed form for the P. & L. A/c.

seology and jargons used would have but little meaning for a person not trained in accounting methods. Many enterprises, therefore, provide a simplified version of their financial statements in every day language.

The Company Law Board had suggested some designs for a simplified Balance Sheet and a simplified P. & L. A/c., which most of the Government companies follow, either fully or with some modifications. The improvement effected in the suggested pattern by the Indian Rare Earths requires a mention : the enterprise has avoided somewhat confusing heads, *i.e.*, "Company owned", the "Company was owed" and the "Company in turn owed", which appear in the simplified Balance Sheet of most other enterprises, following the Company Law Board's pattern. In the Rare Earths, the summarised P. & L. A/c. is also slightly different and is an improvement over the others. Incidentally, this company has adopted the pattern of Simplified Accounts as appears in the Tata Iron & Steel's Annual Report. (Mr. J.D. Choksi, a Vice-Chairman of Tata's, is Chairman of the Rare Earths.)

Numerically, 13[1] out of 45 companies provide both the simplified Balance Sheet and P. & L. A/c. and 4 companies[2] provide only simplified Balance Sheets. Among the public corporations, the Air-India gives a brief summary of its financial statements and the L. I. C. provides a summary statement of its "Income and Outgo". It is hoped that more and more enterprises would cater to the needs of the average reader by providing such simplified and summarised financial statements, as are easy to comprehend.

B. Audit Report

(*a*) *Government Companies*

The Audit Report forms an important part of Annual Accounts. In Government companies, the Report of chartered accountants who are appointed or reappointed by the Central Government on the advice of the Comptroller and Auditor General

1. These are : Ashoka Hotels, Hindustan Cables, Hindustan Steel, I.R.E., Mazagon Dock, Nahan Foundry, National Instruments, N. N. & P. M., N. P. C. C., N. S. I. C., S.T.C., Travancore Minerals and Hindustan Salts.

2. These are : Heavy Electricals, Hindustan Insecticides, H. H. E. C. and F. C. I.

of India (C. & A. G.)[1], has also to be submitted to the C. & A. G., who has a right to comment upon the Report or supplement it[2]. These comments or supplement, along with the Audit Report, are required to be placed before the Annual General Meeting of the company[3]. Thus, in Government companies, two Audit Reports are published as part of Annual Accounts.

The Companies Act requires that the Board of Directors of a company "shall be bound to give the fullest information and explanations in its report on every reservation, qualification or adverse remark contained in the Auditors' Report"[4]. But this requirement does not extend to the reservations, qualifications, or adverse remarks of the C. & A. G.[5], except in an indirect way[6].

Only in 11 out of 45 Government companies the Auditors' Report is qualified, and excepting two cases[7], the directors have

1. Companies Act, Sec. 619 (2).
2. *Ibid.*, Sec. 619 (4).
3. *Ibid.*, Sec. 619 (5).
4. *Ibid.*, Sec. 217 (3).
5. It may be interesting to note that at one stage the C. & A. G. objected to the replies being given to his remarks or comments. (See Annexure II to this Chapter). The Company Law Board, however, did not accept this view and all the companies now give reply to the C. & A. G.'s objections or remarks in the same way as in the case of the professional auditors' objections or remarks. The N. C. D. C. is the only enterprise which replies to the C. & A. G.'s objections by publishing the proceedings of its Annual General Meeting as a part of the Annual Report (1961-62). These proceedings largely consisted of replies to the objections raised by the C. & A. G., which were given at the meeting of the shareholders as a piece of information by the Chairman. (Incidentally, the total attendance at the Annual General Meeting as recorded in the minutes was only three).
6. It is indirect because according to Sec. 619 (5) of the Companies Act, the comments of the C. & A. G. are to be "placed before the Annual General Meeting of the Company at the same time and in the same manner as the Audit Report". And if the remarks by professional auditors are required to be replied by the directors, the same provision should apply to the remarks of the C. & A. G.
7. The first exception is provided by the Hindustan Cables, where the auditors' reservation that the "sale price has been estimated by the Company which could not be verified by us in the absence of supporting documents and acceptance of such sale price by D. G. S. & D., New Delhi", has remained unanswered. Another instance is provided by the Nahan Foundry where the auditors' comments that "in case of some of the properties at the Hiring Depots the title deeds are not in the name of the Company", has been glossed over by the directors in their reply.

given explanations to the audit objections. The explanations given, however, cannot be considered as providing "fullest information and explanation" in all cases[1].

So far as the comments of the C. & A. G. are concerned, out of 45 Government companies, 25 carry "no comments" certificates; in another 12 cases the C. & A. G. decided "not to review the report of the auditors"[2], and as such no comments were offered. Only in 8 cases the C. & A. G. has "commented upon or supplemented" the Report of the company auditors[3]. And in all these cases the Board of Directors has replied to audit objections.

The Study also shows that in 4 cases the replies to the auditors' objections are included in the Directors' Report itself, without a reference to it anywhere. In the rest, replies have either followed the audit comments, or a reference to them has been made. If replies to audit objections cannot be given along side, at least a reference must be made to them.

(b) Public Corporations

In the State Bank, the Reserve Bank and the L. I. C., only professional auditors carry out the audit. The C. & A. G. has no jurisdiction over them. In the Industrial Finance Corporation and the Central Warehousing Corporation the C. & A. G.'s audit is in addition to those of professional auditors. In the absence of statutory requirements, however, the comments of the former do not find a place in their Annual Reports.

In the air corporations, the Oil and Natural Gas Commission, the Employees' State Insurance Corporation, the National Co-operative Development Corporation, and the D. V. C., the Accounts are audited by the C. & A. G. or some other person on his behalf. The air corporations and the Oil and Natural Gas

1. Some of these cases in our view are provided by Heavy Electricals, Hindustan Steel, R. I. C. (all 1962-63 Reports) and N. C. D. C. (1961-62 Report).
2. As the power to review the professional auditors' report is only discretionary (Sec. 619 (4) of the Companies Act), the C. & A. G., generally in case of the comparatively smaller companies, does not sometimes exercise his power of review.
3. An interesting side light is that out of these in some of the cases the company auditors gave a completely clear Report. In such cases the important question of the liability of the professional auditors might arise.

Commission do not publish the auditors' certificate as part of the Annual Report, and Accounts[1].

As stated earlier, the Government companies are required to give the "fullest information and explanations" to every audit objection. For public corporations, only some enterprises publish replies to audit objections, while some others — the Employees' State Insurance, the Oil and Natural Gas Commission and the air corporations, do not even publish the Report of the auditors[2] in their Annual Reports. The Reports of the D. V. C. which contain the longest of all the audit objections list, do not carry replies to them. There is little reason for the public corporations not to include audit comments in their Reports, and for not providing the fullest explanation and information about them.

It may be of some interest to note that the Audit Reports of the State Bank and the Reserve Bank are addressed to the President of India. The Reports of the L. I. C., the I. F. C. and the C. W. C. are addressed to the shareholders. But in other cases, where the Audit Reports are given by the C. & A. G., they are not addressed to anyone.

Regarding placement of the Auditors' Report in the Annual Report there is no uniformity. It can be found in the beginning, in the middle, or at the end of the published Accounts. Again, the two Audit Reports in Government companies may be found at the two ends of the Accounts. The Auditors' Report be published fairly early as part of the Annual Accounts[3], and in no case should it be relegated to the end and mixed up with schedules and other statistical information. Also, the two Audit Reports must be one after the other, along with replies. In the table of contents a reference to various heads of Accounts and Audit Report be made clearly. Very few enterprises do so at present.

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1. It may be noted that for the air corporations the Government has accepted the recommendation of the Estimates Committee that only the certified Accounts should be presented to Parliament. (Estimates Committee, 9th Report, Third Lok Sabha, p. 7)
2. In the case of the Employees' State Insurance Corporation, the audit certificate is published in the Annual Report, but the separate Audit Report subject to which this certificate is given is not published.
3. At present in 31 out of 45 Government companies the Report of the professional auditors is the first item and in 5 cases it is second item in the Accounts. The Report of the C. & A. G. is published as first item in the Accounts in 6 cases and is second item in 20 cases.

Conclusion

It seems that in preparing and presenting financial statements, public enterprises do not fully bear in mind the requirements of the average reader as well their own responsibility to the public at large. Their published Accounts are largely on the same pattern as of private enterprise. This is mainly due to the sameness of law in the two cases[1]. The fact, however, is that most public enterprises operate in less competitive areas, and have to satisfy an inquisitive public and Parliament. It is therefore possible as well as desirable to have maximum possible disclosures in their Accounts. Due regard will also be necessary for clarity, simplicity and estheticism

While asking for disclosures, the enterprise's interest would necessarily be kept in the forefront The non-disclosure, however, should not be based on predilections of the management, but on grounds which could be defended publicly. The approach ought to be that disclosures would not harm the interests of the enterprise unless contrary is proved, and not the other way round. If some important information is necessary to be withheld, the reasons for this could be given[2].

The uniformity in the treatment of various items also requires to be re-stressed. Commonly accepted conventions and practices[3] should strictly be followed in treating the various items, so that valid comparisons are made and useful aggregates obtained. At the same time, strait jacketing in regard to form and presentation must be avoided, for it would hinder experimentation, which is essential for progress.

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1. Though the Companies Act does not apply to the public corporations, in matters of published Accounts, the joint stock companies have, by and large, served as a model.
2. The United Kingdom Atomic Energy Authority, for example, makes clear in its Annual Reports that net receipts of the Authority have not been disclosed due to security reasons.
3. In the U.K., though the form of Accounts is prescribed by the minister, a basic guiding principle has been laid down in the various nationalisation Acts. It is stated that the form of Accounts "shall conform with the best commercial standards".

ANNEXURE I

Copy of the circular sent by the Company Law Board to all Government companies in October 1963, to impress upon them the need for a sound accounting organisation.

I am directed to invite a reference to this Department's Circular letter No. 7(18)-CL-VI/59/B, dated the 13th May, 1959 and Nos. 1(2)-CL-IV/61, dated the 7th February, 1961 and 8th March, 1961 stressing the importance of maintaining an efficient accountancy organisation and cost accounting unit in every Government company. Attention is also drawn to this Department's letter No. 1-(29)-CL-IV/62, dated the 1st May, 1962 advising every Government company to build up an accounting set up in its internal organisation similar to that obtaining in companies such as the Hindustan Lever Limited, so that each one of them would reap the fullest benefit as a result of the adoption of advanced accounting techniques. In this connection, I am now to bring to your notice that the examination of the observations made in the supplementary reports prepared by the auditors of the Government companies under the special instructions of the Comptroller and Auditor General of India issued under section 619(3) (a) of Companies Act, 1956, reveals serious defects in the accounting and book-keeping procedures of several Government companies. Some of the more important deficiencies noted are :

(*i*) the books of accounts were not maintained up-to-date ;
(*ii*) the accounts were not kept on the commercial lines, *i.e.*, the double entry system of book-keeping ;
(*iii*) there was inadequate control over material ;
(*iv*) absence of costing procedures and budgetary control and
(*v*) absence of any internal audit system etc.

Many of these deficiencies have been observed even in companies established about 8 to 10 years ago. The basic reasons for these deficiencies are possibly the failure to utilise the services of adequate number of Chartered/Cost Accountants with experience in commercial accounting in senior positions and/or no thought was given at the time of sponsoring the project about the proper accounting organisation.

It is evident from the facts disclosed in the supplementary reports made by the auditors of Government companies that the accountancy organisations and cost account unit of a good number

of Government companies have not been properly designed and manned with experienced and competent Cost/Chartered Accountants. I am, therefore, again to impress upon the managements of these Government companies which have not yet set up a proper system of costing and accountancy in their undertakings, the importance and urgency of the need for building up costing unit and accountancy organisation manned by competent and experienced Cost/Chartered Accountants, with adequate knowledge of commercial and industrial accounting and costing principles and methods.

I am also to request that this Department may be informed, in due course, of the action taken in the matter.

ANNEXURE II

Copy of the letter sent on 15th October, 1958, by the Comptroller and Auditor General of India to all Government companies regarding the replies which Government companies publish to his comments.

It has been observed that a Government company published its further remarks on the comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, in its Annual Report. Ordinarily, there should not be any occasion for the Government companies to publish their remarks along with the Comptroller & Auditor General's comments under Section 619(4) of the Companies Act, 1956, since such comments are finalised after taking into consideration the views of the management with whom the comments are fully discussed at the draft stage. But in case the management of Company still proposes to comment or offer explanation in any way on the Comptroller & Auditor General's remarks such remarks should be communicated to this office in advance before they are incorporated in the Report of the Board of Directors.

Chapter V

A Survey of Annual Reports – Miscellaneous Matters

This Chapter deals with the mechanics of preparing the Annual Report, and the methodological aspects of presentation and format etc. Other less important but allied matters not taken up in the previous Chapters, are also covered.

Preparing the Annual Report

The mechanics of preparing the Annual Report were studied on the basis of a brief questionnaire[1] issued to all Central public enterprises, twenty-five of which[2] responded.

(*a*) *Responsibility and process of preparation.*

The survey shows that the overall responsibility for planning and preparing the Annual Reports rests mainly with top management. In smaller enterprises, the Managing Director alone, or with some other officer such as the Secretary or the Financial Adviser directly takes interest in the preparation and production of the Annual Report. In bigger enterprises like the Fertilizer Corporation of India, Hindustan Steel, and Hindustan Machine Tools, the Secretary or the Financial Adviser alone or along with some other officer, such as the Public Relations Chief, is in overall charge of the matter.

The Company Secretary is most often mentioned as the person who initiates action for the preparation of the Annual Report,

1. Reproduced as Annexure I to this Chapter.
2. The list of these enterprises is given as Annexure II.

and who also acts as an expediter. The initiator, as a part of his function, starts gathering information from various departments and prepares a draft combining information available with the secretariat of the enterprise. In some cases, the preparation of the draft has been reduced to mere clerical work, in as much as, with minor changes, new facts and figures are inserted in the old narrative. In two cases, a meeting of the senior officers is called as a part of preparing the Annual Report. Informal consultation with senior officers of the enterprise is usually done by the initiator of the Report, depending upon the needs and circumstances of the case.[1]

Help from outside bodies, such as advertising agencies, in the layout or designing of the Report, particularly the design of the cover page, is mentioned in 9 out of 25 cases. In two cases the enterprises' own artists attend to this job, and in another two cases the printer of Report is entrusted with the job of layout, design etc.

Whatever is the level and method of preparing the Report, the final approval of the entire manuscript is always obtained from the Chairman or the Managing Director. Ten responding enterprises state that overall approval of the Board of the enterprise is obtained before the Report is printed. In one case, the present writer was told, the Board went through the Report sentence by sentence ; and the effect of this scrutiny was a sizeable reduction in the narrative of the Report over a period of time : the Board either because it had no time or patience, thought of adopting a conservative policy regarding disclosures.

(*b*) *Budget for the Report*

Only in 8 cases out of 25, a specific provision in the budget of the enterprise is made for the Annual Report. In two cases, no budget as such is approved ; but the Board has approved a ceiling for the expenditure on the printing of the Annual Report. In other cases, no specific head of expenditure for the Annual Report is shown in the budget, and it is charged to the head

1. In one case, in the list of the persons whose help is sought in the planning, layout and preparation of the Annual Report, the seven officers mentioned are : (i) Director Technical & Chief Engineer ; (ii) Chief Engineer (Construction), (iii) Commercial Manager, (iv) Works Manager, (v) Financial Adviser and Chief Accounts Officer, (vi) Personnel Manager, (vii) Manager purchasing and main store.

printing & stationery. In some cases, the budget for the Annual Report also formed part of the public relations or the publicity and advertising budget.

(c) *Number of Copies*

The range for the number of copies printed is as wide as 300 to 5000. Generally, 500 to 1,000 copies are printed by smaller enterprises, and 2,000 to 2,500 by bigger enterprises. Only two enterprises print 4,000 and 5,000 copies of the Annual Report. Three enterprises have indicated that a limited number of Hindi version of the Report is also printed. In most cases, the decision about the number of copies to be printed is taken at the highest level, that is, by the Chairman or the Managing Director. In two cases the Board itself decides about the number of copies to be printed.

(d) *Cost of Printing*

The printing cost ranges from 39 Paise to Rs. 13·89 per copy, for the year 1964-65. In majority of cases, the cost of production is less than Rs. 5 (only in 3 cases it is above Rs. 5 per copy). The cost incurred in printing does not always reflect itself in the Annual Report. Where the number of copies printed is small, cost per copy naturally goes up. It may be noted here that after the recommendation of the Public Accounts Committee in this regard,[1] public enterprises in general have leaned towards austerity in the printing of their Annual Reports.

(e) *Distribution*

The decision regarding the distribution of the Reports is mostly taken on *ad hoc* basis. The Chairman decides about it in 7 cases, and the Secretary of the enterprise in 9 cases. In other cases, the Financial Adviser or the Public Relations Chief decides about this, or a standard mailing list is maintained. In 10 cases out of 25 all members of Parliament are sent a copy of the Annual Report, either directly or through the concerned administrative ministry. In other cases, only some copies are sent to the Parliament Secretariat for distribution among the M.Ps. In two cases, the Annual Reports are sent to the Parliament library for use of the M.Ps. It is interesting to note that some enterprises

1. 7th Report, Third Lok Sabha, p. 89, para 79.

have referred to definite instructions from the Government requiring them to send a copy of their Annual Report to all the Members of Parliament, other enterprises do not even print sufficient number of copies so as to go round all the M.Ps. In three cases, the Annual Reports are also sent to Ministers of the State in which the enterprise is established.

(f) Time Spent in Preparation[1]

Very few enterprises attend to the preparation of the Annual Reports before the close of their financial year. After the close of the year, enterprises take one and a half months to 8 months in the planning and printing of the Report, depending upon the efficiency and the size of the enterprise. The delay in finalising the Report is invariably due to the preparation and audit of the accounts part of the Report ; the Director's Report as such does not take much time. In all Government companies, after the professional auditors have submitted their Report to the Comptroller & Auditor General of India and the company concerned, the former may choose to scrutinise the Accounts with a view to commenting or supplementing the auditor's report. This naturally consumes some extra time.

(g) General

About 50 per cent of the enterprises who responded, did not know the date when their Annual Reports were presented to Parliament. They, after having sent their Reports to the ministry concerned, (whose responsibility it is to place them before Parliament), thought their job as done. Many enterprises did not know whether their Reports are discussed by Parliament or not. They think that mere presentation of the Report to Parliament tentamounts to a discussion on it, which, of course, is not a fact. As has been mentioned above[2], only a microscopic minority of the Reports presented to Parliament are discussed by it.

Format

The get-up of the Reports is generally satisfactory. The improvement is marked when one looks to some of the earliest Reports which were a few mimeographed sheets, loosely stitched at one end. Some of the present Reports may even be considered

1. For a detailed discussion see Chap. II, pp. 64–5 *supra*.
2. Chapter II, pp. 74–5.

rather ostentatious. They apparently draw inspiration from some grandiose foreign Reports which partly aim to advertise for the products and partly aim at generating a sense of confidence and prosperity about the enterprise. The Public Accounts Committee[1] felt that some of the Reports from public enterprises were "lavishly produced", and it recommended economy in this regard. Judgment about "lavishness" may differ and lavishness may be justified in some situations. Generating confidence in the name and products of the enterprise could be one of the objectives of the Annual Report, and if so, the money spent would be treated as a part of sales or public relations expenditure.

After the Public Accounts Committee's criticism of "high quality paper, coloured charts and graphs and photographs"[2], most of the enterprises have gone out of their way to disprove this charge[3]. The inferior paper now used has somewhat affected the printing of graphs, charts and photographs, and has thus reduced the attractiveness of the Reports. But fancy printing, glossy photographs, colourful get up, and brilliant title cover need not be the objective of the Annual Report of public enterprise. The main purpose is to put across in a clear and objective manner what the enterprise has been able to achieve and obstacles, if any, in the way of greater progress. Elegant get up is only a means to an end.

The Annual Reports everywhere are paperbacks, and our Reports are no exception. In most cases the pages are pinned in the middle. Only some thicker Reports are stitched or sewn properly and look like a well-produced paperback. Further, none of our Reports contains the title at the spine as is the case, *e.g.*, with most of the Reports of the British nationalised industries.

(a) Use of Colour and Pictures

Not much use of colour is made in the Reports. Colour is generally used in the title page, graphs and diagrams, heads, sub-heads, and in Accounts. In very few cases colour is used in photographs. There does not in fact seem to be much need for costly colour printing, which generally requires imported paper. The Reports of nationalised industries in Britain do not use colours (except the B. E. A.) yet their get up, presentation and

1. 7th Report, Third Lok Sabha, p. 89, para 79.
2. *Ibid.*
3. The H. M. T. & I. O. C., among a few others, do not seem to have worried about the Public Accounts Committee's recommendation.

the information provided would compare with the best Annual Reports anywhere.

Pictures help in relieving the monotony of Reports. They generally relate to some aspects of operation of the enterprise, visits of dignitaries, labour welfare etc. Majority of Reports do not contain pictures, others make only moderate use of them, but in a few cases. the pictorial presentation is somewhat overdone[1]. The choice of pictures and their number requires discretion. The pictures should be few, well-produced and be inserted at right places.

(*b*) *Size of the Reports*

Most of the Reports are 10″ to 11″ in length and 8″ to 9″ in width[2]. This size-range is commonly in use in the private sector companies in India as well as abroad. There is no sanctity about a particular size, except the considerations of convenience of handling the Report and the ease of presenting charts, graphs, financial statements and other statistics. In Britain, the Reports of nationalised industries have all through been of a uniform size, *i.e.*, $9\frac{1}{2}'' \times 6''$. In any case, whatever the size, it should, as far as possible, remain constant over a period of years. The size of our Reports have varied over the last 3 years or so in about a dozen cases.

(*c*) *Pages in the Reports*

An Annual Report should neither be so bulky that an average reader may not be able to find his way through it, nor so sketchy that nothing substantial is found therein. In most cases, the number of pages are broadly related to the size and ramifications of the enterprise. The shortest Report in Government companies is from the Export Risk Insurance Corporation with 12 pages, and the longest is of the Hindustan Steel with 132 pages. Of the public corporations, the range is between 32 pages (Indian Airlines

1. In the Hindustan Aircraft Report, 1961-62, *e.g.*, over a dozen pictures showed adult literacy classes, knitting classes, training in Ambar Charkha, workers' canteen, the workers' orchestra in action and so forth. The Hindustan Shipyard gave 18 pictures of the visits of dignitaries and other V. I. Ps. and 2 pictures of some aspects of production. The Neyveli Lignite Report, 1961-62, devoted 8 full pages to show some aspects of production and 4 full pages to depict welfare measures.
2. The Report of smallest size (of the Reserve Bank) is $8\frac{1}{2}'' \times 5\frac{1}{2}''$, and the biggest (of the Indian Railways) is $13'' \times 8\frac{1}{4}''$.

Corporation) and 203 pages (Employees' State Insurance Corporation).

Average number of pages contained in the Reports of Government companies come to 40 and of public corporations to 81. On an average, 8 pages are devoted to the Directors' Report in Government companies and 30·5 in public corporations. Pages devoted to Accounts, schedules, auditors' reports etc. are much larger; the average being 25 in Government companies and 18·5 in public corporations. Other miscellaneous matters such as graphs, charts, diagrams, pictures, statistical tables, notice of the Annual General Meeting cover on an average 7 pages in Government companies and 32 pages in public corporations[1].

True, the number of pages itself is no criterion to judge the usefulness of an Annual Report. But certain basic and routine information will require a minimum of space. In the U. K., the Reports of the central bodies of major national enterprises—coal, gas, electricity, railways and air corporations—covered (during 1961-62) 1300 pages, giving an average of 186 pages to each of the public corporations responsible for these industries. Similarly, the Report of the T.V.A., a major public enterprise in the U.S.A., devotes 90 pages to report the year's work, 35 pages to Accounts and 100 pages to the texts of "power supply agreements" with various contractors.

(d) The Title Page

The title page is important from the point of view of first visual impression. About two-third of the Reports use colours to brighten up their title pages, with various degrees of effectiveness. In six cases the title page illustrates some aspects of the enterprise's working. About half the enterprises use their emblems or crests on the title page along with their names and the year to which the Report pertains. The title page of the Report should in fact not only give the year of the Report but also the serial number of the Report. The fact that it contains the year's Accounts should also be stated.

Whether or not uniformity be maintained in the use of the title page is a minor though controversial point. Of the 57 Reports

1. The high average in public corporations is due to E.S.I.C., I.F.C. and L.I.C. devoting 145, 80 and 53 pages respectively to miscellaneous matters.

under study, only in 25 per cent cases a complete uniformity in the outer cover has been maintained over a period of three years.

Presentation of Material

Effective presentation is of paramount importance. A carefully edited Report with the same material carries greater conviction and achieves better understanding. A lot of care and attention would, therefore, be necessary in deciding what is to be given in the Annual Report and how the same is to be presented. The following are some of the important considerations.

(*a*) *Headings*

Headings act as signposts to the reader and direct him to the place of his interest. It is, therefore, necessary that the main activities are shown under a few important heads or chapters such as personnel, production, sales, finance, etc. Necessary sub-heads may then be given. But this simple device of streamlining presentation has not received sufficient attention. In majority of cases, the classification of heads and sub-heads is not properly done. Even the size of the type and colour used for printing heads and sub-heads is not such as to always make the distinction between them clear. Nor the heads given in one year are always followed up in the text and their order is changed without sufficient reason. This renders comparative study difficult. In some cases the headings which had significance, say, five years back continue to be used, though no longer necessary. The practice of giving marginal heads in addition to main heads is good, but is adopted only in two or three cases. It is also not uncommon to find a head containing information which has little or no justification to be there[1]. In some cases, the information dealing with one theme is spread over many places. With little care and attention such minor defects can be set right.

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1. A few examples of this are given below :
   (i) Under the head sales, the I O.C. Report, 1962-63 (p. 7), states that "the accounting system was under heavy load due to expansion of company's activities... The company prepared an accounting manual on its own and hopes to set right the difficulties now pointed out soon".
   (ii) The head "labour" in the B.E.L. Report, 1962-63 (p. 12), also contains a reference to the revision of pay scales of the executives.
   (iii) The head "accounts" in the Hindustan Organic Report, 1962-63 (p. 4), also contains explanation of difficulties in operating letter of credit for purchase of equipment from West Germany.

(b) Index and Table of Contents

An index or a table of contents is key to the whole Report. Yet, none of our Reports carry an index, and the majority of them do not have a table of contents. The absence of this elementary requirement would be a big handicap to a busy reader. In some cases, this omission may be defended on the ground that the Reports are too small to require a reference to contents or an index. But some Reports of even over 50 pages do not provide this facility. The contents, where given, are not always sufficiently detailed. A table of contents, to be useful should refer to all paragraph-heads in the Report as is being done by the E.S.I.C. and the Railways. However, before an index or table of contents is recommended, it is essential that the Reports are properly paged. Six Reports are not paged[1] and 3 are only partly paged.[2]

(c) *Language*

The drafting of the Reports demands care and attention. An Annual Report is not an exercise in literary skill ; but clarity in presentation should be aimed at. Adequate attention is not always being given to this aspect. Some instances of defective language be observed :

1. The products have "stood the most rigorous tests prescribed in the international world".[3]
2. "Despite controlled economies ... production costs have been steadily going up".[4]
3. The "equipment is expected to be productionised during ... ".[5]
4. "Defects have been rectified and strengthened ... ".[6]

(d) Consistency

Inconsistencies in the use of words as singular or plural, indiscriminate and inconsistent use of capital letters, rounding off the same figures sometimes in thousands and sometimes in lakhs

1 These are : Hindustan Aircraft, National Instruments, P. & C. D. C., G. R. W., Nahan Foundry and R. I. C.
2. These are N. L. C., I. D. & P., and N. P. C. C.
3. Annual Report, Heavy Electricals, 1962-63, p. 7.
4. *Ibid.*, Rare Earths, 1962-63, p. 9.
5. *Ibid.*, Bharat Electronics, 1962-63, p. 9.
6. *Ibid.*, Hindustan Steel, 1961-62, p. 14.

or crores, etc., are not uncommon to find in the Reports. This shows the care bestowed upon the Reports — so important a document of the enterprise. Just one instance of inconsistency be given here. In the Indian Refineries Report (1962-63) "Messrs Snam Progetti, a subsidiary of Messrs E. N. I.", became "Messrs Snam, S. P. A. Italy", "Snam Progetti", "Messrs Snam of Italy" and only "Messrs Snam", within a span of six pages.

(*e*) *Abbreviations*

In some cases, unfamiliar abbreviations cause difficulties. Names and phrases which are household words in the enterprise are unwittingly taken as known to the outsiders also. The Indian Oil Company, for example, talks about "L. P. G." bottling[1], and the S. T. C. of entrusting its barter deal to I. S. M. A.[2] It is necessary that the abbreviations used are explained somewhere in the Report. Similarly, a casual reference to something well-known within the enterprise may cause difficulty for the outsider. For instance, the Indian Oil Company refers to Rs. 8·08 lakhs of "bridging expenses"[3], and the I. T. I. refers to its sales which, among others, "consisted of class B orders".[4]

(*f*) *Technicality*

In employing technical terms an average reader should not be completely lost sight of. To cite an example, a table giving "net lapse ratio at mean duration" in the L. I. C. Report explains the "mean duration" as "year of lapse minus year of new business"[5]. This would be of no help to an average reader, who would have been helped by a line or two of additional explanation. Similarly, the production of Hindustan Cables is given in miles, kilometres and in standard kilometres (100 Pr. 10 lb.), without explaining their meaning and significance.[6] The practice of the two air corporations to define the terms used in their Reports is commendable. In any case, if the Report is meant for an average

1. Annual Report, 1962-63, p. 9.
2. *Ibid.*, p. 7.
3. *Ibid.*, p. 7.
4. *Ibid.*, p. 11.
5. *Ibid.*, p. 5.
6. *Ibid.*, pp. 3-4.

intelligent lay reader, technical details[1], as far as possible, be eschewed, or be as well explained in simple language.

(g) Continuity and Comparability

An Annual Report is in the nature of a serialised publication. As such, it should pick up the thread from the Report of the earlier year. Also to the extent possible, it should be made self-contained by providing a brief resume of the matters given earlier. Too much reliance on "as already stated in the last Report" formula, be avoided.

Continuity and comparability is lost when information in one Report is either not followed up in the next or changes are effected without providing an adequate explanation. The Indian Refineries Report (1961-62), for example, gave details of Lube Oil Project, the establishment of an Oil Refinery in South India, and of the manufacture of Liquefied Petroleum Gas. The Report of the next year does not refer to these matters. Similarly, details of various products obtained, despatched and in stock and of construction activities of the refineries given in the 1961-62 Report, were not taken up in the next Report.

The 1960-61 Report of the I. T. I. gave production figures along with the targets for 1960-61, and the next year's targets for the following :

(*i*) Telephones
(*ii*) Uniselector Racks
(*iii*) Group Selector Racks
(*iv*) Final Selector Racks
(*v*) Composite Racks
(*vi*) Transmission Equipment

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1. An example or two of the technical details be given here :

(*i*) The I. T. I. Report, 1960-61, (p. 10) stated : "Our research laboratories have finalised the design of Frequency Modulated V. C. T. Systems for the P. & T., Transistorised Ultaphone, one plus four systems and 3-channel V. F. T. Group II Eleven types of instruments, 8 Channel Terminals and 8-Channel Repeaters".

(*ii*) The O. N. G. C., 1962-63 Report (p. 1) observed :
"Sixteen geological, 15 seismic and 12 gravity magnetic field parties were sent to carry out field surveys ... A number of structures were delineated by the geophysical field parties ... Six electrologging parties were in operation ... "

In the 1961-62 Report[1], however, production was given for quite different heads, thus rendering any comparison impossible. The heads in the 1961-62 Report were :

(*i*) Telephones
(*ii*) Multiple Racks
(*iii*) Misc. Racks
(*iv*) Small Exchanges
(*v*) Stackable Channels
(*vi*) 12-Channel Bay Sides
(*vii*) F. M. VFT Channels
(*viii*) 8-Channel Carriers

What happened to the earlier heads of production ? Why were they dropped ? And how the new heads of production came in, is not clear. In the 1962-63 Report, more heads were added : and in some cases nomenclatures were changed. The explanation of the enterprise[2] that only a sample of the items is given in the Report and that it is not meant for comparison with previous Reports is not understandable, for the Company's Annual Reports themselves have compared achievements of the various items with the previous year.[3]

The comparability is also affected when the figures of actual yearly production in one year are replaced by percentage increases, in the next year.[4] In another case, about the same thing, different figures were given at different places in the same Report.[5] How comparability is affected by lack of adequate care in presentation has further been shown in the Case Study which is annexed to this Chapter as Annexure III.

It is necessary to see that the bases of comparison in the Reports are not easily disturbed. An issue once raised should not be dropped without carefully weighing whether its importance is sufficiently diminished so as to justify its deletion. Problems once raised, if avoided, would often lead to an unfavourable opinion, and

1. pp. 15-16.
2. This was given in reply to the present author's enquiry from the Company.
3. Annual Report, 1961-62, pp. 15-6.
4. I. O. C., Annual Report, 1962-63, p. 5.
5. D. V. C., Annual Report, 1961-62. The figures of irrigation potential shown at pp. 1,6 and 78 are different.

show the enterpr se in a bad light.[1]

(h) Clarity and Correctness

Clarity in presentation is influenced by factors discussed above. In addition, the editor of the Report must take sufficient care to see that no loose ends are left and the reader is able to get at what is presented to him with ease and without confusion.[2] On the whole, there is not much difficulty on this account, but some of the cases to the contrary are mentioned to illustrate the directions in which care may be necessary :

1. *Air-India* : Regarding the surplus staff it was stated that "the excess, however, will be absorbed in the next few years as the fleet and operations grow. It would not be prudent or practical in a growing enterprise such as Air-India to seek to reduce the number of its employees to the absolute minimum required at any given time. It would not only invite labour unrest but would also result in loss of trained personnel which would have to be replaced and trained *de novo* after a relatively short time".[3]

   After thus justifying the whole situation, the Report added :

   "A substantial part of what may appear to be excess staff, but in fact is not, performs in the Corporation a number of functions ... As the revenues from such services appreciably exceed the cost to the Corporation of the additional staff and thus provide valuable avenues of employment, the Management is satisfied that the policy is a sound and productive one".[4]

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1. The same position would arise if adequate explanations are not given to the issues which arise out of the Reports. The Fertilizer Corporation set up a factory at Namrup in Assam which would, we were told, last for 10 to 15 years because of the inadequate gas reserves required for the purpose. (Annual Report, 1961-62, p. 10). The advantages of choosing the site in such circumstances, however, were not mentioned anywhere.
2. A small example of how this could be done is by rounding off the figures, which may be stated as so many lakhs or thousands, and not as, *e.g.*, the Indian Refineries did it when its Directors' Report stated that the sales of the company increased from Rs. 36,68,062.07 P to Rs. 8,53,28,346.47 P. (Annual Report, 1962-63, p. 3)
3. Annual Report, 1962-63, p. 15, para 51.
4. *Ibid.*, para 52

One may ask, where was the need to bring in the question of surplus staff at all and to justify its existence, on grounds other than economic ?

2. *Hindustan Housing* : Reporting about a worker who had built an electric converter which was imported previously, the Report made an over-enthusiastic and unrealistic forecast that "other workers are now trying their best to manufacture other equipments that were imported (and) quite soon all the machinery which was being imported will be made in the factory by our own workers".[1]
3. *I. T. I. and Hindustan Salts :* Reported that their auditors were appointed by the Government "in consultation with the Comptroller and Auditor-General". According to the Companies Act, the auditors of a Government company are appointed *"on the advice of"* and not *"in consultation with"* the C. & A. G. Actually, the original provision in the Companies Bill "in consultation with", was changed because that would have given the Government a right to disagree with the C. & A. G., which right the members of Parliament did not want to concede.[2]
4. *Ashoka Hotels* . The figures of income for 1960-61 given in that year's Directors' Report are not comparable with the figures in the next year's Report.[3]
5. *Indian Rare Earths :* The 1961-62 Report (p. 6) gave a target of 3,000 tonnes of Monazite for the next financial year. In 1962-63 the production was 2,933 tonnes and the year's Report said that "a record production of 300 metric tonnes per month was achieved in the month of August, 1962". It was, however, not made clear how a month's production, which was the highest during the year, could be recorded as "300 metric tons per month".
6. *Heavy Electricals* : The 1962-63 Report (p. 3) stated that "figures for the three new projects at Hyderabad,

1. Annual Report 1960-61, p ?
2. Lok Sabha Debates, 8th Sept., 1955, Cols. 12990-12999.
3. Annual Reports, 1960-61 and 1961-62, p. ? In the Hindustan Housing also the figures given regarding 1960-61 production in the 1961-62 Report (p. 5) are not the same as in the Report for 1960-61.

Hardwar and Tiruchirapalli are 3·5 crores and 3·4 crores". One would wonder as to which of the three projects these two figures relate.

Miscellaneous Matters

(*a*) *Diagrammatic and Graphic Presentation*

Diagrams and graphs have special significance in conveying effectively a mass of information by converting the data to a form that facilitates rapid comprehension and easy interpretation. They also add to the attraction of the publication and catch the reader's attention easily.[1] Though of great use to the lay reader as well as to the busy and expert observer, they are not very popular : only 50 per cent of the enterprises use them with various degrees of effectiveness. Numerically, on an average, the Reports contain about 5 to 6 diagrams and graphs.

A wide variety of activities are depicted through diagrams and graphs ; important ones of these are given below :

(*i*) Diagrams (generally bar diagrams) show trends of profit, production, sales etc. over a number of years. In some cases the break-up of the items is also indicated. Examples here are provided by Bharat Electronics, Hindustan Antibiotics, I.O.C., N.N. & P.M., and Hindustan Cables.

(*ii*) A pie-diagram illustrating how each rupee was earned and the way it was spent on different heads. Examples are provided by I.A.C., N.S.I.C., L.I.C. and State Bank.

(*iii*) A pie-diagram giving the break-down of all the expenses incurred by the enterprise. Examples are provided by Bharat Electronics, L.I.C. and Shipping Corporation.

(*iv*) A bar diagram showing main categories of staff build up. The example is provided by Bharat Electronics.

(*v*) Diagrams showing break-up of assets and liabilities. The State Bank provides an example here. Details about a particular asset, for example, composition of bad and doubtful debts could also be shown as is done by Hindustan Shipyard.

(*vi*) Performance or efficiency graphs are provided by some enterprises. What is depicted, however, differs from case

1. It may be noted that a majority of enterprise, which give graphs and diagrams use colour therein even though in many cases the same is not contained elsewhere in the Report.

to case. The Hindustan Shipyard shows under this head the main constituents of its cost of production and the extent of foreign and indigenous material purchased over a period of years. The I.T.I. shows actual production of its main items of output, rate of absenteeism, persons employed, the income per employee etc., over a period of years. "The progress chart" of the Shipping Corporation shows its earnings, cargo lifted, number of vessels, increase in profits, tonnage of ships etc., over a period of years.

In order to provide more precise information through diagrams and graphs and to enable comparisons, exact values of the items should also be indicated along with or at the end of the graph lines, or the bars of diagrams. The majority of diagrams and charts do not contain this information. To avoid confusion, too many themes should not be squeezed in one diagram or graph.

(*b*) *Statistical Information*

Some Reports contain useful statistical information regarding their operations. This is generally given in appendices to the Reports. The prominent here is the Employees' State Insurance Corporation. Its 1961-62 Report carrying 55 appendices running into 170 pages (Accounts are also given as Appendices) provides very useful and valuable data. The information regarding the incidence of sickness in 51 "cause groups" and the number of new cases of sickness in these "cause groups" per 1000 family units in various states would be useful for all those who are interested in questions of national health. Similarly, the figures of permanently disabled persons in industries covered by the Corporation given industry-wise, cause-wise, nature-of-injuries-wise, wage-group-wise, and state-wise, would greatly help students of industrial accidents. Details of various other facets of social security measures of the E.S.I.C. are also given.

The L.I.C., among other things, provides details of various types of business done, zone-wise and month-wise. Details of investments sector-wise, industry-wise and the type-of-securities-wise are provided. These might be of more than casual interest to persons other than those directly interested in the L.I.C. Figures of different categories of persons employed and reasons for changes in each category are also given. One good feature of this Report is that the appendices bear a reference to the relevant para in the Report. This facilitates cross references.

In the Industrial Finance Corporation's Report, the nature of financial assistance, its purpose and the industries helped is tabulated. The loans given are shown industry-wise, including the number of units in each industry, the total paid up capital, total sales, and the projected installed capacity to be reached after the financial assistance is fully availed of. A general review of industries getting assistance from the Corporation is also provided. Such information is of great use for many types of economic analysis.

Some statistical information regarding their operations is, among others, provided by the Central Warehousing Corporation, the National Co-operative Development Corporation and the Oil & Natural Gas Commission. The Government companies, in general, do not provide data which could have wider uses in a planned economy. The nature and type of data to be given, it may be noted, would be affected by the nature of the enterprise, the extent of the monopoly enjoyed by it, its importance in the national economy and so on.

(c) *Highlights of the Year*

The Annual Report could usefully contain a "Highlight Statement" or "At a Glance" statement of the more important aspects of the enterprise's working, so as to provide a bird's-eye view of the state of its affairs. The contents of such a statement would depend upon the relative emphasis which an enterprise might like to place on various aspects of its operations. Generally, a reference to production, profitability, employment, productivity and efficiency, and to workers' welfare could be made. Such a statement would not make much sense without comparative figures for the last one or more years. Percentage variations over last year's figures could also be worked out and shown for providing a quicker and clearer grasp of the position.

12 out of 57 enterprises include "Highlight Statements" in their Reports. Many of these, however, are either too detailed or too sketchy; their placement inconspicuous, and presentation unattractive. Highlighting the year's working need not be confined to figures only; where necessary, narratives can be added. The practice of referring to the page or para of the Report for looking up details, could also be usefully adopted.

(d) *Authentication of Reports*

The Directors' Report and Annual Accounts as presented to shareholders or Government and eventually to Parliament have

got to be authenticated by the officials of the enterprise. Much diversity exists in the statutory provisions and practice in this regard. This would be apparent from Table IX below. Obviously, the Directors' Report and Accounts should be duly authenticated by a proper person or persons. The date on which the Report is signed should also be mentioned. About half of the Reports do not contain the dates on which they were signed. The date, if given, would help to know the time taken in preparing the Report.

TABLE IX

Showing the statutory provisions and practice regarding authentication of the Directors' Report and Annual Accounts.

Statutory provisions in brief	*Practice*
A. Government Companies	
(*a*) Directors' Report :	
It is to be signed by the Chairman of the Company if he is so authorised in that behalf by the Board. And where he is not so authorised, provisions in (*b*) below, would apply. [Companies Act, Sec. 217 (4)]	The provision is being implemented except in 4 cases[1] where Chairman's signature appears without making it clear that it is on behalf of the Board. In two cases[2] the Reports are unsigned.
(*b*) Published Accounts :	
Every Balance Sheet and Profit and Loss Account is to be signed by not less than two directors, one of whom shall be a Managing Director. (Companies Act, Sec. 215)	The provision is being implemented, except in the Hindustan Cables where no signatures appear at the end of the P. & L. A/c.
B. Public Corporations	
1. Air Corporations :	
(*a*) Directors Report :	
No statutory requirement	Signed by the Chairman "On behalf of the members".
(*b*) Accounts :	
To be authenticated by affixing the common seal of the Corporation. No mention exists of the signatures.	No signatures appear at the foot of the Accounts.

1. These are : Bharat Electronics, H. E. C., N. N. & P. M. & Hindustan Shipyard.
2. These are : National Instruments and Hindustan Insecticides.

Statutory provisions in brief	*Practice*
2. C. W. C.	
(*a*) Directors' Report :	
No statutory provision	Directors' Report not signed.
(*b*) Accounts :	
No statutory provision	Balance Sheet and P. & L. Accoun signed by Chairman, Managin Director, nine Directors, Financia Adviser, Accounts Officer an Accountant.
3. D. V. C.	
(*a*) Directors' Report :	
No statutory provision	Directors' Report not signed.
(*b*) Accounts :	
No statutory provision	Balance sheet is signed by all th three members, General Manage Financial Adviser and the Chi Accounts Officer. But all othe Accounts are signed only by th Chief Accounts Officer.
4. E. S. I. C.	
(*a*) Directors' Report :	
No statutory provision	Directors' Report not signed.
(*b*) Accounts :	
No statutory provision	Balance Sheet signed by the Chi Accounts Officer. No signatur appear on the Income and Expend ture Account.
5. I. F. C.	
(*a*) Directors' Report :	
No statutory provision	Signed by the Chairman "On behs of the Directors".
(*b*) Accounts :	
No statutory provision	Balance Sheet signed by Chairma General Manager and nine directo but the P. & L. A/c. signed only l the Chairman and General Manage
6. L. I. C.	
(*a*) Directors' Report :	
No statutory provision	Signed by Chairman, Managi Director and a few other members.
(*b*) Accounts :	
No statutory provision	Signed by Chairman, Managi Director and a few other members.

Statutory provisions in brief	*Practice*
7. N. Co-op. D. C.	
(*a*) Directors' Report :	
No statutory provision	Directors' Report not signed.
(*b*) Accounts :	
No statutory provision	Annual consolidated statement of Accounts signed by the Accountant, Accounts Officer, Secretary and Chairman, and a member of the executive Committee. The National Co-operative Development Fund A/c and National Warehousing Development Fund Account are signed by the Accountant, Accounts Officer and Secretary.
8. O. & N. G. C.	
(*a*) Directors' Report :	
It is to be signed by the members and authenticated by affixing the common seal of the commission.	Signed by all the members of the Commission.
(*b*) Accounts :	
Provision same as in (*a*) above	Signed by all the members of the Commission.
9. Reserve Bank	
(*a*) Directors' Report :	
No statutory provision	Directors' Report not signed.
(*b*) Accounts :	
To be signed by the Governor, Deputy Governors, and the Chief Accounting Officer.	Provision is being observed.
10. State Bank	
(*a*) Directors' Report :	
No statutory provision	Signed by the Chairman "By order of the Central Board of Directors".
(*b*) Accounts :	
Balance Sheet and Profit and Loss Account to be signed by the Chairman, Vice-Chairman, Managing Director and a majority of other directors.	No signatures appear at the foot of the Balance Sheet and the P. & L. Account. However, they appear on the Audit Report, as required.

(e) Responsibility for Production

The problems of format, presentation and editing discussed above could be comparatively easily looked after, if one person is given the charge for producing the Annual Report, with an authority to make decisions on all questions in that behalf. It is unwise to distribute this decision-making among half a dozen executives. The heads of various departments would submit their contributions by a specified date and the person incharge should have an almost free hand in editing them. Mostly, the production of Annual Report is the responsibility of the Secretary of the enterprise, but sometimes the Public Relations, Chief is also associated. It is not known to what extent the top man who presents the Report on behalf of the Board takes a personal interest in the matter. The present state of the Annual Reports is indicative of the fact that sufficient attention at the top level is not being paid to them.

(f) Availability of the Reports

Annual Reports in all cases are published by the enterprise itself, and can be had on request[1]. The reports of the Reserve Bank, the Industrial Finance Corporation and the Employees' State Insurance Corporation are also required to be published in the Gazette of India. The reason for this might be to bring to the public notice the activities of an enterprise of national importance. There are, however, other enterprises, for example, the L.I.C. whose Report would require wider publicity on this very ground, but no such provision exists for them.

There is a strong case for making available the Reports of public enterprises to any one, against a reasonable price. One way of this could be the publication of the Reports in the Gazette of India. As it is, the experience is that begging for the Reports does not always bear fruit and sometimes repeated requests remain unanswered. In some cases, unnecessary secrecy is maintained. The Annual Reports of the Chittaranjan Locomotives and the Integral Coach Factory are, for example, marked "for official use", and are not made available to the public. At one time, even the Report of the Damodar Valley Corporation was not supplied as it was considered to be "for official use only." It may not be

1. Some Reports, *e.g.*, the Reports of the Reserve Bank, neither give the place of publication nor the person from whom it could be obtained. This may cause inconvenience in obtaining the Report.

necessary to get the Reports printed by a central agency of the Government as in the U.K. But it would be of definite advantage if they could be made available to the public either through the sales organisation of the Publications Division of the Government of India, or in any other convenient way.

(g) To Whom Addressed

The Annual Report of a joint stock company is addressed to its shareholders. For most of the Government companies this provision is anomalous in as much as their shares are held by the President of India and a few Government officials. There are thus no shareholders in the real sense of the term. Still, the meaningless fiction of : "Gentlemen, your directors have pleasure in presenting the Annual Report...", is maintained. An excessive adherence to this formality could give rise to a somewhat funny situation. See, for instance, the following abstract from a Report :

> "*Your Board* is fully alive to the fact that increase in *our activities*... will need an expansion of *your factory. Our production* and sales having reached a peak of... *Your Board* for the first time in *your factory's history* declared a dividend of....[1]

The Annual Report of a public enterprise is in reality presented to the nation and there seems to be no reason why it is not addressed to the President of India, or in any other more general way than at present. This change, it is felt, could also bring a basic difference in the management's approach in respect of the contents of the Annual Reports.

The public corporations submit their Annual Reports to the Government. A formal letter of transmittal refers to the provision of law under which it is being submitted. In the Reserve Bank this letter is addressed to the Secretary, Ministry of Finance, and in the Employees' State Insurance Corporation to the Chairman of the Corporation[2]. Other public corporations' Reports do

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1. Hindustan Housing Factory, Annual Report, 1961-62, p. 12-3. (italics ours)
2. The letter of transmittal is from the Director-General of the Corporation to the Chairman of the Corporation, who is also Minister of Labour and Employment. But as the Report is required to be submitted to the Government, the letter must either be sent to the Secretary of the Ministry, or to the Minister, *in his capacity as Minister and not as Chairman of the Corporation.*

not contain a letter of transmittal. The L.I.C. Reports for 1959 and 1960 contained such a letter, but the Corporation considers it "superfluous"[1] now. The letter of transmittal in all the British nationalised industries' Reports is addressed to the appropriate minister. In the T.V.A. the Report is addressed to the President, to the Senate, and the House of Representatives. It is suggested that all public corporations in India must publish a transmittal letter addressed to the President of India, as a part of their Annual Reports.

(*h*) *The Emergency and Reports*

The Emergency has affected the availability as also the contents of the Reports. Rule 52 of the Defence of India Act[2], restricts publication of accounts or any report or any statistical or other information relating to the progress of the undertaking engaged in the supply of electricity and water, railways and inland transport. The port, harbour, docks, and mining undertakings are also covered. Exemptions are, however, provided for supplying information to Government and other recognised agencies specifically mentioned in the Press Note[3]. In case of certain other industries some information is considered "restricted" and the details thereof have been laid down. For public undertakings like the Hindustan Aircraft, the Bharat Electronics, the Garden Reach Workshops, and the Mazagon Docks, all of which are defence establishments, the "restricted information" will mean any particulars regarding actual production, capacity and future programme[4]. In some cases, the volume of the Reports has also been reduced in order to save paper[5].

(*i*) *Types of Reports*

Should it be necessary to have more than on version of the

1. On the basis of discussion with the Chairman of the Corporation.
2. Act 51 of 1962.
3. The enterprises which expressed their inability to send their Annual Reports because of the Defence of India Rule are : (i) Hindustan Aircraft (ii) N.C.D.C. and (iii) Neyveli Lignite.
4. Government of India, Gazette Extraordinary, Part II, Sec. 5 (1), of 21st January, 1964.
5. The most prominent example here is of the Annual Report of the Railways. The two volumes of this Report in 1960-61 had 709 pages, but the 1961-62 Report (the first Report after Emergency) was in one volume, having only 107 pages.

Annual Reports? The Reports are meant for the staff and workers of the enterprise, as well for the customers, for the public in general, for the researcher and economist, and so forth. Whatever the advantages of more than one type of Annual Report, the invidious distinction and suspicion between various parties caused by such a scheme would far outweigh its advantages. One general report with a broad coverage, from which various interested parties could choose, would thus be the only answer. Such a Report would, in any case, be necessary to comply with the statutory obligations. If need arises, additional informational material could be prepared for the various other interests, but it need not be anything similar to the Annual Report.

Of all the public enterprises, the National Coal Development Corporation brought out a "deluxe" and an "ordinary" edition of its latest available Report (1961-62). Their paper and get up justified their nomenclatures. The "ordinary" edition did not have a table of contents, the Report by the Comptroller and Auditor General, and many other useful and important matters contained in the 22 extra pages of the "deluxe" edition. On an enquiry, the enterprise could not justify clearly the purpose that the two separate Reports were supposed to serve.

Conclusion

The Annual Report is a document of crucial importance for public enterprises. It is the only authoritative document by which a public enterprise provides an account of itself to the public at large. Technically, it is addressed to a handful of shareholders, but for all practical purposes it is addressed to the nation. It is therefore surprising that managements do not bestow upon this document care and attention that it should merit. The points raised in this Chapter are of a minor character. But, though in a small measure, they affect the overall opinion about the enterprise, and to an outsider they to some extent reflect the management's attitude towards its job. Small things like these when added together, make all the difference in a well or ill-produced Report. It is hoped that the matters discussed here would receive the attention of those concerned with bringing out the Annual Reports.

ANNEXURE I

Questionnaire on the preparation of the Annual Report

1. Who has the overall responsibility for planning and preparing the Annual Report :

   Chairman/Secretary/Financial Adviser/Public Relations Chief/ a combination of two or more persons or departments?

2. Is any formal budget for the Annual Report fixed, and who fixes it ? Is it fixed :

   (*i*) before planning of the Annual Report begins;
   (*ii*) during planning stage;
   (*iii*) as part of the Company's annual budget;
   (*iv*) any other method?

3. Who initiates action on the Annual Report ? Please give his designation.

4. What is the nature of action taken by the initiator for planning the Annual Report:

   (*i*) call a meeting to discuss the coming Annual Report,
   (*ii*) draw up outline, layout, or list of suggestions and submit it for approval,
   (*iii*) starts gathering information from various departments,
   (*iv*) any other ?

5. Is help received from any outside agency such as artists, advertising agencies, etc. in the designing and preparation of the Annual Report ? If yes, please name them.

6. Please give the designations of the persons within the organisation whose help is sought in the planning, layout and preparation etc. of the Annual Report.

7. (*i*) How many months are taken to finalise the annual accounts, and

   (*ii*) in getting them audited, after the close of the year ?

8. Please mention the number of months spent in planning, preparing and printing the Annual Report :

   (*i*) before the close of the year
   (*ii*) after the close of the year.

9. Was final approval of the entire manuscript done by some one, other than those working directly on it? If yes, please give the level and area of responsibility for this final approval.

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   (*i*) before the close of the year
   (*ii*) after the close of the year.

9. Was final approval of the entire manuscript done by some one, other than those working directly on it? If yes, please give the level and area of responsibility for this final approval.

10. (*i*) How many copies of the Annual Report were printed for the year 1964-65?
    (*ii*) Who is the final authority to take a decision in this regard ?
11. What was the cost per copy of the Annual Report for the year 1964-65 ?
12. What is the level and area of responsibility for distribution of Annual Reports ?
13. Please give the date on which your Annual Report for 1964-65 was presented to the Lok Sabha.
14. Have any of your Annual Reports been discussed by the Lok Sabha ? If so, could you kindly give the dates of such discussions ?
15. Do you send your Annual Reports to :
    (*i*) all members of Parliament/State Legislatures,
    (*ii*) some of them. If yes, what is the basis of your selection ?

ANNEXURE II

List of enterprises which responded to the questionnaire on Annual Report given in Annexure I.

1. Ashoka Hotels Ltd.
2. Bharat Electronics Ltd.
3. Bharat Earth Movers Ltd.
4. Bharat Heavy Electricals Ltd.
5. Central Warehousing Corporation.
6. Damodar Valley Corporation.
7. Fertilizer Corporation of India Ltd.
8. Film Finance Corporation Ltd.
9. Garden Reach Workshops Ltd.
10. Hindustan Antibiotics Ltd.
11. Heavy Electricals (India) Ltd.
12. Hindustan Housing Factory Ltd.
13. Hindustan Insecticides Ltd.
14. Hindustan Photo Films Manufacturing Company Ltd.
15. Hindustan Machine Tools Ltd.
16. Hindustan Steel Ltd.
17. Indian Oil Corporation Ltd.
18. Indian Telephone Industries Ltd
19. Janpath Hotels Ltd.
20. Mogul Line Ltd.
21. Neyveli Lignite Corporation Ltd.
22. National Mineral Development Corporation Ltd.
23. National Research Development Corporation.
24. National Small Industries Corporation Ltd.
25. Praga Tools Ltd.

ANNEXURE III

Continuity in Reporting — a brief Case Study

The First Report (1956-57, p. 7) of the National Coal Development Corporation stated that the company was constructing a Washery at Kargali at a total cost of about Rs. 2,39,00,000, the capacity of which will be 500 tons per hour. The Washery was expected to go into production by July, 1958.

The Second Report (p. 14) informed about the completion of the Washery and stated that "work consisting mainly of tests began on the 1st November, 1958".

The Third Report (p. 15) recorded that the Washery was awaiting a formal take over from the firm who supplied and erected it, till the completion of certain tests as indicated by the Technical Committee appointed for this purpose by the Management. The highest production reached during November, 1959 was given as 87,890 tons.

The Fourth Report (pp. 11-12) informed about the formal taking over of the Washery after the firm of contractors had "introduced some of the modifications desired by the Technical Committee". The contractors, it was stated had given bank guarantees "for the satisfactory performance of the Washery of its rated output".

The Fifth Report (p. 9) for the first time told us that a Japanese firm had erected the Washery and that the bank guarantee of 17 lakhs was "to be released only after certain running tests have been completed to establish that the Washery is in a position to attain its *full rated nominal capacity of 1,35,000 tons of clean coal per month in continuous production*". The highest production achieved during August, 1961 was given as 72,752 tons.

The Sixth Report (p. 5) informed us that the bank guarantee was to be released "only after certain running tests have been completed to establish that the Washery was in a position to attain its *full rated nominal capacity in each individual section*". And on that basis the bank guarantee was actually released.

A few points may be noted :

In the First Report the capacity of the Washery was given as 500 tons *per hour*. The Third and Fifth Reports made no mention of the production capacity but gave the figures of the highest production attained *during a month*, and not the average of the

year. In the Fourth Report, the bank guarantee was stated to be obtained for the Washery attaining its *rated output*, which was not given. In the Fifth Report this became "full rated *nominal* capacity ... in *continuous production*". The word "nominal" thus being introduced for the first time. In the Sixth Report the full rated nominal capacity was achieved *"in each individual section"* and not *"in continuous production"*, as envisaged in the Fifth Report. The maximum production actually achieved was not given. The cost of the Washery was not stated except in the First Report.

Chapter VI

Summary of Conclusions and Recommendations

Introduction

The areas where public enterprises in India operate are crucial. And in the time to come they would significantly affect the course of the whole economy.

The public enterprises are expected to serve many goals, some of which are intangible, vague and may be inconsistent with their commercial viability. The type of the work assigned to public enterprises, the lack of accumulated experience, the way they are held accountable and many other handicaps under which they have to operate, are often overlooked.

In a democracy, public enterprises have not only to be good but must also be seen to be good. No serious thought has, however, been given to provide a correct perspective of their position and problems to the public. Very little has been done to disabuse peoples' minds of wrong impressions and unnecessarily high expectations about them.

The British experience points to the danger in a mixed economy of public enterprises being run down by vested interests. The effort to carry conviction with the masses is essential, and for this purpose the people should be adequately and accurately informed about the achievements, problems, policies and programmes of public enterprises. A keen consciousness is also necessary to be created at all levels in public enterprises that they have to justify themselves at the bar of public opinion.

Chapter I — Public Relations

A large part of the criticism of public enterprises could be satisfactorily explained in the context of their peculiar problems and difficulties. But not much has been done to vindicate their position or to meet the situation caused by their alleged running down. As public opinion counts for everything, it is necessary to provide a strong link between the public enterprises and the community at large. And for this, the responsibility should be with the public enterprises.

The public enterprises should not think that by their nature public good is implied and, therefore, they can ignore or pay little attention to public relations. In a democracy, these enterprises will sustain only on public goodwill and confidence.

Every one in the organisation does a public relations job when he comes in contact with the public. But the duty of the P. R. department is to ensure that adequate public relations consciousness exists in the enterprise. The public relations also helps in presenting a favourable image of the enterprise.

The public relations is not an alchemy. There must be something good to show and talk about. Public relations cannot cover mistakes or bolster up a weak case. A successful public relations programme often exposes weaknesses of an organisation and compels some introspection. Public relations' results are indirect and incapable of exact measurement.

The Study is based on a questionnaire which was largely supplemented by personal visits. Only 25 out of 57 enterprises studied have public relations, publicity or information departments ; in 18 cases public relations is a subsidiary or part-time function of some official in the enterprise ; in 12 cases the function is not recognised in any distinct way. No information was available for 2 enterprises.

Where P. R. departments exist, their position is considered with reference to the number of persons employed, financial allocations, salary of P. R. chief and his access to head of the enterprise. Consideration is also given to the designations of P. R. chiefs and to the organisational aspects of this department.

The most common qualification of P. R. Os. is journalistic experience. In some cases, the experience is of work in Government. The situation where P. R. Os. are either on deputation

or when they concurrently hold office with the Press Information Bureau, is not satisfactory.

The main duties of the P. R. Os. include supervision of the P. R. department, conducting all types of publicity and maintaining contact with the public and the Press. The P. R. Os. are also responsible for looking after the visitors to the enterprise and house journals.

The objectives of public relations generally are to promote the goodwill of the enterprise and to present its correct image to the public. Very few enterprises emphasize the two way communication as an objective of their public relations.

Of the various segments of the public from the public relations angle, very inadequate efforts are made to maintain contact with or keep a track of the views of the legislators. Little is done in matter of maintaining and improving consumer relations and in regard to community relations. Employees are a neglected "public", in most cases. Similar is the case with other publics, such as dealers and suppliers.

Much attention is paid to press relations. Contacts with the Press are maintained by issuance of press releases, press conferences, and in an informal way. Rejoinders are issued to items or to the correspondence published, wherever necessary. In many cases, adequate efforts are not made to maintain a regular flow of information to the Press. Enterprises, in general, had no complaint about the coverage given to them by the Press.

The idea of "selling" the institution and eventually the whole public sector by carrying prestige advertising does not seem to have been taken up with any seriousness by the public enterprises.

Not much effective use of radio as a medium of communication is being made. Most enterprises do not on their own go to the All India Radio to find a place in its programmes.

Films as a medium of publicity are not being used adequately. There is too much dependence on the Films Division.

Participation in international exhibitions (which is generally at the instance of the Government) is more frequent as compared to national or local exhibitions. Though many international exhibitions were technical in character, no public enterprise, which participated, deputed its technical staff for the purpose. It was not possible to ascertain the effectiveness or usefulness of participation in the exhibitions.

The plant tour, a well-recognised instrument of public relations, is given importance in many cases. There is much scope for making plant tours more useful by educating the visitors. Distribution of well-produced brochures about the enterprise, a lecture and an opportunity to ask questions could be usefully incorporated in the programme of showing the visitors around.

The house journal provides a link between the employees and the organisation, and the employees *inter se*. Only 21 enterprises have a house magazine, newsletter etc. There is much scope for improvement in house journals from the format, content and presentation of material standpoint.

There are many ways and occasions to issue publicity material. The quality of the material and its distributional aspects require much attention. Few enterprises encourage their officials to participate in the activities of cultural, social, academic and professional bodies, with the result that in such gatherings public enterprise viewpoint remains unrepresented.

The vitality and inner strength of public relations largely depends upon the attitude and support forthcoming from the top management, which does not seem to exist in the required measure at present. Public relations is wrongly considered a defence mechanism to tide over temporary difficulties and not as a long-term exercise to be pursued with consistency, resilience and initiative. The top management can be reminded of its responsibilities at the minister's level. Orientation and training in public relations is also necessary for the staff, but in no case personnel training programmes cover public relations.

The P. R. Os. should enjoy the position of Information Officers attached to the various ministries of the Government. They should have closer co-ordination with the appropriate ministry, which does not exist at present.

Longer tenure of appointment for chairman and board members would enhance their interest in the public image of the enterprise.

For an adequate both way communication, the P. R. departments require improvement in their techniques and tools. Short-term re-orientation courses for public relations personnel should be organised. The P. R. chiefs should also periodically meet to discuss their common problems. The Government or a public relations organisation could sponsor activities like a permanent

Public relations' work should be systematic, deliberate and be considered an important management function. It cannot be left to chance. An undue and unsophisticated enthusiasm for public relations should be avoided, lest the same may add to or aggravate the public *versus* private sector controversy. A possibility exists that with a strong P. R. department an enterprise may deceive itself into an image of efficiency and progress.

Chapter II — Annual Reports (General)

Successful working of a government founded on democratic principles largely depends upon well-informed public opinion. Secrecy is unavoidable in any administration, but to make a fetish of it is harmful. For public enterprises, the balance between the information to be provided and the secrecy to be maintained is not yet fully struck. Annual Reports, if carefully prepared, can greatly help in providing a clear picture of the operations and policies of public enterprises.

In private concerns, Accounts are supposed to reveal in an objective and quantified measure the management's success. But in public enterprises achievements cannot be reflected in terms of profit alone, and are primarily recorded in the Directors' Report.

The statutory provisions in public corporations generally ask for a true and full, or faithful disclosure of the enterprise's working. In six cases detail of the information to be given in the Annual Reports are also prescribed. An analysis shows that implementation of these provisions is, in most cases, not very satisfactory.

For Government companies, the information to be given in the Reports is prescribed by the Companies Act. The provision that the Directors' Report would contain material changes affecting the financial position of the company between the end of the financial year and the date of the Report, as also the provision that the Report would provide information about the class of business in which the company has an interest, are not generally implemented.

No specific attempt is made by the Government to see that the Reports contain the necessary and basic information and that they comply with the statutory requirements.

Carefully prepared Reports would help in raising the standard of parliamentary discussions and also ensure more constructive criticism. The Estimates Committee and the Committee on Public Undertakings have many times urged for more informative and detailed Reports.

The Study shows that except the Damodar Valley Corporation, the Central Warehousing Corporation and the National Co-operative Development Corporation, all other public corporations submitted their Reports within the prescribed time. For Government companies, in all cases the statutory requirements regarding time for submission were complied with.

The Government in turn has to submit Reports to Parliament. The Reserve Bank and State Bank Reports are not formally presented to Parliament, even after the Government's acceptance of the Estimates Committee's recommendation that this should be done.

For Government companies, in addition to the Directors' Report, the Government is required to prepare and submit to Parliament an "annual report" on the working and affairs of a company. As it is, this Report does not serve a useful purpose. The Government's "annual report" should deal with matters of policy about the enterprise.

Majority of the Reports take 9 to 12 months before they go to the Table of the Lok Sabha. A part of this delay is at the Government's end. No time limit is prescribed within which the Government in its turn has to submit the Reports to Parliament. For half of the Reports, the Government takes more than 3 months for this purpose.

Very few of the Annual Reports presented to Parliament are discussed, and those discussed take a very long time in the process. The present lengthy and cumbersome parliamentary procedure is partly responsible for this. M.Ps. are quite eager to have discussions on the Reports. During first 5 sessions of the Third Lok Sabha, 82 notices for the purpose were given but only 3 Reports were discussed and 7 hours of parliamentary time was devoted to them.

The enterprises should speed up the preparation of Annual Reports. The State Bank and the H. M. T. have set examples in this regard. The time schedule suggested by the Company Law Board could also give some guidance to Government companies. The Government should also not take a long time to present the Reports to Parliament.

As the Reports are not made available to the public unless presented to the House, the U. K. practice of submitting the Reports in an outline form before the House of Commons rises for the recess, could be followed with advantage. In Canada, the maximum

time, after the close of the year, within which a Crown Corporation submits its Report to the Minister, and the Minister in turn submits it to Parliament is 3 months and 15 days respectively. We can keep the *maximum limit* of submission of Reports to Parliament at 9 months.

Few Reports are really oriented to the requirements of public and Parliament. The Reports should aim at providing a correct, comprehensive and coherent picture of the enterprise's operations and policies.

Chapter III — Directors' Report

Complete objectivity cannot be expected from the Directors' Reports. One may refer to other sources for this purpose.

To show financial results clearly, previous period's comparative figures should be given. Financial narratives and statistics require great attention particularly to explain adverse situations, and the working during gestation period.

Most Reports do not provide the total figure of the persons employed in the enterprise, and only a few give its category-wise distribution. Information about man-power planning, efficiency with which man-power is being utilised, recruitment policies, and programmes of training of personnel is generally not given.

Reporting about industrial relations is inadequate. If there is a strike, information about the number of man-days lost, loss of production in physical and financial terms, and the efforts made to avoid recurrence of a similar situation in future, is seldom provided. Reports make no reference to industrial relations machinery.

Reports generally contain a detailed reference to various welfare activities but finances involved in them do not often find any mention. Welfare expenditure, where it makes inroads into profit, should be clearly stated. Expenditure on housing and its effect on profitability is not indicated.

Not much information on workers' participation in management, workers' education, and safety in industry, is provided in the Reports.

Few Reports refer to the quantity of production both in physical and financial terms, relate production to targets, and explain non-achievement of targets. The basis of target fixation are not stated. If actual cost of production cannot be disclosed, trends of cost over a period of years be given. Apart from cost

reduction, production efficiency be shown in the form of conservation of scarce resources and development of indigenous raw material. Quality control is not referred to in the Reports. Admission of shortcomings would not undermine confidence in public enterprises, if the endeavour to improve the situation is detailed in the Reports.

Reporting about sales is generally meagre : no mention exists about sales targets and the extent, to which achieved, or other aspects of sales problem. Greater consciousness about reporting on export promotion need be shown.

Directors' Report say very little about the users of products or services of the enterprise.

Distinguishing features of price policy need broadly be indicated. Price trends and rise in prices, along with reasons thereof, could also be mentioned. Though some enterprises refer to their pricing policy, many others do not.

So far as the Report indicate, sufficient attention is not being paid to research and development. Public enterprise is not to take its cue from private enterprise in matters of research. Not a single enterprise talks in terms of long term plans and gives details of the economics of and other relevant information in regard to new lines of development.

Reporting about organisational and administrative aspects is almost non-existent. Some information about the Board of Directors is given.

While reporting their relationship with the Government many public enterprises tend to skip over a "difficult" situation. Some just mention their case, but a few are a bit vociferous about their point of view.

Most of the enterprises fight shy of publishing Government directives in the Reports.

No awareness is generally shown in the Reports to references made to the enterprise in Parliament, or to the scrutiny by parliamentary committees.

Reference is not generally made to public relations in the Reports.

Most enterprises do not seem to be quite concerned with putting across indices of their operating efficiency and a narrative of the efforts made to improve efficiency. The extent of information given has been analysed and some indices of efficiency have been suggested.

Directors' Reports have a long way to go for providing a fuller account of the operations, problems and policies of public enterprises. Taking people into confidence and educating them about the enterprise would pay dividends. Reports should provide a perspective for the future and correlate achievements with the past. Too much emphasis on the *Annual* aspect of the Reports should go.

Chapter IV—Accounts and Audit Report

The part of the Report dealing with Accounts comprises a Balance Sheet, a Profit and Loss Account and Audit Report, along with necessary schedules, notes. charts and diagrams. Accounts spotlight some important aspects of efficiency. They should be clear and orderly, suchlike as a reasonably intelligent person can appreciate.

The form of account of a Government company is as prescribed in the Companies Act. For most public corporations also, a Balance Sheet and a Profit and Loss Account are required to be prepared. Uniformity in the preparation of the former exists in most cases, but for the latter varying practices prevail.

As it is, the Accounts do not contain sufficient details on many matters. No rule of thumb could guide the extent of disclosure to be made : it is to be determined by the management keeping in view all the circumstances of the case. Broadly speaking, enterprises with separate units or divisions should give detail about each of them. Detail of miscellaneous expenses, when their magnitude is high, should be given.

Uniformity in the treatment of various items would help in obtaining important financial statistics for the public sector as a whole by aggregating similar heads, with as few adjustments as possible. Uniformity generally lacks in the treatment of items not pertaining to the accounting year, and for items like Income-tax, Development Rebate Reserve etc. The Institute of Chartered Accountants could provide some guidance on contentious matters.

Sometimes complex adjustments made without adequate explanations, and items in "suspense" accounts stand in the way of proper appreciation of Accounts. The terminology used is not always clear-cut.

Some thinking and planning would be necessary to improve presentation of Accounts. The reader should be able to obtain the required information with the least possible inconvenience and comprehend the same without difficulty. Arrangement of matter, the

visual effect produced by it, table of contents and index, necessary explanatory notes, comparative data, all assume importance here.

Vertical or statement form for presenting the Profit and Loss Account is advantageous and is gaining popularity.

Technical phraseology and jargons used have little meaning for a person not trained in accounting. A simplified version of financial statements would prove very useful for the average reader. About one-fourth of the enterprises provide it.

The requirement of the Companies Act that directors shall be bound to give the fullest information and explanation in their report on every reservation or adverse remark by the auditors, is not complied with satisfactorily in all cases. Further, this requirement does not seem to extend clearly to the remarks of the Comptroller and Auditor-General. Replies to audit objections are not always given along with the audit comments or referred to adequately.

For the public corporations, audit provisions differ from case to case. In the absence of statutory requirements, all the corporations do not publish replies to audit objections. There is no reason why they should be given this exemption.

Auditors' Report of all Government companies and of some public corporations are addressed to the shareholders. The Audit Reports should, as far as possible, be published at the beginning of the Accounts, and not relegated to the end.

In preparing and presenting financial statements, public enterprises do not seem to fully bear in mind the requirements of the average reader as well their own responsibility to the public at large. While asking for greater disclosures, the enterprise's interest is important. The policy of disclosure, however, should not be based on predilections of the management, but on grounds which could be publicly defended. Commonly accepted conventions and practices should strictly be followed in treating various items, but it need not lead to strait jacketing the form and presentation of Accounts.

Chapter V — Annual Reports (Miscellaneous Matters)

The overall responsibility for planning and preparing the Annual Reports generally rests with the top management. For design and layout work, outside help is obtained in some cases. The budget for the Annual Report generally forms part of the printing and stationery budget of the enterprise. The number of

Reports printed differs widely, and so is their cost of printing. The decision regarding distribution of the Reports rests with the top management, and is *ad hoc* in most cases. All M.Ps. are supplied with a copy of the Report only in 10 out of 25 cases. The time spent in the preparation of the Report ranges from one and a half months to 8 months. Many enterprises did not know the date on which their Annual Reports was presented to Parliament, and whether a discussion took place on it.

The get-up of the Reports is generally satisfactory. Lavishness in the production of Reports should be avoided. Public enterprise need not necessarily emulate private enterprise in this regard.

Most Reports are paperbacks. None of them contains the title at the spine. Not much use of colour is made. Some Reports contain pictures showing some aspects of production, visit of a dignitary, labour welfare etc. Most Reports are 10″ to 11″ in length and 8″ to 9″ in width. On an average, Government company Reports contain 40 and those of the public corporations 81 pages. The use of title page is important from the point of view of first visual impression. The title should not only give the year of the Report but also the serial number of the Report and the fact that it contains Annual Accounts.

Careful editing and proper presentation is very important. Division into well-thought out heads and sub-heads is not generally done. None of the Reports carry an index and majority has no table of contents. The latter is often not sufficiently detailed. Some Reports are not even paged. Adequate attention does not seem to have been given to the language in some cases.

Various instances of lack of consistency are found. Abbreviations used are not sometimes explained. Many technical terms used cannot be understood by an average reader. An Annual Report is like a serialised publication but continuity and comparability is not attended to adequately. There is need to see that loose ends are not left in the Report and the reader is able to get at what is presented to him with ease and without confusion.

Diagrammatic and graphic presentation though of great use to the lay reader as well as to the busy observer, is not very popular : only 50 per cent of the enterprises use it. On an average, Reports contain 5 to 6 diagrams and graphs, which depict a wide variety of activities.

Some public corporation Reports contain useful statistical information. The Reports of Government companies, in general do not provide data which could have wider uses in a planned economy.

A Highlight Statement provides a bird's eye view of the enterprise's state of affairs. It should contain comparative figures for the last one or more years and should be placed conspicuously in the Reports. 12 out of 57 enterprises prepare a Highlight Statement.

In regard to authentication of the Reports by the officials of the enterprise, diversity exists in statutory provisions, and in the practice that obtains. The date on which the Report is signed should be mentioned.

One person may be made responsible for producing the Report and for taking all decisions in that regard. The present state of Reports is indicative of the fact that sufficient attention at the top level is not being paid to them.

Only the Reports from Reserve Bank, the Industrial Finance Corporation, and the Employees' State Insurance Corporation are required to be published in the Gazette of India. There is a strong case for making available the Reports of public enterprises to anyone for a reasonable price. Use of the sales organisation of the Publications Division of the Government could be made for this purpose.

The Reports be addressed to the President of India (and thus to the nation) and not to the shareholders, who do not, for all practical purposes, exist. In case of public corporations, a letter of transmittal from the enterprise to the Government be published, as is done in the Reports of the Reserve Bank and some foreign public enterprises.

The Emergency has affected the availability of Reports in some cases. The economy drive following the Emergency has also led to a reduction in the number of pages and the quality of the paper used.

Separate Reports for shareholders and other interests need not be published ; one general Report would suffice. The National Coal Development Corporation published a "deluxe" and an "ordinary" edition. The purpose of the two types of Reports is not clear.

Small matters as given above, when added together, make all the difference in a well or an ill-produced Report. The small matters also affect the public opinion about the enterprise and to some extent reflect the management's attitude towards its job.

Appendix I

The views and recommendations of the Estimates Committee and the Committee on Public Undertakings and Government replies thereto, regarding the Annual Reports of Public enterprises.

16th Report (First Lok Sabha), on Organisation and Administration of Nationalised Industrial Undertakings.

"The reports on the working of the State Undertakings are now included in the annual administration reports of the Ministries concerned which are presented to Parliament. These reports are very short and general. It is not possible to form any idea about these undertakings from these scanty reports. The Committee recommended that each State Undertaking should publish a detailed annual report giving a record of its activity during the past year, the progress made during the year, comparative statistics of previous year relating to expenditure, production etc., the balance sheet and profit and loss accounts, administrative changes and matters relating to the staff and their amenities, outstanding events and any other matters of importance that happened during the year and finally an indication of the work during the following year The report should also furnish such information as is usually provided in the form and contents of balance sheet and profit and loss accounts for Joint Stock Companies including a report on the state of affairs of the business etc. These reports should be presented to Parliament every year, before the budget of the Ministry concerned is taken up for consideration". (pp. 14–15, para 30)

Government's Reply to the Above

"The Government are in general agreement with this recommendation. The report of the undertakings should give as much information as possible depending on the nature of the undertakings ; in particular, the undertakings of the Ministry of Defence should give information consistent with the security of the country and the safeguarding of secrets of a vital nature". (19th Report, Second Lok Sabha, pp. 46–47)

The Comments of the Estimates Committee on the Government's Reply

The Committee recommend that "the annual report to be submitted should be in greater detail than at present, as

recommended in this paragraph. Further, this should be submitted in respect of each financial year and be in addition to the annual report of the Board of Directors." (*Ibid.*, p. 46).

2. *26th Report (First Lok Sabha), on Ministry of Railways—Commercial Matters*

"The railway reports which are very voluminous were rarely studied by individuals at large. Publication of popular edition of the annual report is a step in the right direction. The committee suggest that these popular editions might be published in Hindi also to begin with." (p. 37)

Government's Reply to the Above

"The Railway Board's annual Administration report for 1954-55 as well as its popular edition were brought out in Hindi also. This practice will be continued in future". (32nd Report, Second Lok Sabha, p. 23)

3. *39th Report (First Lok Sabha), on Bharat Electronics*

"The Estimates Committee had recommended in paragraph 30 of their Sixteenth Report that each State Undertaking should publish an annual report giving a record of its activity during the past year, the progress made during the year, comparative statistics of previous years relating to expenditure, production, etc., balance sheet and profit and loss accounts and similar other matters and that it should be presented to Parliament. The Committee find that this recommendation has still not been implemented and that the only information regarding the affairs of the B.E.L. which the Parliament receives, at present, is from the annual Administration Report of the Ministry of Defence wherein a brief mention and some scanty information is to be found. They consider it necessary that the B.E.L. along with similar other State Undertakings should implement the recommendations referred to above and publish an annual report showing all its activities along with the annual accounts and the balance sheet for the information of the Parliament as well as of the general public and that a beginning in this respect should be made in 1957". (p. 16, para 42)

Government's Reply to the Above

"This matter has already been examined by Government and it has been decided that the report of a State Undertaking should give as much information as is possible depending on the nature of undertaking ; in particular, the undertakings of the Ministry of Defence should give such information consistent with the security of the country and safeguarding of secrets of vital nature." (68th Report, Second Lok Sabha, pp. 4-5)

43rd Report (First Lok Sabha) on Indian Airlines Corporation

"The Committee find that the annual reports presented by the Indian Airlines Corporation do not contain all the statistical data that modern airlines usually give in their annual reports. The Committee recommend that the Corporation should study the reports of various modern airlines and improve both the extent of information furnished in their reports as well as the standard of reporting. At present, the reports are in the form of cyclostyled sheets. The Committee feel that attention paid even to such small matters as the get-up of the annual reports will be taken to some extent by the general public as representing the extent of attention the Corporation devotes to all its affairs. They would, therefore, recommend that sufficient attention should be paid to such matters." (pp. 15-16, para 44)

Government's Reply to the Above

The recommendation is "noted". (62nd Report, Second Lok Sabha, p. 6)

11th Report (Second Lok Sabha) on Indian Telephone Industries

"The Committee consider it desirable that the Annual Accounts and Reports of Public Undertakings placed before the Parliament should be made far more detailed and exhaustive than at present. These should clearly bring out the financial working of the undertaking as well as of its various manufacturing departments and branches, an analysis of accounts with particular reference to administrative expenses, overheads, staff strength and measures to control them, actual production of various items and its cost and trends, relations with users, personnel and training matters, etc., together with illustrative graphs and charts wherever possible. In this connection, the Committee would suggest that the Annual Reports and accounts of the Nationalised Industries in U.K. might be considered as a model. Further, in order to enable Parliament and Parliamentary Committees to make a proper study of these undertakings, their annual accounts and reports for the preceding financial year should be laid before the Parliament before the commencement of budget discussions. In their absence, the Committee had to call for detailed information on almost everything from the I. T. I. during their examination of the undertaking." (pp. 26-27, para 78)

Government's Reply to the Above

"The question raised by the Committee regarding the form of presentation of the annual accounts and the reports of public undertakings was brought to the notice of the Department of Company Law Administration who have since issued instructions in the matter *vide* No. I(14)—C. L. VI/50

dated the 16th April, 1959.[1] (105th Report, Second Lok Sabha, p. 11)

6. *73rd Report (Second Lok Sabha), on the Presentation of Budget Estimates of Public Undertakings and Presentation of their Annual Reports and Accounts to Parliament.*

(*i*) "Considering the huge investment of public funds in the public undertakings, the existing methods available to Parliament of keeping itself fully informed about these undertakings are neither adequate nor satisfactory. Under the existing arrangement Parliament does not get a comprehensive picture of the undertakings. Firstly, as pointed out above, there is no consolidated information available with regard to the total investment made by Government in the Public Undertakings and the subsequent changes made therein by way of addition or withdrawal. Secondly, no consolidated information is available with regard to the working of the undertakings and the net effect thereof on the national economy of the country. Thirdly, even with regard to individual undertakings Parliament does not get information in time with regard to their working and the state of their present condition and even when the information is made available it is found to be very often inadequate. There is, therefore, a real need for improving the methods of furnishing information to Parliament about the public undertakings." (pp. 1-2, para 2)

Government's Reply to the Above

"Information regarding the undertakings is given in Annexure XIV of the Explanatory Memorandum of the Budget of the Central Government for 1960-61. In the Demands for Grants for individual Ministries, details of balance sheet, profit and loss account, etc., are also given for each individual undertaking. The Central Statistical Organisation of the Cabinet Secretariat have published a Brochure on "Principal Public Sector Undertakings in India". Individual undertakings are being instructed to make their reports fuller and more informative." (9th Report, Third Lok Sabha, pp 15-16)

The Comments of the Estimates Committee on the Government's Reply

"The Committee had already pointed out in their Seventy-Third Report, that the information contained in the Explanatory Memorandum was not comprehensive and did not include loans given to the various undertakings. Similarly,

1. Reproduced as an Annexure to this Appendix.

the brochure "Principal Public Sector Undertakings in India" as its name indicates, does not contain information about all the public undertakings. It is thus, evident that the information contained in these publications is not adequate and does not fulfil the purpose envisaged by the Committee." (*Ibid.*, p. 1, para 1)

"Government have stated that there is a proposal to bring out a consolidated financial and economic review of industrial undertakings of Government. They feel that the need for furnishing consolidated information to Parliament would be met if the scope of the proposed publication is enlarged to include all public undertakings properly classified. They hope that this will be done and the publication brought out as early as possible." (*Ibid.*, p. 1, para 2)

(*ii*) "The Committee observe that there is no uniformity in regard to the submission of annual reports and accounts of public undertakings to Parliament. In some cases, they are not required to be submitted at all. In somewhere they are required to be submitted, there are delays in submission, while in some other accounts not certified by the auditors are submitted". (p. 5, para 6)

Government's Reply to the Above

"From a study of the recent annual reports, it will be observed that some companies are already giving the necessary information. However, arrangements are being made so that the information desired by the Committee is made available in future by all Corporations" (9th Report, Third Lok Sabha, p. 3)

The Comments of the Estimates Committee on the Government's Reply

"The Committee hope that the recommendation will be implemented without any undue delay and the requisite information would be made available by all public undertakings by the time of the next year's budget discussion". (*Ibid.*, p. 2 para 3)

(*iii*) Regarding Port Trusts, Reserve Bank and State Bank whose reports are not formally presented to Parliament but are forwarded to Parliament Library, the Committee observed :

"The Committee do not however see why such a distinction should be made between one statutory body and another in this respect, nor do the Committee see any objection to the Reports being laid on the Table of the Houses of Parliament when they are being supplied to the Parliament Library. They, therefore, suggest that the matter of following a

uniform practice in the case of all statutory corporations may be considered." (p. 6, para 10)

Government's Reply to the Above

The Recommendation is "Accepted". (9th Report, Third Lok Sabha, p. 5)

(*iv*) Regarding the annual report of the companies in which Government holds minority shares, the Committee observed :

"As, however, public funds are invested in these companies and the Central Government have a direct interest in them and exercise control over them through the representatives on the Board of Directors of the companies, the Committee do not see why the reports of such companies should not also be presented to the House. They, therefore, recommend that reports of such companies also be presented to Parliament". (p. 6, para 11)

Government's Reply to the Above

"These are not Government Companies. However, arrangements are being made for the supply of annual reports to the Library of the House". (9th Report, Third Lok Sabha, p. 17)

The Comments of the Estimates Committee on the Government's Reply

"The supply of the reports to Parliament Library does not meet the recommendation of the Committee with regard to their presentation to Parliament. The Committee reiterate their recommendation". (*Ibid* , p. 17)

(*v*) Regarding fixation of time limit for presentation of Reports to Parliament :

"Since the annual reports of State Enterprises are a valuable device of informing Parliament and the public about their operations and financial conditions, it is essential that Parliament should be seized of these reports within the least possible time after the expiry of the financial year. It may be stated in this connection that in U.S A. a time limit of 6½ months has been prescribed within which similar reports of wholly-owned Government Corporations and mixed ownership corporations are required to be presented to the Congress after the end of the fiscal year. In the United Kingdom, although no specific time limit seems to have been imposed for the laying of the annual reports and accounts of the nationalised industries before Parliament, they are normally made available within a period of 5 to 6 months after the expiry of the financial year. In this connection,

the Committee of Public Accounts, U. K. had, in one of its reports, desired that the Annual accounts of the National Coal Board for the previous calendar year should be laid before Parliament in May every year and this recommendation appears to have been duly given effect to. The Committee feel that a similar time limit should be fixed for the presentation of the Reports of the corporations as well as Government Companies to Parliament". (pp. 9-10, para 20)

"The Committee recommend that the accounts and reports for the previous year of all the public undertakings, whether they are statutory corporations, Government Companies, or other bodies referred to above, may be laid before Parliament before the general budget for the following year is presented". (p. 10, para 22)

Government's Reply to the Above

"Every effort will be made to present the annual reports within the least possible time after the close of the financial year". (9th Report, Third Lok Sabha, p. 18)

The Comments of the Estimates Committee on the Government's Reply.

"The Committee feel that to secure expeditious presentation of annual reports of all public undertakings to Parliament, it is necessary to lay down a time limit in this regard which should not in any case go beyond the outer limit indicated above"[1]. They, therefore reiterate the recommendation. (*Ibid.*, p. 2, para 4)

(*vi*) Regarding the presentation of audited accounts only :

"The Committee recommend that when there is a statutory provision for presentation of accounts to Parliament with the certificate of the Comptroller and Auditor-General only the accounts as certified by him should be presented. Even in other cases where there is no such statutory provision for certificate by the Comptroller and Auditor-General the accounts should be presented to Parliament only with necessary audit certificate by the professional auditors of the respective concerns and in the case of Government Companies with the comments of Comptroller and Auditor-General thereon as required under Section 619 (4) of the Companies Act". (p. 11, para 24)

Government's Reply to the Above

The Recommendation is "Accepted" (9th Report, Third Lok Sabha, p. 7)

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[1] The outer limit being the presentation of general budget for the next year.

(*vii*) Regarding contents of the reports :

"In this connection, it should be noted that Parliament is not interested merely in the rate of dividend declared by the public undertakings but it is also concerned with various other aspects of their working such as their physical and financial programme, achievements in relation to the programme, productivity, cost of production, price structure, employment trends, labour relations, organisational changes etc. The Committee suggest that in evolving a common pattern for the reports all these aspects may be kept in view. Pending the preparation of common pattern, the Committee suggest that all the undertakings may be advised to describe in their reports their programme and achievements in greater details ; the industrial undertakings may indicate in their reports, *inter alia*, their unit cost of production, the rate of output per man or per unit of capital employed, and the other undertakings also may be encouraged to indicate, where possible, similar co-efficients of efficiency appropriate to their business". (p. 12, para 27)

Government's Reply to the Above

"Instructions are being issued so that Reports are amplified on the lines indicated by the Committee". (9th Report, Third Lok Sabha, p. 10)

7. *86th Report* (*Second Lok Sabha*) *on State Trading Corporation of India.*

"The Committee consider that for a proper assessment of the working of S. T. C the directives issued by the Government to the Corporation and how they have been carried out and their results on the working of the Corporation should be mentioned in the Annual Reports of the Corporation. They recommend that suitable provisions may be made for this purpose in the Statute suggested in para 22. Till then, such information may be furnished under executive orders". (p. 10, para 26)

Government's Reply to the Above

"Accepted The S. T. C. is being instructed to do the needful". (149th Report, Second Lok Sabha, p. 5)

8. *119th Report* (*Second Lok Sabha*) *on Ashoka Hotels*

"The Committee further feel that it would be useful if statistics regarding the monthly occupancy figures for all the months are appended to the annual reports of the Company". (p. 6, para 13)

Government's Reply to the Above

"The suggestion regarding monthly occupancy figures being appended to the annual report of the Company has been accepted and the Management is being advised accordingly". (6th Report, Third Lok Sabha, p. 3)

134th Report (Second Lok Sabha) on Life Insurance Corporation of India

(*i*) "The figures of new business, management expenses, overall and renewal expense ratios, profit and loss etc. could be worked out for each zone and published separately in the Annual Reports of these Units to enable their efficiency to be judged". (p. 5, para 10)

Government's Reply to the Above

"The new business figures, zonewise, are already being published in the annual reports. The question of publishing renewal expense ratio and management expenses of different zones will be examined after the work relating to decentralisation of policies issued by the erstwhile insurers has been completed".

"Profit and loss account cannot be worked out for the different zones separately as the investment work is centralised at the Central Office of the Corporation". (41st Report, Third Lok Sabha, p. 25)

(*ii*) (*a*) "The Committee suggest that lapses from the business written in the last quarter of the year should be worked out separately for each month and published in the annual report of the Corporation".

(*b*) "It would also be desirable for the Life Insurance Corporation to give in the Annual Reports figures of new business written during each month of year zonewise". (p. 21, para 53)

Government's Reply to the Above

(*a*) and (*b*) Noted. (41st Report, Third Lok Sabha, p. 9)

(*iii*) "Figures of rural business may be compiled and published separately in the Annual Reports of the Corporation". (p. 23, para 57)

Government's Reply to the above

"Noted". (41st Report, Third Lok Sabha, p. 10)

(*iv*) (*a*) "Statistics relating to the first insurance policies and sum assured thereunder in urban and rural areas, should be published in the annual reports of the Corporation".

(*b*) "Statistics relating to the policies classified into :

(*a*) Rs. 501 — 1,000
(*b*) Rs. 1,001 — 2,000
(*c*) Rs. 2,001 — 3,000
(*d*) Rs. 3,001 — 5,000
(*e*) Rs. 5,001 — 10,000
(*f*) Rs. 10,001 — 1,00,000
(*g*) Rs. 1,00,001 — and above should be included in the annual reports of the Corporation".

(*c*) "Lapse ratio for the year under report should be compiled in time for inclusion in the relevant annual report of the Corporation". (p. 29, para 72)

Government's Reply to the above

(*a*), (*b*) and (*c*) "Noted". (41st Report, Third Lok Sabha, p. 13)

(*v*) "The Committee trust that the details of activities likely to be taken up in subsequent years would also be incorporated in the reports from 1960 onwards". (p. 37, para 94)

Government's Reply to the above

"Relevant details of the activities likely to be taken up in future years will be mentioned in the annual reports". (41st Report, Third Lok Sabha, p. 16)

(*vi*) "The Committee hope that a beginning would be made to include a summarised statement showing the excess of income over expenditure at a glance in the annual reports of the Corporation from this year, as agreed to by the representative of the Corporation". (p. 129, para 95)

Government's Reply to the above

"Noted. The necessary information would be incorporated in the annual reports of the Life Insurance Corporation of India". (41st Report, Third Lok Sabha, p. 17)

(*vii*) "The Committee also recommend that to enable a correct appreciation of the position of each zone, and from year to year, the figures of outstanding claims, classified into maturity and death claims zone-wise, their value, period for which they are outstanding, etc. may be published in the annual reports of the Corporation". (p. 72, para 163)

Government's Reply to the above

"Noted". (41st Report, Third Lok Sabha, p. 22)

(*viii*) "The Committee would also suggest that an analysis of complaints received by the Life Insurance Corporation during a year from each Zone would be published in its annual reports". (p. 74, para 166)

Government's Reply to the above

"Noted". An analysis of complaints received by the Life Insurance Corporation during a year from each Zone would be published in its Annual Reports". (41st Report, Third Lok Sabha, p. 22)

10. *161st Report (Second Lok Sabha) on All India Handicrafts Board and Indian Handicrafts Development Corporation Ltd.*

"The Committee suggest that information regarding volume and value of exports of handicrafts should be published in the annual reports of the Corporation which are presented to Parliament". (p. 33, para 101)

Government's Reply to the Above

"The suggestion of the Estimates Committee has been noted and the Corporation have been advised accordingly". (58th Roport, Third Lok Sabha, p. 15)

11. *32nd Report (Third Lok Sabha) on National Coal Development Corporation Ltd.*

"The Committee recommend that the Corporation should include summarised Profit and Loss Accounts of collieries area-wise in the annual reports. Further, these reports should be made more informative regarding the various activities of the Corporation and among other things, include a map indicating the location of various collieries, directives, if any, issued by the Government etc." (p. 83, para 264)

Government's Reply to the above

"This has been noted by the Corporation". (7th Report C.P.U.[1] Third Lok Sabha, p. 24)

12. *35th Report (Third Lok Sabha) on Heavy Electricals (India) Ltd.*

(*i*) "The actual itemwise production by H.E.L. during a year *vis-a-vis* targets may be included in its annual reports. The statement of actual production might include the value of orders executed by H.E.L. during the year as well as those

1. The abbreviation "C.P.U." has been used for "Committee on Public Undertakings".

pending at the end of it. The reasons for shortfall and steps taken to overcome the difficulties might also be indicated in the annual reports". (p. 31, para 98)

(*ii*) "The Committee consider that it would be highly desirable if the annual reports of H.E.L. indicate the percentage of imported raw materials and components used in the manufacture of equipment so that the progress made in the utilisation of indigenous raw materials and components is known from year to year". (p. 39, para 124)

(*iii*) "The Committee further suggest that the annual reports of H.E.L. should include a break-up of the staff employed category-wise separately on (*a*) construction (*b*) operation of the factories etc.". (p. 72, para 233)

Government's Reply to the Above

Not yet published.

13. *36th Report (Third Lok Sabha) on Industrial Finance Corporation of India*

The Committee suggest that the following information may also be incorporated in the annual reports :

(*a*) "The present Appendix 'A' should be amplified so as to show the amount of loans sanctioned to concerns in which directors of the Corporation are interested".

(*b*) "Statement showing (State-wise) the number of applications received, number sanctioned, number rejected, number withdrawn, number lapsed and number pending, amount applied for, amount sanctioned, amount disbursed, amount rejected, amount withdrawn, amount lapsed and the amount pending".

(*c*) "The productive capacity of each borrowing concern prior to its availing of the Corporation's loans and after. (This will help an assessment of the Corporation's contribution towards increasing industrial productivity)". (p. 45, para 110)

Government's Reply to the Above

(*a*) Industrial Finance Corporation have no objection to amplifying Appendix A of the Annual Reports of the Corporation (showing interest of Directors in loanee concerns) in the manner suggested.

(*b*) A statement is already furnished in the Annual Report showing the industry-wise distribution of loans/financial assistance approved together with the number of units, in respect of each state. It is felt that a statement incorporating the additional information suggested would become quite unwieldy and might not serve any useful purpose.

(c) The suggestion of the Committee has been noted. (10th Report, C.P.U., Third Lok Sabha, pp. 15 & 29)

14. *47th Report (Third Lok Sabha) on Exports Risks Insurance Corporation Ltd.*

"Since the Annual Reports of State enterprises are the only authoritative media for informing the Parliament and public about their operations and their financial conditions, it is essential that Parliament should be seized of these reports within the least possible time after the expiry of the accounting year. The Committee hope that the Annual Reports of the Corporation would in future be presented to Parliament expeditiously". (pp. 50-51, para 142)

"It is noted that no standard pattern for the inclusion of the material in the Annual Reports is being followed by the Corporation as would be evident from the following instances :

(*i*) In the First Annual Report information was given regarding the number of proposals for insurance received and those which resulted in policies. This information was not given in the subsequent reports.

(*ii*) In the second Annual Report, a statement showing the classification of policies by volume was given. This information was not available in the subsequent reports.

(*iii*) In the second Annual Report a table had been given showing the coverage of the Corporation in respect of major export commodities. This table had not been given in the subsequent reports.

(*iv*) In the Third and Fourth Annual Reports an analysis of types of policies issued had been given. This analysis did not find a place in the earlier and subsequent reports.

(*v*) In the Fifth Annual Report a comparative statement of business done by the Corporation during the years 1960, 1961 and 1962 had been given. Such statements were not included in the earlier reports". (p. 51, para 143)

"The Committee consider it desirable that the Annual Reports and Accounts of Public undertakings placed before Parliament should be made more detailed and exhaustive than at present. In this connection the Committee would like to draw attention to a similar recommendation contained in their 16th Report (First Lok Sabha). The Committee would, therefore, recommend that besides the points mentioned in (*i*) to (*v*) above, the following data might also be suitably included in the Annual Reports :

(*i*) Details showing country-wise, the value of risks covered by the Corporation.

(*ii*) Details showing commodity-wise the value of risks covered by the Corporation.

(*iii*) A short account of the business transacted by the Branch Offices during the year.

(*iv*) Illustrative charts showing the progress of business of the Corporation". (p. 52, para 145)

Government's Reply to the Above

Not yet published.

15. *49th Report (Third Lok Sabha), on State Trading Corporation of India*

"The Estimates Committee (1959-60) had recommended in their 73rd Report that the annual reports should be laid on the Table as early as possible after the close of the year and in any case before the presentation of the general budget for the following year. That Committee further recommended that a time limit should be fixed by Government for the presentation of the annual reports. It is regrettable that no time limit was fixed and the Estimates Committee (1962-63) reiterated the recommendation in their 9th Report (Third Lok Sabha)". (p. 59, para 188)

"In the years 1959-60 and 1960-61 the Corporation took one year and 4 months in submitting its report to Parliament. The report for the year 1962-63 has not been laid on the Table of the House so far. The Committee consider that Government should fix a time limit for the presentation of the annual reports by Public Undertakings and should ensure that it is adhered to". (p. 59, para 189)

Government's Reply to the Above

"Under the Companies Act, the time limit fixed for closing the Annual accounts and presentation of the annual report to the shareholders is 6 months from the date of closing of the financial year. The Corporation adheres to this time limit. So far as the submission of annual report to Parliament is concerned, Government have instructed the Corporation in October 1964 that the annual reports containing duly audited accounts should be laid on the Table of both Houses of Parliament latest by November/December of the financial year following the financial year for which the Report pertains". (32nd Report, C.P.U., Third Lok Sabha, p. 15)

On further enquiry by the Committee, it was informed by the Government that the following instructions have been sent to the enterprise concerned.

Memorandum of the Ministry of Commerce, Government of India, dated 15th October 1964

"It has been observed that no uniform procedure is at present being followed by the Sections for laying on the Table of both Houses of Parliament, Annual Reports and the Audited Accounts of the various Statutory Boards e'c. under the administrative control of this Ministry. With a view to bringing about uniformity in this behalf as also with a view to avoiding any undue delay in the submission of Annual Reports and the Audited Accounts of the various Boards etc. to Parliament, Ministry of Finance have suggested that in future Annual Reports containing duly Audited Accounts of the various Statutory Boards under the administrative control of this Ministry should be laid on the Table of both Houses of Parliament latest by November/December of the next financial year to which the Report pertains. All concerned may kindly note this suggestion for strict compliance". (*Ibid.*, p. 40)

16. *1st Report, C.P.U. (Third Lok Sabha) on National Building Construction Corporation Ltd.*

"The Committee also consider that when public undertakings are constituted for the achievement of certain objectives, it is only proper that, in their Annual Reports, they should review their performance in the light of the objectives also. The Committee recommend that Government should issue necessary instructions to ensure that this is done". (p. 3, para 6)

Government's Reply to the above

Not yet published.

17. *3rd Report, C.P.U. (Third Lok Sabha) on Shipping Corporation of India Ltd.*

(*i*) "Further, the operation of such less remunerative services should be undertaken only on specific directives from Government and not by the Corporation on its own. Where such activities are undertaken in public interest, the Corporation should give details in its annual reports and accounts and their effect on its overall working". (p. 9, para 32)

(*ii*) "At present the Report of the Corporation gives information regarding the names of vessels owned, the G.R.T. and the year in which they were built. However, no indication is given about the country where the vessels were built. If this information is also given, it would be possible to know the number of the Corporation's vessels built in India and those built in foreign shipyards. The Committee suggest that such information may be included in the Annual Reports of the Corporation in future". (p. 50, para 139)

Government's Reply to the Above

Not yet published.

18. *5th Report, C.P.U. (Third Lok Sabha) on Oil & Natural Gas Commission*

"The Committee note that at present the audited accounts of the Commission are not included in its Annual Report and the two documents are presented to Parliament separately. They suggest that as far as possible the audited accounts should be included in the Annual Reports of the Commission". (p. 24, para 80)

Government's Reply to the Above

Not yet published.

19. *6th Report C.P.U. (Third Lok Sabha) on Fertilizer Corporation of India Ltd.*

(*i*) "To assess the performance of the Division, it is essential that it should be run on purely commercial lines and charge the units/projects of the Corporation for the work undertaken on their behalf. Its accounts should also be published separately in the annual reports of the Corporation". (p. 62, para 219)

(*ii*) "It would be desirable if the targets fixed and the actual performance in this regard are also indicated in annual reports of the Corporation". (p. 83, para 295)

Government's Reply to the Above

Not yet published.

20. *13th Report, C.P.U. (Third Lok Sabha) on Management and Administration of Public Undertakings*

"The Committee would also suggest that it would be desirable if the Annual Reports of the undertakings indicate the percentage of imported raw materials and components used by them in the manufacture of equipment so that the extent of indigenous raw materials and components used by them is known from year to year". (p. 52, para 135)

Government's Reply to the Above

Not yet published.

ANNEXURE

Office Memorandum

Subject : Government Companies — annual reports to be placed before Parliament — Sec. 639 of the Companies Act, 1956.

The undersigned is directed to invite reference to paragraph 4 of this Department letter No. 1/5/58-P.R., dated the 2nd June, 1958 to the Government of Mysore, copy of which was endorsed to all Ministries of the Government of India, in which the scope and the manner of presentation of the Annual reports of the Government companies were discussed. The Administrative Ministries have no doubt noticed that the Estimates Committee of Parliament in its 11th Report of the Indian Telephone Industries has since made the following suggestion on the subject :

1. "The Committee consider it desirable that the Annual Accounts and Reports of Public Undertakings placed before the Parliament should be made far more detailed and exhaustive than at present. These should clearly bring out the financial working of the undertaking as well as of its various manufacturing departments and branches, an analysis of accounts with particular reference to administrative expenses, overheads, staff strength and measures to control them, actual production of various items and its cost and trends, relations with users, personnel and training matters, etc. together with illustrative graphs and charts wherever possible. In this connection, the Committee would suggest that the Annual Reports and accounts of the Nationalised Industries in U.K. might be considered as a model. Further, in order to enable Parliament and Parliamentary Committees to make a proper study of these undertakings, their annual accounts and reports for the preceding financial year should be laid before the Parliament before the commencement of budget discussions".

2. The National Coal Board, U.K. in its report for the year 1955, the pattern of which has been commended by the Estimates Committee has furnished details under the following heads :

(*i*) Results of the year, financial and production etc.

(*ii*) Demand of distribution, *e.g.*, position and prospects of imports and exports, consumption of coal etc.

(*iii*) Technical progress, *e.g.*, research works, techniques of management, mechanisation, etc.

(*iv*) Organisation, *e g.*, general policy and management.

(*v*) Men in industry, *e.g.*, Manpower, welfare works, training schemes, conditions of service, etc.

(*vi*) Summarised financial results for the year, *i.e.*, the annual accounts with the necessary schedules, etc.

(*vii*) Statistical tables and graphs indicating :—

1. Output of coal.
2. Output per man-hour.
3. Number of wage earners on the books.
4. Percentage of absentees.
5. Average number of shifts per man.
6. Age distribution of men on the books.
7. Fatal and reportable accidents.
8. Consumption and stock of coal.
9. Average earnings etc.

While the Administrative Ministries will no doubt consider in due course to what extent and in what manner the pattern of the annual reports of the nationalised undertakings in U.K. can be followed in this country, this Department would suggest that having regard to the fact that information on many aspects of the working of public undertakings registered as companies under the Companies Act, 1956 would already be available in their balance sheets and profit and loss accounts and their Directors' Reports, the Annual Report required to be submitted by the Administrative Ministry concerned for submission to Parliament under Sec. 639 of the Companies Act may contain only such additional information as may supplement the information already available in the aforesaid documents. The precise form and contents of this Annual Report would, therefore, vary not only from industry to industry but also from company to company and it may be difficult to prescribe a standard form of such reports. Nevertheless, having regard to the oft-expressed desire in Parliament as evinced by the latest recommendation of the Estimates Committee for fuller information about the working of Government companies in accordance with the provisions of Sec. 639 of the Companies Act 1956 the annual reports should be as informative as possible so as to render the financial accounts of these companies more intelligible and meaningful to the public in the context of their management policy. In this connection, this Department trusts that the pamphlet (Annual Company Reports — simplified presentation of statutory accounts) already circulated to Government companies and the suggestion of the Director of Commercial Audit in regard to the desirability of preparation of manufacturing accounts which had been brought to the notice of all administrative Ministries in this Department Office Memorandum No. I(II)CL-VII/59 dated the 30th March, 1959 will facilitate the supply of the requisite additional information by Government in a form and manner which would highlight the more significant aspects of their operations and render them more readily intelligible to outsiders.

T. S. Menon
Under Secretary to the Government of India.

Appendix II

The views snd recommendations of the Estimates Committee and the Committee on Public Undertakings and Government replies thereto, regarding published accounts of public enterprises.

1. *11th Report (Second Lok Sabha) on Indian Telephone Industries*

"The Committee consider it desirable that the Annual Accounts and Reports of Public Undertakings placed before the Parliament should be made far more detailed and exhaustive than at present. These should clearly bring out the financial working of the undertaking as well as of its various manufacturing departments and branches, an analysis of accounts with particular reference to administrative expenses, overheads, staff strength and measures to control them, actual production of various items and its cost and trends, relations with users, personnel and training matters etc., together with illustrative graphs and charts wherever possible. In this connection the Committee would suggest that the Annual Reports and Accounts of the Nationalised Industries in U.K. might be considered as a model". (pp. 26-27, para 78)

Government's Reply to the Above

"The question raised by the Committee regarding the form of presentation of annual accounts and the reports of public undertakings was brought to the notice of the Department of Company Law Administration who have since issued instructions in the matter *vide* No. 1(14)-C.L. VI/59 dated the 16th April, 1959".[1]

2. *73rd Report (Second Lok Sabha) on Preparation of Budget Estimates of Public Undertakings and Presentation of their Annual Reports and Accounts to Parliament*

"The Committee recommend that when there is a statutory provision for presentation of accounts to Parliament with the certificate of the Comptroller and Auditor-General only the accounts as certified by him should be presented. Even in other cases where there is no such statutory provision for certificate by the Comptroller and

1. See Annexure to Appendix I.

Auditor-General the accounts should be presented to Parliament only with necessary audit certificate by the professional auditors of the respective concerns and in the case of Government companies with the comments of Comptroller and Auditor General thereon as required under Section 619(4) of the Companies Act". (p. 11, para 24)

Government's Reply to the Above

"Accepted". (9th Report, Third Lok Sabha, p. 7)

3. *80th Report (Second Lok Sabha), on Public Undertakings—Forms and Organisation*

"There is no uniformity in the presentation of accounts. While in the case of some manufacturing concerns manufacturing accounts are presented, in other cases they are not. In some cases the profit and loss appropriation account is shown separately from the profit and loss account while in others the appropriation of profits is included in the profit and loss account. There is also wide divergence in the manner of treatment of certain types of transactions and adjustments in the organisations". (p. 7, para 22)

Government's Reply to the Above

"Not yet published".

4. *86th Report (Second Lok Sabha) on State Trading Corporation*

(*i*) "The trading account for the year 1956-57 was given commodity-wise. The account for the year 1957-58, however, was a summarised account. The presentation of accounts trade-wise was more informative. It enabled proper assessment of financial results of each item of trade. The Committee were informed that it would not be expedient to disclose detailed information in the larger interests of the Corporation. Nor was it required to be done under the Company Law. Even so, the commodities in which the Corporation dealt as also the respective quantities were indicated in the Report of 1957-58. The question arises whether the detailed information could be withheld from the shareholders, who ultimately are the Parliament. This is a matter which the Committee consider should be gone into more carefully by the Government". (p. 14, para 37)

Government's Reply to the Above

"The S.T.C. is being instructed to give as much information as possible consistent with their business interests". (149th Report, Second Lok Sabha, p. 7)

(*ii*) "The Committee feel that it would be better to make a statement in the Annual Reports and Accounts on the

volume of indirect sales, the nature of promotional activities undertaken and the approximate over-head expenditure incurred, to facilitate a comparison between direct sales and indirect sales secured by the Corporation and the relative costs. They recommend that necessary steps in the matter may be taken early". (p. 17, para 44)

Government's Reply to the Above

"Accepted". (149th Report, Second Lok Sabha, p 7)

5. *93rd Report (Second Lok Sabha) on National Coal Development Corporation*

(*i*) "The Committee feel that for a proper appreciation of the results of operation of the Corporation it would be desirable to maintain and publish the accounts of each colliery separately on commercial lines. The Government explained that the accounts of each colliery were in fact maintained separately under the supervision of the Financial Controller of the Corporation but that it was not convenient to publish them in the Annual Report. The Committee would recommend that if it is not possible to publish the accounts of each colliery separately, the accounts of old collieries should at least be separated from the accounts of the new mines and published as such". (pp. 4-5, para 8)

Government's Reply to the Above

"Individual revenue accounts are being maintained for the collieries of the N.C.D.C. These reveal the annual profit and loss of the colliery concerned clearly. If by "commercial basis", the Estimates Committee means that the accounts of each colliery should be maintained in the form that besides the exhibition of the profit and loss, a separate balance sheet is also given for each colliery, then the preparation of such commercial accounts would be misleading, and especially so in the case of new collieries, which would be in different stages of development. Commercial accounts on the pattern mentioned above could be maintained for the old State collieries as a whole, as they have already been fully developed but even this does not appear necessary as the respective revenue accounts give a clear enough picture of the financial results of the working of each colliery". (152nd Report, Second Lok Sabha, pp. 12-13)

(*ii*) "It is observed that details of the Miscellaneous Receipts, which amounted to Rs. 14.35 lakhs in 1957-58 have not been given in the Report. Similarly, details of the Miscellaneous and other Expenses which amounted to Rs. 12.97 lakhs are not available. The Committee suggest that when the Miscellaneous Receipts and Expenses are of this magnitude it would be desirable to give a detail of

at least the major items falling under these heads in the annual reports of Public Undertakings". (p. 5, para 10)

Government's Reply to the Above

"This recommendation has been noted. The details of the major items falling under the heads "Miscellaneous Receipts" and "Miscellaneous Expenses" will be furnished by the N.C.D.C. in future annual reports". (152nd Report, Second Lok Sabha, p. 3)

(*iii*) "It is observed that no separate production account has been appended to the Report of the Corporation. In the absence of such an account, it is not possible to work out and comment on the trends of the various elements in the cost of production *viz.*, direct expenses, indirect expenses, overheads, establishment expenses etc The Committee consider it necessary that details about the actual production, its costs etc. in respect of each colliery should be shown separately, as is being done by the National Coal Board. They, therefore, recommend that necessary action may be taken to include a production account in the next Annual Report of the Corporation". (pp. 6-7, para 13)

Government's Reply to the Above

"It is considered unnecessary to include a production account in the Annual Report of the Corporation for the following reasons :

(*a*) The revenue accounts of individual collieries give all the details as to the expenses incurred by the Corporation in the actual production of coal ; and

(*b*) The overall profit or loss on the working of the collieries is available from the profit and loss accounts appearing in the Annual Report". (152nd Report, Second Lok Sabha, p. 13)

6. *94th Report (Second Lok Sabha) on Hindustan Machine Tools*

(*i*) It is observed that details of neither Miscellaneous Expenses which increased from Rs. 5.52 lakhs in 1957-58 to Rs. 6·71 lakhs in 1958-59, nor of Miscellaneous income which increased from Rs. 4.74 lakhs to Rs. 4.95 lakhs are given in the Report. Expenditure on items like 'Publicity' has also not been indicated separately. The Committee were informed by Government that the presentation of expenses in the Profit and Loss Account of the Company was generally done in accordance with the regulations prescribed for the purpose in the Companies Act, and that details for the various expense items were presented to Government Auditors and Statutory Auditors for audit".

"While the existing procedure might be in accordance with the provisions of the Company Law, the Committee feel that when the Miscellaneous Expenses or Receipts are of this magnitude, details of at least the major items falling under the heads should be indicated in the Report". (p. 6, paras 14-15)

Government's Reply to the Above

"The recommendation will be given effect to by the Company in compiling Annual Report for 1960-61". (147th Report, Second Lok Sabha, p. 3)

(*ii*) "No manufacturing or trading account has been appended to the Annual Report. The Department of Company Law Administration (at the instance of Director of Commercial Audit) recently suggested the desirability of including these accounts in the Annual Reports of the Public Undertakings. The Committee trust that a beginning would be made to include such an account in the next Annual Report of the Company". (p. 7, para 16)

Government's Reply to the Above

"The matter has been taken up with the Company". (147th Report, Second Lok Sabha, p. 8)

The Comments of the Estimates Committee on the Government's Reply

"The Committee hope that an early decision in this behalf would be taken". (*Ibid.*, p. 1)

7. *134th Report (Second Lok Sabha) on Life Insurance Corporation*

"The revenue account of the Corporation is at present prepared in the form contained in the Insurance Act, 1938. No summarised position of its working during a year showing the excess of income over expenditure at a glance is given in the Reports as is done by the Insurance Companies in the U.S.A. The representative of the Corporation agreed during evidence to include a summarised statement in future in the Annual Reports of the Corporation. The Committee hope that a beginning would be made in this regard from this year". (p. 37, para 95)

Government's Reply to the Above

"Noted. The necessary information would be incorporated in the Annual Reports of the L I. C.". (41st Report, Third Lok Sabha, p. 17)

8. *49th Report (Third Lok Sabha) on State Trading Corporation*

"The Committee feel that it would be better if expenditure incurred on each item is shown separately in Profit and

Loss Account instead of adding them and showing them under the head "Miscellaneous Expenses". Some expenditure has been incurred in 1960-61 and 1961-62 on account of "adjustments of purchase and sales values" which has been shown under "Miscellaneous Expenses". As the details furnished are not clear, the Committee suggest that in regard to such items, descriptive notes should be given in future". (p. 58, para 186)

Government's Reply to the Above

"Government accept the recommendation The Corporation will be advised accordingly (32nd Report, C P U., Third Lok Sabha, p. 15)

8th Report, C.P U. (Third Lok Sabha) on Townships and Factory Buildings of Public Undertakings

"It is also desirable that the estimates of cost of townships should be shown separately while seeking approval of Parliament for investment in public undertakings. The expenditure incurred on townships should also be shown separately in the Annual Accounts of the public undertakings". (p. 30, para 87)

Government's Replies to the Above

Not yet published.

Appendix III

Statutory provisions regarding Annual Reports

A. The Form and Contents of Annual Reports

1. Air Corporations (Air-India and Indian Airlines Corporation)	Each of the Corporation shall prepare and submit "in such form as may be prescribed a report giving an account of its activities during the previous financial year" and "shall also give an account of the activities, if any, which are likely to be undertaken by the Corporation during the next financial year". [Air Corporations Act, 1953, See. 37(1)] The annual report to be submitted by the Corporation "shall contain particulars, amongst others, in respect of the following items and shall be in such form as the Central Government may from time to time direct, namely : (*i*) routes ; (*ii*) operations ; (*iii*) traffic & sales ; (*iv*) passenger services ; (*v*) engineering and maintenance ; (*vi*) staff ; (*vii*) organisation ; (*viii*) finance and accounts ; (*ix*) subsidiary and associate companies. (Rule 15(1) of the rules framed in exercise of the powers conferred by Sec. 44 of the Act)
2. Damodar Valley Corporation	The Corporation shall prepare, "in such form as may be prescribed", an annual report

	giving "a true and faithful account of its activities during the previous financial year, with particular reference to : (*i*) irrigation ; (*ii*) water supply ; (*iii*) electrical energy ; (*iv*) flood control ; (*v*) navigation ; (*vi*) afforestation ; (*vii*) soil erosion ; (*viii*) use of lands ; (*ix*) resettlement of displaced population ; (*x*) sanitation and public health measures ; and (*xi*) economic and social welfare of the people. The annual report shall also give a true and faithful account of the income and expenditure during the previous financial year, the net amounts attributable to each of the three main objects and the distribution of the capital cost between the three participating Governments, and show the progressive totals from the inception of the Corporation and the up-to-date financial results". [The D.V.C. Act, 1948, Sec. 45(1) and (2)]
3. Employees' State Insurance Corporation	"The Corporation shall submit...an annual report of its work and activities". (The E.S I C. Act, 1948, Sec. 35)
4. Industrial Finance Corporation	The Corporation shall furnish "a statement in the prescribed form of its assets and liabilities as at the close of that year together with a profit and loss account for the year and a report of the working of the Corporation during the year". [The I.F.C. Act, 1948, Sec. 35(3)]

	The Board shall have the power to determine "the form of returns and statements required ... ... " [*Ibid.*, Sec. 43 (2) (J)]
	The Board, however, has prescribed that the statements required under Section 35(3) "shall be in the form prescribed by the Central Government". (Regulation 51 of the regulation framed in exercise of the powers conferred by Sec. 43 of the Act)
5. Life Insurance Corporation	The Corporation shall prepare and submit "in such form as may be prescribed, a report giving an account of its activities during the previous financial year, and the report shall also give an account of the activities, if any, which are likely to be undertaken by the Corporation in the next financial year". (The L.I.C. Act, 1956, Sec. 27)
	"The Annual Report to be submitted by the Corporation ... under Section 27 of the Act regarding its activities during the previous financial year shall be in such form as the Central Government may, from time to time, direct and shall, *inter alia*, contain particulars in respect of the following matters, namely : (*i*) the extent of the new business ; (*ii*) the total amount of business in force ; (*iii*) the total amount of claims ; (*iv*) nature of investment ; and (*v*) the accounts". (Rule 17 of the rules framed in exercise of the powers conferred by Sec. 48 of the Act)

6. National Co-operative Development Corporation	The Corporation shall submit a report, "in such form and manner" as may be prescribed, "giving a true and full account of its activities, policy and programme during the previous year". [The N Co-op. D. C. Act, 1962, Sec. 14(2)] The report shall be in form of a narrative and shall contain : 1. A general review of the Corporation's plans of development of (*a*) Agricultural Credit, (*b*) Marketing, (*c*) Processing, (*d*) Storage, (*e*) Consumers' Co-operatives and (*f*) Administration. 2. Subsidiary statements and schedule including a balance sheet as may be decided by the Corporation from time to time. (Form C under rule 18(b) of the rules framed in exercise of the powers conferred by Sec. 22 of the Act)
7. Oil & Natural Gas Commission	"The Commission shall ... ... submit to the Central Government a report in such form and before such date as may be prescribed, giving a true and full account of its activities, policy and programme during the previous financial year and an account of the activities likely to be undertaken during the current financial year". [The O.N G C. Act, 1959, Sec. 23(2)] "The report shall include, among other things, particulars in respect of the following matters, namely : (*i*) geological, geophysical, exploratory structural drilling, drilling and other operations carried out and the results obtained in each category of operations ;

	(*ii*) the production, refining and sale of products of the Commission ; (*iii*) trading activities of the Commission". The annual report shall be "signed by the members and authenticated by affixing the common seal of the Commission". (Rule No. 18(1) and (2) of the rules framed in exercise of the powers conferred by Sec. 31 of the Act)
8. Reserve Bank of India	The Bank shall furnish "a report by the Central Board on the working of the Bank throughout the year..." [The R.B.I. Act, 1934, Sec. 53(2)]
9. State Bank of India	The provision here is only to furnish the "balance sheet, together with the profit and loss account and the auditors' report on the working ... during the period covered by the accounts". (The S.B.I. Act, 1955, Sec. 40(1)) The shareholders of the Bank present at the annual general meeting, however, have been given a right to discuss the balance sheet and the profit and loss account and "the report of the Central Board on the working of the State Bank for the period covered by the accounts and the auditors' report on the balance sheet and accounts". [*Ibid.*, Sec. 42(2)]
10. Warehousing Corporations	There is no provision regarding the form and contents of the annual report The only reference to the annual report is as follows : "The shareholders present at the annual general meeting shall be entitled to discuss the annual accounts, the report of the board

	of directors on the working of the Corporation during the year under report, as well as the auditors' report on the annual balance sheet and accounts". [The C.W.C. Act, 1962, Sec. 13(2)]
11. Crown Corporations (Canada)	"A corporation shall submit an annual report in such form as may be prescribed". [The Financial Administration Act, 1951, Sec. 85(3)]
12. National Coal Board (U.K.)	The Board shall make a report "on the exercise and performance by them of their policy and programmes". (The Coal Industry Nationalisation Act, 1946, Sec 54(1)) "The report shall set out any direction given by the Minister to the Board during that year unless the Minister has notified to the Board his opinion that it is against the national interest to do so". (*Ibid*, Sec. 54(2))
13. Tennessee Valley Authority (U.S.A.)	"The Board shall file a complete report as to the business of the Corporation covering the preceding governmental fiscal year This report shall include an itemized statement of the cost of power at each power station, the total number of employees and the names, salaries and duties of those receiving compensation at the rate of more than $1500 a year".

B. The Time within which and the Party to whom Annual Reports are to be Submitted

1. Air Corporations (Air-India and Indian Airlines Corporation)	"Each of the Corporations shall, as soon as may be after the end of each financial year prepare and submit to the Central Government" a report... (The Air Corporations Act, Sec. 37(1))

	"An annual report on the work and activities of the Corporation...shall be submitted to the Central Government...on or before the 31st August, following". (Rule 6 of the rules framed in exercise of the powers conferred by Sec. 44 of the Act)
2. Damodar Valley Corporation	"Printed copies of the annual report shall be made available to each of the three participating Governments by the 15th day of October each year". (The D V.C. Act, Sec. 45(4))
3. Employees State insurance Corporation	'The Corporation shall submit to the Central Government an annual report... (The E.S.I C. Act, Sec. 35)
4. Industrial Finance Corporation	"The Corporation shall furnish to the Central Government and the Reserve Bank within three months of the close of the financial year" a report... (The I F C. Act, Sec. 35(3))
5. Life Insurance Corporation	"The Corporation shall, as soon as may be, after the end of each financial year, prepare and submit to the Central Government" a report... (The L I.C. Act, Sec. 27)
6. National Co-operative Development Corporation	"The Corporation shall, as soon as possible, after the end of each year, submit to the Central Government" a report "before such date as may be prescribed"... (The N Co-op. D. C. Act, Sec 14(2))
	"The Corporation shall submit to the Central Government an annual report...within six months from the expiry of the period to which the report relates". (Rule 18(b) of the rules framed in exercise of the powers conferred by Sec. 22 of the Act)

7. Oil & Natural Gas Commission	"The Commission shall, as soon as possible after the commencement of each financial year, submit to the Central Government" a report... (The O.N.G.C. Act, Sec. 23(2)) "The Commission shall prepare, as soon as may be after the commencement of each financial year..." (Rule 18(1) of the rules framed in exercise of powers conferred by Sec. 31 of the Act)
8. Reserve Bank of India.	"The Bank shall within two months from the date on which the annual accounts of the Bank are closed, transmit to the Central Government" a copy of the annual accounts and report... (The R.B.I. Act, Sec. 53(2))
9. State Bank of India	"The State Bank shall furnish to the Central Government and to the Reserve Bank within two months from the date on which its accounts are closed and balanced..." a balance sheet, profit and loss account and auditors' report... (The S.B.I. Act, Sec. 40(1))
10. Warehousing Corporations	"Every audit report" . . . . [there is no reference to directors' report] "shall be forwarded to the appropriate Government within a month of its being placed before the annual general meeting..." (The C.W.C. Act, Sec. 31(11))
11. Crown Corporations (Canada)	"A Corporation, as soon as possible, but within three months after the termination of each financial year submit an annual report to the appropriate Minister". (The Financial Administration Act, Sec. 85(3))

12. National Coal Board	"The Board shall as soon as possible after the end of each financial year of the Board, make to the Minister a report ....." (The Coal Industry Nationalisation Act, Sec. 54(1))
13. Tennessee Valley Authority (U.S.A.)	"The Board shall file with the President and with the Congress in December each year" a financial statement and complete report..."

C. Publication and Presentation of the Annual Report to Parliament

1. Air Corporations (Air-India and Indian Airlines Corporation)	"The Central Government shall cause every such report to be laid before both Houses of Parliament as soon as may be after it is submitted". (The Air Corporations' Act, Sec. 37(2))
2. Damodar Valley Corporation	"The annual report shall be laid before the Central and the Provincial Legislatures concerned as soon as may be after it is prepared". (The D.V.C. Act, Sec. 45(5))
3. Employees' State Insurance Corporation	"The annual report ... shall be placed before the Central Legislature and published in the Official Gazette". (The E.S.I.C. Act, Sec. 36)
4. Industrial Finance Corporation	"The copies of the said financial "statement, account, and report shall be published in the Official Gazette and shall be laid before Parliament. (The I.F.C. Act, Sec. 35(3))
5. Life Insurance Corporation	"The Central Government shall cause the report...to be laid before both Houses of Parliament as soon as may be..." after it is received. (The L.I.C. Act, Sec. 29)

6. National Co-operative Development	The report "shall be laid before both Houses of Parliament". [The N. Co op. D C. Act. Sec. 14 (3)]
7. Oil & Natural Gas Commission	"The report...shall be laid before each House of Parliament". [The O N.G.C. Act, Sec 23(3)]
8. Reserve Bank of India	There is no provision of laying the annual report of the Bank before Parliament.
9. State Bank of India	There is no provision of laying the annual report of the Bank before the Parliament.
10. Warehousing Corporations	"The Government shall as soon as...may be caused the same (audit report) to be laid before both Houses of Parliament or the Legislature of the State, as the case may be". [The C.W.C. Act, Sec. 31(11)]
11. Crown Corporations (Canada)	"The appropriate Minister shall lay the report before Parliament within 15 days after he receives it, or if Parliament is not then in session, within 15 days after the commencement of the next ensuing session". [The Financial Administration Act, Sec. 85(3)]
12. National Coal Board (U.K.)	"The Minister shall lay a copy of every such report before each House of Parliament". [The Coal Industry Nationalisation Act, Sec. 54(2)]
13. Tennessee Valley Authority (U.S.A.)	"The Board shall file with the Congress" a complete report...

Appendix IV

Statutory provisions regarding Published Accounts

Provisions relating to the Form, Contents, Publication and Presentment to Parliament of Annual Accounts

1. Air Corporations (Air-India and Indian Airlines Corporation)	"The Corporations shall... prepare an annual statement of accounts, including the profit and loss account and the balance sheet in such form as may be prescribed by the Central Government in consultation with the Comptroller and Auditor General of India". [The Air Corporations Act, Sec. 15(1)] "The accounts of the Corporations...together with the audit report thereon shall be forwarded annually to the Central Government and that Government shall cause the same to be laid before both Houses of Parliament" [*Ibid.*, Sec. 15(4)] "As soon as may be after the end of each financial year... the annual accounts showing the financial results of the Corporations hall be prepared with such subsidiary accounts as may be prescribed by the Central Government. The.....accounts authenticated by affixing the common seal of and duly passed by the Corporation shall be submitted to the Central Government and to the said Comptroller and Auditor General on or before the 31st August, following".

	"Provided that on a request received from the Corporation the Central Government may, with the concurrence of the said Comptroller and Auditor General, extend the date of submission of the accounts by such period as it may think fit". [Rule 6 of the rules framed in exercise of the powers conferred by Sec. 44 of Act]
2. Damodar Valley Corporation	"The Corporation shall..... prepare such...annual financial statements in such form and by such dates as may be prescribed" "Printed copies of each such annual financial statement shall be made available to each of the three participating Governments by such date as may be prescribed". [The D.V.C. Act, Sec. 46] "Within six months of the end of each financial year, the annual accounts prepared in the forms prescribed, showing the financial results of irrigation, electricity and flood control schemes with such subsidiary accounts as may be necessary, shall be placed before the Corporation, and, after the accounts have been duly passed, communicated to the participating Governments and the Audit Officer". [Rule 25 of the rules framed in exercise of the powers conferred by Sec. 59 of the Act]
3. Employees' State Insurance Corporation	"The Corporation shall maintain correct accounts of its income and expenditure in such form and in such manner as may be prescribed by the Central Government". (The E.S.I.C. Act, Sec. 33)

	"The audited accounts of the Corporation...shall be placed before the Central Legislature and published in the Official Gazette". [*Ibid*, Sec. 36]
4. Industrial Finance Corporation	"The Corporation shall furnish to the Central Government and the Reserve Bank within three months of the close of the financial year a statement in the prescribed form of its assets and liabilities as at the close of that year together with a profit and loss account for the year"... copies of which "shall be published in the Official Gazette and shall be laid before Parliament". [The I.F.C. Act, Sec. 35(3)]
	The form of the statement and accounts "shall be in the forms prescribed by the Central Government from time to time". (Rule 51 of the rules framed in exercise of the powers conferred by Sec. 43 of the Act)
	"Every audit report shall be forwarded to the Central Government and the Government shall cause the same to be laid before both Houses of Parliament". [The I.F.C. Act, Sec. 34(7)]
5. Life Insurance Corporation	The form and contents of the annual accounts of the L.I.C. are governed by Sec. 11 of the Insurance Act, 1938. (The L.I.C. Act, Sec. 43)
	The Corporation is to send e auditors' report to the ntral Government which is to laid before both the Houses Parliament. There is no ference to the annual accounts ecifically but it is implied cause the auditors' report uld be sent along with the counts, on which it is made. *bid.*, Sec. 29]

6. National Co-operative Development Corporation	"The Corporation shall . . . prepare an annual statement of accounts in such form as may be prescribed in consultation with the Comptroller and Auditor General of India". [The N. Co-op. D.C. Act, Sec. 17(1)]
	"The accounts of the Corporation certified by the Comptroller and Auditor General of India...together with an audit report thereon shall be forwarded annually to the Central Government and that Government shall cause the same to be laid before both Houses of Parliament". [*Ibid.*, Sec. 17(4)]
7. Oil & Natural Gas Commission	"The Commission shall . . . prepare an annual statement of accounts, including the profit and loss account and balance sheet in accordance with such general directions as may be issued, and in such form as may be prescribed, by the Central Government in consultation with the Comptroller and Auditor General of India". [The O. & N G.C. Act, Sec. 22(1)]
	"The accounts of the Commission as certified by the Comptroller and Auditor General of India..., together with the audit report thereon, shall be forwarded annually to the Central Government and that Government shall cause the same to be laid before each House of Parliament". [*Ibid* Sec. 22(4)]
	"The annual accounts signed by the members and authenticated by affixing the common seal of the Commission after adoption by the Commission at its meeting together with the auditors' certificate and report

	thereon shall be submitted to Government by end of February of the following year to which the accounts relate". "Provided that at the request of the Commission, the Government may, in consultation with the Comptroller and Auditor General, extend the period within which such accounts should be submitted". [Rule 18(4) of the rules framed in exercise of the powers conferred by Sec. 31 of the Act]
8. Reserve Bank of India	"The Bank shall . . . within two months from the date on which the annual accounts of the Bank are closed transmit to the Central Government a copy of the annual accounts signed by the Governor, the Deputy Governors and the Chief Accounting Officer of the Bank, and certified by the auditors,... and the Central Government shall cause such accounts...to be published in the Gazette of India". [The R.B.I. Act, Sec. 53(2)] [There is no provision of placing the accounts before Parliament].
9. State Bank of India	"The State Bank shall furnish to the Central Government and to the Reserve Bank within two months from the date on which its accounts are closed and balanced its balance sheet, together with the profit and loss account and the auditors' report on the working of the State Bank during the period covered by the accounts". [The S.B.I. Act, Sec. 40(1)] "The balance sheet and the profit and loss account shall be signed by the Chairman, Vice-

	Chairman, Managing Directors, if any, and a majority of the other directors" (*Ibid.*, Sec. 40(2)]
	[There is no provision of publication of accounts in the Official Gazette (as in the Reserve Bank), or of their placing before Parliament]
10. Warehousing Corporations	"Every Warehousing Corporation shall prepare . . . an annual statement of accounts including the profit and loss account and the balance sheet in such form as may be prescribed".
	"Provided that, in the case of the Central Warehousing Corporation, the accounts relating to the Warehousing Fund and the General Fund shall be maintained separately".
	[The Warehousing Corporation Act, Sec. 31(1)]
	"Every audit report...shall be forwarded to the appropriate Government within a month of its being placed before the annual general meeting and that Government shall as soon as thereafter as may be cause the same to be laid before both Houses of Parliament or the Legislature of the State, as the case may be". [*Ibid.*, Sec. 31(11)]
11. Crown Corporations (Canada)	"A Corporation, subject to such directions as to form as the Minister of Finance and the appropriate Minister may jointly give, shall prepare in respect of each financial year statements of accounts which shall include :
	(*a*) a balance sheet, a statement of income and expense and a statement of surplus, containing such information as, in the case of a company incorporated

under the Companies Act, is required to be laid before the company by the directors at an annual meeting, and

(*b*) Such other information in respect of the financial affairs of the corporation as the appropriate Minister or the Minister of Finance may require".

[The Financial Administration Act, Sec. 85(1) (2)]

12. National Coal Board (U.K.)

"The Board shall prepare in respect of each financial year of the Board a statement of accounts in such form as the Minister may direct, being a form which shall conform with the best commercial standards and which shall distinguish the colliery activities and each of the main ancillary activities of the Board".

[The Coal Industry Nationalisation Act, Sec. 31]

"So soon as the accounts of the Board have been audited, they shall send a copy of the statement of accounts...to the Minister together with a copy of any report made by the auditors". (*Ibid.*)

"The Minister shall lay a copy of every such statement and report before each House of Parliament". (*Ibid.*)

Appendix V

Provisions of the Companies Act, 1956, Regarding Directors' Report and Annual Accounts

1. Annual Accounts and Balance Sheet

(1) At every annual general meeting of a company held in pursuance of section 166, the Board of directors of the company shall lay before the company :

(*a*) a balance sheet as at the end of the period specified in sub-section (3); and

(*b*) a profit and loss account for that period.

(2) In the case of a company not carrying on business for profit, an income and expenditure account shall be laid before the company at its annual general meeting instead of a profit and loss account, and all references to "profit and loss account", "profit" and "loss" in this section and elsewhere in this Act, shall be construed, in relation to such a company, as references respectively to the "income and expenditure account", "the excess of income over expenditure", and "the excess of expenditure over income".

(3) The profit and loss account shall relate—

(*a*) in the case of the first annual general meeting of the company, to the period beginning with the incorporation of the company and ending with a day which shall not precede the day of the meeting by more than nine months ; and

(*b*) in the case of any subsequent annual general meeting of the company, to the period beginning with the day immediately after the period for which the account was last submitted and ending with a day which shall not precede the day of the meeting by more than six months, or in cases where an extension of time has been granted for holding the meeting under the second proviso to sub-section (1) of section 166, by more than six months and the extension so granted.

(4) The period to which the account aforesaid relates is referred to in this Act as a "financial year": and it may be less or more than a calendar year, but it shall not exceed fifteen months:

Provided that it may extend to eighteen months where special permission has been granted in that behalf by the Registrar.

(5) If any person, being a director of a company, fails to take all reasonable steps to comply with the provisions of this section, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both:

Provided that in any proceedings against a person in respect of an offence under this section, it shall be a defence to prove that a competent and reliable person was charged with the duty of seeing that the provisions of this section were complied with and was in a position to discharge that duty:

Provided further that no person shall be sentenced to imprisonment for any such offence unless it was committed wilfully.

(6) If any person, not being a director of the company, having been charged by the Board of directors with the duty of seeing that the provisions of this section are complied with, makes default in doing so, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both:

Provided that no person shall be sentenced to imprisonment for any such offence unless it was committed wilfully. (Section 210)

2. Form and Contents of Balance Sheet and Profit & Loss Account

(1) Every balance sheet of a company shall give a true and fair view of the state of affairs of the company as at the end of the financial year and shall, subject to the provisions of this section, be in the form set out in Part I of Schedule VI, or as near thereto as circumstances admit or in such other form as may be approved by the Central Government either generally or in any particular case; and in preparing the balance sheet due regard shall be had, as far as may be, to the general instructions for preparation of balance sheet under the heading "Notes" at the end of that Part:

Provided that nothing contained in this sub-section shall apply to any insurance or banking company or any company engaged in the generation or supply of electricity or to any other class of company for which a form of balance sheet has been specified in or under the Act governing such class of company.

(2) Every profit and loss account of a company shall give a true and fair view of the profit or loss of the company for the financial year and shall, subject as aforesaid, comply with the requirements of Part II of Schedule VI, so far as they are applicable thereto:

Provided that nothing contained in this sub-section shall apply to any insurance or banking company for any company

engaged in the generation or supply of electricity, or to any other class of company for which a form of profit and loss account has been specified in or under the Act governing such class of company.

(3) The Central Government may, by notification in the Official Gazette, exempt any class of companies from compliance with any of the requirements in Schedule VI if, in its opinion, it is necessary to grant the exemption in the public interest.

Any such exemption may be granted either unconditionally or subject to such conditions as may be specified in the notification.

(4) The Central Government may, on the application or with the consent of the Board of directors of the company, by order, modify in relation to that company any of the requirements of this Act as to the matters to be stated in the company's balance sheet or profit and loss account for the purpose of adapting them to the circumstances of the company.

(5) The balance sheet and the profit and loss account of a company shall not be treated as not disclosing a true and fair view of the state of affairs of the company, merely by reason of the fact that they do not disclose—

(*i*) in the case of an insurance company, any matters which are not required to be disclosed by the Insurance Act, 1938;

(*ii*) in the case of a banking company, any matters which are not required to be disclosed by the Banking Companies Act, 1949;

(*iii*) in the case of a company engaged in the generation or supply of electricity, any matters which are not required to be disclosed by both the Indian Electricity Act, 1910, and the Electricity (Supply) Act, 1948;

(*iv*) in the case of a company governed by any other special Act for the time being in force, any matters which are not required to be disclosed by virtue of that special Act; or

(*v*) in the case of any company, and matters which are not required to be disclosed by virtue of the provisions contained in Schedule VI or by virtue of a notification issued under sub-section (3) or an order issued under sub-section (4).

(6) For the purposes of this section, except where the context otherwise requires, any reference to a balance sheet or profit and loss account shall include any notes thereon or documents annexed thereto, giving information required by this Act, and allowed by this Act to be given in the form of such notes or documents.

(7) If any such person as is referred to in sub-section (6) of

section 209 fails to take all reasonable steps to secure compliance by the company, as respects any accounts laid before the company in general meeting, with the provisions of this section and with the other requirements of this Act as to the matters to be stated in the accounts, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both :

Provided that in any proceedings against a person in respect of an offence under this section, it shall be a defence to prove that a competent and reliable person was charged with the duty of seeing that the provisions of this section and the other requirements aforesaid were complied with and was in a position to discharge that duty :

Provided further that no person shall be sentenced to imprisonment for any such offence unless it was committed wilfully.

(8) If any person, not being a person referred to in sub-section (6) of section 209, having been charged by the managing agent, secretaries and treasurers, managing director or Board of directors, as the case may be, with the duty of seeing that the provisions of this section and the other requirements aforesaid are complied with, makes default in doing so, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months or with fine which may extend to one thousand rupees, or with both :

Provided that no person shall be sentenced to imprisonment for any such offence unless it was committed wilfully. (Section 211)

3. Authentication of Balance Sheet and Profit and Loss Account

(1) Save as provided by sub-section (2), every balance sheet and every profit and loss account of a company shall be signed on behalf of the Board of directors—

(*i*) in the case of a banking company, by the persons specified in clause (*a*) or clause (*b*), as the case may be, of sub-section (2) of section 29 of the Banking Companies Act, 1949;

(*ii*) in the case of any other company, by its managing agent, secretaries and treasurers, manager or secretary, if any, and by not less than two directors of the company one of whom shall be a managing director where there is one.

(2) In the case of a company not being a banking company, when only one of its directors is for the time being in India, the balance sheet and the profit and loss account shall be signed by

such directors; but in such a case there shall be attached to the balance sheet and the profit and loss account a statement signed by him explaining the reason for non-compliance with the provisions of sub-section.

(3) The balance sheet and the profit and loss account shall be approved by the Board of directors before they are signed on behalf of the Board in accordance with the provisions of this section and before they are submitted to the auditors for their report thereon. (Section 215)

4. Profit & Loss Account to be annexed and Auditors' Report to be attached to Balance Sheet

The profit and loss account shall be annexed to the balance sheet and the auditors' report including the auditors' separate, special or supplementary report, if any, shall be attached thereto. (Section 216)

5. Report of the Board of Directors

(1) There shall be attached to every balance sheet laid before a company in general meeting, a report by its Board of directors, with respect to—

(*a*) the state of the company's affairs;

(*b*) the amounts, if any, which it proposes to carry to any reserves in such balance sheet;

(*c*) the amount, if any, which it recommends should be paid by way of dividend;

(*d*) material changes and commitments, if; affecting the financial position of the company which have occurred between the end of the financial year of the company to which the balance sheet relates and the date of the report.

(2) The Board's report shall, so far as is material for the appreciation of the state of the company's affairs by its members and will not in the Board's opinion be harmful to the business of the company or of any of its subsidiaries, deal with any changes which have occurred during the financial year—

(*a*) in the nature of the company's business;

(*b*) in the company's subsidiaries or in the nature of the business carried on by them ; and

(*c*) generally in the classes of business in which the company has an interest.

(3) The Board shall also be bound to give the fullest information and explanations in its report aforesaid, or in cases falling under the proviso to section 222, in an addendum to that report, on every reservation, qualification or adverse remark contained in the auditors' report.

(4) The Board's report and any addendum thereto shall be signed by its chairman if he is authorised in that behalf by the Board; and where he is not so authorised, shall be signed by such number of directors as are required to sign the balance sheet and the profit and loss account of the company by virtue of sub-sections (1) and (2) of section 215.

(5) If any person, being a director of a company, fails to take all reasonable steps to comply with the provisions of sub-sections (1) to (3), or being the chairman, signs the Board's report otherwise than in conformity with the provisions of sub-section (4), he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to two thousand rupees, or with both :

Provided that no person shall be sentenced to imprisonment for any such offence unless it was committed wilfully :

Provided further that in any proceedings against a person in respect of an offence under sub-section (1), it shall be a defence to prove that a competent and reliable person was charged with the duty of seeing that the provisions of that sub-section were complied with and was in a position to discharge that duty.

(6) If any person, not being a director, having been charged by the Board of directors with the duty of seeing that the provisions of sub-sections (1) to (3) are complied with, makes default in doing so, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to two thousand rupees, or with both:

Provided that no person shall be sentenced to imprisonment for any such offence unless it was committed wilfully. (Section 217)

6. Penalty for Improper Issue, Circulation or Publication of Balance Sheet or Profit and Loss Account

(*a*) If any copy of a balance sheet or profit and loss account which has not been signed as required by section 215 is issued, circulated or published ; or

(*b*) If any copy of a balance sheet is issued, circulated or published without there being annexed or attached thereto, as the case may be, a copy each of (*i*) the profit and loss account, (*ii*) any accounts, reports or statements which, by virtue of section 212, are required to be attached to the balance sheet, (*iii*) the auditors' report, and (*iv*) the Board's report referred to in section 217;

The company, and every officer of the company who is in default. shall be punishable with fine which may extend to five hundred rupees. (Section 218)

7. Right of the Members to obtain Copies of the Balance Sheet and Auditors' Report

(1) A copy of every balance sheet (including the profit and loss account, the auditors' report and every other document required by law to be annexed or attached, as the case may be, to the balance sheet) which is to be laid before a company in general meeting shall, not less than twenty-one days before the date of the meeting, be sent to every member of the company, to every holder of debentures issued by the company (not being debentures which ex-facie are payable to the bearer thereof), to every trustee for the holders of any debentures issued by the company, whether such member, holder or trustee is or is not entitled to have notices of general meetings of the company sent to him, and to all persons other than such members, holders or trustees, being persons so entitled.

Provided that—

(*a*) in the case of a company not having a share capital, this sub-section shall not require the sending of a copy of the documents aforesaid to a member, or holder of debentures, of the company who is not entitled to have notices of general meetings of the company sent to him;

(*b*) this sub-section shall not require a copy of the documents aforesaid to be sent—

(*i*) to a member, or holder of debentures, of the company, which is not entitled to have notices of general meetings of the company sent to him and of whose address the company is unaware;

(*ii*) to more than one of the joint holders of any shares or debentures none of whom is entitled to have such notices sent to him; or

(*iii*) in the case of joint holders of any shares or debentures some of whom are and some of whom are not entitled to have such notices sent to them, to those who are not so entitled; and

(*c*) if the copies of the documents aforesaid are sent less than twenty-one days before the date of the meeting, they shall, notwithstanding that fact, be deemed to have been duly sent if it is so agreed by all the members entitled to vote at the meeting.

(2) Any member or holder of debentures of a company, whether he is or is not entitled to have copies of the company's balance sheet sent to him shall, on demand, be entitled to be furnished without charge, and any person from whom the company has accepted a sum of money by way of deposit shall, on demand accompanied by the payment of a fee of one rupee, be entitled to be furnished, with a copy of the last balance sheet of the company and of

every document required by law to be annexed or attached thereto, including the profit and loss account and the auditors' report.

(3) If default is made in complying with sub-section (1), the company, and every officer of the company who is in default, shall be punishable with fine which may extend to five hundred rupees.

(4) If, when any person makes a demand for a copy of any document with which he is entitled to be furnished by virtue of sub-section (2), default is made in complying with the demand within seven days after the making thereof, the company, and every officer of the company who is in default, shall be punishable with fine which may extend to five hundred rupees, unless it is proved that that person had already made a demand for and been furnished with a copy of the document.

The Court may also, by order, direct that the copy demanded shall forthwith be furnished to the person concerned.

(5) Sub-sections (1) to (4) shall not apply in relation to a balance sheet of a private company laid before it before the commencement of this Act; and in such a case the right of any person to have sent to him or to be furnished with a copy of the balance sheet, and the liability of the company in respect of a failure to satisfy that right, shall be the same as they would have been if this Act had not been passed. (Section 219)

Appendix VI

GAS ACT, 1948

REPORT BY THE MINISTER OF POWER
FOR THE YEAR ENDED 31ST MARCH, 1963

I. Introductory

1. Section 10(5) of the Gas Act, 1948, requires the Minister of Power to lay before each House of Parliament a report on the exercise of his functions during each financial year under the Act. The present report covers the period from 1st April, 1962, to 31st March, 1963, being the fourteenth financial year as defined by the Act and the Gas (Financial Years) Regulations, 1949 (S.I. 1949 No. 743)

II. Appointments

2. The Minister is responsible under Section 5 of the Act for appointing the members of Area Gas Boards and for appointing certain of these members to act as chairman and deputy chairman of the Boards; he is also responsible for the appointment of the chairman and deputy chairman of the Gas Council. Under Section 9 he is responsible for appointing the chairman and members of Area Gas Consultative Councils. During the year under review the Minister made the following appointments :—

AREA GAS BOARDS

3. Appointment of Full-time Members

Scottish Board

Mr. D. Beavis, A. M. I. Mech. E., M. Inst. Gas E., to be a Member from 1st December, 1962, while continuing to serve as Area Manager to the Board.

North Western Board

Mr. R. Kerr, M. B. E., F. C. A., to be a Member from 1st November, 1962, while continuing to serve as Chief Accountant to the Board.

West Midlands Board

Mr. W. Hyde, F.C.W.A., A.A.C.C.A., to be a Member from 1st July, 1962, while continuing to serve as Director of Finance and Administration to the Board.

South Western Board

Mr. T.N. Dent A.M I.E. Mech. E., M Inst. Gas E., to be a Member from 1st February, 1963, while continuing to serve as Chief Executive Officer to the Board.

4. **Reappointment of Full-time Member**

North Western Board

Mr. H. Butters to be a Member from 1st May, 1962.

5. **Appointment of Part-time Members**

Board	*Name*	*Date*
North Eastern	Alderman F. Sykes	1st January, 1963.
East Midlands	Mr. N.C. Macdiarmid	15th December, 1962.
Eastern	Lord Fisher, D S.C.	1st December, 1962.
North Thames	Mr. F.L. Levy	1st March, 1963.
South Eastern	Dame Alix Meynell, D.B.E.	1st May, 1963
Southern	Lord Williamson. C.B.E.	18th February, 1963.
South Western	Dr. H.S. Hirst, M.A., B Sc.	1st December, 1962.

6. **Reappointment of Part-time Members**

Board	*Name*	*Date*
Scottish	Lord Geddes, C.B.E.	1st October, 1962.
Northern	Councillor M Allon, C.C., J.P.	1st January, 1963.
North Western	Sir Eric Carpenter, O.B.E., J.P.	1st May, 1962.
	Mr. W.W.B. Stoddart, J.P.	1st May, 1962.
West Midlands	Alderman G.E. Hodgkinson, O.B.E.	27th September, 1962.
	Professor F.H.Garner, O.B.E. Ph.D., F.R.I.C., M.I.Mech.E., F. Inst. Pet., F.S.A.	1st May, 1963.
Wales •	Councillor J.E.Emanuel	1st May, 1963.
	Alderman H.T.Edwards, LL.D., J.P.	1st September, 1962.

Board	*Name*	*Date*
Eastern	Mr. G. Calder, C.B., M.A., B.Sc.	1st June, 1962
	Mr. W.C. Kincaid	1st May, 1963.
	Mr. J.W. Napier, B.Sc., M.I.Mech.E.,M.I.Chem. E., Assoc. Inst. Gas. E.	1st May, 1963.
North Thames	Air Chief Marshal Sir Arthur Sanders, G.C.B., K.B.E.	1st October, 1962
South Eastern	Mr. C. Brandon, J.P.	1st July, 1962.
Southern	Mr. A.E. Smith, J.P.	1st May, 1963.
	M. K.G. Poland	24th February, 1963.
South Western	Alderman H.E.Wright, J.P.	1st May, 1963.
	Hon. D.E.Hely-Hutchinson, M.A.	1st May, 1963.

Gas Consultative Councils

7. Appointment of Chairmen

Council	*Name*	*Date*
East Midlands	Alderman C. Cameron, C.B.E., J.P.	8th July, 1962.
South Eastern	Mr. H.C. Shearman, M.A.	24th March, 1963.

8. Reappointment of Chairman

Council	*Name*	*Date*
Scottish	Sir Robert Nimmo, J.P.	16th September, 1962.

9. Reappointment of Deputy Chairmen

Council	*Name*	*Date*
Scottish	Councillor S. Leitch, J.P.	4th August, 1962.
Northern	Councillor H. Cooper, M.B.E., J.P.	3rd October, 1962.
East Midlands	Councillor W.H.Foster, J.P.	25th July, 1962.
Wales	Mrs. H. Harry,B.A.,J.P.	20th July, 1962.
North Thames	Mr. A.H.N. Wells	9th July, 1962.
Southern	Mr. J.E. Thomas, M.B.E., J.P.	3rd August, 1962.

10. Appointment and Reappointment of Members

Council	*Appointments*	*Reappointments*
Scottish	5	7
Northern	2	8
North Western	7	4
North Eastern	3	4
East Midlands	2	9
West Midlands	7	4
Wales	3	5
Eastern	5	7
North Thames	2	5
South Eastern	3	6
Southern	4	6
South Western	7	1
	50	66

III. Capital Development & Research

11. Capital Development

After consultation with the Gas Council, the Minister approved, under Section 1(5) of the Gas Act, 1948, the general lines of the capital development programmes of each Area Board for the period to 31st March, 1967, and agreed to capital expenditure by the Council and the Area Boards totalling £64 million in 1963-64.

12. Research

In accordance with Section 3(1) of the Gas Act, 1948, the Gas Council settled a general programme of research for the year in consultation with the Minister.

VI. Employee Welfare

12. Training and Education

The Minister took note of a further progress report, received under Section 4(2) of the Gas Act, 1948, from the Gas Council, on the general programme for training and education in the gas industry.

14. Pensions

On the 21st December, 1962, the Minister approved an additions to Pensions — No. 4 Scheme for the Gas Council and each of the Area Gas Boards. The Scheme provides for pensions received by former employees of the gas industry to be increased on the lines of the Pension (Insurance) Act, 1962.

V. Finance

15. Financial Objectives under the White Paper on the Financial and Economic Obligations of the Nationalised Industries Cmnd. 1337

The financial objectives for the five year period from 1962-63 to 1966-67, agreed with the Gas Boards in accordance with the White Paper on the Financial and Economic Obligations of the Nationalised Industries (Cmnd. 1337), are as set out in paragraph 16 of the Report for the year ended 31st March, 1962.

16. New Capital

Under Section 42 of the Finance Act. 1956, as amended by Section 78 of the Finance Act, 1960, the Minister made advances totalling £27 million to the Gas Council during the year 1962-63 towards its requirements for long-term capital finance. The advances are to be repaid over a period of 25 years by means of equal half-yearly instalments of principal, together with interest, commencing on 30th June, 1963.

17. Temporary Borrowings

With the consent of the Minister and the approval of the Treasury the Gas Council was authorised under Section 42(1) of the Gas Act, 1948 to borrow temporarily from the Banks within a limit of £27 million up to 30th November, 1962, and £30 million between 1st December, 1962 and 31st March, 1963. Temporary borrowings within these limits were guaranteed by the Treasury.

In addition, consent and approval were given to the Gas Council and Area Boards to borrow temporarily during the year from the trustees of any pension scheme or schemes established by the Council or by any Area Board, or of any scheme or schemes to which Regulation 1 of the Gas (Pension Rights) Regulations, 1950, refers, within the following limits :

Area Board	£ *million*
Scottish	0·25
Northern	0·25
North Western	1·00
North Eastern	4·50
Eastern Midlands	0·70
West Midlands	0·50
Wales	0·25
Eastern	0·50
North Thames	1·00
South Eastern	1·00
Southern	0·40
South Western	2 25
	12·60
Gas Council	0·075
	12 675

18. Central Guarantee Fund

With the consent of the Minister and the approval of the Treasury no contributions were made to the Central Guarantee Fund. Approval was given under Section 46(4) of the Gas Act, 1948, to re-investment of the Fund's moneys, and for investing the interest received during the year on the Fund's investments.

19. Stock Redemption Funds

The consent of the Minister and the approval of the Treasury were given under Regulation 4(4) of the Gas (Stock) Regulations, 1949, to the temporary employment within the industry of contributions carried to the various stock Redemption Fund accounts during the year. This consent was given on the understanding that any moneys so employed would be replaced by the Council out of the proceeds of its next stock issued or as the Minister and the Treasury might later require.

20. Expenses of the Gas Council

The Minister approved, under Section 48(1) of the Gas Act, 1948, the sums to be contributed by Area Boards towards meeting the expenses of the Gas Council during the year.

21. Accounts and Audit

The Minister reappointed under Section 50(3) of the Gas Act, 1948, the auditors for the Gas Council and the Area Boards.

VI. Gas Standards

22. Standards of Gas Quality

Notification of Declaration of Calorific Value were received by the Minister in pursuance of Regulations 2(2), 3(2) and 3A(3) of the Gas (Declaration of Calorific Value) Regulations 1949 (S.I. 1949 No. 788) as amended by the Gas (Declaration of Calorific Value) (Amendment) Regulations, 1951 (S.I. 1951 No. 2286) in respect of gas supplied from 67 gasworks. Five declarations were original ones where gas had previously been supplied on a non-thermal basis and 62 were changes in declared calorific value.

Four directions were issued in pursuance of Section 74 of the Act in respect of gas subjected to a drying process, defining the calorific value of the gas when partially, instead of completely, saturated with water vapour. Gas drying plants had been brought into operation and the Minister was satisfied that the degree of drying was significant and uniform throughout the Areas supplied.

23. Continued Exemptions from Thermal Method of Charging for Gas

Exemption from the requirement to charge for gas by the therm, granted in 1954 under Section 53(1) and (2) of the Act in respect of certain small gasworks where the Minister was satisfied

that it is impracticable or uneconomical to declare a calorific value for the gas supplied, was continued by the Minister for periods to expire on the following dates :

Number of Gasworks	*Date of Expiry of Exemption*
1	30th September, 1962.
2	30th April, 1963.
3	30th April, 1964.

24. Gas Testing Places

Directions were given in 162 cases under Regulation 1(2) of the Gas Testing Regulations, 1949 (S.I. 1949 No. 789) requiring Area Boards to provide and maintain gas testing accommodation for the purposes of official tests of the quality of gas supplied. All these directions were made either in consequence of the general review of official gas testing facilities, or in consequence of a special review entitled by changed circumstances.

25. Testing of Gas

Reports totalling 63,167 were received in respect of tests of gas made at 1,554 official testing places by 136 gas examiners holding appointments under Section 55 of the Act, of whom 46 were full-time examiners, 89 were independent persons working on a fee basis and one was an employee of a local authority working on an agency basis. The policy was continued of removing pressure testing points from gasworks to gas showrooms, or other suitable premises away from the source of supply where it was considered that more representative results could be obtained. In 106 cases the pressure was found to be below the prescribed minimum ; in nine cases the gas was found to contain sulphuretted hydrogen ; and in eight cases the calorific value for a period of two hours was found to be not less than six per cent below the declared calorific value. Of the total of 123 cases, 72 occurred during the unprecedented cold weather between 18th December, 1962 and 28th February, 1963. Of these 123 cases, 112 had been investigated by the end of the year under review. In all but five of these cases and in three of the six cases outstanding from the previous year, in the light of explanations obtained from the Area Boards concerned, the Minister decided to take no action under the Regulations.

Proceedings were instituted in eight cases where the pressure of gas was found to be below the prescribed minimum. In all eight cases a fine was imposed by the Court on the Area Boards concerned. Eleven cases were still being investigated at the end of the year.

Deficiencies in the quarterly average calorific value of the gas supplied were ascertained in eight cases. In pursuance of Regulation 8 of the Gas (Quality) Regulations, 1949 (S. I. 1949 No. 792), the Minister determined that in five of these cases no

refund of "excess revenue" was required. The three remaining cases had not been determined at the end of the year under review. In addition the Minister determined that no refund of "excess revenue" was required in respect of the seven cases outstanding at the end of the previous year.

26. Approval of Pattern and Construction of Gas Meters

During the year under review, 18 approvals were issued under Section 54(1) of the Act in respect of domestic and industrial meters.

27. Directions to Meter Examiners

Ten directions were issued governing the method of meter testing whereby, in cases where the standard of manufacture is sufficiently high to merit it, approved works tests are supervised by Meter Examiners and a proportion of completed meters are tested.

28. Meter Testing Offices

Two offices were closed and two new offices opened during the year to meet changing requirements within the meter making industry. The total number of offices in operation at 31st March, 1963 was 41.

29. Meters Tested

The number of gas meters tested was :

(*i*)	New meters	479,483
(*ii*)	Required meters	524,581
		1,004,064

In addition to the examination of new or repaired meters, Meter Examiners were required to examine 5,265 meters, the accuracy of which was in dispute, and to make findings for the purpose of paragraph 16 of the Third Schedule to the Act.

Appendix VII

QUESTIONNAIRE :

1. (*a*) Is there a separate Public Relations Department in your enterprise ? If yes,
   - (*i*) What is the designation of the person-in-charge ?...
   - (*ii*) What is his pay scale ?.....
   - (*iii*) Is he a member of the Board ?.....
   - (*iv*) To whom is he responsible ?.....
   - (*v*) Is he part-time or full time ?.....
   - (*vi*) If part-time, what other duties are assigned to him ?.....

   (*b*) If no, who, if any, looks after Public Relations ?..... Please give his designation.....

2. (*a*) What is the number of persons employed in your Public Relations Department ?.....
   (*b*) What is the annual appropriation for the Department ?...
   (*c*) What is the professional, educational and other background of the two or three top persons in the Department ?
   .....

3. (*a*) Do you avail of the services of an outside counsellor or agency (*e.g.* advertising agency) ?.....
   (*b*) If yes, what is the nature of help given by the counsel or agency ?.....

4. What are the aims and objectives of your Public Relations Department ?
   (*a*) To conduct :
   - (*i*) Survey of employee opinion.....
   - (*ii*) Survey of dealer relations.....
   - (*iii*) Survey of supplier relations.....
   - (*iv*) Market research.....
   - (*v*) Community studies.....
   - (*vi*) Any other.....

   (*b*) Interpretation of social, economic and political trends.....
   (*c*) Study of Public Relations' techniques.....
   (*d*) Any other.....

5. What broadly are the duties of your Public Relations' Chief ? Please specify.
   (*a*) Preparing news releases.....
   (*b*) Writing for employee magazines.....

(*c*) Answering complaints.....

(*d*) Preparing informational posters.....

(*e*) Any other.....

6. Which of the following methods do you adopt to maintain proper communication between the enterprise and the public ? If necessary, please enclose details.

(*a*) Radio talks (Please give the number of radio talks delivered during the last two years).....

(*b*) Films and slides about the enterprise.....

(*c*) Advertising (except for the products).....

(*d*) Any publication other than the annual reports (please attach a few specimen copies).....

(*e*) Press-notes.....

(*f*) Informative posters.....

(*g*) Any other.....

7. (*a*) Do you facilitate public visits to your plant ?.....

(*b*) What is the number of guides to take people around ?.....

(*c*) What is their pay scale ?.....

(*d*) Are there fixed hours and fixed days for public visits ?..... If yes, please mention them.....

8. Do you have a house magazine ?..... (If yes, please attach few specimen copies)

9. Do you have a suggestion scheme in operation for the employees ?.....

If yes (*a*) How many suggestions were received during the calendar year 1961 ?

(*b*) How many of them were accepted ?.....

(*c*) Amount of reward paid for the suggestions accepted ?.....

10. Do you take part in industrial fairs and exhibitions ? If yes, please name those in which you have participated during the last two years ;

(*i*).....(*ii*).....(*iii*).....

(*iv*).....(*v*).....(*vi*).....

11. (*a*) Have you any training course for the managerial staff ?....

(*b*) Is Public Relations included as a part of the training course ?

If yes, please give details of the nature of the course.....

12. (*a*) Have you an officer-in-charge of press relations ? If yes, please give his designation.....

(*b*) Do you hold press conferences or send press releases to explain your policy and programme, and to mitigate public criticism of your enterprise ? If yes, How many press conferences were held and press releases issued during the calendar year 1961 ? Please give dates.

(*c*) How the letters in the press receive the attention of the management ? Is a counter reply published ? Please give a few instances and dates, if possible.

13. In what ways, if any, do you try to assess consumers' reaction to your goods and services and to your policies in general ?

(*a*) From distributors and dealers of your products.....

(*b*) From consumers' complaints.....

(*c*) From consumers' suggestions.....

(*d*) Any other.....

14. (*a*) Do you send your annual reports and other publications to :

(*i*) All members of Parliament/State Legislatures.....

(*ii*) Some of them. If yes, what is the basis of your selection ?

(*b*) What, if any, is the additional medium to keep in touch with members of Parliament/State Legislatures ?

(*c*) Do you receive enquiries from members of Parliament/State Legislatures about any aspect of the enterprises' working ? If yes, what is the number of such enquiries received during the calendar year 1961 ?

15. Could you please briefly outline the procedure of disposing of the complaints received by your enterprise from :

(*a*) Consumers.....

(*b*) General Public.....

Wherever necessary details may please be given below or on additional sheets.

Appendix VIII

List of persons with whom discussions were held during the course of study

1. Shri A.C. Guha, Chairman, Estimates Committee, New Delhi.
2. Shri P.C. Bhattacharya, Governor, Reserve Bank of India, Bombay.
3. Shri B. Venkatappiah, Chairman, State Bank of India, Bombay.
4. Shri A.M. Kelkar, Managing Director, Praga Tools, Hyderabad.
5. Shri Shenoy, Acting Managing Director and General Manager, Indian Telephone Industries, Bangalore.
6. Shri B. V. Baliga, Managing Director, Bharat Electronics, Bangalore.
7. Shri T. Shivshankar, Chairman, Damodar Valley Corporation, Calcutta.
8. Naval Commodore C. Bhushan, Managing Director, Garden Reach Workshops, Calcutta.
9. Shri R. Subhiah, General Manager, Heavy Electricals, Bhopal.
10. Shri S.L. Shakdher, Secretary, Lok Sabha Secretariat, New Delhi.
11. Shri B.R. Patel, General Manager, and Vice-Chairman, Air India, Bombay.
12. Shri B. K. Kaul, Chairman, Life Insurance Corporation, Bombay.
13. Shri J.M. Shrinagesh, fomerly Chairman, Hindustan Steel, New Delhi.
14. Shri M.S. Rao, Chairman, Hindustan Steel, Ranchi.
15. Shri C.P. Shrivastava, Managing Director, Shipping Corporation of India, Bombay.
16. Shri P.A. Gopalkrishnan, Chairman, Indian Oil Company, Bombay.
17. Shri H.N. Ray, General Manager, Damodar Valley Corporation, Calcutta.
18. Shri N. Mazumdar, Managing Director, National Instruments, Calcutta.
19. Dr. S.P. Chablani, Managing Director, Export Risk Insurance Corporation, Bombay.

20. Shri I. Hydari, General Manager, Integral Coach Factory, Perambur, Madras.
21. Shri S.K. Venkatachalam, Managing Director, Mogul Lines, Bombay.
22. Shri M.N. Mallya, Joint Secretary, Lok Sabha Secretariat, New Delhi.
23. Shri S. Jayaraman, Secretary, Hindustan Aircraft, Bangalore.
24. Shri G. B. Kulkarni, Economic Adviser, State Bank of India, Bombay.
25. Shri K.S. Krishna Moorthy, Commercial Manager, Bharat Electronics, Bangalore.
26. Shri N. D. Hansotia, Chief Accounts Officer, Indian Rare Earths, Bombay.
27. Shri K.L. Ghei, Additional Secretary, Ministry of Finance, New Delhi.
28. Shri D. R. Madhok, General, Manager, Industrial Finance Corporation, New Delhi.
29. Dr. Raj K. Nigam, formerly Director of Research, Company Law Board, New Delhi.
30. Professor A.H. Hanson, University of Leeds, England.
31. Shri Prem Nath, Director of Commercial Publicity, Government of India, New Delhi.
32. Shri S.M. Mazumdar, Assistant Director, Listner Research, All-India Radio, New Delhi.
33. Shri S. M. Patil, Managing Director, Hindustan Machine Tools, Bangalore.
34. Shri S.K. Dutta, Senior Accounts Officer, National Instrument Factory, Calcutta.
35. Shri M.M. Mehta, Deputy Secretary, Ministry of Finance, New Delhi.
36. Captain Kirshna Dev, Commercial Manager, Mazagon Dock, Bombay.
37. Naval Commodore B.S. Baswan, Managing Director, Mazagon Dock, Bombay.
38. Shri B. K. Madan, Executive Director, Reserve Bank of India, Bombay.
39. Shri B.V. Ranganath, Public Relations Officer, Indian Oil Company, Bombay.
40. Shri V.S. Desai, General Manager, Film Finance Corporation, Bombay.
41. Shri Suku Sen, formerly General Manager, Bhilai Steel Plant, now Technical Adviser, Hindustan Steel, Ranchi.
42. Shri A.S. Grewal, Deputy Secretary, Ministry of Steel, Mines and Fuel, New Delhi.

43. Shri S.K. Majumdar, Financial Controller, National Coal Development Corporation, Ranchi.
44. Shri A.H. Azad, Secretary, National Coal Development Corporation, Ranchi.
45. Late Shri C. Konar, Financial Controller, Hindustan Steel Ranchi.
46. Dr. Permanand Prasad, Economic Adviser, Hindustan Steel Ranchi.
47. Professor V.V. Ramanadham, Osmania University, Hydera bad.
48. Shri G.P. Ganguli, Chief Information Officer, Damodar Valley Corporation, Calcutta.
49. Shri Satya Prakash, Public Relations Officer, Punjab Nationa Bank, New Delhi.
50. Shri Ramesh Jamalabad, Chief Publicity Officer, Indian Air lines Corporation, New Delhi.
51. Shri F.S. Mulla, Public Relations Officer, Tata Sons Ltd. Bombay.
52. Shri Mahavir Swarup, Personnel Manager, Indian Telephone Industries, Bangalore.
53. Shri S.C. Banerjee, Public Relations Officer, Heavy Engi neering Corporation, Ranchi.
54. Shri S.M. Wasi, Public Relations Adviser, Fertilizer Corporation of India, New Delhi.
55 Shri H.R. Rakshit, Public Relations Officer, Hindustan Steel, Ranchi.
56. Shri P.U. Oza, Public Relations Officer, Life Insurance Corporation, Bombay.
57. Shri P.M. Raje, Publicity and Public Relations Officer, Hindustan Machine Tools, Bangalore.
58. Shri S. Almedia, Public Relations Officer, Air-India, Bombay.
59. Shri R.P. Dhamija, Public Relations Officer, Central Warehousing Corporation, New Delhi.
60. Shri V.C. Tandon, Public Relations Officer, Heavy Electricals, Bhopal.
61. Shri M.L. Kaul, Publicity Officer, Oil and Natural Gas Commission, Dehra Dun.
62. Shri B. Mukhopadhyay, Joint-Director, Public Relations, Railway Board, New Delhi.
63. Shri S. Ketharaman, Deputy-Director, Public Relations, Railway Board, New Delhi.
64. Shri D. Shrinivasan, Public Relations Officer, National Coal Development Corporation, Ranchi.
65. Shri L.Y. Chandoke, Information Officer, Press Information Bureau, New Delhi.

66. Shri N.N. Nabis, J. Walter Thompson Company, Calcutta.
67. Shri M.S.V. Thatham, Secretary, Hindustan Organic Chemicals, Bombay.
68. Shri P.C. Gupta, Assistant Audit Officer, Director of Commercial Audit, New Delhi.

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