



Comparison of Performance Evaluation within Public Sector Undertakings during Reform Eras: A Literature Review

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Abstract: Public sector undertakings (PSUs) were developed by the Indian government to overcome the critical issues faced post-independence. This study aims to review the understanding of PSUs in the Indian context in terms of their performance. The evolution, attributes, and significance of the Indian economy are discussed. The current status of PSUs as perceived from secondary data is described and the studies related to performance within the types of PSUs and the various time zones are comprehensively reviewed. It has been realized that even though there are few studies evaluating the performance productivity using performance indicators, studies are still lacking concerning the comparison of Maharatna, Navratna, and Miniratna companies. To fill this gap, the present review undertakes an analysis by comparing the performance of the three main PSU categories. In addition, the reasons for underperformance are also elucidated. Based on these, recommendations for enhancing performance in the Indian PSUs are suggested. This review assists in comprehending the functioning of PSUs, which intends to help and assist the Ministry of Finance, policymakers, potential investors, state governments, administrative management of the PSUs, researchers, educationists, and other stakeholders to direct the PSUs towards sustainable progress in terms of better performance efficiency.

Keywords: Public Sector Undertakings, Maharatna, Navratna, Miniratna, PostReform Period, Financial Health, India, Disinvestments.

1. Introduction

Public Sector Undertakings (PSUs) prevails as the main contribution of the economy in India which includes Public Service Enterprises (PSEs) that afford services benefitting the society. The motivation behind the foundation of PSUs was the establishment of capital goods enterprises and industrialization [1]. Post-independence, India had to face several challenges, such as extreme financial difficulties, penury, lack of education, poor health amenities, and job losses among vast populations [2]. India faced an unstable industrial foundation with limited factories owned by the states. Such unstable industries were incompetent to outshine in a progressive world. These industries demanded efficient and generalized policy which could confirm the progress pathway [3]. Over the years, as a part of the overall national development program for self-reliance and to resolve these problems, the Indian government adopted policies critical for economic empowerment, which gave rise to the development of nationalized organizations called public-sector undertakings (PSUs) [4].

All of this was responsible for low Gross Domestic Product (GDP) and a drastic reduction in per capita income [5]. This was primarily due to resource scarcity and the incapability to solve large-scale issues regardless of the best possible endeavors by the Government of India (GOI) at that time. Due

to the adoption of a mixed economy system, India has witnessed the co-inhabitation of both public and private sectors, which were demarcated by the Industrial Policy Resolutions (1948, 1956) [6]. As predicted, the private sector was mostly skewed towards profit-making instead of any welfare services

for the general population. The concept of PSUs exists across the world, with topmost shares spreading to Brazil, China, Indonesia, Russia, Saudi Arabia, United Arab Emirates (UAE), including India. Moreover, PSUs have significantly contributed to various economies belonging to countries such as Canada, Singapore, Switzerland, and France along with many other European countries. Therefore, it can be suggested that the active engagement of PSUs in various areas has the potential to boost not only economic progression but “social and developmental goals” even in developing nations like India [7]. Therefore, assessment of the current functioning of PSUs in terms of enhancement in performance, especially for countries like India becomes essential.

Even though many studies are corroborating the performance of the PSUs, however, there are hardly any studies comparing the various types of PSUs in the modern time zone, postattainment of the Maharatna status during the post-reform duration. Hence, this review focuses on the understanding of PSUs in the Indian context concerning their performance as examined through the various available performance indicators. While understanding the performance of PSUs, the critical timelines involving the PSUs was taken into consideration where two time periods can be easily delineated. These include a) Pre-reform period: 1947- 1990 (also known as Pre-LPG Liberalization) and b) Post-reform period (PostLPG Liberalization): 1990 onwards till now. The post-reform period can be further divided into two more time zones, one before the Maharatna status (1991-2010) and the present one, which is Maharatna status onwards (2011-2022). This review focuses on the performances evaluated during the post-reform period.



1.1. Objectives

The main contribution of this study is discussed below,

- To perform a comparative assessment of PSUs in India between different periods for affording a better comprehension of the progress of PSEs over the years.
- To discuss the reasons for the performance failure of PSUs in India and provide recommendations that will assist the PSU management in directing them towards sustainable progress about optimal performance efficiency.

1.2. Paper Organization

The paper has been structured as follows, commencing with the evolution and attributes of PSUs in India, followed by the various performance evaluators as reported by other researchers from the past. The next section discusses the reasons for the failure in the performance of PSUs and ways of enhancing the performance of the PSUs have been recommended.

2. Evolution and Attributes of Public Sector Undertakings in India

In the Indian context, PSUs can be described as nationalized organizations that have been developed as tools or instruments typically by the governments of developing countries to overcome the basic issues of poverty, illiteracy, and unemployment and to attain a self-reliant economy. These have been stated as companies that are “established, managed, and controlled” by the GOI. Any Indian organization where the government owns more than 50% of the “paid-up share capital” qualifies to be a PSU according to “Section 2(45) of the Companies Act (2013)”. PSUs can be broadly categorized into Public Sector Banks (PSBs), Central Public Sector Enterprises (CPSEs), and State Public Sector Enterprises (SPSEs) depending upon the ownership (either by Central government or State government or by both) and type of work. After the introduction of the Second Industrial Policy Resolution in 1956, the PSEs considered 18 core industries including railways, steel, oil, mining, power, telecommunications, and transportation, essential to develop a strong capital base and better infrastructure. With time, numerous public enterprises faced losses even after attaining huge investments and assistance from the government. This has been due to mismanagement and less experience. Due to maximum debt, specific public enterprises must be written off or settled from time to time by the public administration.

In 1991, the contribution of the public sector has been analyzed regarding globalization, privatization, and liberalization. It has been found that the public sector got diminished to six areas encompassing atomic energy, mineral oils, transport, railway, coal, and defense. Following this, individual attempts have been undertaken to improvise the private sector’s participation in the

public sector to accomplish profit and permit them for competing with global private sector industries. Share of government enterprises enhanced from 8% (in 1960-1961) to 25% (in 2011-2012) which explored maximum enhancement concerning economic growth. The existence of Government enterprises in specific sectors like metal and mineral extraction, petroleum, coal, and power have been incredible until now. Few areas like mining and coal remain with the government holding huge control and share. The justification behind the introduction of PSEs was to efficiently use the limited resources to achieve economic equity along with the growth of the economy [8].

Along with this, the other goals of PSUs include increasing job possibilities, providing facilities in areas such as health, academics, and amusement, and aiding during the natural calamity. Lowering income inequalities, balancing region-based development, substituting imports, promoting exports, and mobilization of resources are some of the added advantages of PSUs [9]. Government enterprises have assisted in creating diversified Indian sectors during the requirement and have remained effective. For instance, in the fertilizer and steel sectors, Government enterprises have afforded a substantial contribution and possessed an overwhelming share of the complete economic development. Such enterprises have also supported channelizing the nation’s savings and their share at a later stage. Moreover, regional and economic discrepancies have been reduced through the PSEs. Required infrastructure desired for a nation’s economic growth can also be attained by PSEs. These have afforded a way for several areas and fortified the country’s overall economic structure.

Even though the PSUs were created to expedite the social and economic development of India, however, a major slumber in their performance efficiency and low return on investment (ROI) was observed in these PSUs during the late 1980s. Moreover, with the advent of globalization, more trade policies evolved. Thereafter, to overcome these issues and become updated, reform policies called the New Industrial Policy were constituted in 1991. Under this, the focus was laid on the efficiency of performance and the ability of profit generation through the de-regulation of the policies related to the economy [10]. Liberalization caused a “paradigm shift” in the policies concerning PSUs. Moreover, many sectors that were exclusively reserved under PSEs were unlocked for the private players and the number of reserved industries types was lowered to three. Other measures in this policy also included disinvesting, encouraging sharing and owning of workforces within PSUs, introducing policies related to PSUs that are not performing well, and keeping track of the PSUs, through any improvement towards PSUs can be implemented. In 2010, guidelines from the Department of Public Enterprises (DPE) were introduced in the areas of integrating corporate social responsibility and sustainable growth of these CPSEs. These guidelines were further revised in 2013 to further extend the advantages to backward, remote, and underprivileged areas. More



recently, these PSEs also include national causes such as Swachh Bharat Abhiyan, Make in India, Green India, etc.

2.1. Categories of PSU

PSUs are categorized into three departmental undertakings, government enterprises, and statutory corporations.

2.1.1. Departmental Undertakings

The departmental undertaking comes under PSE is own and shared as a department under the government which is directed by the concerned Minister. This includes AIR (All India Radio), Indian Railways, Atomic Energy, Indian Post and Telegraph Department, etc [11].

2.1.1.1. Features

Departmental undertakings function through the officers of public administration and are managed by civil servants and IAS officers. The employees get appointed by Staff-selection boards and UPSC (Union Public Service Commission). Accounts of such undertakings have been audited through the CAG (Comptroller and Auditor General of India). Funds for such enterprises arrive directly from the public treasury. Revenue earned through such undertakings is also remunerated into the Government treasury. Such undertakings do not possess any administrative sovereignty from the government and include many political interfering. These are also responsible to the respective ministry as the corresponding management is managed by the respective minister.

2.1.1.2. Public or Statutory Corporations

Public corporations are developed by a state legislature or special parliament act. The act states their functions, regulations or rules, and powers of leading them. These possess a distinct legal prevalence and possess to act on their name. Moreover, these are supported by government power and possess significant flexibility. The statutory corporation's overall capital is funded by the Government. These corporations also possess the right for borrowing from the public. Main statutory corporations include LIC (Life Insurance Corporation of India), RBI (Reserve Bank of India), IDBI (Industrial Development Bank of India), UTI (Unit Trust of India), FCI (Food Corporation of India), ESIC (Employee State Insurance Corporation) and ONGC (Oil and Natural Gas Commission) [12].

2.1.1.3. Features

Public corporations are controlled and owned by State or Central governments wherein government possesses complete rights for suitable profits as well as to bear the losses. These are initiated by special-act of state or parliament legislatures. In such cases, the act states the privileges or objects of such statutory corporations that possess distinct legal entities. Such corporations can buy a possession in their name and can also make contracts with the 3rd parties. These contracts will have legal bounds and remain unconcerned with the government budget.

These possess financial independence and arrange their budgets. The government seems to not intervene in the regular operations of public corporations. Moreover, directors are selected by the act provisions and possess their rules about the appointment and fix wages for employees. On contrary, service settings are mounted by the board of directors. Non-government employees work in these organizations. Conditions for service are also afforded in particular acts under their set-up. Following this, the audit is undertaken by the CAG departments. This is accomplished by CA (Chartered Accountants) as in various commercial creations. Financing is typically managed by the government. It also possesses complete power for managing the earned profits from the sale of services and products [13].

2.1.2. Government Companies

The 2013 Companies Act states a government company is any company wherein not lesser than (51%) of paid-up principal is detained by any state or central or partly by the state and partly by the central government. This comes under the "Indian-Companies Act" which is governed by the rationales of this particular act. Such companies are recognized for business purposes. These could contend with private companies. In such enterprises, the government seems to be a major shareholder. It exercises complete control over the company's paid-up capital. Moreover, its stocks are bought on account of the President of the Indian sub-continent [14].

Government firms are categorized into two as,

- a) Wholly owned companies wherein the overall capital are owned by the government.
- b) Partly owned companies wherein the public and government are mutual owners, however, the major contribution of capital is afforded by the government.

Instances of government companies include, SAIL (Steel Authority of India Limited), HMT (Hindustan Machine Tools Limited), GAIL (Gas Authority of India Limited), BHEL (Bharat Heavy Electricals Limited), STC (State Trading Corporations), etc.

2.1.2.1. Features

Government firms are formed by the facilitation of the 2013 "Indian Companies Act". Less than 51% of the paid-up investment is in reverence of the State or Central government or partially in the appellation of State government and partially in the reverence of State government. This could be a completely owned government industry where all the shares are possessed by the government and managed by the directors. It possesses a distinct legal entity and could sue and be sued. This could have a contract with the 3rd parties and could hold property in their name. Employees in such firms are appointed based on the rules and guidelines as encompassed in its Articles and Memorandum



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of Association which comprises internal and objective rules along with the company's regulations. Such companies are subjected to audit and accounting measures. Moreover, the auditor is selected by the Central government based on CAG recommendation. Further, annual reporting is offered to Parliament. Investment in these firms comes from private shareholders and government shareholdings. This permits enhancing funds from the share market.

The success of any PSU depends upon the overall management of its performance [15]. In India, CPSEs have been further classified into three more groups based on the profit made by these organizations and their sizes to provide them with more "autonomy" and "flexibility" than the operational and business level to compete with the private sector in Maharatnas, Navratnas, and Miniratnas. The 'Maharatna' status permits state-owned firms with greater financial autonomy wherein these can make decisions on investments to the tune of Rs. 5,000 crores without requiring approval of the government for a given project, whereas, Navratnas can invest up to a tune of Rs. 1000 crores or up to 15% of their net worth without getting approval from the administration. India currently has 10 Maharatnas, 14 Navratnas, and 73 Miniratnas (61 Category I and 12 Category II). These have proven to have caused a 'corporate renaissance' in the country.

Despite the profit margins evaluated during the status assignment of an organization, it is crucial to have a periodic examination of performance efficiency. According to the latest 60th Annual public enterprises survey 2019-2020 by the Ministry of Finance (2021) [16], out of the 256 operational CPSEs currently existing, most (171) of the PSUs were profitable with a financial gain of Rs. 1,38,112 crores, while the other 84 were facing losses to the tune of Rs. 44,817 crores. It was observed that there has been an increase in the loss-making CPSEs and a decline in profit-making PSUs over the last five years. Unfortunately, 30 CPSEs were experiencing losses frequently. In a 2019 study, it was construed that the cumulative financial performance of the 244 central-based PSUs in the year 2015 to 2016 showed a 12.5% increase in the overall profit compared to the last year (John, 2019) since then, has experienced a phenomenal growth both in terms of number and volume of investment. The government has made sustained efforts to break the vicious circle of poverty and underdevelopment by setting up public sector enterprises or by nationalizing certain key industries. The public sector enterprises in the Indian economy are to play an important role that needs no emphasis. A number of PSEs also serve critical functions of furthering the socio-economic objectives of the government and ensuring stability in prices of key products and commodities. The study is carried on with the objectives such as to study the rationale of public enterprises India, the role of public enterprises in India, to evaluate the performance of public enterprises in India and to identify the problems faced by public enterprises in India. The public sector in India has always played a dominant role in shaping the path of the country's economic development. Visionary leaders of independent India drew up a road map

for the development of public sector as an instrument for self-reliant economic growth. The public sector has provided the much-required thrust and has been instrumental in setting up a strong and diversified industrial base in the country." "container-title": "Journal of Research in Business and Management", "issue": "3", "language": "en", "page": "65-69", "source": "Zotero", "title": "PERFORMANCE OF PUBLIC ENTERPRISES IN INDIA", "volume": "7", "author": [{"family": "John", "given": "M."}], "issued": {"date-parts": [{"2019"}]}, "schema": "https://github.com/citation-style-language/schema/raw/master/csl-citation.json". Moreover, according to the DPE dashboard, the number of profit-making PSUs also increased during the financial year from 2014-2015 to 2017-2018. Along with this, there was a 38.6% enhancement in the contribution toward the central government. However, there was a 4.4% decrease in the total employee strength during that year. According to [17], the top profiting CPSEs include Oil and Natural Gas Corporation Limited (ONGC) with a net profit of Rs. 2,6716 crores followed by Indian Oil Corporation (IOC) with Rs. 1,6894 crores, and National Thermal Power Corporation (NTPC) with a net profit of Rs. 11750. Over the last five years, the economic performance increased in terms of net profit ratio, and inventory turnover ratio. Despite this, the working capital turnover ratio, interest coverage ratio, and dividend payout ratio reduced over the last five years.

Seven major PSUs were chosen to study their financial performance in the time frame of the last five years (2016-2020). These include Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation (HPC), Oil and Natural Gas Corporation Limited (ONGC), Coal India Limited (CIL), National Thermal Power Corporation (NTPC) [18], and Gas Authority of India Limited (GAIL). The profitability ratio was measured in terms of net profit margin ratio and return on net worth (RONW), while the liquidity and efficiency ratios depended upon current ratios and inventory turnover ratio, respectively. In addition to these, the debt-to-equity ratio is estimated as the solvency ratio. The findings revealed that the best mean profitability ratio in terms of net profit margin ratio and RONW as well as the liquidity ratio was observed in Coal India Limited (CIL), while the inventory turnover ratio was highest in GAIL. NTPC showed the highest debt-to-equity ratio. The study recommended that there is a need to enhance the fund of the owners with a reduction in the debit accounts for all the seven PSUs studied here.

Steel Authority of India Limited (SAIL)'s financial performance during the pre(2004-2005) and the postMaharatna status (2015-2016) was empirically examined by [19]. The findings showed no significant variation in the performance of SAIL concerning their current ratio, liquidity ratio, debt equity ratio, and working capital turnover profile before and after the announcement of Maharatna's status of SAIL. However, there was a statistically significant variation in the interest coverage ratio, being higher than the pre-Maharatna times. Moreover, the inventory turnover ratio, return on capital employed ratio,



return on assets ratio, and operating expense ratio was also higher during the post-Maharatna phase. While comparing the total assets turnover ratio, this was found to be higher during the pre-Maharatna times.

The overall financial performance of seven selected Maharatna PSUs during the 10 years (2007 to 2017) was presented in terms of ratios involving current liquidation, net profit, debt-equity, inventory turnover, and return on total assets. The PSUs included in the study are NTPC, ONGC, SAIL, Bharat Heavy Electricals Limited (BHEL), IOCL, GAIL, and Coal India Limited (CIL) [20]. The mean current ratio, return on total assets ratio and net profit ratio were found to be highest in CIL, while the least was observed in ONGC, while the reverse was true for debt-equity ratio over 10 years. The inventory turnover ratio was maximum in GAIL, while the minimum was observed in BHEL. IOCL showed the best overall economic health among the seven Maharatna PSUs, followed by BHEL and ONGC, while the least was observed in NTPC, followed by SAIL. It was concluded that IOCL, BHEL, and ONGC are satisfactorily financially safe during the study time, whereas, NTPC and SAIL are in an economically “distress zone” [21].

Post-Maharatna status, the overall performance from 2011 to 2016 of 24 Indian PSUs in terms of finances was compared based on their yearly performance as well as categories. The seven Maharatna PSUs that were included are CIL, BHEL, GAIL, NTPC, IOCL, ONGC, and SAIL. The Altman model was used to calculate the performance using ratios of working capital, retained earnings, earnings before interest and taxes, sales with total assets, and market value of equity with total liabilities. Using logistic regression, the working capital, retained earnings, the market value of equity, and earnings before interest and taxes significantly impacted the health status of the PSUs. BHEL and Hindustan Aeronautics Limited (HAL) showed the highest ratio of working capital to total assets among all the Maharatna and Navratna companies, respectively, compared in the study. The ratio of retained earnings to total assets was maximum in GAIL and Con Corporation, while Mahanagar Telephone Nigam Limited (MTNL) showed a negative value. The comparison of the ratio of the Altman score between the Maharatna and Navratna organizations showed the highest average from this time frame was observed in Coal India, followed by Con Corporation, Bharat Electrical Limited (BEL), Engineers India Limited (EIL), and National Mineral Development Corporation (NMDC). It was concluded that 13 PSUs were having healthy financial positions, while nine of them had a weaker financial conditions [22].

In an empirical study where the performance in terms of operating, net and gross profit margin, return of capital employed, return on net worth, return on long-term fund, inventory, debtors, investment, fixed assets, total assets, and assets turnover ratio of one Maharatna (BHEL) and one Navratna (BEL), PSU was compared using secondary data from 2011 to 2015. The results revealed that the profitability ratios and management efficiency

ratios decreased drastically in BHEL over the years as against BEL. However, only profitability ratios were found to be significantly varying among the two organizations.

Moreover, [18] examined the financial performance of NTPC, a Maharatna organization using secondary data sources in the period extending from the financial year 2013-2014 to 2017-2018. A balanced scorecard was prepared to keep in mind the strategic objectives and the measures of outcomes in the areas of finance, customer care, processes, and organizational factors. Based on the various financial parameters, 22 favorable and three unfavorable aspects were identified. The unfavorable performance indicators include net profit margin, return on assets, and the current ratio, while the favorable ones include enterprise value net worth, total revenue, net profit/loss during study time, total debt/equity, asset turnover ratio, return of employed capital, return on net worth, inventory turnover ratio, equity dividend rate, basic EPS, diluted EPS, dividend per share, revenue from operations per share, earning retention ratio, EV/Net operating revenue, price per BV, price per net operating revenue, earnings yield, EV per EBITDA, market cap per net operating revenue and P/E ratio. The study also concluded that based on the balance card, NTPC can be considered a “progressive” organization and shows a satisfactory level of performance.

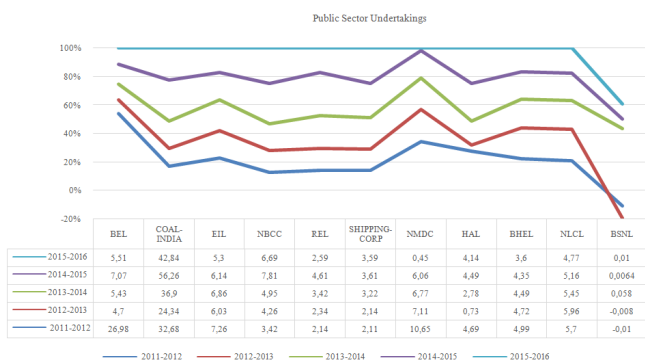
The financial health of two PSUs from the power sector, one Maharatna organization (NTPC) and one Miniratna Category I Company (National Hydroelectric Power Corporation, NHPC) were compared using the Altman Z score model from 2010-2011 to 2014-2015. The financial details of both organizations were obtained in terms of working capital, total assets, retained earnings, earnings before interest, and tax, followed by the calculation of their financial ratios. The calculated ‘z’ score was obtained to 3.3 for NTPC and 1.65 for NHPC. Based on this, it was concluded that the financial condition of NTPC was considered to be “too healthy” in contrast to NHPC. The financial viability of the latter was highly questionable and most likely to be bankrupt.

Likewise, the study [23] intended to research the relationship between CSP (Corporate Social Performance) and CSR (Corporate Social Responsibility) in the power industry, especially in India. Data were gathered from two organizations corresponding to the power industry wherein one industry included private firms and the other included public firms. Variables were comparatively assessed in the public sector and private sector. The questionnaire surveyed 370 workers operating in the power industry with 171 administrators from the private sector and 199 administrators from the public sector. Analytical outcomes exposed that, philanthropic motivation evolved as the dominant motivation of CSR within private and public firms. A private firm was significantly maximum about normative, self-interest, and philanthropic CSR motivations in comparison with public firms. Outcomes have also recommended that private and public sector industries had significant variations on 4 CSR motivations such as coercive, normative, self-interest, and philanthropic. CSR scores

was varying significantly within two private and public power firms where the private firm possessed maximum CSP level in comparison with PSU.

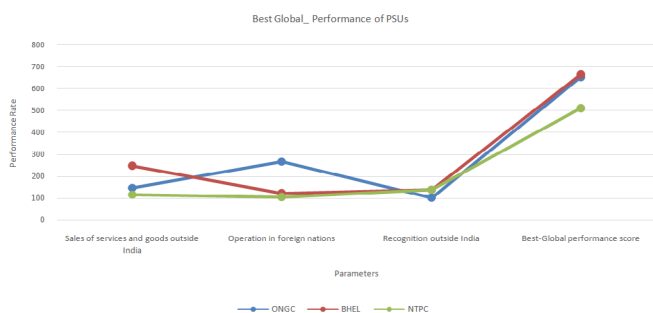
For instance, the financial position of SAIL in terms of its profitability ratios, liquidity ratio, solvency ratios, and overall health through Altman z score from 2010-2011 to 2014-2015 was examined. The findings revealed that there was a decline in the net working capital, retained earnings to total assets, and earnings before interest and tax to total assets over the last five years. The Z score varied between 1.6 and 3.7, indicating it to be in the grey zone. Therefore, the PSU needs to be cautious about financial losses. Thus, PSUs have to regard varied significant measures to improvise their performance. To provide a critical exploration of the performance of PSUs between 2011 and 2016, a graphical analytical representation is presented in figure.1.

Figure 1: Performance evaluation of PSUs (average rate)



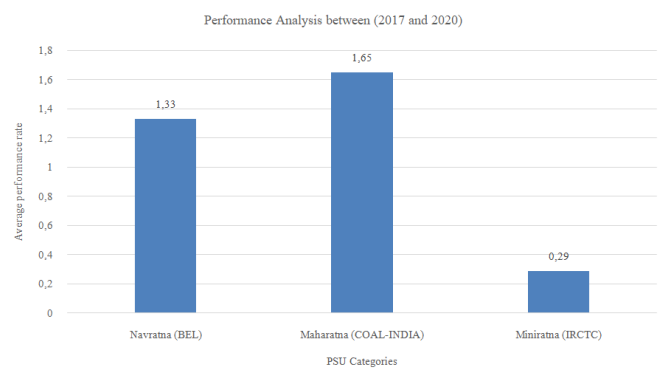
From Figure 1, eleven PSUs (BEL, BSNL, EIL, COAL-INDIA, HAL, NLCL, NBCC, BHEL, REL, SHIPPING-CORP, and NMDC) are presented with their average performance rates. It is found that the considered enterprises have shown optimal performance. However, COAL-INDIA has shown a superior performance rate of 32.68. Followed by this, the optimal global performance of PSUs is shown in figure.2. In this case, ONGC, BHEL, and NTPC are considered. Moreover, analysis has been performed about parameters inclusive of sales of services and goods in countries other than India, operation in foreign nations, recognitions in nations other than India, and the global performance rate.

Figure 2. Best Global Performance of the PSUs



From Figure 2, it is found that BHEL has explored optimal performance than ONGC and NTPC about the considered parameters. Following this, analysis has been accomplished by comparing the performance of three main PSU categories in the years between 2017 and 2020. In this case, enterprises have been randomly chosen to explore the performance of Maharatna, Navratna, and Miniratna. Obtained outcomes are depicted in Figure 3.

Figure 3. Performance analysis of PSU categories (average rate)



From Figure 3, it is revealed that COAL-INDIA has shown better performance at a rate of 1.65 than BEL and IRCTC. Thus, COAL-INDIA has been considered as Maharatna, while, BEL has been regarded as Navratna and IRCTC has been explored as Miniratna. Thus, from the above analytical outcomes, it is evident that Maharatna is much more empowered than Navratna and Miniratna.

3. Reasons for Performance Failure in Public Sector Undertakings

The underperformance, slow growth, or failure of PSUs to reach a healthy level of performance has been attributed to many reasons as highlighted in many studies. The absence of autonomy, bad infrastructure, corruption, rigid HR practices, unrequired non-performing assets (NPA), lack of employee motivation, and interference at the political level are some of the major causes for the failure of the PSUs [24]. Along with this, the deficiency of significance of the motive towards yielding profits, uneconomic and inappropriate sites of the PSUs decided based on the political interference rather than economic reasons, less application of installed capacity, technical inhibitions, flawed recruitment, absence of any logical pricing policies, over staffing, and lack of professional management can decrease the efficiency of the PSUs [25].

In addition, [26] a detailed study on the performance of PSUs reported six major reasons that deaccelerate their efficiency. These include a penchant for social objectives, presence of unskilled labor, absence of essential production materials, delay in completion of the projects, absence of accountability, and



lack of training. The poor financial health due to disinvestments and adverse rate of return on capital used by the PSUs can also financial trouble. Bad selection policies, ineffective appraisal of the performance, absence of development in the career of the employees, bureaucratic obstacles, lack of knowledge in the workforce, negative attitude towards work, lack of satisfaction, and repetitive nature of the job can make the workforce inefficient [27]. Problems also mount up due to postponement of decisions and the presence of redundant employees. To improve the situation of the loss-making PSUs, these points have to be kept into consideration.

4. Recommendations for Enhancing Performance in Public Sector Undertakings

Improvement in the productivity of PSUs can be attained by adhering to the factors that influence performance efficiency. Some of the factors which play a critical role include the existing economic policies, the current market scenario, technology acceptance, and reduction in corruption practices. Suggestions such as the adoption of best practices for increasing productivity such as 4th Industrial Revolution technologies, investing in research and development, conducting market studies, creating exclusive departments for international exposure, identifying the gaps in the skill set of the work power, upgrading the competent employees through training and development programs, collaborating with other PSUs for opening into foreign markets, decrease the dependency on the governments and conducting innovative start-up programs were highlighted for all types of PSUs in general. Further, [28] construed that employee attitude influences the performance of PSUs. There was a positive relationship between trust and participation in decision-making positively with affective organizational commitment, which was mediated by job satisfaction and group commitment.

Along the same lines, it was also comprehended that the employees of large PSUs which are undergoing transformational changes show variation in terms of various internal and external organizational aspects. The work-life balance of the employees is an essential component in achieving high productivity. Moreover, the practice of performance management systems has been suggested to increase the efficiency in the PSUs. A performance management system has been defined as the “comprehensive scientific approach to ensure a link between efforts to individual employees with vision and goals of the organization, to achieve excellence in organizations on one side and satisfaction and growth of employees on the other side”. It is the “continuous process” of recognizing, evaluating and evolving performance and comprises of stages which focuses on the goals of the organizations. This includes a) Performance planning and setting goals, b) Delegating the tasks, c) Performance monitoring and coaching for commitment, d) Measurement of performance and feedback and e) Performance linked reward and development plan. Therefore, it is recommended that the human resources of the PSUs prioritize these practices to enhance their efficiency

levels. Along with this, training of the staff needs to be conducted by these systems, which will lead to the development of positive company culture.

Another aspect that needs reviewing revolves around the applicability of disinvestments, which were considered a “reform initiative” in 1991. Disinvestments have been reported to increase the average CPSE efficiency from 1991 to 2010. There was a significant difference in their efficiency efficacy, age, and size of the firm depending upon its disinvestment. Along with this, there was a negative impact of political factors (state ideology and ideology difference), delicensing industries, and debt ratio of the organizations. In contrast, disinvestment was found to be negatively impacting the financial condition of CPSEs, which puts a serious question on the creditability of the disinvestment policies. In another study, disinvestments were unable to improve the return on assets and return on equity in the 5 years, however, were able to improve the operational efficiency. State ownership in terms of state, GDP, and field sector was observed to control efficiency instead [29].

5. Conclusions and Future Research Directions

This study examined the understanding of PSU’s performance in the Indian context. This evaluation of financial performance particularly becomes extremely crucial due to the unsure economic instability possibly caused due to the advent of Coronavirus disease (COVID-19). Through this review, it was realized that the PSUs have an active role in shaping the economic growth of India. Moreover, India has a glorious history of overturning the failure of PSUs into success stories. Therefore, this warrants the continuous and regular evaluation of performance. Reasons for performance Failure in PSUs were identified, where the current scenario has hardly been assessed. Moreover, recommendations were provided. This review implies largely contributes to the field of PSUs with the prior literature. Since PSUs form the building block of social and economic development of the country, it is extremely critical to identify the loss-making PSUs and then develop suitable performance management systems according to the reasons for the inefficiency in their performances over the years. Along with this, this study forms the foundation stone for the understanding of performance management systems and the role of disinvestments in PSUs. This study can act as the road map for the steps required in identifying the problem areas that the PSUs are currently facing. Finally, it can be concluded that there is ample scope for future research based on the gaps identified in this study.

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