



Why Indian PSUs are in losses?

### **Description**

Reports of PSUs in losses have been lingering from a decade. An increasing number of PSUs, even the highly profitable ones, have run into debts and losses.

There are some general reasons and some specific blunders committed by the Indian government. PSUs are cultivating losses because:

- Indian government has sucked the accumulated cash reserves in the name of special dividends, to meet its short-term fiscal deficit and disinvestment targets. This annual cash reserve was to be used to improve technologies and for capital expenditure. The government is forcing these profit-making PSUs to take excessive loans and buy all of the government's stakes in the other loss-making PSUs. This step was taken in order to meet the disinvestment targets. The government has also asked the oil and gas PSUs to bear the fuel subsidies to counter the increasing fuel prices.
- The government has no place to run businesses. Apart from defence, currency, nuclear energy and some other areas, the government should move aside. Government is getting highly involved and then take these businesses as a part of their own machinery and use them unwisely to meet their targets instead of keeping the PSUs' profits in mind.
- Many of the PSU's products are not of saleable quality, still the workers and managers come daily to the office and leave. And they are getting paid by the government for their unproductivity, as they are in no pressure to produce and recover more than their investments, unlike private companies.
- Also comes the matter of unemployment. A huge number of people are employed but are under-utilized. The salary and pension eat up most of the revenue.
- The unions in the PSUs have also grown strong often the roadblocks for increasing productivity.
- The Minister of State for 'Heavy Industries and Public Enterprises', Babul Supriyo, rightly told the Lok Sabha that "Some common problems for losses in Central Public Sector Enterprises (CPSEs) include old and obsolete plants and machinery, outdated technology, low capacity utilisation, excess manpower, weak marketing strategies, stiff competition, heavy interest burden, high input cost."

### Conclusion :-

The government should move out of the business of running businesses. The scenario will change to a very large extent if the government stops the extracting huge biased dividends to cover up their failures in other areas. And till the government is controlling the PSUs it should be fair to them in all aspects and should not side by private players. Diversification and modernization are utmost needed.

### Your Turn...

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