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Speech of
Shri H.M. Patel,
Union Finance Minister,
at the 13th Annual Convocation
of the Indian Institute of Management, Ahmedabad
on April 1, 1978

Prof. Paul, esteemed members of the faculty, new graduate friends and ladies and gentlemen:

I thank you for the honour you have done me in asking me to deliver the Convocation Address of this Institute. In spite of its relative youth the Indian Institute of Management, Ahmedabad has built up an enviable reputation for excellence. Its very name seems to be a passport for its alumni for entry into the portals of large Business and Industry in our country. It is heartening to find an institution of such distinction at a time when the general state of affairs is one of a decline in the standards of the institutions of higher learning. The Director and faculty are indeed to be congratulated for such a fine achievement in so short a time. So is the student body because without a desire on its part to pursue excellence, no institution can hope to be really good. In academic institutions also, a kind of Gresham's law can and does seem to operate: the bad students drive out the good and the result is that even once excellent institutions are found today to lie in ruins.

You have evidently been able to avoid such a fate. This may have been a matter of sheer luck. A more correct reason could very well be that being a professional institute, all of you have concentrated

on acquiring certain skills and have been pleased to leave the larger task of doing good to the country to others. It is curious how in our country persons who have no other skill or profession readily assume that politics is their metier. Whatever be the reason, I am happy that you have confined yourselves to the groves of academia and made the best use of the opportunities and facilities available to you.

I wish you well in all that you will undertake in future.

I hope that while Academia has protected you from the passions of the outside world, it has not prevented you from acquiring an awareness of the problems which exist beyond its confines. As management experts, you cannot but be aware of the outside world - at least a certain part of it - and there should be little danger of your becoming ivory tower dwellers. Nevertheless, I wonder sometimes if you are fully aware of it. The average management trainee seems to live in a small part of the Indian world of reality - the various Indian Institutes of Management, the multinationals, the large Indian Houses and the larger consultancy firms. Perhaps, this is due to no fault of yours because only these seem to value your professional skills. Elsewhere in Indian business the family tradition persists and the professional manager is unheard of.

What is odd, however, is that the familiar biblical prescription - to him that hath shall be given - prevails with regard to management as well. The large, well organised companies seem to secure more management talent than the small unorganised ones which need it more.

More managerial energy is being expended on producing and selling tooth paste or talcum powder than on handloom cloth or milk - though God knows that the latter need all the effort that can be put into manufacturing and selling. I make this statement without any wish to disparage anyone. Management skills are needed urgently in promoting the production and sale of products of small scale industries, agriculture, the large public sector enterprises and so on. If you look at the efficiency with which the average small scale entrepreneur or the public sector enterprise works, you will agree with me that you should really be working in these areas.

How can we get into these areas, you might well ask, if no one demands our services? And there would be some truth in this contention. The small entrepreneur does not perhaps have the necessary resources though he desperately needs managerial skills for making the gleam in his eye a resounding success. The public sector enterprises seem to be so riddled with problems that much more than management as is understood normally will be needed to make them work well.

But let me ask you if you have not been dazzled by the glittering rewards offered by large organised businesses. The high salaries, the numerous perquisites and a life style of luxury and comfort seem to have persuaded you to fit yourselves into a management structure where your contribution may be minuscule. There seems little desire to seek out avenues where the challenges may be greater and the job more satisfying though the peculiar rewards may not be comparable. Understandably you have chosen to be 'boxwallahs' when you could have been real managers.

I would not dream of suggesting that it is all your fault. Given an opportunity, you might have been as happy doing what I have been mentioning as what you may or will have decided to. The real question is: how is a system to be established that will ensure that your talent flows in one direction than in the other?

The first requirement seems to be that public sector enterprises should strive to be efficient business enterprises, rather than anything else. Being wings of Government, the temptation to impose other objectives on them is very great and no Government has really succeeded in resisting it. They have not only been asked to maximise their profits but also have been enjoined to provide more employment, hold the price line, develop backward areas and so on. The management does not have the necessary freedom to work with efficiency, economy and profitability as its main objectives and has to be in the glare of publicity and criticism which is not always well informed.

It is being increasingly realised that Government enterprises are business enterprises first and that their primary objective must be to earn a satisfactory rate of return on the resources invested. Such a surplus is necessary to ensure that resources are available for reinvestment in further capital formation. Otherwise the rate of growth of gross national product will diminish and the progress towards a higher standard of living for the society as a whole will be slower.

This requires that the enterprise should charge an economic price for its products and should not act as an instrument of Government's redistributive or welfare policies. Government has other means of

implementing these objectives and nothing should be done to distort the working of enterprises. That is why there is now a greater emphasis on charging economic prices for goods and services like irrigation, electricity, railway transport, coal, steel, fertiliser and so on.

Of course many public sector enterprises are monopolies and therefore it would be easy for them to earn surpluses by charging monopoly prices. This has to be avoided. A system has to be devised by which prices are fixed in such a way that at least an acceptable rate of return is earned on the capital invested. This consideration becomes extremely important in view of the large sums invested in Government enterprises. Currently the figure is over Rs. 20,000 crores.

A proper price by itself may not bring in an adequate return. If that were so, so many public sector enterprises will not be making losses as they are at present. What is needed is greater efficiency in operation. There are several reasons why efficiency is lower than desirable in these enterprises. Initially managerial personnel had to be drawn from Government departments because that was the only source readily available. Procedures with more emphasis on accurate accountability and respect for precedents rather than efficient operation were devised. The tendency therefore was to run them as extensions of Government departments rather than as profit maximising entities. Time became the chief casualty in such operations and cost overruns and losses became large. This has changed considerably in recent

years and the personnel, procedures and methods of operation are closer to what they would be in any business enterprise. The process is a continuing one and further progress is naturally to be expected.

The fact that public enterprises have to operate in the glare of publicity is also a serious handicap. Every single hiring and firing is nationally debated. The day-to-day operations are discussed in Parliament. Management often found itself without any support in the game of political football which their affairs were reduced to.

It would be realistic to recognise that public sector enterprises cannot be altogether free from the glare of publicity in a democracy. That does not, however, imply that every single thing happening in an enterprise need or must figure in the Parliament. But there is no way of avoiding anything of a major nature from attracting public attention. On the contrary this must be looked upon as one of the challenges of work in public enterprises. This kind of attention cannot be avoided even in advanced countries like Britain where public enterprises operate with much greater freedom than in our country.

The public sector can offer you other challenges as well. It operates in fields which are on the frontiers of technological advance like oil exploration, heavy electrical equipment manufacture, super thermal electricity generation and so on. The scale of operations is gigantic and the advance is continuous. If management means the manipulation of materials and men you have tremendous scope.

I am aware that the terms offered by public sector enterprises do not compare with those offered by enterprises in the private sector. Salaries in the public sector are related not only to the job and the profitability of enterprises but also have a social dimension. In a society in which a large part of the population is not able to earn even a minimum livelihood there must be a limit to the disparities which government can consciously permit in the name of rewarding efficiency. While there is no doubt that the terms offered should be such as to provide an adequate livelihood they cannot certainly be such as to provide a luxurious life style. As a matter of fact such a life style may be counter-productive so far as managerial efficiency is concerned in our current social climate. It is true that man does not live by bread alone; but the butter and jam do not have to be so thick as to prevent you from reaching the bread.

I must turn to another aspect of our economy which needs management skills even more. You are certainly aware that the creation of employment and work opportunities on a massive scale is necessary in order to remove poverty from our country. This requires large scale investment in agriculture in order to raise production and productivity. This task cannot be completed unless there is a large scale extension service which will disseminate modern technology and cultural practices, a comprehensive organisation for the supply of inputs like water, seed, fertiliser and pesticide, and a widespread marketing organisation which will provide the necessary support and incentive for increased production. While significant efforts have been made so far, they are inadequate if we take into account the magnitude of the problem. There is, therefore,

an urgent need to organise such a supporting system for agricultural development.

If rural and small scale industries are also to be built up in order to solve rural unemployment, the management problems are even more formidable. Proper technology has to be evolved, the myriad small producers have to be provided with the necessary raw materials and designs and the marketing of their products arranged in a profitable manner. That these things can be successfully organised is proved by the success of Amul, not far from this place. The question before all of us is how to replicate this success in other parts of the country and for other products. What is, however, certain is that unless we do this we cannot solve the basic problem of poverty. I would, therefore, request you to consider how you can put your management skills to use in this nation-building task.

I must apologise to you for disturbing your dreams of a comfortable life by pointing to another possible direction to your life. Business and government are no longer separate in our country. Government is so deeply involved in the task of economic development and welfare that it requires that highest skills in achieving these objectives. Its machinery is obviously not adequate for this purpose as otherwise 'Bureaucracy' would not have become not altogether deservedly, a pejorative word. It needs new instruments and a new outlook to solve these large and daunting problems. Some of you have to be these new instruments and provide the new outlook.

In a way it seems to me you have no alternative. Already the public sector is dominating the industrial scene. As years go by,

the public sector will be even more dominant and will constitute the mainstream of our growth; its culture, norms and moves will dominate the management scene. What now is considered the culture and lifestyle of management will be the obsolete life style of a minority.

On an altogether different plane, the task of national economic management also presents serious challenges and opportunities. Thirty years of development have left us with many minuses and pluses. The most important indictment of our development effort, it seems to me, is the fact that even today about half the population continues to be below the poverty line i.e., Rs. 70 per month. This indicates plain unemployment on a large scale and considerable under-employment for many who scratch some kind of a livelihood. To enable these people to have an adequate livelihood, it has been estimated that work opportunities have to be provided for about 70 million people.

On the other hand, the economy has also many notable achievements to its credit. We have achieved a wheat revolution and the output of wheat has increased from a little over 16 million tonnes in 1967-68 to 30 million tonnes in the current year; the target for 1982-83 is 36 million tonnes. We seem to be quite capable of achieving a similar success with regard to our other major food crop, viz. rice. We have made promising advances with regard to cotton and sugarcane. What I consider to be even more significant is the fact that we have given a complete lie to the gloomy prophecies in the last decade, of India being unable to feed her large population and, therefore, doomed to chronic famines.

But our real success lies in modernising the outlook of the farmer. Text books of yester year made him out to be a tradition bound individual who looked to the heavens and not to himself for his prosperity. He was said to be averse to change and impervious to new ideas. Today he has shown that he is a shrewd businessman, willing to adopt well proved technological advances, receptive to new ideas, prepared to benefit from facilities provided and also capable of fighting for the cause of his prosperity. The fact that we have about 50 million hectares under irrigation, 37 million hectares under high yielding variety seeds, 4.2 million tonnes of fertiliser usage, about 5.7 million pumpsets and 16 million tonnes of foodgrains in stock is ample proof of his energy and dynamism.

That we are aiming still higher in the new Five Year Plan shows our confidence in his ability to make further advances and emphasises our conviction that intensive cultivation provides a major solution to the problem of rural unemployment. But the task is not simple because what needs to be done is far more comprehensive than what has been achieved so far. Modern technology has to be taken to the thousands of rice farmers who dot the larger part of the country. The diversity of the conditions under which rice is grown presents complex problems. There is a wide variation in soil, climatic and rainfall conditions. The problems of drainage and pest infestation are serious. Similarly, the output of pulses needs to be raised if the protein needs of a growing population are to be adequately met. So also that of oilseeds.

This requires further research, new cropping practices and comprehensive pest control. But the success achieved so far gives us the confidence that our scientists will solve the problems of plant breeding and that we will develop the necessary extension, input supply, credit and marketing systems to replicate the achievements of our scientists on our fields.

This alone will not be enough to achieve rural prosperity because it will not take care of all the problems of the small farmers, marginal farmers and landless labourers. The development of subsidiary occupations is an important condition of their viability. You will, I am sure, understand my pride in the cooperative dairy movement in the Kaiba district. There is little doubt that it is an eminently suitable model of a subsidiary occupation, provided we are able to organise a proper supply and distribution system. Similar remarkable success has been achieved with regard to poultrying elsewhere. We have to persist along these and other lines if we are to really build a society free from poverty.

In the last thirty years we have achieved the distinction of being the tenth largest industrial country in the world. We produce 8 million tonnes of steel, over 100 million tonnes of coal, 19 million tonnes of cement, 2.7 million tonnes of fertiliser and 100 bn. Kwh. of electricity. You will probably not be able to appreciate the magnitude of this achievement because you were not born when trucks, scooters, electric bulbs, wires, switches, railway engines and coaches, radios, refrigerators, stoves, diesel engines, pumps, machine tools and so on had to be

imported into the country. Next time you want to complain about the poor quality of an Indian made product please pause for a moment to reflect on our achievement in the last three decades. Please also remember that we have come sufficiently of age to compete on equal terms in world markets and sell in those markets trucks, diesel engines, railway wagons and coaches and electric generators; and that our capabilities are recognised sufficiently for us to get contracts overseas for building airports, townships, railway lines, electric transmission systems, sugar plants and textile factories.

Yet we have to go far. Electricity shortages are so common that we have to increase electricity generation by 65 per cent in the next five years. This will mean a concomitant increase in coal production of about 50 million tonnes because a large part of the increase in electricity will come from super thermal stations. Fertilizer production will have to go up steeply because our requirements will go up with more intensive cultivation and because we still import large quantities from the world market. Petroleum exploration and production will have to grow apace because nearly two-thirds of our current requirements are imported and our needs are bound to grow with the progress of the economy. Cement production will have to go up by 50 percent or so because of the needs of irrigation projects and housing construction.

While the advance in these basic sectors will be along familiar lines, we have to pursue new avenues for the sake of employment. The growth of large scale industry has destroyed village and small scale industries and has led to a migration of rural labour into towns in search of work. However, employment opportunities have not increased

adequately because of the capital intensity of modern industry. Hence it is necessary to revive small scale industry in order to provide more employment and prevent migration into towns and the consequent emergence of a whole host of social problems.

The aim is not to increase employment by making inferior products through the use of inefficient techniques. What is required is efficient technology which will use the most abundant factor of production viz., man power. Till now we have been happy to borrow techniques developed in labour short economies and therefore unsuitable from our point of view. We have to break away from this tradition and seek the development of an appropriate technology. Unfortunately both our engineers and managers have been averse to meeting this requirement of our progress. The former have not been able to get over their training developed in an alien environment. The latter have been in a sense failing in their primary function viz., husbanding and utilising all available resources with the utmost efficiency. This needs to be corrected urgently.

Till now a great deal has been talked about the development of appropriate technology, but precious little has been done. The problems of poverty and unemployment are so acute that we have now perforce to act - and act speedily. A systematic investigation of existing techniques and the scope for their improvement needs to be launched without delay. Also the question should attract the attention of the best industrial scientists as plant breeding did two decades ago. As in the case of plant breeding, we have to do it ourselves because the problem does not exist in the developed countries.

Convocation addresses are supposed to be full of stirring words exhorting those about to venture into the world to sally forth with stout hearts and sharp swords and cover themselves with glory. As

you see, I have done no such thing. I would only request you to be true to yourselves. You will have covered yourselves with glory if

you prevent waste and promote efficiency; if you succeed in getting things done with minimum effort, and if you make the wheels of

commerce and industry go round a little more smoothly. Managers are not heroes on a battle field, but persons concerned with making the ordinary business of life run a little more smoothly. They are not powerful searchlights exposing vast areas but glow worms illuminating evenly a small area. What matters is illumination and its even spread. Glow worms are not to be derided. They play a vital role and I hope you will have no hesitation in being good glow worms.

Thank you !
