

**12th Shrawan Tandon Memorial Lecture**  
**Organized by ARSIPSO at the India International Centre (IIC), New Delhi**  
**August 23, 2025**  
**Lecture Delivered by: Shri K.N. Shrivastava, IAS (Retd.)**

## **Introduction**

The Association of Retired Senior IPS Officers (ARSIPSO), in collaboration with the India International Centre (IIC), organized the **12th Shrawan Tandon Memorial Lecture** on August 23, 2025, at IIC, New Delhi. The annual lecture series commemorates **Shri Shrawan Tandon**, an iconic police officer renowned for his integrity, fearlessness, and commitment to public service. A former commissioned officer in the Indian Army and later an IPS officer, Shri Tandon rose to serve as DGP (UP) and later as DGP, BSF. His legacy continues to shape generations of officers.

The event was graced by senior administrators, members of ARSIPSO, and distinguished guests, including members of the Tandon family. The President of ARSIPSO, Shri Dinesh Rustagi, delivered the opening remarks and highlighted the significance of PSUs in India's developmental journey, especially in the context of India's aspiration to become a developed nation by 2047.

The keynote lecture was delivered by Shri K.N. Shrivastava, IAS (Retd.), Director of the India International Centre, whose professional career spans senior leadership roles in state and central governments, including Public Sector Undertakings (PSUs), culture, civil aviation, and disaster management. His extensive experience made him uniquely positioned to speak on the theme: "Contribution of Public Sector Undertakings in the Development of India."

## **The Speaker's Address**

Shri K.N. Shrivastava delivered an expansive and deeply reflective talk that combined historical analysis, macroeconomic insights and personal administrative experiences.

### **Understanding Public Sector Undertakings and Public Enterprises**

At the outset, Shri K.N. Shrivastava clarified the fundamental distinctions between the different institutional forms that make up India's public sector ecosystem—an area often conflated in public discourse but central to understanding governance, accountability, and performance structures. Public Sector Undertakings (PSUs), he explained, are companies registered under the Companies Act and owned wholly or partly by the central or state governments. Their corporate structure allows them to function as commercial entities with boards, balance sheets, and operational autonomy, while still being publicly owned. In contrast, Public Enterprises or statutory corporations come into being through specific legislative acts passed by Parliament or state assemblies—such as the Food Corporation of India, Life Insurance Corporation of India, or the Airports Authority of India. These entities operate with greater statutory authority and clearer public mandates, often undertaking activities that require sovereign legitimacy or large-scale coordination.

A third institutional category, the departmental undertaking, represents entities run directly under government ministries, the most prominent example being Indian Railways. These organizations do

not possess a separate corporate identity and are managed through administrative hierarchies, following government rules of business. Shri Shrivastava noted that appreciating these distinctions is important because each form entails a different mix of autonomy, procedural oversight, responsibility allocation, and risk appetite. Understanding these governance architectures sheds light on why some public sector entities operate with greater flexibility and commercial orientation, while others remain closely tied to public-policy objectives.

### **Historical Evolution of PSUs in India**

Tracing the evolution of the public sector since Independence, Shri Shrivastava situated PSUs within the broader economic and political milieu of newly independent India. In the late 1940s and early 1950s, private industrial capabilities were severely limited, and the nation urgently required large-scale capital formation, infrastructure creation, and institution-building. The celebrated “Mysore Model”—a state-led program of industrial development that Mahatma Gandhi himself acknowledged as a living demonstration of economic self-reliance—proved influential. Taking inspiration from such examples, and guided by the objective of building a socialistic pattern of society, India adopted a development model where the public sector would occupy the commanding heights of the economy.

This vision was crystallized in the Industrial Policy Resolution of 1956, which reserved strategic and heavy industrial sectors—such as steel, defence production, mining, energy, telecommunications, and railways—exclusively for public sector operation. Over subsequent decades, public sector enterprises such as BHEL, ONGC, Coal India, NTPC, Indian Oil, and SAIL became the backbone of India’s industrial and infrastructural expansion. The scale of this transformation is evident from the numbers: from merely five PSUs with a total investment of ₹29 crore in 1951, India now hosts 418 PSUs (as of 2023–24), of which 272 are operational. Public investment in these enterprises has grown to ₹27.7 lakh crore, generating an annual net profit of ₹3.43 lakh crore and creating direct employment for over nine lakh individuals, with another two to three indirect jobs generated for each position. Their financial contributions extend further through dividends—₹55,000 crore in 2024–25, rising to an estimated ₹69,000 crore for 2025–26—demonstrating their continued fiscal significance.

### **Multifaceted Contributions of PSUs**

Across seven decades, the contribution of PSUs has been both multidimensional and foundational. Shri Shrivastava emphasized that PSUs have been central to building India’s core industrial and infrastructural capabilities. The public sector led the creation of steel plants, petroleum refineries, transmission lines, rail networks, airports, pipelines, mining operations, and urban infrastructure—domains where the private sector either lacked the requisite capital or was unwilling to take long-term risks. Without these early investments, India’s industrial base and infrastructural backbone would have remained underdeveloped.

A second major contribution has been the role PSUs played in balancing regional disparities. Many of India’s heavy industrial plants and public enterprises were deliberately located in economically backward or geographically remote regions. This strategy catalysed local economies, attracted ancillary industries, and improved employment prospects in areas such as Rourkela, Bhilai, Bokaro, Neyveli, and large swathes of North Karnataka. Over time, these regions evolved into thriving industrial clusters—an outcome that would have been unlikely without the public sector’s early presence.

The public sector has also served as a stabilizing force in national markets. PSUs in petroleum, coal, fertilizers, and steel enabled the uniform availability of essential commodities across India at controlled and predictable prices. This counter-cyclical role becomes especially important during periods of inflation, commodity shocks, or shortages, when public enterprises help prevent volatility from affecting ordinary citizens.

In terms of technology and strategic capability, Shri Shrivastava highlighted that institutions such as ISRO, DRDO, HAL, and BHEL built indigenous competencies that today place India among the top global players in space, defence, and heavy engineering. These achievements underscore the unique developmental mandate of PSUs: to invest in high-risk, high-capital, long-gestation projects critical to national security and scientific advancement.

Finally, PSUs have nurtured a vast network of micro, small, and medium-sized enterprises (MSMEs), many of which depend on them for assured procurement and technology-sharing. These linkages have contributed to employment, regional industrialization, and the emergence of supplier clusters across the country. In many ways, PSUs have functioned as engines not just of production but of ecosystem-building.

### **Reforms and the Post-1991 Scenario**

Reflecting on the post-liberalization era, Shri Shrivastava noted that the economic reforms of 1991 marked a turning point in the organisation and expectations of the public sector. The dismantling of industrial licensing, the opening of markets, and the entry of private competition compelled PSUs to operate with greater efficiency, competitiveness, and financial discipline. Far from rendering the public sector obsolete, liberalization actually necessitated a new form of PSU governance—characterised by autonomy, innovation, and professionalism.

In this context, the government introduced frameworks such as the Navratna, Miniratna, and later Maharatna designations, granting select enterprises enhanced financial and operational freedoms. Performance-based Memorandums of Understanding (MoUs) were instituted to establish annual targets and assess accountability, thereby improving strategic alignment between ministries and enterprises. Partial disinvestment in many PSUs expanded their access to capital markets and imposed market discipline, while also professionalising boards and diversifying ownership structures. Although transitions have varied across sectors, these reforms collectively signalled a shift from a control-oriented to a performance-oriented public sector landscape.

### **Systemic Challenges Confronting PSUs**

Despite their strengths, Shri Shrivastava underscored several systemic challenges that continue to affect PSU efficiency and sustainability. The first is excessive political interference, particularly at the state level, where operational decisions involving staffing, procurement, contracts, or long-term planning are often influenced by political considerations rather than enterprise needs. While political oversight is legitimate in publicly funded institutions, intrusive interference erodes autonomy, distorts priorities, and compromises performance.

A parallel challenge is bureaucratic interference, manifested through ministry representatives on PSU boards who may lack domain expertise but wield substantial influence over decisions. This results in delays, risk aversion, and a breakdown of the intended board-management separation. Shri

Shrivastava noted that ministry-appointed directors often endorse decisions during board deliberations but may later take contrary positions when files return to the ministry—creating uncertainty and inconsistency.

Another major constraint is the audit structure. PSUs are subject to audits by the Comptroller and Auditor General (CAG), whose approach historically prioritises fault-finding over constructive engagement. Unlike private companies audited by professional chartered accountant firms, PSUs face audit processes that frequently overlook context, ignore achievements, and disproportionately magnify minor procedural lapses. This creates a demoralising environment for management and fosters a culture of excessive caution. Shri Shrivastava proposed reforming this model by incorporating external professional auditors to complement the CAG's constitutional role.

Finally, the composition of PSU boards remains a persistent concern. Political appointees or individuals without relevant technical or managerial experience often occupy board positions, diluting the enterprise's capacity for strategic decision-making and enabling conflicts of interest. He emphasized that unless boards are professionalised and insulated from patronage, PSUs cannot realise their full potential.

### **Future of PSUs**

In his concluding reflections on this section, Shri Shrivastava argued that despite periodic debates about disinvestment and privatization, PSUs will continue to occupy an essential place in India's development trajectory. Their role in ensuring strategic autonomy—especially in sectors such as energy, space, defence, transportation, and natural resources—remains indispensable. They also provide stable and meaningful employment, often in regions lacking private-sector opportunities, thereby contributing to social cohesion and economic mobility.

PSUs operate in sectors where private players may hesitate due to low profit margins, long gestation periods, or high risks, such as rural electrification, affordable fertilizer supply, rail connectivity, and upstream oil exploration. During times of crisis—whether commodity shocks, global disruptions, or natural disasters—the government consistently relies on PSUs as first responders and stabilizers. Shri Shrivastava pointed to global examples, particularly France, where robust public sector enterprises continue to coexist with dynamic private markets, demonstrating that public ownership and economic efficiency need not be at odds.

He concluded that the future of PSUs lies not in diminishing their role but in reforming governance, ensuring autonomy, strengthening accountability, and professionalising leadership, thereby enabling them to continue as pillars of India's development state.

### **Speaker's Personal Experiences in PSU Leadership**

One of the most compelling aspects of Shri K.N. Shrivastava's lecture was his candid reflection on his extensive field experience across a range of public sector undertakings. By drawing from real-world administrative challenges and successes, he illustrated the complex interplay of autonomy, political will, institutional culture, and managerial skill that determines the fate of PSUs. His experiences underscored a central message: public sector performance is not inherently limited but contingent on governance conditions. Where professional autonomy, political support, and administrative coherence

align, PSUs can deliver transformative outcomes; where these elements erode, even well-designed institutions struggle.

### **Upper Krishna Project (Almatti Dam)**

Among his most significant professional assignments, Shri Shrivastava described his tenure as Managing Director of the Upper Krishna Project—an ambitious irrigation initiative centred on the Almatti Dam. The project had languished for decades due to financial constraints, administrative delays, and an overdependence on external funding agencies whose conditionalities slowed progress. A turning point emerged when the Karnataka government, recognising the strategic importance of the project for the drought-prone northern districts, extended full operational freedom to the project leadership. Bureaucratic bottlenecks were removed, decision-making was delegated, and the state boldly raised capital from domestic markets—even at high interest rates—when international institutions proved unhelpful.

This political resolve and managerial autonomy enabled rapid progress. The project, which had been stalled since the 1960s, was finally completed within a compressed timeframe. Its impact was profound: regions that had suffered from chronic water scarcity were revitalised, agricultural productivity soared, and entire districts—once considered economically stagnant—emerged as hubs of fruit cultivation. Shri Shrivastava noted that Bijapur, Bagalkot, and surrounding areas have since become some of India's most productive horticultural belts. The Almatti experience demonstrated not only the transformative capacity of public infrastructure but also the decisive influence of governance quality.

### **Hutti Gold Mines**

Shri Shrivastava next recounted his stewardship of Hutti Gold Mines, India's only operational underground gold mining enterprise. When he assumed charge, the mine was grappling with ageing infrastructure, low productivity, and declining profitability—conditions common in extractive PSUs facing capital constraints. Recognising the long-term potential of the mine's reserves, he initiated a comprehensive modernisation program that required both technological upgrading and managerial restructuring. Despite the operational risks posed by modernization—often involving temporary production dips—he prioritised long-term efficiency gains over short-term comfort.

These interventions paid off dramatically. Within a few years, gold production increased nearly fivefold, and Hutti transformed into one of Karnataka's most profitable public enterprises. The case illustrated how PSUs dealing with natural resources, when professionally managed and provided investment support, can perform comparably to private firms.

### **Karnataka Milk Federation (Bangalore Dairy)**

Reflecting on his work with the Karnataka Milk Federation (KMF) and the Bangalore Dairy, Shri Shrivastava highlighted the critical role of public cooperatives in improving rural livelihoods. In the early 1980s, while southern Karnataka had developed strong dairy networks, the northern districts remained underserved. Tasked with expanding the cooperative model to these areas, he helped spearhead the establishment of collection centres, chilling infrastructure, and farmer outreach systems. This expansion laid the foundations for sustained dairy-led economic growth.

Today, Karnataka stands as India's second-largest milk producer—surpassed only by Gujarat—with northern districts contributing significantly to this success. The example demonstrated how well-governed public dairy systems can stimulate rural entrepreneurship, strengthen farmer incomes, and build resilient supply chains.

### **Power Sector in Karnataka**

Discussing the Karnataka power sector, Shri Shrivastava offered a nuanced view of how political leadership shapes public utility performance. During the tenure of Chief Minister S.M. Krishna, he observed a rare period of administrative stability, policy clarity, and non-interference. Even in years of severe drought, power generation and distribution were managed efficiently, ensuring minimal disruption to consumers. However, following a change in government, political and bureaucratic intervention intensified. Frequent leadership changes, interference in staffing and procurement, and lack of continuity led to operational disarray. Losses escalated sharply, illustrating how fragile PSU efficiency can be in the face of governance volatility. This experience reinforced his argument that managerial autonomy and insulation from political pressures are fundamental to sustaining performance.

### **Bangalore Metro Rail Corporation**

Turning to his role as the first Managing Director of the Bangalore Metro Rail Corporation, Shri Shrivastava described an instructive contrast between well-planned project preparation and politically disrupted execution. After extensive negotiations with the Government of India, he secured approval for Phase 1 of the Metro project at an estimated cost of ₹7,000 crore. However, political leadership changes ushered in conflicting priorities. Certain leaders sought to promote monorail technologies for personal or ideological reasons, despite their technical unsuitability for a city like Bengaluru. His resistance to these pressures resulted in his removal from the project.

The consequences were significant: implementation delays of nearly 5–7 years and cost escalation to ₹16,000 crore. The episode vividly illustrated how political interference—particularly when driven by individual agendas—can derail major infrastructure projects, burdening both public finances and citizens.

### **Ministry of Civil Aviation**

In his tenure at the Ministry of Civil Aviation, Shri Shrivastava played a pivotal role in facilitating India's airport modernisation programme during 2006–09. He worked closely with the Airports Authority of India and private concessionaires to streamline clearances, resolve inter-departmental bottlenecks, and ensure logistical coordination across multiple agencies. The outcome was the development or modernisation of several major airports, which today stand among the finest globally. He highlighted that the public-private hybrid model adopted by India—where private operators manage major airports while AAI focuses on tier-2 and tier-3 regions—has allowed for balanced and scalable expansion of civil aviation infrastructure.

## **Discussions**

Following the lecture, an engaging and wide-ranging discussion unfolded, with participants raising thoughtful questions that touched upon governance, policy design, institutional reform, and the evolving role of PSUs in a liberalizing economy. The exchange enriched the session, highlighting the collective experience of senior administrators and the continued relevance of public sector reform in contemporary India.

### **Governance Reforms**

Several attendees inquired about the scope and depth of governance reforms since the 1991 liberalisation. Questions focused on the efficacy of performance-linked Memorandums of Understanding (MoUs), the professionalisation of PSU boards, and whether joint sector models—such as those used in companies like Titan—could provide a viable pathway for PSU transformation. Shri Shrivastava acknowledged that while incremental reforms had been introduced, the structural challenges remained largely unaddressed. He stressed the need for deeper institutional redesign to align incentives, build managerial capacity, and establish stable governance frameworks.

### **Political and Bureaucratic Interference**

Participants voiced concerns about the pervasive influence of political and bureaucratic actors in recruitment, procurement, and operational decisions—citing the example of GATE-based hiring processes where ministry preferences override PSU autonomy. Others highlighted the uneven regional performance of PSUs, noting that states with historically weak governance environments struggle to attract or sustain public sector investment. Shri Shrivastava agreed that interference—whether political or bureaucratic—remains a core structural impediment. He emphasised the need for clear demarcation of responsibility between boards, ministries, and managements.

### **Privatisation**

A set of questions addressed the contemporary debate on privatisation, particularly in sectors involving natural resources such as minerals and hydrocarbons. Participants sought clarity on whether full or partial disinvestment yields better outcomes and raised concerns about the government's increasing equity stakes in loss-making private enterprises, such as Vodafone Idea. Shri Shrivastava reiterated that enterprises managing strategic natural resources should not be privatised, as private incentives often conflict with long-term national interests. He stressed that resource extraction requires a balanced approach involving conservation, employment, and inter-generational equity—objectives better aligned with public ownership.

### **Airport Privatization**

On the issue of airport privatization, audience members questioned the rationale behind handing over major, revenue-generating airports to private operators while public funds continue to build new infrastructure. Shri Shrivastava explained that India's hybrid model is both deliberate and effective: private entities manage mature, commercially viable airports, enabling efficiency and service quality, while the Airports Authority of India focuses on expanding connectivity in smaller cities and underserved regions. This dual strategy allows for equitable development and ensures that aviation growth is not concentrated only in metropolitan hubs.

## **Audit Culture**

Participants also questioned why the audit culture—particularly under the CAG—remains focused on fault-finding rather than facilitating improvements, despite decades of administrative reform. Shri Shrivastava responded that unless PSU audits are aligned with practices in private industry, using professional audit firms that balance compliance with constructive feedback, the present system will continue to demotivate managements and fuel risk aversion. He renewed his call for an audit framework that supports accountability while acknowledging operational realities.

## **Conclusion**

The 12th Shrawan Tandon Memorial Lecture offered a deep and nuanced reflection on the indispensable role of PSUs in India's nation-building journey. Shri K.N. Shrivastava's address reinforced the idea that:

- PSUs are not relics of a bygone era; they are pillars of strategic capability, social equity, and infrastructure development.
- However, their effectiveness depends critically on professional governance, appropriate autonomy, and reform of audit and oversight mechanisms.
- India's development trajectory—particularly its 2047 vision—requires a balanced model where public and private sectors complement each other, with PSUs playing a stabilizing and enabling role.

The session concluded with warm appreciation for the speaker and recognition of his contributions to Indian public administration and policymaking.