



**PLANNING AND ECONOMIC AFFAIRS (BPE) DEPARTMENT**

**No. 2293/BPE-1/98/Plg., Thiruvananthapuram  
dated, 23<sup>rd</sup> April 1998**

**CIRCULAR**

*Sub.-* Public Sector Undertakings-Financial management Identifying areas of economy as well as sensible deployment of profits-Instructions issued.

It is often noticed that once a Public Sector Undertaking makes even a nominal profit in a particular year. In spite of heavy losses during previous year, it goes on a spending spree and starts paying incentive, performance-cum-motivation allowance, “good attendance allowance” etc. But sound financial management requires that substantial segment of the profits should be ploughed back into the reserves of the company so as to generate adequate resources for product diversification, technology upgradation and replacement of obsolete and worn-out machinery. This sound and sensible approach is not being adopted by the Public Sector Undertakings. A major qualitative change in this regard is already overdue. Government are therefore constrained to remind the Chief Executive of Public Sector Undertakings that they cannot lean on financial support from Government for all time to come, but will have to generate their own resources by sound financial management which includes identifying areas of economy as well as sensible deployment of profits.

**K. MOHANDAS**  
*Secretary*