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Research Paper

Public Sector in Indian Economy

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Abstract
The government through its public sector business try to hasten the economy's expansion by building and improving infrastructure, but their efforts have been hampered by excessive spending and bad planning. Efforts made by government-owned businesses are focused on eradicating regional inequalities by promoting a more equitable distribution of economic growth across the nation. The change was first noticed with the emergence of private sector enterprises in India (especially after the Economic Reforms of 1992), but it has since shifted back toward the public sector due to several limitations associated with the private sector and the expanding opportunities available in the public sector. The government invests heavily in underdeveloped areas and has launched numerous initiatives in the realm of constructive Endeavour's. The public sector has a long track record of success in social welfare, and despite the problems inherent to any complex system, the way things are being handled generally points in the right direction.
Key Words: *Public Sector, Private Enterprises*

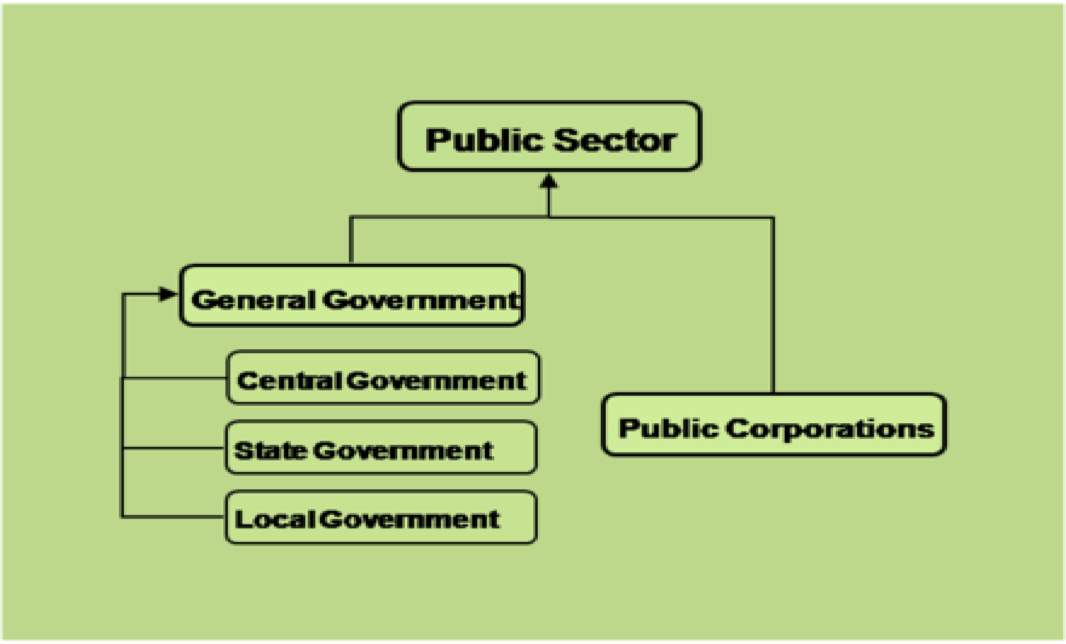
I. INTRODUCTION:

In order to establish a strong foundation for India's economy, the nation's forefathers relied heavily on the public sector. When the government in India was first established, one of its primary goals was to provide the groundwork for the country's rapid economic growth and development. In order to balance economic growth and social fairness, public enterprises have been crucial ever since they were established . Prior to its independence, India was a backward and underdeveloped country with a primarily agricultural economy, a high unemployment rate, low savings and investment rates, and almost no infrastructure. The economy of India required a significant boost. The private sector lacked the resources and risk appetite to initiate this initiative. Thus, public sector government involvement was required to foster economically sustainable growth, increase economic diversity, and eradicate social and economic underdevelopment.

The production, distribution, and distribution of goods and services by and for the government or its residents fall within the purview of the public sector, often known as the state sector. Since the country's independence, the government has learned how to organise and run its industries by "trial and error" . Due to the relative ease of managing a departmental enterprise, that is how the businesses were initially structured.

Afterwards, a period emerged in which the government company form was the norm. Following the lead of other countries, especially England, India eventually embraced the corporation as a legal structure. And many different kinds of corporations, including sectoral ones, multipurpose ones, and ones dedicated to development, sprung up as a result. The last major change was a return of joint enterprises, which followed global trends. The management has always been a difficult obstacle to overcome. Firstly, there has always been a shortage of managerial expertise in the country, both historically and currently.

It's also important to pay attention to the other main problem, which is the make-up of management boards. Here, government bureaucrats are added to the board of directors, violating the idea of enterprise independence. The enterprise is effectively reduced to a government agency due to the management board's heavy skewing of policy decisions in favour of the government.



OBJECTIVES:
(a) To encourage rapid economic development through the creation and expansion of infrastructure
(b) To generate financial resources for development
(c) To encourage redistribution of income and wealth
(d) To create employment opportunities
(e) To encourage balanced regional growth
(f) To encourage the development of small-scale and ancillary industries, and (g) to encourage exports and import substitution.

PERSONAL ADMINISTRATION IN PUBLIC SECTOR:
Problems with human resource management in the public sector are a major contributor to the sector's inefficiency, waste, and lacklustre performance. New hires must comply with the government's general standards regarding reservations, etc., which may be implemented at the discretion of individual state firms or by a central personnel agency for a cluster of enterprises in a given sector.

The widespread practise of seconding public servants to top management undermines the initiative of inbreeding and leaves insiders feeling disillusioned, dissatisfied, and apathetic.

Furthermore, it is crucial to give attention to the problem of how to compensate workers right away. Lower-level managers typically receive significantly less pay than CEOs and other top executives. Most government agencies only update their character rolls annually in preparation for annual performance reviews. As a result, both business standards and productivity keep falling.

ROLE OF PUBLIC SECTOR:
1. Filling the Gaps in Capital Goods: There were significant gaps in the country's industrial structure at independence, especially in the areas of heavy industries like steel, heavy machine tools, oil exploration and refining, heavy Electrical and equipment, chemicals and fertilisers, defence equipment, etc. These voids have been partially filled by the public sector. With the help of strategic capital goods production, a solid foundation has been laid for rapid industrialization. The government's efforts have greatly diversified the economy's manufacturing base.
2. Employment: In an effort to reduce the high rate of unemployment, the government has generated millions of new employment opportunities. Employment in India's organised industrial sector is roughly two-thirds public sector. As a result of the government's takeover of numerous hospitals, millions of jobs have been preserved.
3. Balanced Regional Development: Most of the nation's public sector's factories are situated in economically depressed and largely undeveloped regions. The lack of modern conveniences such as a reliable power grid, clean running water, a functioning municipal infrastructure, and sufficient human resources meant that these communities were unable to fully develop. These infrastructures, established by public agencies, have had a profound impact on the economic and social conditions of the local populations.

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4. Contribution to Public Exchequer: Public firms have been contributing significantly to the Government exchequer through the payment of corporation taxes, excise duty, custom duty, etc., in addition to generating internal resources and dividends. By doing so, they contribute to the effort to raise money for the purpose of supporting the demands associated with the country's planned development. There has been a significant increase in the overall contribution from public enterprises in recent years, with a compound annual growth rate (CAGR) of Rs 81,438 crores between 2002-03 and 2004-05.

5. Export Promotion and Foreign Exchange Earnings: Some government-owned firms have done a lot to boost exports from India. Some companies that have excelled in export promotion include the State Trading Corporation (STC), the Minerals and Metals Trading Corporation (MMTC), Hindustan Steel Ltd., Bharat Electronics Ltd., Hindustan Machine Tools, etc. From Rs 35 crores in 1965–66 to Rs 42,264 crores in 2004–05, the public sector firms' foreign exchange revenues have increased steadily.

6. Import Substitution: Some government-owned firms have done a lot to boost exports from India. Some companies that have excelled in export promotion include the State Trading Corporation (STC), the Minerals and Metals Trading Corporation (MMTC), Hindustan Steel Ltd., Bharat Electronics Ltd., Hindustan Machine Tools, etc. From Rs 35 crores in 1965–66 to Rs 42,264 crores in 2004–05, the public sector firms' foreign exchange revenues have increased steadily.

7. Research and Development: Due to the fact that the majority of government-owned businesses operate in the high-tech and resource-intensive sectors, they have invested heavily in R&D. The public sector has established a solid and extensive foundation for the country's ability to fend for itself in the areas of technical expertise, maintenance, and repair of complex industrial plants, machinery, and equipment. Public sector organisations have become less reliant on imported technology as their employees' technical proficiency has increased. Public sector organisations have been able to compete effectively in the global market thanks to advances in technology.

As a corollary to the foregoing, the public sector has been instrumental in achieving constitutional goals such as the decentralisation of economic power, the expansion of public control over the national economy, the establishment of a socialist social order, etc. The public sector's network of institutions has made significant contributions to the nation's ability to support itself.

CAUSES OF EXPANSION OF PUBLIC SECTOR IN INDIA:

1. Rate of Economic Development and Public Enterprises: It was argued that the need for public firms in India was warranted because the government's target rate of economic growth was much higher than what the private sector could produce on its own. For all intents and purposes, the private sector would not have been able to assist the government in achieving its goal of a rapid rate of economic expansion.

2. Pattern of Resource Allocation and Public Enterprises: The pattern of resource distribution determined upon under the plans is another factor contributing to the growth of the public sector. The Second Five-Year Plan changed the government's focus from agriculture and consumer products to manufacturing and mining, specifically fundamental capital goods industries. Consequently, the government played a larger role in directing industrialization funding.

3. Removal of Regional Disparities through Public Enterprises: The necessity to ensure uniform growth across the country and prevent major regional discrepancies was another driving force behind the public sector's growth. In areas with low economic development and insufficient natural resources, the government established commercial enterprises. The Neyveli Project in Madras and the Bhillai, Rourkela, and Durgapur steel plants are just a few examples of large-scale infrastructure projects that were intended to spur industrialization in the local areas .

4. Sources of Funds for Economic Development: At first, government spending was a significant contributor to growth. Government-owned businesses can reinvest their profits back into their respective sectors, or they might utilise the money to start up or grow an entirely new sector. Capital formation, essential for the quick development of the country, can be funded directly from the profits of public sector enterprises.

5. Socialistic Pattern of Society: The Constitution's ideal of a socialist society can't be realised without expanding the role of the public sector. This means that decisions about which items will be manufactured, how many, and when, will have to be made in one convenient spot. It is one of the goals of the Indian Constitution's guiding principles to make the country's economic and social structure more just. This is now a top priority for the government's long-term plans. Through broad usage of the public enterprises, income inequality was reduced and a more equitable distribution of revenue was attained.

6. Limitations and Abuses of the Private Sector: The development of government was influenced heavily by private sector activity and mindset. Many times, the private sector was helpless to act because it had the resources to do so or because its members were unwilling to take the necessary risks on large, long-term initiatives. The government has been forced to take over a private sector industry or industrial unit on many occasions for reasons including the safety of workers and the protection of customers from being exploited. Many times, businesses in the private sector fell short of their social responsibilities and inefficiently used resources. As a result, public institutions had no choice but to nationalize or otherwise seize control of previously privately held businesses.

LIMITATIONS OF PUBLIC SECTOR:

(a) Overstaffing: Ineffective labour planning has led to overstaffing at a number of public companies, including Bhilai Steel. Inaccurate labour force forecasts are being used in the recruitment process. Executive positions, on the other hand, often go empty for years despite a ready supply of qualified candidates.

(b) Poor Project Planning: The demand and supply, cost-benefit analysis, and technical feasibility of investments are often not properly considered in many government-run businesses. As a result of insufficient criteria and poor planning, several projects have been delayed and over budget. It has been widely reported that many government projects have gone over budget and behind schedule.

(c) **Excessive Overheads:** Government-owned businesses have high operating costs because of the social infrastructure they must maintain. Establishment costs accounted for as much as 10% of the entire project budget in certain circumstances. Such overhead and welfare amenities necessitate on-going investment for upkeep. Hindustan Steel spent a total of Rs 78.2 ctr on new townships. Though such conveniences are likely to be appreciated, they shouldn't come at an excessive cost.

(d) **Over-capitalization:** Several public firms are over-capitalized as a result of poor financial planning, ineffective financial supervision, and the cheap availability of money from the government. Hindustan Aeronautics, Heavy Engineering Corporation, and Indian Drugs & Pharmaceuticals Ltd were all deemed to have excessive capitalization by the Administrative Reforms Commission. This over capitalization led to a high capital-output ratio and the waste of scarce capital.

(e) Inefficient Management: Our government's handling of its own businesses leaves a lot to be desired. Due to incompetent management, uninspiring leadership, excessive centralization, frequent transfers, and a lack of personal stake, managerial efficiency and effectiveness have been low. Government employees assigned to run these businesses are frequently unqualified and bureaucratic because of this. Initiative, flexibility, and swift judgements are hampered by political meddling in daily operations, strict bureaucratic control, and inefficient distribution of authority. Executive and employee motivation and morale are poor since the right incentives aren't being offered.

(f) Under-utilisation of Capacity: Low capacityutilisation is a major issue in the public sector. Many businesses have not maximised their fixed asset utilisation because they lacked clear production targets, efficient production planning and control, and an accurate forecast of future needs. Many resources are currently being wasted. Poor materials management and inefficient inventory control might be to blame for low productivity in particular situations.

(g) Lack of a Proper Price Policy: There is no uniform pricing policy for government-run businesses, and the government hasn't specified a minimum rate of return for any industry. In the absence of a clear command, pricing decisions made by public companies are not necessarily based on rational analysis, despite the fact that these organisations are tasked with achieving a wide range of socioeconomic goals. There is not enough cost awareness, quality awareness, or waste and efficiency management, and there is a dogmatic approach to pricing.

PRIVATE SECTOR LIMITATIONS – A WAY TO PUBLIC SECTOR ENTERPRISES:

Without proper infrastructure, it is hard for a country to grow economically. In the history of private enterprise, no one has ever been able to fund the construction of infrastructural facilities, and it is not in the philosophy of private enterprises to engage in economic activity for no other reason than that it is good for the nation. About 75% of India's first 20 years of planning time went toward developing the country's rudimentary infrastructure.

When private companies don't develop an area, the government steps in with massive investments. The private sector will not undertake a high-risk endeavour with a slim probability of success. The former Prime Minister of India, Smt. Indira Gandhi, once said, "We advocate public sector for three reasons; to gain control of the commanding heights of the economy; to develop in terms of social gain or strategic value rather than primarily on considerations of profit; and to provide commercial surpluses to finance further economic development."

STEEL AUTHORITY OF INDIA LIMITED

In 1971, India's government initially investigated the possibility of establishing a holding company for the country's steel and related input sectors. The Government of India considered the following two goals when moving in this direction:

India's rapid industrialization, with the government playing a central role in the country's overall economic expansion.

The government's ability to prioritise future growth by allocating resources specifically to those areas that have been identified as crucial to that end.

With these factors in mind, the Government of India approved a proposal in January 1972 to establish a holding company for the steel and other input sectors, and on January 24, 1973, SAIL was formally established. In addition, the Indian Iron and Steel Company (IISCI) was established in the private sector in 1952 after many years of successful work. Later on in 1972, the Indian government took control, and SAIL absorbed it as a subsidiary. The following businesses were merged into SAIL as a result of the Iron Companies (Restructuring) and Miscellaneous Provision Act, 1978 becoming law on May 1, 1978.

1. Hindustan Steel Ltd.
2. Bokaro Steel Ltd.
3. Salem Steel Ltd.
4. Rourkela IspatLtd. ,
5. Durgapur Ispat Ltd.
6. SAIL International Ltd.

Bharat Aluminum Company Limited (BALCO)

Bharat Aluminum Company Limited (BALCO), established on November 27, 1965, was the pioneering public sector enterprise in this field. The Ratnagiri project in Maharashtra and the Korba project in Madhya Pradesh are two of the largest aluminium projects the firm has ever undertaken.

a)RatnagiriAluminium Project :

The project is predicated on the use of the 85 million metric tonne and 130 million metric tonne bauxite resources in Udgiri and Dhangarwad in the Kolhapur district of Maharashtra. Ratnagiri is home to the smelter, which gets its power from the nearby Koynahydel station. This company began providing technical consulting services to West German firm MessersVareinigeAluminium Works in January 1966. Their full analysis estimated a total cost of Rs.68.88 cr., which included Rs.18 cr. in FX and Rs.4.55 cr. for the township. The closer we looked, the more we realised that these projections were optimistic. The consultant agreement's provisions were also unworkably strict. The consultants stated that they were unable to make changes to the contract. Their contract had to be broken as a result.

Later in August of 1969, BALCO formalised a new consulting arrangement with Hungarian firm Messers Chemo-complex, which had previously worked with the corporation on its Korba project. National Industrial Development Corporation, BALCO's Indian engineering consultants, and MessersChemokomplex, who contributed process and operating know-how and direction from erection to start-up of the facilities, collaborated under this arrangement to produce a complete project report. On February 16, 1972, the company presented the government with a report detailing plans for the smelting plant.

As a means of making use of the anticipated surplus from the Korba complex, it was planned to set up the smelter with the technical aid OT the USSR before the alumina plant. On April 29, L 1974, the government approved the Ratnagiri project, which was expected to cost around Rs.78.825 crores.

b)KorbaAluminium Project :

The Korba project is supported by electricity generated at the Porba Thermal Power Station and bauxite reserves in the L the Amarkantak and Phutkapahar districts of Madhya Pradesh. According to the Geological Survey of India, Phutakpahar and Amarkantak have bauxite resources worth 25 million and 84 million tonnes, respectively. Recent surveys and prospecting by the Geological Survey of India in the region have revealed indications of a possible new resource of over 110 lakh tonnes. The yearly production rates for alumina at the Korbaaluminium facility will be 2 MTPA, aluminium metal at 1 MTPA, and aluminium semis at 5,000 MTPA (rolled and extruded products).

Hungarian firm Messers Chemokomplex, in partnership with the National Industrial Development Corporation Ltd., completed a detailed project study for the Korba alumina Plant in December 1966. The company signed a deal with the Hungarian company Messers Chemokomplex in December 1967 to have them oversee the factory and offer the necessary engineering expertise. The alumina plant's civil construction is done, and contracts for the plant's core technological infrastructure have been completed. The first stream at the alumina facility was only being used at half capacity as of April 21, 1973. As of March 1975, a total of Rs.36.00 crores had been spent on this endeavour. In 1975, trials of the New alumina plant's performance were concluded successfully. In 1974–1975, 55,350 M.T. of calcined alumina were produced, which was a major increase from the previous year's total of 11,548 M.T. In 1975–76, the goal was to produce 70,000 metric tonnes of alumina and 18,000 metric tonnes of aluminium. A total of 69,700 metric tonnes of aluminium metal were produced this year. While aluminium output stayed the same at 24,758 tonnes in that time period, alumina production increased to 1,04,370 tonnes. The smelter in Korba saw its installed capacity increase from 25,000 to 50,000 tonnes on September 20th, 1977.

Due to power disruptions, the firm only produced 1,16,460 alumina tonnes and 31,841 aluminiumtonnes in 1977–1978. In that year, production of both alumina and aluminium increased, with the former adding 1,26,650 and the latter by 33,751 metric tonnes. The output of alumina fell to 1,16,640 tonnes in 1979-80, whereas production of alumina increased to 35,751 tonnes. In 1990–1991, production was ramped up to a whopping 1,000,000 tonnes. The company's output increased every year from 1980–81 to 1984–85. In 1984–1985, production of aluminium was 87,000 tonnes, whereas 1,60,640 tonnes of alumina were created. Production of aluminium ingots peaked at 37,320 tonnes in 1985–86, then increased to 36,400 tonnes the following year, dropped to 28,040 tonnes in 1987–88, and finally levelled off at 21,609 tonnes in 1988–89.

II. CONCLUSION:

Over the last six decades of planning in the country, there has been a distinct shift in the assigned function of state businesses, from reaching the commanding heights in the national economy and easing out the private sector, to opening up, 'liberalisation,' and 'globalisation.' Determining the proper function of the public sector in the Indian economy has been and will remain a persistent obstacle for the country's leaders.

The public sector has been organised and controlled by "trial and error" since independence. The business was initially organised into departments because of how much simpler it is to run and manage. After then, a time period with government companies as the norm evolved. India adopted the corporation as a legal form after seeing its use in other countries, particularly England. And as a result, we see the rise of development corporations, multi-purpose corporations, and sector-specific corporations.

The most recent significant shift occurred when joint ventures became popular again, mirroring a widespread phenomenon. Getting past management has always been a major challenge. To begin, there is and always has been a dearth of experienced managers in the country.

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