

Financial Surplus in Public Sector

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1. INTRODUCTION

In view of the huge investment of around Rupees sixty thousand crores involved in public sector units of the Central and State governments (G.I., 1982-83), it is necessary to examine how far public sector generates financial surpluses and what determines their quantum. From the very inception of economic planning in India, public sector was designated to play a key role not only in setting up new units but also in generating investible surpluses. The Second Five Year Plan stipulated that "an enlargement of the savings of public authorities is urgently necessary if the State is to discharge efficiently the new and growing responsibilities it is being called upon to shoulder" (P.C., 1956, p. 90). In the Seventh Five Year Plan it is again emphatically declared that "only in the measure that the public sector generates investible surpluses, can it play its indispensable social role of providing an adequate infra-structural base for the economy....." (P.C., 1985-90, p. 6). Having gone through more than three decades of planned growth in which public sector played an important role in setting up new industries, it would be only appropriate to examine how far public sector has succeeded on the savings front. This is a question that is of considerable concern to the planners and policy makers.

The data on public sector savings show interesting trends. Table 1 (cols. 4 and 5) shows that at current prices while the ratio of public sector product to Net Domestic Product, $\frac{PP}{NDP}$, has steadily increased over the years, the ratio of public sector saving to its net product, $\frac{SP}{PP}$, shows a dissimilar trend. $\frac{PP}{NDP}$ has steadily increased from 10 per cent in 1960-61 to well above 20 per cent in 1980-81. $\frac{SP}{PP}$ does not show a similar steady increase. After rising to around 25 per cent during mid-sixties, the ratio $\frac{SP}{PP}$ declines perceptibly in the following years. There is a spurt in $\frac{SP}{PP}$ once again in mid-seventies, followed by a significant decline