

**GROWTH AND PERFORMANCE OF
PUBLIC SECTOR IN INDIAN ECONOMY :
A REVIEW OF SELECTED ASPECTS**

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INTRODUCTION

In this study we review the growth and performance of the public sector in the Indian economy. The development and expansion of public sector was a major strategic objective behind the policy adopted by the Government of India in order to achieve rapid industrialization and the transformation and modernization of the economic structure. An analysis of its growth and performance would therefore be important and useful in several respects. Such a subject is, however, vast in its scope and complex in its dimensions. We have accordingly restricted ourselves to only some selected aspects of its role and performance in the Indian economy.

The literature available on the public sector in India includes a large number of studies which variously deal with the organizational, administrative and managerial aspects of the functioning of the public sector. This includes problems such as accountability, forms of control and organization, autonomy of management, balance between autonomy and accountability, etc. A review of these studies is not however our principal concern here. Instead we present a summary of the essential elements of the organizational characteristics of the public sector.

In brief terms, the study seeks to analyse the size and role of the public sector in quantitative terms and assess its efficiency and performance with selected indicators. The role and performance of the public sector are reviewed with the help of existing studies available on the subject and from various other sources of data and information.

While reviewing the growth and share of the public sector in various sectors of the economy, we have used National Accounts Statistics (NAS), Monthly Statistical Abstract (MAS) and Transactions of Public Sector (TPS) published by the Central Statistical Organization (CSO). For the analysis of the size and share of the public sector in the manufacturing sector, we have mostly used data published by the Bureau of Public Enterprises (BPE). We also present our estimates of per employee value added at constant prices in the public sector by major industry groups. On the other hand the review of the role of the public sector in railways and electricity is based on data and analysis derived from Plan documents and committee reports.

Also, a comparison of the public sector and the private sector in terms of financial ratios, has been attempted with the help of Financial Statistics of Large Private Corporate Companies and Central and State Government Companies compiled from surveys conducted by the

Reserve Bank of India. The analysis of the state of affairs in capacity-utilization is largely based on the data derived from BPE reports and Reports of the Committee on Public Undertakings (COPU).

We must however point out that the data available on various aspects of the public sector have several limitations. Consequently, it is not possible to analyse the size and share of the public sector at a more disaggregate level. It is also not easy to combine ASI data (which follows National Industrial Classification) with BPE data. Data on capacity utilization also suffers from other limitations and deficiencies which we have pointed out in our investigation.

Our plan in this work is as follows: we open with a brief discussion on the necessity and evolution of the public sector in particular. This is followed by a synoptic review of organizational forms, control systems, and the special type of administrative and business environment that exists in public sector enterprises.

Against this background of policy and organizational structure, we present in the second chapter, a macro-level review of the public sector in the Indian economy since the last two decades (1960-1980). In addition, we review in a slightly more elaborate manner, its role and performance in manufacturing, electricity and railways.

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Following this macro-review of the public sector, we present a brief discussion on certain problems and elements of pricing policy in the public sector. However, it is not our intention here to discuss various theories or individual industry-wise studies, but to merely indicate certain common principles and problems.

We later return to review the performance of the public sector enterprises in the manufacturing sector with the help of selected important indicators, i.e. financial ratios, capacity-utilization, factor-productivity, and its role in technological development. A part of this discussion is based on studies available, while the rest is based on data and information derived from various official sources and reports.