

UPSC Civil Services Examination

UPSC Notes [GS-III]

Topic: Public Sector [UPSC Economy Notes]

Public sector is a major part of the Indian economy that comprises public services and enterprises and it provides services which benefit the entire society.

The public sector can be classified into:-

- Departmental Undertaking – Directly managed by concerned ministry or department. (E.g. Railways, Posts etc.)
- Non-Departmental Undertaking – PSU (e.g. HPCL, IOCL etc.)
- Financial Institution (e.g. SBI, UTI, LIC etc.)

The rationale behind the establishment of PSU's was Industrialisation and establishment of Capital Goods Industries and Basic Industries.

The organizations that are not a part of the public sector are termed as private sector that works to raise profit for the organization.

To know details about [Public-Private partnership](#), check the linked article.

Objectives of setting up Public sector Unit

- To create an industrial base in the country
- To generate a better quality of employment
- To develop basic infrastructure in the country
- To provide resources to the government
- To promote exports and reduce imports
- To reduce inequalities and accelerate the economic growth and development of a country.

Role of Public Sector in the Upliftment of Society

The public sector plays a major role in uplifting the economic condition of society in various ways.

The major role of the Public sector can be explained below:

1. **Public sector & capital formation** – This sector has been a major reason for the generation of capital in the Indian economy. A large amount of the capital comes from the Public sector Units in India
2. **Creation of Employment opportunities** – Public sector has brought about a major change in the employment sector in the country. They provide a lot of opportunities under various domains and thus helps in uplifting the Indian economy and society.
3. **Development of different regions** – Establishment of major factories and plants has boosted the socio-economic development of different regions across the country. Inhabitants of the region are impacted positively with respect to the availability of facilities like electricity, water supply, township, etc.
4. **Upliftment of research and development** – Public sector units have been investing a lot to introduce advanced technology, automated equipment and instruments. This investment would result in the overall cost of production.

Problems of PSUs

The major problems of PSUs can be stated below:

- Inappropriate investment decisions
- Improper Pricing Policy
- Excessive overhead cost
- Lack of Autonomy & Accountability
- Overstaffing
- Trade Unionism
- Under Utilization of capacity

PSU Reforms

The major PSU reforms are given below:

- New Industrial Policy 1991
- Voluntary Retirement Scheme, 1988 (Golden Handshake)
- Administered Price Mechanism

- Policy of Navratnas (Best performing PSUs were called Navaratnas)
 - Government gave them a significant degree of autonomy so they can perform better.
- Policy of Mini Ratnas (Presently 60 PSUs have been granted this status)
- Policy of Maharatnas (category created in 2010)
 - Net profit should be 2500 crore
 - Net worth should be 10000 crore
 - Turnover should be 20000 crore
 - PSU must be a Navratna and must be listed in [Stock Exchange](#)
 - PSU also must have a significant global presence.
 - In 2010 Govt granted 4 Navratnas Maharatnas status to ONGC, IOCL, SAIL, and NTPC. After sometime Govt granted this status to CIL.

