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.