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Why Do We Still Need Public Sector In India?

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On themidnight between the 14th and 15th of August 1947, on the eve of India's independence from British rule, Jawaharlal Nehru the first prime minister of India delivered to the Indian Constituent Assembly a historic speech known the world over as '*The Tryst with Destiny*'. I quote hereunder an excerpt from this landmark speech

> *" …. The achievement we celebrate today is but a step, an opening of opportunity, to the greater triumphs and achievements that await us. Are we brave enough and wise enough to grasp this opportunity and accept the challenge of the future? Freedom and power bring responsibility. That responsibility rests upon this assembly, a sovereign body representing the sovereign people of India. Before the birth of freedom, we have endured all the pains of labour and our hearts are heavy with the memory of this sorrow. Some of those pains continue even now. Nevertheless, the past is over and it is the future that beckons to us now. That future is not one of ease or resting but of incessant striving so that we might fulfil the pledges we have so often taken and the one we shall take today. The service of India means the service of the millions who suffer. It means the ending of poverty and ignorance and disease and inequality of opportunity. …"* (courtesy to *https://www.theguardian.com).*

When the country became independent, its first native government had to tackle many major socio-economic problems that had been keeping the nation economically and socially down. The government had to face these problems head on and put the nation on a strong development path. Tackling them with the required effectiveness was a series of 'incessant striving' for the new government. The government did not have the necessary resources to accomplish the tasks that kept evolving. Absence of infrastructure and industrial base, dearth of funds, and lack of technology and trained manpower made the challenge more formidable. Nonetheless it was inevitable for the national government to handle the formidable challenge by itself. No private sector agency or entrepreneur would have undertaken this 'incessant striving' to fulfil the pledge of service to the suffering millions, aiming at rapid ending of their poverty, ignorance, disease and inequality of opportunity. Firstly, there did not exist private entrepreneurs of the required gigantic sizes with massive resources and practical experience, to undertake such enormous responsibility even with government funding. The tasks involved had to be accomplished by using science, technology, engineering & construction, and modern management techniques. The private sector could not have gained access to these requirements. Secondly, their profit motive and policies regarding employment of the citizens and

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ensuring their social welfare left them unqualified to be entrusted with any major part of this mountainous responsibility, except in the areas of enterprises that were earmarked for private participation. Protecting the interest of the common population was paramount. They had to be rapidly lifted out of unemployment, starvation and subhuman living conditions and general deprivation of social justice. Another important consideration was that the government wanted that the capital assets formed in the country should remain the property of the people. These were possible only through public ownership. Thus, it naturally evolved as a government or public sector responsibility to undertake and accomplish the mammoth task of national development, employing its own public servants, using funds owned or borrowed by the government, This is how the Public Sector began in India, vested with the responsibility for visualising, planning, implementing, owning, operating and controlling various developmental programmes including the assets that came into existence through them.

In the beginning the government had to build up and strengthen the public sector by purchasing or licensing various proven technologies, machines and materials from industrially advanced foreign countries for use in the building of our infrastructure and heavy industries. The purchases were funded through various international loans, aid and grants. The loans were of long repayment terms with low interest, and were mostly linked with supply of machines and/or materials needed for the development projects. Foreign technical experts were hired through the loan-giving governments to oversee projects implementation and to train Indian engineers and technologists. Also, our engineers and managers were sent to those countries for studies and training. The extremely committed first generation elected rulers of independent India who had endured the pains of the nation's freedom struggle, strived hard and succeeded in these efforts. They shaped the public sector well. Under the management of the well-meaning first-generation public servants the public sector started and went ahead doing good work facing the big challenge.

From what is stated above it is clear that if *poverty, ignorance, disease* and *inequality of opportunity* (PIDIO)are there,the public sector will have its major role to play.

For alleviating PIDIO and to build and continuously improve and expand the components of development stated under *infrastructure, industries* and *services* mentioned above, the public sector had to accept the following functional challenges, as simultaneous activities.

- Formulating and Planning of development programmes in all sectors
- Sourcing the funds and other inputs including men and materials for actualising the programmes

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- Physical implementation of the programmes including the building up of infrastructure and setting up of heavy and technology-driven industries in the public sector, and development of ancillary industries and small-scale units in the private sector
- Accelerating the growth of agriculture and agriculture-based industries and businesses
- Building massive housing for the citizens and creating social infrastructure for their good life
- Building of adequate research and testing facilities, side by side with higher education facilities.
- Reducing imports, producing substitutes and developing export capability
- Procurement and distribution of industrial raw materials as well as goods and services for human consumption
- Improving the utilisation and conservation of natural resources
- Removal of regional imbalances
- Ending of the concentration of income and wealth in a few wealthy families, and ensuring equitable distribution of income
- Generating income for the national exchequer
- Reaching education and health care facilities to the entire population
- Generating employment and personal income for the citizens
- Practicing good governance in all departments and all offices of all governments at all levels of public administration, and giving good services to the people in all organs of the public sector
- Efficient administration of justice and elimination of crime and corruption

Besides the above key tasks, there was the need for protecting the sovereignty and integrity ofthe nation and ensuring perpetual defence preparedness.

The founding fathers had adopted a planning model that was substantially *socialist* by routing the developments, as far as possible, through public sector. But at the same time, to take advantage of the investment capabilities of the private sector, did encourage the private entrepreneurs to invest in specified sectors of industries and trade, subject to certain statutorily stipulated restrictions with regard to sizes and profit-making, aimed at avoiding monopoly and profiteering. This freedom enabled the setting up of many private enterprises side by side with the public sector, to substantial common advantage. By the economic liberalisation of 1991, even foreign investors were given the liberty to make direct investment in India in sectors other than the few reserved strategic ones. This model of the co-existence of both the public and private sectors is the mixed economy. This model did not however dilute the government's attention on public sector development.

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Why Do We Still Need It?

Even with 68 years of developmental efforts since the start of the First Five Year Plan in 1951, India has not yet reached the status of a 'developed' country. How many more years are necessary to achieve self-sufficiency in vital sectors as envisaged by the first-generation rulers of free India is anybody's guess. The larger percentage growth achieved in GDP in the post-liberalisation years do not mean much because the base on which growth is achieved is very low. For easier understanding of this point of fallacy, compare the difference between a small lemon growing by 10% in size and a large water melon growing by 3%. The per capita income of India is one of the lowest in the world. In 2016 it was 133rd out of 175 countries reported on by The World Bank.

An economically fully developed country could perhaps contract out to private agencies the responsibility for maintaining and replenishing its national assets or permit new vital enterprises and commercially used major infrastructural installations in the private sector. India will take several more decades to reach that level. Even then in the Indian context the public sector will have substantial roles to play. The 'socialist' Indian population consider the public sector as their 'own', and so, will always hold on to it. Retention of the public sector with continuous enlargement and strengthening will do immense good to the common people of India who do have in it equal right of usage and employment. The need to fully do away with regional imbalances does also justify the retention of public sector with continuously enlarging role.

While on this topic it should be remembered that even in the economically advanced capitalist countries including the United States of America there are many public sector enterprises that owns and operates infrastructural utilities for public benefit. They comprise railroads, bridges, tunnels, road transport, electricity generation & distribution, water purification and distribution, and the like.

What Are the Threats It Is Facing?

Indian public sector has, no doubt, made huge contributions towards socio-economic developments, but at the same time it has been causing colossal wastage of scarce national resources through a number of poor performances and unpardonable failures, that were avoidable.

Braving innumerable problems of mountainous proportions, the first generation elected rulers who had earlier sweated and shed their own blood and the upright public servants who headed the public sector strived hard and through a few early Five Year Plans achieved substantial progress. However, before long, under the leadership of the subsequent generations, poor performance started creeping in. A few of them are listed below:

- Long delays in the completion of development projects, for avoidable causes

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- Colossal time & cost overruns in mega projects
- Huge financial losses in the operation of public sector enterprises,
- Billions of rupees worth non-performing assets (NPAs) – meaning irrecoverable loans, in public sector banks.
- Unpardonable failures in the human developments, including health and education
- General shortfalls in almost all developmental targets
- Poor governance in government offices
- Unabated rise in crimes and corruption

While national infrastructural undertakings or public utilities (PSUs) are primarily not built with profit motive, reasonable returns on investments are expected from central public sector enterprises (CPSEs.) and state level public enterprises (SLPEs.) engaged in industries and commercial services. At least they should not eat up the capital invested and then ask for more capital investment to defray current revenue expenses. About 50% of the enterprises are making losses, draining out the nation's financial resources. Low capacity utilisation is a major cause of loss. At any point in time one could see a good number of CPSEs and SLPEs in the list of sick industrial companies. According to the definition in the Indian Companies Act, an enterprise is reckoned as 'sick' when either of the below-mentioned two situations happens.

(1) The Accumulated losses in any financial year equal to 50 per cent or more of its average net worth during four years immediately preceding such financial year; or

(2) Failed to repay its debts within any three consecutive quarters on demand made in writing for its repayment by a creditor or creditors of such enterprise.

Large number of CPSEs and SLPEs are facing the threat of being sold out to private sector or foreign investors, or being totally closed down. At the time of writing this the government is planning to sell 67 large sick CPSEs, including Air India, Fertilizer Corporation of India, Hindustan Shipyard, Hindustan Machine Tools, Mahanagar Telephone Nigam Ltd (MTNL), Bharat Coking Coal, Indian Telephone Industries, Bharat Wagon and Engineering, Heavy Engineering Corporation, Tungabhadra Steel, Scooters India, Bengal Chemicals, National Jute Manufacturers, Burn Standard, Konkan Railway Corporation and British India Corp.

Almost everywhere there is huge deficiency in the delivery of public services by government offices. Corruption and crime have become rampant. Because of these the public sector is facing fierce wrath of the public.

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However, the general public, despite being wrathful, does not want to sell out or close the public sector. What it wants is a rapid substantial improvement in the management of the public sector.

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